

GEOX

PRESS RELEASE

GEOX GROUP - FIRST QUARTER 2014 RESULTS

RETURN TO REVENUE GROWTH IN THE FIRST QUARTER OF 2014 WITH A STRONG DOS SALES PERFORMANCE

CONFIRMED THE BUSINESS PLAN TARGETS FOR 2014 THANKS TO THE GROWTH OF THE FALL/WINTER 2014 WHOLESALE CHANNEL

- **Sales: Euro 268.5 million (+3% at constant exchange rates)**
- **Comparable store sales: +20% (-18% in the first quarter of 2013)**
- **EBITDA: Euro 27.8 million (Euro 40.5 million in the first quarter of 2013)**
- **EBIT: Euro 17.4 million (Euro 30.7 million in the first quarter of 2013)**

Biadene di Montebelluna, May 15, 2014 – 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 first quarter 2014 financial results.

Mario Moretti Polegato, Chairman and founder of Geox, commented: "We have started 2014 with positive results, ending the first quarter with strong growth in sales at our directly operated stores (DOS). They have reported comparable growth of 20%, thanks to the excellent trend in January and February compared with the previous quarter, which has continued with the satisfactory launch of the Spring/Summer collection.

To date, orders for the upcoming Fall/Winter 2014 season are also beginning to show encouraging results in the Wholesale channel. This again sees Geox on the rise thanks to a solid recovery in our core markets and a strong acceleration in Asian markets.

In a market environment that remains volatile, I am satisfied with the results that we are obtaining as they testify to the strength of our medium-term strategy. They also make me confident about achieving the objectives set out in our Strategic Plan for 2014."

THE GROUP'S ECONOMIC PERFORMANCE

Sales

First quarter 2014 consolidated net sales increased by 2.3% (3.1% at constant exchange rates) to Euro 268.5 million. Footwear sales, which accounted for about 86% of consolidated sales, amounting to Euro 232.0 million, increased 1.0% compared to first quarter of 2013. Apparel sales, which represented 14% of consolidated sales, equal to Euro 36.5 million, increased 10.9%.

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(Thousands of Euro)	I Quarter 2014	%	I Quarter 2013	%	Var. %
Footwear	231,993	86.4%	229,650	87.5%	1.0%
Apparel	36,476	13.6%	32,895	12.5%	10.9%
Net sales	268,469	100.0%	262,545	100.0%	2.3%

Sales in Italy, the Group's main market, which accounted for 36% of sales (34% in the first quarter of 2013) amounted to Euro 97.4 million showing a 8.3% increase compared with the same period of the previous year.

Sales in Europe, which accounted for 43% of sales (44% in the first quarter of 2013) amounted to Euro 116.0 million, in line with the same period of last year.

North American sales decreased by 8.9% at Euro 12.3 million (-4.8% at constant exchange rates). Sales in Other Countries decreased by 1.0% compared to the first quarter of 2013 (+2.8% at constant exchange rates).

(Thousands of Euro)	I Quarter 2014	%	I Quarter 2013	%	Var. %
Italy	97,372	36.3%	89,924	34.3%	8.3%
Europe (*)	115,987	43.2%	115,867	44.1%	0.1%
North America	12,271	4.6%	13,464	5.1%	(8.9%)
Other countries	42,839	16.0%	43,290	16.5%	(1.0%)
Net sales	268,469	100.0%	262,545	100.0%	2.3%

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

In the first quarter of 2014, sales of the DOS channel, which represent 29% of Group revenues, grew 45.2% to Euro 77.2 million. The improvement is mainly driven by new openings and by comparable store sales growth recorded on DOS channel (+19.9%). Comparable sales related to the Spring/Summer Collection (from February 27, 2014 to May 11, 2014) registered a 9.1% growth.

Sales of the franchising channel, which account for 22% of Group revenues, amount to Euro 58.5 million, with a decrease of 6.9%. This trend is mainly due to the Group's decision, taken in 2013, to operate directly some shops which were previously run by agents whose contracts have terminated and to close stores with a performance not in line with the expected profitability.

Multibrand stores representing 49% of Group revenues (56% in the first quarter 2013) amount to Euro 132.7 million. The change compared with the same period of 2013 is equal to -9.4% and is mainly due to the difficult market conditions in Mediterranean countries with the consequent prudent business approach and selective cancellations of orders.

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(Thousands of Euro)	I Quarter 2014	%	I Quarter 2013	%	Var. %
Multibrand	132,733	49.4%	146,543	55.8%	(9.4%)
Franchising	58,536	21.8%	62,846	23.9%	(6.9%)
DOS*	77,200	28.8%	53,156	20.2%	45.2%
Geox Shops	135,736	50.6%	116,002	44.2%	17.0%
Net sales	268,469	100.0%	262,545	100.0%	2.3%

* Directly Operated Store

As of March 31, 2014, the overall number of Geox Shops was 1,255 of which 455 DOS. During the first quarter of 2014, 8 new Geox Shops were opened and 52 have been closed, in line with the announced plan for the rationalization of the DOS network.

	03-31-2014		12-31-2013		I quarter 2014		
	Geox Shops	Of which DOS	Geox Shops	Of which DOS	Net Openings	Openings	Closings
Italy	439	173	465	169	(26)	2	(28)
Europe (*)	351	163	361	162	(10)	3	(13)
North America	40	40	40	40	-	-	-
Other countries (**)	425	79	433	79	(8)	3	(11)
Totale	1,255	455	1,299	450	(44)	8	(52)

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

(**)Includes Under License Agreement Shops (176 as of March 2014 and December 2013). Sales from these shops are not included in the franchising channel.

Cost of sales and Gross Profit

Cost of sales, as a percentage of sales, was 54.6% compared to 52.9% of the first quarter 2013, producing a gross margin of 45.4% (47.1% in the first quarter 2013).

The decrease in gross profit, in line with management expectations, is mainly due to a slight pressure on costs experienced by the current collection and to higher promotional sales during the markdown period.

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Operating expenses and Operating income (EBIT)

Selling and distribution expenses as a percentage of sales was 5.8%, in line with the first quarter of 2013.

General and administrative expenses were equal to Euro 77.8 million, compared with Euro 68.3 million of the first quarter 2013. General and administrative expenses, as a percentage of sales, were 29.0%, compared to 26.0% of the same period of 2013.

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

Advertising and promotions expenses were equal to 4.1% of sales compared to 3.7% of the first quarter of 2013.

The operating result is equal to Euro 17.4 million compared with Euro 30.7 million (6.5% on sales) of the first quarter of 2013.

EBITDA

EBITDA was Euro 27.8 million, 10.4% of sales, compared to Euro 40.5 million (15.4% on sales) of the first quarter of 2013.

Income taxes and tax rate

Income taxes were equal to Euro 5.8 million, compared to Euro 10.0 million of the first quarter of 2013, with a tax rate of 37% compared with 34% of the same period of 2013.

THE GROUP'S FINANCIAL PERFORMANCE

The Group balance sheet shows a negative financial position of Euro 77.2 million.

The ratio of net working capital to sales comes to 37.4% compared with 36.5% of the first quarter 2013. This change is mainly due to the increase in inventory of next season (Fall/Winter 2014) and of the previous seasons (Spring/Summer 2013 and Fall/Winter 2013) for our outlet channel.

In the first quarter of 2014, net capital expenditure were equal to Euro 5.2 million (Euro 11.4 million in the first quarter of 2013), of which Euro 2.8 million for new Geox Shop openings and refurbishment.

Before the fair value adjustment of derivatives, net financial position was Euro -71.8 million, compared to Euro -18.3 million of December 31, 2013. After fair value adjustment of derivatives, which negatively affected for Euro 5.4 million versus contribution of Euro -9.9 million of 2013, net financial position was equal to Euro -77.2 million as of March 31, 2014 (Euro -28.2 million at the end of 2013).

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OUTLOOK FOR OPERATIONS AND SIGNIFICANT SUBSEQUENT EVENTS

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

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

In particular, for 2014 we expect around € 800 million sales with the EBIT returning to break-even. This result is subject to:

1. the stabilization of the wholesale channel. The assumptions are that:
 - a. EMEA and North America will still show a residual weakness in the first half, which will be recovered in the second half, thanks to the backlog of initial orders already acquired that shows an increase over the previous season;
 - b. Asia confirms the significant growth rates of the first half of 2014 thanks to the orders already received for the second half of the year;
2. maintaining the volume of sales and doors in the franchising channel and the improvement in performance with at least a slight increase in comparable sales during the year as a result of implementing the techniques and processes already applied to the DOS network in this channel as well;
3. a growth in the directly operated stores (DOS) channel, with about 20 net openings and a growth in comparable sales of existing stores;
4. a second half improvement in the gross margin due to a combination of pricing policies and limited promotional sales, as well as a reduction in the complexity of the supply chain;
5. the current situation of unfavourable exchange rates for the Groups that consolidate their foreign businesses in euro will not generate material adverse translation effects.

With regard to the first half 2014 sales are assumed to be slightly positive with an expected positive performance by the directly operated stores channel, which should balance the expected temporary weakness of the wholesale and franchising channel. This change in the channel mix will still result in a residual pressure on first half EBIT compared with the same period last year.



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 brand in the "International Lifestyle Casual Footwear Market". Geox technology is protected by over 60 different patents registered in Italy and extended internationally.

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

2014 and 2013 results are reported under IAS/IFRS. Fiscal year 2013 results have been audited, while the first quarter 2013 and the first quarter 2014 have not 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)	I Quarter 2014	%	I Quarter 2013	%	2013	%
Net sales	268,469	100.0%	262,545	100.0%	754,191	100.0%
Cost of sales	(146,612)	(54.6%)	(138,800)	(52.9%)	(402,701)	(53.4%)
Gross profit	121,857	45.4%	123,745	47.1%	351,490	46.6%
Selling and distribution costs	(15,663)	(5.8%)	(15,118)	(5.8%)	(46,634)	(6.2%)
General and administrative expenses	(77,771)	(29.0%)	(68,339)	(26.0%)	(281,960)	(37.4%)
Advertising and promotion	(11,032)	(4.1%)	(9,610)	(3.7%)	(38,750)	(5.1%)
Operating result	17,391	6.5%	30,678	11.7%	(15,854)	(2.1%)
Special items	-	0.0%	-	0.0%	(14,054)	(1.9%)
Net asset impairment	-	0.0%	-	0.0%	(4,725)	(0.6%)
EBIT	17,391	6.5%	30,678	11.7%	(34,633)	(4.6%)
Net interest	(1,526)	(0.6%)	(1,674)	(0.6%)	(3,846)	(0.5%)
PBT	15,865	5.9%	29,004	11.0%	(38,479)	(5.1%)
Income tax	(5,818)	(2.2%)	(10,006)	(3.8%)	8,730	1.2%
<i>Tax rate</i>	37%		34%		23%	
Net result	10,047	3.7%	18,998	7.2%	(29,749)	(3.9%)
EPS (Earnings per shares)	0.04		0.07		(0.11)	
EBITDA	27,803	10.4%	40,470	15.4%	10,684	1.4%
Special items	-		-		(14,054)	
EBITDA adjusted	27,803	10.4%	40,470	15.4%	24,738	3.3%

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

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RECLASSIFIED CONSOLIDATED BALANCE SHEET

(Thousands of Euro)	March 31, 2014	Dec. 31, 2013	March 31, 2013
Intangible assets	61,596	64,023	67,530
Property, plant and equipment	62,343	65,291	70,042
Other non-current assets - net	65,068	67,338	51,836
Total non-current assets	189,007	196,652	189,408
Net operating working capital	284,087	213,646	270,379
Other current assets (liabilities), net	(22,402)	(18,415)	(27,693)
Net invested capital	450,692	391,883	432,094
Equity	365,207	355,429	424,836
Provisions for severance indemnities, liabilities and charges	8,315	8,228	10,850
Net financial position	77,170	28,226	(3,592)
Net invested capital	450,692	391,883	432,094

OPERATING WORKING CAPITAL AND OTHER CURRENT ASSETS (LIABILITIES)

(Thousands of Euro)	March 31, 2014	Dec. 31, 2013	March 31, 2013
Inventories	206,795	281,907	170,135
Accounts receivable	182,404	100,837	227,845
Accounts payable	(105,112)	(169,098)	(127,601)
Net operating working capital	284,087	213,646	270,379
% of sales for the last 12 months	37.4%	28.3%	36.5%
Taxes payable	(13,991)	(8,424)	(21,530)
Other non-financial current assets	34,066	32,072	34,921
Other non-financial current liabilities	(42,477)	(42,063)	(41,084)
Other current assets (liabilities), net	(22,402)	(18,415)	(27,693)

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RECLASSIFIED CONSOLIDATED CASH FLOW STATEMENT

(Thousands of Euro)	I Quarter 2014	I Quarter 2013	2013
Net result	10,047	18,998	(29,749)
Depreciation, amortization and impairment	10,412	9,792	45,318
Other non-cash items	2,691	3,781	(5,138)
	23,150	32,571	10,431
Change in net working capital	(75,703)	(83,237)	(40,065)
Change in other current assets/liabilities	4,693	6,637	7,924
Cash flow from operations	(47,860)	(44,029)	(21,710)
Capital expenditure	(5,415)	(11,764)	(40,112)
Disposals	210	367	649
Net capital expenditure	(5,205)	(11,397)	(39,463)
Free cash flow	(53,065)	(55,426)	(61,173)
Dividends	-	-	(15,552)
Change in net financial position	(53,065)	(55,426)	(76,725)
Initial net financial position - prior to fair value adjustment of derivatives	(18,339)	57,792	57,792
Change in net financial position	(53,065)	(55,426)	(76,725)
Translation differences	(379)	880	594
Final net financial position - prior to fair value adjustment of derivatives	(71,783)	3,246	(18,339)
Fair value adjustment of derivatives	(5,387)	346	(9,887)
Final net financial position	(77,170)	3,592	(28,226)