

GEOX
R E S P I R A

The Geox Group

History

It was almost 25 years ago when Mario Moretti Polegato, founder and chairman of Geox, came up with the revolutionary idea of piercing the rubber soles of his shoes, allowing his feet to breathe during a trip under the hot sun of Reno, in Nevada. So, why not create a product that's as flexible and strong as a normal rubber sole, at the same time as guaranteeing extraordinary performance in terms of breathability and water resistance?

When he got back to Italy, Moretti Polegato decided to develop his idea in a small footwear company belonging to his family, creating a new technology for rubber soles: that's how the first "shoe that breathes" was born, which he immediately patented.

After pitching his invention to well-established footwear companies without success, and, having passed a market test with a range of kids' shoes, Moretti Polegato began manufacturing his Geox shoes independently. He improved and perfected the initial patent and went on to extend the range of products to include not just children's shoes, but men's and women's too.

That's how everyday design encountered avant-garde technology, a project whose very name symbolises its close link with nature and real life. In fact, the word Geox is made up of Geo - the Greek for "Earth" - and X, the symbol for the most advanced technology, developed in Italian laboratories and exclusively patented throughout the world. This name captures all the commitment and energy of our drive and know-how, our care and attention, using research to support quality and everyday elegance.

"BREATHES" stands for innovation, research and continuous experimentation: a philosophy that unites creativity and performance, style and technology, respect for the environment and for people.

Innovation at the forefront

Geox's mission is to develop technology that breathes.

The company constantly invests in research in order to continuously improve its products: innovative shoes and jackets able to provide maximum breathability, comfort and performance at the same time as offering modern Italian design. Geox's technology is protected by some 40 patents and 25 recent patent applications. The initial "shoe that breathes" patent, with the rubber sole integrated with a special membrane that allows vapour to pass through but not water, was extended to shoes with a leather sole, which are also able to repel and disperse water and humidity. Geox's new generation of wind and rain proof products reached the peak of breathability

and heat-regulation technology with Amphibiox, a range of products offering outstanding levels of insulation and protection, reflecting the excellence of the brand.

And that's not all. The main concept of well-being you can wear has been studied, developed and perfected, permeating all of the brand's creations. This concept has been transferred from shoes to clothing collections, allowing outerwear to benefit from the fundamental quality of breathability.



Mission

**GEOX WAS CREATED
FROM AN INNOVATIVE
IDEA TO OFFER
PRODUCTS
THAT “BREATHE”,
GUARANTEETING
MAXIMUM
WELL-BEING FOR
CONSUMERS**





Geox's values

INNOVATION

Always open to change and improvement. We use research to identify the most advanced technologies and cutting-edge trends to be incorporated into our unique products.

SUSTAINABILITY

Always taking great care of and fully respecting the people and the environment that surround us. Ethical conduct, equality, diversity, trust.

PASSION

We put our very best into everything we do. We always uphold our values.

WELL-BEING

We love everything to do with well-being and we apply this to everything we do.

EXCELLENCE

Quality, safety and reliability. The utmost attention is paid to every single detail.

CUSTOMER CENTRICITY

Our customers are our guide and our reason for being. Customer satisfaction is our objective.

ITALIAN DNA

We're proud to be Italian. We convey the identity of our roots in every single one of our products.



Geox's distinctive features

TECHNOLOGY AND INNOVATION

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

FOCUS ON CUSTOMERS

Constant focus on product quality and customer satisfaction, offering a wide range of products for men, women and children, representing affordable and "democratic" luxury.

HIGH LEVELS OF BRAND RECOGNITION

High levels of recognition of the brand and its distinctive features.

EXTENSIVE DISTRIBUTION NETWORK

Approximately 860 mono-brand stores and a widespread network of wholesale clients throughout the world.

FLEXIBLE SUPPLY CHAIN

A business model mainly based on flexible outsourcing, with the critical phases of the value chain being constantly overseen in Italy.

Amphibiox®

The waterproof & breathable shoe

Geox's technological systems for water resistance and total breathability, suitable for all weather conditions

Amphibiox® is the breathable and waterproof solution to suit all requirements in terms of comfort. This waterproof shoe is perfect for any situation: suitable for all types of weather and environments and whatever level of water immersion you may need, as well as providing your desired grade of heat insulation. A special breathable and waterproof membrane protects both the sole and the upper, preventing water from entering the shoe at the same time as guaranteeing Geox's extraordinary levels of breathability. The inside of the shoe therefore maintains an ideal microclimate for your feet, which stay warm, dry and are free to breathe naturally.



Geox Amphibiox®

Nebula™

3D breathing engineering

Nebula™ is made using revolutionary technology, providing excellent performance in terms of breathability and comfort. Bursting with innovation, this shoe is ideal for frequent travellers who want to get around with style and character, without compromising on comfort.

Geox Nebula™



Aerantis™

Dynamic Breathing System

The Aerantis™ shoe combines different Geox technologies: the Net Breathing System™ breaks down barriers with the outside, thanks to the large, perforated and breathable surface of the sole; the Ventilation System maximises air circulation inside the shoe; the Inner Breathing System allows for breathability around the foot.



Geox Aerantis™

Spherica™

Transform the world you walk in

Spherica is the new Geox comfort concept that gives you an incredible cushion beneath the feet, thanks to its revolutionary sole with ZERO SHOCK SYSTEM featuring ultra-soft spheres positioned along the whole sole and working as cushioning pads that respond in all phases of movement.

Geox Spherica™



The jacket that breathes

Geox's garments allow the humid area created by the evaporation of sweat to escape through breathing tape, which stretches from one shoulder to the other, a 3D spacer and a special breathable and waterproof membrane inserted inside, which has the dual function of allowing sweat to escape at the same time as preventing water from entering.

Thanks to Geox's patented system, the garment stays drier and perceived humidity is reduced.



Sandford Abx

Geox worldwide

Geox was established in Italy, but has a strong international presence: 77% of sales are generated abroad, across more than 115 countries.



Geox Shop Paris Rue de Rivoli

A high-visibility brand

The Group implements a diversified distribution strategy across the individual markets in order to ensure brand promotion is coherent for the end consumers. In 2020, Geox was present in more than 10,000 wholesale selling points and 867 mono-brand stores.



Everyday collection

In addition to their innovative solutions guaranteeing water resistance and breathability, Geox collections also stand out for their levels of comfort and modern, versatile style, perfect for everyday wear. The company's in-house design centre analyses new consumer trends, explores materials and ideas, and develops a wide range of footwear and apparel for men, women and children.



GEOX WAS BORN IN ITALY, INSPIRED BY AN IDEA THAT HAS LED THE COMPANY TO BECOME ONE OF THE WORLD'S LEADING SHOE MANUFACTURERS, DEVELOPING TECHNOLOGY AND MODERN PRODUCTS AIMED AT IMPROVING PEOPLE'S WELL-BEING. FOLLOWING THIS INSPIRATION, GEOX HAS EMBARKED ON A PATH TOWARDS SUSTAINABLE INNOVATION, WHICH TODAY REPRESENTS ONE OF THE FUNDAMENTAL VALUES OF THE COMPANY'S PHILOSOPHY

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



CONTENTS

CHAIRMAN'S MESSAGE TO STAKEHOLDER

DIRECTORS' REPORT

28	Profile
29	Research and Development
30	The distribution system
31	The production system
32	Human Resources
33	Shareholders
33	Financial communication
33	Geox on the Stock Exchange
34	Control of the Company
34	Shares held by directors and statutory auditors
35	Company officers
36	Report on corporate governance and ownership structure
39	Group Structure
40	Principal risks and uncertainties to which Geox S.p.A. and the Group are exposed
43	Implications of the Covid-19 pandemic on the financial statements as of 31 December 2020
44	Group performance
44	Economic results summary
45	Sales performance in 2020
49	Cost of sales and gross margin
49	Operating expenses and EBIT
50	Net write-downs of fixed assets
50	Taxes
51	IFRS 16 effects on 2020 Profit and Loss
52	The Group's financial performance
52	The Group's financial performance
54	IFRS 16 effects on Group's financial performance
55	Reclassified consolidated cash flow statement and investments of the period
56	IFRS 16 effects on Reclassified consolidated cash flow statement
57	Treasury shares and equity interests in parent companies
57	Stock Plan
58	Transactions between Related Parties
58	Outlook for operation

59 **CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES**

CHAIRMAN'S LETTER TO SHAREHOLDERS

Signori Azionisti,

2020 was an unprecedented year, marred by the spread of the COVID-19 pandemic.

For more than 12 months now, the whole world has been facing a difficult battle against the virus, introducing restrictive measures aimed at limiting the spread of the contagion.

This has led to people's mobility being significantly reduced, tourism being substantially wiped out and non-essential businesses being temporarily suspended (as is still the case). This context is also defining new trends in consumer behaviour while consolidating others and these trends will increasingly characterise the near future.

During 2020, much of our distribution network experienced disruptions to operations, with temporary closures peaking in the second and fourth quarters. As well as causing an inevitable and significant drop in turnover and margin performance, this also led to considerable extraordinary expenses linked to increasing levels of unsold stock, store closures and the difficulties being faced by our business partners.

Faced with this situation, Geox immediately created an international team both to manage the difficulties caused by these exceptional circumstances and to push forward with the actions and plans required to best face and anticipate upcoming challenges.

These actions have allowed us to protect our employees' health, to keep our financial position under control, to make important cost savings and, above all, to speed up the rationalisation of the Group's distribution network aimed at defining a customer-centric business model with a digital focus. A cutting-edge business model able to seize all the opportunities that will be created as soon as this emergency is over.

We are therefore investing in perfectly integrating our physical and digital channels, in new TV advertising campaigns, in new store openings in markets with the highest levels of growth, in a more selective and targeted product range using advanced merchandising tools and, lastly, as always, in research and development in order to ensure the utmost well-being for our customers.

Despite the overall complexity of the current situation, we have recorded encouraging results over the last few months, giving us confidence in the validity of the strategies undertaken.

The e-commerce channel, already up +41% in 2020, is now growing at an even faster rate in 2021; a number of important markets that we are investing in and that are no longer being affected by store closures, such as Russia and China, are recording double-digit increases in sales; we are also recording very positive results among customers for the main innovative products from the 2021 spring collection.

Conditions are still difficult, but we are confident that the work we are doing, together with our brand's distinctive features and the gradual return to 'business as usual' thanks to the vaccination campaigns, will help us to return to growth and profitability.

Mario Moretti Polegato





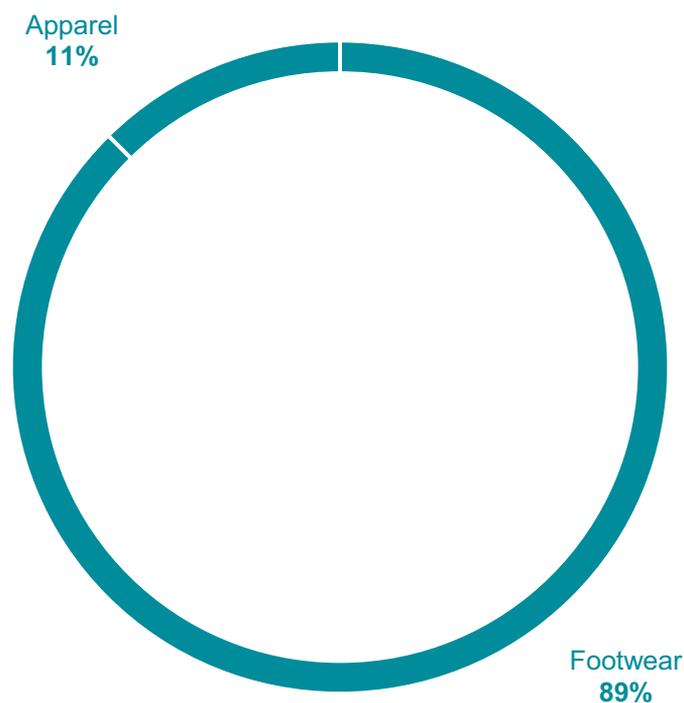
Profile

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 55 different patents and by 11 more recent patent applications, "Geox" products ensure technical characteristics that improve foot and body comfort in a way that consumers are able to appreciate immediately.

Geox's innovation stems essentially from the creation and development of special outsoles: thanks to a special membrane that is permeable to vapour but impermeable to water, rubber outsoles are able to breathe and leather outsoles remain waterproof. In the apparel sector the innovation increases the expulsion of body's internal humidity thanks to hollow spaces and aerators.

Geox is market leader in Italy in its own segment and is one of the leading brands world-wide in the "International Branded Casual Footwear Market" (source: Shoe Intelligence, 2020).



Research and Development

The applied research carried out by Geox in 2020 was 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.

In particular, Spherica™ with an all-round comfort sole: this sole is made up of two interlocking layers, each with a different thickness and firmness, and features “Zero Shock System” technology characterised by extremely soft spheres; these spheres are positioned all the way along the soles of the feet and act like shock-absorbing cushions that react to each and every movement.

The innovative “Ventilated Cushioning System” technology was further developed also for soles and applied to the XAND2 and XAND2S lines. Thanks to an air-channelling system, ventilation and cushioning are brought together, ensuring total comfort and well-being.

With a view to simplifying the production process, a new co-moulding process for soles was developed, whereby Geox’s waterproof and breathable membrane is inserted directly into the sole mould when it is created. This avoids using any additional sealants, which were used until now in order to ensure waterproof performance between the membrane and the sole, thereby reducing the number of footwear components. This technology also makes the soles more flexible and the shoes more comfortable, as well as making the production process more sustainable.

A new closure has also been developed for a number of men's models in the FW 21 collection, which allows consumers to adjust the tightness of their laces using a slider and to block the section of the laces in excess of said slider at the point that best fits their instep, preventing the laces from being free and loose. This avoids any risk of the laces catching on external objects or the person wearing them tripping over, as well as making the shoes aesthetically more attractive.

For the children's collection, an electronic device has been designed with a wireless connection, allowing users to play with their Geox Playkix™ shoes through a smartphone. The electronic device is inserted in the heel underneath the insole and interprets the movement of the feet, interacting with the smartphone: the Geox Playkix™ app receives these signals and allows the child to play the game.

With regard to apparel, the KASPAR men's parka jacket has been developed for the waterproof AMPHIBIOX™ range, designed for even the coldest and rainiest days; this jacket combines water resistance with Geox’s Heating Technology, providing a warming solution designed to work in harmony with Geox’s breathable technology. The heating element conveniently positioned at the top of the jacket is powered by a compatible power bank (not provided with the jacket); when switched on, this offers a sequence of four different temperature levels. A sensor controls the actual temperature level and there is an automatic switch-off mechanism for the utmost safety.

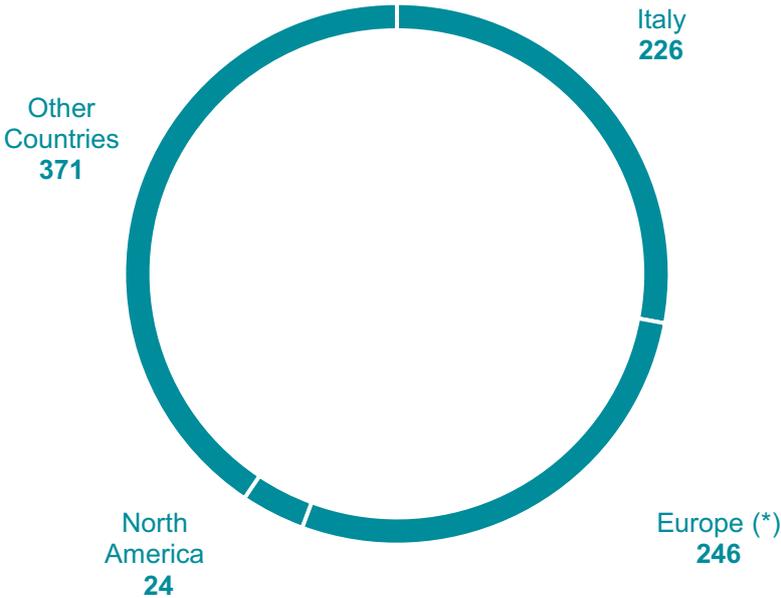
In 2020, research and performance testing also continued with reference to the new breathing tape that is dyed without using any water and that also includes the same material as the jacket and the exclusive, functionalised 3D spacer. These innovations are integrated into the original solution that exploits the physical principle of convection, whereby hot air tends to rise.

Geox innovation is protected by 55 patents and 11 recent patent applications.

The distribution system

Geox distributes its products through about 9,000 multi-brand selling points and also through a Geox shops network (Franchising and DOS – directly operated stores).

As of December 31, 2020, the overall number of "Geox Shops" came to 867, of which 457 in franchising and 410 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 is completed by selected partners mainly in the Far East and at the group's production plant in Vranje, Serbia, in an area where there is a high level of shoe manufacturing expertise.

This production plant currently covers approximately 8% of the Group's standard requirements and was largely financed by the Republic of Serbia.

All stages of the production process are under the strict control and coordination of the Geox organisation.

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

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

Human Resources

At December 31, 2020 the Group had 4,458 employees, showing a decrease of 712 employees compared with 5,170 employees at 31 December 2019.

As of December 31, 2020 the employees were splitted as follows:

Level	31-12-2020	31-12-2019
Managers	48	45
Middle Managers and office staff	912	975
Shop Employees	2,192	2,889
Factory Workers	1,306	1,261
Total	4,458	5,170

The graph shows the employees of the Group at 31 December 2020, 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.biz, 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	2020	2019	2018
Earnings per share [Euro]	(0.50)	(0.10)	(0.02)
Equity per share [Euro]	0.65	1.17	1.31
Dividend per share [Euro]	-	-	0.03
Pay-out ratio [%]	-	-	n.s.
Dividend yield (at 12.31)	-	-	2.14
Year-end price [Euro]	0.79	1.18	1.17
MTA high [Euro]	1.19	1.93	3.01
MTA low [Euro]	0.47	1.15	1.06
Price per share/EPS	(1.57)	(12.29)	(57.32)
Price per share/Equity per share	1.22	1.01	0.89
Stock market capitalization [thousands of Euro]	204,774	305,865	303,273
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	11,280	14,883,454
from 5.001 to 10.000 shares	922	7,068,355
10.001 shares and over	799	242,772,565
Lack of information on disposal of individual positions previously reported		(5,517,043)
Total	13,001	259,207,331

(*) As reported by Computershare S.p.A. on December 31, 2020.

Shares held by directors and statutory auditors

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

Directors, statutory auditors and executives with strategic responsibilities have submitted declarations that they hold no shares of the Company as of December 31, 2020.

Company officers

Board of Directors

Name	Position and independent status (where applicable)
Mario Moretti Polegato ⁽¹⁾	Chairman and Executive Director
Enrico Moretti Polegato ⁽¹⁾	Vice Chairman and Executive Director
Livio Libralesso ⁽¹⁾	CEO and Executive Director (*)
Claudia Baggio	Director
Lara Livolsi ⁽³⁾	Independent Director
Alessandro Antonio Giusti ^{(2) (3)}	Director
Francesca Meneghel ^{(2) (4)}	Independent Director
Ernesto Albanese ⁽²⁾	Independent Director
Alessandra Pavolini ⁽³⁾	Independent Director

⁽¹⁾ Member of the Executives Committee

⁽²⁾ Member of the Audit, Risk and Sustainability Committee

⁽³⁾ Member of the Nomination and Compensation Committee

⁽⁴⁾ Lead Independent Director

(*) Powers and responsibilities for ordinary and extraordinary administration, within the limits indicated by law and the Articles of Association, in compliance with the powers of the Shareholders' Meeting, the Board of Directors and the Executive Committee, in accordance with the Board of Directors' resolution of January 16, 2020.

Board of Statutory Auditors

Name	Position
Sonia Ferrero	Chairman
Francesco Gianni	Statutory Auditor
Fabrizio Colombo	Statutory Auditor
Fabio Antonio Vittore Caravati	Alternate Auditor
Giulia Massari	Alternate Auditor

Independent Auditors

Deloitte & Touche S.p.A.

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 January 2020 (Corporate Governance Code), 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 Governance section of the Company's website: www.geox.biz.

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 consist of a set of rules, procedures and organizational structures designed to identify, measure, manage and monitor the main risks; they ensure that the management of the business is in line with the corporate objectives, and they help protecting the business wealth, the efficiency and effectiveness of the business processes, the reliability, accuracy and promptness of the financial reporting, the compliance with laws and rules as well as with the article of associations and internal procedures.

In compliance with Law n. 262/2005, the Group has therefore put in place procedures aimed to increase the transparency of the company disclosure and to make more effective the internal control system and in particular the controls related to the 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 organizational 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 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.

It's to be noted that on February 25, 2021 Board of Directors approved the guidelines related the Internal Control System and Risk Management contained in Corporate Governance Code.

The Group adopted some time ago its own model of organization, management and control as per D.Lgs 231/01, steadily updated to include the new crimes, most recently on April 17, 2018. 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.

In compliance with (Italian) Legislative Decree no. 254/2016, the Group has prepared a separate report containing non-financial information. This report, published on the Group's website (www.geox.biz), identifies the topics that are considered to be of material importance for reporting purposes. These topics were defined by considering both the point of view of the company's own organisation (through workshops and interviews conducted internally), and the results of benchmarking activities carried out with reference to the Group's main competitors in the fashion industry, as well as studies linked to the world of sustainability. As further confirmation of Geox's focus on sustainability issues, in 2019, the Group decided to join the Fashion Pact. This pact is a global coalition of companies in the fashion and textile industry (ready-to-wear, sport, lifestyle and luxury), including their suppliers and distributors, all committed to a common core of key environmental goals in three areas: stopping global warming, restoring biodiversity and protecting the oceans.

Please refer to the aforementioned report for all aspects regarding the information required by the decree, relating to environmental and social matters, aspects linked to employees, the respect of human rights, anti-corruption, diversity in the Board of Directors and other sustainability issues.

The Board of Directors of Geox S.p.A. also approved the "Global Compliance Program", a document addressed to the Group's foreign companies. This is a governance tool aimed at strengthening the Company's ethical and professional commitment and preventing offences from being committed abroad (such as offences against the public administration, fraudulent accounting, money laundering, offences committed in violation of workplace health and safety regulations, environmental crimes), which may otherwise lead to criminal liability for the company and subsequent reputation risks.

The Global Compliance Program was drawn up in accordance with the main and most authoritative international regulations in this field (i.e. the main international conventions on combating corruption, UK Bribery Act 2010, Good Practice Guidance on Internal Controls, Ethics and Compliance 2010, etc.), also taking into account the Group's current organisational structure and the specific reference legislation applicable in the legal systems in which the Group's companies operate.

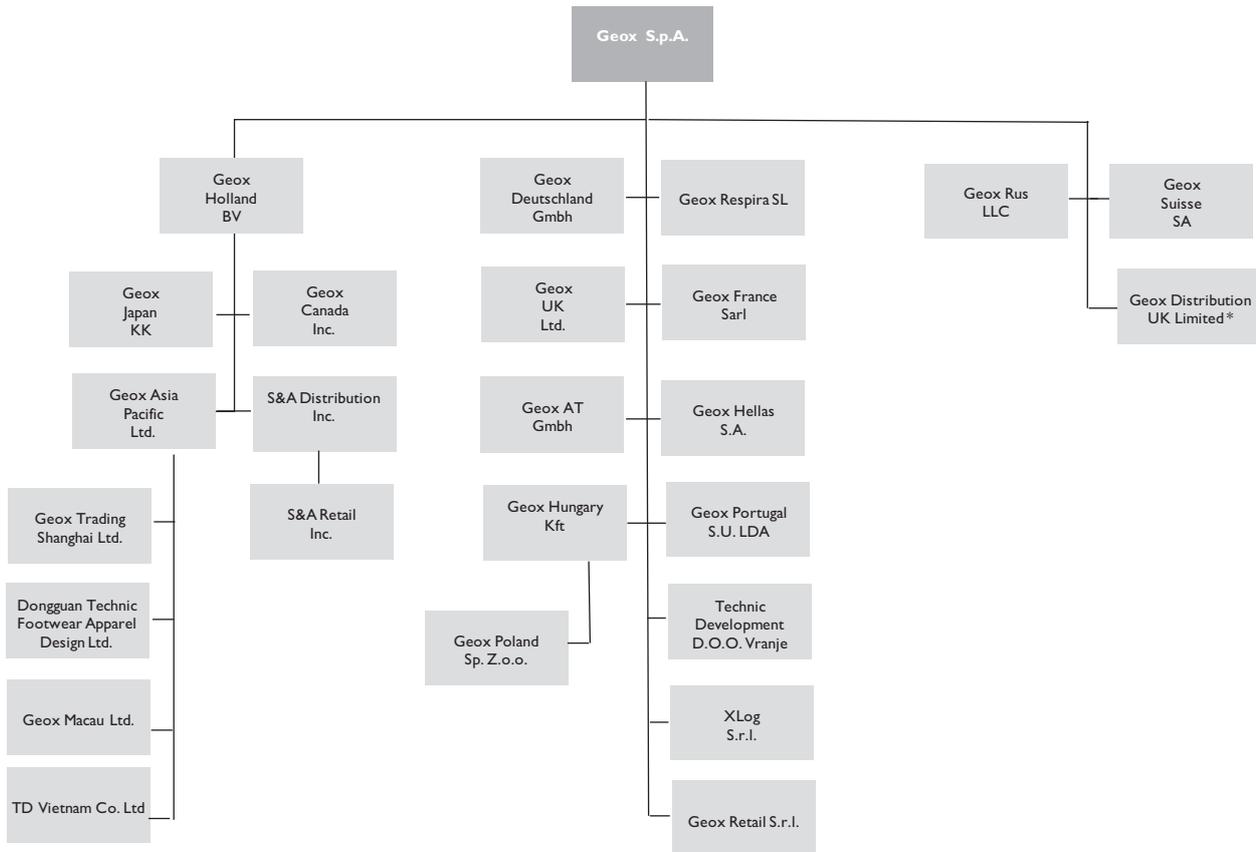
Moreover, in line with the previously described control measures, Geox S.p.A. has successfully completed the process for obtaining ISO 37001 certification as regards measures to combat active and passive corruption.

Lastly, it should be noted that, in compliance with (Italian) Law no. 179/2017 regarding "Provisions to protect individuals who report offences or irregularities of which they become aware as part of their public or private work" (the so-called "Whistle-blowing Law"), the Company has implemented a suitable global Whistle-blowing system that is integrated at group level. The aim of this system is to verify and promptly manage any unlawful conduct and/or violations regarding suspicious behaviour and breaches of the Company's Code of Ethics.

The internal whistle-blowing process has been structured with a dedicated channel, run by a third-party specialist, which includes an online platform and a multilingual helpline able to ensure that the whistle-blower remains anonymous.

Group Structure

GROUP CHART DECEMBER 31, 2020



* Incorporated on October 21st 2020, not fully operative

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

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

- Risks related to the Covid-19 pandemic: the spread of the coronavirus is a complex and unprecedented global emergency in the modern world, with health, social, political, economic and geopolitical implications. Geox's team, set up to face the emergency, supported the Group's management in defining a strategy aimed mainly at safeguarding the health of its employees and consumers as well as protecting the business and the group liquidity;
- 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. The Group's ability to develop its business also depends to the extent on the economic situation of the various countries in which it operates. Although the group operates in a significant number of countries around the world, the possible deterioration of economic, social and political conditions in one or more markets in which it operates may have a negative impact on sales and financial results of the Group. The introduction by national or supranational bodies of restrictions on the movement of people between different countries, as a consequence, for example, of international crises or pandemics, can have an impact on revenues, especially in relation to certain geographical areas in which Geox operates;
- changes in national and international regulations: the Group operates in a complex international environment and is subject, in the various jurisdictions in which it operates, to rules and regulations which are constantly monitored, especially for all matters relating to the health and safety of workers, environmental protection, rules around manufacturing of products and their composition, consumer protection, the protection of intellectual and industrial property rights, competition rules, fiscal and customs rules, and, in general, all relevant regulatory provisions.
- changes in customers' tastes and preferences as well as different habits in different geographical areas in which the Group operates;
- the image, perception and recognition of the Geox brand by its consumers but also by different uncertainty about management's ability to define and implement successfully its business, marketing and distribution strategy. Over the last year, the ongoing pandemic and digitalisation process have driven management to review its business model across all markets, with a view to making it more streamlined, more efficient and better suited to the current operating conditions. This new business model has an omnichannel approach in terms of both distribution and operations, with the physical channel developing its role as a service hub at the same time as ensuring that contractual rent conditions are in line with the current scenario. The main measures that have been approved by management are a rationalisation plan which will see Geox, on one hand, closing smaller and less profitable stores, and, on the other one, opening some larger stores in more strategic locations and restyling of stores with the highest potential. These measures will also be accompanied by further investments and a process of digital transformation and growth for the Group, focusing on omnichannel services to boost sales in the physical network;
- risks related to availability of raw materials and finished products: the Group's products are produced in the Far East, the Mediterranean Basin and at the plant it owns in Serbia. Overall, the effects of the Covid-19 pandemic are still being felt, but the system as a whole is currently operational, albeit in a context that is still characterised by a certain degree of instability, especially in terms of shipping. It cannot be excluded that there could be some tension on the supply side that could have a negative impact on the financial results of the Group. The Group is constantly monitoring this continuously evolving situation, striking a careful balance between the need to reduce purchases, where possible, in order to mitigate risk and the need to take account of the social impact of suddenly pulling out of said production sources;
- uncertainty about the ability to attract, retain and motivate qualified resources;
- policies implemented by competitors and the possible entry of new players into the market.

Cyber risks

2020 witnessed an increase in cyber attacks, at the same time as the ICT structure being put under pressure due to employees' need for greater flexibility as a result of the Covid-19 pandemic. Geox Group is carefully monitoring the increasing cases of cyber attacks and is fully aware of the growing level of danger that such attacks pose to business continuity.

These circumstances led the Group to define an action plan aimed at preventing and defending against potential attacks on the one hand and strengthening the measures to combat this phenomenon and restore normal operations on the other.

The Group therefore defined a governance structure which involves:

- a Security Committee that meets at least once a month with the aim of monitoring emerging cyber risks and checking the progress of the improvement measures defined on a case-by-case basis;
- the introduction of a CISO (Chief Information Security Officer) role;
- a series of monitoring measures being launched regarding infrastructure and networks, such as the SOC (Security Operations Centre) and NOC (Network Operations Centre), active 24/7;
- the constant monitoring of equipment (servers and personal computers) using End Point Detection and Response (EDR) tools;
- a threat intelligence service being defined for the monitoring of the internet and dark web.

Risks linked to climate change

The Group's activities are affected by exogenous variables, such as macroeconomic variables linked to the countries in which Geox Group operates (for example, in terms of production or simply also sales).

In this context, specific social and environmental issues are included, and this will increasingly be the case going forward (e.g. focus on environmentally friendly products).

Geox Group therefore monitors how the external context evolves in order to identify any potential new risks that are directly and/or indirectly linked to climate change, as well as proactively managing their possible impacts wherever possible; the Group also monitors all legislative, regulatory aspects etc. linked to climate change.

Furthermore, the Group pays the utmost attention to:

- its stakeholders' behaviour (e.g. consumers);
- consumers' increasing awareness of and attention to factors that are directly and/or indirectly linked to climate change;
- the aforementioned evolution trends, adapting and/or implementing mitigation measures on an ongoing and timely basis.

Geox Group has also renewed its strategic commitment and responsibility in terms of handling the developments and challenges of today and tomorrow in the best way possible, by signing up to the Fashion Pact and taking part in the round tables and projects linked to this initiative; by being a Fashion Pact signatory, Geox intends to remain at the forefront of activities to provide protection in important areas, such as climate change, biodiversity and the oceans.

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.

In this context, given expectations of stability in the dynamics of interest rates and the medium/short-term nature of the debt, the Group did not deem it necessary to implement general policies to hedge the risk of interest rate fluctuations but rather entered into two Interest Rate Swap (IRS) transactions to hedge the medium-long term loan, for a total amount of Euro 67.5 million, the Group has signed two Interest Rate Swap (IRS) agreements to hedge its only medium/long-term loan, with the specific aim of removing the original floor to zero on the entire notional amount, in relation to the Euribor included in the variable rate.

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.

It's to be noted that Covid-19 emergency has led the entire sector to face a significant one-off absorption of cash, in addition to the normal seasonality of the business. With reference to the situation described above and the direct impacts on the assessment of liquidity risk, the Directors do not believe that the effects of the aforementioned events are such as to undermine the Group's ability to fulfil its payment commitments, taking into consideration the lines of credit that are currently available but have not yet been used, as well as the new financing obtained from banks during 2020.

Implications of the Covid-19 pandemic on the financial statements as of 31 December 2020

2020 results were deeply affected by the Covid-19 pandemic, with people's mobility being significantly reduced, tourism being substantially wiped out and non-essential businesses being temporarily suspended (as is still the case).

During 2020, almost a quarter of our distribution network experienced disruptions to operations, with temporary closures peaking in the second and fourth quarters. As well as causing an inevitable and significant drop in turnover and margin performance, this also led to considerable extraordinary expenses linked to increasing levels of unsold stock, store closures and the difficulties being faced by our clients.

In this context, Geox Group took the necessary action to protect the company's liquidity and safeguard employees, as well as implementing strict cost cutting measures and speeding up the process to define a more streamlined and efficient business model that is more responsive to the new market context.

The pandemic and the digitisation process are leading to inherent changes in consumers' buying behaviour, forcing companies to evolve their distribution and operational structures in order to make them simpler, more integrated and more flexible.

The digital channel continues to record constant growth, playing an increasingly important role for all types of customers and driving purchases also in the physical channel, which remains key for the brand's success and image; however, physical stores must now develop further, expanding the range of services on offer and perfectly integrating with the digital channel, at the same time as ensuring that rents are more in line with the new operating context.

With this in mind, the Group therefore recently approved a document entitled "Business plan scenarios for the 2021-2024 period" containing an important review of its distribution network (involving the closure, over the next three years, of 110 less profitable stores that are no longer strategic), as well as approving further investments in the digital channel (a direct e-commerce site will soon be opened in Russia, partnerships will be strengthened in China, Geox will enter the marketplaces of leading European partners) and continuing reorganisation initiatives in countries currently characterised by an unsatisfactory profitability profile.

These measures will be accompanied by further initiatives to streamline the company's general cost structure, making it more flexible with respect to business performance; these initiatives will also free up the necessary resources to fund other strategic projects for the Group, with the aim of revamping the brand's image through new marketing campaigns and improving the sales mix using innovative merchandising tools. Despite the complexities arising from the pandemic, sales performance over recent months has shown encouraging signs, confirming the validity of our strategic plan. The e-commerce channel is growing at an even faster rate (+72% since the start of 2021) and China and Russia, two high-potential markets that are no longer being affected by temporary closures, are showing consolidated signs of recovery, which began towards the end of 2020; these markets have recorded double-digit growth since the start of 2021.

The Geox children's range has continued to record resilient performance, with the Group boasting a leadership position in many countries, thanks also to its continuous investments and innovation. We have launched two new projects for the spring collection, with a return to TV advertising campaigns. The first refers to our highly innovative "Playkix™" for children; this product combines the traditional goals of well-being and protection with a desire to get moving and have some fun, thanks to a sensor inserted in the sole that uses a bluetooth connection to convert the steps of our youngest consumers into exciting interactive adventures on your smartphone. We have also launched a new project for adults: "Spherica™", these sneakers stand out for their exceptional performance in terms of comfort, lightness and well-being, thanks to their zero shock system that absorbs knocks and jolts coming up from the ground. The first sales figures for both products are very encouraging.

As well as demonstrating our uninterrupted commitment to innovation and research, these two new projects also mark the beginning of a strategy based on customer centrality, offering increasingly targeted products focusing on the brand's values and with more support from advertising campaigns.

Directors are confident and convinced that the brand's long-standing values of product innovation, people's well-being and sustainability, combined with the ongoing, profound changes in lifestyles and buying behaviour, with consumers increasingly looking for a casual style and excellent value-for-money, will allow us to successfully return to growth and sustainable profitability once the pandemic is over.

Group performance

Economic results summary

2020 results were deeply affected by the Covid-19 pandemic, the main results are outlined below:

- Net sales of Euro 534.9 million, with a decrease of 33.6% compared to Euro 805.9 million in 2019;
- EBIT of Euro -124.5 million, compared to Euro -15.7 million of 2019;
- Net income of Euro -128.2 million, compared to Euro -24.8 million in 2019.

In the following table a comparison is made between the consolidated income statement for 2020 and 2019:

(Thousands of Euro)	2020	%	2019	%
Net sales	534,897	100.0%	805,858	100.0%
Cost of sales	(303,074)	(56.7%)	(407,030)	(50.5%)
Gross profit	231,823	43.3%	398,828	49.5%
Selling and distribution costs	(41,395)	(7.7%)	(44,181)	(5.5%)
General and administrative expenses	(278,329)	(52.0%)	(331,581)	(41.1%)
Advertising and promotion	(23,049)	(4.3%)	(26,177)	(3.2%)
Operating result	(110,950)	(20.7%)	(3,111)	(0.4%)
Restructuring charges	(1,134)	(0.2%)	(3,245)	(0.4%)
Net asset impairment	(12,436)	(2.3%)	(9,367)	(1.2%)
EBIT	(124,520)	(23.3%)	(15,723)	(2.0%)
Net financial expenses	(8,129)	(1.5%)	(8,607)	(1.1%)
PBT	(132,649)	(24.8%)	(24,330)	(3.0%)
Income tax	4,444	0.8%	(429)	(0.1%)
Net result	(128,205)	(24.0%)	(24,759)	(3.1%)
EBITDA	(13,727)	(2.6%)	96,252	11.9%
EBITDA excl. IFRS 16	(81,737)	(15.3%)	25,222	3.1%

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

EBITDA and EBITDA adjusted are not defined under IFRS accounting standards applied in the European Union and therefore their definition should be attentively assessed and analyzed by investors. Those measures are included in this report in order to improve the level of transparency for the financial community. Management considers that adjusted measures help evaluating Group's operating performance and help the comparison with companies operating in the same sector. Those indicators aim to give a supplementary view of results excluding the impact of unusual, not recurring and not operating items.

Disclaimer

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

Sales performance in 2020

Consolidated sales in 2020 amounted to Euro 534.9 million, down 33.6% compared with the previous year (-33.0% at constant forex), affected by the spread of the Covid-19 pandemic and the rationalisation of the store network completed over the course of the year.

The performance recorded in the fourth quarter (-35.3% and -33.5% at constant forex) is mainly due to three factors: the new temporary closures imposed by governments in the various countries, the completion of the 2020 store rationalisation plan and demand from the market to postpone deliveries of the 2021 Spring-Summer collection.

Sales by distribution channel

(Euro thousand)	2020	%	2019	%	Var. %
Wholesale	258,330	48.3%	360,448	44.7%	(28.3%)
Franchising	43,106	8.1%	84,302	10.5%	(48.9%)
DOS*	233,461	43.6%	361,108	44.8%	(35.3%)
Total Geox Shops	276,567	51.7%	445,410	55.3%	(37.9%)
Total revenues	534,897	100.0%	805,858	100.0%	(33.6%)

* Directly Operated Stores

Sales generated by wholesale stores, representing 48.3% of Group revenues (44.7% in 2019), amounted to Euro 258.3 million (-28.3% at current forex, -27.4% at constant forex), compared with Euro 360.4 million in 2019. This trend is due to the temporary closures of wholesale stores in the second and third quarter, which led our clients to: cancel some of their orders for the Spring/Summer season; reduce stock replenishment during the season; extend the sell-out period for the spring collection, closely working with Geox to review their initial orders for the winter season; postpone delivery advances for the SS21 collection. The Group also recorded fewer sales of stock from previous seasons.

Performance improved during the fourth quarter (-17.5% at current forex and -12.2% at constant forex), with sales amounting to Euro 36.9 million (Euro 44.7 million in the fourth quarter of 2019). This performance is substantially in line with the reduction in purchases for the FW20 collection (-21%), after orders were reviewed in close cooperation with clients in order to minimise the risk of cancellations. In addition, sound performance in terms of stock replenishment for the FW20 collection was also recorded, offsetting the negative timing effect regarding deliveries of the SS21 collection.

Sales in the franchising channel, accounting for 8.1% of Group revenues, amounted to Euro 43.1 million, reporting a decline of 48.9% (-48.3% at constant forex), compared with Euro 84.3 million in 2019. Performance for the year was affected by the temporary closures and by the reduction in the store network (around Euro 14 million, or 17%), down from 386 stores in December 2019 to 322 in December 2020.

This channel reported sales of Euro 9.6 million in the fourth quarter (Euro 16.7 million in the fourth quarter of 2019), down 42.8% (-42.2% at constant forex); this is due to both the reduction in the store network (-17%) and the negative timing effect regarding deliveries of items from the SS21 collection.

Sales generated by directly operated stores (DOS), representing 43.6% of Group revenues, amounted to Euro 233.5 million, compared with Euro 361.1 million in 2019 (-35.3% at current forex, -34.9% at constant forex). Like-for-like sales performance of -33.8% was recorded at the end of 2020, reflecting the high percentage of stores that were temporarily closed during the year (over 20% on average) and the reduction

in footfall caused by the restrictions on people's mobility. As already mentioned, the rationalisation of the store network must also be taken into consideration (around 10%), with a net reduction of 44 DOS being recorded mainly in the second half of the year.

After stores were reopened at the beginning of May, sales performance gradually recovered and recorded positive figures once again in August, coinciding with the summer sales in Italy and France. However, at the beginning of the fourth quarter, cases of contagion began to increase again, leading to more temporary closures in the main European markets and in Canada.

The Group's direct e-commerce channel recorded significant growth during the year, up 41% compared with 2019 (+21% in the first quarter, +59% in the second quarter, +37% in the third quarter and +44% in the fourth quarter) and has continued to record very positive results in the first weeks of 2021 (+72% since the beginning of the year).

During the fourth quarter, sales generated by directly operated stores (DOS) amounted to Euro 58.7 million, down 41.9% (-41.1% at constant forex), compared with Euro 101.0 million in the fourth quarter of 2019. The trend during this quarter reflects the LFL performance for the period (-37.9%), as well as the aforementioned reduction in the store network.

Sales by region

(Euro thousand)	2020		2019		Var. %
		%		%	
Italy	124,923	23.4%	228,453	28.3%	(45.3%)
Europe (*)	250,293	46.8%	344,258	42.7%	(27.3%)
North America	24,772	4.6%	46,189	5.7%	(46.4%)
Other Countries	134,909	25.2%	186,958	23.2%	(27.8%)
Total revenues	534,897	100.0%	805,858	100.0%	(33.6%)

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

Sales generated in Italy, representing 23.4% of Group revenues (28.3% in 2019), amounted to Euro 124.9 million, compared with Euro 228.5 million in 2019. Performance in Italy was more seriously affected by the Covid-19 emergency than in other European countries, as this was the first country in the area where the epidemic began to spread and is also the country where the Group has the highest number of physical stores. The rationalisation of the store network over the course of the year also affected annual performance (46 net closures, equal to 17% of the network).

In this context, all channels were affected by the pandemic emergency. Directly operated stores, which had recorded a positive start to the year, were affected by the temporary closures, recording a drop in sales for the year substantially in line with the Group figure. With regard to performance in the wholesale and franchising channels, on the other hand, the drop in sales was mainly down to the factors already described. The franchising channel was particularly affected by the reduction in the store network during the period (37 net closures, equal to 30% of the network).

Performance of the e-commerce channel was particularly impressive, recording +79% at the end of December.

During the fourth quarter, sales generated in Italy amounted to Euro 22.7 million, down 48.9% compared with Euro 44.4 million in the fourth quarter of 2019. In addition to the difficult context described above, the trend for the quarter was also affected by the rationalisation of the store network. LFL sales performance was equal to -48%, with the direct e-commerce channel growing by +81%.

Sales generated in Europe, representing 46.8% of Group revenues (42.7% in 2019), amounted to Euro 250.3 million, compared to Euro 344.3 million in 2019, recording a decline of 27.3%, mainly due, as was the case for Italy, to the effects of the spread of the epidemic, which led to stores being temporarily closed mainly in the second and fourth quarters. Annual performance was also affected by the rationalisation of the store network over the course of the year (24 net closures, equal to 9% of the network).

After the year got off to a positive start (approximately +5%), like-for-like sales generated by directly operated stores recorded a decline of around 31% at the end of the year.

The direct e-commerce channel for the European market also recorded an excellent trend: +39%. Lastly, with regard to the wholesale and franchising channels, performance was negative but slightly better than in Italy, as these were not as badly affected by the timing of deliveries.

During the fourth quarter, sales in Europe amounted to Euro 44.4 million, down 34.6% (-34.5% at constant forex) compared with Euro 67.8 million in the fourth quarter of 2019. LFL sales performance was equal to -38% for the period, with the direct e-commerce channel growing by +44%.

North America recorded a turnover of Euro 24.8 million (4.6% of revenues), down 46.4% (-45.0% at constant forex). The period of closure in the first half of the year was longer in the USA and Canada, starting from mid-March and lasting until mid-June.

In 2020, LFL sales performance for directly operated stores was down by approximately 45%. Over the course of the year, there were 13 net store closures (35% of the network).

The e-commerce channel recorded +28% growth. The wholesale channel, on the other hand, recorded a decline of 28%.

During the fourth quarter, sales generated in North America amounted to Euro 6.5 million, down 46.3% (-42.8% at constant forex) compared with Euro 12.0 million in the fourth quarter of 2019. LFL sales performance was equal to -43% for the period, with the direct e-commerce channel growing by +35%.

A turnover of Euro 134.9 million was recorded in the Rest of the World (25.2% of revenues compared with 23.2% in 2019), down 27.8% compared with 2019 (-24.9% at constant forex), with a particularly different trend between the Asia Pacific area and Eastern Europe.

In China, Hong Kong and Macau, the reduction in turnover (-40.2% at current forex, -39.3% at constant forex) was mainly concentrated in the first part of the year, due to the restrictions on people's mobility and the closure of stores at the end of January/start of February. Stores here reopened at the beginning of March; from the start of April until mid-May, stores in Japan were temporarily closed, again following the containment measures imposed by the government to reduce the spread of the pandemic. Overall, LFL sales generated by directly operated stores recorded around a -28% drop at the end of 2020, with performance gradually improving in the second half of the year. Signs of recovery are now being seen particularly in China, where LFL sales for directly operated stores went from -50% in the first quarter of the year to +4% in the fourth quarter. At the end of the year, the direct e-commerce channel for the entire area recorded a performance of +17%.

During the fourth quarter, sales generated in the APAC area amounted to Euro 9.2 million, down 25.9% compared with the fourth quarter of 2019. The trend for this quarter was particularly affected by the reduction in initial order collection for the wholesale channel. LFL sales performance for the period was equal to -7.6% (+4% in China alone), with the direct e-commerce channel growing by +21%.

Eastern Europe, on the other hand, recorded sales of Euro 101.3 million (18.9% of revenues compared with 16.2% in 2019), down by 22.5%. All directly operated stores temporarily closed towards the end of March, and then gradually reopened in June. New lockdown measures were then introduced in a number of countries from November onwards. LFL sales performance for directly operated stores amounted to approximately -17%. The e-commerce channel recorded very good performance (+79% compared with December 2019).

During the fourth quarter, sales generated in Eastern Europe amounted to Euro 22.4 million, down 13.1% compared with Euro 25.8 million in the fourth quarter of 2019. LFL sales performance was equal to -3% for the period, with the direct e-commerce channel growing by +41%. Russia recorded positive performance (+5%), mainly thanks to good LFL sales performance in directly operated stores (+13%).

Sales by product category

Footwear sales represented 89.2% of consolidated sales, amounting to Euro 477.4 million, down 33.8% compared with 2019 (-33.2% at constant forex). Apparel sales represented 10.8% of consolidated sales, amounting to Euro 57.5 million (-32.4% at current forex, -31.1% at constant forex).

(Euro thousand)	2020	%	2019	%	Var. %
Footwear	477,379	89.2%	720,804	89.4%	(33.8%)
Apparel	57,518	10.8%	85,054	10.6%	(32.4%)
Total revenues	534,897	100.0%	805,858	100.0%	(33.6%)

Mono-brand store network - Geox shops

As of 31 December 2020, there was a total of 867 “Geox Shops”, of which 410 DOS. During 2020, 32 new Geox Shops were opened and 139 were closed, in line with the store network optimization planned in more mature markets and the expansion in countries where the Group’s presence is still limited but developing well.

	12-31-2020		12-31-2019		2020		
	Geox Shops	of which DOS	Geox Shops	of which DOS	Net Openings	Openings	Closings
Italy	226	139	272	148	(46)	2	(48)
Europe (*)	246	142	270	159	(24)	4	(28)
North America	24	24	37	37	(13)	-	(13)
Other countries (**)	371	105	395	110	(24)	26	(50)
Total	867	410	974	454	(107)	32	(139)

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

(**) Includes Under License Agreement Shops (135 as of December 31 2020, 134 as of December 31 2019). Sales from these shops are not included in the franchising channel.

PERFORMANCE OF OTHER INCOME STATEMENT ITEMS IN 2020

In addition to being affected by the drop in turnover caused by the dynamics described above, results for the year were also affected both by extraordinary expenses linked to the Covid-19 emergency, amounting to approximately Euro 44 million (extraordinary inventory write-down, impairment, provisions for receivables) and by monetary costs of around Euro 28 million for stores on the days they remained closed. In this regard, the Group has implemented decisive measures to boost the efficiency of all the main cost items, leading to total savings of around Euro 60 million. Please find below the dynamics for each line of the income statement.

Cost of sales and gross margin

The cost of sales was equal to 56.7% of sales, compared with the 50.5% recorded in 2019, producing a gross margin of 43.3% (49.5% in 2019).

Margin performance was particularly affected by an extraordinary inventory write-down equal to Euro 18.4 million, mainly linked to the 2020 collections, as a result of the excess stock caused by stores being closed during the lockdown. Net of this write-down, the margin would have been equal to 46.8%, down by approximately 270 basis points compared with 2019. This reduction is mainly due to three factors: (i) the lower contribution made by sales generated by the DOS channel following a long period of inactivity after the onset of Covid-19; (ii) the fact that stores were closed during the full-price period, meaning that the summer sales had a greater weighting during the year and the average discount was therefore higher, despite a reduction in promotions compared with the same period in the previous year; (iii) a number of inefficiencies at Geox's production plant in Serbia, which came to light after production was halted in the second quarter due to Covid-19 and, subsequently, caused by the high level of absenteeism linked to the pandemic.

Operating expenses and EBIT

Total operating expenses (general and administrative costs, sales and distribution costs and advertising) amounted to Euro 342.8 million for the year compared with Euro 401.9 million in 2019, with a saving of approximately Euro 59 million (-14.7%).

In particular:

- Sales and distribution costs amounted to Euro 41.4 million, down compared with last year (Euro 44.2 million in 2019). This result was achieved thanks to savings (Euro 9.3 million) deriving from the lower business volumes in the period, compensating for some non-standard provisions, equal to Euro 6.6 million, linked to credit exposure vis-à-vis a number of counterparties facing difficulties after their business was halted due to Covid-19.

- General and administrative expenses amounted to Euro 278.3 million, compared with Euro 331.6 million in 2019, down by approximately Euro -53 million (-16.1%). The reduction compared with last year is mainly down to the following factors:

(i) lower costs for directly operated stores (DOS) for Euro 37.5 million, mainly due to the reduction in personnel costs (for a total of Euro 23.2 million) as a result of the use of social 'safety nets' for staff (approx. Euro 10 million), the actions taken by management to improve the efficiency of said costs and the reduction in the store network (Euro 13.2 million), together with the savings in terms of rent costs, including government subsidies, for Euro 12.9 million;

(ii) lower structural costs for Euro 14.0 million, of which Euro 7.0 million deriving from the use of social 'safety nets' for staff and Euro 7.0 million referring to the measures taken by the Group to improve efficiency;

- advertising and promotion expenses amounted to Euro 23.0 million, down compared with the Euro 26.2 million recorded in the same period of the previous year. This reduction is substantially due to the fewer marketing initiatives during the period, as a result of the lockdown.

Adjusted EBIT, before the net write-downs of fixed assets and restructuring charges, amounted to Euro -111.0 million compared with Euro -3.1 million in 2019, therefore being mainly affected by the reduction in turnover.

Net write-downs of fixed assets

As described above, 2020 was severely affected by the global spread of Covid-19, which represents an external impairment indicator due to its intensity and unpredictability. The result of the impairment test led to a net write-down equal to Euro 12.4 million, referring to 95 stores which have either been fully or partially written down.

EBIT, after the net write-downs of fixed assets and restructuring charges, amounted to Euro -124.5 million compared with Euro -15.7 million in 2019.

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

		2020	%	2019	%
Footwear	Net sales	477,379		720,804	
	EBIT	(107,332)	(22.5%)	(11,101)	(1.5%)
Apparel	Net sales	57,518		85,054	
	EBIT	(17,188)	(29.9%)	(4,622)	(5.4%)
Total	Net sales	534,897		805,858	
	EBIT	(124,520)	(23.3%)	(15,723)	(2.0%)

Taxes

Income taxes for the first half of 2020 are equal to Euro +4,444 thousand, compared with Euro -429 thousand of 2019.

It should be noted that the tax amount has been affected by the prudent choice not to make a provision for deferred tax assets equal to Euro 25.1 million, referring to the tax losses generated during 2020 in relation to which, as at the date of this report, there is not reasonable certainty that sufficient taxable income will be generated over the next three or four financial years to recover them, in addition to the value of deferred tax assets already recorded in the financial statements.

The management's assessment as to the likelihood of deferred taxes being recovered through future taxable income is based on the aforementioned Business plan scenarios. These scenarios were necessary given the extremely volatile nature of any forecasts made at the moment. In light of the above, the preferred option is to wait until there is a clearer picture of when the health emergency may be over.

IFRS 16 effects on 2020 Profit and Loss

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

(Thousands of Euro)	2020 Reported	IFRS 16 impact	2020 excl. IFRS 16	%	2019 excl. IFRS 16	%
Net sales	534,897	-	534,897	100.0%	805,858	100.0%
Cost of sales	(303,074)	-	(303,074)	(56.7%)	(407,030)	(50.5%)
Gross profit	231,823	-	231,823	43.3%	398,828	49.5%
Selling and distribution costs	(41,395)	(1,365)	(42,760)	(8.0%)	(45,580)	(5.7%)
General and administrative expenses	(278,329)	(284)	(278,613)	(52.1%)	(332,222)	(41.2%)
Advertising and promotion	(23,049)	(227)	(23,276)	(4.4%)	(26,403)	(3.3%)
Operating result	(110,950)	(1,876)	(112,826)	(21.1%)	(5,377)	(0.7%)
Restructuring charges	(1,134)	-	(1,134)	(0.2%)	(3,245)	(0.4%)
Net asset impairment	(12,436)	9,239	(3,197)	(0.6%)	(9,367)	
EBIT	(124,520)	7,363	(117,157)	(21.9%)	(17,989)	(2.2%)
Net interest	(8,129)	4,445	(3,684)	(0.7%)	(3,516)	(0.4%)
PBT	(132,649)	11,808	(120,841)	(22.6%)	(21,505)	(2.7%)
Income tax	4,444	-	4,444	0.8%	(1,019)	(0.1%)
Net result	(128,205)	11,808	(116,397)	(21.8%)	(22,524)	(2.8%)
EBITDA adjusted	(13,727)	(68,010)	(81,737)	(15.3%)	25,222	3.1%

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

- elimination of depreciation relating to Right-of-use assets for Euro 66,134 thousand;
- higher rent and lease costs for Euro 68,010 thousand;
- lower write-downs of fixed assets, for the portion relating to Right-of-use assets, for Euro 9,239 thousand;
- lower financial charges relating to financial lease liabilities for Euro 4,445 thousand.

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

The Group's financial performance

The Group's financial performance

The following table summarizes the reclassified consolidated balance sheet:

(Thousands of Euro)	Dec. 31, 2020	Dec. 31, 2019
Intangible assets	35,834	44,131
Property, plant and equipment	50,413	61,231
Right-of-use assets	241,808	298,685
Other non-current assets - net	47,686	40,774
Total non-current assets	375,741	444,821
Net operating working capital	177,528	182,721
Other current assets (liabilities), net	(8,462)	(21,899)
Net invested capital	544,807	605,643
Equity	167,208	302,698
Provisions for severance indemnities, liabilities and charges	9,849	8,114
Net financial position	367,750	294,831
Net invested capital	544,807	605,643

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

(Thousands of Euro)	Dec. 31, 2020	Dec. 31, 2019
Inventories	267,964	284,589
Accounts receivable	87,718	122,178
Trade payables	(178,154)	(224,046)
Net operating working capital	177,528	182,721
% of sales for the last 12 months	33.2%	22.7%
Taxes payable	(13,057)	(10,502)
Other non-financial current assets	35,093	23,458
Other non-financial current liabilities	(30,498)	(34,855)
Other current assets (liabilities), net	(8,462)	(21,899)

Net operating working capital as a percentage of revenues was equal to 33.2%, compared to 22.7% in 2019. This variation is mainly due to the reduction in turnover, given that working capital amounted to Euro 177.5 million, down compared with the Euro 182.7 million recorded in 2019.

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

(Thousands of Euro)	Dec. 31, 2020	Dec. 31, 2019
Cash and cash equivalents	83,130	48,449
Current financial assets - excluding derivatives	2,971	1,282
Bank borrowings and current portion of long-term loans	(61,969)	(33,747)
Current financial liabilities - excluding derivatives	(116)	(82)
Net financial position - current portion	24,016	15,902
Non-current financial assets	24	24
Long-term loans	(113,832)	(10,562)
Net financial position - non-current portion	(113,808)	(10,538)
Net financial position - prior to fair value adjustment of derivatives and IFRS 16 impact	(89,792)	5,364
Lease liabilities	(267,907)	(301,384)
Net financial position - prior to fair value adjustment of derivatives	(357,699)	(296,020)
Fair value adjustment of derivatives	(10,051)	1,189
Net financial position	(367,750)	(294,831)

The net financial position at the end of December (before IFRS 16) was equal to Euro -99.8 million (Euro +6.5 million at 31 December 2019).

The Group deemed it appropriate to suspend payment of some rents while stores were temporarily closed and then began to pay rent in proportion to sales performance following their reopening, until reaching an agreement with the various landlords.

This approach is coherent with the ongoing talks being held with the various landlords, aimed at renegotiating the contractual agreements in place, bringing them more in line with the changes to the economic scenario; this involves introducing variable rents based on the level of turnover, at least while there is reduced footfall caused by the restrictive measures and the strong reduction in tourist numbers. These closed talks with landlords have undoubtedly proven to be challenging, but the Group has already signed a significant number of agreements and others are in an advanced phase of negotiation; however, the Group is also convinced that the right course of action is to terminate the relative agreement if solutions cannot be found that reflect current market values.

At 31 December 2020, the overdue part of the rental payments that were suspended or only partially paid amounted to approximately Euro 14 million, mainly referring to the second quarter (Euro 8 million), i.e. during the most severe phase of the lockdown.

IFRS 16 effects on Group's financial performance

In order to give a clearer representation of the Group's financial performance and to improve the level of transparency for the financial community, the reconciliation table between the balance sheet amounts as of December 31, 2020 and those excluding accounting effects is presented below, deriving from the application of IFRS 16:

(Thousands of Euro)	December 31, 2020	IFRS 16 impact	December 31, 2020 excluding IFRS 16	December 31, 2019 excluding IFRS 16
Intangible assets	35,834	402	36,236	44,131
Property, plant and equipment	50,413	-	50,413	61,231
Right-of-use assets	241,808	(241,808)	-	-
Other non-current assets - net	47,686	(590)	47,096	40,184
Total non-current assets	375,741	(241,996)	133,745	145,546
Net operating working capital	177,528	(13,719)	163,809	182,721
Other current assets (liabilities), net	(8,462)	(597)	(9,059)	(21,773)
Net invested capital	544,807	(256,312)	288,495	306,494
Equity	167,208	13,402	180,610	304,933
Provisions for severance indemnities, liabilities and charges	9,849	(1,807)	8,042	8,114
Net financial position	367,750	(267,907)	99,843	(6,553)
Net invested capital	544,807	(256,312)	288,495	306,494

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

- elimination of Right-of-use assets for Euro 241,808 thousand;
- reverse of the reclassification related overdue lease payables to Financial lease liabilities for an amount of Euro 13,719 thousand;
- elimination of Financial lease liabilities for an amount of Euro 267,907 thousand.

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

Reclassified consolidated cash flow statement and investments of the period

The following table gives a reclassified consolidated cash flow statement:

(Thousands of Euro)	2020	2019
Net result	(128,205)	(24,759)
Depreciation, amortization and impairment	110,793	111,975
Other non-cash items	26,317	2,001
	8,905	89,217
Change in net working capital	(29,825)	31,115
Change in other current assets/liabilities	(5,677)	284
Cash flow from operations	(26,597)	120,616
Capital expenditure	(18,212)	(33,383)
Disposals	183	1,204
Net capital expenditure	(18,029)	(32,179)
Free cash flow	(44,626)	88,437
Increase in right-of-use assets	(18,317)	(39,751)
Treasury shares	-	(5,051)
Dividends	-	(6,480)
Change in net financial position	(62,943)	37,155
Initial net financial position - prior to fair value adjustment of derivatives	(296,020)	(6,810)
IFRS 16 First time adoption - effect on financial debt	-	(325,932)
Initial net financial position - prior to fair value adjustment of derivatives	(296,020)	(332,742)
Change in net financial position	(62,943)	37,155
Translation differences	1,264	(433)
Final net financial position - prior to fair value adjustment of derivatives	(357,699)	(296,020)
Fair value adjustment of derivatives	(10,051)	1,189
Final net financial position	(367,750)	(294,831)

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

Consolidated capital expenditure is analyzed in the following table:

(Thousands of Euro)	2020	2019
Trademarks and patents	578	615
Opening and restructuring of Geox Shop	7,747	17,513
Production plant	110	377
Industrial plant and equipment	2,334	2,933
Logistic	560	2,262
Information technology	5,958	8,156
Offices furniture, warehouse and fittings	925	1,527
Total cash capex	18,212	33,383
Right-of-Use	20,123	39,751
Total capex	38,335	73,134

IFRS 16 effects on Reclassified consolidated cash flow statement

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

(Thousands of Euro)	2020	IFRS 16 impact	2020 excluding IFRS 16	2019 excluding IFRS 16
Net result	(128,205)	11,808	(116,397)	(22,524)
Depreciation, amortization and impairment	110,793	(75,373)	35,420	42,029
Other non-cash items	26,317	-	26,317	29,024
Totale non-cash items	137,110	(75,373)	61,737	71,053
Change in net working capital	(29,825)	13,719	(16,106)	(29,825)
Change in other current assets/liabilities	(5,677)	597	(5,080)	1,350
Cash flow from operations	(26,597)	(49,249)	(75,846)	20,054
Capital expenditure	(18,212)	-	(18,212)	(33,383)
Disposals	183	-	183	1,204
Net capital expenditure	(18,029)	-	(18,029)	(32,179)
Free cash flow	(44,626)	(49,249)	(93,875)	23,564
Increase in right-of-use assets	(18,317)	18,317	-	-
Treasury shares	-	-	-	(5,051)
Dividends	-	-	-	(6,480)
Change in net financial position	(62,943)	(30,932)	(93,875)	12,033
Initial net financial position - prior to fair value adjustment of derivatives	(296,020)	301,384	5,364	(6,810)
Change in net financial position	(62,943)	(30,932)	(93,875)	12,033
Translation differences	1,264	(2,545)	(1,281)	141
Final net financial position - prior to fair value adjustment of derivatives	(357,699)	267,907	(89,792)	5,364
Fair value adjustment of derivatives	(10,051)	-	(10,051)	1,189
Final net financial position	(367,750)	267,907	(99,843)	6,553

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

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

Treasury shares and equity interests in parent companies

Geox S.p.A. launched a programme, starting from June 5, 2019, to buy back up to a maximum of 3,996,250 ordinary shares (equal to 1.54% of the current share capital), in accordance with the resolution passed by the Shareholders' Meeting on April 16, 2019, pursuant to articles 2357 and 2357-ter of the (Italian) civil code. The purpose of the programme is to buy back Geox shares to be used for the 2019-2021 Stock Grant Plan, approved by the Shareholders' Meeting on April 16, 2019.

The buy-back programme started on June 5, 2019 and ended on November 20, 2019.

Further to the buy-back transactions above, as at December 31, 2020, the treasury shares held by the Company amount to 3,996,250 corresponding to 1,54% of the total number of ordinary shares.

Stock Plan

The extraordinary Shareholders' Meeting, on April 16, 2019, revoked the resolution to increase the share capital against payment, aimed at implementing the so-called "stock plan", passed by the Shareholders' Meeting on December 18, 2008 ("2008 Share Capital Increase"). The same Shareholders' Meeting approved the proposal for a free, divisible share capital increase pursuant to article 2349, paragraph I, of the (Italian) Civil Code ("Share Capital Increase") for the purpose of backing one or more stock grant plans, including the 2019-2021 Stock Grant Plan, through the use of a dedicated profit reserve (approved by the Ordinary Shareholders' Meeting) for a maximum nominal amount of Euro 1,200,000, corresponding to a maximum number of 12,000,000 ordinary Company shares, each with a nominal value of Euro 0.10, to be issued in several tranches under the terms and conditions stated by the aforementioned Plan, with subsequent amendment of article 7 of the Articles of Association.

The Shareholders' Meeting approved a medium-long term incentive plan involving the free issue of up to a maximum of five million ordinary Company shares (2019-2021 Stock Grant Plan), to the benefit of the Chief Executive Officer, Corporate General Manager, Executives with strategic responsibilities and other senior managers and employees who are considered key resources for Geox or other Group Companies. The Plan has a three-year vesting period and, as a result, the shares may be assigned from the date the Shareholders' Meeting approves the financial statements for the year ending December 31, 2021. Shares being assigned will also depend on and be proportional to the achievement of performance results based on the accumulated consolidated net income reported in Geox Group's 2019-2021 Strategic Business Plan.

The Plan states that these shares, at the discretion of the Board of Directors and in accordance with applicable legal provisions, may come (a) from a free share capital increase pursuant to article 2349, paragraph I, of the (Italian) Civil Code, to be made by using a profit reserve that is non-distributable for the purpose of said share capital increase and/or (b) from shares that may have been purchased on the market and/or held by the Company in another form, subject to an ordinary Shareholders' Meeting authorizing the purchase and making treasury shares available pursuant to articles 2357 et seq. of the (Italian) Civil Code.

By implementing this Plan, the Company intends to promote and pursue the following objectives:

- (i) involve and provide an incentive to beneficiaries whose work is considered to be of fundamental importance for the achievement of the Group's objectives;
- (ii) increase beneficiaries' loyalty by providing an incentive to remain within the Group;
- (iii) attract new, highly-qualified professionals;
- (iv) share and align beneficiaries' interests with those of the Company and the shareholders over the medium-long term, recognizing the contribution made by the management team to increasing the Company's value.

In order to put the resolutions passed by Shareholders' Meeting into effect, the Board of Directors of Geox S.p.A., during the same meeting, resolved to implement the 2019-2021 Stock Grant Plan, with 3,996,250 rights initially being attributed to 107 beneficiaries. At the date of this report a number of 2,870,361 rights are in circulation.

It's to be noted that on January 16, 2020 the Geox S.p.A. Board of Directors approved a mutual separation agreement between Geox and Matteo Carlo Maria Mascazzini to leave his role as employee and director. As a consequence he did not retain any right on the medium-long term incentive plan mentioned above (for a total number of 733,855 rights).

For further details please refer to the Remuneration Report.

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 33 of the Consolidated Financial Statements.

Outlook for operation

As things stand, there is great uncertainty regarding both the duration and the extent of new containment/lockdown measures in all of the group's main markets.

Sales performance in the first ten weeks of 2021 has continued to be affected by temporary store closures in the main European markets; comparisons with the previous year are penalised by the fact that the effects of the pandemic only began to be felt in March 2020.

A positive trend, on the other hand, is being recorded in the main markets where temporary store closures are currently not an issue: in Russia, like-for-like sales in directly operated stores are up +18% (+18% compared with 2019); In China, a growth of +76% has been recorded (albeit below 2019 levels).

The direct e-commerce channel has recorded an even stronger growth rate since the beginning of the year (+72%). The Group is also beginning to roll out digital showcases in a number of European marketplaces.

From the beginning of March onwards, like-for-like sales performance will benefit from a more favourable basis for comparison, considering the fact that, on average, over 70% of the directly operated store network was temporarily closed in March and April 2020.

Based on the information currently available, we can expect the stores that are closed at the moment to gradually start reopening from the first half of April 2021, although there is still a great deal of uncertainty, also when considering the new waves of contagion experienced to date.

For these reasons, the first part of the year is expected to still be affected by temporary store closures, with improvements being seen in the second quarter (also compared with the previous quarter).

In the second half of the year, vaccination campaigns should help to support a gradual return to 'business as usual'.

Sustained growth is expected to continue for the direct e-commerce channel throughout the year, thanks also to continuous investments and the ongoing development of both recently launched projects (marketplaces) and those coming soon (direct e-commerce channel in Russia and strengthened partnerships in China).

The Group also continues to be focused on its initiatives to protect the company's cash flow and cut operating costs, as was the case throughout 2020. In particular, over the course of the year, cash flows are expected to benefit from the sale of certain products from the 2020 collections which, despite being paid for, have actually never been presented to or seen by customers due to store closures; cash flows will also benefit from these products being sold via the Group's outlets.

In the meantime, the Group shall continue to invest and pursue its initiatives aimed at transforming and boosting the efficiency of its business model, based on customer centricity, a fully omnichannel approach and segmented distribution.

Biadene di Montebelluna, March 15, 2021

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

**CONSOLIDATED
FINANCIAL
STATEMENTS
AND
EXPLANATORY
NOTES**



Consolidated income statement

(Thousands of Euro)	Notes	2020	of which related party	2019	of which related party
Net sales	3-33	534,897	626	805,858	386
Cost of sales	33	(303,074)	829	(407,030)	73
Gross profit		231,823		398,828	
Selling and distribution costs		(41,395)	-	(44,181)	(1)
General and administrative expenses	4-33	(278,329)	12	(331,581)	(49)
Advertising and promotion	33	(23,049)	(145)	(26,177)	(155)
Restructuring charges	8	(1,134)	-	(3,245)	-
Net asset impairment	6	(12,436)	-	(9,367)	-
EBIT	3	(124,520)		(15,723)	
Net financial expenses	9-33	(8,129)	(579)	(8,607)	(476)
PBT		(132,649)		(24,330)	
Income tax	10-33	4,444	(81)	(429)	-
Net result		(128,205)		(24,759)	
Earnings per share [Euro]	11	(0.50)		(0.10)	
Diluted earnings per share [Euro]	11	(0.50)		(0.10)	

Consolidated statement of comprehensive income

(Thousands of Euro)	2020	of which related party	2019	of which related party
Net income	(128,205)		(24,759)	
Other comprehensive income that will not be reclassified subsequently to profit or loss:				
- Net gain (loss) on actuarial defined-benefit plans	44	-	(316)	-
Other comprehensive income that may be reclassified subsequently to profit or loss:				
- Net gain (loss) on Cash Flow Hedge, net of tax	(6,058)	-	(2,199)	-
- Currency translation	(1,271)	-	743	-
Net comprehensive income	(135,490)		(26,531)	

Consolidated statement of financial position

(Thousands of Euro)	Notes	Dec. 31, 2020	of which related party	Dec. 31, 2019	of which related party
ASSETS:					
Intangible assets	12	35,834		44,131	
Property, plant and equipment	13	50,413		61,231	
Right-of-use assets	14	241,808		298,685	
Deferred tax assets	15	42,579		35,500	
Non-current financial assets	20	24		24	
Non-current lease assets		508		-	
Other non-current assets	16	7,935		9,074	
Total non-current assets		379,101		448,645	
Inventories	17	267,964		284,589	
Accounts receivable	18-33	87,718	1,068	122,178	329
Other non-financial current assets	19-33	35,093	175	23,458	1,892
Current financial assets	20-32	4,127		3,648	
Cash and cash equivalents	21	83,130		48,449	
Current assets		478,032		482,322	
Total assets		857,133		930,967	
LIABILITIES AND EQUITY:					
Share capital	22	25,921		25,921	
Reserves	22	269,492		301,536	
Net income	22	(128,205)		(24,759)	
Equity		167,208		302,698	
Employee severance indemnities	23	2,834		2,841	
Provisions for liabilities and charges	24	7,015		5,273	
Long-term loans	25	113,832		10,562	
Non-current lease liabilities	26-33	202,861	57,525	239,008	21,222
Other long-term payables	27	2,828		3,800	
Total non-current liabilities		329,370		261,484	
Trade payables	28-33	178,154	744	224,046	72
Other non-financial current liabilities	29	30,498		34,855	
Taxes payable	30	13,057		10,502	
Current financial liabilities	20-32	11,323		1,259	
Current lease liabilities	26-33	65,554	5,143	62,376	5,671
Bank borrowings and current portion of long-term loans	25	61,969		33,747	
Current liabilities		360,555		366,785	
Total liabilities and equity		857,133		930,967	

Consolidated statement of cash flow

(Thousands of Euro)	Notes	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES:			
Net result		(128,205)	(24,759)
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Depreciation and amortization and impairment	5-6	110,793	111,975
Other non-cash items		26,317	2,001
		137,110	113,976
Change in assets/liabilities:			
Accounts receivable		23,656	10,623
Other assets		(5,902)	1,365
Inventories		(5,461)	31,667
Accounts payable		(48,020)	(11,175)
Other liabilities		(2,793)	(2,855)
Taxes payable		3,018	1,774
		(35,502)	31,399
Operating cash flow		(26,597)	120,616
CASH FLOW USED IN INVESTING ACTIVITIES:			
Capital expenditure on intangible assets	12	(6,793)	(10,892)
Capital expenditure on property, plant and equipment	13	(10,971)	(22,491)
Capital expenditure on property, plant and equipment		(448)	-
		(18,212)	(33,383)
Disposals		183	1,204
(Increase) decrease in financial assets		(2,227)	(159)
Cash flow used in investing activities		(20,256)	(32,338)
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES:			
Increase (decrease) in short-term bank borrowings, net		(3,486)	(5,109)
Lease liabilities repayment	26	(48,611)	(64,890)
Loans:			
- Proceeds		157,240	40,988
- Repayments		(22,207)	(40,670)
Treasury shares buy back		-	(5,051)
Dividends	34	-	(6,480)
Cash flow used in financing activities		82,936	(81,212)
Increase (decrease) in cash and cash equivalents		36,083	7,066
Cash and cash equivalents, beginning of the period	21	48,449	40,972
Effect of translation differences on cash and cash equivalents		(1,402)	411
Cash and cash equivalents, end of the period	21	83,130	48,449
Supplementary information to the cash flow statement:			
- Interest paid during the period		7,159	8,225
- Interest received during the period		1,583	2,827
- Taxes paid during the period		2,294	3,198

Consolidated statement of changes in equity

(Thousands of Euro)	Share capital	Legal reserve	Share premium reserve	Translation reserve	Cash flow hedge reserve	Retained earnings	Net income	Group equity
Balance at December 31, 2018	25,921	5,184	37,678	(3,010)	1,617	278,661	(5,291)	340,760
Allocation of 2018 result	-	-	-	-	-	(5,291)	5,291	-
Distribution of dividends	-	-	-	-	-	(6,480)	-	(6,480)
Treasury shares buy back	-	-	-	-	-	(5,051)	-	(5,051)
Net comprehensive result	-	-	-	743	(2,199)	(316)	(24,759)	(26,531)
Balance at December 31, 2019	25,921	5,184	37,678	(2,267)	(582)	261,523	(24,759)	302,698
Allocation of 2019 result	-	-	-	-	-	(24,759)	24,759	-
Net comprehensive result	-	-	-	(1,271)	(6,058)	44	(128,205)	(135,490)
Balance at December 31, 2020	25,921	5,184	37,678	(3,538)	(6,640)	236,808	(128,205)	167,208

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, 2020. They are accompanied by the directors' report on operations, which provides information on the results of the Geox Group. The consolidated financial statements have been drawn up in compliance with the International Financial Reporting Standards adopted by the European Union (IFRS, which include IAS). The accounting principles and policies used in the preparation of the consolidated financial statements are the same as last year, with the exception of those indicated below.

To facilitate comparison with the previous year, the accounting schedules provide comparative figures: at December 31, 2019 and for the year 2019 in the case of the income statement.

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

COVID-19 impacts

As explained in Director's Report, 2020 results were deeply affected by the Covid-19 pandemic, with people's mobility being significantly reduced, tourism being substantially wiped out and non-essential businesses being temporarily suspended (as is still the case).

During 2020, almost a quarter of our distribution network experienced disruptions to operations, with temporary closures peaking in the second and fourth quarters. As well as causing an inevitable and significant drop in turnover and margin performance, this also led to considerable extraordinary expenses linked to increasing levels of unsold stock, store closures and the difficulties being faced by our clients, in addition to the need to make significant write-downs (please see Note 6).

In this context, Geox Group took the necessary action to protect the company's liquidity and safeguard employees, as well as implementing strict cost cutting measures and speeding up the process to define a more streamlined and efficient business model that is more responsive to the new market context.

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

The Directors would also like to highlight that their expectations of improved performance over the next year depend on the gradual easing of the restrictions currently in place in the countries where the Group operates, on the fact that there will be no new lockdown periods and on the fact that the vaccination campaign will be rolled out according to plan; however, there is significant uncertainty when it comes to defining the extent of this recovery in terms of sales performance.

The Directors have formalised their forecasts in the document entitled "Business plan scenarios for the 2021-2024 period" (hereinafter "Business plan scenarios"), which was approved on 15 March 2021; the purpose of

this document is to support the valuations relating to the 2020 financial statements, the main assumptions for which are briefly described in note 6.

With reference to this situation, as described in more detail in the Directors' Report, the Directors do not believe that the Group has any issues regarding its ability to fulfil its commitments in the foreseeable future, and especially over the next 12 months, despite the impacts of the aforementioned events; this belief is based on the forecasts made in the Business plan scenarios, on the lines of credit currently available and not yet used and on the loans received from the banking system during 2020.

On this basis, and also considering the Group's sound balance sheet, the Directors have concluded that, despite the difficult economic and financial context, there is no significant uncertainty regarding its ability to continue operating as a going concern.

Scope of consolidation

The consolidated financial statements at December 31, 2020 include the figures, on a line-by-line basis, of all the Italian and foreign companies in which the Parent Company holds a majority of the shares or quotas, directly or indirectly.

The companies taken into consideration for consolidation purposes are listed in the attached schedule entitled "List of companies consolidated at December 31, 2020".

Format of financial statements

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

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

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

In connection with the requirements of the Consob Resolution No. 15519 of July 27, 2006 as to the format of the financial statements, specific supplementary column has been added for related party transactions so as not to compromise an overall reading of the statements (Note 33).

Consolidation principles

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

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

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

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

The following are also eliminated:

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

Accounting standards, amendments and interpretations applied since January 1, 2020

- On October 31st, 2018, the IASB published the document “*Definition of Material (Amendments to IAS 1 and IAS 8)*”. These amendments provide for a different definition of “material” included in IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. There were no significant effects from the adoption of this amendment.
- On 29 March 2018, the IASB published an amendment to “*References to the Conceptual Framework in IFRS Standards*”. The Conceptual Framework defines the key concepts for financial reporting and guides the Board in developing the IFRS. This document helps to ensure that the Standards are consistent from a conceptual point of view, and that similar transactions are handled in the same way, in order to provide information that is useful for investors, lenders and other creditors. The Conceptual Framework helps companies to develop accounting standards when no IFRS standard is applicable to a specific transaction and, more generally, it helps stakeholders to understand and interpret the Standards. Adopting this amendment has not had any effects on the Group's financial statements.
- On October 22nd, 2018, the IASB published the document “*Definition of a business (Amendments to IFRS 3)*” in order to better clarify the definition of a business included in IFRS 3. There were no significant effects from the adoption of this amendment.
- On 28 May 2020, the IASB published an amendment entitled ‘*Covid-19-Related Rent Concessions (Amendment to IFRS 16)*’. This document states that lessees are entitled to record Covid-19-related rent reductions without having to analyse the contracts to assess whether the definition of ‘lease modification’, as stated by the IFRS 16, is respected. Lessees who exercise this right may therefore record the effects of the rent reductions directly in the income statement as at the date when the reduction takes effect. The amendment was applicable to financial statements starting from 1 June 2020, without prejudice to companies also being able to apply this to financial statements starting from 1 January 2020. The Group applied the amendment starting from 1 January 2020. Over the course of 2020, the Group negotiated with the main landlords with whom it holds operating leases, these negotiations were not all concluded at year-end. Rent savings recorded directly in the income statement amount to Euro 6,783 thousand.

Accounting standards, amendments and interpretations that are still not mandatory, have not been adopted in advance by the Group and are yet to be approved by the European Union

Given the reform of interbank interest rates (such as the IBOR), the IASB published the “Interest Rate Benchmark Reform—Phase 2” document on 27 August 2020. All changes shall enter into force on 1 January 2021. The directors are not expecting the adoption of this amendment to have a significant impact on the Group's financial statements.

As at the reporting date, the competent bodies of the European Union have still not completed the approval process that is required for the following amendments and standards to be adopted:

- IFRS 17 “*Insurance Contracts*”. This standard, issued on May 18, 2017 will replace IFRS 4 “*Insurance Contracts*”;
- Amendments to IAS 1 “*Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*” issued on January 23, 2020;
- On May 14, 2020 issued the followings amendments:
 - Amendments to IFRS 3 *Business Combinations*;
 - Amendments to IAS 16 *Property, Plant and Equipment*;
 - Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*;
 - Annual Improvements 2018-2020.

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 12-31-2020	As at 12-31-2020	Average for 12-31-2019	As at 12-31-2019
US Dollar	1.1413	1.2271	1.1196	1.1234
Swiss Franc	1.0703	1.0802	1.1127	1.0854
British Pound	0.8892	0.8990	0.8773	0.8508
Canadian Dollar	1.5294	1.5633	1.4857	1.4598
Japanese Yen	121.7755	126.4900	122.0564	121.9400
Chinese Yuan	7.8708	8.0225	7.7339	7.8205
Czech Koruna	26.4555	26.2420	25.6698	25.4080
Russian Ruble	82.6454	91.4671	72.4593	69.9563
Polish Zloty	4.4432	4.5597	4.2975	4.2568
Hungarian Forint	351.2043	363.8900	325.2297	330.5300
Macau Pataca	9.1172	9.7996	9.0354	9.0097
Serbian Dinar	117.6154	117.4097	117.8210	117.8319
Vietnam Dong	26,515.2500	28,331.0000	26,005.7500	26,033.0000
Indonesian Rupiah	16,619.7767	17,240.7600	15,835.9487	15,595.6000
Turkish Lira	8.0436	9.1131	6.3574	6.6843
Indian Rupia	84.5795	89.6605	78.8502	80.1870

Estimates and assumptions

Drawing up financial statements and notes in compliance with IFRS requires directors 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.

It's to be noted that forecasts are by their nature subject to significant factors of uncertainty, especially in the current economic situation characterized by the Covid-19 pandemic. So it cannot be excluded that the results over the coming months may differ from what has been forecasted, and this in turn could lead to adjustments that obviously cannot be estimated or foreseen as of today.

Estimates and assumptions are revised periodically and the effects of each variation made to them are reflected in the income statement for the period when the estimate is revised. In particular, with regard to asset values, the pandemic is classed as an external impairment indicator, due to its intensity and unpredictability; impairment tests were therefore updated, assessing the performance of the various CGUs based on multi-scenario hypothesis over the business plan period, as described in note 6.

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

inventory, the provision for bad and doubtful accounts and lease liabilities (and the related Right-of-Use assets).

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

Asset Impairment

The Group has set up provisions against the possibility that the carrying amounts of tangible and intangible assets may not be recoverable from them by use. The directors are required to make a significant subjective assessment to determine the amount of asset impairment that should be recognized. They estimate the possible loss of value of assets in relation to future economic performance closely linked to them. Further details and the main Directors' assumptions related impairment test are provided in note 6.

Deferred tax assets

Deferred tax assets are booked on all carry-forward tax losses to the extent that it is probable that there will be adequate taxable income in the future to absorb them. The directors are required to make a significant subjective assessment to determine the amount of deferred tax assets that should be recognized. They have to assess the timing and amount of future taxable income and develop a tax planning strategy for the coming years. The book value of the tax losses that have been recognized is shown in note 15.

Provision for returns

The Group has provided for the possibility that products already sold may be returned by customers. To this end, the Group has made certain assumptions based on the quantity of goods returned in the past and their estimated realizable value. The Group took into account the changed economic scenario and made a provision for returns which reflects the assumptions relating to the performance of its customers until the end of the season and therefore of the expected returns.

Further details are provided in note 28.

Provision for obsolete and slow-moving inventory

The Group has set up provisions for products in inventory that may have to be sold at a discount, which means that they will have to be adjusted to their estimated realizable value. For this purpose, the Group has developed assumptions regarding the quantity of goods sold at a discount in the past and the possibility of selling them through the Group's own outlets. In particular, the Group reflected in the inventory write-down provision its assumptions regarding the disposal of previous collections inventories, including spring/summer and fall/winter 2020 collections, considering the current scenario of uncertainty.

Further details are provided in note 17.

Provision for bad and doubtful accounts

The provision for bad and doubtful accounts is calculated on the basis of a specific analysis of items in dispute and of those balances which, even if not in dispute, show signs of delayed collection. Furthermore, the provision includes the receivable evaluation according to the lifetime expected loss model. Evaluating the overall amount of trade receivables that are likely to be paid requires the use of estimates regarding the probability of collecting such items, as well as the write-down percentages applied for not in dispute positions, so it is an assessment that is subject to uncertainties.

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

Further details are provided in note 18.

Lease liabilities and Right-of-use assets

The Group records right-of-use assets and lease liabilities. Right-of-use assets are initially valued at cost, and then at cost net of amortisation and accumulated losses due to reductions in value and are adjusted in order to reflect revaluations of lease liabilities.

The Group values lease liabilities at the current value of the payments due for lease contracts and not yet paid as at the effective date. Lease liabilities are then subsequently increased by the interest that accrues on them and are reduced by the payments made for the leasing. Lease liabilities are also revalued if future payments

due for the leasing are altered, due to a change to the index or rate, if there is a change to the amount that the Group believes it will have to pay as a guarantee on the residual value or if the Group alters its valuation with reference to the option to purchase the asset, or to extend or terminate the lease contract.

The Group has estimated the duration of leasing for contracts for which it acts as lessee and that provide for a renewal option. The Group's assessment as to whether or not it is reasonably certain that the option will be exercised affects the estimate of the duration of the leasing, thereby significantly impacting the amount of the lease liabilities and of the right-of-use assets recorded.

The Group has analysed all lease contracts, defining the lease term for each by combining the "non cancellable" period with the effects of any extension or early termination clauses that are expected to be exercised with reasonable certainty. More specifically, with regard to real estate, this valuation took into account the specific facts and circumstances for each asset. With regard to other categories of assets, mainly company cars and equipment, the Group generally did not deem it likely for extension or early termination clauses to be exercised, considering the approach normally taken by the Group.

Further details are provided in note 14 with regard to Right-of-use assets and note 26 with regard to lease assets/liabilities.

Accounting policies

The financial statements are prepared on a historical cost basis, amended as required for the valuation of certain financial instruments. They are also prepared on a going-concern basis, as already explained in "Covid-19 impacts" paragraph and in Directors' Report as regards financial issues.

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. As regards the item key money, it is pointed out that in France the protection provided to the tenant by the local law, supported by the market practice, allows the recognition of a recovering value of each trading position, even at the end of the contract. This led the directors to estimate a residual value of the key money paid at the end of each lease.

The directors review the estimated useful life of intangible assets at the end of each period.

Intangible assets with an indefinite useful life are not amortized; instead, they are subjected to impairment testing.

The following table summarizes the useful life (in years) of the various intangible assets:

Trademarks	10 years
Geox patents	10 years
Other patents and intellectual property rights	3-5 years
Key money	Period of the rental contract
Other intangible assets	Period of the rental contract

Trademarks include the costs incurred to protect and disseminate them.

Similarly, Geox patents include the costs incurred to register, protect and extend new technological solutions in various parts of the world.

The other patents and intellectual property rights mainly relate to the costs of implementing and customizing software programs which are amortized in 3-5 years, taking into account their expected future use.

Key money includes:

- amounts paid to acquire businesses (shops) that are managed directly or leased to third parties under franchising agreements;
- amounts paid to access leased property by taking over existing contracts or persuading tenants to terminate their contracts so that new ones can be signed with the landlords. The premises were then fitted out as Geox shops.

Goodwill is initially recognized by capitalizing the excess cost of acquisition compared with the fair value of the net assets of the company recently acquired. Goodwill is not amortized; instead, it is subjected to impairment testing at least once a year, or more frequently if there is evidence of a loss in value, to verify whether its value has been impaired. The elements that satisfy the definition of "assets acquired in a business combination" are only accounted for separately if their fair value can be established with a reasonable degree of reliability.

Property, plant and equipment

Property, plant and equipment are booked at their purchase or construction cost, which includes the price paid for the asset (net of any discounts and allowances) and any directly-related purchasing and start-up costs. Property, plant and equipment are shown at cost, net of accumulated depreciation and write-downs/write backs.

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

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

The following table shows the useful life in years related to the depreciation rates applied:

Building	20-30 years
Plant and machinery	3-8 years
Photovoltaic plant	11 years
Industrial and commercial equipment	2-4 years
Moulds	2 years
Office furniture	8 years
Electronic machines	3-5 years
Motor vehicles	4 years
Internal transport and trucks	5 years
Leasehold improvements	Period of contract *
Shop equipment	Lower of contract period and 8 years
Shop fittings	4 years
Concept stores	2-4-5 years

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

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

Leased assets

Upon signing a contract, the Group assess whether it is, or contains, a leasing agreement. In other words, if the contract grants the right to use a given asset for a period of time in exchange for a fee.

The Group as lessee

The Group applies a single model to recognise and measure all leasing contracts, with certain exceptions referring to short-term leases and the leasing of assets of modest value. The Group recognises liabilities relative to payments for leasing and assets for the right to use the assets referred to by the contract.

- *Right-of-use assets*
The Group recognises right-of-use assets as at the leasing start date (i.e. the date when the underlying asset becomes available for use). Right-of-use assets are valued at cost, net of accumulated amortisation and losses in value, and are adjusted for any revaluations of lease liabilities. Right-of-use assets are amortised using constant rates starting from the effective date of the lease and until the end of the useful life of the right-of-use asset.
Right-of-use assets are subject to impairment.
- *Lease liabilities*
As at the effective date of the lease contract, the Group records the relative lease liabilities, measuring them as the current value of the payments due for the leasing and that have not yet been paid as at said date. Payments due include fixed payments (including fixed payments in terms of substance) net of any leasing incentives to be received, variable leasing payments that depend on an index or rate and amounts that are expected to be due as a guarantee on the residual value. Leasing payments also include the price to exercise the purchase option, if there is reasonable certainty that the Group will exercise said option, and the penalty payments for termination of the lease contract, if the duration of the lease takes into account the Group exercising the option to terminate the lease in question. Variable leasing payments that do not depend on an index or rate are recorded as costs during the period in which the event or condition arises that generates the payment.
When calculating the current value of payments due, the Group uses the incremental borrowing rate as at the start date. After the effective date, the lease liability amount is increased to take into account the interest accruing on said lease liabilities and is reduced to take into account any payments made. Furthermore, the book value of lease liabilities is recalculated if any changes are made to the lease agreements or if the contractual terms and conditions are reviewed to alter payments; this is also recalculated if there are any changes to the valuation of the option to purchase the underlying asset or to future payments deriving from an alteration to the index or rate used to calculate said payments.
- Short-term leases and leases for assets of modest value
The Group applies the exemption for recording short-term leases and leases for assets of modest value.

Impairment of property, plant and equipment and intangible assets

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

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

If the book value of the asset is greater than its recoverable value this asset is consequently impaired in order to align it to its recoverable value.

Each unit, to which the specific values of assets are allocated (tangible and intangible), represents the lowest level at which the Group monitors such assets.

The Group's terms and conditions for reinstating the value of an asset that has previously been written down are those established by IAS 36. Write backs of goodwill are not possible under any circumstances.

Financial instruments

Financial instruments held by the Group are presented in the financial statements as described in the following paragraphs:

- other non-current financial assets comprise investments in unconsolidated companies, held-to-maturity securities, non-current loans and receivables and other non-current available-for-sale financial assets; Current financial assets include trade receivables, receivables from financing activities, current securities, and other current financial assets (which include derivative financial instruments stated at fair value as assets), as well as cash and cash equivalents;
- cash and cash equivalents include cash at banks, units in liquidity funds and other money market securities that are readily convertible into cash and are subject to an insignificant risk of changes in value;
- financial liabilities refer to debts, which includes asset-backed financing, and other financial liabilities (which include derivative financial instruments stated at fair value as liabilities), trade payables and other payables.

Non-current financial assets other than investments, as well as current financial assets and financial liabilities, are accounted for in accordance with IFRS 9.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value depending on the business model of the company for the management of financial assets and the contractual terms that give rise to cash flows of the financial assets. Specifically:

- Debt instruments held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortized cost;
- Debt instruments held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- All the other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if the financial asset is not held for trading and it is not a contingent consideration recognized by an acquirer in a business combination;
- the Group may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

During the current year, the Group did not designate any debt instrument that satisfies the amortized cost or FVTOCI criteria to be measured at fair value through profit or loss (FVTPL).

When the financial assets do not have a fixed term, they are measured at acquisition cost. Receivables with maturities of over one year which bear no interest or an interest rate significantly lower than market rates are discounted using market rates.

Assessments are made regularly as to whether there is any objective evidence that a financial asset or group of assets may be impaired. If any such evidence exists, an impairment loss is included in the income statement for the period.

Accounts receivable are initially recognized at their fair value and then presented net of the provision for bad debt determined in accordance with the impairment model introduced by IFRS 9 (expected losses model). The accrual for the doubtful debts found is charged to the income statement.

Receivables subject to impairment are written off when it's confirmed that they are not recoverable.

Receivables sold to the factor without recourse (*pro-soluto*) have been removed from the Balance Sheet as the relative contract transfers ownership of the receivables, together with all cash flows generated by said receivable and all related risks and benefits, to the factor.

Except for derivative instruments, financial liabilities are measured at amortized cost using the effective interest method.

Financial assets and liabilities hedged by derivative instruments are measured in accordance with hedge accounting principles applicable to fair value hedges: gains and losses arising from remeasurement at fair value, due to changes in relevant hedged risk, are recognized in the income statement and are offset by the effective portion of the loss or gain arising from remeasurement at fair value of the hedging instrument.

Derivative financial instruments

All derivative financial instruments are measured in accordance with IFRS 9 at fair value.

Derivative financial instruments are used for hedging purposes, in order to reduce currency, interest rate and market price risks. In accordance with IFRS 9, derivative financial instruments qualify for hedge accounting only when at the inception of the hedge there is formal designation and documentation of the hedging relationship and the hedge relationship is effective on the basis of the “economic relationship” between the hedged item and the hedge instrument.

When derivative financial instruments qualify for hedge accounting, the following accounting treatment applies:

- Fair value hedge – Where a derivative financial instrument is designated as a hedge of the exposure to changes in fair value of a recognized asset or liability that is attributable to a particular risk and could affect the income statement, the gain or loss from remeasuring the hedging instrument at fair value is recognized in the income statement. The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognized in the income statement;
- Cash flow hedge – Where a derivative financial instrument is designated as a hedge of the exposure to variability in future cash flows of a recognized asset or liability or a highly probable forecasted transaction and could affect income statement, the effective portion of any gain or loss on the derivative financial instrument is recognized directly in equity. The cumulative gain or loss is removed from equity and recognized in the income statement at the same time as the economic effect arising from the hedged item affects income. The gain or loss associated with a hedge or part of a hedge that has become ineffective is recognized in the income statement immediately. When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss realized to the point of termination remains in equity and is recognized in the income statement at the same time as the underlying transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealized gain or loss held in equity is recognized in the income statement immediately.

If hedge accounting cannot be applied, the gains or losses from the fair value measurement of derivative financial instruments are recognized immediately in the income statement.

Inventories

Inventories of finished products are measured at the lower of purchase or production cost and their estimated net realizable or replacement value. For raw materials, purchase cost is calculated at the weighted average cost for the period.

For finished products and goods, purchase or production cost is calculated at the weighted average cost for the period, including directly-related purchasing costs and a reasonable proportion of production overheads. Obsolete and slow-moving goods are written down according to the likelihood of them being used or sold.

Employee benefits

Benefits paid to employees under defined-benefit plans on termination of employment (employee severance indemnities) are recognized over the period that the right to such benefits accrues.

The liability arising under defined-benefit plans, net of any assets servicing the plan, is determined using actuarial assumptions and recorded on an accruals basis in line with the work performed to earn the benefits. The liability is assessed by independent actuaries.

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

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

Share-based payments

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

The cost of equity-based transactions with employees is measured on the basis of the fair value at the grant date. The fair value is determined by an independent appraiser using an appropriate valuation method. Further details are provided in note 32.

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 11).

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 is significant.

Revenue and income

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

The Group's revenues include:

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

Sale of goods (Wholesale and Franchising)

Revenue from the sale of goods is recognized when control of the asset is transferred to the buyer, i.e. when the asset is delivered to the customer in accordance with contractual provisions and the customer acquires the ability to direct the use of and obtain substantially all of the benefits from the asset. If the sales contract includes retrospective volume-related discounts, the Group estimates the relevant impact and treat it as variable consideration. Group estimates the impact of potential returns from customers. This impact is accounted for as variable consideration, recognizing a liability for returns and the corresponding asset in the statement of financial position. This estimate is based on the Group's right of return policies and practices along with historical data on returns.

The Group includes in the transaction price the variable considerations estimated (discounts and returns) only to the extent that it is highly probable that a significant reversal in the amount of recognized revenue will not occur in the future.

Sale of goods (Retail)

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

The estimate is based on the historical trend in returns, accounts for the time elapsed from the purchase date, and is regularly reviewed. The Group includes in the transaction price the variable considerations estimated only to the extent that it is highly probable that a significant reversal in the amount of recognized revenue will not occur in the future. There are no postdelivery obligations other than product warranties, if required by local law; these warranties do not represent a separate performance obligation.

Loyalty programs

The companies of the Retail division offer their customers discount programs or similar loyalty programs with a term of 12 months or greater. Customers who present a valid loyalty card receive a fixed percentage discount off the retail prices for a specified range of products and/or services. Revenue under these arrangements is recognized upon receipt of the products or services by the customer at the retail location.

Rental income

Rental income relates to the Geox Shops owned by the Group and leased to third parties under franchising agreements; rental income are recognized on an accruals basis.

Royalties

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

Costs and expenses

Costs and expenses are accounted for on an accruals basis.

Government Grants

Government grants are recognized in the financial statements when there is reasonable assurance of the Group's compliance with the conditions for receiving such grants and that the grants will be received. Government grants are recognized as income over the periods necessary to match them with the related costs which they are intended to offset.

Income tax

Current income taxes

Current income taxes for the period are calculated on the basis of taxable income in accordance with the tax rules in force in the various countries.

Geox S.p.A. joined, as parent company, a new domestic tax consolidation for three years (2014-2016), then renewed twice for other three years, with the two Italian subsidiaries Geox Retail S.r.l. and XLOG S.r.l..

Deferred taxes

Deferred tax assets and liabilities are recognized on temporary differences between the amounts shown in the balance sheet and their equivalent value for fiscal purposes. Deferred tax assets are also recognized on the tax losses carried forward by Group companies when they are likely to be absorbed by future taxable income earned by the same companies.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply in the various countries in which the Geox Group operates in the tax periods when the temporary differences reverse or expire.

Deferred tax assets are recorded to the extent that, according to future plans, there is likely to be sufficient taxable income to cover deductible temporary differences.

The book value of deferred tax assets is reviewed at each balance sheet date and if necessary reduced to the extent that future taxable income is no longer likely to be sufficient to recover all or part of the assets. These write-downs are reversed if the reasons for them no longer apply.

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

Earnings per share (EPS)

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

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

Potential liabilities

The Group is subject to legal and tax litigations arising from the ordinary course of the business in the countries where it operates.

Based on the information currently available, the Group believes that the provisions recognized as liabilities are sufficient to correctly represent the Consolidated Financial Statements.

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:

		2020	%	2019	%
Footwear	Net sales	477,379		720,804	
	EBIT	(107,332)	(22.5%)	(11,101)	(1.5%)
Apparel	Net sales	57,518		85,054	
	EBIT	(17,188)	(29.9%)	(4,622)	(5.4%)
Net sales		534,897		805,858	
EBIT		(124,520)	(23.3%)	(15,723)	(2.0%)

Segment assets and liabilities are all managed at Group level, so they are not shown separately by segment. The only exception to this rule is the value of inventories, which amount to Euro 239,238 thousand for footwear (Euro 255,525 thousand in 2019) and Euro 28,726 thousand for apparel (Euro 29,064 thousand in 2019).

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

(Thousands of Euro)	2020	%	2019	%	Var. %
Italy	124,923	23.4%	228,453	28.3%	(45.3%)
Europe (*)	250,293	46.8%	344,258	42.7%	(27.3%)
North America	24,772	4.6%	46,189	5.7%	(46.4%)
Other countries	134,909	25.2%	186,958	23.2%	(27.8%)
Net sales	534,897	100.0%	805,858	100.0%	(33.6%)

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

4. General and administrative expenses

General and administrative expenses are analyzed in the following table:

	2020	2019	Change
Wages and salaries	84,860	117,290	(32,430)
Rental expenses	10,976	21,636	(10,660)
Other costs	188,277	198,596	(10,319)
Rental income	(2,353)	(3,279)	926
Other income	(3,431)	(2,662)	(769)
Total	278,329	331,581	(53,252)

Rental and lease expenses, equal to Euro 10,976 thousand, relate to the shops, offices and industrial property leased by the Group. The reduction compared to the same period of last year is mainly due to the decrease in shop network.

It's to be noted that, starting from January 1st, 2019, only leases excluded from the application of IFRS 16 are accounted for in this item. During 2020, the Group began an important process to negotiate with the main landlords of the properties for which it has operating leases in place; only some of these negotiations have been completed. The ensuing economic benefits, recorded under the 'Rent payable and building expenses' item as decreases to rental payments, in line with the provisions of the amendment to the IFRS 16 accounting standard "*Covid-19-Related Rent Concessions (Amendment to IFRS 16)*", amounted to Euro 6,783 thousand.

With regard to the parent company Geox S.p.A. and the subsidiary Geox Retail S.r.l., it should also be noted that the Group benefited from a tax credit on rent instalments pursuant to Art. 65 of Italian Decree Law no. 18 of 17 March 2020, as converted with amendments by Italian law no. 27 of 24 April 2020, equal to a total of Euro 624 thousand; the subsidiary Geox Canada Inc. also received a government grant towards the rent costs incurred, for Euro 319 thousand.

In 2020 the item refers to service charges for an amount of Euro 9,466 thousand, variable rents for an amount of Euro 3,134 thousand, short term leases for Euro 4,503 thousand and lease contracts for which the underlying asset is classed as a "low-value assets" for an amount of Euro 1,599 thousand.

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

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

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

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 10,375 thousand (in 2019 Euro 13,034 thousand).

The fees due to the directors for 2020 amount to Euro 2,601 thousand (Euro 2,672 in 2019) and those to executives with strategic responsibilities amount to Euro 2,470 thousand (Euro 1,989 in 2019). 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.

The fees due to statutory auditors for 2020 amount to Euro 175 thousand (Euro 175 thousand also in 2019).

In 2020 the number of rights that give right to the assignment of no. 1 free issue share of the Company, for each right assigned, to Board of Directors members and Executive with Strategic responsibilities is equal to 994,130.

It's to be noted that on January 16, 2020 the Geox S.p.A. Board of Directors approved a mutual separation agreement between Geox and Matteo Carlo Maria Mascazzini to leave his role as employee and director. As a consequence he did not retain any right on the medium-long term incentive plan mentioned above (for a total number of 733,855 rights).

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:

	2020	2019	Change
Industrial depreciation	6,340	6,422	(82)
Non-industrial depreciation and amortization	92,017	96,186	(4,169)
Total	98,357	102,608	(4,251)

Amortization and depreciation increased of Euro 98,357 thousand, on which Euro 66,134 thousand related to the application of the IFRS 16 accounting standard.

Payroll costs amounted to Euro 111,122 thousand (in 2019 Euro 148,186 thousand). The significant reduction in payroll costs is mainly due to the access to various forms of government aids already in place in the various countries or implemented by the governments to address the current exceptional circumstances (such as the "fund to supplement earnings" in Italy) following Covid-19 pandemic and to the rationalization of the store network (44 net closures in 2020).

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

As explained in detail in the Directors' report, performance in 2020 was affected by the epidemic and by the global spread of Covid-19. As has been extensively described, this event has had a significant impact on the Group's business and will continue to do so over the coming months.

In accordance with regulators' guidelines, when drawing up the report as at December 31, 2020, Directors therefore carried out an impairment test in order to analyse the recoverable value of Group's assets. Please note that the impairment test was carried out based on the cash flows deriving from the forecasts contained in the "Business plan scenarios for the 2021-2024 period" document, prepared and approved by the board of directors in order to carry out the valuations relating to the 2020 financial statements; the main assumptions made by these scenarios are described briefly in the next paragraph.

The test envisaged a first phase in which the recoverability of the invested capital in each store managed directly by the Group (DOS) was verified. At that stage for each of the cash-generating units (CGUs) identified by the Group, the recoverable value is based on the value in use, calculated using estimated future cash flows.

Within the scope of these Business plan scenarios, and in line with the resolutions previously passed by the Directors, a review of the Group's store network is also planned, in order to bring it in line with the current scenario, building on the steps already taken over the last year.

The management team believes that directly operated stores have, and shall continue to have, a strategic role to play in terms of the brand's image and positioning, as well as being important points of contact with end consumers, helping to boost their loyalty. Having said that, this role is now changing significantly. Instead of merely representing the end point of the sale process, stores must become showrooms and real local 'hubs', offering a wide range of services through a perfect integration with the digital channel and a smooth and omnichannel logistics structure.

Some stores that have reached the end of their life cycle are therefore losing importance and beginning to play only a marginal role, in both town centres and shopping malls. Based on these market developments, which are also being driven by the increasing importance of online sales and by changes to consumers' buying behaviour, the Group will further optimise its distribution network over the next three years. This initiative will involve the following actions:

- non-renewal of contracts (thereby avoiding any penalty payments) for around 110 small and less profitable stores at the end of their life cycle, as these do not have the right characteristics to take on the strategic importance described above;
- effective rationalisation measures if rent costs are no longer deemed to be in line with current market conditions;
- opening of around 20 larger stores in strategic locations;
- restyling of stores with the highest potential.

These measures will also be accompanied by further investments and a process of digital transformation and growth for the Group, focusing on omnichannel services to boost sales in the physical network at the same time as also entering the marketplaces of a number of important partners. The Group will also continue to invest in the e-commerce channel by opening a new, directly run website in Russia and strengthening partnerships with strategic players in China.

When calculating future cash flows, the Directors took into consideration the lower-than-expected P&L performance of the last financial years and the fact that 2021 has so far been, and will continue to be, a year of transition towards overcoming the pandemic, with the business being affected as a result. It is also clear that Covid-19 is an external variable, the effects of which are difficult to predict, also in terms of how long they will last and the impact they will have on consumer demand; as things stand, it is extremely difficult to make forecasts. Governments and international consulting companies nonetheless expect 2021 to record a recovery compared with 2020, especially in the second half of the year. 2022 is expected to see a return to pre-Covid normality, albeit with a number of structural changes. Management believes that, as of today, for the purposes of making valuations for the financial statements, it is prudent to remain aligned with these forecasts when making assumptions for the future.

In line with these expectations, the Business Plan Scenarios are based on the following basic assumptions: 2021 will see a strong recovery in sales compared with 2020, albeit with overall volumes significantly below 2019 levels. More stable growth is then expected to be recorded.

For stores, these assumptions represent a reasonably prudent forecast of the cash flows that may be achieved. For each store, the forecast period is in line with the expected duration of the relative lease agreement, making the necessary projections to cover the years following said forecast time frames. The assumptions forming the basis of the impairment test reflect management's best estimates, based on the information available regarding the company's operations, the market context and the evolution of Group activities, also given the effects of the Covid-19 pandemic; a number of sensitivity analyses have also been carried out.

In order to calculate the current value, future cash flows obtained in this way have been discounted using the WACC as at the reference date of the test, taking into consideration the specific characteristics and risks of each area in which the Group operates (between 5.73% and 8.57%).

The aforementioned impairment test at 31 December 2020 thus led to a net write-down of Euro 12,436 thousand (Euro 9,367 thousand in 2019). The total impairment provision set aside to adjust fixed assets at 31 December 2020, on the other hand, was equal to Euro 20,380 thousand, while this figure stood at Euro 11,338 thousand at 31 December 2019.

Next phase of the impairment test was carried out by the Directors at a higher level in order to assess the recoverability of the Group's net invested capital, including goodwill amounting to Euro 1,138 thousand.

An asset-side approach was instead used to check the recoverable value of the Group's goodwill and net invested capital, comparing the value in use of each cash generating unit with the relative carrying amount.

The cash flow projections taken into consideration for the purpose of the first-level impairment test were defined within the scope of different scenarios, for the period between 2021 and 2024. With regard to the scenario that the Directors deemed to be the most likely (the “intermediate” scenario, as described below), the main assumptions, given the information available to date, are as follows:

- 2021 will record a recovery compared with 2020, although performance in terms of profitability shall remain below that of 2019, mainly due to the results of the 2021 Spring/Summer collection which is expected to still be affected by lockdown measures. Cash generation, on the other hand, should benefit from the reduction in some of the excess stock caused by store closures in 2020.
- ‘Business as usual’ is expected to fully return in 2022, 2023 and 2024 in terms of performance, but with a higher level of profitability compared with 2019, benefiting from a more streamlined business model and further business development, particularly regarding the omnichannel strategy and digital channels (i.e. management of direct e-commerce sites, marketplaces and wholesale clients operating through online sales).
- For the purposes of the impairment test, a five-year time period was taken into consideration, hypothesizing that the trend recorded in 2024 shall continue into 2025, with a growth rate of 1.75%.

The discount rate is calculated using the weighted average cost of capital (“WACC”), i.e. by weighting the expected rate of return on invested capital, net of funding costs, for a sample of companies operating in the same sector. The calculation took into account the changed economic scenario compared with the previous year, as well as the consequent implications in terms of interest rates. The WACC was calculated as being equal to 7.18%.

Given the difficulties in making forecasts due to Covid-19, in terms of both the duration of the pandemic and its effects on consumer demand, the Directors have adopted a “multi-scenario” approach: in addition to the “intermediate” scenario, a “base” scenario has also been developed, used to check the stability of the impairment test results carried out through a stress test, as well as a “best” scenario. The “base” scenario makes more prudent development assumptions compared with those defined in the previous scenario, reporting an average decrease of around 7% in the cash flows generated by the business over the period of time covered by the financial forecasts in the “intermediate” scenario. As a result, for all scenarios, the impairment test shows sufficient coverage to support the Group’s net invested capital and goodwill, meaning that no further write-downs are necessary with respect to those already completed following the impairment test for stores.

The Group also completed the usual sensitivity analyses, as required by IAS 36, in order to highlight any effects that a reasonable change in the basic assumptions (WACC and growth rates) would have on the “value in use”. The sensitivity analysis carried out on “intermediate” scenario shows that, in order to make the “value in use” equal to the value of net invested capital (break-even hypothesis), the following parameters would need to change, considered individually and if nothing else changes: i) a WACC increase to 9.10%, ii) a “g” growth rate used in the terminal value of -0.33%.

7. Personnel

The average number of employees is shown below:

	2020	2019	Change
Managers	47	46	1
Middle managers and office staff	943	967	(24)
Shop employees	2,479	2,808	(329)
Factory workers	1,254	1,254	-
Total	4,723	5,075	(352)

The average number of employees for 2020 amounted to 4,723, showing a reduction of 352 unit compare to 2019 mainly due to the closure of some stores managed directly by the Group (44 net closure in 2020).

8. Restructuring charges

Over the course of 2020 non-recurring expenses for Euro 1,134 thousand was recorded mainly related to the rationalization of the store network.

In 2019 non-recurring expenses for Euro 3,245 thousand was recorded mainly related to “one-off” payments to support franchisees and distributors facing difficult economic conditions and costs for the former CEO leaving the company.

9. Net financial expenses

This item is made up as follows:

	2020	2019	Change
Interest income	2,563	4,199	(1,636)
Interest expense	(10,650)	(12,581)	1,931
Exchange differences	(42)	(225)	183
Total	(8,129)	(8,607)	478

Interest income is made up as follows:

	2020	2019	Change
Interest from banks	33	45	(12)
Interest from customers	-	117	(117)
Other interest income	2,530	4,037	(1,507)
Total	2,563	4,199	(1,636)

Other interest income mainly consists of the effect of accounting for financial derivatives as explained in note 32.

Interest expense is made up as follows:

	2020	2019	Change
Bank interest and charges	157	159	(2)
Interest on loans	1,012	252	760
Interest on leases	4,209	5,034	(825)
Other interest expense	2,978	3,982	(1,004)
Financial discounts and allowances	2,294	3,154	(860)
Total	10,650	12,581	(1,931)

The increase in “Interest on loans” is mainly due to the increase in the average debts towards banks.

Interest on leases relate to the application of the new accounting standard IFRS 16. The weighted average of the interest borrowing rate of the year is 1.48%.

Other interest expense mainly consists of the effect of accounting for financial derivatives as explained in note 32.

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:

	2020	2019	Change
Exchange gains	32,116	21,443	10,673
Exchange losses	(32,158)	(21,668)	(10,490)
Total	(42)	(225)	183

10. Income taxes

Income taxes for 2020 show a positive effect of Euro 4,444, compared to Euro 429 thousand of 2019.

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

	2020	%	2019	%
PBT	(132,649)	100.0%	(24,330)	100.0%
Theoretical income taxes (*)	(31,836)	24.0%	(5,839)	24.0%
Effective income taxes	(4,444)	n.a.	429	n.a.
Difference due to:	27,392	n.a.	6,268	n.a.
1) different tax rates applicable in other countries	407	n.a.	525	n.a.
2) permanent differences:				
i) IRAP and other local taxes	33	n.a.	471	n.a.
ii) writedowns of deferred tax asset	25,083	n.a.	4,067	n.a.
iii) previous years' taxes and other taxes	1,869	n.a.	1,205	n.a.
Total difference	27,392	n.a.	6,268	n.a.

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

It should be noted that the tax amount has been affected by the prudent choice not to make a provision for deferred tax assets equal to Euro 25,083 thousand, referring to the tax losses generated during 2020 in relation to which, as at the date of this report, there is not reasonable certainty that sufficient taxable income will be generated over the next three or four financial years to recover them, in addition to the value of deferred tax assets already recorded in the financial statements.

The management's assessment as to the likelihood of deferred taxes being recovered through future taxable income is based on the Business plan scenarios. These scenarios were necessary given the extremely volatile nature of any forecasts made at the moment. In light of the above, the preferred option is to wait until there is a clearer picture of when the health emergency may be over.

11. 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:

	2020	2019
Earning/(Loss) per share (Euro)	(0.50)	(0.10)
Diluted earning/(loss) per share (Euro)	(0.50)	(0.10)
Weighted average number of shares outstanding:		
- basic	255,211,081	257,857,268
- diluted	255,211,081	257,857,268

12. Intangible assets

Intangible assets are made up as follows:

	Balance at Dec. 31, 2020	Balance at Dec. 31, 2019	Change
Industrial patents and intellectual property rights	12,714	12,865	(151)
Trademarks, concessions and licenses	361	429	(68)
Key money	17,634	25,169	(7,535)
Assets in process of formation and payments on account	3,640	3,766	(126)
Other intangible assets	347	764	(417)
Goodwill	1,138	1,138	-
Total	35,834	44,131	(8,297)

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

	12-31-19	Purchases and capital.	Translation Differences	Amort./ write-down	Disposals	Other Changes	12-31-20
<i><u>Intangible assets with finite useful life:</u></i>							
Industrial patents and intellectual property rights	12,865	4,361	(3)	(6,634)	(26)	2,151	12,714
Trademarks, concessions and licenses	429	50	-	(118)	-	-	361
Key money and other intangible assets	25,933	343	(38)	(8,208)	(62)	13	17,981
Assets in process of formation and payments on account	3,766	2,039	(1)	-	-	(2,164)	3,640
<i><u>Intangible assets with an indefinite useful life:</u></i>							
Goodwill	1,138	-	-	-	-	-	1,138
Total intangible assets	44,131	6,793	(42)	(14,960)	(88)	-	35,834

Investments during the period mainly concern:

- personalization of the IT system and software utilization licenses for a total of Euro 3,833 thousand, cost incurred for registration, extension and protection of patents in various parts of the world for Euro 528 thousand;
- assets in process of formation for a total of Euro 2,039 thousand. Such amounts include the sums paid for the further implementations and customizing of the new IT system.

13. Property, plant and equipment

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

	Balance at Dec. 31, 2020	Balance at Dec. 31, 2019	Changes
Land and buildings	7,903	8,777	(874)
Plant and machinery	5,967	7,776	(1,809)
Industrial and commercial equipment	2,634	3,342	(708)
Other assets	11,498	14,783	(3,285)
Leasehold improvements	22,038	25,666	(3,628)
Construction in progress and payments on account	373	887	(514)
Total	50,413	61,231	(10,818)

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

	12-31-19	Purchases and capital.	Translation Differences	Amort./ write- down	Disposals	Other Changes	12-31-20
Land and buildings	8,777	7	29	(910)	-	-	7,903
Plant and machinery	7,776	343	11	(2,470)	(12)	319	5,967
Industrial and commercial equipment	3,342	2,244	(7)	(2,939)	(7)	1	2,634
Other assets	14,783	3,276	(176)	(6,226)	(295)	136	11,498
Leasehold improvements	25,666	4,809	(208)	(7,869)	(700)	340	22,038
Construction in progress and payments on account	887	292	(10)	-	-	(796)	373
Total	61,231	10,971	(361)	(20,414)	(1,014)	-	50,413

Investments during the period mainly concern:

- The purchase of equipment by the productive subsidiary in Serbia;
- The purchase of industrial equipment (mainly molds for shoe soles) by the parent company Geox S.p.A. and its productive subsidiary in Serbia;
- Geox shop, office and head office fittings and hardware;
- leasehold improvements relate to industrial buildings and offices for Euro 790 thousand and to premises fitted out as Geox Shop for Euro 4,019 thousand;
- Construction in progress item mainly includes the sums paid to purchase furnishings for stores that will be converted into Geox Shops and to the amounts paid for work being carried out at the parent company's headquarters.

Other assets are made up as follows:

	Balance at Dec. 31, 2020	Balance at Dec. 31, 2019	Change
Electronic machines	2,318	2,875	(557)
Furniture and fittings	8,594	11,497	(2,903)
Motor vehicles and internal transport	586	411	175
Total	11,498	14,783	(3,285)

14. Right-of-use assets

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

	Saldo al 31-12-2020	Saldo al 31-12-2019	Variazione
Right-of-use - Apartments	510	507	3
Right-of-use - Building	240,333	297,214	(56,881)
Right-of-use - Cars and Trucks	965	964	1
Total Right-of-use	241,808	298,685	(56,877)

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

	12-31-19	Net increases	Translation differences	Amort./write- down	12-31-20
Right-of-use assets	298,685	20,571	(2,029)	(75,419)	241,808

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

The Right-of-Use item also includes Euro 448 thousand referring to sums paid to obtain the availability of leased properties to be used as Geox Shops, by taking over existing contracts or having the lessees withdraw from their contracts in order to be able to enter into new agreements with the landlords.

15. 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, 2020	Balance at Dec. 31, 2019	Change
Carry-forward tax losses	4,212	4,207	5
Depreciation and amortization and impairment	7,976	7,574	402
Evaluation derivatives	2,096	133	1,963
Provision for obsolescence and slow-moving inventory and returns	19,209	14,863	4,346
Provision for agents' severance indemnities	525	522	3
Other	8,763	8,440	323
Deferred tax assets	42,781	35,739	7,042
Depreciation and amortization	(178)	(175)	(3)
Other	(24)	(64)	40
Deferred tax liabilities	(202)	(239)	37
Total deferred taxes	42,579	35,500	7,079

Prepaid tax assets, net of deferred tax liabilities, were analysed and written down, to the extent that sufficient future taxable income is not expected to be available to allow for them to be partially or fully used.

In order to calculate projections of future taxable income, considered for the purposes of recovering the prepaid tax assets of Group companies, reference was made to the aforementioned Business plan scenarios as described in note 10.

The deferred tax assets on carry-forward tax losses amount to Euro 4,212 thousand, relate entirely to the tax loss generated during 2019 by the parent company Geox S.p.A. as part of the domestic tax consolidation with the Italian subsidiaries Geox Retail S.r.l. and Xlog. S.r.l. which is considered recoverable in the time frame covered by the aforementioned Business plan scenarios.

Derivatives that are defined as cash flow hedges and valued on a mark-to-market basis booked directly to equity require all related taxes also to be booked directly to equity and not to the income statement.

The deferred tax liabilities booked directly to equity amount to Euro 2,096 thousand (tax assets amounting to Euro 133 thousand in 2019).

Deferred tax assets included in "Other" are mainly related to the provision for bad and doubtful accounts (note 18) and provisions for liabilities and charges (note 29).

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

16. Other non-current assets

Other non-current assets are made up as follows:

	Balance at Dec. 31, 2020	Balance at Dec. 31, 2019	Change
Accounts receivable from others in 1 to 5 years	6,726	6,390	336
Accounts receivable from others in more than 5 years	1,209	2,684	(1,475)
Total	7,935	9,074	(1,139)

Non-current assets mainly relate to guarantee deposits for utilities and shop leases and accounts receivable, payable more than 1 year. The decrease mainly refers to prepaid expenses for leases reclassified under Right-of-use assets following the application of IFRS 16.

17. Inventories

The following table shows the breakdown of inventories:

	Balance at Dec. 31, 2020	Balance at Dec. 31, 2019	Change
Raw materials	13,413	9,803	3,610
Work in process and semi-finished products	1,682	1,812	(130)
Finished products and goods for resale	252,792	272,269	(19,477)
Furniture and fittings	77	705	(628)
Total	267,964	284,589	(16,625)

Inventories of finished products include goods in transit acquired from countries in the Far East and the costs related to the expected returns on sales for Euro 15,127 thousand (Euro 14,320 thousand as at December 31, 2019).

2020 shows a decrease in the value of finished products of Euro 19,477 million compared to 2019. It should be noted that the temporary closure of stores right at the start of the 2020 spring-summer season led to an abnormal increase in the estimates of unsold stock at the end of the season.

For this reason, the Group had to carefully reassess its strategy to release products to the distribution network, in order to reduce future purchases (2020 fall-winter and 2020 spring-summer) on the basis of the availability of products from the current season, by attempting to use these products in the next collections. The decrease in finished products is also consistent with the reduction of stores need, following the rationalization of the store network.

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

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

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

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

Balance at January 1	21,085
Provisions	39,628
Translation differences	(477)
Utilizations	(20,587)
Balance at December 31	39,649

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

The significant inventory write-down made in the year, mainly linked to the 2020 collections, is the result of the excess stock caused by stores being closed during the lockdown.

18. Accounts receivable

Accounts receivable are made up as follows:

	Balance at Dec. 31, 2020	Balance at Dec. 31, 2019	Change
Gross value	108,827	136,139	(27,312)
Provision for bad and doubtful accounts	(21,109)	(13,961)	(7,148)
Net value	87,718	122,178	(34,460)

Accounts receivable amounted to Euro 108,827 thousand at December 31, 2020, showing a decrease of Euro 27,312 thousand compared to December 31, 2019.

It's to be noted that this item was influenced by non-recourse factoring transactions, amounted to Euro 12,394 thousand at year end (Euro 17,299 at December 31, 2019).

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, 2020	58,819	15,765	7,716	26,527	108,827
Gross value of trade receivables at December 31, 2019	89,291	26,531	8,616	11,701	136,139

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

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

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

Accounts receivable are adjusted to their estimated realizable value by means of a provision for bad and doubtful accounts based on a review of individual outstanding balances. The provision at December 31, 2020 represents a prudent estimate of the current collection risk.

Changes in the provision during the year are as follows:

Balance at January 1	13,961
Provisions	8,927
Translation differences	(110)
Utilizations	(1,669)
Balance at December 31	21,109

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 in the provision for bad and doubtful accounts reflects the changing market conditions due to the health emergency and its effects on the financial solvency of some clients.

19. Other non-financial current assets

This item is made up as follows:

	Balance at Dec. 31, 2020	Balance at Dec. 31, 2019	Change
Tax credits	4,590	4,820	(230)
VAT recoverable	14,476	3,923	10,553
Advances to vendors	2,034	1,326	708
Other receivables	9,509	6,968	2,541
Accrued income and prepaid expenses	4,484	6,421	(1,937)
Total	35,093	23,458	11,635

As at December 31, 2020 the Group has a tax credit for an amount of Euro 174 thousand towards the ultimate Parent Company LIR S.r.l. (Euro 1,892 thousand at December 31, 2019).

Other receivables include:

- Euro 3,390 thousand due from a credit insurance representing the value of claims assigned for which reimbursement has not yet been received;
- Euro 1,242 thousand related to grants received by Austrian administration in order to support the subsidiary during the pandemic situation;
- Euro 911 thousand towards social security institutions mainly due to various forms of government aids in payroll costs (such as the “fund to supplement earnings” in Italy);
- Euro 846 thousands due from factoring companies (arising from non-recourse factoring transactions).

Prepaid expenses mainly include prepayments for rentals and maintenances.

20. Financial assets and liabilities

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

The following table shows the breakdown of this item:

	Balance at Dec. 31, 2020	Balance at Dec. 31, 2019	Change
Term bank deposits	24	24	-
Total non current financial assets	24	24	-
Fair value derivative contracts	1,156	2,366	(1,210)
Other current financial assets	2,971	1,282	1,689
Total current financial assets	4,127	3,648	479
Fair value derivative contracts	(11,207)	(1,177)	(10,030)
Other current financial liabilities	(116)	(82)	(34)
Total current financial liabilities	(11,323)	(1,259)	(10,064)

The term bank deposits of Euro 24 thousand include amounts lodged to guarantee rent contracts on foreign shops.

As regards the mark-to-market derivative contracts, see the comments in note 32.

21. Cash and cash equivalents

The amount of Euro 83,130 thousand relates to short term deposits for Euro 3,842 thousand, a current account in Euro for Euro 59,311 thousand, a current account in US Dollars for Euro 7,093 thousand, a current account in Chinese Yuan for Euro 1,334 thousand, a current account in Canadian Dollars for Euro 2,082 thousand, a current account in British Pound for Euro 4,796 thousand, a current account in Japanese Yen for Euro 1,609 thousand and other currencies for the rest. The term deposits relate to investments of surplus cash remunerated at a rate linked to Euribor. The cash on the current account in US Dollars is used to pay suppliers in the Far East when their invoices fall due; it has a yield substantially in line with the reference rate.

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

22. 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, 2020	Balance at Dec. 31, 2019	Change
Legal reserve	5,184	5,184	(0)
Share premium reserve	37,678	37,678	0
Translation reserve	(3,538)	(2,267)	(1,271)
Reserve for cash flow hedges	(6,640)	(582)	(6,058)
Retained earnings	236,808	261,523	(24,715)
Total	269,492	301,536	(32,044)

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

The share premium reserve was set up mainly in 2004 as a result of the public offering of shares which increased the share capital by Euro 850 thousand, then this reserve was increased following the exercise of the stock option plans reserved for management.

The reserve for cash flow hedges, for Euro -6.640 thousand, originated as a result of valuing the financial instruments defined as cash flow hedges at December 31, 2020. Fair value valuation of cash flow hedges is stated net of the tax effect as explained in greater detail in note 32. This reserve is not distributable. Amounts are shown net of tax, where applicable.

The reduction in item Retained earnings refers to the 2019 loss carried forward.

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 2020	Equity 12-31-2020	Net income for the period 2019	Equity 12-31-2019
Parent company's equity and net income	(138,281)	164,071	(33,600)	308,531
Differences between the carrying value of the investments in subsidiaries and the Group share of their equity	57,276	62,728	56,853	49,301
Group share of affiliates' results	(55,419)	(55,419)	(42,109)	(42,109)
Elimination of intragroup transactions on inventories	2,142	(11,140)	5,713	(13,200)
Elimination of intragroup dividends and investments write-off	-	-	(3,285)	-
Other adjustments	6,077	6,968	(8,331)	175
Group equity and net income	(128,205)	167,208	(24,759)	302,698

23. Employee severance indemnities

Employee severance indemnities at December 31, 2020 amount to Euro 2,834 thousand, as shown in the following table:

Balance at December 31, 2019	2,841
Increase for new hires from other companies	112
Reversal of 0.50% withholding	(199)
Reversal of 17% flat-rate tax	(4)
Payments to supplementary pension schemes	(929)
Advances granted to employees	(314)
Provision for the period	3,824
Payments to supplementary pension schemes run by INPS net of amounts paid to leavers	(2,440)
Change as a result of actuarial calculations	(51)
Translation differences	(6)
Balance at December 31, 2020	2,834

Changes in the provision for severance indemnities during 2020 show a utilization of Euro 929 thousand for payments to supplementary pension funds and one of Euro 2,440 thousand for net payments to supplementary pension schemes run by INPS. This is because, based on the legislative changes introduced by Law 296/06, with effect from June 30, 2007, severance indemnities accruing after January 1, 2007 have to be paid by companies (with more than 50 employees) to a special treasury fund set up by INPS or, if the employee prefers, to a supplementary pension fund that complies with D.Lgs 252/05.

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

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

The various stages of the calculation can be summarized as follows:

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

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

- mortality rates: RG48 life expectancy table
- disability rates: INPS tables split by age and gender
- employee turnover rate: 2.00%
- discount rate (index Iboxx Corporate AA con duration 10+): 0.34%
- rate of severance indemnities increase: 2.1%
- inflation rate: 0.8%

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	(44)
-1% employee turnover rate	51
+1/4% inflation rate	58
-1/4% inflation rate	(56)
+1/4% discount rate	(86)
-1/4% discount rate	91

24. Provisions for liabilities and charges

This item is made up as follows:

	Balance at Dec. 31,19	Utilization	Provisions	Translation differences	Actuarial adjustment	Balance at Dec. 31, 20
Provision for agents' severance indemnities	4,964	(72)	222	(112)	143	5,145
Other	309	-	1,562	(1)	-	1,870
Total	5,273	(72)	1,784	(113)	143	7,015

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 85 thousand.

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

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

This item is made up as follows:

	Balance at Dec. 31, 2020	Balance at Dec. 31, 2019	Change
Bank loans	113,770	10,439	103,331
Other loans	62	123	(61)
Total long-term loans	113,832	10,562	103,270
Cash advances	2,504	6,041	(3,537)
Loans	59,404	27,318	32,086
Total bank borrowings short term	61,908	33,359	28,549
Other Loans	61	388	(327)
Total bank borrowings and current portion of long term loans	61,969	33,747	28,222

Long term loans amount to Euro 113,832 thousand, showing an increase of Euro 103,270 compare to December 31, 2019, while bank borrowings and current portion of long term loans amount to Euro 61,969 with an increase of Euro 28,222 thousand. This increase in debt is mainly due to the significant one-off absorption of cash caused by Covid-19, in addition to the normal seasonality of the business.

In any case, the Group has cash availability equal to Euro 83,130 thousand against this debt.

This is due to the opportunity to access, in any event, committed lines of credit to face the highly volatile macroeconomic context caused by the health emergency.

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

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

That loan is subject to financial covenants (to be calculate before IFRS 16 effects), to be tested on a half-yearly basis in June and December, with reference to the consolidated financial statements. That financial covenants are: net financial position, indebtedness ratio (net financial position/Equity) and the ratio between net financial position and EBITDA. The value of financial covenants are different over the duration of the contract and can be healed by Equity cure operations. As regards results before IFRS 16 effects:

- net financial position must be less than Euro 180 million over the course of 2021;
- indebtedness ratio must be less than 1.15 as at December 2021, less than 1.00 in 2022 and less than 0.75 in 2023;
- the ratio between net financial position and EBITDA must be less than 3.25 as at June 2022, 3.00 as at December 2022, less than 2.75 in 2023 and less than 2.5 in 2024.

Based on the forecasts included in the aforementioned document entitled Business plan scenarios, it's considered that these financial indicators will be respected in the next testing periods.

Other outstanding loans are not subject to financial covenants.

It should be noted that the Group has not had to resort to suspending loan repayments.

The item "Bank loans" includes the long-term portion of the loans obtained from banks by Geox S.p.A. (Euro 113,307 thousand) and by the subsidiary company Geox Suisse SA (Euro 463 thousand).

Short term bank borrowings amount to Euro 61,908 thousand, compared to Euro 33,359 thousand of December 31, 2019. Item "Loans" includes the portion due within 12 months of the long term loans.

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

26. Lease assets and lease liabilities

The item refers to the present value of the payments due for rents following the application of IFRS 16 Accounting Standard.

The item is made as follows:

	Balance at Dec. 31, 2020	Balance at Dec. 31, 2019	Change
Long term lease assets – third parties	508	-	508
Total long term lease assets	508	-	508
Long term lease liabilities - third parties	145,336	217,786	(72,450)
Long term lease liabilities - related parties	57,525	21,222	36,303
Total long term lease liabilities	202,861	239,008	(36,147)
Short term lease liabilities - third parties	60,411	56,705	3,706
Short term lease liabilities - related parties	5,143	5,671	(528)
Total short term lease liabilities	65,554	62,376	3,178
Total lease liabilities	267,907	301,384	(32,461)

The following table shows the changes lease liabilities during 2020:

	12-31-19	Net increases	Translation Differences	Payments	12-31-20
Total Lease liabilities	301,384	18,316	(2,669)	(49,124)	267,907

It should be noted that the Group has made a suspension of rent payments for stores during the time they were closed and the partial payment of rent when they were reopened, based on sales performance. This approach is in line with the ongoing talks being held with the various landlords, aimed at renegotiating the contractual agreements in place, bringing them more in line with the changes to the economic scenario; this

involves introducing variable rents based on the level of turnover, at least while there is reduced footfall caused by the restrictive measures and the strong reduction in tourist numbers. As of today, these closed talks with landlords have undoubtedly proven to be challenging, but the Group has already signed a number of agreements and many others are in an advanced phase of negotiation. The Group is also convinced that the right thing is to terminate the relative agreement if solutions cannot be found that reflect current market values. At December 31, 2020, unpaid rent amounted to Euro 13,7 million.

The weighted average of the interest borrowing rate of the year is 1.48%.

27. Other long-term payables

This item is made up as follows:

	Balance at Dec. 31, 2020	Balance at Dec. 31, 2019	Change
Guarantee deposits	169	524	(355)
Accrued expenses and deferred income	2,659	3,276	(617)
Total	2,828	3,800	(972)

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

Accrued expenses and deferred income mainly relate to the amount due beyond 12 months of the grant received by Republic of Serbia for the construction and start-up of the factory in Vranje for a residual amount of Euro 2,450 thousand.

28. Trade payables

The item is made as follows:

	Balance at Dec. 31, 2020	Balance at Dec. 31, 2019	Change
Accounts payable	134,928	183,898	(48,970)
Provision for returns	43,226	40,148	3,078
Total	178,154	224,046	(45,892)

Accounts payable at December 31, 2020 amount to Euro 134,928 thousand, showing a decrease of Euro 48,970 thousand if compared with December 31, 2019. The lower payables reported at December 31, 2020 are mainly linked to the effects of the reduction in purchases for the 2020 autumn-winter collection following the decision to put back in collections unsold products, due to pandemic situation, of previous seasons.

All amounts are due within the next 12 months.

Terms and conditions of the above financial liabilities:

- Trade payables are normally settled within 30-120 days and do not generate interest;
- The terms and conditions applied to related parties are the same as those applied to third parties.

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

Changes in the refund liabilities during 2020 are as follows:

Balance at January 1	40,148
Provisions	43,009
Translation differences	(541)
Utilizations	(39,389)
Balance at December 31	43,226

The provision for returns has been estimated based on the potential returns and credit notes arising from the trade agreements signed with customers, in particular with franchising ones.

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

29. Other non-financial current liabilities

This item is made up as follows:

	Balance at Dec. 31, 2020	Balance at Dec. 31, 2019	Change
Social security institutions	4,629	4,514	115
Employees	10,500	12,065	(1,565)
Provisions for liabilities and charges	7,124	9,201	(2,077)
Other payables	6,049	6,087	(38)
Accrued expenses and deferred income	2,196	2,988	(792)
Total	30,498	34,855	(4,357)

The amounts due to social security institutions mainly relate to pension contributions for 2020, paid in 2021.

The amounts due to employees include payroll, bonuses and accrued vacation not yet taken as of December 31, 2020.

The provisions for liabilities and charges mainly include the estimated costs related to the rationalization and optimization plan of the distribution network.

Other payables are mainly advances received from customers and the short term part of the guarantee deposits received from third parties.

Accrued expenses and deferred income mainly relate to the amount due within 12 months of the grant received by Republic of Serbia for the construction and start-up of the factory in Vranje.

30. Taxes payable

This item is made up as follows:

	Balance at Dec. 31, 2020	Balance at Dec. 31, 2019	Change
Withholding taxes	2,726	3,682	(956)
VAT payable	9,195	6,225	2,970
Corporate income taxes	1,136	595	541
Total	13,057	10,502	2,555

31. Share-based payments

In accordance with IFRS 2, the adoption of a stock option/stock grant plan requires that the fair value of the options at the grant date is recognized as a cost. This cost is charged to the income statement over the vesting period, and a specific equity reserve is booked. The fair value of these options has been determined by an independent expert using the binomial method.

At the date of this report there is only a medium-long term incentive plan involving the free issue of up to a maximum of five million ordinary Company shares (2019-2021 Stock Grant Plan), to the benefit of the Chief Executive Officer, Corporate General Manager, Executives with strategic responsibilities and other senior managers and employees who are considered key resources for Geox or other Group Companies. The Plan has a three-year vesting period and, as a result, the shares may be assigned from the date the Shareholders' Meeting approves the financial statements for the year ending December 31, 2021. Shares being assigned will also depend on and be proportional to the achievement of performance results based on the accumulated consolidated net income reported in Geox Group's 2019-2021 Strategic Business Plan.

32. Risk management: objectives and criteria

Credit risk

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

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

Interest rate risk

Indebtedness to the banking system exposes the Group to the risk of interest rate fluctuations. Floating rate loans, in particular, run the risk of cash flow variations. At 31 December 2020, the Group's indebtedness to the banking system amounts to Euro 175.7 million and is mainly floating rate.

In this context, given expectations of stability in the dynamics of interest rates and the medium/short-term nature of the debt, the Group did not deem it necessary to implement general policies to hedge the risk of interest rate fluctuations but rather entered into two Interest Rate Swap (IRS) transactions to hedge the medium-long term loan, for a total amount of Euro 67.5 million, the Group has signed two Interest Rate Swap (IRS) agreements to hedge its only medium/long-term loan, with the specific aim of removing the original floor to zero on the entire notional amount, in relation to the Euribor included in the variable rate.

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 433 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.

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

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

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

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

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

There have been no substantial changes in 2020 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, 2020, could be materially affected by fluctuations in the exchange rates, mainly referred to the US dollar. The impact on the Group's result at December 31, 2020 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 618 thousand, while in case of a favorable change of 10% in exchange rates the impact would have been approximately Euro 424 thousand.

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 hand the wholesale and franchising sales are concentrated in the first three months of the half-year in question, transforming inventory

into receivables. The same period sees the completion of payment of accounts payable. Receipts from customers and end consumers, on the other hand, are collected before the end of the half-year in question. These situations bring about very strong seasonal trends, also in the Group's financial cycle, which leads to peaks of absorption of financial resources in January to April and in July to October.

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.

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

With reference to the situation described above and the direct impacts on the assessment of liquidity risk, the Directors do not believe that the effects of the aforementioned events are such as to undermine the Group's ability to fulfil its payment commitments, taking into consideration the lines of credit that are currently available but have not yet been used, as well as the new financing obtained from banks during 2020.

On this basis, the Company's Management has concluded that, despite the difficult economic and financial context, there is no uncertainty regarding the ability to continue operating as a going concern.

Fair value and related hierarchy

As at December 31, 2020 financial instruments are as follows:

	Notional value on 12-31-20	Fair value on 12-31-20 (debit)	Fair value on 12-31-20 (credit)	Notional value on 12-31-19	Fair value on 12-31-19 (debit)	Fair value on 12-31-19 (credit)
FX Forward buy agreements to hedge exch. rate risk	143,559	20	(5,975)	65,208	770	(145)
FX Forward sell agreements to hedge exch. rate risk	95,862	1,136	(260)	95,050	188	(1,032)
FX Currency Option agreem. to hedge exch. rate risk	138,538	-	(4,310)	245,085	1,408	-
Interest Rate Swap	67,500	-	(662)	-	-	-
Total financial assets/(liabilities)	445,459	1,156	(11,207)	405,343	2,366	(1,177)

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

The following levels are used in this hierarchy:

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

All the financial assets and liabilities measured at fair value at December 31, 2020 are classified on Level 2. In 2019 there were no transfers from Level 1 to Level 2 or to Level 3 or vice versa.

The Group holds the following derivatives to cover exchange rate fluctuations at December 31, 2020:

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

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

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

With regard to derivative financial instruments to hedge the interest rate risk, at December 31, 2020, the Group held only an Interest Rate Swap (IRS), used to alter the profile of original interest rate risk exposure from variable rate to fixed rate. On set dates, this IRS exchanges interest flows with the counterparties, calculated on the basis of a reference notional value, at the agreed fixed and variable rates.

33. Related-party transactions

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

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

The main effects on profit and loss of the transactions with these parties for 2020 and 2019 are summarized below:

	Total 2020	Parent company	Affiliated company	Other related parties	Total of which related parties	Effect on Total (%)
Net sales	534,897	-	626	-	626	0.12%
Cost of sales	(303,074)	-	829	-	829	(0.27%)
General and administrative expenses	(278,329)	38	(26)	-	12	0.00%
Advertising and promotion	(23,049)	(145)	-	-	(145)	0.63%
Net financial expenses	(8,129)	(47)	(532)	-	(579)	7.12%
Taxes	4,444	(81)	-	-	(81)	(1.82%)

	Total 2019	Parent company	Affiliated company	Other related parties	Total of which related parties	Effect on Total (%)
Net sales	805,858	-	386	-	386	0.05%
Cost of sales	(407,030)	-	73	-	73	(0.02%)
Selling and distribution costs	(44,181)	-	(1)	-	(1)	0.00%
General and administrative expenses	(331,581)	51	(99)	(1)	(49)	0.01%
Advertising and promotion	(26,177)	(153)	(2)	-	(155)	0.59%
Net financial expenses	(8,607)	(31)	(445)	-	(476)	5.53%

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

	Balance at Dec. 31, 20	Parent company	Affiliated company	Other related parties	Total of which related parties	Effect of Total (%)
Accounts receivable	87,718	50	1,018	-	1,068	1.22%
Other non-financial current assets	35,093	175	-	-	175	0.50%
Non-current lease liabilities	202,861	1,848	55,677	-	57,525	28.36%
Trade payables	178,154	582	162	-	744	0.42%
Current lease liabilities	65,555	350	4,793	-	5,143	7.85%

	Balance at Dec. 31, 19	Parent company	Affiliated company	Other related parties	Total of which related parties	Effect of Total (%)
Accounts receivable	122,178	66	263	-	329	0.27%
Other non-financial current assets	23,458	1,892	-	-	1,892	8.07%
Non-current lease liabilities	239,008	1,982	19,240	-	21,222	8.88%
Trade payables	224,046	32	39	1	72	0.03%
Current lease liabilities	62,376	240	5,431	-	5,671	9.09%

34. Dividends paid and proposed

	2020	2019
Dividends declared and paid during the year (**):	-	6,480
Dividends declared and paid during the year - per share (*):	-	0.025
Dividends proposed to the shareholders' meeting (not yet recognized as a liability at December 31)(**):	-	-
Dividends proposed to the shareholders' meeting (not yet recognized as a liability at December 31) - per share (*):	-	-

(*) Amount in Euro

(**) Amount in Euro/thousand

35. Commitments and contingent liabilities

The future rental payments under lease contracts, excluded from the application of IFRS 16, as of December 31, are as follows:

12-31-2020

Within 1 year	14,034
Within 1-5 years	20,507
Beyond 5 years	4,150
Total	38,691

36. Information provided pursuant to Italian Law no. 124/2017

In relation to the requirements imposed by Italian Law no. 124/2017, it should be noted that, during 2020 and with reference to its Italian companies, the Group received Euro 759 thousand, broken down as follows:

- Euro 471 thousand relating to the tax credit for shop lease costs, pursuant to Art. 65 of Italian Decree Law no. 18 of 17 March 2020, converted with Italian Law no. 27 of 24 April 2020, and subsequent amendments and integrations;
- Euro 44 thousand from the Veneto Region relating to an extraordinary grant dedicated to pre-school services in order to tackle the Covid-19 epidemiological emergency (Resolution no. 1116 passed by the Regional Council on 6 August 2020, integrating Resolution no. 686 passed by the Regional Council on 26 May 2020);
- Euro 12 thousand relating to economic support for organisations managing educational services for infants, in relation to the reduced or missing payment of fees by those using said services, as a result of the latter being suspended following measures to contain the spread of Covid-19 (Italian Ministerial Decree no. 119 of 8 September 2020 and decree of the Director General for School Systems and Assessment of the National Education System no. 1136 of 15 September 2020);
- Euro 153 thousand relating to the tax credit for lease costs of buildings, pursuant to Art. 28 of Italian Decree Law no. 34 of 19 May 2020, converted with Italian Law no. 77 of 17 July 2020, and subsequent amendments and integrations;
- Euro 42 thousand from the Italian electricity services provider (GSE S.p.A.) relating to tariff incentives for photovoltaic systems;
- Euro 37 thousand relating to the exemption from paying the balance of the Italian regional tax on productive activity for the current tax year as of 31 December 2019 and from paying the first instalment of the Italian regional tax on productive activity for the tax year after the current one as of 31 December 2019, pursuant to Art. 24 of Italian Decree Law no. 34 of 19 May 2020, converted with amendments by Italian Law no. 77 of 17 July 2020.

It is hereby specified that these benefits have been recorded based on the cash accounting principle, meaning that the aforementioned amounts include subsidies, grants, paid positions and any other kind of economic benefits that were cashed in during 2020, without considering the period to which they refer.

With regard to compliance with the aforementioned requirements, in relation to any other grants received that may fall within the defined categories, please also refer to the dedicated national Register, which is available to the public.

37. Significant subsequent events after December 31, 2020

Update on store operations - COVID-19

A second wave of Covid-19 began in October, forcing governments in many countries to reintroduce measures to restrict people's mobility and, in some cases, even real lockdowns, in order to contain the rise in infections. As at March 14th, 2021, the majority of these restrictions, mainly affecting Europe and Canada, are being updated depending on the spread of the virus; they are therefore very susceptible to change. On average, these measures are currently expected to last for most of March and into the beginning of April. With regard to Italy, restrictive measures are currently set to remain in place until 6 April, with all stores remaining closed in the so-called 'red' zones and stores inside shopping malls being forced to close at weekends in the rest of the country.

As a result of these measures, 89 directly operated stores (DOS) are temporarily closed at the moment (12 in Italy, 26 in Germany, 33 in France, 6 in Canada, 4 in the UK, 4 in Hungary and 4 in the Netherlands), equal to 23% of the entire DOS network. In addition, there are 92 DOS located inside shopping centres in Italy (82), Spain (8) and Nice (2) which have been ordered by their respective governments to close every weekend. Including these stores, temporary closures are currently affecting a total of 46% of the network of directly operated stores.

As a result of these government measures, 69 franchises are also temporarily closed at the moment (including 17 in Portugal, 7 in France, 14 in the Czech Republic, 9 in Greece and 6 in Italy), equal to 22% of the network. In addition, there are another 44 franchises inside shopping centres, mainly in Italy (40), which must remain closed at weekends. Including these stores, the share of the franchised store network that is temporarily closed at weekends rises to 36%.

In the areas where the Group operates in the Asia-Pacific region, there are currently no new lockdowns and almost all of the Geox network is operational.

Overall, the ongoing health crisis is nevertheless continuing to substantially reduce tourist flows all over the world.

Update on the supply of raw materials and finished products

The Group's products are produced in the Far East, the Mediterranean Basin and at the plant it owns in Serbia. Overall, the effects of the Covid-19 pandemic are still being felt, but the system as a whole is currently operational, albeit in a context that is still characterised by a certain degree of instability, especially in terms of shipping. On the one hand, all economic operators are experiencing longer transport times for sea freight due to the fewer number of departures and the higher number of stop-offs in order to make best use of the space available. On the other hand, there are less opportunities to make up for production delays with air freight, due to the limited number of cargo and passenger flights. These factors are leading to increases in freight costs and air transport costs.

In February, there was an escalation of political and social tensions, with serious repercussions on the population, in one of the countries (Myanmar) where the Group's suppliers have part of their production activities. Despite not having direct relations with the country in question, the Group is constantly monitoring this continuously evolving situation, striking a careful balance between the need to reduce purchases, where possible, in order to mitigate risk and the need to take account of the social impact of suddenly pulling out of said production sources.

The factories in this country are currently operational but, as noted above, the situation is constantly changing and is forcing us to be extremely prudent and careful along the entire supply chain; we are continuously monitoring events in order to promptly identify any worsening of the situation.

Update on the strategic redefinition of the group's distribution network

Over the last year, the ongoing pandemic and digitalisation process have driven management to review its business model across all markets, with a view to making it more streamlined, more efficient and better suited to the current operating conditions. This new business model has an omnichannel approach in terms of both distribution and operations, with the physical channel developing its role as a service hub at the same time as ensuring that contractual rent conditions are in line with the current scenario.

The main measures that have been approved by management are as follows:

- A plan to close around 75/80 loss-making stores (EBIT in 2019 amounting to Euro -5 million) between 2020 and 2022; this plan was approved in January 2020 before the pandemic broke out in Europe.
- An updated rationalisation plan (approved in January 2021) covering the next three years, which will see Geox pull out of 110 smaller and less profitable stores at the end of their life cycle; these stores do not have the right characteristics to take on the strategic importance that is required in a market where it is crucial to guarantee perfect integration with the e-commerce channel. These closures will have a neutral effect (based on 2019 results) on EBIT for the channel, but will bring benefits in terms of the overall efficiency of the business and of working capital. These measures will be accompanied by the opening of around 20 larger stores in more strategic locations, not to mention the restyling of stores with the highest potential. These measures will also be accompanied by further investments and a process of digital transformation and growth for the Group, focusing on omnichannel services to boost sales in the physical network at the same time as also entering the marketplaces of a number of important partners. The Group will also continue to invest in the e-commerce channel by opening a new, directly run website in Russia and strengthening partnerships with strategic players in China.
- It is confirmed that effective rationalisation measures shall continue in Canada, USA, Japan, the United Kingdom and Germany if rent costs are no longer deemed to be in line with current market conditions.

With regard to this last point, it should be noted that the reorganisation process launched in Canada on 08/09/2020 has been successfully completed (please refer to the relative press release).

In fact, the Ontario Superior Court of Justice formally closed the Notice of Intention to make a proposal (NoI) proceedings filed by Geox Canada Inc., with ratification of the debt settlement proposal approved by the creditors' committee on 28/01/2021 with the favourable vote of 98%.

In this context, please find below the main points arising from the conclusion of these proceedings:

- 20 directly operated stores (out of a total of 30) are to be kept open, mainly in the areas of Toronto, Vancouver and Montreal, with a major review of the contractual terms and conditions previously in force. Rents for 12 of these stores have been converted to become variable depending on sales performance, while the fixed rate has been significantly reduced for the remaining eight locations (around a 35% reduction on average). In 2019, rent for these 20 stores amounted to a total of 3.7 million Canadian dollars (Euro 2.5 million at the current exchange rate). A penalty-free withdrawal clause has also been included in the contracts for all of these stores.
- The Group has pulled out of ten stores (seven of which were already closed at the end of 2020), mainly in the area of Alberta (Calgary and Edmonton), deeming them to be non-strategic (loss-making in 2019); no penalties were incurred for doing so.
- Agreement reached for outstanding debt (mainly relating to unpaid rent in 2020), through a payment of approximately 475 thousand Canadian dollars (around Euro 300 thousand at the current exchange rate). With regard to the Group's balance sheet, the effect of cancelling this outstanding debt amounts to around 3.7 million Canadian dollars (around Euro 2.5 million at the current exchange rate).

Thanks to this action taken, Geox can now begin a new phase of healthy and sustainable growth in Canada, where it has already been operating for over 15 years, with a streamlined and efficient network of physical stores that is perfectly integrated with its e-commerce channel. As well as confirming the high levels of brand recognition and Geox's solid position in the country, the excellent performance recently recorded by the e-commerce channel (+62% in 2020 and around +100% since the beginning of 2021) also gives us a clear sign that we are right to be confident about the future.

The reorganisation measures being taken in the USA, Japan and the UK are also at an advanced stage.

No other significant subsequent events occurred after December 31, 2020.

Biadene, Montebelluna, March 15, 2021

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

Attachment 1

Biadene, Montebelluna, March 15, 2021

ATTESTATION

OF THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH ART-154-BIS, PARAS. 5 AND 5-BIS OF LEGISLATIVE DECREE 58 OF FEBRUARY 24, 1998 "THE FINANCIAL INTERMEDIATION CODE".

The undersigned Livio Libralesso, Chief Executive Officer of Geox S.p.A. and Massimo Nai, Financial Reporting Manager of Geox S.p.A., attest, bearing in mind the provisions of art. 154-bis, paras. 3 and 4 of Legislative Decree 58 of February 24, 1998:

- the adequacy in relation to the characteristics of the enterprise and
- the effective application,

of the administrative and accounting procedures for preparing the consolidated financial statements during 2020.

They also confirm that the consolidated financial statements:

- a) agree with the books of account and accounting entries;
- b) are prepared in accordance with the International Financial Reporting Standards adopted by the European Union, as well as the provisions issued to implement art. 9 of Legislative Decree 38/2005, and to the best of their knowledge, they are able to give a true and fair view of the assets and liabilities, results and financial position of the Issuer and of the other enterprises included in the consolidation;
- c) provide a fair and correct representation of the financial conditions, results of operations and cash flows of the Company as of December 31, 2020 and for the year 2020;
- d) Director's report includes a reliable operating and financial review of the Company as well as a description of the main risks and uncertainties to which it is exposed.

Livio Libralesso
CEO

Massimo Nai
Financial Reporting Manager

Attachment 2

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

Type of services	Entity that provided the services	Beneficiary	Fees 2020 (Euro/000)	Fees 2019 (Euro/000)
Auditing	Auditors of the Parent Company	Parent company	158	143
Attestation services	Auditors of the Parent Company	Parent company	-	-
Tax advisory services	Same network as the Parent Company's auditors	Parent company	-	-
Other services	Auditors of the Parent Company	Parent company	-	6
Total Parent Company			158	149
Auditing	i) Auditors of the Parent Company	Subsidiaries	22	22
	ii) Same network as the Parent Company's auditors	Subsidiaries	146	170
Attestation services	i) Auditors of the Parent Company	Subsidiaries	-	-
	ii) Same network as the Parent Company's auditors	Subsidiaries	-	-
Tax advisory services	i) Auditors of the Parent Company	Subsidiaries	-	-
	ii) Same network as the Parent Company's auditors	Subsidiaries	-	-
Other services	i) Auditors of the Parent Company	Subsidiaries	-	-
	ii) Same network as the Parent Company's auditors	Subsidiaries	-	-
Total Subsidiaries			168	192
Total			326	341

Attachment 3

LIST OF COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2020

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

INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Geox S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Geox Group (the Group), which comprise the statement of financial position as at December 31, 2020, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Geox S.p.A. (the Company) in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Covid-19 and its effects on impairment tests**Description of the key audit matter**

As highlighted in the paragraph “Covid-19 impacts” of the Explanatory Notes, the Covid-19 pandemic has had a significant impact on the Group's performance. The measures to contain and contrast the spread of the virus adopted by the public institutions of the various countries have led to a general slowdown in consumption in the product sector in which the Group companies operate.

The most significant impacts of this situation on the Group's consolidated financial statements as at December 31, 2020 were: i) the decrease in revenues, with a consequent significant reduction in profitability; the revenues of the Geox Group noted a reduction of Euro 270,961 thousand in 2020, corresponding to approximately 34% of the turnover, and ii) the recognition, following impairment tests, of losses in the assets related to commercial goodwill (*Key money*), rights of use and other fixed assets relating to certain direct operated stores. As shown in Note 6. “*Net write-downs of fixed assets (Impairment test)*”, these assets were subject to net impairment losses of Euro 12,436 thousand following the impairment test.

As reported by the Directors in the Directors’ Report, the spread of Covid-19 and the resulting restrictions have had, and will likely still have, a significant impact on the Group's business in the coming months. As it stands, they believe that the progress of vaccination campaigns should allow a gradual return to ordinary business conditions in the second half of 2021.

The Directors point out that the expectations of improvement in the next exercise depend on the gradual reduction of the restrictions currently in progress, on the fact that it does not relapse in new periods of lockdown and that the vaccine campaign takes place on schedule, but that the amount of such recovery in terms of revenue is subject to significant uncertainties. In this context, in order to deal with the current and prospective situation, the Directors report that the Group will continue to implement measures aimed at reducing costs, in order to mitigate the effect of reducing revenues, in addition to actions aimed to rationalize its retail network, which will be complemented by a process of further investment and digital transformation that will focus on omnichannel services to benefit both physical and online sales.

These considerations and forecasts are included in the document entitled *Business Plan scenarios for the 2021-2024 period* (hereinafter “*Business Plan scenarios*”) approved by the Directors on March 15, 2021 for the purposes of the 2020 financial statements assessments and reflecting the best estimate, using a multi-scenario approach, of the impact of the Covid-19 pandemic on the future plans of the Group. The forecasts included in this document have been used both for the purposes of impairment tests and for the assessment of the appropriateness of the adoption of the going concern assumption in the preparation of the consolidated financial statements.

In view of the significance of the effects of the Covid-19 on the consolidated financial statements as at December 31, 2020, and in particular of the subjectivity of the estimates relating to the determination of cash flows of the Cash generating Units (CGU) to be verified and of the key variables of the impairment test model, as well as the multiplicity and unpredictability of factors that can influence the market performance in which the Group operates in the current context, we have considered impairment testing as a key area of the audit of the consolidated financial statements of the Group.

Audit procedures performed

In the context of our audit we have, among others, carried out the following procedures, also using the support of experts:

- discussion with the Management in order to obtain information elements considered useful in the circumstances regarding the structure of the impairment test and the business plan scenarios elaborated;
- reasonableness analysis of the main assumptions made by the Directors for the formulation of the different scenarios included in the document Business plan scenarios, including financial provision sources and cash flow forecasts, also by external data analysis, such as forecasts of the future performance of macroeconomic data;
- examination of the methods used by the Management for determining the value in use of the CGU, and analysis of the methods and assumptions used by the Management for the development of impairment tests;
- understanding of the relevant controls carried out by the Group Management on the impairment tests preparation process;
- assessment of the reasonableness of discount rates (WACC) and long-term growth rates (g-rates), through an appropriate identification and observation of external sources usually used in practice and relevant data referring to the main comparables;
- verification of the mathematical accuracy of the model used for the determination of the value of use of the CGU;
- verification of the correct determination of the carrying amount of the invested capital related to the CGU;
- verification of the sensitivity analysis prepared by the Management.

Finally, we examined the adequacy of the information provided by the Group on the effects of Covid-19, as well as the information on impairment tests and its compliance with the requirements of the applicable accounting standards.

Evaluation of inventories related to previous collections

Description of the key audit matter

As disclosed in *Note 17. Inventories*, the net value of inventories at the end of the year amounted to Euro 267,964 thousand. Inventories are recorded net of a provision of Euro 39,649 thousand, considered appropriate by the Directors for the purposes of a prudent valuation of finished products from previous collections and raw materials no longer used. The provision has been accounted for in order to reflect the expected realizable value of inventories, on the basis of the Group estimates determined on the quantity of goods sold at a discount in the past, on the possibility of relocation of some products in the 2021 regular collections and on potential sales of such products through directly operated outlets.

In consideration of the materiality of the amount of inventories recorded in the financial statements, together with the relevance of the discretionary component inherent in the estimative nature of the provision, as well as the particular context generated by the Covid-19 pandemic, which led to significant reductions in sales during the 2020 financial year, we deem that the valuation of the recoverable value of the inventories from previous collections and the related process of determining the provision is a key area for the audit of the Group's consolidated financial statements.

Audit procedures performed

Our audit procedures included, among others, the following:

- understanding of the relevant procedures and controls adopted by the Management for the purpose of identifying and determining the correct assessment of the recoverable value of the inventories from previous collections;
- analysis of the reasonableness of the methods and assumptions used by the Management to identify the recoverable value of the inventories from previous collections;
- check of the completeness and accuracy of the database used by the Management for the calculation of the inventory write-down provision and check of its mathematical accuracy;
- comparison between the estimate of the inventory write-down provision recorded in the previous period with respect to what was subsequently observed and analysis of the nature of any difference, also in order to corroborate the effectiveness of the management estimate processes, even taking into account the peculiarities of the economic situation impacted by Covid-19;
- comparative analysis, in a historical series, for each collection and consequent independent development of estimates on the assessment of the recoverable value of inventories by analyzing the sales prices applied by the Group.

Finally, we have examined the completeness and the compliance of the information disclosed in the notes to the financial statements compared to the requirements of the applicable accounting standards.

Evaluation of the refund liability

Description of the key audit matter

As disclosed in *Note 28. Accounts Payables*, the Group accounted for a refund liability for Euro 43,226 thousand on the basis of the potential returns and credit notes to be issued arising from the trade agreements signed with customers, in particular with the franchising ones. For the estimate of the provision, the Group has made certain assumptions based on the quantity of goods returned in the past and their estimated realizable value. The analysis also took into consideration the changed reference context in which the Group's customers operate as a result of the Covid-19 pandemic.

In consideration of the materiality of the amount and the discretionary component present in the estimate of the refund liability, we deem that the valuation of this item is a key area for the audit of the Group's consolidated financial statements.

Audit procedures performed

Our audit procedures included, among others, the following:

- understanding of the relevant procedures and controls adopted by the Management for the purpose of identifying and determining the correct valuation of the refund liability;
- check of the completeness and accuracy of the database used by the Management for the calculation of the refund liability and check of its mathematical accuracy;
- analysis, on a sample basis, of the commercial agreements in place in order to ascertain that the relative terms and conditions have been correctly considered by the Management to determine the refund liability;
- comparison between the estimate of the refund liability in the previous period compared to what was subsequently finalized and analysis of the nature of any difference, also in order to corroborate the effectiveness of the Management estimate processes, even taking into account the peculiarities of the economic situation impacted by Covid-19;
- analysis of the sales trend after year-end in order to obtain an indication of the adequacy of the estimates made by the Management.

Finally, we have examined the completeness and the compliance of the information disclosed in the notes to the financial statements compared to the requirements of the applicable accounting standards.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Geox S.p.A. has appointed us on May 6, 2013 as auditors of the Company for the years from December 31, 2013 to December 31, 2021.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Geox S.p.A. are responsible for the preparation of the Directors' report and the report on corporate governance and the ownership structure of Geox Group as at December 31, 2020, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the Directors' report and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Geox Group as at December 31, 2020 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned Directors' report and some specific information contained in the report on corporate governance and the ownership structure is consistent with the consolidated financial statements of Geox Group as at December 31, 2020 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Group and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 54

The Directors of Geox S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by other auditor.

DELOITTE & TOUCHE S.p.A.

Signed by
Alessandro Boaro
Partner

Udine, Italy
March 30, 2021

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

Company's data and information for Shareholders

Registered office

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

Legal data

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

Investor Relations

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Documents for shareholders

www.geox.biz
(investor relations section)