

GEOX

PRESS RELEASE - 2016 RESULTS

+3% INCREASE IN REVENUES TO 900.8 MILLION DRIVEN BY A POSITIVE PERFORMANCE OF THE WHOLESALE CHANNEL, UP 12%, AND ONLINE SALES, WHICH GREW BY MORE THAN 30%.

+9% INCREASE IN ORDER BACKLOG RECORDED BY THE WHOLESALE CHANNEL FOR THE 2017 SPRING/SUMMER SEASON, WITH SOLID GROWTH IN THE GROUP'S MAIN EUROPEAN MARKETS COMBINED WITH POSITIVE TRENDS IN OTHER GEOGRAPHIC AREAS.

GEOX BOARD HAS PROPOSED AN ANNUAL DIVIDEND OF EURO 0.02 PER SHARE.

Biadene di Montebelluna, March 2, 2017 – The Board of Directors of Geox S.p.A., one of the leading brands worldwide in the classic and casual footwear market listed on the Milan Stock Exchange (MSE: GEO.MI), approved today the 2016 financial results.

Mario Moretti Polegato, Chairman and founder of Geox, commented: “Geox closes 2016 with a 3% growth in revenues, thanks to the excellent performance, in all major markets, of the wholesale channel, increasing by 12%, and of the e-commerce channel which grew by more than 30%. Russia and countries in Eastern Europe are driving this growth, but Austria, Switzerland and the UK are also giving us satisfaction with double-digit growth.

The wholesale channel confirms a good level of growth also with regard to order collection for the coming 2017 Spring/Summer season, increasing by 9%. This growth has been driven by solid overall performance in Italy and other main European markets, combined with a positive trend in other geographical areas.

With regard to mono-brand stores, on the one hand, we’re continuing with our targeted expansion in more reactive markets such as Russia, Eastern Europe and China, and, on the other hand, we’re carrying out a fast process of store network optimization in mature markets which will lead to more efficient retail management. The aim is to favour sustainable and profitable returns over a strategy of expansion which, in this phase, is supported by the results generated by the wholesale channel.

I am therefore confident that our Group, despite a context of uncertainty in some markets, will be able to achieve positive results this year, based on a different sales channel mix, with profitability in line with expectations”.

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THE GROUP'S ECONOMIC PERFORMANCE

Sales

2016 consolidated net sales increased by 3.0% to Euro 900.8 million (+3.3% at constant forex). Footwear sales represented 91% of consolidated sales, amounting to Euro 815.5 million, with a 3.9% increase compared to 2015 (+4.2% at constant forex). Apparel sales accounted for 9% of consolidated sales amounting to Euro 85.2 million, compared to Euro 89.3 million of 2015 (-4.6%, -4.5% at constant forex).

(Thousands of Euro)	2016	%	2015	%	Var. %
Footwear	815,538	90.5%	784,983	89.8%	3.9%
Apparel	85,225	9.5%	89,321	10.2%	(4.6%)
Net sales	900,763	100.0%	874,304	100.0%	3.0%

Revenues generated in Italy, representing 30% of the Group's total revenues (32% in 2015), amounted to Euro 270.1 million, compared to Euro 281.1 million of the previous year. This performance is a result of the planned rationalization of a number of mono-brand stores, which was partially offset by the positive performance of the wholesale channel, up +5.4%.

Sales in Europe, which accounted for 44% of sales increased by 5.6% to Euro 396.6 million, compared with Euro 375.6 million of 2015.

North American sales amounted to Euro 60.7 million, showing a decrease of 3.4% (-1.1% at constant forex). Sales in Other Countries increased by 12.0% compared to 2015 (+12.8% at constant forex).

(Thousands of Euro)	2016	%	2015	%	Var. %
Italy	270,118	30.0%	281,095	32.2%	(3.9%)
Europe (*)	396,565	44.0%	375,647	43.0%	5.6%
North America	60,678	6.7%	62,795	7.2%	(3.4%)
Other countries	173,402	19.3%	154,767	17.7%	12.0%
Net sales	900,763	100.0%	874,304	100.0%	3.0%

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

Revenues generated by directly-operated stores, DOS, representing 41% of Group revenues, recorded a 2.0% reduction at Euro 370.8 million (-1.6% at constant forex). This performance is due to the planned rationalization of stores and to the decline (-1.0%) in like-for-like sales of stores that have been open for at least 12 months (*comparable store sales*) (+4.2% in 2015).

Sales of the franchising channel, which account for 15% of Group revenues, amount to Euro 134.6 million, reporting a decline of 5.2% (-5.1% at constant forex). Also the performance of franchising channel is due to the store network

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rationalization plan and the decline in comparable sales, slightly greater than the one recorded by directly operated stores (compared to a like-for-like growth of +3.9% in 2015).

Wholesale stores representing 44% of Group revenues (41% in 2015) amount to Euro 395.3 million, with an increase of 11.7% (+12.0% at constant forex) compared with last year. This trend is due to a positive performance recorded in the Group's main markets.

(Thousands of Euro)	2016	%	2015	%	Var. %
Wholesale	395,318	43.9%	353,796	40.5%	11.7%
Franchising	134,621	14.9%	142,021	16.2%	(5.2%)
DOS*	370,824	41.2%	378,487	43.3%	(2.0%)
Geox Shops	505,445	56.1%	520,508	59.5%	(2.9%)
Net sales	900,763	100.0%	874,304	100.0%	3.0%

* Directly Operated Store

As of December 31, 2016 the overall number of Geox Shops was 1,161 of which 455 DOS. During 2016, 104 new Geox Shops were opened and 104 have been closed, in line with the rationalization plan of the mono-brand network.

	12-31-2016		12-31-2015		2016		
	Geox Shops	of which DOS	Geox Shops	of which DOS	Net Openings	Openings	Closings
Italy	352	129	360	131	(8)	13	(21)
Europe (*)	346	173	348	179	(2)	13	(15)
North America	48	48	47	47	1	5	(4)
Other countries (**)	415	105	406	119	9	73	(64)
Total	1,161	455	1,161	476	-	104	(104)

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

(**) Includes Under License Agreement Shops (156 as of December 31 2016, 142 as of December 31 2015). Sales from these shops are not included in the franchising channel.

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Cost of sales and Gross Profit

Cost of sales, as a percentage of sales, was 52.3% compared to 48.4% of 2015, producing a gross margin of 47.7% (51.6% in 2015).

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

Operating expenses and Operating income (EBIT)

Over the course of the fourth quarter, in view of the underperformance of the retail channel compared to original growth expectations, the management adopted incisive measures to improve efficiency, cut costs and reduce business risk. In particular:

Selling and distribution expenses as a percentage of sales were 5.5%, showing a slightly decrease compared to last year (5.6% in 2015).

General and administrative expenses were equal to Euro 325.0 million, recording a decrease of Euro 9.3 million compared to the previous year thanks to the actions taken to improve efficiency, reduce structural costs and renegotiate store rents.

Advertising and promotions expenses amounted to Euro 36.8 million, equal to 4.1% of revenues, compared to Euro 42.3 million in 2015. This is mainly the result of an overall optimization of expenses relating to advertising and display material of stores and price trends for adverts across various media.

In 2016, special items, were recorded for Euro 5.3 million due to:

1. legal costs, for Euro 1.7 million, mainly relating to the ongoing arbitration with the previous distributor for the Chinese market;
2. the overall organizational review of staff resources for Euro 2.8 million;
3. early closing and rationalization of some directly operated and franchised stores with the aim of increasing the overall profitability of the network, for Euro 0.8 million.

The operating result adjusted, excluding special items mentioned above, was equal to Euro 18.1 million (2.0% on sales) compared to 24.9 million of 2015 (2.8% on sales). The reduction in the operating result adjusted is due to the decrease in Gross margin while other costs recorded a strong performance.

The operating result (EBIT) was equal to Euro 12.8 million (1.4% on sales) compared with Euro 24.9 million of 2015 (2.8% on sales).

EBITDA

EBITDA was Euro 47.6 million, 5.3% of sales, compared to Euro 61.8 million of 2015 (7.1% on sales).

The EBITDA adjusted, excluding special items mentioned above, was equal to Euro 52.8 million, 5.9% on sales compared to 61.8 million of 2015 (7.1% on sales).

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Income taxes and tax rate

Income taxes were equal to Euro 5.3 million, compared to Euro 9.1 million of 2015.

It is to be noted that Italian Law no. 208 dated 28/12/2015 (the so-called '2016 Stability Law') introduced a reduction in the IRES (Italian Corporate Income Tax) rate from 27.5% to 24%, valid from the 2017 tax year onwards. As a result, adjustments were made to deferred tax assets and liabilities relating to 2017 and following tax years. The effect of this tax rate alteration has led the company's tax liability for the year to increase by Euro 1,972 thousand. Without this effect, the tax rate for the year would have been 45.3%.

THE GROUP'S FINANCIAL PERFORMANCE

The Group balance sheet shows a negative financial position of Euro 35.9 million (+20.8 million as of December 31, 2015), after fair value adjustment of derivatives, which positively affected 2016 for Euro 15.7 million (Euro 16.6 million as of December 31, 2015).

Net operating working capital as a percentage of revenue is equal to 28.0% compared to 22.2% of 2015.

This change is mainly due to the following factors:

- an increase in warehouse stock for products from the 2016 Spring/Summer and Fall/Winter seasons. This is mainly due to the decline in comparable sales recorded by directly operated stores during 2016 (-1.0%), compared to the expected growth of +5%;
- a decrease in trade payables, in line with the timing of purchases of finished products.

During 2016 capex of Euro 30.6 million were made, compared with 39.2 million of 2015. This change is mainly due to the investment in the Serbian plant for an amount of Euro 11.7 million in 2015 and 2.3 million in 2016.

FINANCIAL STATEMENT OF THE PARENT COMPANY, GEOX S.P.A.

The Board of Directors also approved the financial results of Geox S.p.A., the group's parent company, for the year ending December 31, 2016 and the annual report on corporate governance and ownership structure.

Sales equal to Euro 618.7 million, from Euro 596.5 million in 2015. Net result was Euro 45 thousand compared to Euro 10.3 million of 2015.

Shareholders' equity at the end of December 2016 amounted to Euro 380.6 million from Euro 392.1 million at the end of 2015. Net financial position was positive for Euro 28.7 million.

The Board of Directors has agreed to convene the General Meeting of Shareholders on April 20, 2017 to approve the 2016 Statutory Financial Statements.

PROPOSED DIVIDEND

The Board of Directors has decided to propose to the Shareholders' Meeting the distribution of a dividend of Euro 0.02 per share for a total amount of Euro 5.18 million. The dividend payment, if approved at the Shareholders' Meeting, will start from May 24, 2017 (with coupon presentation on May 22 and record date on May 23).

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FORECAST FOR OPERATIONS AND SIGNIFICANT SUBSEQUENT EVENTS

The Geox S.p.A. Board of Directors dated January 12, 2017 announced that the Company and Giorgio Presca had reached an agreement to terminate Mr Presca's relationship as an employee and Director effective from that day. In the same date Geox S.p.A. held a Board of Directors meeting, chaired by Mario Moretti Polegato, which co-opted Gregorio Borgo to the Board and subsequently appointed him as the Company's new Chief Executive Officer, with effect from January 12, 2017.

The Board of Directors has approved 2017 budget, which is based on the following pillars:

1. to carry over plans, already successfully implemented in part during the last quarter of 2016, to increase both gross margin and operating leverage through greater efficiency, more simplification, higher productivity and a strict cost control;
2. to keep growing in the wholesale channel, which is up 9% for the 2017 spring-summer season with a gross margin in line with expectations. The gross margin relating to the ongoing 2017 autumn-winter sales campaign has also further improved, thanks to specific measures targeting design to cost, channel and price mix;
3. the reorganisation of the retail division, focused on increased like-for-like sales, improved sell th and supply chain flexibility. All of these actions should lead to improved profitability in the retail channel;
4. to optimize the retail network in mature markets and to accelerate retail network expansion in fast-growing markets such as Eastern Europe, Russia and China. With regard to China, sales generated by our directly operated stores confirm the positive trend that had already begun in the last quarter of 2016;
5. the solid growth expected in the e-commerce channel;
6. strengthening the management team, which has already been partly implemented in the style department (women's shoes) and marketing department (with the appointment of the new marketing director). Additional new managers will also be on board soon to further enhance and complete the team.

The aim of these combined measures is to pursue sustainable and profitable growth, with profitability results in line with the business plan presented last year, especially in absolute terms, as reflected in market expectations. However, these profitability results will be delivered with a different channel and geographic mix than originally expected, and therefore with a more prudent evolution of total sales as a result of retail optimization.

Lastly, the management believes that special items in the region of Euro 10 million may be recorded in 2017 as a result of the termination of employment of the previous Chief Executive Officer, for Euro 4.3 million, the expected optimization of the network of directly operated and franchised stores, and the restructuring costs.

Considering all of the above, market expectations in terms of net results are thought to be challenging but achievable.

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OTHER RESOLUTIONS

STOCK OPTIONS GRANTED RELATING TO THE 2016 – 2018 STOCK OPTION PLAN

On the basis of the proposal put forward by the Remuneration and Appointments Committee, the Board of Directors has granted the CEO Gregorio Borgo 572,905 stock options, valid for the subscription of 572,905 ordinary Geox shares, forming part of the 2016-2018 Stock Option Plan approved by the Shareholders' Meeting held on April 19, 2016.

Exercising the options will depend on and be proportional to the achievement of performance results based on the consolidated net income reported in the Geox Group's 2016-2018 Plan. The options may be exercised from the date of Board approval of the draft financial statements for the year ending December 31, 2018.

The strike price of the options is equal to the arithmetic average of the official Geox stock prices recorded in the month prior to the option issue date. The strike price is equal to Euro 1.995 for the options issued on March 2, 2017, granted to the CEO.

The Plan involves a maximum of 4,000,000 options, which are valid for the subscription of 4,000,000 ordinary shares, forming part of the share capital increase authorized by the Shareholders' Meeting held on December 18, 2008 (which provides for the issue of a maximum of 12,000,000 ordinary shares up to a maximum nominal amount of Euro 1,200,000.00).

For further information about the main characteristics of the 2016–2018 Stock Option Plan, please refer to the Company's website www.geox.biz (Governance Section).

AUTHORISATION TO BUY BACK AND HOLD TREASURY SHARES IN ACCORDANCE WITH ARTICLES 2357 AND 2357-TER OF THE ITALIAN CIVIL CODE

The Board also resolved to submit for approval to the Shareholders' Meeting a plan to buy back and hold treasury shares to limit abnormal price fluctuations, to regulate trading whenever there are distortions linked to excessive volatility or to a lack of market liquidity, as well as to provide the issuer with shares for the allocation of stock options to employees and any extraordinary financial transactions in line with the Company's development strategy.

The plan envisages a buying of a number of ordinary shares not exceeding 10% of the share capital for a period of 18 months from the date that the Shareholders' Meeting passes the relative resolution.

Purchases must be made at a price per share that is no more than 10% higher or lower than the closing price posted on the business day prior to the purchase date. Maximum daily purchase volumes cannot exceed 25% of the average volumes traded during the 20 Stock Exchange sessions preceding the purchase date. The share buy-back could be carried out on regulated markets in accordance with the procedures provided for by applicable regulations (in particular, pursuant to art. 132 of the 'TUF' – Italian consolidated law on financial intermediation- and art. 144-bis, para. 1, letters b and c of Consob Regulation no. 11971/99 and subsequent amendments and integrations), following the operating procedures set forth by the markets' own organizational and operating rules, in order to ensure that all shareholders are treated equally.

It's to be noted that as of today the Company does not hold any of its own treasury shares.

CHECKING INDEPENDENCE REQUIREMENTS

It is also to be noted that the Board of Statutory Auditors, in accordance with art. 8.C.1. of the Code of Best Practice, has checked and confirmed that all of its members satisfy the necessary independence requirements, also based on the criteria provided for by art. 3.C.1 of the aforementioned Code with reference to the independence of Directors.



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

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

FOR MORE INFORMATIONS

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GEOX GROUP

The Geox Group operates in the classic and casual footwear sector for men, women and children, with a medium/high price level, and in the apparel sector. The success of Geox is due to the constant focus on the application of innovative solutions and technologies on the product that guarantee both impermeability and breathability. Geox is one of the leading brands in the "International Lifestyle Casual Footwear Market". Geox technology is protected by over 35 different patents and 10 recent patent applications.

DISCLAIMER

This document includes forward-looking statements, relative to future events and income and financial operating results of the Geox Group. These forecasts, by their nature, include an element of risk and uncertainty, since they depend on the outcome of future events and developments. The actual results may differ even quite significantly from those stated due to a multiplicity of factors.

ANNEXES

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

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

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CONSOLIDATED INCOME STATEMENT

(Thousands of Euro)	2016	%	2015	%
Net sales	900,763	100.0%	874,304	100.0%
Cost of sales	(471,314)	(52.3%)	(423,492)	(48.4%)
Gross profit	429,449	47.7%	450,812	51.6%
Selling and distribution costs	(49,557)	(5.5%)	(49,378)	(5.6%)
General and administrative expenses	(324,987)	(36.1%)	(334,252)	(38.2%)
Advertising and promotion	(36,798)	(4.1%)	(42,292)	(4.8%)
Operating result	18,107	2.0%	24,890	2.8%
Restructuring charges	(5,273)	(0.6%)	-	0.0%
EBIT	12,834	1.4%	24,890	2.8%
Net financial expenses	(5,556)	(0.6%)	(5,806)	(0.7%)
PBT	7,278	0.8%	19,084	2.2%
Income tax	(5,268)	(0.6%)	(9,076)	(1.0%)
<i>Tax rate</i>	72.4%		47.6%	
Net result	2,010	0.2%	10,008	1.1%
EPS (Earnings per shares)	0.01		0.04	
EBITDA	47,558	5.3%	61,829	7.1%
Restructuring charges	(5,273)		-	
EBITDA adjusted	52,831	5.9%	61,829	7.1%

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

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RECLASSIFIED CONSOLIDATED BALANCE SHEET

(Thousands of Euro)	Dec. 31, 2016	Dec. 31, 2015
Intangible assets	54,715	57,751
Property, plant and equipment	66,140	68,373
Other non-current assets - net	41,575	51,695
Total non-current assets	162,430	177,819
Net operating working capital	251,856	193,763
Other current assets (liabilities), net	(10,933)	(13,649)
Net invested capital	403,353	357,933
Equity	359,717	370,863
Provisions for severance indemnities, liabilities and charges	7,704	7,859
Net financial position	35,932	(20,789)
Net invested capital	403,353	357,933

OPERATING WORKING CAPITAL AND OTHER CURRENT ASSETS (LIABILITIES)

(Thousands of Euro)	Dec. 31, 2016	Dec. 31, 2015
Inventories	336,767	304,810
Accounts receivable	111,417	112,978
Accounts payable	(196,328)	(224,025)
Net operating working capital	251,856	193,763
% of sales for the last 12 months	28.0%	22.2%
Taxes payable	(9,379)	(7,473)
Other non-financial current assets	35,416	35,958
Other non-financial current liabilities	(36,970)	(42,134)
Other current assets (liabilities), net	(10,933)	(13,649)

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RECLASSIFIED CONSOLIDATED CASH FLOW STATEMENT

(Thousands of Euro)	2016	2015
Net result	2,010	10,008
Depreciation, amortization and impairment	34,724	36,939
Other non-cash items	13,962	(9,037)
	50,696	37,910
Change in net working capital	(63,063)	43,272
Change in other current assets/liabilities	2,229	3,578
Cash flow from operations	(10,138)	84,760
Capital expenditure	(30,624)	(39,244)
Disposals	1,009	1,118
Net capital expenditure	(29,615)	(38,126)
Free cash flow	(39,753)	46,634
Dividends	(15,552)	-
Change in net financial position	(55,305)	46,634
Initial net financial position - prior to fair value adjustment of derivatives	4,217	(41,012)
Change in net financial position	(55,305)	46,634
Translation differences	(532)	(1,405)
Final net financial position - prior to fair value adjustment of derivatives	(51,620)	4,217
Fair value adjustment of derivatives	15,688	16,572
Final net financial position	(35,932)	20,789

CAPEX

(Thousands of Euro)	2016	2015
Trademarks and patents	1,094	1,001
Opening and restructuring of Geox Shop	12,995	13,852
Production plant	2,332	11,744
Industrial plant and equipment	2,971	2,547
Logistic	2,258	871
Information technology	7,813	7,454
Offices furniture, warehouse and fittings	1,161	1,775
Total	30,624	39,244