



# ITALIAN FASHION, TECHNOLOGY

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

Mario Moretti Polegato  
*Geox S.p.A. Chairman*



# MISSION AND VALUES

Geox is based on an innovative idea that aims to ensure quality and well-being. We believe that the application of ethical principles of solidarity and environmental sustainability are needed for the long-term development of our company and of the world in which we live. Just as we guarantee the quality of our products, we also take a commitment to ensure that they are the result of a fair job, innovative production processes that are sustainable and environmentally friendly.



# INNOVATION ABOVE ALL

The development of the "breathing technology" is Geox's mission. The company continues to invest in R&D in order to improve the existing lines and to launch new products able to combine the ability to breathe and to be waterproof.

As of today, the Geox Group has deposited over 60 patents in Italy, which have been extended internationally.



# EVERYDAY COLLECTION

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

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



# GEOX WORLDWIDE

Geox is a wholly Italian idea but with a strong international vocation. Over 60% of its turnover is achieved abroad in more than 100 countries worldwide.

In order to optimize the commercial penetration in the individual markets, Geox distributes its product through around 10,000 multi-brand selling points but also through a network of 1.299 mono-brand shops.



GEOX SHOP SHANGHAI

# BRAND WITH HIGH VISIBILITY

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

Since 2011 the Group decided to test new technologies by using the highly visible world of Formula One as a proving ground.



INFINITY RED BULL RACING AND GEOX WORLD CHAMPIONS F1™ 2013

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# CHAIRMAN'S LETTER



## To the Shareholders,

2013 was a year of considerable change for Geox, with the introduction of a new management team and the definition of the 2014-2016 strategic plan, which was presented to the financial community last November. This plan, starting with a reduction in corporate complexity, tighter cost control and a return to a focus on Geox's technological DNA, concentrates on the product to maintain our leadership positions in Europe and to develop new markets in Eastern and Northern Europe. In addition, Geox intends to increase its presence, through rapid expansion, in countries such as China, Hong Kong and the Far East in general.

Clear and well identified projects, whose common denominator is the focus on comfort, breathability, an updated, contemporary design, and the products that represent Geox's core business and which generated the Company's success.

As announced in previous press releases, the main feature of 2013 was the difficult economic situation in some of the most important markets for the Group, namely Mediterranean Europe, the resulting weakness of the multi-brand channel and a decline in the mono-brand franchise channel, mainly due to the closure of stores that were underperforming.

However, the various steps taken by the Company are beginning to produce the first positive results. I refer in particular to the steady improvement in sales by direct stores with comparable sales up 5% in the fourth quarter of 2013, a trend that is continuing to show good performances also in the first few weeks of 2014. This positive response on the part of consumers makes me confident that the strategy we have chosen is the right one and that the new management team's implementation ability is in line with expectations and with the objectives of the business plan.

**Mario Moretti Polegato**

# BREATHES

ALWAYS AT EASE, ANYTIME, ANYWHERE, IN ANY SITUATION.  
OUR ELEGANTLY HIGH-TECH FOOTWEAR IS DELIGHTFULLY FUNCTIONAL AND BREATHABLE.  
EVERY DAY, ALL YOUR LIFE.



## GEOX

# DIRECTORS' REPORT

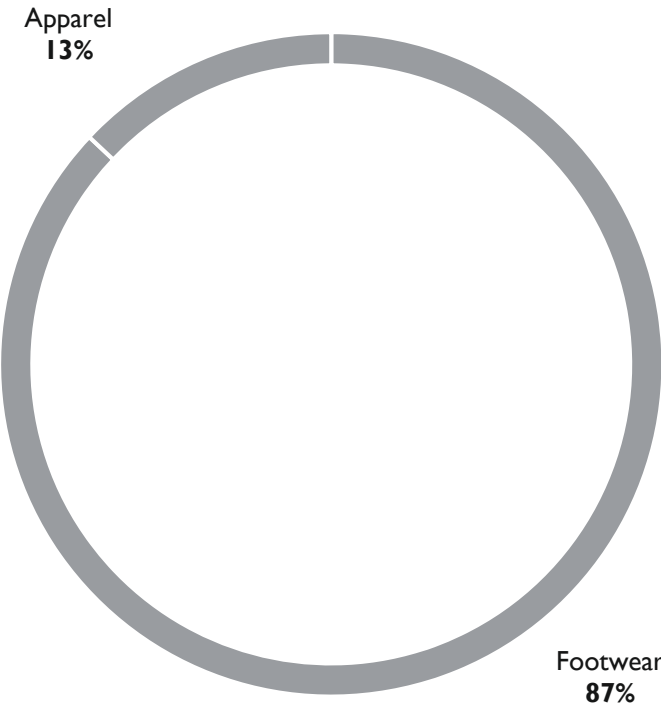
Profile

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

The extraordinary success that Geox has achieved is due to the technological characteristics of its shoes and apparel. Thanks to a technology that has been protected by 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 one of the leading brands world-wide in the "International Lifestyle Casual Footwear Market" (source: Shoe Intelligence, 2013).



Net sales 2013 – 754.2 million

Strategy

The Geox Group's strategic plan, presented by the CEO Georgio Presca and senior management at the investor meeting held last November with the financial community, is based on several key elements, including:

Product innovation

Product innovation is fundamental for the consolidation of Geox's competitive advantage. The strategic plan provides for a recovery of this competitive advantage which comes from the uniqueness of the product and from innovation in footwear and clothing, focusing on the strengths that have always distinguished the Group, such as the physical benefits of transpiration.

International expansion

The strategic plan provides for a geographic balancing of sales by:

- focusing on core markets to start growing again and to gain market share;
- developing new markets with high growth potential, such as China, Hong Kong, Northern and Eastern Europe.

Sales channels

The strategic plan provides for each distribution channel to have a particular focus and specialization:

- sustainable growth in the wholesale market, mainly through the specialization of a dedicated sales force and increased market penetration and multibrand customer loyalty, by using the formula of corner shops and shop-in-shop;
- rationalization and development of the retail channel, with the closure of shops that are not in line with the expected profitability standards and the opening of new stores with strict profitability criteria;
- growth of the online channel where the Group's presence is still limited, but with considerable growth potential.

Product and supply chain

The strategic plan includes:

- control of the processes and various stages of production with improved delivery times and quality;
- implementation of projects to improve efficiency in the supply chain in order to reduce the cost of goods sold;
- reduction of complexity in the range of products on offer, both in footwear and clothing, and the development of new products. The offer will be extended to the business segment and products designed to meet the needs of the Nordic countries with colder weather will be introduced;
- improvement of business processes in order to reduce structural costs and increase the profitability of the Group.



## 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.

### Distribution

A network of monobrand Geox 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 2013 was mainly directed to the identification of innovative solutions for improving products and manufacturing processes, through the study of the active breathing element of shoe soles, the development of new products for footwear and apparel and certification of the materials used.

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

During 2013, 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.

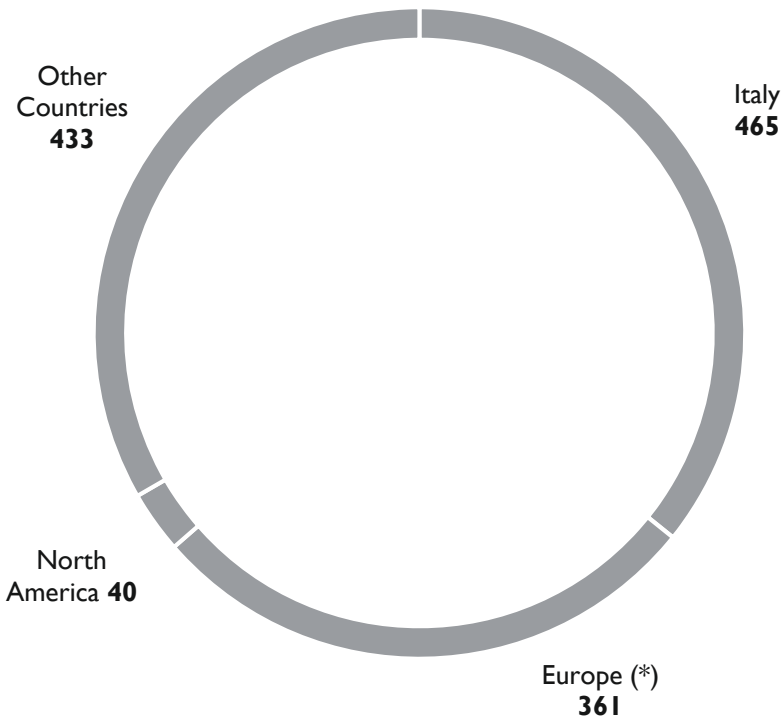
We also continued the project to develop technical footwear for Formula One drivers. This combines research into completely breathable soles ("Net" patent) with the experience gained in waterproof shoes, in order to achieve a very light and flexible product with a large area of transpiration, which would 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 a Geox shops network (Franchising and DOS – directly operated stores).

As of December 31, 2013, the overall number of "Geox Shops" came to 1,299, of which 849 in franchising and 450 operated directly.



Geox Shops

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

The production system

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

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

Production takes place in selected factories mainly in the Far East. All stages of the production process are strictly under the control and coordination of Geox organization.

Great care is taken by the Group in selecting third-party producers, taking into account their technical skills, quality standards and ability to handle the production volumes which are assigned by the agreed deadlines.

All of the output from these manufacturing locations is consolidated at the Group's distribution centres in Italy for Europe, New Jersey for the North America, Tokyo for Japan, Shanghai for China and Hong Kong for the rest of Asia.

Geox recently decided to invest in a manufacturing company in Serbia, which, once operative, will produce about 5-10% of the Group's requirements, mainly in order to reduce the production lead time for the replenishment of best-selling products in the stores, maximizing the sellout.

The project involves hiring 1,250 people, for a total investment of nearly Euro 16 million co-financed by the Republic of Serbia. The plant will be built during 2014 in Vranje, an area where there is a high level of know-how in the production of footwear.

# Human Resources

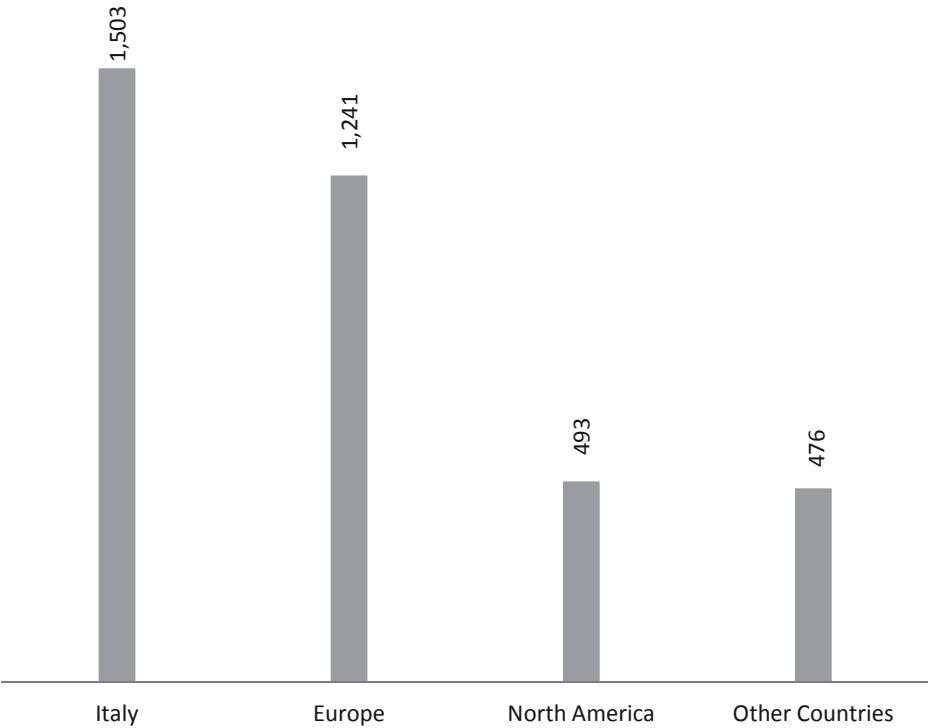
At December 31, 2013 the Group had 3,713 employees, an increase of 751 compared with 2,962 employees at 31 December 2012. The increase was mainly due to the new DOS openings and the first direct recruitments in the production unit in Serbia.

On July 30, 2013, the Parent Company Geox S.p.A. and trade union representatives reached an agreement to regulate the absorption of 70 redundancies by means of a two-year plan of zero hour state redundancy benefits (CIGS), in the case of partial termination, combined with a reduction in working hours (the so-called "Solidarity Contract") for certain white and blue collars under the National Footwear Labour Contract. This Solidarity Contract has a one-year duration, which can be extended for another year. These interventions have been decided as part of a broader strategic and organizational review, which aims to simplify and specialize Geox's activity on the basis of its core business, namely footwear and clothing, which will in future focus on outerwear, in order to gain efficiency and operational effectiveness.

As of December 31, 2013 the Group had 3,713 employees, split as follows:

Level	12-31-2013	12-31-2012
Managers	36	40
Middle Managers	124	122
Office Staff	773	724
Shop Employees	2,557	2,033
Factory workers	223	43
<b>Total</b>	<b>3,713</b>	<b>2,962</b>

The graph shows the employees of the Group at 31 December 2013, broken down by geographic area:



# Shareholders

## Financial communication

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

The Investor Relations section, at [www.geox.com](http://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 December 1, 2004. The following table summarizes the main share prices and stock market values for the last 3 years:

Share price and stock market information	2013	2012	2011
Earnings per share [Euro]	(0.11)	0.04	0.19
Equity per share [Euro]	1.37	1.55	1.72
Dividend per share [Euro]	-	0.06	0.16
Pay-out ratio [%]	-	155.00	82.67
Dividend yield (at 12.31)	-	2.76	8.30
Year-end price [Euro]	2.64	2.17	2.17
MTA high [Euro]	2.73	2.75	4.95
MTA low [Euro]	1.86	1.47	2.10
Price per share/EPS	(22.99)	56.13	11.20
Price per share/Equity per share	1.92	1.40	1.26
Stock market capitalization [thousands of Euro]	683,789	563,517	561,961
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	17,006	19,908,538
from 5.001 to 10.000 shares	877	6,626,258
10.001 shares and over	685	232,835,903
Lack of information on disposal of individual positions previously reported		(163,368)
<b>Total</b>	<b>18,568</b>	<b>259,207,331</b>

(\*) As reported by Istifid on December 31, 2013.

## 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 19,800 shares of the Company as of December 31, 2013.

## 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
Giorgio Presca	CEO and Executive Director (*)
Renato Alberini	Director
Fabrizio Colombo	Independent Director
Alessandro Antonio Giusti	Director
Roland Berger	Independent Director
Claudia Baggio	Director
Lara Livolsi	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 17, 2013.

### Board of Statutory Auditors

Name	Position
Francesco Gianni	Chairman
Francesca Meneghel	Statutory Auditor
Valeria Mangano	Statutory Auditor
Andrea Luca Rosati	Alternate Auditor
Giulia Massari	Alternate Auditor

### Independent Auditors

Deloitte & Touche S.p.A.

## Report on corporate governance and ownership structure

### Corporate Governance

The Geox Group has implemented the Code of Conduct for Italian Listed Companies published in March 2006 and updated in December 2011, with suitable amendments and adjustments considering the characteristics of the Group.

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

The Report on Corporate Governance and the Ownership Structure is available in the Corporate Governance section of the Company's website: [www.geox.com](http://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 and the company risk management are processes designed by the Board of Directors, management and others in the corporate structure; they are used for the formulation of strategies throughout the organization and are designed to identify potential events that may affect the business in order to manage the risk within the limits of acceptable risk and provide reasonable assurance regarding the achievement of corporate objectives, including the accuracy, reliability and promptness of financial reporting.

In line with this definition, the system for managing the existing risks in relation to Geox's process of financial reporting forms part of the Group's wider system of internal control and Group Risk management.

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

The CEO and the Financial Reporting Manager, in accordance with the principles of operation of the Internal Control System and Risk Management for the financial reporting process, identify the main risks therein levied annually in a prudent and careful way (so-called scoping activities). The identifying risks process passes through the identification of the group companies and operating flows subject to material errors or fraud, with reference to the economic variables included in the financial statements of Geox S.p.A. and/or the consolidated financial statement. Companies and significant processes in relation to the financial reporting process are identified through quantitative and qualitative analysis. The identification of risks is operated through a classification based on the main sources of risk identified by the Executive Director in charge of supervising the Internal Control System and Risk Management. Control activities are policies and procedures that ensure the proper implementation of management responses to risk. The control activities are implemented throughout the organization, at every hierarchical and functional level. The assessment of control procedures is made by parsing the appropriate design of the control activities and their effective and efficient implementation of the course of time. In relation to the financial reporting process, control activities are evaluated in two semi-annual sessions followed, where appropriate, as many phases of follow-up if some critical issues are identified.

In summary, the main players of the Internal Control System and Risk Management as it relates to the process of financial reporting are as follows:

- The Financial Reporting Manager ex Art. 154-bis of the TUF, who has the responsibility for defining and evaluating specific procedures designed to monitor the risks involved in the process of preparing accounting documents;
- The Internal Auditing Department, which remains independent and objective in an advisory role concerning the methods of verifying the adequacy and effective application of the control procedures defined by the Financial Reporting Manager. Moreover, as part of a wider activity that involves evaluating the entire company's Internal Control System and Risk Management, the Internal Auditing Department also has to bring to the attention of

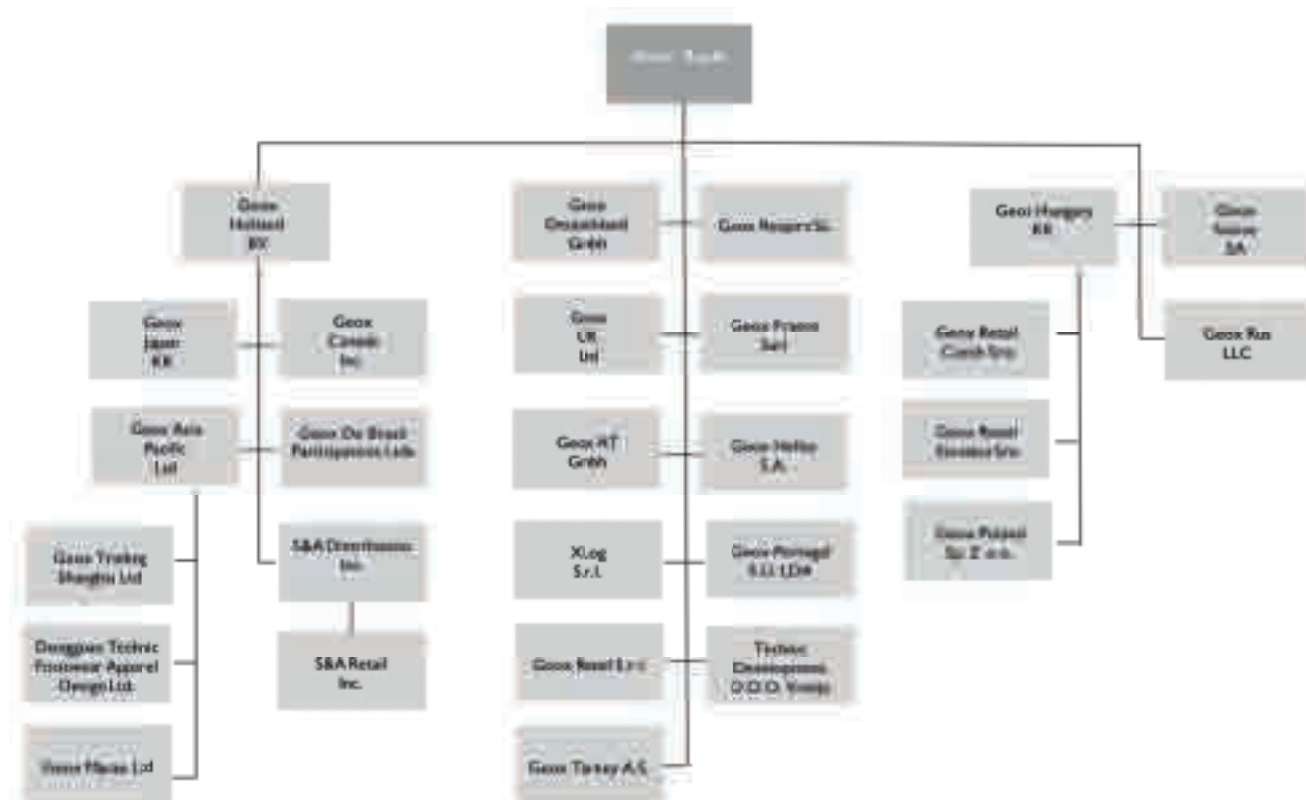
the Audit and Risk Committee and of the Financial Reporting Manager any circumstances that might affect the financial reporting process;

- The Executive Director in charge of supervising the Internal Control System and Risk Management, as the main promoter of initiatives designed to evaluate and manage corporate risks;
- The Audit and Risk Committee, which analyses the results of audits on the Internal Control System and Risk Management and reports periodically to the Board of Directors on any action that needs to be taken;
- The Supervisory Body as per D.Lgs 231/01, which intervenes as part of its duties to look out for the corporate crimes envisaged in D.Lgs 231/01, identifying risk scenarios and personally verifying compliance with the control procedures. The Supervisory Body also monitors compliance with and application of the Group's Code of Ethics.

The Group adopted some time ago its own model of 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 TUF.



## Group Structure



The structure of the Group controlled by Geox S.p.A., which acts as an operating holding company, is split into 3 macro-groups:

- **Non-EU trading companies.** Their role is to monitor and develop the business in the various markets. They operate on the basis of licensing or distribution agreements stipulated with the Parent Company.
- **EU companies.** At the beginning their role was to provide commercial customer services and coordinate the sales network in favor of the Parent Company which distributes the products directly on a wholesale basis. Then, they started to manage the Group's own shops in the various countries belonging to the European Union.
- **European trading companies.** They are responsible for developing and overseeing their area in order to provide a better customer service, increasing the presence of the Group through localized direct sales force and investments in showrooms closer to the market. The trading companies in Switzerland and Russia also have the need of purchasing a product immediately marketable in the territory, having already complied with the customs.

## Principal risks and uncertainties to which Geox S.p.A. and the Group are exposed

### Business risks

In terms of business risks, the Group is exposed to:

- the impact of the macroeconomic, political and social environment, in terms of changes in the purchasing power of consumers, their level of confidence and their propensity to consume;
- changes in national and international regulations;
- climatic conditions;
- changes in customers' tastes and preferences in different geographical areas in which the Group operates;
- the image, perception and recognition of the Geox brand by its consumers;
- uncertainty about management's ability to define and implement successfully its business, marketing and distribution strategy;
- uncertainty about the ability to maintain the current distribution network, as well as the ability of the Geox Group to further expand its network of brand stores by acquiring new premises;
- uncertainty about the ability to attract, retain and motivate qualified resources;
- aggressive policies implemented by competitors and the possible entry of new players into the market.

### Financial risk

The Geox Group constantly monitors the financial risks to which it is exposed in order to evaluate in advance any possible negative impacts and to undertake appropriate corrective action to mitigate or correct such risks. The Group is exposed to a variety of financial risks: credit risk, interest rate risk, exchange rate risk and liquidity risk.

These risks are managed and coordinated at Parent Company level on the basis of hedging policies that also entail the use of derivatives to minimize the effects of exchange rate fluctuations (especially in the U.S. dollar).

### Credit risk

The Geox Group tends to minimize the risk of insolvency on the part of its customers by adopting credit policies designed to concentrate sales on reliable and creditworthy customers. In particular, the credit management procedures implemented by the Group, which involve the use of contracts with major credit insurance companies, the evaluation of available information on customer solvency, the use of credit limits for each customer and strict control over compliance with the terms of payment, make it possible to reduce credit concentration and the related risk. Credit exposure is also spread over a large number of counterparties and customers.

### Risks connected to fluctuations in interest rates

Indebtedness to the banking system exposes the Group to the risk of interest rate fluctuations. Floating rate loans, in particular, run the risk of cash flow variations.

The Group regularly assesses its exposure to the risk of changes in interest rates but, given expectations of lower interest rates in the past few years and the short-term nature of the debt, the Group decided not to hedge interest rate risk.

### Risks connected to fluctuations in exchange rates

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

### Liquidity risk

This risk can arise when a company is unable to obtain the financial resources it needs to support its operational activities in a timely manner and at reasonable economic conditions. The cash flows, funding requirements and liquidity of the Geox Group are constantly monitored at central level under the control of the Group treasury in order to ensure effective and efficient management of financial resources.

## The Group's economic performance

### Economic results summary

The main results are outlined below:

- Net sales of Euro 754.2 million, with a decrease of -6.6% (-5.6% constant exchange rates) compared to Euro 807.6 million in 2012;
- EBITDA of Euro 10.7 million, compared to Euro 61.6 million in 2012, with a 1.4% margin;
- EBIT of Euro -34.6 million, compared to Euro 20.0 million in 2012, with a -4.6% margin;
- Net income of Euro -29.7 million, compared to Euro 10.0 million in 2012, with a -3.9% margin.

In the following table a comparison is made between the consolidated income statement for 2013 and 2012:

(Thousands of Euro)	2013	%	2012	%
<b>Net sales</b>	<b>754,191</b>	<b>100.0%</b>	<b>807,615</b>	<b>100.0%</b>
Cost of sales	(402,701)	(53.4%)	(419,522)	(51.9%)
<b>Gross profit</b>	<b>351,490</b>	<b>46.6%</b>	<b>388,093</b>	<b>48.1%</b>
Selling and distribution costs	(46,634)	(6.2%)	(43,379)	(5.4%)
General and administrative expenses	(281,960)	(37.4%)	(251,907)	(31.2%)
Advertising and promotion	(38,750)	(5.1%)	(45,777)	(5.7%)
<b>Operating result</b>	<b>(15,854)</b>	<b>(2.1%)</b>	<b>47,030</b>	<b>5.8%</b>
Special items	(14,054)	(1.9%)	(24,425)	(3.0%)
Net asset impairment	(4,725)	(0.6%)	(2,640)	(0.3%)
<b>EBIT</b>	<b>(34,633)</b>	<b>(4.6%)</b>	<b>19,965</b>	<b>2.5%</b>
Net interest	(3,846)	(0.5%)	(2,251)	(0.3%)
<b>PBT</b>	<b>(38,479)</b>	<b>(5.1%)</b>	<b>17,714</b>	<b>2.2%</b>
Income tax	8,730	1.2%	(7,675)	(1.0%)
<i>Tax rate</i>	23%	0%	43%	
<b>Net result</b>	<b>(29,749)</b>	<b>(3.9%)</b>	<b>10,039</b>	<b>1.2%</b>
<b>EPS (Earnings per share)</b>	<b>(0.11)</b>		<b>0.04</b>	
<b>EBITDA</b>	<b>10,684</b>	<b>1.4%</b>	<b>61,557</b>	<b>7.6%</b>
Special items	(14,054)		(24,425)	
<b>EBITDA adjusted</b>	<b>24,738</b>	<b>3.3%</b>	<b>85,982</b>	<b>10.6%</b>

EBITDA: is the EBIT 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

2013 consolidated net sales decreased by -6.6% (-5.6% at constant exchange rates) to Euro 754.2 million. Footwear sales represented 87% of consolidated sales, amounting to Euro 654.2 million, with a 5.1% decrease compared to 2012. Apparel sales accounted for 13% of consolidated sales amounting to Euro 100.0 million, with a 15.6% decrease.

(Thousands of Euro)	2013	%	2012	%	Var. %
Footwear	654,151	86.7%	689,041	85.3%	(5.1%)
Apparel	100,040	13.3%	118,574	14.7%	(15.6%)
<b>Net sales</b>	<b>754,191</b>	<b>100.0%</b>	<b>807,615</b>	<b>100.0%</b>	<b>(6.6%)</b>

Sales in Italy, the Group's main market, which accounted for 32% of sales (35% in 2012) amounted to Euro 239.9 million showing a 16.1% decrease.

Sales in Europe, which accounted for 44% of sales (42% in 2012) declined by 3.8% to Euro 328.8 million, compared with Euro 341.9 million in 2012.

North American sales decreased by 2.5% at Euro 53.7 million (+2.5% at constant exchange rates). Sales in Other Countries increased by 5.6% compared to 2012 (+10.1% at constant exchange rates).

(Thousands of Euro)	2013	%	2012	%	Var. %
Italy	239,867	31.8%	285,872	35.4%	(16.1%)
Europe (*)	328,817	43.6%	341,900	42.3%	(3.8%)
North America	53,704	7.1%	55,061	6.8%	(2.5%)
Other countries	131,803	17.5%	124,782	15.5%	5.6%
<b>Net sales</b>	<b>754,191</b>	<b>100.0%</b>	<b>807,615</b>	<b>100.0%</b>	<b>(6.6%)</b>

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

In 2013, sales of the DOS channel, which represent 38% of Group revenues, grew 22.0% to Euro 285.7 million.

2013 results have been characterized by a tough macroeconomic environment which particularly affects the Mediterranean area. Comparable store sales of the DOS channel decreased by 3.0% in 2013 versus the same period of prior year. The improvement, compared with the negative trend of -5.7% of the first nine months, is mainly driven by comparable same store sales recorded on DOS channel in the last quarter of 2013 (+5.0%).

Sales of the franchising channel, which account for 19% of Group revenues, amount to Euro 145.2 million, with a decrease of 20.7%. This trend is due to three factors:

- the reduced sell in concerning initial orders according to the new model (adopted from 2013) to manage franchisees in favor of replenishment and reorders;
- the Group's decision to operate directly 60 shops which were previously run by agents whose contracts have terminated;
- the decision to close stores with a performance not in line with the expected profitability.

Multibrand stores representing 43% of Group revenues (48% in 2012) amount to Euro 323.3 million. The change compared with the previous year is equal to -17.2% and is mainly due to the difficult market conditions in Mediterranean countries with the consequent prudent business approach and selective cancellations of orders.

(Thousands of Euro)	2013	%	2012	%	Var. %
<b>Multibrand</b>	<b>323,327</b>	<b>42.9%</b>	<b>390,304</b>	<b>48.3%</b>	<b>(17.2%)</b>
Franchising	145,199	19.3%	183,151	22.7%	(20.7%)
DOS*	285,665	37.9%	234,160	29.0%	22.0%
<b>Geox Shops</b>	<b>430,864</b>	<b>57.1%</b>	<b>417,311</b>	<b>51.7%</b>	<b>3.2%</b>
<b>Net sales</b>	<b>754,191</b>	<b>100.0%</b>	<b>807,615</b>	<b>100.0%</b>	<b>(6.6%)</b>

\* Directly Operated Store

As of December 31, 2013, the overall number of Geox Shops was 1,299 of which 450 DOS. During 2013, 215 new Geox Shops were opened and 128 have been closed. New openings 2013 include shops in Beijing, Shanghai and Hong Kong.

	12-31-2013		12-31-2012		2013		
	Geox Shops	of which DOS	Geox Shops	of which DOS	Net Openings	Openings	Closings
Italy	465	169	432	84	33	64	(31)
Europe (*)	361	162	350	135	11	36	(25)
North America	40	40	40	40	-	1	(1)
Other countries (**)	433	79	390	41	43	114	(71)
<b>Total</b>	<b>1,299</b>	<b>450</b>	<b>1,212</b>	<b>300</b>	<b>87</b>	<b>215</b>	<b>(128)</b>

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

(\*\*) Includes Under License Agreement Shops (176 as of December 31 2013, 125 as of December 31 2012). Sales from these shops are not included in the franchising channel.

## Cost of sales and Gross Profit

Cost of sales, as a percentage of sales, was 53.4% compared to 51.9% of 2012, producing a gross margin of 46.6% (48.1% in 2012). The decrease in gross profit is explained by unfavorable trend of currencies, raw material prices and labour costs increases in supplier countries and higher promotional sales experienced during 2013.

## Operating expenses and Operating income (EBIT)

Selling and distribution expenses as a percentage of sales was 6.2%. (5.4% in 2012).

General and administrative expenses were equal to Euro 282.0 million, compared with Euro 251.9 million of 2012. General and administrative expenses, as a percentage of sales, were 37.4%, compared to 31.2% of 2012.

The increase is mainly due to costs of opening and running of new directly operated stores (DOS) including the conversion to directly operated stores of 60 stores previously managed by some franchisees during 2013.

Advertising and promotions expenses were equal to 5.1% of sales compared to 5.7% of 2012.

In 2013, non-recurring expenses, special items, were recorded for Euro 14.1 million deriving from the implementation of a wide rationalization plan aimed at specialization and focalization to the footwear business, which is the company's core business. Furthermore, the specialization of the apparel line will be focused on outerwear.

In particular, special items include Euro 6.6 million for the rationalization of the workforce and sales force in countries, which are more impacted by the difficult macroeconomic situation, in favor of investments in countries experiencing growth and development. Euro 7.5 million of special items refer to closure and rationalization of some DOS and franchise stores which are strategic for the improvement of the Geox know-how in the retail network management. The main objectives of the Group include the extension of the know-how gained in the retail network also to the franchise channel and the increase of the network profitability and efficiency.

Moreover, the Group has registered asset impairment for Euro 4.7 million related mainly to stores which are planned to be closed and stores that are not certain to be recovered given the uncertain macroeconomic environment.

The operating result is equal to Euro -34.6 million compared with Euro 20.0 million (-4.6% on sales) of 2012.

The operating result adjusted, excluding special items mentioned above and asset impairment, is equal to Euro -15.9 million (-2.1% as a percentage of sales) compared with Euro 47.0 million (5.8% on sales) of 2012.

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

		2013	%	2012	%
Footwear	Net sales	654,151		689,041	
	EBIT	(29,324)	(4.5%)	8,384	1.2%
Apparel	Net sales	100,040		118,574	
	EBIT	(5,309)	(5.3%)	11,581	9.8%
<b>Total</b>					
	<b>Net sales</b>	<b>754,191</b>		<b>807,615</b>	
	<b>EBIT</b>	<b>(34,633)</b>	<b>(4.6%)</b>	<b>19,965</b>	<b>2.5%</b>

## EBITDA

EBITDA was Euro 10.7 million, 1.4% of sales, compared to Euro 61.6 million (7.6% on sales) of 2012.

EBITDA adjusted excluding special items, is equal to Euro 24.7 million, 3.3% of sales, compared to Euro 86.0 million of 2012 (10.6% on sales).

## Income taxes and tax rate

Income taxes were equal to Euro 8.7 million, compared to Euro -7.7 million of 2012, with a tax rate of 23% compared with 43% of 2012.

## The Group's financial performance

The following table summarizes the reclassified consolidated balance sheet:

(Thousands of Euro)	Dec. 31, 2013	Dec. 31, 2012
Intangible assets	64,023	67,827
Property, plant and equipment	65,291	68,090
Other non-current assets - net	67,338	50,899
<b>Total non-current assets</b>	<b>196,652</b>	<b>186,816</b>
<b>Net operating working capital</b>	<b>213,646</b>	<b>192,093</b>
<b>Other current assets (liabilities), net</b>	<b>(18,415)</b>	<b>(17,965)</b>
<b>Net invested capital</b>	<b>391,883</b>	<b>360,944</b>
Equity	355,429	402,836
Provisions for severance indemnities, liabilities and charges	8,228	12,254
Net financial position	28,226	(54,146)
<b>Net invested capital</b>	<b>391,883</b>	<b>360,944</b>

The Group balance sheet shows a negative financial position of Euro 28.2 million.

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

(Thousands of Euro)	Dec. 31, 2013	Dec. 31, 2012
Inventories	281,907	209,249
Accounts receivable	100,837	145,450
Accounts payable	(169,098)	(162,606)
<b>Net operating working capital</b>	<b>213,646</b>	<b>192,093</b>
<b>% of sales for the last 12 months</b>	<b>28.3%</b>	<b>23.8%</b>
Taxes payable	(8,424)	(11,039)
Other non-financial current assets	32,072	35,303
Other non-financial current liabilities	(42,063)	(42,229)
<b>Other current assets (liabilities), net</b>	<b>(18,415)</b>	<b>(17,965)</b>

The ratio of net working capital to sales comes to 28.3% compared with 23.8% of 2012. This change is due to:

- the extending payment terms granted to some clients;
- the increase in inventory mainly caused by the increase of inventories of next season Spring/Summer 2014, the previous season (Spring/Summer 2013) for our outlet channel and the season currently on sale (Fall/Winter 2013).

The following table gives a reclassified consolidated cash flow statement:

(Thousands of Euro)	2013	2012
<b>Net result</b>	<b>(29,749)</b>	<b>10,039</b>
Depreciation, amortization and impairment	45,318	41,592
Other non-cash items	(5,138)	10,907
	<b>10,431</b>	<b>62,538</b>
Change in net working capital	(40,065)	19,661
Change in other current assets/liabilities	7,924	(15,208)
<b>Cash flow from operations</b>	<b>(21,710)</b>	<b>66,991</b>
Capital expenditure	(40,112)	(48,146)
Disposals	649	1,408
<b>Net capital expenditure</b>	<b>(39,463)</b>	<b>(46,738)</b>
<b>Free cash flow</b>	<b>(61,173)</b>	<b>20,253</b>
Dividends	(15,552)	(41,473)
<b>Change in net financial position</b>	<b>(76,725)</b>	<b>(21,220)</b>
<b>Initial net financial position - prior to fair value adjustment of derivatives</b>	<b>57,792</b>	<b>78,214</b>
Change in net financial position	(76,725)	(21,220)
Translation differences	594	798
<b>Final net financial position - prior to fair value adjustment of derivatives</b>	<b>(18,339)</b>	<b>57,792</b>
Fair value adjustment of derivatives	(9,887)	(3,646)
<b>Final net financial position</b>	<b>(28,226)</b>	<b>54,146</b>

2013 shows a decrease in the generation of cash flow from operating activities, mainly because of lower profitability and the temporary use of cash following the decision to bring forward purchases of products of the Spring/Summer 2014 collection in order to improve the level of service provided to the market. In addition, Euro 15.6 million euro of dividends were distributed and net investments of Euro 39.5 million euro were made (compared with Euro 46.7 million euro in 2012), of which Euro 24.1 million for new Geox Shop openings and refurbishment.

Consolidated capital expenditure is analyzed in the following table:

(Thousands of Euro)	2013	2012
Trademarks and patents	912	1,369
Opening and restructuring of Geox Shop	24,135	32,036
Industrial plant and equipment	7,132	4,549
Logistics	223	1,296
Information technology	6,469	6,689
Offices furniture, warehouse and fittings	1,241	2,207
<b>Total</b>	<b>40,112</b>	<b>48,146</b>

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

(Thousands of Euro)	Dec. 31, 2013	Dec. 31, 2012
Cash and cash equivalents	46,991	63,867
Current financial assets - excluding derivatives	114	75
Bank borrowings and current portion of long-term loans	(66,969)	(7,336)
Current financial liabilities - excluding derivatives	(24)	(4)
<b>Net financial position - current portion</b>	<b>(19,888)</b>	<b>56,602</b>
Non-current financial assets	1,611	1,351
Long-term loans	(62)	(161)
<b>Net financial position - non-current portion</b>	<b>1,549</b>	<b>1,190</b>
<b>Net financial position - prior to fair value adjustment of derivatives</b>	<b>(18,339)</b>	<b>57,792</b>
Fair value adjustment of derivatives	(9,887)	(3,646)
<b>Net financial position</b>	<b>(28,226)</b>	<b>54,146</b>

Before the fair value adjustment of derivatives, net financial position was Euro -18.3 million, compared to Euro 57.8 million of 2012. After fair value adjustment of derivatives, which negatively affected 2013 for Euro -9.9 million versus contribution of Euro -3.6 million of 2012, net financial position was equal to Euro -28.2 million (Euro 54.1 million at the end of 2012).



## Treasury shares and equity interests in parent companies

Note that pursuant to art. 40.2 d) of D.Lgs 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.

At the date of this report there are three cycles of stock option plans. 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 three 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 plan, which was approved by the Board on December 22, 2011, establishes a maximum number of options (2,830,000) and envisages two grant cycles in 2011 and 2012. In 2011, 1,780,000 options and in 2012 500,000 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

respectively amounted to Euro 2.29 and Euro 2.08. The options have a minimum vesting period of 3 years, while the exercise period ends on March 31, 2020.

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

(A) Name	(B) Position	Option held at the beginning of the year			Option granted during the period		
		(1) Number of option	(2) Average Strike Price	(3) Average Expiry Date	(4) Number of option	(5) Average Strike Price	(6) Average Expiry Date
Giorgio Presca	CEO	250,000	2.29	2020	-	-	-
Giorgio Presca	CEO	500,000	2.08	2020	-	-	-
Executives with strategic responsibilities (*)		120,000	4.60	2014	-	-	-
Executives with strategic responsibilities (*)		71,250	9.17	2015	-	-	-
Executives with strategic responsibilities (*)		680,000	2.29	2020	-	-	-

(A) Name	Options exercised during the period			Options expired in 2013 (**)	Options held at the end of the period		
	(7) Number of option	(8) Average Strike Price	(9) Average Expiry Date		(11)=1+4-7-10 Number of option	(12) Average Strike Price	(13) Average Expiry Date
Giorgio Presca	-	-	-	-	250,000	2.29	2020
Giorgio Presca	-	-	-	-	500,000	2.08	2020
Exec. Strat. Resp.	-	-	-	-	120,000	4.60	2014
Exec. Strat. Resp.	-	-	-	52,250	19,000	9.17	2015
Exec. Strat. Resp.	-	-	-	500,000	180,000	2.29	2020

(\*) Beginning figures changed, compared to the 2012 reported figures, following the identification in 2013 of new Executives with strategic responsibilities already hired in the Group at December 31, 2012.

(\*\*) Options expired in 2013 for termination of employment or non-achievement of performance targets laid down in the plan (in terms of EBIT).

## Transactions between Related Parties

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

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

## Outlook for operation and significant subsequent events

2013, as already highlighted, was characterized by a difficult economic situation in some of the most important markets for the Group (Mediterranean markets), by the weakness in the multibrand channel and by a decline in monobrand franchise stores, mainly due to the closure of stores that were underperforming in terms of profitability. The causes are to be found in the difficult macroeconomic and financial environment in Europe, which resulted in much lower consumer spending. Management has therefore adopted cautious policies to limit business risk, rationalize and specialize the sales network, control working capital and focus on profitability.

The 2014-2016 Business Plan presented to the financial community is based on steps designed to:

- focus on the core business and product innovation;
- simplify the business to obtain a drastic reduction of the complexity with consequent reduction in costs;
- rationalize the network of monobrand stores by closing those that are underperforming;
- open new stores only if strict profitability criteria are met;
- improve commercial structures in the countries of Northern and Eastern Europe and in Asia which will allow us, in the future, to take advantage of the significant growth potential of these countries where the Group's presence is still limited, but in rapid expansion, with positive results.

In particular, for 2014 management's assumptions lead to an estimated increase in sales to Euro 800 million with the operating result (EBIT) returning to break-even.

This result is subject to the effective realization of the following events:

1. gradual stabilization of the wholesale channel. The assumptions are that the EMEA and North America will still show a certain level of weakness in the first half, which should be partially recovered in the second half, and that Asia confirms the significant growth in orders that it enjoyed in the first half of 2014.
2. an improvement in the performance of the franchise channel with at least some growth in comparable sales through the implementation, also in this channel, of the techniques and results already achieved by the network of directly operated stores (DOS) and a positive net balance between closures and new openings.
3. growth in the directly operated stores (DOS) channel, with about 20 new openings, net of closures, and growth in comparable sales of existing stores.
4. a second half improvement in the gross profit margin due to a combination of pricing policies and limited promotional sales, as well as a reduction in product cost.

With regard to the first half, turnover is assumed to be substantially stable with an expected positive performance by the monobrand channel, which should offset the expected weakness of the wholesale channel, that as forecasted could lead to a pressure on EBIT compared with the same period last year.

Biadene di Montebelluna, March 6, 2014

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

# CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES

## Consolidated income statement

(Thousands of Euro)	Notes	2013	of which related party	2012	of which related party
<b>Net sales</b>	3-31	<b>754,191</b>	<b>4,653</b>	<b>807,615</b>	<b>2,919</b>
Cost of sales	31	(402,701)	378	(419,522)	190
<b>Gross profit</b>		<b>351,490</b>		<b>388,093</b>	
Selling and distribution costs		(46,634)	-	(43,379)	-
General and administrative expenses	4-31	(281,960)	(3,078)	(251,907)	(3,122)
Advertising and promotion	31	(38,750)	(220)	(45,777)	(260)
Special items	7	(14,054)	-	(24,425)	-
Net asset impairment	5	(4,725)	-	(2,640)	-
<b>EBIT</b>	3	<b>(34,633)</b>		<b>19,965</b>	
Net interest	8	(3,846)	-	(2,251)	-
<b>PBT</b>		<b>(38,479)</b>		<b>17,714</b>	
Income tax	9	8,730	-	(7,675)	-
<b>Net result</b>		<b>(29,749)</b>		<b>10,039</b>	
Earnings per share [Euro]	10	(0.11)		0.04	
Diluted earnings per share [Euro]	10	(0.11)		0.04	

## Consolidated statement of comprehensive income

(Thousands of Euro)	2013	of which related party	2012	of which related party
<b>Net income</b>	<b>(29,749)</b>		<b>10,039</b>	
<b>Other comprehensive income that will not be reclassified subsequently to profit or loss:</b>				
- Net gain (loss) on actuarial defined-benefit plans	(110)		(636)	
<b>Other comprehensive income that may be reclassified subsequently to profit or loss:</b>				
- Net gain (loss) on Cash Flow Hedge, net of tax	(2,583)		(11,901)	
- Currency translation	587		1,706	
<b>Net comprehensive income</b>	<b>(31,855)</b>		<b>(792)</b>	

## Consolidated statement of financial position

(Thousands of Euro)	Notes	Dec. 31, 2013	of which related party	Dec. 31, 2012	of which related party
<b>ASSETS:</b>					
Intangible assets	11	64,023	-	67,827	-
Property, plant and equipment	12	65,291	-	68,090	-
Deferred tax assets	13	51,249	-	34,349	-
Non-current financial assets	18-30	1,611	-	1,351	-
Other non-current assets	14-31	18,253	-	18,695	17
<b>Total non-current assets</b>		<b>200,427</b>	-	<b>190,312</b>	-
Inventories	15	281,907	-	209,249	-
Accounts receivable	16-31	100,837	4,515	145,450	4,149
Other non-financial current assets	17-31	32,072	3,774	35,303	4,960
Current financial assets	18-30	1,019	-	2,366	-
Cash and cash equivalents	19	46,991	-	63,867	-
<b>Current assets</b>		<b>462,826</b>	-	<b>456,235</b>	-
<b>Total assets</b>		<b>663,253</b>	-	<b>646,547</b>	-
<b>LIABILITIES AND EQUITY:</b>					
Share capital	20	25,921	-	25,921	-
Reserves	20	359,257	-	366,876	-
Net income	20	(29,749)	-	10,039	-
<b>Equity</b>		<b>355,429</b>	-	<b>402,836</b>	-
Employee severance indemnities	21	2,379	-	2,406	-
Provisions for liabilities and charges	22	5,849	-	9,848	-
Long-term loans	23	62	-	161	-
Other long-term payables	24	2,164	-	2,145	-
<b>Total non-current liabilities</b>		<b>10,454</b>	-	<b>14,560</b>	-
Accounts payable	25-31	169,098	2,338	162,606	618
Other non-financial current liabilities	26	42,063	-	42,229	-
Taxes payable	27	8,424	-	11,039	-
Current financial liabilities	18-30	10,816	-	5,941	-
Bank borrowings and current portion of long-term loans	28	66,969	-	7,336	-
<b>Current liabilities</b>		<b>297,370</b>	-	<b>229,151</b>	-
<b>Total liabilities and equity</b>		<b>663,253</b>	-	<b>646,547</b>	-

## Consolidated statement of cash flow

(Thousands of Euro)	Notes	2013	2012
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>			
<b>Net result</b>	20	<b>(29,749)</b>	<b>10,039</b>
<b>Adjustments to reconcile net income to net cash provided (used) by operating activities:</b>			
Depreciation and amortization and impairment	5	45,318	41,592
Increase in (use of) deferred taxes and other provisions		(7,631)	13,260
Provision for employee severance indemnities, net		(118)	(339)
Other non-cash items		2,611	(2,014)
		<b>40,180</b>	<b>52,499</b>
<b>Change in assets/liabilities:</b>			
Accounts receivable		31,599	(154)
Other assets		4,991	(12,051)
Inventories		(79,131)	(10,121)
Accounts payable		7,467	29,936
Other liabilities		5,487	(2,432)
Taxes payable		(2,554)	(725)
		<b>(32,141)</b>	<b>4,453</b>
<b>Operating cash flow</b>		<b>(21,710)</b>	<b>66,991</b>
<b>CASH FLOW USED IN INVESTING ACTIVITIES:</b>			
Capital expenditure on intangible assets	11	(12,645)	(17,500)
Capital expenditure on property, plant and equipment	12	(27,467)	(30,646)
		<b>(40,112)</b>	<b>(48,146)</b>
Disposals		649	1,408
(Increase) decrease in financial assets		(300)	(75)
<b>Cash flow used in investing activities</b>		<b>(39,763)</b>	<b>(46,813)</b>
<b>CASH FLOW FROM (USED IN) FINANCING ACTIVITIES:</b>			
Increase (decrease) in short-term bank borrowings, net		23,373	711
Loans:			
- Proceeds		38,000	(195)
- Repayments		(198)	-
Dividends	32	(15,552)	(41,473)
<b>Cash flow used in financing activities</b>		<b>45,623</b>	<b>(40,957)</b>
<b>Increase (decrease) in cash and cash equivalents</b>		<b>(15,850)</b>	<b>(20,779)</b>
<b>Cash and cash equivalents, beginning of the period</b>	19	<b>63,867</b>	<b>84,794</b>
Effect of translation differences on cash and cash equivalents		(1,026)	(148)
<b>Cash and cash equivalents, end of the period</b>	19	<b>46,991</b>	<b>63,867</b>
<b>Supplementary information to the cash flow statement:</b>			
- Interest paid during the period		2,440	2,712
- Interest received during the period		872	1,728
- Taxes paid during the period		11,010	17,052

## Consolidated statement 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	Group equity
<b>Balance at December 31, 2011</b>	<b>25,921</b>	<b>5,184</b>	<b>37,678</b>	<b>(1,310)</b>	<b>9,814</b>	<b>5,840</b>	<b>313,314</b>	<b>49,987</b>	<b>446,428</b>
Allocation of 2011 result	-	-	-	-	-	-	49,987	(49,987)	-
Distribution of dividends	-	-	-	-	-	-	(41,473)	-	(41,473)
Recognition of cost stock option plans	-	-	-	-	-	(4,179)	2,852	-	(1,327)
Net comprehensive result	-	-	-	1,706	(11,901)	-	(636)	10,039	(792)
<b>Balance at December 31, 2012</b>	<b>25,921</b>	<b>5,184</b>	<b>37,678</b>	<b>396</b>	<b>(2,087)</b>	<b>1,661</b>	<b>324,044</b>	<b>10,039</b>	<b>402,836</b>
Allocation of 2012 result	-	-	-	-	-	-	10,039	(10,039)	-
Distribution of dividends	-	-	-	-	-	-	(15,552)	-	(15,552)
Recognition of cost stock option plans	-	-	-	-	-	(485)	485	-	-
Net comprehensive result	-	-	-	587	(2,583)	-	(110)	(29,749)	(31,855)
<b>Balance at December 31, 2013</b>	<b>25,921</b>	<b>5,184</b>	<b>37,678</b>	<b>983</b>	<b>(4,670)</b>	<b>1,176</b>	<b>318,906</b>	<b>(29,749)</b>	<b>355,429</b>

## 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, 2013. 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, 2012 and for the year 2012 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, 2013 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, 2013".

#### Format of financial statements

The Group presents an income statement using a classification based on the "cost of sales" method, as this is believed to provide information that is more relevant. The format selected is that used for managing the business and for management reporting purposes and is consistent with international practice in the footwear and apparel sector.

For the Statement of financial position, a format has been selected to present current and non-current assets and liabilities.

The Statement of cash flow is presented using the indirect method.

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

#### Consolidation principles

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

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

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

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

The following are also eliminated:

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

#### Accounting standards, amendments and interpretations applied since January 1, 2013

Amendment to IAS 1 – Presentation of Financial Statements requiring companies to group items presented in comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently. The amendment is applicable for periods beginning on or after July 1, 2012; the Group has applied this amendment since January 1, 2013. The application of this amendment had no effect on the measurement of items and had a limited effect on the disclosures provided in this financial statements.

Amendment to IAS 19 – Employee Benefits. The amendment modifies the requirements for recognizing defined benefit plans and termination benefits. The main changes concerning defined benefit plans regard the recognition of the entire plan deficit or surplus in the balance sheet, the introduction of net interest expense and the classification of net interest expense arising from defined benefit plans. The Group has retrospectively applied this amendment from January 1, 2012.

IFRS 13 – Fair Value Measurement, which has to be applied prospectively from January 1, 2013. The application of this standard did not have any effect on the measurement of items in this financial statements. The Group has applied these amendments from January 1, 2013. Applying these amendments has not had effects on the disclosures presented in this financial statements.

Amendment to IFRS 7 – Financial Instruments: Disclosures. The amendments require information about the effect or potential effect of netting arrangements for financial assets and liabilities on an entity's financial position. The required disclosures should be provided retrospectively. The Group has applied these amendments from January 1, 2013. Applying these amendments has not had effects on the disclosures presented in this financial statements.

#### Accounting standards, amendments and interpretations effective not yet applicable and not early adopted by the Group

- IFRS 10 – Consolidated Financial Statements (Effective date 1.1.2014);
- IFRS 11 – Joint Arrangements (Effective date 1.1.2014);
- IFRS 12 – Disclosure of Interests in Other Entities (Effective date 1.1.2014);
- Amendment to IAS 32 – Financial instruments: Presentation (Effective date 1.1.2014);

At the date of this financial statements, the European Union has not yet completed its endorsement process for these amendments:

- IFRS 9 – Financial instruments (Effective date 1.1.2015).



## 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 2013	As at 12-31-2013	Average for 2012	As at 12-31-2012
US Dollar	1.3281	1.3791	1.2856	1.3194
Swiss Franc	1.2309	1.2276	1.2053	1.2072
British Pound	0.8493	0.8337	0.8111	0.8161
Canadian Dollar	1.3685	1.4671	1.2848	1.3137
Japanese Yen	129.6597	144.7200	102.6212	113.6100
Chinese Yuan	8.1655	8.3491	8.1094	8.2207
Czech Koruna	25.9872	27.4270	25.1457	25.1510
Russian Ruble	42.3248	45.3246	39.9238	40.3295
Polish Zloty	4.1971	4.1543	4.1843	4.0740
Hungarian Forint	296.9412	297.0400	289.3232	292.3000
Macau Pataca (*)	10.6109	11.0150	10.3578	10.5332
Serbian Dinar (**)	113.0792	114.7910	113.5140	112.6050
Vietnam Dong (**)	27,922.5833	29,096.7000	27,345.8000	27,488.6000
Indonesian Rupiah (**)	13,858.7167	16,794.8000	12,643.4000	12,714.0000
Turkish Lira (***)	2.5491	2.9605	n.a	n.a

\* 2012 Average exchange rate from October to December.

\*\* 2012 Average exchange rate of December.

\*\*\* 2013 Average exchange rate from February to December.

## Subjective assessments

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

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

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

## Estimates and assumptions

Drawing up financial statements and notes in compliance with IFRS requires management to make estimates and assumptions that can affect the value of the assets and liabilities in the balance sheet, including disclosures on contingent assets and liabilities at the balance sheet date. The estimates and assumptions used are based on experience and other relevant factors. Estimates and assumptions are revised periodically and the effects of each variation made to them are reflected in the income statement for the period when the estimate is revised.

In this context, it is worth pointing out that the current economic and financial crisis has created a situation where assumptions about future trends have had to be made in a state of considerable uncertainty; so it cannot be excluded that the actual results over the coming months may differ from what has been forecasted, and this in turn could lead to adjustments that obviously cannot be estimated or foreseen as of today. The items in the financial statements that are principally affected by these situations of uncertainty are: deferred tax assets, pension funds and other post-employment benefits, the provisions for obsolescence and slow-moving inventory and returns, provision for bad and doubtful accounts, asset impairment.

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

### Deferred tax assets

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

### Pension funds and other post-employment benefits

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

### Provision for returns

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

### Provision for obsolete and slow-moving inventory

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

### Provision for bad and doubtful accounts

The provision for bad and doubtful accounts is calculated on the basis of a specific analysis of items in dispute and of those balances which, even if not in dispute, show signs of delayed collection. Evaluating the overall amount of trade receivables that are likely to be paid requires the use of estimates regarding the probability of collecting such items, so it is an assessment that is subject to uncertainties. Further details are provided in note 16.

### Asset Impairment

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

## Accounting policies

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

The main accounting policies are outlined below:

### Intangible assets

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

Amortization is applied systematically over the useful life of the assets based on the period that they are expected to be of use to the Group. The residual value of intangible assets at the end of their useful life is assumed to be zero, unless there is a commitment on the part of third parties to purchase the asset at the end of their useful life or there is an active market for them. 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	5-8 years
Photovoltaik plant	11 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	2-4 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.

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

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

## Share-based payments (stock options)

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

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

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

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

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

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

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

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

### Provisions for liabilities and charges

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

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

### Revenue and income

Revenues are recognized on an accruals basis.

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

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

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

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

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

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

### Costs and expenses

Costs and expenses are accounted for on an accruals basis.

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

### Leasing

To be able to define a contractual arrangement as a lease (or as one containing a lease), it's necessary to look at the substance of the arrangement. It must also be assessed 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:

		2013	%	2012	%
Footwear	Net sales	654,151		689,041	
	D&A	39,519		36,966	
	EBIT	(29,324)	(4.5%)	8,384	1.2%
Apparel	Net sales	100,040		118,574	
	D&A	5,799		4,626	
	EBIT	(5,309)	(5.3%)	11,581	9.8%
<b>Total</b>	<b>Net sales</b>	<b>754,191</b>		<b>807,615</b>	
	<b>D&amp;A</b>	<b>45,318</b>		<b>41,592</b>	
	<b>EBIT</b>	<b>(34,633)</b>	<b>(4.6%)</b>	<b>19,965</b>	<b>2.5%</b>

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 235,715 thousand for footwear (Euro 176,384 thousand in 2012) and Euro 45,704 thousand for apparel (Euro 32,175 thousand in 2012).

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

	2012	2011
Italy	239,867	285,872
Europe	328,817	341,900
North America	53,704	55,061
Other countries	131,803	124,782
<b>Total</b>	<b>754,191</b>	<b>807,615</b>

Non-current assets, which relate to property, plant and equipment and intangible assets, are split geographically as follows: in Italy Euro 76,107 thousand (in 2012 Euro 80,770 thousand), in Europe Euro 41,271 thousand (in 2012 Euro

44,223 thousand), in North America Euro 2,579 thousand (in 2012 Euro 6,622 thousand) and other countries Euro 9,357 thousand (in 2012 Euro 4,302 thousand).

### 4. General and administrative expenses

General and administrative expenses are analyzed in the following table:

	2013	2012	Change
Wages and salaries	93,667	88,111	5,557
Rental expenses	88,784	77,137	11,646
Other costs	117,943	107,494	10,449
Rental income	(14,873)	(16,467)	1,594
Other income	(3,560)	(4,368)	808
<b>Total</b>	<b>281,960</b>	<b>251,907</b>	<b>30,053</b>

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 12,884 thousand (in 2012 Euro 16,077 thousand).



The fees due to the directors, statutory auditors and executives with strategic responsibilities for 2013 are listed below. These amounts, in Euro, include the fees due for performing the same functions in Geox S.p.A. and in other companies included in the scope of consolidation.

Name Position	Period in office	Exp. of Mand.	Emolument	Non cash Benefits (*)	Bonus and other incentives	Other Remuneration	Totale
Mario Moretti Polegato <i>Chairman</i>	from 01-01 to 12-31-13	(1)	1,800,000 (2)	-	-	-	1,800,000
Enrico Moretti Polegato <i>Deputy Chairman</i>	from 01-01 to 12-31-13	(1)	150,000	-	-	-	150,000
Giorgio Presca <i>CEO and Executive Director</i>	from 01-01 to 12-31-13	(1)	282,740	5,198	375,000	899,887 (3)	1,562,825
Francesco Gianni <i>Independent Director</i>	from 01-01 to 04-17-13		10,259 (4)	-	-	-	10,259
Fabrizio Colombo <i>Independent Director</i>	from 04-18 to 12-31-13	(1)	45,678 (5)	-	-	-	45,678
Umberto Paolucci <i>Independent Director</i>	from 01-01 to 04-17-13		17,329 (6)	-	-	-	17,329
Lara Livolsi <i>Independent Director</i>	from 04-18 to 12-31-13	(1)	31,623 (7)	-	-	-	31,623
Alessandro Antonio Giusti <i>Director (**)</i>	from 01-01 to 12-31-13	(1)	89,329 (8)	-	-	-	89,329
Renato Alberini <i>Director (**)</i>	from 01-01 to 12-31-13	(1)	34,856 (9)	-	-	-	34,856
Roland Berger <i>Independent Director</i>	from 01-01 to 12-31-13	(1)	45,979 (10)	-	-	-	45,979
Claudia Baggio <i>Director</i>	from 01-01 to 12-31-13	(1)	24,897	-	-	-	24,897
Fabrizio Colombo <i>Chairman of the Board of St. Auditors</i>	from 01-01 to 04-17-13		21,987	-	-	-	21,987
Francesco Gianni <i>Chairman of the Board of St. Auditors</i>	from 04-18 to 12-31-13	(1)	52,705	-	-	-	52,705
Francesco Mariotto <i>Statutory Auditor</i>	from 01-01 to 04-17-13		14,658	-	-	-	14,658
Valeria Mangano <i>Statutory Auditor</i>	from 04-18 to 12-31-13	(1)	35,137	-	-	-	35,137
Francesca Meneghel <i>Statutory Auditor</i>	from 01-01 to 12-31-13	(1)	49,795	-	-	-	49,795
Executives with strategic responsibilities (***)			-	28,748	56,667	1,905,293 (11)	1,990,708 (12)

(\*) Includes the fringe benefits.

(\*\*) Independent Director until April 17, 2013.

(\*\*\*) Includes 5 executives employees as at December 31, 2013 and remuneration paid to 2 executives employees left during the year 2013.

(1) Term of office expires at General Meeting held to approve the financial statements at December 31, 2015.

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

(3) Includes remuneration as executive employees in Geox S.p.A. and a director in the subsidiaries.

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

(5) Includes remuneration as Chairman of the Audit and Risk Committee, member of the Compensation Committee and member of the Nomination Committee.

(6) Includes remuneration as member of the Ethics Committee until December 31, 2013.

(7) Includes remuneration as Chairman of the Compensation Committee.

(8) Includes remuneration as member of the Audit and Risk Committee, member of the Compensation Committee until December 31, 2013 and member of the Supervisory Body until April 17, 2013.

(9) Includes remuneration as member of the Compensation Committee, member of the Audit and Risk Committee until April 17, 2013, and member of the Nomination Committee from April 18, 2013.

(10) Includes remuneration as member of the Audit and Risk Committee and as Chairman of the Nomination Committee from April 18, 2013.

(11) Includes salary and amounts paid following termination of employment.

(12) 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:

	2013	2012	Change
Industrial depreciation	7,174	6,457	718
Non-industrial depreciation and amortization	34,128	32,736	1,392
Industrial net asset impairment	(709)	(241)	(469)
Non-industrial net asset impairment	4,725	2,640	2,084
<b>Total</b>	<b>45,318</b>	<b>41,592</b>	<b>3,725</b>

Non-industrial amortization expenses were substantially in line with previous year and increase from Euro 32,736 thousand of 2012 to Euro 34,128 thousand of 2013.

Non-industrial net asset impairment of Euro 4,725 thousand related to store assets that, given the current macroeconomic scenario, are not certain to be recovered.

Payroll costs amounted to Euro 120,224 thousand (in 2012 Euro 113,616 thousand).

## 6. Personnel

The average number of employees is shown below:

	2013	2012	Change
Managers	38	41	(3)
Middle managers	122	121	1
Office staff	750	690	60
Shop employees	2,244	1,898	346
Factory workers	91	44	47
<b>Total</b>	<b>3,245</b>	<b>2,794</b>	<b>451</b>

The average number of employees for 2013 amounted to 3,245, increased of 451 units compared to 2012. The change is mainly due by the increase in shop employees as a direct result of the increase in the number of stores operated directly by the Group.

## 7. Special items

In 2013, non-recurring expenses, special items, were recorded for Euro 14.1 million deriving from the implementation of a wide rationalization plan aimed at specialization and focalization to the footwear business, which is the company's core business. Furthermore, the specialization of the apparel line will be focused on outerwear.

In particular, special items include Euro 6.6 million for the rationalization of the workforce and sales force in countries, which are more impacted by the difficult macroeconomic situation, in favor of investments in countries experiencing growth and development. Euro 7.5 million of special items refer to closure and rationalization of some DOS and franchise stores which are strategic for the improvement of the Geox know-how in the retail network

management. The main objectives of the company include the extension of the know-how gained in the retail network also to the franchise channel and the increase of the network profitability and efficiency.

## 8. Net interest

This item is made up as follows:

	2013	2012	Change
Interest income	3,844	4,703	(859)
Interest expense	(7,748)	(7,720)	(28)
Exchange differences	58	766	(708)
<b>Total</b>	<b>(3,846)</b>	<b>(2,251)</b>	<b>(1,595)</b>

Interest income is made up as follows:

	2013	2012	Change
Interest from banks	125	915	(790)
Interest from customers	13	160	(147)
Other interest income	3,706	3,628	78
<b>Total</b>	<b>3,844</b>	<b>4,703</b>	<b>(859)</b>

The decrease in "interest from banks" is due to the decrease in cash during 2013.

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

Interest expense is made up as follows:

	2013	2012	Change
Bank interest and charges	397	163	234
Interest on loans	375	2	373
Other interest expense	4,458	4,577	(119)
Financial discounts and allowances	2,518	2,978	(460)
<b>Total</b>	<b>7,748</b>	<b>7,720</b>	<b>28</b>

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

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

Exchange differences are made up as follows:

	2013	2012	Change
Exchange gains	33,999	38,185	(4,186)
Exchange losses	(33,941)	(37,419)	3,478
<b>Total</b>	<b>58</b>	<b>766</b>	<b>(708)</b>

## 9. Income taxes

Income taxes were equal to Euro 8,730 thousand, compared to Euro -7,675 thousand of 2012, with a tax rate of 23% compared with 43% of 2012.

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

	2013	%	2012	%
PBT	(38,479)	100.0%	17,714	100.0%
Theoretical income taxes (*)	(10,582)	27.5%	4,871	27.5%
Effective income taxes	(8,730)	22.7%	7,675	43.3%
<b>Difference due to:</b>	<b>1,852</b>	<b>(4.8%)</b>	<b>2,804</b>	<b>15.8%</b>
1) different tax rates applicable in other countries	(578)	1.5%	(242)	(1.4%)
2) permanent differences:				
i) IRAP and other local taxes	1,228	(3.2%)	2,668	15.1%
ii) writedowns of deferred tax asset	1,575	(4.1%)	1,120	6.3%
iii) previous years' taxes	812	(2.1%)	554	3.1%
iv) other	(1,185)	3.1%	(1,296)	(7.3%)
<b>Total difference</b>	<b>1,852</b>	<b>(4.8%)</b>	<b>2,804</b>	<b>15.8%</b>

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

Geox S.p.A. underwent a tax audit by the Veneto Tax Authorities (Large Taxpayers Office) for fiscal years 2007-2008-2009-2010 with regard to Transfer Pricing versus European companies. The audit was completed on July 31, 2012 with the notification of their tax audit report. On December 14, 2012 a tax demand has been issued for the year 2007 and in regards to this tax demand, on January 24, 2013 the company has filed a tax settlement (ex art.6, sub.2, D.Lgs June 19th 1997, no 218). At the date of this report, the Company has decided to comply with the tax audit report, for all tax years covered by it, in a purely deflationary of litigation, stating again the correctness of its actions. The effect of this agreement has been fully reflected in this financial statement on previous years' taxes.

## 10. Earnings per share

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

Diluted EPS is calculated by dividing the net income for the period attributable to the Parent Company's shareholders by the weighted average number of shares outstanding during the period, taking into account the effects of all potentially

dilutive ordinary shares (for example, vested options under a stock option plan that have not yet been exercised).

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

	2013	2012
Earnings per share (Euro)	(0.11)	0.04
Diluted earnings per share (Euro)	(0.11)	0.04
Weighted average number of shares outstanding:		
- basic	259,207,331	259,207,331
- diluted	259,207,331	259,207,331

## 11. Intangible assets

Intangible assets are made up as follows:

	Balance at Dec. 31, 2013	Balance at Dec. 31, 2012	Change
Industrial patents and intellectual property rights	14,268	13,890	378
Trademarks, concessions and licenses	787	929	(142)
Key money	46,260	49,976	(3,716)
Assets in process of formation and payments on account	1,570	1,894	(324)
Goodwill	1,138	1,138	-
<b>Total</b>	<b>64,023</b>	<b>67,827</b>	<b>(3,804)</b>

The following table shows the changes in intangible assets during 2013:

	12-31-12	Purchases and capital.	Transla- tion Differen- ces	Amort./ write- down	Dispo- sals	Other Changes	12-31-13
<i>Intangible assets with finite useful life:</i>							
Industrial patents and intellectual property rights	13,890	6,389	1	(6,541)	(8)	537	14,268
Trademarks, concessions and licenses	929	84	-	(226)	-	-	787
Key money	49,976	4,767	(61)	(9,320)	(294)	1,192	46,260
Assets in process of formation and payments on account	1,894	1,405	-	-	-	(1,729)	1,570
<i>Intangible assets with an indefinite useful life:</i>							
Goodwill	1,138	-	-	-	-	-	1,138
<b>Total intangible assets</b>	<b>67,827</b>	<b>12,645</b>	<b>(60)</b>	<b>(16,087)</b>	<b>(302)</b>	<b>-</b>	<b>64,023</b>

Investments during the period mainly concern:

- personalization of the IT system for a total of Euro 5,561 thousand;
- the costs incurred for the registration, extension and protection of patents in various parts of the world (Euro 828 thousand);
- the costs incurred for the registration, protection and extension of the GEOX trademark in various parts of the world (Euro 84 thousand);
- key money costs (Euro 4,767 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 1,405 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 2014 and the further implementations and customizing of the new IT system.

Each shop is considered a CGU and, other than those flagship stores, which, despite being open for more than two years showed negative results in terms of operating margin, it was decided to assess the recoverability of the carrying value on the basis of expected results in the next 12 months. If the value in use of a CGU is lower than its book value, its assets are written down accordingly. The intangible assets impairment fund amounts to Euro 6,359 thousand as of December 31, 2013 (Euro 5,035 as of December 31, 2012).

## 12. Property, plant and equipment

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

	Balance at Dec. 31, 2013	Balance at Dec. 31, 2012	Changes
Land and buildings	550	-	550
Plant and machinery	7,132	7,630	(498)
Industrial and commercial equipment	4,589	4,731	(142)
Other assets	19,046	18,236	810
Leasehold improvements	32,411	36,128	(3,717)
Construction in progress and payments on account	1,563	1,365	198
<b>Total</b>	<b>65,291</b>	<b>68,090</b>	<b>(2,799)</b>

The following table shows the changes in property, plant and equipment during 2013:

	12-31-12	Purchases and capital.	Translation Differences	Amort./ write-down	Disposals	Other Changes	12-31-13
Land and buildings	-	558	(8)	-	-	-	550
Plant and machinery	7,630	1,898	(13)	(2,542)	(25)	184	7,132
Industrial and commercial equipment	4,731	3,995	(9)	(4,123)	(6)	1	4,589
Other assets	18,236	10,230	(202)	(9,456)	(181)	419	19,046
Leasehold improvements	36,128	9,430	(432)	(13,110)	(126)	521	32,411
Construction in progress and payments on account	1,365	1,356	(24)	-	(9)	(1,125)	1,563
<b>Total property, plant and equipment</b>	<b>68,090</b>	<b>27,467</b>	<b>(688)</b>	<b>(29,231)</b>	<b>(347)</b>	<b>-</b>	<b>65,291</b>

Investments during the period mainly concern:

- land acquired in Vranje (Serbia) where it will be built a manufacturing plant of footwear in the course of 2014;
- development of a photovoltaic plant for Euro 1,030 thousand and purchase of machinery for the molding for Euro 868 thousand;
- the purchase of industrial equipment (mainly moulds for shoe soles) by the Parent Company Geox S.p.A. and its productive subsidiary in Serbia;
- Geox shop fittings and hardware for Euro 9,003 thousand, office and showroom fittings for Euro 613 thousand, office and head office hardware for Euro 614 thousand;
- leasehold improvements of Euro 9,430 thousand. These additions relate to industrial buildings and offices for Euro 632 thousand and to premises fitted out as Geox Shop for Euro 8,798 thousand;
- construction in progress of Euro 1,365 thousand. These additions relate to the fitting out of shops to be inaugurated in 2014.

Each shop is considered a CGU and, other than those flagship stores, which, despite being open for more than two years showed negative results in terms of operating margin, it was decided to assess the recoverability of the carrying value on the basis of expected results in the next 12 months. If the value in use of a CGU is lower than its book value, its assets are written down accordingly. The tangible assets impairment fund amounts to Euro 6,741 thousand as of December 31, 2013 (Euro 3,912 as of December 31, 2012).

Other assets are made up as follows:

	Balance at Dec. 31, 2013	Balance at Dec. 31, 2012	Change
Electronic machines	2,097	2,357	(260)
Furniture and fittings	16,911	15,837	1,074
Motor vehicles and internal transport	38	42	(4)
<b>Total</b>	<b>19,046</b>	<b>18,236</b>	<b>810</b>

### 13. Deferred taxes

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

	Balance at Dec. 31, 2013	Balance at Dec. 31, 2012	Change
Carry-forward tax losses	12,136	488	11,648
Depreciation and amortization and impairment	12,005	10,490	1,515
Evaluation derivatives	1,851	689	1,162
Provision for obsolescence and slow-moving inventory and returns	14,839	11,839	3,000
Provision for agents' severance indemnities	1,209	2,324	(1,115)
Other	9,604	9,208	396
<b>Deferred tax assets</b>	<b>51,644</b>	<b>35,038</b>	<b>16,606</b>
Other	(395)	(689)	294
<b>Deferred tax liabilities</b>	<b>(395)</b>	<b>(689)</b>	<b>294</b>
<b>Total deferred taxes</b>	<b>51,249</b>	<b>34,349</b>	<b>16,900</b>

The deferred tax assets on carry-forward tax losses, which at December 31, 2013 amount to Euro 12,316 thousand mainly relate to Geox S.p.A. This amount has been subjected to a strict evaluation by the directors in order to book it only if future taxable profit are likely to occur, against which such losses can be utilized.

Derivatives that are defined as cash flow hedges and valued on a mark-to-market basis booked directly to equity require all related taxes also to be booked directly to equity and not to the income statement. The income taxes booked directly to equity amount to Euro 1,851 thousand (Euro 689 thousand in 2012).

Deferred tax assets included in "Other" are mainly related to provisions for liabilities and charges (note 26).

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

### 14. Other non-current assets

Other non-current assets are made up as follows:

	Balance at Dec. 31, 2013	Balance at Dec. 31, 2012	Change
Accounts receivable from others in 1 to 5 years	12,918	13,159	(241)
Accounts receivable from others in more than 5 years	5,335	5,536	(201)
<b>Total</b>	<b>18,253</b>	<b>18,695</b>	<b>(442)</b>

Accounts receivable from others relate principally for Euro 8,516 thousand of guarantee deposits for utilities and shop leases (from 1 to 5 years: Euro 5,783 thousand; over 5 years: Euro 2,733 thousand) and accounts receivable, payable from 1 to 5 years, for Euro 374 thousand.

Prepaid expenses for lease payments made in advance for Euro 9,363 thousand (from 1 to 5 years: Euro 6,761 thousand; over 5 years: 2,602 thousand).

## 15. Inventories

The following table shows the breakdown of inventories:

	Balance at Dec. 31, 2013	Balance at Dec. 31, 2012	Change
Raw materials	14,396	11,249	3,147
Finished products and goods for resale	267,023	197,310	69,713
Furniture and fittings	488	690	(202)
<b>Total</b>	<b>281,907</b>	<b>209,249</b>	<b>72,658</b>

Inventories of finished products include goods in transit acquired from countries in the Far East. In 2013 there was an increase in the value of inventories. This change is mainly due to early receiving of product for next season Spring/Summer 2014.

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:

<b>Balance at January 1</b>	<b>11,282</b>
Provisions	15,026
Translation differences	(93)
Utilizations	(11,282)
<b>Balance at December 31</b>	<b>14,933</b>

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

## 16. Accounts receivable

Accounts receivable are made up as follows:

	Balance at Dec. 31, 2013	Balance at Dec. 31, 2012	Change
Gross value	153,086	185,421	(32,335)
Provision for bad and doubtful accounts	(8,905)	(7,035)	(1,870)
Provision for returns and credit notes	(43,344)	(32,936)	(10,408)
<b>Net value</b>	<b>100,837</b>	<b>145,450</b>	<b>(44,613)</b>

Accounts receivable amounted to Euro 153,086 thousand at December 31, 2013.

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, 2013	110,840	22,047	6,939	13,259	<b>153,086</b>
Gross value of trade receivables at December 31, 2012	136,399	34,557	9,219	5,246	<b>185,421</b>

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, 2013 represents a prudent estimate of the current collection risk.

Changes in the provision during the year are as follows:

<b>Balance at January 1</b>	<b>7,035</b>
Provisions	2,997
Translation differences	(19)
Utilizations	(1,108)
<b>Balance at December 31</b>	<b>8,905</b>

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 2013 are as follows:

<b>Balance at January 1</b>	<b>32,936</b>
Provisions	39,292
Translation differences	(183)
Utilizations	(28,701)
<b>Balance at December 31</b>	<b>43,344</b>

#### 17. Other non-financial current assets

This item is made up as follows:

	<b>Balance at Dec. 31, 2013</b>	<b>Balance at Dec. 31, 2012</b>	<b>Change</b>
Tax credits	8,833	9,443	(610)
VAT recoverable	5,118	5,017	101
Advances to vendors	3,158	3,327	(169)
Other receivables	7,032	8,522	(1,490)
Accrued income and prepaid expenses	7,931	8,994	(1,063)
<b>Total</b>	<b>32,072</b>	<b>35,303</b>	<b>(3,231)</b>

Note that as a result of Geox S.p.A. and its subsidiary 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, 2013 the Group has a tax credit for an amount of Euro 3,762 thousand (Euro 4,928 thousand in 2012).

Other receivables include:

- Euro 1,465 thousand due from a credit insurance representing the value of claims assigned for which reimbursement has not yet been received;
- Euro 1,600 thousand of customs duty paid in USA on the purchase of goods to be sent to Canada; the Group will obtain a rebate of this amount from the local tax authorities.

Prepaid expenses mainly include prepayments for rent and for other rentals.

#### 18. Financial assets and liabilities

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

The following table shows the breakdown of this item:

	<b>Balance at Dec. 31, 2013</b>	<b>Balance at Dec. 31, 2012</b>	<b>Change</b>
Term bank deposits	1,569	1,309	260
Securities	42	42	-
<b>Total non current financial assets</b>	<b>1,611</b>	<b>1,351</b>	<b>260</b>
Fair value derivative contracts	906	2,291	(1,385)
Loans granted by Geox	113	75	38
<b>Total current financial assets</b>	<b>1,019</b>	<b>2,366</b>	<b>(1,347)</b>
Fair value derivative contracts	(10,792)	(5,937)	(4,855)
Other current financial liabilities	(24)	(4)	(20)
<b>Total current financial liabilities</b>	<b>(10,816)</b>	<b>(5,941)</b>	<b>(4,875)</b>

The term bank deposits of Euro 1,569 thousand include amounts lodged to guarantee rent contracts on foreign shops.

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

#### 19. Cash and cash equivalents

The amount of Euro 46,991 thousand relates to short term deposits for Euro 2,837 thousand, a current account in Euro for Euro 18,435 thousand, a current account in US Dollars for Euro 10,782 thousand, a current account in Chinese Yuan for Euro 4,687 thousand, a current account in Canadian Dollars for Euro 2,972 thousand, a current account in British Pound for Euro 2,717 thousand, a current account in Hong Kong Dollars for Euro 2,199 thousand, a current account in other currencies for the rest. The term deposits relate to investments of surplus cash remunerated at a rate linked to Euribor. The cash on the current account in US Dollars is used to pay suppliers in the Far East when their invoices fall due; it has a yield substantially in line with the reference rate. The cash on the other current accounts relates to receipts from customers on December 31, 2013 and temporary cash surpluses waiting to be used to make payments.

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

## 20. Equity

### Share capital

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

### Other reserves

This item is made up as follows:

	Balance at Dec. 31, 2013	Balance at Dec. 31, 2012	Change
Legal reserve	5,184	5,184	-
Share premium reserve	37,678	37,678	-
Translation reserve	983	396	587
Reserve for cash flow hedges	(4,670)	(2,087)	(2,583)
Reserve for stock options	1,176	1,661	(485)
Retained earnings	318,906	324,044	(5,138)
<b>Total</b>	<b>359,257</b>	<b>366,876</b>	<b>(7,619)</b>

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

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

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

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

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

The reserve for cash flow hedges, which shows a debit balance of Euro 4,670 thousand, originated as a result of valuing the financial instruments defined as cash flow hedges at December 31, 2013. Fair value valuation of cash flow hedges is stated net of the tax effect as explained in greater detail in note 30. This reserve is not distributable.

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

Retained earnings consist of unallocated results earned in previous years. The reserve has been decreased in 2013 for Euro 5,138 thousand.

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 2013	Equity 12-31-2013	Net income for the period 2012	Equity 12-31-2012
<b>Parent Company's equity and net income</b>	<b>(29,582)</b>	<b>377,682</b>	<b>16,444</b>	<b>425,803</b>
Differences between the carrying value of the investments in subsidiaries and the Group share of their equity	6,914	(21,159)	21,117	(25,051)
Group share of affiliates' results	5,162	5,162	9,429	9,429
Effect of the reorganization in 2001	1,753	(4,894)	1,753	(6,647)
Elimination of intragroup transactions on inventories	280	(6,594)	(1,274)	(6,874)
Elimination of intragroup dividends and investments write-off	(14,406)	-	(38,088)	-
Other adjustments	130	5,232	658	6,176
<b>Group equity and net income</b>	<b>(29,749)</b>	<b>355,429</b>	<b>10,039</b>	<b>402,836</b>

## 21. Employee severance indemnities

Employee severance indemnities at December 31, 2013 amount to Euro 2,379 thousand, as shown in the following table:

<b>Balance at December 31, 2012</b>	<b>2,406</b>
Amounts paid to leavers	(1,042)
Reversal of 0.50% withholding	(228)
Reversal of 11% flat-rate tax	(4)
Payments to supplementary pension schemes	(955)
Advances granted to employees	(65)
Provision for the period	3,558
Payments to supplementary pension schemes run by INPS	(1,391)
Change as a result of actuarial calculations	116
Translation differences	(16)
<b>Balance at December 31, 2013</b>	<b>2,379</b>

Changes in the provision for severance indemnities during 2013 show a utilization of Euro 955 thousand for payments to supplementary pension funds and one of Euro 1,391 thousand for payments to supplementary pension schemes run by INPS. This is because, based on the legislative changes introduced by Law 296/06, with effect from June 30, 2007, severance indemnities accruing after January 1, 2007 have to be paid by companies (with more than 50 employees) to a special treasury fund set up by INPS or, if the employee prefers, to a supplementary pension fund that complies with D.Lgs 252/05.

Instead, companies book a short-term payable which is then cancelled when the amount is paid over to INPS.

The actuarial valuation of the severance indemnities is carried out on the basis of the Projected Unit Credit Method in accordance with IAS 19. This method involves measurements that reflect the average present value of the pension obligations that have accrued on the basis of the period of service that each employee has worked up to the time that the valuation is carried out, without extrapolating the employee's pay according to the legislative amendments introduced by the recent Pension Reform. The various stages of the calculation can be summarized as follows:

- for each employee on the books at the date of the valuation, an extrapolation of the severance indemnity already accrued up to the time that it will probably be paid;
- for each employee, a calculation of the severance indemnity that will probably have to be paid by the Company when the employee leaves due to dismissal, resignation, disability, death and retirement, as well as if an advance is requested;
- discounting the probable payments to the date of the valuation.

The actuarial model used for the valuation of the provision for severance indemnities is based on various assumptions, some demographic, others economic and financial. The main assumptions used in the model are as follows:

- mortality rates: RG48 life expectancy table
- disability rates: INPS tables split by age and gender
- employee turnover rate: 2.00%
- discount rate: 3.00%
- rate of severance indemnities increase: 3.00%
- inflation rate: 2.00%

The following table shows the effect that there would be on the obligation for the defined benefit obligation as a result of changes of significant actuarial assumptions at the year-end:

#### Changes in assumptions

+1% employee turnover rate	11
-1% employee turnover rate	(13)
+1/4% inflation rate	55
-1/4% inflation rate	(53)
+1/4% discount rate	(77)
-1/4% discount rate	82

## 22. Provisions for liabilities and charges

This item is made up as follows:

	Balance at Dec. 31, 2012	Utiliza- tion	Provi- sions	Translation differences	Actuarial adjustment	Balance at Dec. 31, 2013
Provision for agents' severance indemnities	6,422	(4,426)	1,093	(10)	1,199	4,278
Other	3,426	(2,824)	969	-	-	1,571
<b>Total</b>	<b>9,848</b>	<b>(7,250)</b>	<b>2,062</b>	<b>(10)</b>	<b>1,199</b>	<b>5,849</b>

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 430 thousand.

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

## 23. Long-term loans

Long term loans amounted to Euro 62 thousand.

## 24. Other long-term payables

This item is made up as follows:

	Balance at Dec. 31, 2013	Balance at Dec. 31, 2012	Change
Guarantee deposits	1,076	1,208	(132)
Accrued expenses and deferred income	1,088	937	151
<b>Total</b>	<b>2,164</b>	<b>2,145</b>	<b>19</b>

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

## 25. Accounts payable

Accounts payable at December 31, 2013 amount to Euro 169,098 thousand, with an increase of Euro 6,492 thousand if compared with December 31, 2012. All amounts are due within the next 12 months.

Terms and conditions of the above financial liabilities:

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

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

## 26. Other non-financial current liabilities

This item is made up as follows:

	Balance at Dec. 31, 2013	Balance at Dec. 31, 2012	Change
Social security institutions	4,172	4,025	147
Employees	12,011	12,053	(42)
Provisions for liabilities and charges	9,101	14,108	(5,007)
Other payables	8,151	6,013	2,138
Accrued expenses and deferred income	8,628	6,030	2,598
<b>Total</b>	<b>42,063</b>	<b>42,229</b>	<b>(166)</b>

The amounts due to social security institutions mainly relate to pension contributions for 2013, paid in 2014.

The amounts due to employees include payroll, bonuses and accrued vacation not yet taken as of December 31, 2013.

The provisions for liabilities and charges mainly include the estimated costs related to the change in strategy and consequently of corporate governance (see Note 7).

Other payables are mainly advances received from customers.

Accrued expenses mainly relate to shop lease contracts for the period.

## 27. Taxes payable

This item is made up as follows:

	Balance at Dec. 31, 2013	Balance at Dec. 31, 2012	Change
Income taxes for the period	3,727	4,384	(657)
VAT payable	2,425	2,367	58
Other	2,272	4,288	(2,016)
<b>Total</b>	<b>8,424</b>	<b>11,039</b>	<b>(2,615)</b>

The liability for income taxes at December 31, 2013 amounts to Euro 3,727 thousand.

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

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

	Balance at Dec. 31, 2013	Balance at Dec. 31, 2012	Change
<b>Bank borrowings</b>			
- cash advances	28,969	7,238	21,731
- loans	38,000	-	38,000
<b>Other providers of funds</b>			
- loans	-	98	(98)
<b>Total</b>	<b>66,969</b>	<b>7,336</b>	<b>59,633</b>

The increase in bank borrowings is related to the financing of working capital needs and is based on technical forms self-liquidating.

It should also be noted that, at the beginning of 2014, the Group signed for a line of credit for a total of Euro 30 million, maturing in 18 months less one day. This line of credit can be used by Geox S.p.A. and by its main subsidiaries in their local currency. This is a revolving, multi-currency credit facility with a floating rate based on the currency in which it is drawn down and is intended primarily to provide the subsidiaries with the necessary funds to finance their working capital requirements.

## 29. Share-based payments

### Stock option plans

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

In 2013, the stock option reserve decreased by Euro 485 thousand (Euro 4,179 thousand in 2012).

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	December 2005 Plan	November 2004 Plan
Grant date	12-22-2011 and 12-20-2012	12-15-2005	11-30-2004
Vesting periods	3 years	3-5 years	3-5 years
Share price at grant date	Euro 2.20	Euro 9.17	Euro 4.60
Strike price	Euro 2.29 and Euro 2.08	Euro 9.17	Euro 4.60
Dividend yield (%)	6.00%	0.86%	1.43%
Volatility (%)	40.00%	33.43%	34.87%

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

## 30. Risk management: objectives and criteria

### Credit risk

Geox Group policy is to insure its trade receivables, thereby minimizing the risk of bad debts due to non-payment and/or significant payment delays on the part of customers. The policy of insuring against credit risk is applied to the main part of the Geox Group's accounts receivable from third parties.

The maximum risk involved in the Group's financial assets, which include cash and cash equivalents, derivative and other financial assets, is the book value of these assets in the event of counterparty insolvency (see note 16).

### Interest rate risk

Indebtedness to the banking system exposes the Group to the risk of interest rate fluctuations. Floating rate loans, in particular, run the risk of cash flow variations. At 31 December 2013, the Group's indebtedness to the banking system amounts to Euro 67.0 million and is entirely floating rate. This debt is based exclusively on technical forms related to working capital and is therefore self-liquidating (orders, invoices, bills); in other words, it is short term and linked to the Group's normal business activity with frequent extinctions and re-openings during the course of the year according to seasonal nature of the sector's financial cycle.

In this context, given expectations of lower interest rates and the short-term nature of the debt, the Group decided not to hedge its interest rate risk. It therefore does not have any derivatives on interest rates.

In terms of sensitivity analysis, we would emphasize that a positive (negative) variation of 50 b.p. in the level of interest rates applicable to short-term variable-rate financial liabilities that are not hedged would have resulted in a higher (lower) annual financial burden, gross of tax, of approximately Euro 250 thousand.



## Exchange risk

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

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

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

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

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

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

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

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

There have been no substantial changes in 2013 in the nature or structure of exposure to currency risk or in the Group's hedging policies.

The Group's financial statements as at December 31, 2013, could be materially affected by fluctuations in the exchange rates, mainly referred to the US dollar. The impact on the Group's result at June 30, 2013 resulting from a hypothetical, unfavorable and instantaneous change of 10% in the exchange rates of the leading foreign currencies with the Euro would have been approximately Euro 6 thousand (Euro 171 thousand at December 31, 2012). Receivables, payables and future trade flows whose hedging transactions have been analyzed were not considered in this analysis. It is reasonable to assume that changes in exchange rates will produce the opposite effect, of an equal or greater amount, on the underlying transactions that have been hedged.

## Liquidity risk

The sector in which the Group operates is very seasonal in nature. The year can be split into two collections (Spring/Summer and Fall/Winter), which more or less coincide with the first and second half. On the one hand, purchases and production are concentrated in the three months prior to the half-year in question, leading to an increase in inventory and, subsequently, the absorption of cash. On the other the wholesale and franchising sales are concentrated in the first three months of the half-year in question, transforming inventory into receivables. The same period sees the completion of payment of accounts payable. Receipts from customers and end consumers, on the other hand, are collected before the end of the half-year in question. These situations bring about very strong seasonal trends, also in the Group's financial cycle, which leads to peaks of absorption of financial resources in December to February and in June to August.

The Group manages liquidity risk by maintaining tight control over the various components of working capital, especially inventory and accounts receivable. The Group's credit risk hedging policies guarantee short-term collection of all

accounts receivable, even those from customers in financial difficulty, eliminating almost entirely the risk of insolvency. In addition, the finished products remained in stores at the end of the season are then disposed of in a planned way in the outlets owned by the Group and through promotional sales to third parties.

The Group also has bank lines of credit in line with the strong balance sheet and which are also roomy compared to seasonal phenomena described above.

## Fair value and related hierarchy

As at December 31, 2013 financial instruments are as follows:

	Notional value on 12-31-13	Fair value on 12-31-13 (debit)	Fair value on 12-31-13 (credit)	Notional value on 12-31-12	Fair value on 12-31-12 (debit)	Fair value on 12-31-12 (credit)
FX Forward buy agreements to hedge exch. rate risk	167,348	1	(4,414)	232,820	303	(4,661)
FX Forward sell agreements to hedge exch. rate risk	129,895	905	(556)	118,706	1,987	(863)
FX Currency Option agreem. to hedge exch. rate risk	126,894	-	(5,822)	57,450	-	(413)
<b>Total financial assets/(liabilities)</b>	<b>424,137</b>	<b>906</b>	<b>(10,792)</b>	<b>408,976</b>	<b>2,290</b>	<b>(5,937)</b>

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, 2013 are classified on Level 2. In 2013 there were no transfers from Level 1 to Level 2 or to Level 3 or vice versa.

The Group holds the following derivatives at December 31, 2013:

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

These agreements hedge future purchases and sales planned for the Spring/Summer 2014 and Fall/Winter 2014 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, 2013:

- Short-term interest rates on the currencies in question as quoted on [www.euribor.org](http://www.euribor.org) and [www.bba.org.uk](http://www.bba.org.uk);
- The spot exchange rates taken directly from the European Central Bank's website and the relative volatility posted by Bloomberg.

## 31. Related-party transactions

Pursuant to IAS 24, the Group's related parties are companies and people who are unable to exercise control or significant influence and associated companies. Finally, are considered related parties the members of the Board of Directors, the Statutory Auditors and Executives with strategic roles of the Group and their families.

The Group has dealings with the ultimate parent company (LIR S.r.l.) and with third parties that are directly or indirectly linked by common interests to the majority shareholder. The commercial relations with these parties are based on the



utmost transparency and normal market conditions. 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 2013 and 2012 are summarized below:

	<b>Total 2013</b>	<b>Parent company</b>	<b>Affiliated company</b>	<b>Other related parties</b>	<b>Total of which related parties</b>	<b>Effect on Total (%)</b>
Net sales	<b>754,191</b>	-	450	4,203	<b>4,653</b>	<b>0.6%</b>
Cost of sales	<b>(402,701)</b>	-	378	-	<b>378</b>	<b>(0.1%)</b>
General and administrative expenses	<b>(281,960)</b>	(323)	(2,836)	81	<b>(3,078)</b>	<b>1.1%</b>
Advertising and promotion	<b>(38,750)</b>	(308)	(2)	90	<b>(220)</b>	<b>0.6%</b>

	<b>Total 2012</b>	<b>Parent company</b>	<b>Affiliated company</b>	<b>Other related parties</b>	<b>Total of which related parties</b>	<b>Effect on Total (%)</b>
Net sales	<b>807,615</b>	-	167	2,752	<b>2,919</b>	<b>0.4%</b>
Cost of sales	<b>(419,522)</b>	-	190	-	<b>190</b>	<b>0.0%</b>
General and administrative expenses	<b>(251,907)</b>	(115)	(2,896)	(111)	<b>(3,122)</b>	<b>1.2%</b>
Advertising and promotion	<b>(45,777)</b>	(296)	(3)	39	<b>(260)</b>	<b>0.6%</b>

The main effects on financial statement of the transactions with these parties at December 31, 2013 and at December 31, 2012 are summarized below:

	<b>Balance at Dec. 31, 2013</b>	<b>Parent company</b>	<b>Affiliated company</b>	<b>Other related parties</b>	<b>Total of which related parties</b>	<b>Effect on Total (%)</b>
Other non-current assets	<b>18,253</b>	-	-	-	-	<b>0.0%</b>
Accounts receivable	<b>100,837</b>	37	855	3,623	<b>4,515</b>	<b>4.5%</b>
Other non-financial current assets	<b>32,072</b>	3,774	-	-	<b>3,774</b>	<b>11.8%</b>
Accounts payable	<b>169,098</b>	115	23	2,200	<b>2,338</b>	<b>1.4%</b>

	<b>Balance at Dec. 31, 2012</b>	<b>Parent company</b>	<b>Affiliated company</b>	<b>Other related parties</b>	<b>Total of which related parties</b>	<b>Effect on Total (%)</b>
Other non-current assets	<b>18,695</b>	-	-	17	<b>17</b>	<b>0.1%</b>
Accounts receivable	<b>145,450</b>	36	537	3,576	<b>4,149</b>	<b>2.9%</b>
Other non-financial current assets	<b>35,303</b>	4,945	-	15	<b>4,960</b>	<b>14.0%</b>
Accounts payable	<b>162,606</b>	71	13	534	<b>618</b>	<b>0.4%</b>

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

As at December 31, 2013 the Group has a tax credit for an amount of Euro 3,672 thousand (Euro 4,928 thousand in 2012).

### 32. Dividends paid and proposed

	<b>2013</b>	<b>2012</b>
Dividends declared and paid during the year:	15,552	41,473
Dividends declared and paid during the year - per share:	0.06	0.16
Dividends proposed to the shareholders' meeting (not yet recognized as a liability at December 31)*:	-	15,552
Dividends proposed to the shareholders' meeting (not yet recognized as a liability at December 31) - per share:	-	0.06

\* For 2012, the figure is calculated on the 259,207,331 shares outstanding on March 06, 2013.

### 33. Commitments and contingent liabilities

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

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

	<b>12-31-2013</b>
Within 1 year	74,956
Within 1-5 years	171,903
Beyond 5 years	72,216
<b>Total</b>	<b>319,075</b>

### 34. Significant subsequent events after December 31, 2013

None.

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Biadene di Montebelluna, March 6, 2014

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

## Attachment 1

Biadene di Montebelluna, March 6, 2014

### 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 Giorgio Presca, 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 2013.

They also confirm that the consolidated financial statements:

- agree with the books of account and accounting entries;
- 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;
- provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company as of December 31, 2013 and for the year 2013;
- 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.

Giorgio Presca  
CEO

Livio Libralesso  
Financial Reporting Manager

## Attachment 2

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

Type of services	Entity that provided the services	Beneficiary	Fees 2013 (*) (Euro/000)	Fees 2012 (**) (Euro/000)
Auditing	Auditors of the Parent Company	Parent company	133	190
Attestation services	Auditors of the Parent Company	Parent company	-	-
Tax advisory services	Same network as the Parent Company's auditors	Parent company	-	96
Other services	Auditors of the Parent Company	Parent company	-	-
<b>Total Parent Company</b>			<b>133</b>	<b>286</b>
Auditing	i) Auditors of the Parent Company ii) Same network as the Parent Company's auditors	Subsidiaries Subsidiaries	22 161	29 126
Attestation services	i) Auditors of the Parent Company ii) Same network as the Parent Company's auditors	Subsidiaries Subsidiaries	- -	- -
Tax advisory services	i) Auditors of the Parent Company ii) Same network as the Parent Company's auditors	Subsidiaries Subsidiaries	- -	- 40
Other services	i) Auditors of the Parent Company ii) Same network as the Parent Company's auditors	Subsidiaries Subsidiaries	- -	- -
<b>Total Subsidiaries</b>			<b>183</b>	<b>195</b>
<b>Total</b>			<b>316</b>	<b>481</b>

(\*) These are considerations relating to the activities of the audit of the financial statements in 2013 and in the verification of regular bookkeeping recognized to Deloitte Network.

(\*\*) These are considerations relating to the activities of the audit of the financial statements in 2012 and in the verification of regular bookkeeping recognized to Ernst&Young Network.

Attachment 3

LIST OF COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2013

Name	Location	Year end	Currency	Share capital	Directly	% held Indirectly	Total
- Geox S.p.A.	Biadene di Montebelluna (TV), Italy	Dec. 31	EUR	25,920,733			
- Geox Deutschland Gmbh	Munich, Germany	Dec. 31	EUR	500,000	100,00%		100,00%
- Geox Respira SL	Barcelona, Spain	Dec. 31	EUR	1,500,000	100,00%		100,00%
- Geox Suisse SA	Lugano, Switzerland	Dec. 31	CHF	200,000	100,00%		100,00%
- Geox UK Ltd	London, U.K.	Dec. 31	GBP	1,050,000	100,00%		100,00%
- Geox Japan K.K.	Tokyo, Japan	Dec. 31	JPY	495,000,000		100,00%	100,00%
- Geox Canada Inc.	Mississauga, Canada	Dec. 31	CAD	100		100,00%	100,00%
- S&A Distribution Inc.	New York, Usa	Dec. 31	USD	1		100,00%	100,00%
- Geox Holland B.V.	Amsterdam, Netherlands	Dec. 31	EUR	20,100	100,00%		100,00%
- Geox Retail S.r.l.	Biadene di Montebelluna (TV), Italy	Dec. 31	EUR	100,000	100,00%		100,00%
- Geox Retail Czech Sro **	Praga, Czech Rep.	Dec. 31	CZK	12,000,000		100,00%	100,00%
- Geox Hungary Kft	Budapest, Hungary	Dec. 31	HUF	10,000,000	99,00%	1,00%	100,00%
- Geox Hellas S.A.	Athens, Greece	Dec. 31	EUR	220,000	100,00%		100,00%
- Geox do Brasil Participacoes Ltda	Sao Paulo, Brazil	Dec. 31	BRL	1,000,000 *	1,00%	99,00%	100,00%
- Geox Retail Slovakia Sro	Prievidza, Slovak Rep.	Dec. 31	EUR	6,639		100,00%	100,00%
- Geox France Sarl	Sallanches, France	Dec. 31	EUR	15,000,000	100,00%		100,00%
- S&A Retail Inc.	New York, Usa	Dec. 31	USD	200		100,00%	100,00%
- Geox Asia Pacific Ltd	Hong Kong, China	Dec. 31	USD	1,282		100,00%	100,00%
- XLog S.r.l.	Signoressa di Trevignano (TV), Italy	Dec. 31	EUR	110,000	100,00%		100,00%
- Geox Rus LLC	Moscow, Russian	Dec. 31	RUB	900,000	100,00%		100,00%
- Geox AT Gmbh	Wien, Austria	Dec. 31	EUR	35,000	100,00%		100,00%
- Geox Poland Sp. Z.o.o.	Warszawa, Poland	Dec. 31	PLN	5,000		100,00%	100,00%
- Geox Portugal S.U. LDA	Lisbon, Portugal	Dec. 31	EUR	300,000	100,00%		100,00%
- Technic Development D.O.O. Vranje	Belgrade, Serbia	Dec. 31	RSD	56,000,000	100,00%		100,00%
- Geox Macau Ltd	Macau, China	Dec. 31	MOP	5,000,000		100,00%	100,00%
- Geox Trading Shangai Ltd	Shanghai, China	Dec. 31	CNY	95,257,035		100,00%	100,00%
- Dongguan Technic Footwear Apparel Design Ltd	Dongguan, China	Dec. 31	CNY	3,795,840		100,00%	100,00%
- Geox Turkey AŞ.	Istanbul, Turkey	Dec. 31	TRY	250,000	100,00%		100,00%

\* Share capital not paid.  
\*\* Company in liquidation.



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INDEPENDENT AUDITORS' REPORT  
Pursuant to art. 14 and 16 of Legislative Decree n. 39 dated January 27, 2010  
(Translation from the original Italian text)

To the Shareholders of  
GEOX S.p.A.

- We have audited the consolidated financial statements of GEOX S.p.A. and its subsidiaries ("the GEOX Group"), as of and for the year ended December 31, 2013, comprising the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related explanatory notes. Directors of GEOX S.p.A. are responsible for the preparation of these consolidated financial statements in conformity with the International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005. Our responsibility is to express and opinion on these financial statements based on our audit.
- Our audit was performed in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.
- For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to the report of other auditor issued on March 21, 2013.
- In our opinion, the consolidated financial statements of the GEOX Group as of December 31, 2013 have been prepared in accordance with International Financial Reporting Standards as adopted by European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of the operations and the cash flows of the GEOX Group for the year then ended.



4. The Directors of GEOX S.p.A. are responsible for the preparation of the Reporting on Operations and the Report on Corporate Governance and Ownership Structure in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and the information included therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) presented in the Report on Corporate Governance and Ownership Structure, as required by the law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information reported therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) presented in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of the GEOX Group as of December 31, 2013.

DELOITTE & TOUCHE S.p.A.

Signed by  
Giorgio Mostto  
Partner

Treviso, Italy  
March 24, 2014

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

## REPORT OF THE BOARD OF STATUTORY AUDITORS

Dear Shareholders,

during the financial year ended 31.12.13 we performed the supervisory activity provided for by the law, also taking into account the principles of conduct of the Board of Statutory Auditors recommended by the National Board of Chartered Accountants and Accounting Experts.

In particular, in relation to the activities carried out during the financial year, also in compliance with the provisions issued by CONSOB, with communication no. DEM/1025564 of 6 April 2001, as subsequently amended and integrated by communication no. DEM/3021582 of 4 April 2003 and communication no. DEM/6031329 of 7 April 2006, we report the following:

1. We oversaw compliance with the law and the articles of association.
2. We attended the meetings held by Shareholders, the Board of Directors, the Executive Committee and Committees within the Board and we received from Directors periodic information on the general business performance and outlook, as well as the most significant income, financial and equity transactions approved and implemented during the financial year, also through subsidiaries, making sure that they were not manifestly careless, risky, in conflict of interests, in contrast with the shareholders' resolutions and the articles of association or such as to jeopardise the integrity of corporate assets.
3. We did not find any atypical and/or unusual transactions with Group companies, third parties or related parties, as confirmed by the Board of Directors, the independent auditor and the head of internal auditing.
4. We oversaw compliance of the Procedures concerning Transactions with Related Parties - approved by the Company with Board of Directors' resolution on 28 October 2010, modified after the three-year review process and approved with a resolution passed by the Board of Directors on 19 December 2013, following the favourable opinion of the Auditing & Risk Committee and the Independent Directors Committee, implementing CONSOB Regulation 17221 of 12 March 2010 as subsequently amended and integrated – with the principles contained in the Regulation as well as the Company's effective compliance with these Procedures. Disclosure provided by the Board of Directors, notably on intra-group and related-party transactions, was deemed suitable. In particular, the latter are considered as connected and pertaining to the achievement of the corporate object and are deemed fair and in line with the Company's interests. In the Report on operations and Note 33 to the Company's financial statements, the Board of Directors provided a detailed description of the transactions, all of an ordinary nature, carried out with subsidiaries and related parties, explaining their income and financial effects and stating that they were characterized by the utmost transparency and were concluded at market conditions.
5. On 21 March 2013, in compliance with art. 14 of Italian Legislative Decree no. 39 dated 27 January 2010, the independent auditor Reconta Ernst & Young S.p.A. issued its reports on the statutory and consolidated financial statements as of 31 December 2013, both containing its opinion without any relevant remark or disclosure request.
6. During the financial year 2013 no claims pursuant to art. 2408 of the Italian Civil Code or complaints of any kind were made by third parties.
7. In compliance with art. 19, paragraph one, of the Italian Legislative Decree no. 39, as mentioned above, we oversaw the financial disclosure process; the effectiveness of the internal auditing and risk management systems; legal auditing of annual and consolidated accounts and the independence of the independent auditor, in particular as relation to the eventual provision of non-auditing services to the Company by Deloitte & Touche Spa.
8. Pursuant to article 17, paragraph nine of legislative decree No. 39, we received from the auditing company confirmation of independency of the same. Moreover, during 2013, the Company did not confer other assignments other than the statutory audit of the financial statements, the consolidated financial statements, the interim report and audits on regular corporate bookkeeping to Deloitte & Touche SpA. Bearing in mind (i) the declaration of independence issued by Deloitte & Touche S.p.A. and (ii) the absence of other assignments granted to the same and to the companies belonging to its network by the Company and by the Group's companies, we do not feel that there are any critical aspects concerning the independence of Deloitte & Touche S.p.A;
9. During the financial year we provided the opinions requested by the Board of Statutory Auditors in compliance with the law.
10. During the financial year 2013, 9 Board of Directors' meetings, 16 Executive Committee's meetings, 6 Auditing & Risk Committee's meetings, 6 Remuneration Committee's meetings, 2 Appointment Committee's meetings and 9 Board of Statutory Auditors' meetings were held.
11. We acquired information and oversee, to the extent of our competence, compliance with the principles of correct administration, through direct examination, gathering information from the heads of company functions and the executive responsible for preparing the company accounting documents, through meetings with representatives of the independent auditor Deloitte & Touche S.p.A. also for the purposes of mutual exchange of significant data and information to the performance of the tasks, from which no elements worthy of note emerged. In particular, with regard to the Board of Directors' decision-making processes, we ascertained, also through direct participation in board meetings, compliance with the law and articles of association of the management decisions made by the Directors and we verified that the relevant resolutions were supported by analyses and opinions – carried out in house or, when necessary, by external professionals – with

regard, above all, to the economic suitability of the transactions and their subsequent compliance with the Company's interests. Period management results and also all aspects regarding the most significant transactions were carefully analysed and discussed at the Board of Directors' meetings;

12. We acquired information about and supervised, to the extent of our competence, the adequacy of the Company's organisational structure and the way it is run; this also taking into account the organisational restructuring carried out by the Company and currently underway, with the support of a major consultancy company; during the current financial year, the Board of Statutory Auditors shall monitor the expected efficiency and effectiveness.
13. We assessed and oversaw the adequacy of the internal auditing and administrative-accounting systems, and the latter's reliability to correctly represent management operations. This was done through (i) examination of the reports with which the Managing Director and the executive responsible for preparing the company accounting documents stated the adequacy and actual implementation of administrative accounting procedures, compliance of the accounting documents with IAS/IFRS, correspondence of the documents with the results of registers and accounting entries and their suitability to correctly represent the Company's equity, income and financial position; (ii) examination of the report of the Audit & Risk Committee on the Company's internal auditing system; (iii) obtaining information from those responsible for relevant functions; (iv) examination and analysis of company documents and the results of the work carried out by the independent auditor; (v) participation in the activities of the Auditing & Risk Committee and the manager responsible for internal auditing, with whom we exchanged information about the results of the checks made. No critical situations or facts emerged from the activity carried out which made us believe that the Company's internal auditing system, as a whole, was not adequate.
14. We examined and obtained information on organisational and procedural activities carried out in compliance with Italian Legislative Decree 231/2001 as subsequently amended and integrated, on the administrative liability for offences provided for by such provisions. The board of auditors, to which the Supervisory Committee functions were attributed for the monitoring of the effectiveness, compliance and updating of the Organisational, Management and Control Model pursuant to the same Legislative Decree 231/2001, reported on the activities carried out during the year without reporting significant issues, facts or situations that must be illustrated in this report;
15. During the financial year 2013 we held periodic meetings and exchanges of information with representatives of Reconta Ernst & Young S.p.A., from which no significant critical aspects, facts or situations emerged which had to be illustrated in this report. In particular, (i) we assessed the audit plan drafted by Deloitte & Touche S.p.A., deeming it adequate for the Group's characteristics and size, and (ii) we supervised the auditing process effectiveness, stating that the same had been carried out in compliance with the audit plan and according to International Standards on Auditing (ISA).
16. On 24.03.13, the independent auditor issued its own report on the fundamental issues that emerged during the audit and on any significant weakness of the internal auditing system concerning the financial information process, in compliance with art. 19, paragraph three of Italian Legislative Decree 39, mentioned above. In the aforementioned report no significant weaknesses were identified in the internal auditing system concerning the financial information process.
17. We oversaw the implementation of the corporate governance rules provided for by the Code on Corporate Governance adopted by the Company – in compliance with the one promoted by Borsa Italiana S.p.A., issued by the Corporate Governance Committee for listed companies (March 2006 edition, as amended in March 2010 and in December 2011) – according to what indicated in the Report on Corporate Governance drafted by Directors. In particular, we checked, on an annual basis, (i) the correct implementation of the assessment criteria and procedures adopted by the Board of Directors on the independence of its own “non-executive” members, and (ii) compliance of the independence criteria by individual Board members.  
Following the amendments made to Consob resolution no. 18049 of 23 December 2011, Directors also drafted the Remuneration Report in compliance with art.123-ter of Italian Legislative Decree 58/98, approved by the Remuneration Committee on 06.03.14. In the report Directors illustrated the principles adopted for establishing the remuneration of members of administrative bodies and of executives with strategic responsibilities. The Report also contains the statement concerning fees paid to members of administrative and auditing bodies and the statement relating to information about the shareholdings held by the same in the company's capital.
18. We assessed and supervised the adequacy of the provisions issued to the subsidiaries. Such provisions allowed the latter to promptly provide the parent company with information necessary for fulfilling the disclosure obligations provided for by the regulations.
19. With reference to the provision of art. 36 of the CONSOB Regulation on Markets, relating to significant subsidiaries established and governed by the law of non-EU countries, we noted that the Group's administrative-accounting and reporting systems allow that the accounting items registered for the purposes of preparing the consolidated financial statements are at the disposal of the public and are suitable for providing the Company's management and auditor, on a regular basis, with the equity, income and financial data necessary for drafting the consolidated financial statements. For these purposes, the information flow towards the central auditor, structured on various corporate control levels, over the whole financial year and used for verifying the Company's annual and interim accounts, is considered to be effective.

20. Through information gathered by the independent auditor Deloitte & Touche S.p.A. and by the Company's management, we have ascertained compliance with IAS/IFRS, and also other legislative and regulatory provisions relating to the presentation and structure of the financial statements and consolidated financial statements as at 31.12.13 and the relevant reports on operations.

With reference to the impairment tests per accounting standard IAS 36, as explicitly indicated in the joint Bank of Italy/Consob/Isvap document no. 4 of 3 March 2010, before approval of the draft financial statements, the Board Members approved the findings of the impairment test and verified its compliance with IAS 36.

During the supervisory activity, as described above, no omissions, objectionable events or irregularities emerged to be reported to the relevant external control and supervisory bodies or to be mentioned in this report.

Based on the foregoing and insofar as it pertains to it, the Board of Auditors finds no impediment to the approval of the financial statements closed at 31 December 2013, with loss for the period of 29,582 Euro, and the proposal to bring forward the same as formulated by the Board of Directors.

Biadene di Montebelluna, March 24, 2014

#### **THE BOARD OF STATUTORY AUDITORS**

Francesco Gianni

Valeria Mangano

Francesca Meneghel



## **Company's data and information for Shareholders**

### **Registered office**

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

### **Legal data**

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

### **Investor Relations**

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Livio Libralesso - CFO

### **Documents for shareholders**

[www.geox.com](http://www.geox.com)  
(investor relations section)