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# FIRST HALF 2017 RESULTS

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July 28, 2017

**GEOX**

# 1H 2017 HIGHLIGHTS

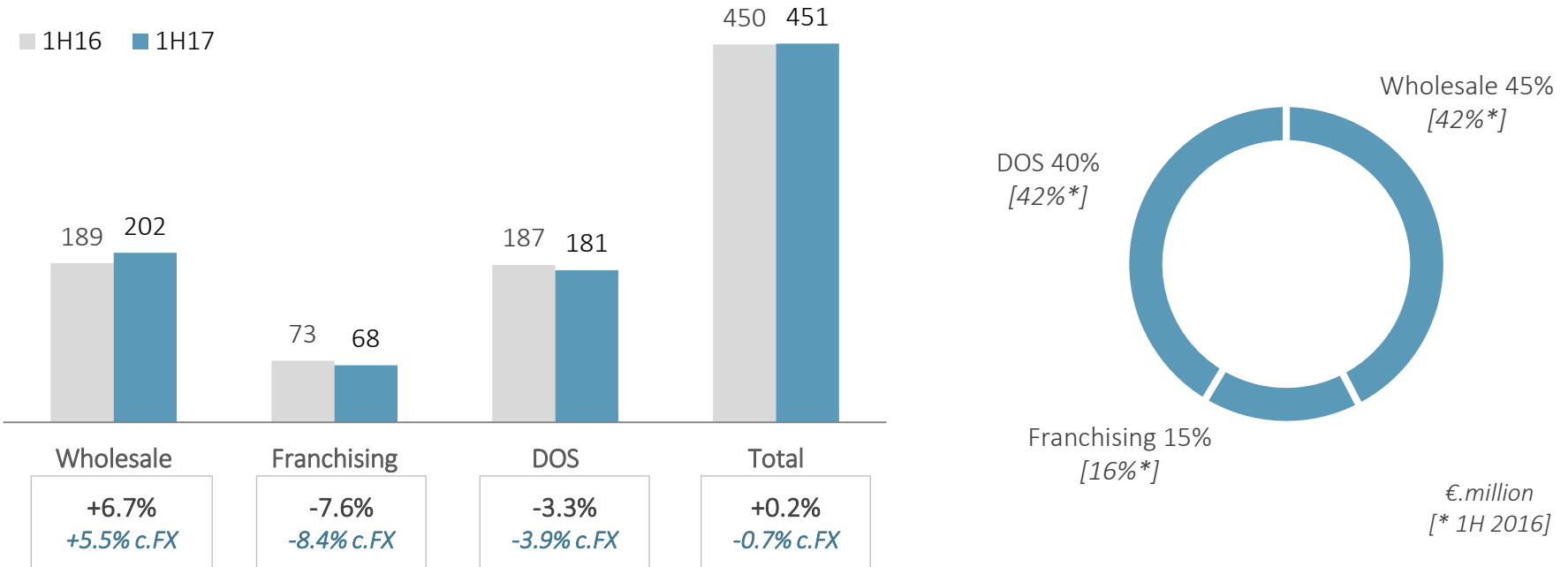
- Sales Euro 451.1 million, +0.2% (-0.7% in constant currency)
  - Wholesale: +6.7%, showing a solid growth in almost all countries
  - LFL directly operated stores: -0.9% (vs +1.8% in 1H 2016); -0.6% YTD
- EBITDA adj<sup>(1)</sup>: Euro 41.2 million (Euro 22.1 million in 1H 2016)
- EBIT adj<sup>(1)</sup>: Euro 24.0 million (Euro 4.6 million in 1H 2016)
- Net income: Euro 8.4 million (Euro 0 million in 1H 2016)
- Special Items: Euro 6.5 million in 1H 2017
- Net Debt: Euro 46.1 million
- Fall/Winter 2017 order backlog (wholesale channel): + 8%



<sup>(1)</sup>: Excluding special items, equal to Euro 6.5 million due to: (i) the termination of employment of the previous Chief Executive Officer, for Euro 4.3 million; (ii) the expected optimization of the network of directly operated and franchised stores; (iii) restructuring costs

# 1H 2017 NET SALES BY CHANNEL

TOP LINE: FOCUS ON RETAIL OPTIMIZATION; WHOLESALE POSITIVE GROWTH DRIVER



**Solid wholesale business (+6.7%):** growth in almost all countries and channels

**E-commerce** continued its strong momentum in all region (+ >30%)

**DOS:** LFL: -0.9% (vs +1.8% in 1H16); network optimization and selective new openings (- 12 net closures);

LFL YTD (week 1- week 29): -0.6% (vs +2.0% in the same period LY)

**Franchising:** LFL slightly weaker than DOS; network optimization and selective new openings (-17 net closures)

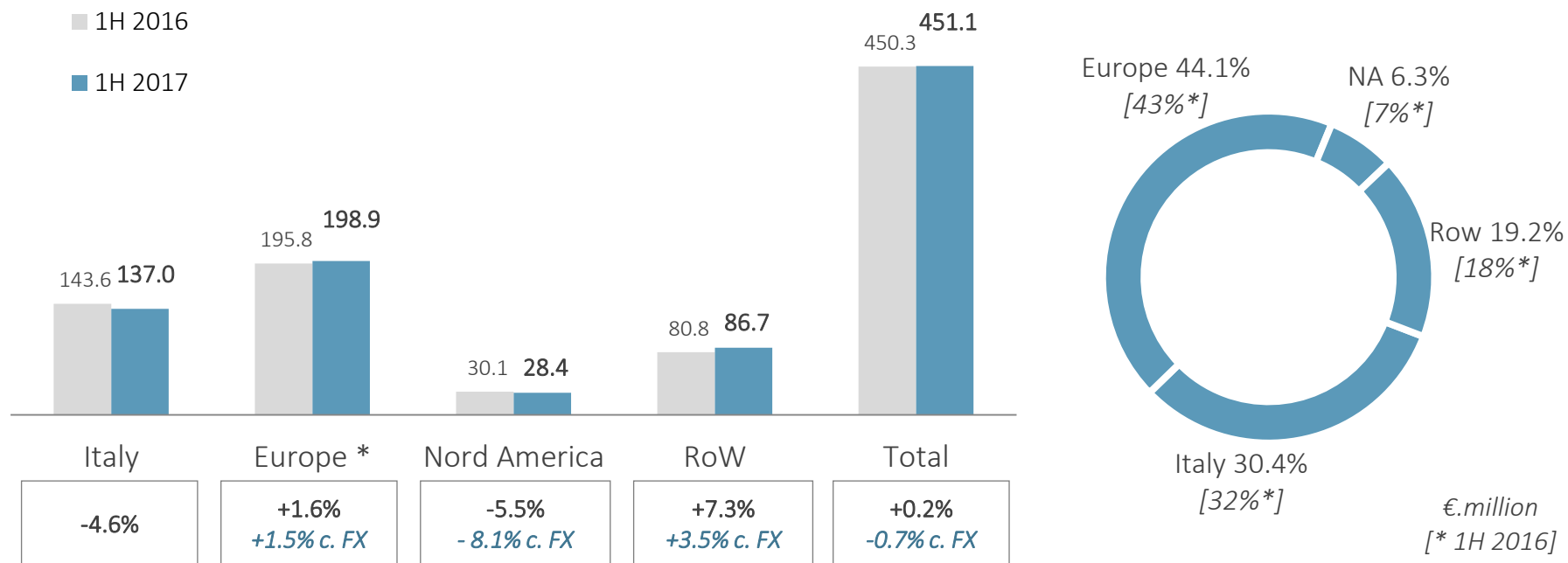
# GEOX SHOPS NETWORK

	June 30, 2017		December 31, 2016		1H 2017		
	Geox Shops	of which DOS	Geox Shops	of which DOS	Net Openings	Openings	Closings
Italy	339	129	352	129	(13)	4	(17)
Europe	332	171	346	173	(14)	3	(17)
North America	46	46	48	48	(2)	1	(3)
Rest of World *	424	97	415	105	9	28	(19)
<b>Total Geox Shop</b>	<b>1,141</b>	<b>443</b>	<b>1,161</b>	<b>455</b>	<b>(20)</b>	<b>36</b>	<b>(56)</b>

\* includes Under Distribution Agreement Shops (165 as of June 2017 and 156 as of December 2016) which are shops opened under license by partners in the Middle East and in the Far East. Sales from these shops are not included in the franchising channel.

Retail network optimisation in Italy and Europe; network expansion in more responsive markets such as Eastern Europe and China

# 1H 2017 NET SALES BY REGION



**Italy:** the decrease is mainly due to the planned rationalization of the mono-brand store network (13 net closures) and the slight decline recorded by the wholesale channel due to lower reorders compared to the same period of last year and a more selective approach to customers

**Europe:** performance is explained by the planned rationalization of mono-brand stores (-14 net closures) and by the high single-digit growth of the wholesale channel

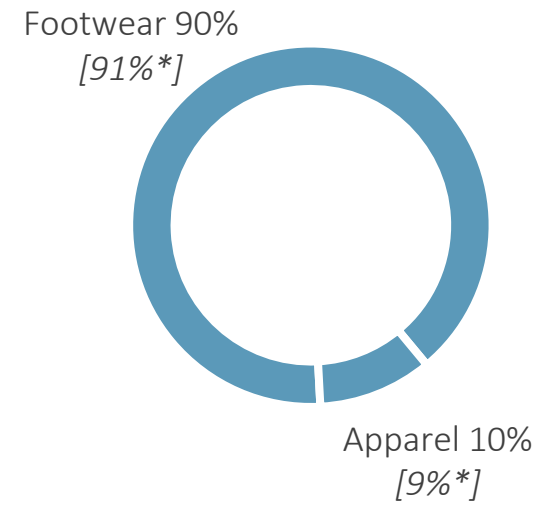
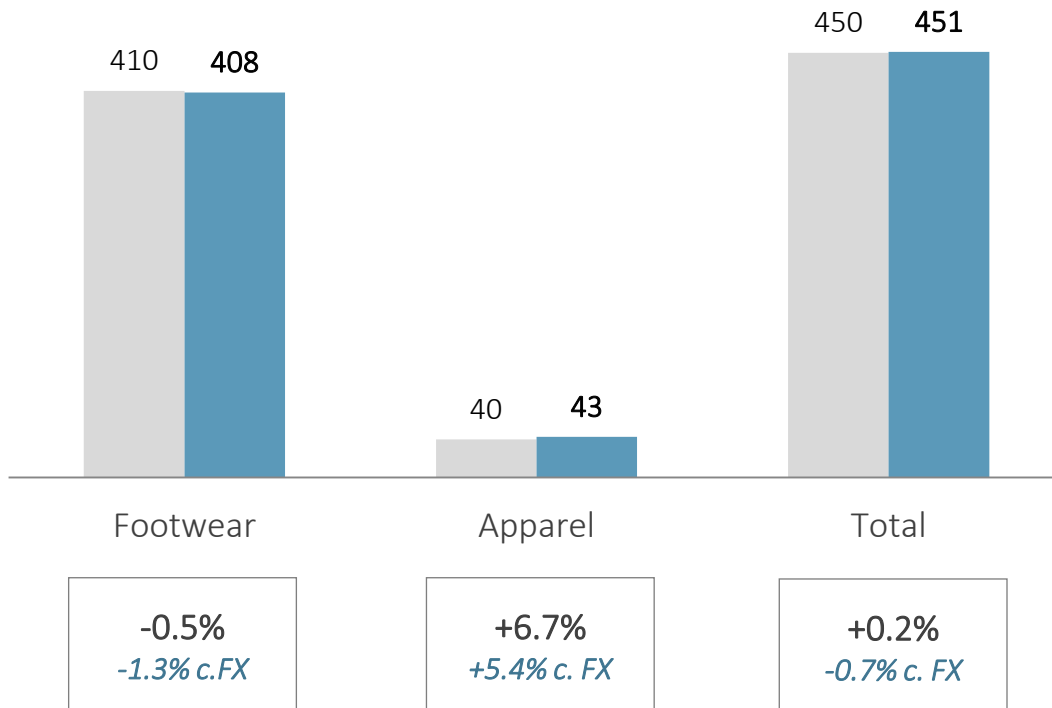
**Nord America:** the 1.6 million decrease is explained by the Canadian market and 2 net closures

**Positive performance across the rest of the world** with particularly strong growth recorded by Russia, Eastern Europe and China

\* Europe includes: Germany, France, Benelux, Spain, Portugal, Austria, Switzerland, UK and Scandinavia

# 1H 2017 NET SALES BY PRODUCT

■ 1H 2016 ■ 1H 2017



€ million  
[\* 1H 2016]

# SUMMARY INCOME STATEMENT

(Euro.m)	1H 2017	%	1H 2016	%
<b>Net Sales</b>	<b>451.1</b>	<b>100%</b>	<b>450.3</b>	<b>100%</b>
Cost of sales	(228.9)	(50.8%)	(227.2)	(50.5%)
<b>Gross Profit</b>	<b>222.2</b>	<b>49.2%</b>	<b>223.1</b>	<b>49.5%</b>
Selling & Distribution	(24.8)	(5.5%)	(24.5)	(5.4%)
G&A	(163.0)	(36.1%)	(168.8)	(37.5%)
A&P	(10.5)	(2.3%)	(25.1)	(5.6%)
<b>EBIT adj</b>	<b>24.0</b>	<b>5.3%</b>	<b>4.6</b>	<b>1.0%</b>
Special items	(6.5)	(1.4%)		
<b>EBIT</b>	<b>17.4</b>	<b>3.9%</b>	<b>4.6</b>	<b>1.0%</b>
Net financial expenses	(3.2)	(0.7%)	(2.0)	(0.4%)
<b>EBT</b>	<b>14.3</b>	<b>3.2%</b>	<b>2.6</b>	<b>0.6%</b>
Income Taxes	(5.9)	(1.3%)	(2.6)	(0.6%)
<i>Tax rate</i>	41%		99%	
<b>NET INCOME</b>	<b>8.4</b>	<b>1.9%</b>	<b>0.0</b>	<b>0.0%</b>
<b>EBITDA adj</b>	<b>41.2</b>	<b>9.1%</b>	<b>22.1</b>	<b>4.9%</b>

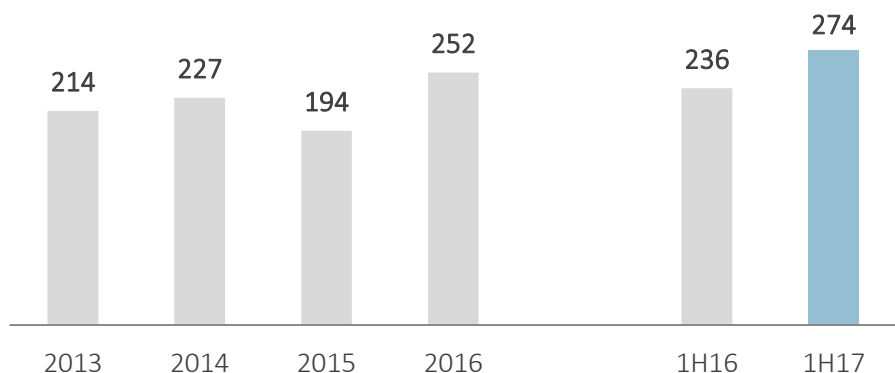
Special items relates to:

- 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
- restructuring costs

# SUMMARY BALANCE SHEET AND NET FINANCIAL POSITION

(Euro.m)	June 30, 2017	Dec 31, 2016	June 30, 2016
Intangible Assets	50.8	54.7	56.4
Tangible Assets	60.0	66.1	64.0
Other Fixed Assets, net	43.3	41.6	46.5
<b>Total Fixed Assets</b>	<b>154.1</b>	<b>162.4</b>	<b>167.0</b>
Operating Working Capital	273.7	251.9	236.1
Other current assets (liabilities), net	(27.9)	(10.9)	(17.1)
<b>Invested Capital</b>	<b>399.9</b>	<b>403.4</b>	<b>386.0</b>
Net Financial Position (Cash)	46.1	35.9	27.7
Staff Severance and Risk Fund	7.6	7.7	8.0
Shareholders' Equity	346.1	359.7	350.3
<b>Invested Capital</b>	<b>399.9</b>	<b>403.4</b>	<b>386.0</b>
<b>Net Financial Position (Cash)</b>	<b>46.1</b>	<b>35.9</b>	<b>27.7</b>
Net Financial P. prior to fair value adj of derivatives	33.0	51.6	32.9
Fair value adj of derivatives	13.2	(15.7)	(5.2)

# OPERATING WORKING CAPITAL



28.3%	27.5%	22.2%	28.0%	26.3%	30.4%
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% on LTM sales

(Euro.m)	1H17	1H16	Δ	FY16
Inventories	309.4	344.0	(34.5)	336.8
Account receivables	149.3	129.5	19.9	111.4
Account payables	(185.1)	(237.3)	52.2	(196.3)
<b>Op. Working Capital</b>	<b>273.7</b>	<b>236.1</b>	<b>37.6</b>	<b>251.9</b>
<b>% on LTM sales</b>	<b>30.4%</b>	<b>26.3%</b>		<b>28.0%</b>

- Operating working capital as a percentage of sales increased to 30.4% in 1H 2017 (26.3% in 1H 2016)
- This change is mainly due to the reduction in account payables, linked to the different timing and value of the purchases made compared to the same period of LY



# SUMMARY CASH FLOW STATEMENT

(Euro.m)	1H17	1H16	2016
<b>Net result</b>	<b>8.4</b>	<b>0.0</b>	<b>2.0</b>
Depreciation & Amortization	17.3	17.5	34.7
Other Non-Cash Items	3.1	7.2	14.0
<b>Funds from Operations</b>	<b>28.7</b>	<b>24.7</b>	<b>50.7</b>
Change in Operating Working Capital	(20.4)	(43.2)	(63.1)
Change in Other Current Assets, net	22.5	10.1	2.2
<b>Operating Cash Flow</b>	<b>30.8</b>	<b>(8.3)</b>	<b>(10.1)</b>
Capital Expenditures	(7.8)	(12.4)	(30.6)
Disposals	0.5	0.3	1.0
<b>Capital expenditures, Net</b>	<b>(7.3)</b>	<b>(12.1)</b>	<b>(29.6)</b>
<b>Free Cash Flow</b>	<b>23.5</b>	<b>(20.4)</b>	<b>(39.8)</b>
Dividends	(5.2)	(15.6)	(15.6)
<b>Change in Net Financial Position</b>	<b>18.3</b>	<b>(36.0)</b>	<b>(55.3)</b>
<b>Net Financial Position prior to fair value adj, beg. of the period</b>	<b>(51.6)</b>	<b>4.2</b>	<b>4.2</b>
Changes in Net Financial Position	18.3	(36.0)	(55.3)
Effect of translation differences	0.4	(1.1)	(0.5)
<b>Net Financial Position prior to fair value adj, end of the period</b>	<b>(33.0)</b>	<b>(32.9)</b>	<b>(51.6)</b>
Fair value adjustment of derivative contracts	(13.2)	5.2	15.7
<b>Net Financial Position</b>	<b>(46.1)</b>	<b>(27.7)</b>	<b>(35.9)</b>

# OUTLOOK 2017 (page 1/2)

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Regarding 2017, the management expect a slight increase in top line and an increase of profitability compared to the previous year.

These expectations are based on a number of assumptions combined with other, already known factors:

1. the wholesale channel proves to be solid, with order backlog for fall-winter 2017 increasing by +8%; the wholesale channel is expected to record "mid single digit" growth for the entire year, as there are expected to be less reorders during the season compared to 2016 and a more selective approach to customer deliveries in line with current market conditions;
2. the gross margin relating to the fall-winter order backlog is growing as expected, reporting an increase of over 200 basis points, thanks to specific measures targeting both design to cost and supply chain efficiency;
3. with regard to the retail channel, comparable sales generated by directly operated stores to date (week 1 - week 29), show a slight decline of 0.6% (compared to the slight increase expected), caused by the temporarily weak performance in June, above all in the second half of the month. These dynamics were caused by a reduction in footfall in stores being partially compensated for by an improvement in the conversion rate.

With regard to the second half of 2017, it is nonetheless of fundamental importance that the speeding up of network optimization in Europe, the planned expansion in more reactive markets such as Eastern Europe and China, and the focus on profitability can also be reflected in an estimated "low single digit" increase in comparable sales, thanks also to an easier comparison base. In this way, the management expects to see improved economic performance for this channel compared to the first half of the year;

## OUTLOOK 2017 (page 2/2)

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4. advertising and promotion expenses, considered appropriate under current market conditions, will be increased in the second half of 2017 compared to both the first half of the year and the same period last year. Advertising and promotion expenses for the entire year will be lower than last year (around -10 million) thanks to the overall optimisation of expenses relating to advertising and display material for stores and a different approach to media buying and marketing mix. In particular the Group is increasing marketing expenses in coop advertising and the digital and performance marketing relating to the web. Those two items, recorded in the G&A expenses, accounts for around 7 million for the year and are increasing compared to 2016;
5. plans are ongoing to further increase productivity, simplification and operating efficiency, at the same time as implementing tight cost control;
6. lastly, as already announced with the FY2016 results, the management expects special items in the region of Euro 10-11 million as a result of the termination of employment of the previous Chief Executive Officer, the expected optimization of the network of directly operated and franchised stores and the measures to be implemented to reduce general costs.

In this context, as of today, the management expects, on the basis of the aforementioned assumptions a prudent growth in turnover in 2017, whereby the positive performance of the wholesale channel combined with a slight increase in like-for-like sales will more than compensate for the effects of the planned network optimization involving both directly operated and franchised stores.

The management also assumes that the aforementioned slight increase in turnover and the expected improvement in gross margin, combined with the measures taken to boost efficiency and control costs, will allow the group to achieve levels of profitability that are in line with current market expectations and which are therefore still considered to be achievable even if challenging.