PRESS RELEASE - 9M 2018 SALES

TOTAL SALES AMOUNTED TO € 672.4 MILLION (-8.2% AT CURRENT FOREX, -7.7% AT CONSTANT FOREX) DUE TO FACTORS LINKED TO THE COMPLETION OF MONO-BRAND STORE NETWORK OPTIMIZATION, THE PRUDENT DECISIONS TAKEN TO IMPROVE THE QUALITY AND PROFITABILITY OF THE WHOLESALE CHANNEL AND UNFAVOURABLE WEATHER CONDITIONS.

THE NEW 2019-2021 BUSINESS PLAN HAS BEEN APPROVED, INVOLVING STRONG INVESTMENTS IN THE FUTURE AND AN IN-DEPTH STRATEGIC REVIEW FOCUSING ON CONSUMERS' NEEDS IN ORDER TO PROVIDE THE BEST LEVEL OF SERVICE POSSIBLE, IN AN INCREASINGLY DIGITAL WORLD, THROUGH A TRULY OMNICHANNEL OPERATING MODEL.

Milan, 13th November 2018 – Geox S.p.A., a leading brand in classic and casual footwear, listed on the Milan Stock Exchange (GEO.MI), today examined its consolidated sales figures for the first nine months of 2018.

GENERAL SCENARIO

The first nine months of 2018 confirm the weak sales performance already reported in June and March. The reasons for this are mainly down to the difficult market conditions experienced by all industry players. These have also guided a number of specific choices made by Geox.
First and foremost, the industry experienced extremely unusual weather conditions across all the Group's main regions. In fact, an exceptionally cold March delayed the start to the spring-summer season. September and the first half of October were then exceptionally warm, affecting the start of the autumn-winter season. These unusual conditions had an impact on both initial demand for the products and, as a result, on replenishment during the season.
A second general factor was the continuing downward trend in footfall in stores. There are many reasons for this: the aforementioned unfavourable weather conditions delayed customers' propensity to make purchases; a widespread drop in consumer confidence in all the main markets caused by certain economic-political issues; increased competition due to a number of operators, mainly in the sportswear industry, moving into the casual and urban style segments; increasing growth in e-commerce to the detriment of physical store networks.
The third factor, mainly affecting profitability, is a direct result of the reduction in sales caused by the unusual weather conditions and drop in footfall and consists of the promotions being implemented by brands, during both the full-price season and the sales period, in order to combat the expected increase in inventories.
In this difficult context, GEOX therefore believed it appropriate to adopt prudent policies to reduce business risk. These policies have been implemented through continued optimization of the mono-brand store network, and selective and significant cancellation of orders from clients facing financial difficulties or in countries where economic/political conditions have unexpectedly worsened, also as a result of currency devaluation.

The combination of the aforementioned factors has also affected initial order collection results for the 2019 Spring-Summer season in the wholesale channel, with the latter being the subject of a careful analysis of partners and careful selection of the products to be sold. In particular, certain special projects from the past have not been repeated in order to better preserve profit margins and the brand's image. This initial order collection, on the one hand, shows a -9% reduction in orders compared with the same season last year (-3.7% net of said special projects), but, on the other, it makes order backlog more solid, confirming the expected improvement in profitability.

Matteo Mascazzini, Chief Executive Officer in charge since February 2018, commented:
"My first nine months in GEOX have confirmed my belief that this is a strong brand with great potential to return to high levels of performance in terms of both growth and profitability.
In an industry that is currently facing incredibly challenging conditions, it simply won't be enough to just carry on with our recently-launched plans with greater conviction - plans that are mainly aimed at improving efficiency and controlling costs.
To take back our leading role, GEOX must accelerate investments in the future and develop its business model in order to meet the demands of a market and consumer base that has changed and continues to change at an ever increasing rate.
That's why we have launched an in-depth strategic, organisational and distribution review project that marks a break away from the past, at the same time as remaining fully in line with the Brand's history and values, further enhancing its uniqueness and distinctive features in a modern way.
We have already launched a review process for the Group's entire organisation, to make it leaner, faster and increasingly focused on customers' needs in order to provide them with the best services possible, in an increasingly digital world, through a truly omnichannel operating model.
We have reviewed the leadership team in key strategic areas, both strengthening the skills of internal resources and hiring new important managers in the most significant areas (Retail, E-Commerce, CRM/Clienteling) and the most strategic markets for the current business and for future growth (Europe, North America, APAC). We have intensified the rationalization and restyling of stores (including also the introduction of a new approach to window displays). We are altering our communications strategy with an overall change to the language style, with increasing investments in the digital segment and initiatives with international appeal. The aim is to make the brand's relevance and desirability grow again, significantly, attracting new types of consumers who are not yet loyal to GEOX, offering them complete coherence in terms of how they see the brand and their buying experience, regardless of the channel they choose.
In addition to this, initiatives continued to improve margin performance, to implement a lean and more efficient structure and processes, and to control operating costs.

The Group faces significant challenges, but it is solid, which leads us to pursue our strategic objectives with even greater determination. These objectives are better suited to our Brand and have been set by the 2019-2021 Strategic Business Plan, which has been approved by our Board of Directors today and will be presented to the financial community tomorrow."

SALES PERFORMANCE IN THE FIRST NINE MONTHS OF 2018

Consolidated sales in the first nine months of 2018 amounted to Euro 672.4 million (Euro 732.7 million in the first nine months of 2017), down 8.2% (-7.7% at constant forex).

Sales by distribution channel

(Thousands of Euro)	9 Months 2018	%	9 Months 2017	%	Var. %
Multibrand	**332,223**	**49.4%**	**352,689**	**48.1%**	**(5.8%)**
Franchising	80,689	12.0%	111,009	15.1%	(27.3%)
DOS*	259,450	38.6%	269,051	36.7%	(3.6%)
Geox Shops	**340,139**	**50.6%**	**380,060**	**51.9%**	**(10.5%)**
Net sales	**672,362**	**100.0%**	**732,749**	**100.0%**	**(8.2%)**

** Directly Operated Store*

Sales generated by wholesale stores, representing 49.4% of Group revenues (48.1% in the first nine months of 2017), amounted to Euro 332.2 million (-5.8% at current forex, -5.6% at constant forex). This decline is mainly down to: order cancellations resulting from a more selective approach to partners and markets aimed at reducing business risk; fewer reorders owing to the unusual weather conditions experienced both at the start of the Spring-Summer season and at the start of the Autumn-Winter season; fewer sales of discounted goods from previous seasons; a more unfavourable exchange rate effect.

Sales generated by directly-operated stores, DOS, representing 38.6% of Group revenues, recorded a reduction at Euro 259.5 million (-3.6% at current exchange rates, -2.3% at constant forex). The perimeter effect is slightly positive as the new openings and taking over the direct management of previously franchised stores substantially compensated for the closures planned as part of the rationalization programme being completed. The negative performance was therefore mainly due to lower discounted sales in January and February (after stock levels were optimised in 2017) and the unusual weather conditions in March and September which affected footfall and sales volumes in stores. Comparable sales generated by directly-operated stores report a decline of -4.3%, recovering from the -4.7% recorded at the end of June and -8.9% recorded at the end of March. To date (week 1 - week 45), comparable sales amount to –3.7% with October recording a slight return to growth (+0.3%).

Sales generated by the franchising channel, which account for 12.0% of Group revenues, amounted to Euro 80.7 million, reporting a decline of 27.3% (27.2% at constant forex). Performance in the franchising channel mainly reflects the planned rationalization of the store network in the last quarters, with a net reduction of 62 stores in 2017 and 48 in the first nine months of 2018 (approx. 20% of the entire franchising network) due to closures and, above all, conversions into DOS, combined with comparable sales performing slightly below the levels recorded by directly-operated stores.

Sales by region

(Thousands of Euro)	**9 Months 2018**	%	**9 Months 2017**	%	**Var. %**
Italy	198,767	29.6%	222,393	30.4%	(10.6%)
Europe (*)	290,575	43.2%	318,259	43.4%	(8.7%)
North America	37,435	5.6%	43,876	6.0%	(14.7%)
Other countries	145,585	21.7%	148,221	20.2%	(1.8%)
Net sales	**672,362**	**100.0%**	**732,749**	**100.0%**	**(8.2%)**

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

Sales generated in Italy, representing 29.6% of Group revenues (30.4% in the first nine months of 2017), amounted to Euro 198.8 million, compared with Euro 222.4 million in the first nine months of 2017 (-10.6%). This trend is mainly due to the aforementioned optimization of the mono-brand store network (48 net closures in 2017 and 20 in the first nine months of 2018) and to the unusual weather conditions (above all in March and September), with the subsequent effects on reorders and comparable sales.

Sales generated in Europe, representing 43.2% of Group revenues (43.4% in the first nine months of 2017), amounted to Euro 290.6 million, compared with Euro 318.3 million in the first nine months of 2017, recording a decline of -8.7%. As was the case in Italy, this performance was mainly due to the aforementioned rationalization of the mono-brand store network (36 net closures in 2017 and 24 in the first nine months of 2018) and to the unusual weather conditions at the start of the spring and autumn seasons.

North America recorded a turnover equal to Euro 37.4 million, reporting a decline of -14.7% (-11.1% at constant forex) mainly due to the negative performance of the wholesale channel, which has been subject of a careful review and selection process for partners, with a focus on players more in line with the Group's planned strategy to improve brand perception. An increase in LFL sales, on the other hand, was recorded for directly-operated stores. There were 6 net closures in 2017 and 3 in the first nine months of 2018.

The Rest of the World recorded a 1.8% decline in turnover compared with the first nine months of 2017 (flat at constant forex), with a positive trend in LFL sales for directly-operated stores and the wholesale channel (+1.6%). During the first nine months of the year, the network of stores operating through licence agreement also underwent a rationalization process, now totalling 139 from the 168 that were in place at the end of 2017.

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Sales by product category

(Thousands of Euro)	9 Months 2018	%	9 Months 2017	%	Var. %
Footwear	607,855	90.4%	659,586	90.0%	(7.8%)
Apparel	64,507	9.6%	73,163	10.0%	(11.8%)
Net sales	**672,362**	**100.0%**	**732,749**	**100.0%**	**(8.2%)**

Footwear sales represented 90.4% of consolidated sales, amounting to Euro 607.9 million, down 7.8% (-7.2% at constant forex) compared with the first nine months of 2017. Apparel sales represented 9.6% of consolidated sales, amounting to Euro 64.5 million compared with Euro 73.2 million in the first nine months of 2017 (-11.8% at current forex, -11.7% at constant forex).

Mono-brand store network - Geox shops

As of 30th September 2018, there was a total of 1,018 "Geox Shops", of which 439 DOS. During the first nine months of 2018, 37 new Geox shops were opened and 114 were closed.

	09-30-2018		12-31-2017		9 Months 2018		
	Geox Shops	of which DOS	Geox Shops	of which DOS	Net Openings	Openings	Closings
Italy	284	138	304	137	(20)	2	(22)
Europe (*)	286	154	310	155	(24)	5	(29)
North America	39	39	42	42	(3)	1	(4)
Other countries (**)	409	108	439	105	(30)	29	(59)
Total	**1,018**	**439**	**1,095**	**439**	**(77)**	**37**	**(114)**

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

(**) Includes Under License Agreement Shops (139 as of September 30 2018, 168 as of December 31 2017). Sales from these shops are not included in the franchising channel.

BUSINESS OUTLOOK AND SIGNIFICANT SUBSEQUENT EVENTS

Management believes that the issues highlighted at the start of this report will also continue during the fourth quarter of the year. It is therefore necessary to remain very prudent when forecasting turnover and the operating result for 2018 as a whole. This has now been substantially defined by the trend recorded in the first nine months of the year and has been influenced, as described above, by truly exceptional external events and prudent policies to reduce business risk.

Under the new leadership, management has therefore launched an important in-depth strategic, organisational and distribution review project to support the 2019-2021 Strategic Business Plan, which has been approved by the Board of Directors today and will be presented to the financial community tomorrow. This project breaks away from the past, and it is therefore necessary to keep paying close attention to controlling costs, also to offset the expenses arising from a series of ordinary and extraordinary initiatives aimed at guaranteeing that the productivity of the sales network and the entire business can make a quick recovery, in line with the plan itself. Some of these initiatives will already be implemented during the fourth quarter of the year. The main ones refer to the expansion of the network of directly-operated stores (planned new openings and the conversion of former franchising stores during the fourth quarter) and greater investments in communications combined with accelerated evolution towards the use of digital media and social media. During the fourth quarter, a medium-long term global communications project will also be implemented for the first time, which the Brand considers to be of exceptional strategic importance. Details of this project will be disclosed at the end of the presentation of the 2019-2021 Strategic Business Plan.

The combination of these factors leads us to the following considerations and forecasts for the fourth quarter and 2018 as a whole:

- The wholesale channel is expected to continue showing signs of weakness. This is also the case when considering that, as initial order collection for the upcoming season is down by -9.1%, the share of advances for Spring-Summer 2019 requested by the market with delivery in 2018, will undoubtedly also record the same downward trend compared with the same quarter last year.
- Comparable store sales performance in October was substantially in line with the same month last year. This means that the unusual weather conditions and a number of promotions, in line with those implemented during the same season last year, allowed for a recovery of the decline recorded in the first two weeks of the month. This is a positive sign, although it also confirms the highly volatile nature of retail performance, and therefore calls for prudent forecasts between now and the end of the year in terms of comparable sales.
- Expectations for an improvement in percentage gross margin have been confirmed both for the 2018 financial year and with regard to initial orders for the 2019 Spring-Summer season.
- The store network is still undergoing a restyling process, aimed at improving performance, involving also the introduction of new window displays (testing is already underway in key markets, to be extended to the rest of the network by the start of 2019), as well as new strategies regarding product mix and in-store visuals.
- The effects of the rationalization of the store network, in the process of being completed, will continue to be seen in the fourth quarter.
- The initiatives to further increase productivity, ensure a lean organization and boost operating efficiency, which were successfully implemented in 2017, are continuing in 2018 and their positive impact is expected to continue.
- The change in strategy brought about by the strategic, organisational and distribution review, launched by the new leadership to support the 2019-2021 Strategic Business Plan, and the efficiencies to be implemented with regard to general costs, will lead to *non recurring costs* (*special items)* of around Euro 10 million for the 2018 financial year.

Based on the above, with regard to full-year performance, management therefore expects the decrease in annual turnover to be confirmed, in the range of -6%/-7% and expects a level of profitability, not including *special items* (Ebitda adjusted), of approximately 5% on sales. Expectations regarding amortisation and depreciation, substantially in line with the previous year. However, performance during the fourth quarter, and therefore also the final full-year result for 2018, will mainly only be determined by how comparable sales and stock replenishment actually perform compared with the forecasts described, and the results of the tight cost control measures.

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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" *(Italian Consolidated Law on Finance)*, 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 INFORMATION

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GEOX GROUP

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 39 different patents and by 12 more recent patent applications.

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