

GEOX

PRESS RELEASE

GEOX GROUP - FIRST HALF 2014 RESULTS

CONSOLIDATED REVENUES INCREASED BY 4.1% IN THE FIRST HALF OF 2014 WITH A GOOD RESULT IN ITALY, WHICH SHOWED AN INCREASE OF 9.2%

SOLID PERFORMANCE, IN ALL COUNTRIES, OF COMPARABLE STORE SALES BY OUR DOS (+8.2%) WHICH CONFIRMS THE STRENGTH OF THE BRAND AND THE CORRECTNESS OF THE STRATEGIC ACTIONS TAKEN

- **Sales: Euro 400.2 million (+4.1% at constant exchange rates)**
- **Directly Operated stores comparable sales: +8.2% (-7.6% in the first half of 2013)**
- **EBITDA: Euro 20.7 million (Euro 21.9 million in the first half of 2013)¹**
- **EBIT: Euro 0.1 million (Euro 0.2 million in the first half of 2013)²**

Biadene di Montebelluna, July 31, 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 half 2014 financial results.

Mario Moretti Polegato, Chairman and founder of Geox, commented: "The first half closes with consolidated revenues up 4.1%, with a good performance in Italy which, in a challenging market environment, has posted a rise of 9.2%.

Directly operated stores (DOS) have reported a positive sales performance in all countries, with a comparable growth of 8.2%.

Those factors confirm the strength of the brand, the positive reception of the products on the part of the consumer and the correctness of the strategy and the business actions taken.

In addition, over the next half-year, Geox will start growing again in the Multibrand channel: orders for the upcoming Fall/Winter 2014 season are, in fact, showing a good trend in mature markets and an encouraging expansion in new channels and markets.

I believe that the actions identified in our medium-term Strategic Plan, which pursues sustainable and profitable development of the Group, focusing on the core business, maximum efficiency on the supply chain, rationalization of the network of stores and high specialization by market and channel, will allow us to cope with the volatility of the market environment, and will be able to achieve the goals we set for 2014."

¹ EBITDA in the first half 2013 includes non recurring costs, equal to Euro 4.8 million

² EBIT in the first half 2013 includes non recurring cost (highlighted in note 1) and asset impairment, equal to Euro 1.8 million

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THE GROUP'S ECONOMIC PERFORMANCE

Sales

First half 2014 consolidated net sales increased by 3.5% (4.1% at constant exchange rates) to Euro 400.2 million. Footwear sales, which accounted for about 88% of consolidated sales, amounting to Euro 352.7 million, increased 2.8% compared to first half of 2013. Apparel sales, which represented 12% of consolidated sales, equal to Euro 47.5 million, increased 8.3%.

(Thousands of Euro)	I half 2014	%	I half 2013	%	Var. %
Footwear	352,674	88.1%	342,949	88.7%	2.8%
Apparel	47,506	11.9%	43,846	11.3%	8.3%
Net sales	400,180	100.0%	386,795	100.0%	3.5%

Sales in Italy, the Group's main market, which accounted for 33% of sales (32% in the first half of 2013) amounted to Euro 133.7 million showing a 9.2% increase compared with the same period of the previous year.

Sales in Europe, which accounted for 44% of sales (45% in the first half of 2013) amounted to Euro 176.8 million, compared to Euro 172.7 of the same period of last year.

North American sales decreased by 7.4% at Euro 24.2 million (-4.7% at constant exchange rates). Sales in Other Countries decreased by 0.1% compared to the first half of 2013 (+2.7% at constant exchange rates).

(Thousands of Euro)	I half 2014	%	I half 2013	%	Var. %
Italy	133,744	33.4%	122,485	31.7%	9.2%
Europe (*)	176,767	44.2%	172,667	44.6%	2.4%
North America	24,239	6.1%	26,165	6.8%	(7.4%)
Other countries	65,430	16.4%	65,478	16.9%	(0.1%)
Net sales	400,180	100.0%	386,795	100.0%	3.5%

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

In the first half of 2014, sales of the DOS channel, which represent 41% of Group revenues, grew 24.9% to Euro 163.8 million. The improvement is mainly driven by new openings and by comparable store sales growth recorded on DOS channel (+8.2%). Comparable sales related to the Spring/Summer Collection (from February 27, 2014 to July 27, 2014) registered a 6.3% growth.

Sales of the franchising channel, which account for 19% of Group revenues, amount to Euro 74.5 million, with a decrease of 3.6%. This trend is mainly due to the Group's decision 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.

GEOX

Multibrand stores representing 40% of Group revenues (46% in the first half 2013) amount to Euro 161.8 million. The change compared with the same period of 2013 is equal to -9.3% and is mainly due to the difficult market conditions in Mediterranean countries with the consequent prudent business approach and selective cancellations of orders.

(Thousands of Euro)	I half 2014	%	I half 2013	%	Var. %
Multibrand	161,836	40.4%	178,332	46.1%	(9.3%)
Franchising	74,529	18.6%	77,331	20.0%	(3.6%)
DOS*	163,815	40.9%	131,132	33.9%	24.9%
Geox Shops	238,344	59.6%	208,463	53.9%	14.3%
Net sales	400,180	100.0%	386,795	100.0%	3.5%

* Directly Operated Store

As of June 30, 2014, the overall number of Geox Shops was 1,270 of which 471 DOS. During the first half of 2014, 43 new Geox Shops were opened and 72 have been closed, in line with the announced plan for the rationalization of the Geox Shop network.

	06-30-2014		12-31-2013		I half 2014		
	Geox Shops	of which DOS	Geox Shops	of which DOS	Net Openings	Openings	Closings
Italy	437	176	465	169	(28)	4	(32)
Europe (*)	360	169	361	162	(1)	14	(15)
North America	43	43	40	40	3	4	(1)
Other countries (**)	430	83	433	79	(3)	21	(24)
Total	1,270	471	1,299	450	(29)	43	(72)

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

(**) Includes Under License Agreement Shops (182 as of June 30 2014, 176 as of December 31 2013). 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 50.8% compared to 51.9% of the first half 2013, producing a gross margin of 49.2% (48.1% in the first half 2013).

The increase in gross profit, in line with management expectations, is explained by the increased profitability in the directly operated stores and the steps taken in terms of product mix, channels, prices.

Operating expenses and Operating income (EBIT)

Selling and distribution expenses as a percentage of sales was 5.9% (6.2% in the first half of 2013).

General and administrative expenses were equal to Euro 153.1 million, compared with Euro 136.7 million of the first half 2013. General and administrative expenses, as a percentage of sales, were 38.2%, compared to 35.3% 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 5.0% of sales compared to 4.8% of the first half of 2013.

The operating result is equal to Euro 0.1 million, in line with the first half of 2013.

EBITDA

EBITDA was Euro 20.7 million, 5.2% of sales, compared to Euro 21.9 million (5.7% on sales) of the first half of 2013.

Income taxes and tax rate

Income taxes were equal to Euro 0.8 million, compared to Euro 1.7 million of the first half of 2013.

THE GROUP'S FINANCIAL PERFORMANCE

The Group balance sheet shows a negative financial position of Euro 43.2 million.

The ratio of net working capital to sales comes to 30.7% compared with 27.8% of the first half 2013. This change is mainly due to the increase in inventory of next season (Fall/Winter 2014) and the Spring/Summer 2014 season currently on sales.

In the first half of 2014, net capital expenditure were equal to Euro 9.8 million (Euro 18.0 million in the first half of 2013), of which Euro 7.1 million for new Geox Shop openings and refurbishment.

Before the fair value adjustment of derivatives, net financial position was Euro -39.4 million, compared to Euro -18.3 million of December 31, 2013. After fair value adjustment of derivatives, which negatively affected for Euro 3.8 million (Euro 9.9 million of December 31, 2013), net financial position was equal to Euro -43.2 million as of June 30, 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.

Thanks to the expectations of a positive second half compared with the same period last year, management confirms the objectives set in the Business Plan for 2014 with an increase in revenues to around € 800 million and a return to break-even at EBIT level.

These results depend on the following events taking place:

1. confirmation of the growth in the DOS channel, with about 15 additional net openings and an increase in comparable sales by the existing stores;
2. stabilization of the wholesale channel, linked to the growth in orders for the upcoming Fall/Winter 2014 season, which should compensate for the weakness seen in the first half;
3. it is assumed that the positive performances of the wholesale channels and directly operated stores are such as to compensate for the slight decline expected in the franchising channel, mainly due to the slowdown in new openings envisaged in the Business Plan and an acceleration of the rationalization process by closing non-performing stores. The Geox Group is implementing the techniques and processes that have already been applied to the network of directly operated stores, also in the franchising channel, and consequently management is assuming an improvement in performance with at least a slight increase in comparable sales for the year;
4. confirmation in the second half of the improvement in gross profit margins already reflected in the order book, thanks to a combination of pricing, fewer sales promotions and reduced operational complexity;
5. the current context of unfavourable exchange rates for Groups that consolidate their foreign sales in euro does not produce any significantly adverse translation effect as it did in the first half.



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

INVESTOR RELATIONS

Marina Cargnello: ph. +39 0423 282476; ir@geox.com

Livio Libralesso, CFO

UFFICIO STAMPA

Juan Carlos Venti: ph: +39 0423 281914; mobile +39 335 470641; juancarlos.venti@geox.com

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 half 2013 and the first half 2014 have not been fully 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 aforementioned 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.

GEOX

CONSOLIDATED INCOME STATEMENT

(Thousands of Euro)	I half 2014	%	I half 2013	%	2013	%
Net sales	400,180	100.0%	386,795	100.0%	754,191	100.0%
Cost of sales	(203,457)	(50.8%)	(200,680)	(51.9%)	(402,701)	(53.4%)
Gross profit	196,723	49.2%	186,115	48.1%	351,490	46.6%
Selling and distribution costs	(23,620)	(5.9%)	(23,896)	(6.2%)	(46,634)	(6.2%)
General and administrative expenses	(153,053)	(38.2%)	(136,671)	(35.3%)	(281,960)	(37.4%)
Advertising and promotion	(19,973)	(5.0%)	(18,703)	(4.8%)	(38,750)	(5.1%)
Operating result	77	0.0%	6,845	1.8%	(15,854)	(2.1%)
Special items	-	0.0%	(4,834)	(1.2%)	(14,054)	(1.9%)
Net asset impairment	-	0.0%	(1,840)	(0.5%)	(4,725)	(0.6%)
EBIT	77	0.0%	171	0.0%	(34,633)	(4.6%)
Net interest	(3,179)	(0.8%)	(2,088)	(0.5%)	(3,846)	(0.5%)
PBT	(3,102)	(0.8%)	(1,917)	(0.5%)	(38,479)	(5.1%)
Income tax	(801)	(0.2%)	(1,723)	(0.4%)	8,730	1.2%
<i>Tax rate</i>	-26%		-90%		23%	
Net result	(3,903)	(1.0%)	(3,640)	(0.9%)	(29,749)	(3.9%)
EPS (Earnings per shares)	(0.02)		(0.01)		(0.11)	
EBITDA	20,739	5.2%	21,949	5.7%	10,684	1.4%
Special items	-		(4,834)		(14,054)	
EBITDA adjusted	20,739	5.2%	26,783	6.9%	24,738	3.3%

EBITDA: is the operating profit 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)	June 30, 2014	Dec. 31, 2013	June 30, 2013
Intangible assets	58,236	64,023	66,575
Property, plant and equipment	60,292	65,291	65,208
Other non-current assets - net	66,981	67,338	55,241
Total non-current assets	185,509	196,652	187,024
Net operating working capital	235,764	213,646	212,834
Other current assets (liabilities), net	(15,088)	(18,415)	(15,473)
Net invested capital	406,185	391,883	384,385
Equity	354,360	355,429	385,835
Provisions for severance indemnities, liabilities and charges	8,628	8,228	11,519
Net financial position	43,197	28,226	(12,969)
Net invested capital	406,185	391,883	384,385

OPERATING WORKING CAPITAL AND OTHER CURRENT ASSETS (LIABILITIES)

(Thousands of Euro)	June 30, 2014	Dec. 31, 2013	June 30, 2013
Inventories	284,300	281,907	205,160
Accounts receivable	100,000	100,837	140,862
Accounts payable	(148,536)	(169,098)	(133,188)
Net operating working capital	235,764	213,646	212,834
% of sales for the last 12 months	30.7%	28.3%	27.8%
Taxes payable	(8,029)	(8,424)	(10,864)
Other non-financial current assets	33,693	32,072	36,983
Other non-financial current liabilities	(40,752)	(42,063)	(41,592)
Other current assets (liabilities), net	(15,088)	(18,415)	(15,473)

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RECLASSIFIED CONSOLIDATED CASH FLOW STATEMENT

(Thousands of Euro)	I half 2014	I half 2013	2013
Net result	(3,903)	(3,640)	(29,749)
Depreciation, amortization and impairment	20,661	21,778	45,318
Other non-cash items	1,318	297	(5,138)
	18,076	18,435	10,431
Change in net working capital	(31,297)	(27,751)	(40,065)
Change in other current assets/liabilities	2,672	(4,131)	7,924
Cash flow from operations	(10,549)	(13,447)	(21,710)
Capital expenditure	(11,648)	(18,465)	(40,112)
Disposals	1,875	493	649
Net capital expenditure	(9,773)	(17,972)	(39,463)
Free cash flow	(20,322)	(31,419)	(61,173)
Dividends	-	(15,552)	(15,552)
Change in net financial position	(20,322)	(46,971)	(76,725)
Initial net financial position - prior to fair value adjustment of derivatives	(18,339)	57,792	57,792
Change in net financial position	(20,322)	(46,971)	(76,725)
Translation differences	(776)	867	594
Final net financial position - prior to fair value adjustment of derivatives	(39,437)	11,688	(18,339)
Fair value adjustment of derivatives	(3,760)	1,280	(9,887)
Final net financial position	(43,197)	12,968	(28,226)