ÅRSRAPPORT TIL
ERHVERVSSTYRELSEN
Nærværende årsrapport er fremlagt og godkendt på selskabets ordinære generalforsamling

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dirigent


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MANAGEMENT REVIEW

ANNUAL ACCOUNTS 2017

ECCO IN 2017 AT A GLANCE

€ 1,276m

Revenue

2016 - € 1,251m

€ 184m

Profit before tax

2016 - € 170m

14.4%

Profit ratio

2016 - 13.6%

€ 592m

Equity

2016 - € 596m

21,500

Number of employees

2016 - 20,600

CEO'S REPORT

At ECCO we remained firmly committed to our long-term business development strategy in 2017, without losing sight of short-term financial performance. As a result, the company stands stronger at the end of 2017. Delivering our best financial result to date has only been possible through the dedicated efforts of our staff, at every level, across the company.

The speed of change in the fashion footwear industry is accelerating, and the retail industry is undergoing significant change driven mostly by the transformation in consumer behaviour. The new reality for brick and mortar retail is worsening footfall coupled with intensifying competition from e-commerce.

During 2017, retail price pressure was evident as the sales period totalled 5-6 months and special promotional occasions such as Black Friday gained further traction. This caused margin erosion for the industry at large. The US retail industry for example, is challenged by many store closures, even above the level seen during the financial crisis in 2008 and 2009.

At ECCO we are continuously assessing what the changing industry will mean to our business, both in terms of challenges and opportunities, and we are launching responsive initiatives. Being a global brand with a large store portfolio and an increasingly effective online presence, we are well positioned to benefit from the channel shift, as consumers search and shop across channels. In 2017, ECCO again experienced strong Direct-to-Consumer sales growth, globally.

New product launches in the increasingly popular premium sneakers category have supported this positive development. Staying true to our heritage of constant innovation in design, comfort, and materials is being well received by consumers.

Innovation and digital advances are on the agenda everywhere, and in 2017 we accelerated digital efforts in design, prototyping, and sales processes, creating more agility, efficiency, and speed. Innovation is happening across the company; it is part of our culture. Initiatives in our production have delivered valuable advantages of scale and reduced the environmental impacts of our production.

Together with our more than 21,000 employees, I remain confident we will continue to drive the company forward in 2018. Knowing that to stay successful in a rapidly changing environment, speed and determination in the execution of longer-term business strategies are more important than ever.

Steen Borgholm
Chief Executive Officer

2017 HIGHLIGHTS

JANUARY

ECCO produces uppers in Vietnam
The trial period of producing uppers in Vietnam turned out successfully, and in 2017 the production increased progressively and the number of employees rose to more than 1,000.

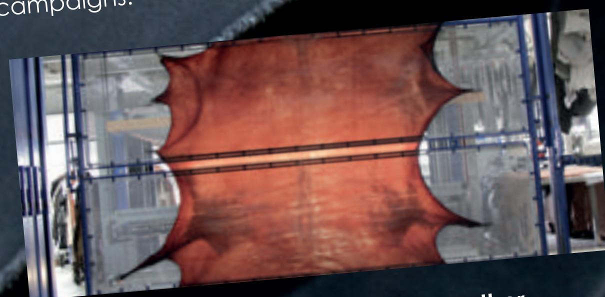
FEBRUARY

ECCO introduces new Brand Ambassador
ECCO announces a new male brand ambassador for China, the 33-year-old Zhu Yawen, who is a multiple award winner for his acting, primarily in Chinese films and TV series. He is also UN Goodwill Ambassador for the HeforShe campaign. Besides wearing ECCO shoes, Zhu Yawen will attend brand events and model in campaigns.

MARCH

ECCO takes over retail business in Malaysia
In order to strengthen ECCO's brand awareness and retail footprint in Malaysia, ECCO takes over the retail business in Malaysia from its distributor. The first ECCO shop in Malaysia opened in 2011, and today there are a total of five full-price shops as well as presence in the Isetan and Parkson department stores.

APRIL



Apparition: the first transparent cow-skin leather
ECCO Leather introduces Apparition, the first soft and transparent cow-skin leather with lasting pliability that protects from water. A small team of innovators at ECCO made the breakthrough after studying ancient Egyptian and Greek tanning techniques, then combining elements of these with modern industrial tanning processes.

MAY

Changes in the Supervisory Board
At the Annual General Meeting of ECCO Sko A/S, Dieter Kasprzak and Gerd Rahbek-Clemmensen stepped down. Tom Behrens-Sørensen and André Kasprzak are appointed new members of the Supervisory Board. André Kasprzak is third generation of the owning family, grandson of ECCO's founders.

JUNE

Kids launches new Back to School campaign
The Back to School collection appears in stores globally. The campaign had two thrusts: to showcase the school uniform shoe collection and to present the casual, transition product collection for markets without school uniform requirements.

JULY

ECCO launches new Brand Campaign

The key word for ECCO's Brand Campaign is authenticity. In today's digital world there is a new-found interest in how things are made and what they are made of. The Danish design ethos, inspired by nature, and truth to materials are other focus areas.

AUGUST

OPEN SCIENCE

ECCO engages in a new scientific network

Together with Aarhus University, Copenhagen University, and other multinational companies, ECCO is among the pioneers in an initiative to create a free-access basic research network. The main purpose is to close the gap between the academic and industrial worlds by bringing traditionally expensive basic research results to the public free of charge, when suitable for general commercial exploitation.

SEPTEMBER

ecco NEXTGEN

The Global Trainee Programme changes name

Moving with the times and the evolution of the business, the ECCO management trainee programme was renamed with a new logo. The intake will no longer be referred to as trainees, but NextGens, because the word 'trainee' has so many different meanings across the world.

OCTOBER

The Danish Crown Prince and Crown Princess walk with ECCO Japan

More than 1,700 people took part in the ECCO Walkathon in Tokyo. Special guests were Their Royal Highness Crown Prince Frederik of Denmark, and Her Royal Highness Crown Princess Mary of Denmark. They were accompanied in Tokyo by Mette Bock, Minister for Culture and Ecclesiastical Affairs.

NOVEMBER

ECCO expands in Latin America

The first ECCO store opens in Panama City, following the establishment of ECCO Latin America in 2016. The focus of ECCO Latin America has been to build relationships with retailers, distributors, trade advisors, and other multinational companies in the region – and to understand the opportunities and challenges of the region.

DECEMBER

ECCO Leather's DYNEEMA® BONDED LEATHER makes headlines

ECCO Leather's innovative DYNEEMA® BONDED LEATHER makes headlines, e.g. on the trendy fashion website Highsnobiety.com that features 2017's most creative innovations in clothing technology.

FIVE YEAR SUMMARY

FINANCIAL HIGHLIGHTS EUR '000	2013	2014	2015	2016	2017
Net revenue	**1,130,844**	**1,169,157**	**1,255,886**	**1,250,919**	**1,275,960**
Profit before amortisation and depreciation	213,943	221,023	234,421	221,453	241,265
Amortisation and depreciation	(37,150)	(39,006)	(46,179)	(49,417)	(50,694)
Profit before financials	176,793	182,017	188,242	172,036	190,571
Financial income and expenses	(11,352)	(5,622)	(4,778)	(1,874)	(6,735)
Profit before tax	**165,441**	**176,395**	**183,464**	**170,162**	**183,836**
Income tax	(40,256)	(40,515)	(42,235)	(37,261)	(45,555)
Profit for the year	**125,185**	**135,880**	**141,229**	**132,901**	**138,281**
Non-current assets	239,284	266,016	338,416	330,299	310,624
Current assets	533,211	658,669	609,959	692,593	684,971
Total assets	772,495	924,685	948,375	1,022,892	995,595
ECCO Sko A/S shareholders' share of equity	461,611	532,229	579,376	595,551	592,123
Non-controlling interests	30,959	45,450	63,460	86,652	98,881
Non-current liabilities	92,466	136,158	93,533	124,942	81,709
Current liabilities	187,459	210,848	212,006	215,747	222,882
Equity and liabilities	772,495	924,685	948,375	1,022,892	995,595
Cashflow from operating activities	117,377	145,863	188,540	196,804	188,691
Cashflow from net investing activities	(45,678)	(43,738)	(51,516)	(50,571)	(48,842)
Investments in property, plant, and equipment	(43,598)	(43,695)	(47,568)	(45,069)	(35,894)
Cashflow from financing activities	(86,988)	(61,421)	(126,447)	(92,713)	(121,530)
Number of employees (as of 31 December)	18,500	19,851	19,109	20,635	21,526

KEY RATIOS					
Operating margin	15.6%	15.6%	15.0%	13.8%	14.9%
Profit ratio	14.6%	15.1%	14.6%	13.6%	14.4%
Return on assets	21.6%	20.8%	19.6%	17.3%	18.2%
Investment ratio	1.2	1.1	1.1	1.0	1.0
Return on equity	24.2%	23.0%	20.6%	17.7%	18.4%
Solvency ratio	59.8%	57.6%	61.1%	58.2%	59.5%
Liquidity ratio	2.9	3.1	2.9	3.2	3.1

DEFINITIONS OF KEY RATIOS

Operating margin: $\frac{\text{Profit before financials x 100}}{\text{Net revenue}}$

Profit ratio: $\frac{\text{Profit before tax x 100}}{\text{Net revenue}}$

Return on assets: $\frac{\text{Profit before tax x 100}}{\text{Average assets}}$

Investment ratio: $\frac{\text{Investments for the year}}{\text{Amortisation and depreciation}}$

Return on equity: $\frac{\text{Profit for the year excl. non-controlling interests x 100}}{\text{ECCO Sko A/S shareholders' share of average equity}}$

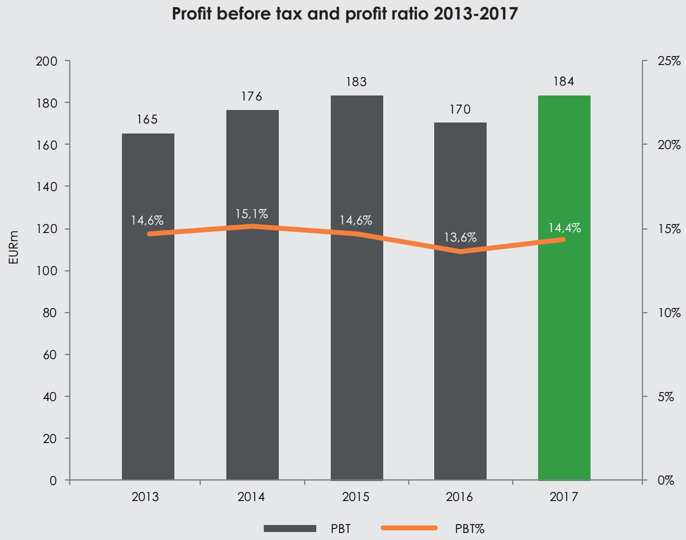
Solvency ratio: $\frac{\text{ECCO Sko A/S shareholders' share of equity x 100}}{\text{Total assets}}$

Liquidity ratio: $\frac{\text{Current assets}}{\text{Current liabilities}}$

Financial ratios are in all essentials calculated in accordance with the Danish Society of Financial Analysts' guidelines for the calculation of financial ratios, "Recommendations and Financial ratios 2015".

FINANCIAL REVIEW

ECCO achived its best financial result to date in spite of a challenging retail environment and currency headwind.



Group profit before tax increased to EUR 183,8m, an increase of 8% compared to 2016. At comparable foreign exchange rates the increase equalled 10%.

Group profit before financials amounted to EUR 190,6m against EUR 172m in 2016. At comparable exchange rates the increase in profit before financials was 13%.

The profit was higher than forecasted in the 2016 report.

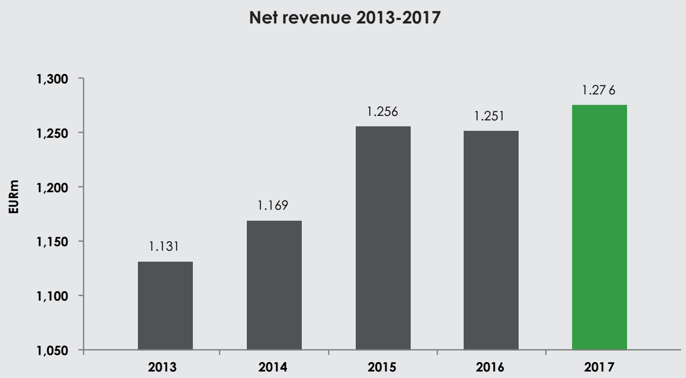
Net sales were EUR 1,276m against EUR 1,251m in 2016, with shoes and accessories growing 3%, and leather sales growing 14% at comparable exchange rates.

The continued investments in direct-to-consumer sales channels saw retail and e-commerce sales grow by 21%, with the e-commerce channel growing by a remarkable 47%, at constant exchange rates.

Wholesale sales in China and Russia delivered solid growth, while the core European and North American wholesale sales continued to be subdued by the changing retail landscape. In Europe, this was partly by design as more premium collections were introduced in key markets. Similarly, more premium products were successfully introduced in retail in the North American markets.

The North American markets were heavily impacted by the changing retail conditions: same-store growth plans did not materialise and sales promotions continued to put pressure on sales development. These markets saw a significant decline in profit contribution to the Group, partly due to the market situation, logistical problems, increased costs of doing business, and store portfolio optimisation.

Overall, the global footwear industry continues to be subject to a highly promotional retail environment.



Department stores, in particular, experienced significant decline in consumer footfall, with resulting closures and consolidations.

However, improvements in collection management, manufacturing efficiency, and supply chain cost reductions ensured that margin deterioration on shoes from sales reductions was mitigated.

ECCO Leather saw a strong improvement in sales of high-quality leathers.

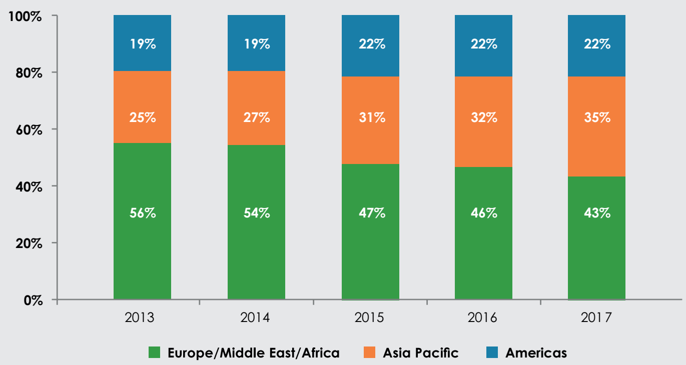
Foreign currency developments had an overall negative impact in 2017. The change in exchange rates during 2017, compared to 2016, had a EUR 3.8m negative impact on profit before tax. This was caused by the translation of non-euro profits into EUR.

The Group ended the year in a strong financial position, with cash at EUR 178.0m and solvency at 59.5%, an increase of 1.3% from 2016.

Profit & Loss
Solid growth in the Asia Pacific region, and flat to marginally declining sales in North America and Europe, accelerated the continued trend of Asia making up an increasing share of ECCO's total net sales.

By the end of 2017, Europe had generated 43% of the sales, Asia made up 35%, and North America 22%. This was a 3% sales shift towards Asia since 2016.

Net revenue (Shoes & Accessories)
split by region 2013-2017



The performance of ECCO's sales channels across all regions was similar to previous years, with the strongest growth being in the e-commerce channel. The online business, either through ecco.com or third-party portals, continued to grow rapidly.

In retail, same-store sales development was challenged, in part because of the continuing shift to online sales. E-commerce grew overall by 47%, with China experiencing a particularly strong acceleration in e-commerce sales. Despite the challenged organic growth in the brick and mortar sector, ECCO grew retail sales by 17% due to continued expansion of owned and operated retail stores, and retail joint ventures in Asia and Europe.

The Greater China region (China, Hong Kong, Macao, and Taiwan) had an excellent year and saw growth in all sales channels, with retail growth partly fuelled by ECCO taking over more of the retail network. Net sales increased by 12.4% at comparable exchange rates, mainly from Direct-to-Consumer sales channels. Furthermore, there were solid increases in sell-through rates with partners, which reduced inventory holdings in the market against 2016. Asian markets outside Greater China grew by 15.2%, led by South Korea and Japan.

European sales were down due to destocking by the main retail partner, causing wholesales to decline, but the majority of the key partners experienced increasing sales at retail, some even double-digit. Despite this, sales declined by 4%. Sales to Russia and Ukraine rebounded from the previous years' decline and showed solid growth. The German and Swedish wholesale markets were affected by the discontinuation of product lines to reposition ECCO and introduce more premium collections.

During 2017, ECCO worked on joint ventures in the European markets, most notably a joint venture for the French retail market. ECCO's Middle East markets were negatively influenced by the general decline in retail sales experienced in the region.

The North American markets saw an overall modest sales growth of 1.4% at comparable exchange rates. Gains in the Direct-to-Consumer channels were offset by slightly reduced wholesale activity.

ECCO's other external costs rose by 5.0%, and staff costs increased by 6.0%. These were mostly caused by continued expansion into retail and e-commerce, IT platforms and digitalisation, as well as the ramping-up of the new Vietnamese factory.

Other factors included wage inflation, particularly in Asia, and the increasing store footprint in Greater China and North America, which required additional supporting infrastructure.

Depreciation and amortisation were up by 2.6% in 2017 as ECCO continued to invest in both retail expansion and improvements in production capabilities.

The combined effect of financial items were negative with EUR 4,9m EUR. This negative development was entirely caused by foreign exchange rate developments during 2017.

ECCO's profit before tax was EUR 183.8m, with a profit ratio of 14.4%, which is an increase of 8.0% on 2016, or 10.3% at comparable exchange rates.

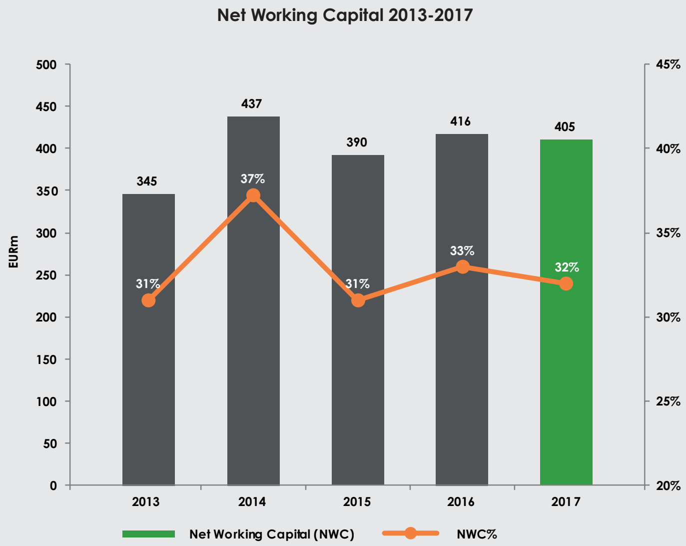
The income tax for the year was EUR 45,6m, equivalent to a 24,8% tax rate. The increase in tax rate from 21,9% in 2016 is caused by increased taxes on intergroup dividends and adjustments to deferred tax asset in the US following the announcement of changes in the US corporate tax rate.

Profit after tax amounted to EUR 138,3m for 2017 versus 132.9m in 2016.

Balance Sheet
ECCO continues to generate strong cashflow. In 2017, free cashflow amounted to EUR 140m, compared to EUR 146m in 2016.

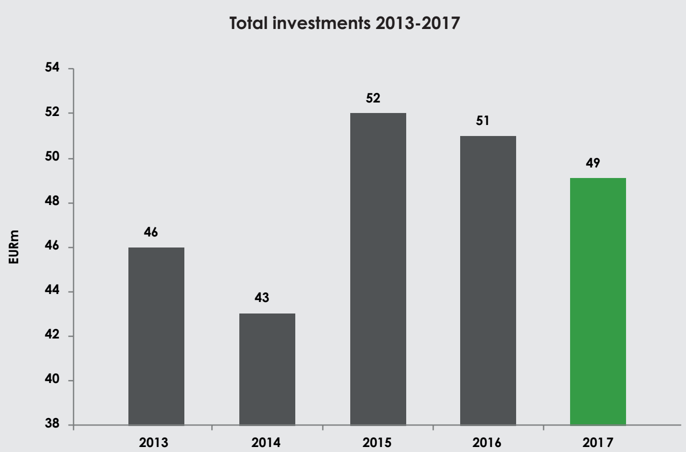
The slightly lower cash flow from operations was significantly impacted by a change in currency in 2017.

Trade receivables and inventories, less accounts payable (net working capital), decreased by a total of EUR 11m; and, as a share of net sales, it decreased from 33.2% to 31.7%.



Net working capital was affected by foreign currency because the higher level of inventory was offset by exchange rate effects. This kept overall stock value flat against 2016.

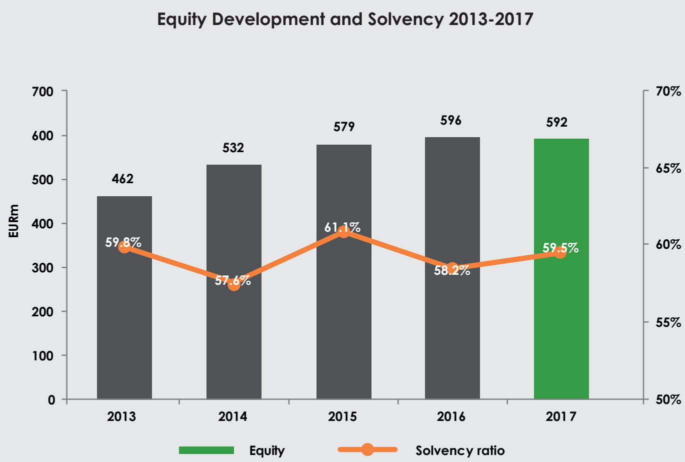
The higher level of inventory at comparable rates was, in part, due to higher levels of finished goods at year-end. Overall, 75% of the finished goods inventory positions at year-end were presold or allocated to retail.



Investments in 2017 amounted to EUR 48.8m, which was comparable to 2016 (EUR 50.6m). Investments were primarily for shop openings and refits, but ECCO also invested in IT platforms, new production technology, and machinery.

The company ended 2017 with a very satisfactory financial position. The equity, at EUR 592.1m, was similar to last year, with a solvency ratio of 59.5%. The equity by end of 2017 was significantly impacted by a change in currency compared to 2016. The effect was negative with EUR 44.1m caused by translating equity in non-EUR currencies into EUR after the strengthening of the euro during 2017.

By year-end 2017, ECCO was holding more cash than long and short-term debt.



Outlook

In 2018, ECCO expects to continue to strengthen its Direct-to-Consumer activities, with a greater focus on digital initiatives and building competences in vertical value chain disciplines. Investments in competences and people will help drive continued topline growth despite challenging market conditions in the industry. Assuming constant foreign exchange rates and a continuation of current macro-economic trends, a modest increase in financial results for 2018 is expected.

Flocks of birds merge into the so-called black sun phenomenon in the Southern region of Denmark, close to ECCO's headquarters.

CORPORATE GOVERNANCE

ECCO's Corporate Governance is dedicated to:

- Running a healthy and efficient company which produces both high earnings and substantial savings, while at all times complying with ECCO's Code of Conduct.
- Setting clear financial targets to ensure that ECCO remains a sustainable company capable of benefiting shareholders, employees, and the local communities where ECCO is active.
- Maintaining a widely experienced Supervisory Board which is closely involved in the company's strategy, activities, and risk management.
- Developing outstanding managers, whose skills and insights come from their detailed, hands-on experience and understanding of every aspect of ECCO's international business. The best of these managers go on to run the business.
- Offering employees further training and education, and new challenges, to increase the satisfaction they get from their work.
- Understanding what customers want, and working to meet their expectations.
- Designing and making products of the highest quality.
- Being an innovative company, which is always prepared to evolve, and to discover new ways of doing things.
- Understanding and helping to support the local communities in which ECCO is active.
- Demonstrating ECCO's commitment to reducing environmental pollution whenever possible, while meeting or exceeding the highest environmental standards set by the industry.
- Behaving correctly and decently in all of ECCO's activities.

ECCO'S CODE OF CONDUCT

ECCO's Code of Conduct consists of 10 commitments:

1. ECCO is a guest in each of the countries in which it operates and respects the local culture.

2. ECCO supports, respects, and has a proactive approach to the protection of internationally defined human rights.

3. ECCO respects equal opportunities and fights discrimination in the workplace.

4. ECCO respects a person's right to religious freedom.

5. ECCO respects the right to freedom of association.

6. ECCO wishes to provide employees with a workplace free of harassment or abuse and condemns any forms of enforced labour.

7. ECCO supports the UN Convention on the Rights of the Child.

8. ECCO provides training, education, and further development of human resources at all levels.

9. ECCO aims to be a leader within the environment, health and safety, and supports sustainable development.

10. ECCO wishes to ensure that it complies with all relevant laws and regulations.

Solar Thermal System is one of the methods ECCO uses to generate sustainable energy.

ENVIRONMENT AND CLIMATE

ECCO feels a strong obligation to minimise the effects of its activities on the environment.

In common with many types of industrial plants, including tanneries, ECCO cannot completely eliminate pollution, but operates a programme of constant improvements to reduce these environmental impacts. For example, ECCO appointed the independent Forschungsinstitut für Leder und Kunststoffbahnen GmbH to carry out a review of its Dutch tannery in 2017.

The audit showed that the tannery is producing leather in a more energy-efficient way than the established international benchmark.

Since 2009, ECCO has been a member of the Leather Working Group, which carries out independent reviews of tanneries using an internationally recognised protocol which focuses on environmental compliance, saving of natural resources, and good business practices. The LWG's audits check that the tanneries' performances are environmentally sound, and also ensure that LWG-certified tanneries demonstrate reputable practices in all areas of their business.

Globally, ECCO's tanneries have all worked towards achieving the highest LWG certification level, Gold; and, by 2017, all four ECCO tanneries were Gold-rated in these demanding audits.

However, ECCO constantly strives to exceed these standards by investing in new machinery, new processes, and new innovations. This has reduced the use of energy, waste and water, and increased recycling.

ENERGY

The most dramatic reduction in energy use has taken place at ECCO's tannery in the Netherlands. Here, fleshings, a by-product from the leather production, are being converted to biogas, which replaces the natural gas previously used to heat water for the tanning process. In 2017, 46% of the total energy consumption was supplied by biogas.

In Indonesia, surplus heat from compressors at ECCO's shoe factory is transferred to the tannery.

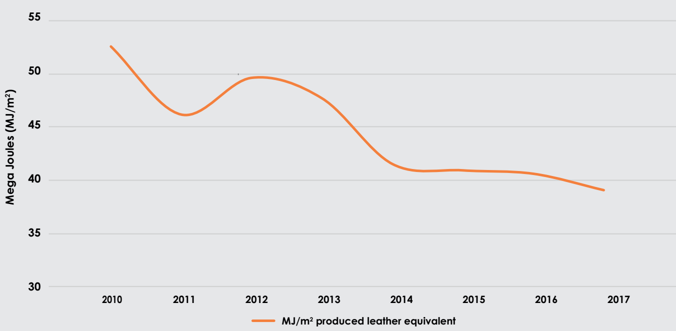
In Xiamen, China, heat recovery systems have been installed in the drying tunnels to reduce energy consumption.

At ECCO's tannery in Thailand, one of the largest solar thermal roof systems in the country has been installed to provide energy.

All of ECCO's factories and tanneries now have LED lighting.

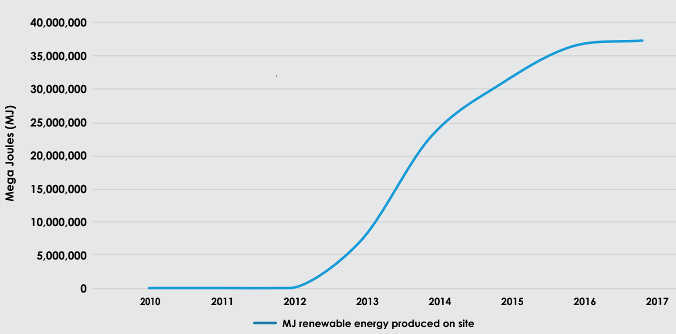
The production at all ECCO tanneries has increased over the years, but the improved energy efficiency, measured in energy consumed per square metre of leather produced, is clearly seen in the graph below.

Tanneries' Energy Consumption:
MJ/m² of produced leather equivalent



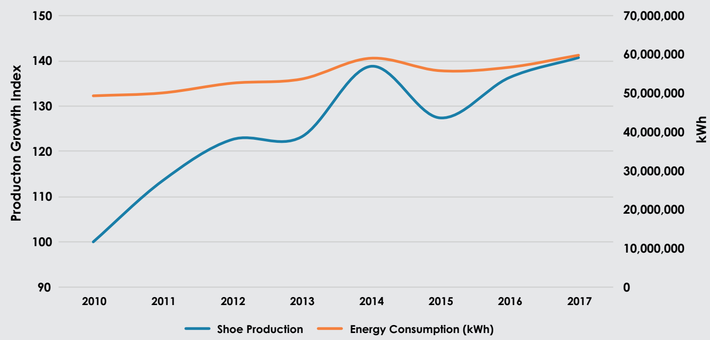
Furthermore, the renewable energy produced on site has increased considerably:

Tanneries' Energy Consumption:
MJ renewable energy produced on site



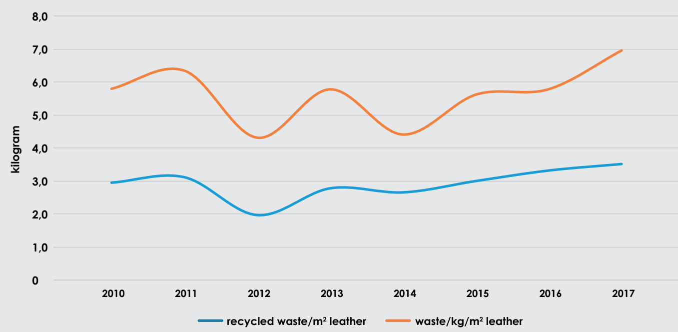
Similar figures for the shoe factories show that, while production has increased by 41% since 2010, energy consumption has grown by only 21%.

Shoe Factories' Energy Consumption



WASTE AND RECYCLING
ECCO has focused increasingly on reducing the total amount of waste generated at its shoe factories and tanneries. When it is not possible to reduce waste any further, ECCO examines ways to recycle waste, to minimise the amount of waste sent to landfills.

Tanneries' Waste:
kg/m² of leather produced

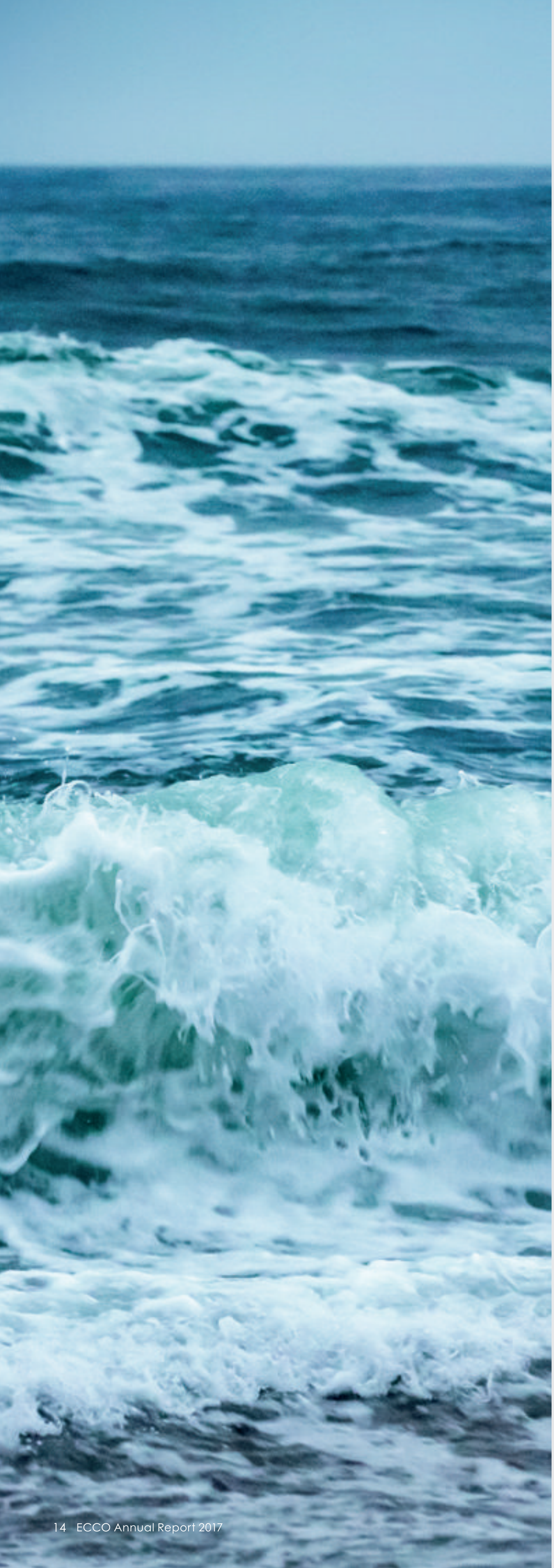


One recent initiative is a project to recycle sole material waste in Portugal. Through collaboration with local industry, ECCO's shoe factory is able to recycle 100 tons of this waste per year.

In Slovakia, since 2016, ECCO's factory has been recycling part of the shoe upper material. In 2017, more than 15 tons of this waste was used for horse bedding.

Useful applications for waste shavings have been found in Thailand and China, where local companies collect the shavings to extract protein.

In general, more efficient waste-sorting has allowed much of it to be sold. Through these initiatives, ECCO has managed to keep total waste levels steady in spite of much higher production-levels.



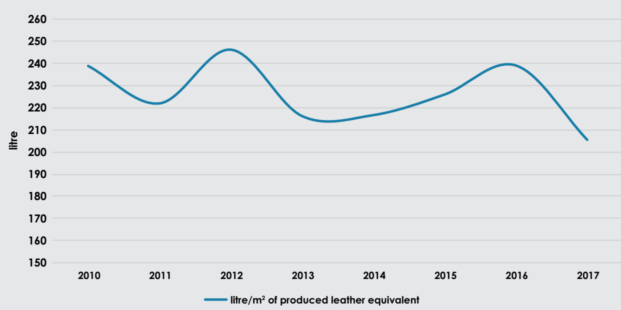
WATER

ECCO's Dutch tannery leads the way in reducing water consumption because the company's scientists have invented a new process that saves large amounts of water – and also reduces the use of chemicals. We estimate that, at the Dutch tannery alone, 20 million litres of water can be saved annually. Good results have also been achieved with the recycling of process water.

The development of these new systems illustrates ECCO's search for innovations to reduce environmental impacts, and improve operational efficiency. Not all of ECCO's innovations make the headlines, but they demonstrate the important synergy between technical and environmental innovations in the workplace and overall business efficiencies. ECCO's ownership and control of almost all of its production and value chains ensure that technical advances have the most widely effective outcomes in reducing environmental impacts.

The new water-saving process at the Dutch tannery shows a considerable reduction in litres used per square metre of leather produced.

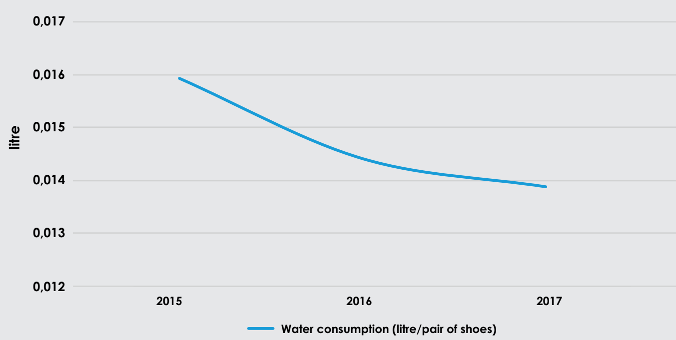
Tanneries' Water Consumption: litre/m² of produced leather equivalent



ECCO has also instituted rainwater harvesting, installation of water-saving valves, and recycling of water from the drinking water systems.

The results of these developments are clearly seen in the chart showing water consumption in the shoe factories, measured in litres of water used per pair.

Shoe Factories´ Water Consumption: litre/pair of shoes



School children in the Candi Sub-District area, Indonesia, learn how to maintain dental health under a local 'ECCO goes to school' programme.

COMMUNITY ENGAGEMENT

ECCO was established in 1963, in the south-western corner of Jutland in Denmark, and it is one of the very few large companies in this region. ECCO has given help to the local community, in various ways, for many years, in a part of the country that does not receive much assistance.

Over the years, ECCO has supported many projects, and individuals, in the local towns of Bredebro and Tønder, and the local region. Among the examples of this support are:

- A public square in Bredebro, Toosbuys Torv, with space for both commercial and community activities in the surrounding buildings, was established five years ago and it is today a meeting point for both locals and tourists.
- MIND FACTORY by ECCO, an innovation house to benefit local educational institutions and the youth in and around Tønder. The aim is to strengthen young people's creativity and inspiration.
- Local associations focusing on a wide range of interests, from sports to outdoor activities, are also being sponsored,
- The annual Tønder Festival, one of Northern Europe's major folk and roots music festivals, is benefiting from support from ECCO.

As ECCO expanded its operations internationally, it introduced its policy of close cooperation with the local societies around its facilities.

An early example involved ECCO's Indonesian factory. Most of the 7,950 employees currently working at this plant live in six nearby villages, and from an early stage, a close collaboration was developed between ECCO and these communities. Over the years, ECCO has helped to build local roads and drainage ditches, and supported schools and sport activities.

Other ECCO factories followed this example and the below list shows some of their 2017 activities. It demonstrates the company's broad and constructive engagement with local communities in six countries.

PORTUGAL

- Increasing the availability of free medical subscriptions for employees, in cooperation with the Portuguese National Health Service.
- Supporting victims of forest fires.

SLOVAKIA

- Fundraising for cancer research and treatment.
- Helping children with disabilities.
- Supporting local sport, dance competitions, and folklore groups.

Employees in Thailand at the ECCO Sports Day.

THAILAND

- Supporting local schools and libraries by donating computers and sports equipment.
- Building new toilet facilities at local school.
- Providing funds for children with disabilities.

INDONESIA

- Continuing sponsorship of a local scholarships programme.
- Helping to renovate two schools, with four more in progress.
- Building a library at a local school.
- Helping to repair gutters and drainage ditches.
- Building a fire station for the use of both ECCO and the community.
- Planting 1,000 trees, and giving funding support for 5,000 more.

CHINA

- Free medical services to local villages, which about 1000 people benefit from annually.
- Supporting high school graduates from financially challenged families.
- Providing job opportunities for physically challenged people.
- Raising money for charity by participating in the annual Xiamen Marathon.

Employees in ECCO Vietnam read the very first issue of an internal employee magazine for ECCO Vietnam, written by the employees and for the employees.

VIETNAM

- Providing support for 200 students from deprived families at 18 local schools.

Many of these community initiatives in the countries where ECCO operates were set up by ECCO's staff who, in many cases, personally gave time and money to the projects.

ETHICS AND GENDER

At the core of ECCO's business is a clear understanding that the Company will only prosper if it has skilled, well-motivated, and loyal staff who are enjoying working for ECCO.

ECCO has over 21,000 members of staff working in 90 countries, and therefore strives to create workplace conditions which help to attract and retain good staff.

ECCO respects the rights of individuals, irrespective of race, religion, and gender. The company offers long term employment, fair wages, and the chance for employees to better themselves through further education.

ECCO strives to maintain safe and healthy working environments, in both physical and mental terms.

In 2017, a new Group Health and Safety policy was drafted and implemented, and has been actively supported at every level.

AED (Automated External Defibrillators) devices have been installed in ECCO's factories. Training was part of the AED installation process, and it included how to provide first aid to a person experiencing cardiac arrest.

At our factory in Indonesia the Environmental, Health and Safety Department, in collaboration with the police, conducted a training course on riding safety, with 518 employees participating. The aim is to minimise accidents within and outside the ECCO premises.

ECCO has a rigorous policy to avoid corruption and bribery and holds training sessions to explain the policy to its staff. In addition to these sessions in 2017, a company-wide e-learning programme about the identification and avoidance of bribery and corruption was expanded. During 2017 ECCO has not identified any incidents of non-compliance with ECCO's anti-corruption policy.

ECCO insists that all its suppliers accept, and adhere to, ECCO's CODE OF CONDUCT. The company carries out regular audits to ensure that its suppliers live up to the Code, and more than 130 of these audits were carried out in 2017. In the case of critical findings, immediate action is taken; and, in the worst cases, ECCO will terminate the contract or cooperation with the supplier. The CODE OF CONDUCT audits identify areas where improvements are necessary, and this encourages suppliers to aim for best practice standards.

ECCO has incorporated an anti-modern slavery commitment in its policy. ECCO condemns any type of modern slavery, forced labour, and human trafficking. The ECCO Modern Slavery Act Statement can be examined at: *http://e.cco.to/mss*

ECCO's Code of Conduct emphasises, in its first point, that the Company recognises that it is a guest in each of the countries where it operates, and respects the local culture.

ECCO wishes to be seen as a good corporate, and local, citizen wherever it works. The Company abides by local laws and regulations, and strives to behave correctly and decently in every respect.

WOMEN'S PARTICIPATION IN ECCO's MANAGEMENT

ECCO disagrees, fundamentally, with the prescriptive approach in the law passed by the Danish Parliament in 2012, obliging large Danish companies to set targets for improved representation of women in management. ECCO disagrees for two reasons:

Firstly, it should be the skill and experience of a person, rather than their gender, that determines if she or he is suitable for a management position.

Secondly, it is demotivating for talented women if legislation demands companies to fix a predetermined quota of female managers.

ECCO respects the law, but continues the development of its own programme to ensure that suitably talented women will continue to gain positions in the company's management.

One example of this is ECCO's graduate trainee programme, NextGen, which recruits staff with management potential, with the specific aim of fostering future leaders in the company. In the 2017 intake of these trainees, 73% were women. Thus, the awareness of women as potential ECCO managers begins at the very start of their careers.

ECCO has a target of at least 25% female representation in the Supervisory Board, elected by the Annual General Assembly. The target of 25% female representation is met in 2017. The Board regularly reviews the policy relating to women in management.

ECCO's 2020 strategy maintains the long-term aim for a 35% women / 65% men balance at management level, with a minimum of one-third of senior management positions to be held by women by 2020.

Employees in Thailand at the ECCO Sports Day.

New ECCO Store, Shillergasse, Cologne, Germany

Local management and staff in the first ECCO store in Latin America, Panama City.

MARKET DEVELOPMENT

Despite only moderate growth in the global footwear industry as a whole, ECCO has for several years maintained its strong position in Europe, while continuing to increase sales in North America and Asia. This has been achieved by further penetrations into existing markets and expansion into new markets. ECCO products are now sold in 90 countries globally.

The presence of a large number of players makes the global footwear market increasingly competitive. To ensure a long-term sustainable and competitive position, ECCO has continued to invest in accelerated Direct-to-Consumer sales and the conceptual footprint across all regions. The growing global demand for more comfortable and trendy athleisure footwear also stimulated higher demand for ECCO's athleisure products across all markets.

The number of ECCO stores grew by 124 to a total of 2,232 stores by end 2017. The footprint of owned and operated stores has increased across all regions, contributing to a strategically diversified expansion.

An important milestone in ECCO's Direct-to-Consumer strategy has been the continued roll-out of new e-commerce platforms inspired by double-digit sales growth in already existing platforms.

The conceptual footprint has been strengthened through the addition of more ECCO stores. This, along with piloted investments in digital initiatives, has created a strong platform for future growth in ECCO's Direct-to-Consumer sales.

ECCO EMEA (Europe, Middle East & Africa)
The overall economic growth in Europe was moderate. During 2017, ECCO therefore continued to consolidate its fundamentally strong position across the European markets; and, in close collaboration with its wholesale partners, the brand has been strengthened through improved conceptual presentation.

The ECCO Sko A/S sister company, KRM, operates a large share of the company's European retail operations and continues its expansion, operating 296 stores in 20 markets across Europe. KRM recorded very satisfactory organic growth in existing stores, which was primarily driven by successful product offerings and campaigns.

The opening day of ECCO's first store in Shenyang, China, was attended by the popular actor Lin Gengxin.

In Russia, ECCO's distributor achieved a considerable increase in sell-out and thereby further strengthened its position, and the possibility of further growth.

ECCO's European online sales continued to deliver satisfactory double-digit growth rates, which exceeded market trends.

Despite continued geopolitical uncertainties and volatile energy pricing in the Middle East region, ECCO's strategic presence remains solid in this region.

ECCO Asia Pacific (EAP)
The Chinese economy recorded a growth of 6.9% in 2017, which was reflected in similar growth in the country's footwear and apparel industries. Overall, ECCO's continued expansion and sales in China strengthened the brand's market-leading position and ensured an increased market share.

Chinese e-commerce trade continued to accelerate, especially via handheld devices such as mobile phones and tablets, and this was clearly evident in ECCO's Chinese online sales, which grew by 82.9% in 2017.

ECCO continued to strengthen its strong conceptual market position by growing the network of own stores and distributors. The Greater China region's network (China, Hong Kong, Macao, and Taiwan) reached an impressive 1,124 stores in the region.

However, several markets within the Asia Pacific region have experienced weakened consumer demand throughout 2017, along with increasingly fierce competition within the footwear and apparel industry. Certain markets have also been impacted by changes in tourist behaviour, and by the generally moderate economic growth.

Despite this, the countries in the EAP region, excluding China, Hong Kong, Macao, and Taiwan, recorded an 15.3% increase in net sales compared to 2016, and this was delivered by organic sales growth in existing stores, along with improvements in the Direct-to-Consumer footprints.

An important step forward was taken when product distribution in Malaysia was taken over by ECCO's regional retail operation. This is part of ECCO's strategy to progressively increase control of its Direct-to-

Consumer footprint. This move was supported by a region-wide investment in upgrades of the IT platform in 2018. As a result, the region will gain greater transactional transparency and this will support further organic growth.

ECCO Americas (EAM)
The retail environment in the US remained challenging in 2017, with retail stores suffering as consumers continued their migration to increased online shopping.

Department stores and national retail chains experienced declining footfalls, which were not completely offset by gains from online sales. In the footwear sector, this trend has led to intensified competition and an increasingly promotion-driven environment.

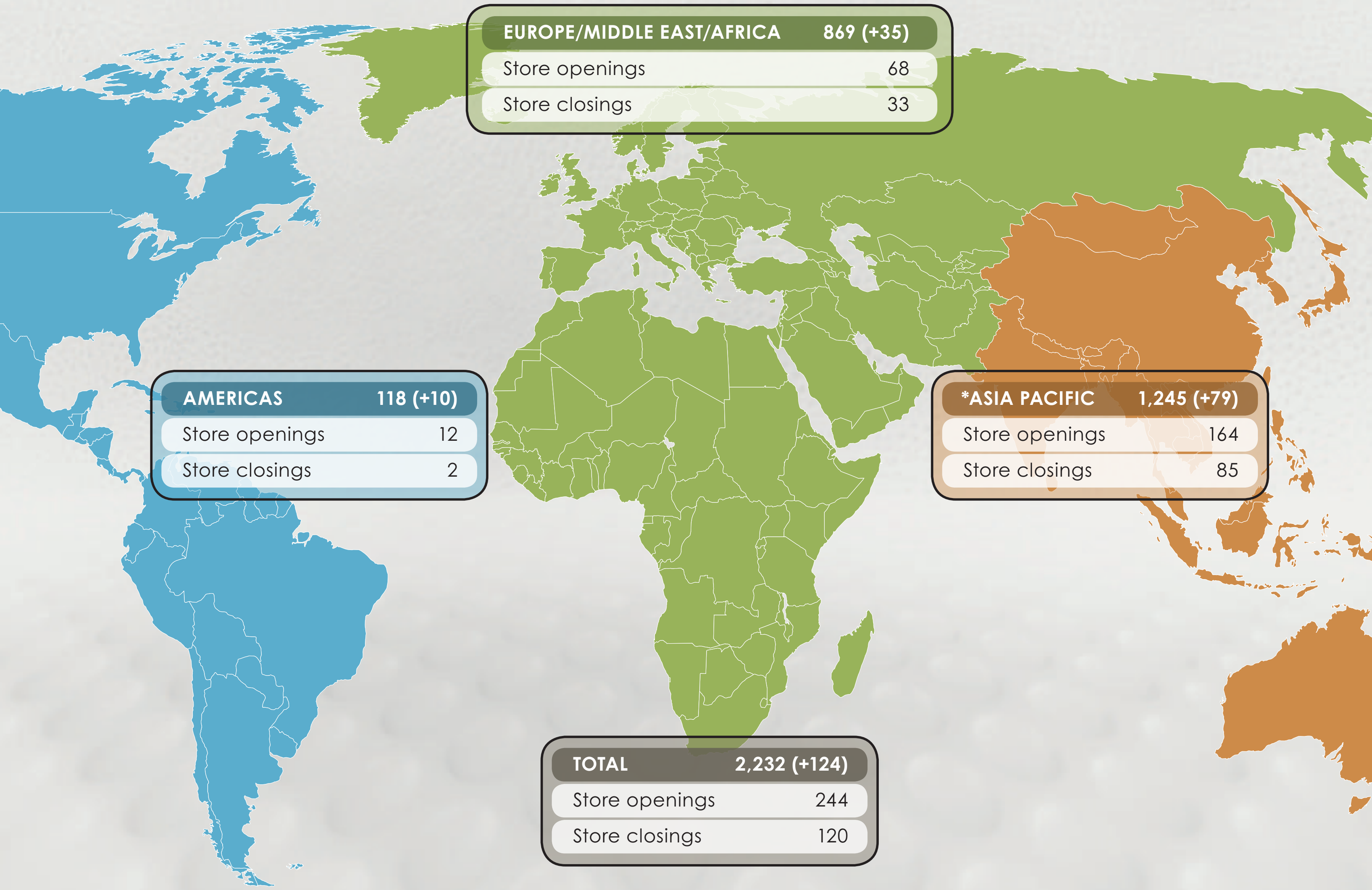
Despite these challenges, ECCO did not lose momentum compared to last year due to a significant 11.9% growth in its e-commerce platform.

During 2017, nine new stores were added to the US portfolio, which now amounts to 85 stores, which contribute 30.6% of ECCO's total revenue in the US market.

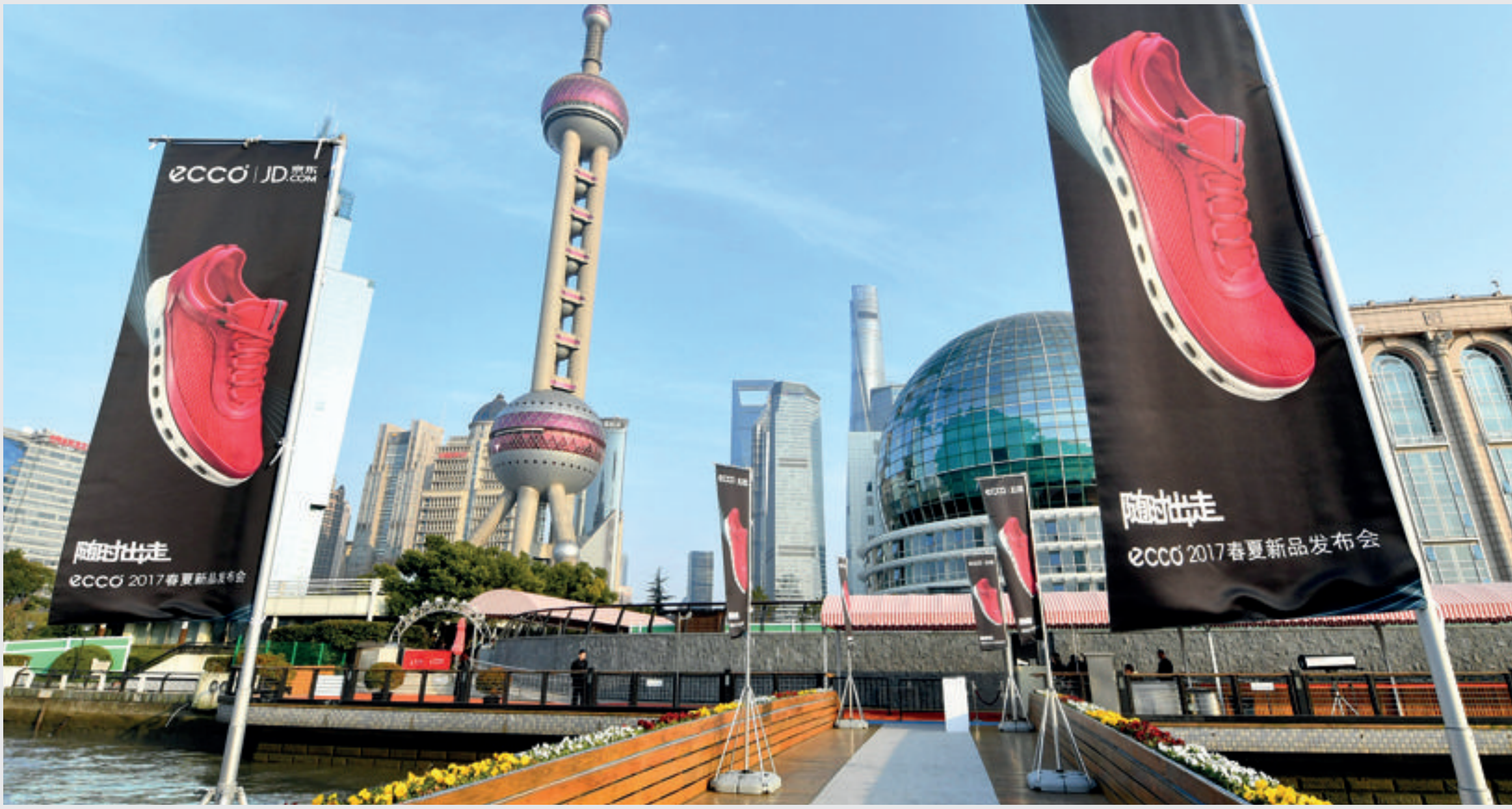
In Canada, the retail environment in 2017 was characterised by a decline of general retail footfall and a continued shift to online shopping. As in the US, this led to an intense, promotion-driven environment. Nevertheless, with the addition of two new stores, to a total of 32 stores, ECCO's sales in Canada grew by 8.6% for the year measured in local currency.

In Latin America, and in line with ECCO's strategy of diversifying its global expansion, the first ECCO store opened in Panama City in late 2017. This store will spearhead ECCO's expansion into a number of markets in the region over the coming years.

WORLDWIDE STATUS ON STORE OPENINGS AND STORE CLOSINGS:



** The figures consist of ECCO stores including Chinese concept shop-in-shops.*



ECCO's first office in China opened in Shanghai in 2006. Here, ECCO shoes lead the way to Pearl Tower by the Huangpu River.

FOCUS ON CHINA

2017 marks an important milestone for ECCO China – the 20th anniversary of the brand entering this market, when ECCO's founders, Birte and Karl Toosbuy, gave distribution rights to Chinese partners. A strong wholesale business was built up and later a successful joint venture was established, managed by ECCO.

The company's first office in China was opened in Shanghai in 2006. The business has expanded and prospered and now has a major network of more than 1,080 stores and shop-in-shops covering 232 Chinese cities. Since entering this market, ECCO met challenges, but has always known that extraordinary opportunities exist. The company continues to achieve significant sales growth in China in wholesale sell-out, as well as in the Direct-to-Consumer channel.

ECCO won the Best Casual Shoe Brand Award in 2017, presented by Sina, one of the most influential media operations in China. ECCO also featured in the events for the 2017 Denmark - China Tourism Year, holding an ECCO Walk in Guangzhou. The award ceremony was attended by His Royal Highness Crown Prince Frederik.

In Spring 2017, ECCO had the honour of hosting another important visitor in China, the Danish Prime Minister, Lars Løkke Rasmussen, who visited an ECCO store in Chengdu.

The Prime Minister congratulated ECCO on its outstanding achievements in China, relating to great design, leather quality, and innovative technology.

ECCO China's regional management is based in Shanghai. From its office in the Pudong District, ECCO has developed marketing campaigns using high-profile brand ambassadors, popular ECCO roadshows, and other marketing initiatives. Further expansion is being planned in close collaboration with ECCO's trusted local partners.

HRH The Crown Princess Mary of Denmark visited ECCO's flagship store at Ginza in Tokyo together with a Danish delegation.

FOCUS ON JAPAN

2017 was the 150th anniversary of the establishment of diplomatic relations and friendship between Japan and Denmark. ECCO Japan celebrated this by staging two major public events, which strengthened brand awareness in a highly competitive, and valuable, retail market with a population of 127 million people.

One of the events in Tokyo was ECCO Leather's 'Factory Petit', demonstrating the craftsmanship involved in creating innovative leathers. More than 400 people took part, and it received widespread coverage in online media and magazines. A key aspect of the event was the presence of ECCO's Japanese brand ambassadors, who not only shared their experiences online, but actually demonstrated how to make leather bags.

The other major event took place on 7 and 8 October 2017, when, in collaboration with Novo Nordisk, ECCO organised the Denmark Festival and Walkathon. This was designed to increase the Japanese knowledge and understanding of Denmark, and highlighted the role that health and exercise play in Danish lifestyle. The event was the biggest Denmark-focused commercial event of the year in Japan: nearly 20 Danish and Japanese companies took part in the Festival, which attracted more than 16,000 visitors.

Special guests were His Royal Highness Crown Prince Frederik, Her Royal Highness Crown Princess Mary, and Mette Bock, the Danish Minister for Culture and Ecclesiastical Affairs.

The highlight of the event was the ECCO Walkathon on Sunday 8 October, with 1,756 participants – about half of them walking a 5.7 km route and the remainder 11.6 km.

ECCO Japan currently operates 80 ECCO stores, shop-in-shops, and sales points, and it will continue to strengthen retail business in this important market by improving brand visibility and e-commerce via mobiles.

ECCO COOL 2.0 and ECCO COOL GOLF, Campaign, Japan.


ecco

BRAND AND PRODUCTS

At ECCO, we are not typical shoemakers. The fundamental truth that has always motivated us is this: Premium Leather plus Innovative Comfort produce truly natural motion, and this is a philosophy that has driven the design of ECCO footwear since the foundation of the company in 1963.

In 2017, this core belief was expressed in a highly innovative 21st century way with the launch of ECCO's SHOEMAKER video *(http://e.cco.to/sv),* which has strengthened and evolved the way the ECCO brand is perceived. The imagery and soundtrack of SHOEMAKER set a new benchmark, with a compellingly imaginative narrative that highlights both the product portfolio and, very importantly, the way ECCO communicates.

By focusing on two primary, ECCO owned areas of the value chain – specialised production technology and ECCO Leather – SHOEMAKER presents a strong and vividly crafted impression of what lies at the heart of ECCO product development. The video is an important step forward in building our engagements with both existing and potential new consumers at a time when people are increasingly attracted to brands with genuine depth and character.

ECCO Design, Engineering and Production
In 2017, it was important to take a moment to reflect on the simple truths that have always given our brand its unique dynamism. These essential truths inspire all ECCO employees in our design studios, advanced innovation labs, in-house R&D divisions, owned and-operated leather tanneries, state-of-the-art production facilities, and retail stores.

Dynamic comfort platforms
ECCO has been pushing the boundaries of direct-injection production (DiP) for many years. Inspired by his unique vision of DiP's almost limitless potential, ECCO's late founder Karl Toosbuy, put ECCO at the forefront of this technology. The design and production teams have continually challenged every industry convention and every outdated preconception to produce a stream of technical breakthroughs — from ECCO SOFT to ECCO SHARK, from ECCO BIOM® to ECCO SPYDR-GRIP, from ECCO RECEPTOR® to ECCO COOL GORE-TEX® SURROUND®.

2017 was no exception to this progress as ECCO launched unique new platforms, such as the CORKSPHERE™ suspended footbed, which is at the heart of the new ECCO KINHIN. The production process has also evolved with the new FLUIDFORM™ variation on injection technology, which produces a uniquely integral, durable, lightweight, glue-free and stitch-free full-surface flexible bond.

At ECCO we work simultaneously with techniques from the ancient art of leather tanning and with cutting-edge multi-dimensional DiP production. This creates a dynamic balance between past and future techniques in all products.

ECCO AURORA, MEN'S

ECCO CASUAL

In 2017, ECCO Casual benefitted from the current fashion-driven demand for sneakers. However, the range as a whole also made good retail impacts, appealing to our regular customers, who appreciate Danish design with state-of-the-art leathers and unique wearing comfort.

Among the bestsellers in the CASUAL collection were ECCO SOFT7 and ECCO SOFT8, for both men and women. In the increasingly important athleisure market, foot comfort levels were raised significantly with the launch of the ECCO INTRINSIC TR. This shoe is a genuine design evolution and will underpin further sales growth in this sector in 2018.

The ECCO SCINAPSE and ECCO AURORA bring something new to the everyday footwear market – a distinctly modern look, using ECCO's own premium leathers and innovative comfort features. This versatile footwear was specifically designed for quality-conscious consumers.

There is further potential to increase sales in the casual segment by producing a greater range of styles, materials, and colours.

The Chinese market is of growing importance and, in response, ECCO is currently developing an exclusive package of shoe designs for this market to underline its position as a leading supplier of premium-quality footwear in China.

ECCO SOFT 8, WOMEN'S SNEAKER

ECCO SHAPE 65, WOMEN'S SLEEK SANDAL

ECCO VITRUS, MEN'S

ECCO FORMAL

The Formal collection proved popular in 2017, partly because of the elegance and pioneering technology of ECCO's SHAPE collection, where several innovations produced shoes that are distinctly elegant, but also outstandingly comfortable in the way they support the foot.

The shoe has an anatomical shank, with soft polyurethane (PU) on both sides, a direct-injected PU sole, and an anatomically moulded footbed. ECCO believes the women's business segment offers particularly promising sales growth potential.

The ECCO VITRUS is expected to be a new bestseller for men. Highly effective innovations have made it possible to reduce the weight of the relatively heavy leather sole and increase the quality of fit and comfort of this hand-finished shoe.

The VITRUS is made using the luxurious ECCO Calf Crust leather, which is hand-treated to maximise lustre and depth. The shoe also has a meticulously designed platform, which mirrors the contours of the foot, with extra support and flexibility at the heel. The VITRUS is an outstanding example of ECCO's combination of core competencies and innovations, which deliver maximum comfort in formal footwear.

ECCO BIOM VENTURE.

ECCO OUTDOOR

2017 was impacted by market challenges, which marked a turning point for ECCO OUTDOOR. This is now an independent business unit within ECCO, with a more focused ability to drive forward product innovations for the highly competitive premium outdoor footwear market.

From a product perspective, ECCO Outdoor will celebrate functional versatility in designs for existing and new consumers who demand all-day comfort in shoes which maintain their distinctly stylish looks in almost any walking environment.

This is strongly emphasised in the shoe's marketing tagline – Made for the Elements, which will be the foundation of further product innovations, such as ECCO EXOSTRIKE, which combines DYNEEMA® BONDED LEATHER BY ECCO and Phorene™ midsole technology in one seamless, versatile product.

In terms of consumer reach, ECCO OUTDOOR is expanding its product offering via a more effective global distribution network, in 2018. It is also expected to open more premium outdoor accounts than in any previous year.

This will be a clear sign to the industry that ECCO Outdoor will remain in this market long term. Our product offerings will be tailored to the needs of today's savvy outdoor-orientated consumers. Better engagement with consumers on social media , and instore, will be central for ECCO OUTDOOR.

ECCO EXOSTRIKE, with DYNEEMA® BONDED LEATHER BY ECCO.

ECCO UKIUK, KIDS

ECCO SNOW MOUTAIN, KIDS

ECCO KIDS

In 2017, sales of ECCO Kids shoes outperformed forecasts, showing an increase in all key markets in the EMEA (Europe, Middle East, Africa) region. And to secure continued growth for the KIDS Business Unit, special initiatives will take place in 2018 in the ECCO China and ECCO US markets.

During 2017, the ECCO Kids collection was strengthened, notably in the winter boots range, where the innovative ECCO SNOW MOUNTAIN product, with its revolutionary grip on the FLUIDFORM™ platform, was very successful. This continued focus and development of the product range, in sync with different price ranges, have kept up sales momentum in mature markets.

To further strengthen Kids sales, the roll-out of the Kids shop-in-shop system is developing according to plan and has been implemented successfully in more than 50 stores across all regions; and the number of Kids shop-in-shops will grow in 2018. The concept is based on a flexible product display system with a story-telling space, suitable for various retail and wholesale situations. ECCO Kids shop-in-shops create an inviting, playful, and engaging environment for children and their parents.

Another important focus area in 2018 is marketing, and one initiative will be to support a closer link between ECCO Kids and the ECCO core brand. We will continue to target 4- to 8-year-old children and their parents, so that the brand becomes loved by children, and approved of by their parents.

ECCO Kids products have been lovingly crafted for little feet since 1978, and so in 2018 we will celebrate 40 years of expertise by launching a unique collection which will primarily be sold in high-profile stores. The inspiration for the collection has been taken from the 1980s and fused with the cool, futuristic look that youngsters currently find so fascinating.

ECCO GOLF BIOM HYBRID 3, WOMEN'S

ECCO GOLF

The launch of the BIOM® Hybrid 3 golf shoe was extremely successful in all of ECCO Golf's markets, and it strengthened the partnership with the company GORE, who will supply material for all of ECCO's golf shoes in the performance category from 2018.

Another innovation – a new golf competition called ECCO DAY – was trialled in 2017. This is part of ECCO's 'closer to the consumer' strategy and is designed to encourage more people to play golf after a day's work. The rules are simple: there must be a minimum of eight players, the format is Stableford, and there are prizes for the best gross and net scores.

More than 70 ECCO Day competitions are planned for 2018 and will take place on golf courses in Northern Germany. Players with different golf handicap levels are eligible to take part. ECCO intends to roll-out ECCO DAY competitions in other EMEA countries.

Meanwhile, ECCO's Golf Ambassador and World Golf Hall of Famer, Fred Couples, continues his winning ways. In the summer of 2017, he was wearing his BIOM CLASSIC shoes as he shot a bogey-free round of 66 to win the American Family Insurance Championship by two shots.

Professional golfer Ernie Els (rigth) visits ECCO's Golf Lab and the ECCO Tønder campus, facilitated by Dieter Kasprzak, Advisor and the mind behind ECCO Golf.

ECCO golf shoes are worn in competitions around the world by Ambassadors including Thomas Bjørn, Smylie Kaufman, Lydia Ko, Caroline Masson, and the four-time Major winner, Ernie Els. The latter visited ECCO's HQ and Golf Lab in Tønder during the summer of 2017 to discuss his collaboration with ECCO.

To commemorate Ernie Els' 100th Major Championship apperance, a limited-edition range of 100 pairs of ECCO Golf BIOM® Hybrid Classic was produced.

ECCO GOLF BIOM HYBRID 3

ECCO VILLUM, CASUAL BELT

ECCO ACCESSORIES

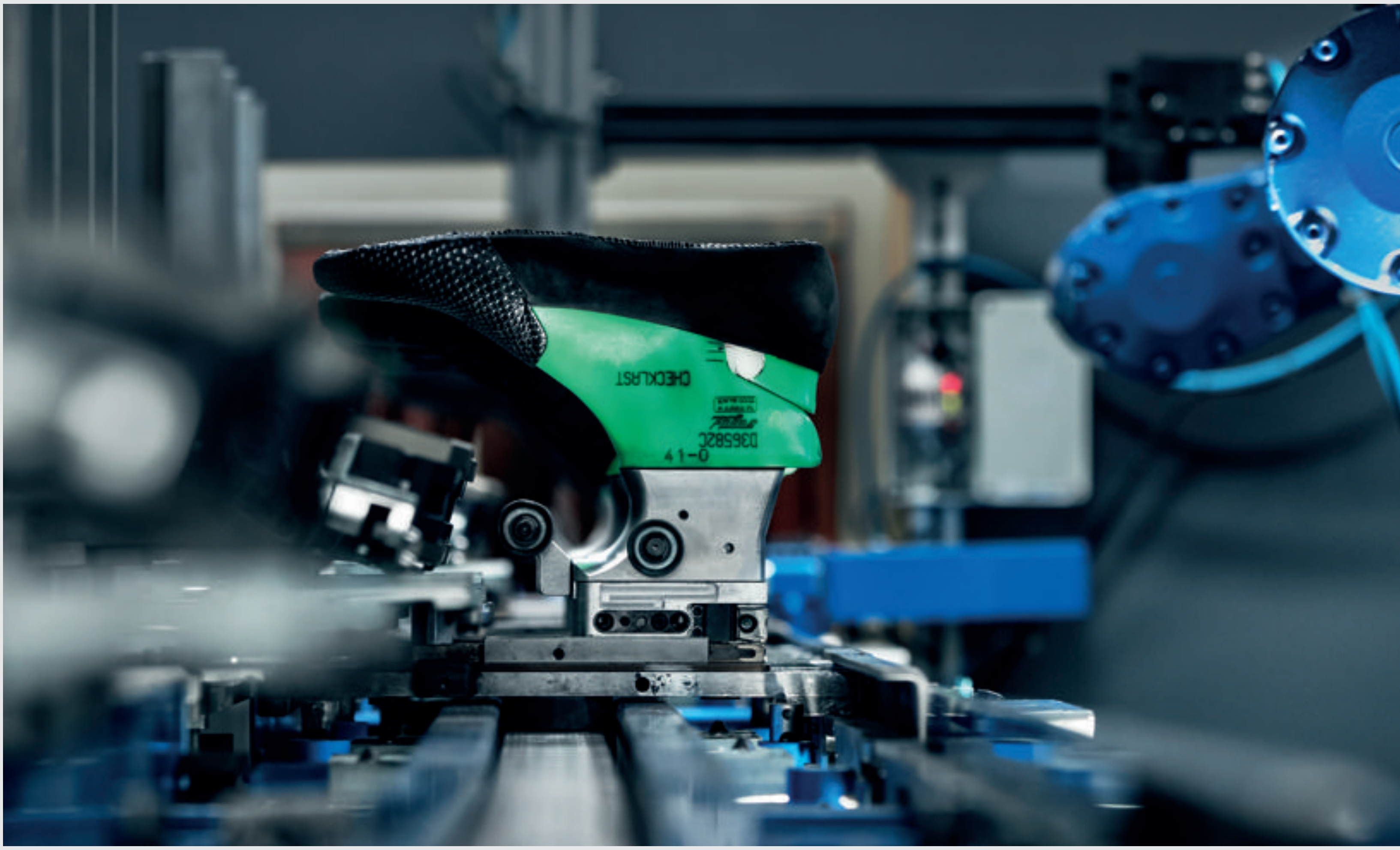
ECCO Accessories experienced continued sales growth across most of its Asian markets in 2017. Japan produced particularly impressive results, with an increase of 27.1% over 2016. Sales also grew in China, where a string of new product launches were well received by consumers.

The situation was more challenging in Europe, due to strong competition in the accessories market. This was especially the case in the Scandinavian countries, which struggled to maintain the sales growth rates of previous years in the wholesale channel. On the other hand, the sell-through in ECCO´s European retail business delivered an improved performance compared to 2016.

In 2017, ECCO Accessories launched a new belt collection inspired by one of ECCO's heritage products, the box-stitching on the ECCO Joke. The new collection, which is mostly handcrafted, was well received across all regions.

The sales outlook for 2018 remains positive, and there will be continued product launches and further distribution developments to support continuous growth.

ECCO SP2, BAG



An important element of ECCO's production is the last used to shape the shoe into the perfect fit for the foot.

GLOBAL SHOE PRODUCTION

ECCO's shoe production recorded another successful year in 2017.

The trend of increasing ECCO's own production and decreasing external sourcing of some shoe components, continued during 2017.

Due to this changed supply pattern, the decision was made to close the sourcing office in Dongguan, China, in the first half of 2017, with the remaining sourcing tasks shifting to the sourcing office in India, and to Global Shoe Production and Sourcing's head office in Singapore.

Due to the increased demand for own production, which now exceeds 98%, additional injection shifts were added in the European factories. New larger and faster injection machines were also installed in Slovakia and Indonesia in late 2017, for start-up by the end of January 2018. Planned investments in new technology and cutting machines across the factories in 2018 will also help drive initiatives that will improve efficiencies and lower costs.

ECCO LEATHER

Headquartered in Dongen in the Netherlands, ECCO Leather has built a strong reputation for being among the world´s most advanced research and development facilities. ECCO's tanneries are operated in Europe, South East Asia, and the Far East.

Half of the leather produced at ECCO's tanneries is sold outside of ECCO, and most of this is used to manufacture bags and small leather goods.

2017 was a successful year for ECCO Leather, with the introduction of unique new types of leather such as DYNEEMA® BONDED LEATHER BY ECCO, which is a lightweight, super-strong material that is tear-resistant and yet still looks and feels luxurious.

By using the characteristics of denim, ECCO Leather was among the world's first companies to create genuine indigo finishes for leather, using bovine and camel hides.

Another example of great innovation, which explains why many consider ECCO Leather to be one of the world's leading facilities for leather tanning technologies, is the creation of the world's first transparent cow-skin leather, ECCO APPARITION. It was created by a small team from ECCO Leather, and Innovation Lab ECCO. The team worked for three years, studying old Egyptian and Greek tanning techniques. By combining these with modern industrial methods, a break-through was reached.

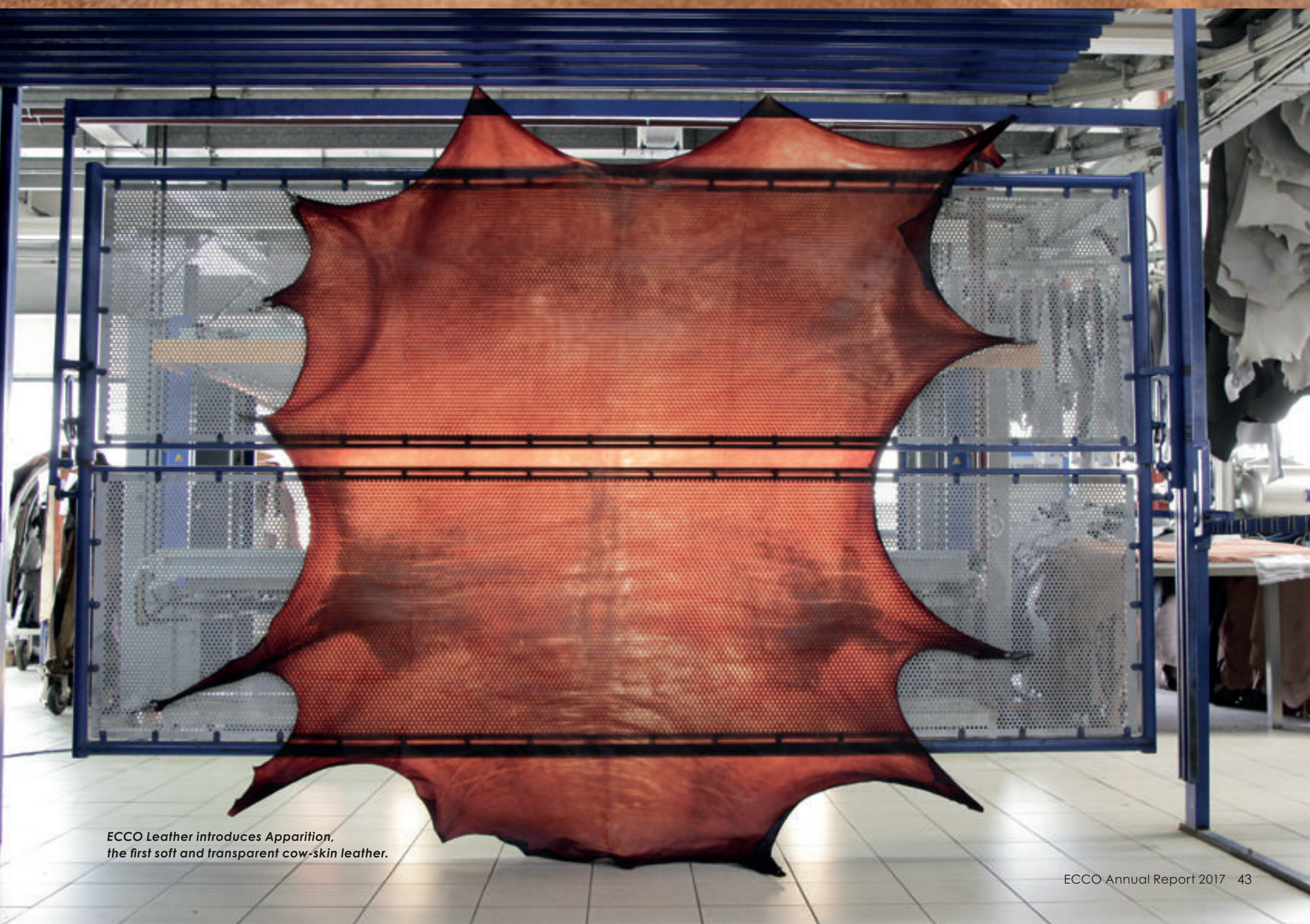
The result is a soft, transparent cow-skin leather - pliable, strong, easily workable and waterproof. It is available and ready to be used in anything from bags to shoes and jackets.

Because of this mix of science and fashion, ECCO Leather was rated one of 10 brands worldwide in 2017 which performed best on the fabric and innovation front, according to the prestigious website and magazine HIGHSNOBIETY.com.

The overall strategy of remaning a market leader in premium leather production, while maintaining a strong and secure foothold in the shoe market, was met.

ECCO's commitment to the art and science of leather tanning is unique within the shoemaking world, and ECCO's tanneries are all Gold rated by the Leather Working Group (LWG). This makes ECCO Leather an attractive business partner, which now provides leather to some of the world's most exclusive and iconic lifestyle and fashion brands. In order to retain these important clients, it is necessary to act and deliver fast and in many colours.

For the 10th year, ECCO Leather hosted its HOT-SHOP in 2017, providing a space for creatives from all over the world to get a hands-on experience working with different types of leathers, and trying to come up with new inventions. The participants include cutting-edge shoe and fashion designers who either work for themselves or are employed by prestigious brands such as Nike, Burberry, and Michael Kors. But the collaborative and multi-disciplinary event also includes buyers, production managers, marketers, and leather technicians.



ECCO Leather introduces Apparition, the first soft and transparent cow-skin leather.

ECCO's experimental store K-9 offers limited-edition designs outside of the regular ECCO range.

W-21 AND K-9 EXPERIMENTAL STORES

In 2017, ECCO opened its second experimental store, K-9, at Kronprinsensgade 9 in the centre of Copenhagen. Like the first of its kind, W-21 in Amsterdam, K-9 offers collections for both men and women which are built around innovations and collaborations inspired by the transition of the seasons.

This store concept is deliberately very different to the various established styles and layouts of ECCO stores. The storefronts carry K-9 and W-21 as the main brandmarks on the facades, with the ECCO logo present, but in a subtle way.

Every spring, summer, autumn, and winter, a guest designer, or 'guest hacker', is invited to the archives of ECCO Leather's Dutch tannery to select what he or she thinks are the most interesting premium leathers and unique finishes, and uses them to transform iconic ECCO shoe styles into limited-edition versions available only at these two stores; which, in a sense, makes them collector's items. Despite the fact that these designs are experimental, they still carry the ECCO brand.

The K-9 and W-21 stores will continue to showcase the results of unusually imaginative designs, supported by state-of-the-art production technologies, store layouts, merchandising, and marketing activities. These will all be refined and will eventually influence key aspects of the mainstream ECCO business.

These stores also provide a physical space for our international team of industrial designers, researchers, engineers, and futurists from ILE (Innovation Lab ECCO) to try out their creative ideas. K-9 and W-21 help ILE to continually push the limits of premium footwear technology and design to create advanced, high-quality products that are comfortable and unique.

The 2017 intake of ECCO NextGen.

NEXTGEN

2017 saw the rebranding of the Global Trainee Programme, which has been renamed ECCO NextGen, to capture the ethos and purpose of this international career development opportunity. Changes to ECCO NextGen rolled out in 2017, included enhanced structured learning.

ECCO NextGen gives young people from different cultures, ethnicities, and educational backgrounds an opportunity to start their business careers at ECCO, with a blend of on-the-job learning, structured learning, and mentoring. This ensures that the trainees are developed and prepared to take on a permanent position within ECCO's global organisation after graduation.

The annual intake of ECCO NextGen is open to students with educational qualifications ranging from high school diplomas to Masters degrees. They are given a detailed introduction to the international scope of the company, and gain practical knowledge about shoe and leather production during periods spent at ECCO production units. They also experience our retail organisation and work in customer-facing retail sales.

After this, they take part in international job rotations to gain practical, on-the-ground insights into ECCO's global organisation, as well as building potentially important networks of colleagues around the world. The job rotations are tailored to support individuals likely career paths within ECCO.

The detailed training programme ensures that, once they enter ECCO's management structure, NextGen graduates understand, through personal experience, the full ECCO value chain, from Hide to High Street. ECCO NextGens receive a salary during their time on the programme, as they perform genuine operational roles within the organisation.

The key challenge to the success of ECCO NextGen is attracting and selecting bright young people who are ambitious, hardworking, and internationally-minded. In selecting the candidates, ECCO assesses their ability to navigate through the complexities of a global business, working across cultures, and their long-term potential to add value to the business worldwide.

There are two ECCO NextGen management programmes. The three-year programme is aimed at high school graduates and university graduates with Bachelor degrees; and the two-year programme is for graduates with Masters degrees. You can read much more about our NextGen programme here: *http://e.cco.to/nextgen*

Cyber risks remain a significant threat to businesses across the globe.

RISK FACTORS AND RISK MANAGEMENT

ECCO is exposed to a number of business risks that may adversely impact our ability to reach our financial and strategic objectives. In order to pursue business opportunities, ECCO consciously takes on certain risks, and effective risk management enables us to continuously monitor risks and implement appropriate measures if necessary.

The Supervisory Board is ultimately accountable for ECCO's risk management. Key risks are reviewed by the Managing Board on a quarterly basis. If necessary, the Managing Board initiates additional initiatives and delegates mitigation responsibility. Subsequently, the Audit Committee and Supervisory Board are briefed on any key developments.

Examples of significant risks include cyber security, tax risks, internal supply chain disruption, illegal use of ECCO IPR, and financial risks.

Cyber risks

Cyber risks continue to be a major risk to ECCO and, like any other company, ECCO is exposed to the threat of cyber attacks. The potential consequences from a cyber attack can be massive, ranging from data breaches to direct financial losses, business interruption, and damage to brand reputation. To mitigate the risk of cyber attacks, ECCO is taking the necessary steps to prevent, detect, and respond to potential threats. In 2017, it has strengthened its risk shield – for example with internal auditing to ensure compliance with internal policies and to detect and mitigate potential breaches. ECCO will, in 2018, dedicate even more resources to this area.

Tax risk
Transfer pricing is still the number one tax issue, where the risk could be double taxation. Transfer pricing is not an exact science and is therefore a highly disputed area. ECCO follows OECD guidelines in setting 'arm's length' transfer prices for all transactions and has developed a transfer pricing policy, supported by appropriate documentation.

To create as much certainty as possible, ECCO has applied for its first bilateral advance pricing agreement (Bilateral APA). A bilateral APA is an upfront agreement between tax authorities in two countries, covering the pricing for significant intercompany transactions. It is ECCO's intention to have a broad range of bilateral APAs, covering the majority of intercompany transactions within the Group.

In 2015, ECCO lost a Danish transfer pricing case, regarding the financial year 2005, in the Danish National Tax Tribunal by two votes against one. ECCO appealed the case to the Western High Court, and it is currently being re-examined.

Internal supply chain disruption
ECCO owns and controls the entire shoemaking process, from the tanning of hides, to shoe production, and sales of products to consumers. This means that ECCO's tanneries, factories, and stores are co-dependent, and a disruption in one area may influence the entire value chain, including sales to consumers. For example, a factory fire or natural catastrophe could significantly affect the Group's operations. Prepared mitigation actions include measures to prevent fires, contingency plans, and suitable insurance cover.

Illegal use of ECCO IPR
ECCO's Intellectual Property Rights (IPR) is a uniquely valuable core asset, and ECCO is very alert to the constant threat of individuals or companies who may try to penetrate, or copy, ECCO's IPR and brand. This could potentially lead to a loss of competitive advantage, or damage the perception of the ECCO brand. To mitigate this, ECCO protects its designs and new developments rigorously as possible through patents, trademarks, and design rights. ECCO also constantly monitors its new products, both online and offline. When required, the company rigorously defends IPR and brand positions against copycats, as well as other infringements, through legal action.

Impact from financial markets
ECCO's Group Treasury ensures that the Group has access to adequate funding at all times. The Group's financial strength is robust enough to deal with fluctuations in net working capital caused by sales patterns in ECCO's seasonal markets, which traditionally have two annual peaks.

The Group Treasury functions as ECCO's internal bank, providing loans and deposits, as well as currency hedging within the Group.

ECCO is exposed to currency fluctuations, internationally. ECCO's foreign exchange policy ensures that all significant currency exposures are hedged. The policy's hedging horizon has a range of 12 to 27 months, depending on the perceived underlying exposure.

The Group's interest rate risks are reduced by taking up fixed-interest loans, or by entering into interest rate swaps.


ANNUAL ACCOUNTS 2017

STATEMENT BY THE MANAGEMENT

Today, Managing Board and the Supervisory Board have discussed and approved the annual report of ECCO Sko A/S for the financial year 1 January - 31 December 2017.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the Parent Company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2017, and of the results of the Group's and the Parent Company's operations and the consolidated cashflows for the financial year 1 January – 31 December 2017.

Further, in our opinion, the Management's review gives a fair view of the developments in the Group's and the Parent Company's operations and financial matters, and the results of the Group's and the Parent Company's operations and financial position.

We recommend that the annual report be approved at the Annual General Meeting.

Bredebro, 13th March 2018

SUPERVISORY BOARD

Hanni Toosbuy Kasprzak
Chairman

Karsten Borch
Vice Chairman

André Kasprzak
Member, Supervisory Board

Tom Behrens-Sørensen
Member, Supervisory Board

Erik G. Hansen
Member, Supervisory Board

Kjeld Mortensen
Employee Representative

Majbritt Aarup Lausen
Employee Representative

Bernd Scheelke
Employee Representative

MANAGING BOARD

Steen Borgholm
Chief Executive Officer

Michel Krol
Executive Vice President, Global Sales

Panos Mytaros
Executive Vice President, Global Shoe Production

ECCO's Managing Board.
From left, Panos Mytaros, Steen Borgholm, and Michel Krol.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ECCO SKO A/S

Opinion
We have audited the consolidated financial statements and the parent company financial statements of ECCO Sko A/S for the financial year 1 January – 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2017 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 January – 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements
Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review
Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Bredebro, 13th March 2018

ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR No.: 30 70 02 28

Torben Bender	Jens Weiersøe Jakobsen
State Authorised Public Accountant	*State Authorised Public Accountant*
MNE no. mne21332	*MNE no. mne30152*

INCOME STATEMENT 2017

Note	EUR '000	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
2	**Net revenue**	**1,275,960**	**1,250,919**	**726,104**	**719,966**
	Change in inventories of finished products and work in progress	674	22,860	(4,569)	(4,926)
	Cost of raw materials and consumables	(459,767)	(507,080)	(597,875)	(597,979)
	Other external costs	(239,557)	(228,235)	(41,335)	(32,448)
3	Staff costs	(336,045)	(317,011)	(51,436)	(51,719)
6,7	Amortisation and depreciation	(50,694)	(49,417)	(8,331)	(9,001)
	Profit before financials	**190,571**	**172,036**	**22,558**	**23,893**
4	Financial income	4,004	7,401	5,372	9,705
4	Financial expenses	(10,739)	(9,275)	(4,814)	(4,212)
8	Profit from subsidiaries	-	-	91,096	80,830
	Profit before tax	**183,836**	**170,162**	**114,212**	**110,216**
5	Income tax	(45,555)	(37,261)	(4,953)	(6,002)
	Profit for the year	**138,281**	**132,901**	**109,259**	**104,214**

The profit for the year for the Group is specified as follows:

	2017	2016
Shareholders of ECCO Sko A/S	109,259	104,214
Non-controlling interests	29,022	28,687
	138,281	**132,901**

BALANCE SHEET AS OF 31 DECEMBER 2017

		Group		Parent Company	
	Assets	2017	2016	2017	2016
Note	EUR '000				
	NON-CURRENT ASSETS				
	Patents, trademarks, licences	1,084	1,155	1,082	1,153
	Software	11,383	7,926	10,535	6,697
	Goodwill	4,079	2,326	633	719
	Leasehold rights	2,697	-	-	-
6	**Total intangible assets**	**19,243**	**11,407**	**12,250**	**8,569**
	Land and buildings	107,086	126,409	19,398	21,401
	Plant and machinery	46,485	54,335	779	1,010
	Fixtures and fittings, tools, and equipment	36,523	38,303	6,916	7,114
	Property, plant, and equipment under construction	20,842	12,834	3,770	6,988
7	**Total property, plant, and equipment**	**210,936**	**231,881**	**30,863**	**36,513**
8,9	Investments in subsidiaries	-	-	423,011	434,195
8	Receivables from subsidiaries	-	-	74,036	112,483
	Other receivables	41,668	53,027	32,569	44,351
10	Deferred tax	38,777	33,984	8,588	4,638
	Total other non-current assets	**80,445**	**87,011**	**538,204**	**595,667**
	TOTAL NON-CURRENT ASSETS	**310,624**	**330,299**	**581,317**	**640,749**
	CURRENT ASSETS				
	Raw materials and consumables	70,576	70,486	875	1,130
	Work in progress	5,243	4,474	-	-
	Finished products and commercial products	244,575	244,670	66,433	71,002
	Total inventories	**320,394**	**319,630**	**67,308**	**72,132**
	Trade receivables	123,285	134,120	12,060	6,358
	Receivables from subsidiaries	-	-	112,761	108,796
	Receivables from affiliated companies	20,302	26,283	36	53
	Other receivables	27,936	29,868	11,387	4,254
	Income tax	4,670	11,129	214	3,866
11	Prepayments	10,368	11,866	2,622	5,252
	Total receivables	**186,561**	**213,266**	**139,080**	**128,579**
	Securities	**22**	**23**	**-**	**-**
	Cash	**177,994**	**159,674**	**5,964**	**2,203**
	TOTAL CURRENT ASSETS	**684,971**	**692,593**	**212,352**	**202,914**
	TOTAL ASSETS	**995,595**	**1,022,892**	**793,669**	**843,663**

BALANCE SHEET AS OF 31 DECEMBER 2017

		Group		Parent Company	
	Equity and liabilities	2017	2016	2017	2016
Note	EUR '000				
	Share capital	666	666	666	666
	Reserve for net revaluation according to the equity method	-	-	255,814	266,060
	Retained earnings	497,457	510,885	241,643	244,825
	Dividend proposed for the year	94,000	84,000	94,000	84,000
	ECCO Sko A/S shareholders' share of equity	**592,123**	**595,551**	**592,123**	**595,551**
	Non-controlling interests	**98,881**	**86,652**	**-**	**-**
	Total equity	**691,004**	**682,203**	**592,123**	**595,551**
12	Provision for pensions	20,334	17,258	-	-
10	Deferred tax	5,451	1,668	-	-
	Other provisions	2,881	1,405	-	-
	Credit institutions	53,043	104,611	46,714	100,417
13	**Total non-current liabilities**	**81,709**	**124,942**	**46,714**	**100,417**
	Short-term part of non-current liabilities	20,628	7,438	568	564
	Credit institutions	8,403	12,374	8,147	10,775
	Trade payables	59,297	64,117	11,694	14,385
	Payables to subsidiaries	-	-	112,563	84,988
	Payables to affiliated companies	25,686	6,694	-	35
	Income tax	16,768	18,907	-	-
14	Other payables	92,100	106,217	21,860	36,948
	Total current liabilities	**222,882**	**215,747**	**154,832**	**147,695**
	Total liabilities	**304,591**	**340,689**	**201,546**	**248,112**
	TOTAL EQUITY AND LIABILITIES	**995,595**	**1,022,892**	**793,669**	**843,663**

1 Accounting policies
15 Financial instruments
16 Contingent liabilities and guarantees etc,
17 Fees to auditors appointed at the Annual General Meeting
18 Related parties
19 Profit allocation
20 Significant events after the end of the financial year

CHANGES IN EQUITY STATEMENT 2017

GROUP EUR '000	Share capital	Retained earnings	Proposed dividend	Total	Non-controlling interests	Total Equity
Equity at 1 January 2016	**663**	**473,713**	**105,000**	**579,376**	**63,460**	**642,836**
Additions	-	-	-	-	1,100	1,100
Disposals	-	-	-	-	(6,724)	(6,724)
Dividend paid	-	-	(105,000)	(105,000)	-	(105,000)
Profit allocation	-	20,214	84,000	104,214	28,687	132,901
Exchange rate adjustments	3	9,516	-	9,519	129	9,648
Adjustment of currency hedges of future sales and financial swaps	-	10,376	-	10,376	-	10,376
Actuarial gains / (losses)	-	(3,336)	-	(3,336)	-	(3,336)
Tax on equity transactions	-	403	-	403	-	403
Equity at 1 January 2017	**666**	**510,885**	**84,000**	**595,551**	**86,652**	**682,203**
Additions	-	-	-	-	740	740
Disposals	-	-	-	-	(21)	(21)
Dividend paid	-	-	(84,000)	(84,000)	(8,379)	(92,379)
Profit allocation	-	15,259	94,000	109,259	29,022	138,281
Exchange rate adjustments	-	(34,952)	-	(34,952)	(9,133)	(44,085)
Adjustment of currency hedges of future sales and financial swaps	-	11,958	-	11,958	-	11,958
Actuarial gains / (losses)	-	(2,958)	-	(2,958)	-	(2,958)
Tax on equity transactions	-	(2,735)	-	(2,735)	-	(2,735)
Equity at 31 December 2017	**666**	**497,457**	**94,000**	**592,123**	**98,881**	**691,004**

PARENT COMPANY EUR '000	Share capital	Net revaluation according to the equity method	Retained earnings	Proposed dividend	Total Equity
Equity at 1 January 2016	**663**	**217,542**	**256,171**	**105,000**	**579,376**
Dividend paid	-	-	-	(105,000)	(105,000)
Profit allocation	-	35,625	(15,411)	84,000	104,214
Exchange rate adjustments	3	8,003	1,513	-	9,519
Adjustment of currency hedges of future sales and financial swaps	-	7,437	2,938	-	10,375
Actuarial gains / (losses)	-	(3,336)	-	-	(3,336)
Tax on equity transactions	-	789	(386)	-	403
Equity at 1 January 2017	**666**	**266,060**	**244,825**	**84,000**	**595,551**
Dividend paid	-	-	-	(84,000)	(84,000)
Profit allocation	-	35,871	(20,612)	94,000	109,259
Exchange rate adjustments	-	(34,058)	(894)	-	(34,952)
Adjustment of currency hedges of future sales and financial swaps	-	(11,353)	23,311	-	11,958
Actuarial gains / (losses)	-	(2,958)	-	-	(2,958)
Tax on equity transactions	-	2,252	(4,987)	-	(2,735)
Equity at 31 December 2017	**666**	**255,814**	**241,643**	**94,000**	**592,123**

CONSOLIDATED CASHFLOW STATEMENT 2017

EUR '000	2017	2016
Cashflow from operating activities		
Profit before tax	183,836	170,162
Adjustment for non-cash operating items:		
Amortisation and depreciation	50,694	49,417
Exchange rate adjustments	(24,191)	17,410
Financial income/expenses net	6,735	1,874
Working capital adjustments:		
(Increase)/decrease in inventories	(764)	(28,086)
(Increase)/decrease in receivables	31,604	8,920
Increase/(decrease) in trade payables	(5,042)	6,392
Increase/(decrease) in other payables	(14,117)	(3,874)
Increase/(decrease) in provisions	2,181	5,103
Income taxes paid	(42,245)	(30,514)
Total cashflow from operating activities	**188,691**	**196,804**
Cashflow from investing activities		
Net payments to invest in non-current assets:		
Intangible assets	(12,948)	(5,502)
Property, plant, and equipment	(35,894)	(45,069)
Total cashflow from investing activities	**(48,842)**	**(50,571)**
Cashflow from financing activities		
Financial income/expenses net	(6,735)	(1,874)
Non-controlling interests	(7,661)	(5,624)
(Repayment of)/proceeds from debt to credit institutions	(23,134)	19,785
Dividend paid	(84,000)	(105,000)
Total cashflow from financing activities	**(121,530)**	**(92,713)**
Cashflow from operating, investing, and financing activities	18,319	53,520
Cash and cash equivalents at beginning of year	159,697	106,177
Cash and cash equivalents at year-end	**178,016**	**159,697**
Breakdown of cash and cash equivalents		
Securities	22	23
Cash	177,994	159,674
Cash and cash equivalents at year-end	**178,016**	**159,697**

NOTES

1. Accounting policies

The annual report of ECCO Sko A/S for 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C companies. The annual report is presented in Euros at a EUR/DKK rate of 7.44.

The financial statements have been presented using the same accounting principles as last year.

Basis of consolidation
The consolidated financial statements comprise ECCO Sko A/S and subsidiaries in which ECCO Sko A/S has a controlling influence on those companies' operations. The consolidated financial statements are prepared on the basis of the audited financial statements of ECCO Sko A/S and its subsidiaries, by adding items of a similar nature. The financial statements used for consolidation are adapted to the accounting policies of the Group.

On consolidation, inter-company income and expenses, inter-company accounts and profits on inter-company sales, and purchases between the consolidated companies are eliminated.

The income statements of foreign subsidiaries are translated at average exchange rates and the balance sheet is translated at the exchange rates applicable on the balance sheet date. Exchange differences arising from the translation of the opening equity of foreign subsidiaries at the exchange rates applicable on 31 December, the differences between the net profit of subsidiaries at average exchange rates, and the exchange rates applicable at 31 December are recognised in equity. Currency translation of receivables from foreign subsidiaries, where the receivables are part of the total investment in the subsidiary, is recognised directly in equity.

In the consolidated financial statements, the items of subsidiaries are recognised in full. Non-controlling interests' share of the profit/loss for the year and of the equity of subsidiaries which are not wholly-owned are included in the Group's profit/loss and equity, respectively, but are disclosed separately.

Business combinations
Recently acquired or formed entities are recognised in the consolidated financial statements from the date of acquisition or formation. Entities sold or otherwise disposed of are recognised in the consolidated income statement until the date of disposal. Comparative figures are not restated in respect of recently acquired or sold entities.

Gains or losses on disposal of subsidiaries and associates are made up as the difference between the sales price and the carrying amount of net assets at the date of disposal plus non-amortised goodwill and anticipated selling costs.

Corporate acquisitions are accounted for using the purchase method according to which the acquired entity identifiable assets and liabilities are measured at fair value at the date of acquisition. Restructuring costs recognised in the acquired entity before the date of acquisition and not agreed as part of the acquisition are part of the acquisition balance sheet and, hence, the calculation of goodwill. Costs relating to restructuring decided by the acquiring entity are recognised in the income statement. The tax effect of the restatement of assets and liabilities is taken into account.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill) is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset.

Negative differences (negative goodwill) are recognised as income in the income statement at the time of acquisition.

Intra-group business combinations
The book value method is applied to business combinations such as acquisition and disposal of investments, mergers, demergers, additions of assets, and share conversions etc., in which entities controlled by the Parent Company are involved, provided that the combination is considered completed at the time of acquisition without any restatement of comparative figures.

Non-controlling interests
On initial recognition, non-controlling interests are measured at the fair value of the non-controlling interests' ownership share or at the non-controlling interests' proportionate share of the fair value of the

acquired entity's identifiable assets, liabilities, and contingent liabilities.

In the former scenario, goodwill relating to the non-controlling interests' ownership share in the acquired entity is thus recognised, while, in the latter scenario, goodwill relating to the non-controlling interests' ownership share is not recognised. Measurement of non-controlling interests is chosen on a transaction-by-transaction basis.

Foreign currency translation
On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rate at the transaction date and the rate at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at closing rates. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Derivative financial instruments
On initial recognition, derivative financial instruments are recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

Fair value adjustments of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with fair value adjustments of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised in other receivables or other payables and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously recognised in equity are transferred to the income statement in the period in which the hedged item affects the income statement.

Fair value adjustments of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement on a current basis.

Fair value adjustments of derivative financial instruments held to hedge net investments in independent foreign subsidiaries or associates are recognised directly in equity.

Income statement
Net revenue: Sales are recognised when the risk has been passed to the customer. Net revenue consists of amounts invoiced, excluding VAT, and after deduction of returned products, discounts, and rebates.

Raw materials and consumables: These include raw materials and consumables used for in-house production. The costs shown include consumption of commercial products.

Other external costs: These costs cover equipment and expenses relating to the company's primary ordinary activities, including lasts, cutting dies, maintenance, rent of plant, premises, office and sales promotion expenses, and fees.

Staff costs: These costs comprise remuneration to employees, including pension and social security payments.

Profit from subsidiaries: This comprises the proportionate share of profit after tax, excluding unrealised inter-company profits.

Financial income and expenses: Financial income and expenses include interest income and expenses, realised and unrealised exchange rate gains and losses on deposits/loans, and other bank charges.

NOTES

Income tax: Estimated tax on the profit for the year is recognised in the income statement, together with the year's adjustment in deferred tax.

ECCO Sko A/S and its Danish subsidiaries are governed by the Danish regulations regarding mandatory joint taxation. Subsidiaries are part of joint taxation arrangements from the moment they become part of the consolidation in the Annual Accounts, to the moment they are omitted from the consolidation.

Danish corporate tax, at the current rate, is allocated by paying a joint taxation contribution from the companies in the joint taxation arrangement. The contribution is allocated according to their taxable income. Companies in the joint taxation arrangement which have a taxable deficit receive joint taxation contributions from companies which have been able to use this deficit to reduce their taxable income.

The income tax for this year is part of the income statement with the share which can be assigned to profit of the year and is part of the equity with the share which can be allocated to entries in equity.

According to Danish regulations regarding mandatory joint taxation, the liabilities of ECCO Sko A/S and its Danish subsidiaries to the tax authorities are settled when the companies have paid the joint taxation contribution to the administrative company.

Deferred tax is measured on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes or on other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting neither the profit/loss for the year nor the taxable income.

Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Balance sheet
Assets
Intangible assets: These are recognised at cost, excluding interest, less accumulated amortisation and write-downs to a lower recoverable amount. Amortisation is charged on a straight-line basis over the useful life of the assets.

Development projects: Projects that are clearly defined and identifiable, where the technical feasibility, adequate resources, and potential market or development potential can be demonstrated, and where the intention is to produce, market, or use the project, are recognised as intangible assets, if the cost can be measured reliably and there is sufficient assurance that future earnings can cover the costs.

Development projects that are recognised at cost under intangible assets are amortised over the expected useful life of the project, which is equal to the normal planning period (typically up to 5 years).

The development costs that do not meet the criteria for recognition in the balance sheet are recognised as costs in the income statement.

Patents and trademarks: The costs of registering new patents and trademarks are recognised and amortised over the term of the patent/trademark or its economic life (typically up to 5 years). The costs of maintaining existing patents/trademarks are recognised in the income statement.

Software: The costs of software are amortised over the expected lifetime of typically 3-5 years.

NOTES

Goodwill on consolidation: This is determined at the date of acquisition as the difference between the cost and fair value of net assets. Goodwill is capitalised and amortised on a straight-line basis over the expected useful economic life of the assets, determined on the basis of earnings projections for the individual business areas (typically 5-10 years).

If the transaction relates to non-controlling interests in a company where the ECCO Group has control, any difference between the cost and fair value of net assets is adjusted directly in equity. If the cost is lower than the fair value of net assets, impairment is considered, before the amount is adjusted in equity.

Leasehold rights: Payments to take over leases ("key money") are classified as leasehold rights. The costs of leasehold rights are recognised and amortised over the term of the lease or its economic life (typically up to 10 years).

Property, plant, and equipment: This is recognised at cost, excluding interest, less accumulated depreciation and write-downs to a lower recoverable amount. Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. Where individual components of an item of property, plant, and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Depreciation is charged on a straight-line basis over the expected useful lives of the assets.

The expected useful lives of fixed assets are as follows:

- Buildings: 20-30 years

- Plant and machinery, vehicles, fixtures and fittings: 3-10 years

- Land is not depreciated

The depreciation periods and residual values are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

Leases of assets where the ECCO Group has substantially all risks and rewards of ownership are capitalised as finance leases under property, plant, and equipment and depreciated over the estimated useful lives of the assets, according to the periods listed under the section property, plant, and equipment. The corresponding finance lease liabilities are recognised in liabilities.

Operating lease expenses are recognised in the income statement on a straight-line basis over the period of the lease.

The recoverable amount is defined as the highest value of the net sales value, and the value in use. The value in use is determined as the present value of expected cashflows from the use of the assets, or the asset group, and expected cashflows from disposal of the assets, or the asset group after useful life.

Investment grants are offset against the assets that form the basis for the grants.

Investments: Investments in subsidiaries are recognised by applying the equity method at the proportionate share of the equity of the companies. This determination is based on the Group's accounting policies, less unrealised inter-company profits.

Net revaluation of investments in subsidiaries is recognised in the reserve for net revaluation according to the equity method in equity where the carrying amount exceeds cost. Dividends from subsidiaries which are expected to be declared before the annual report of ECCO Sko A/S is adopted are not taken to the net revaluation reserve.

Write-downs: The carrying amount of intangible assets, property, plant and equipment, and investments in subsidiaries is reviewed at the balance sheet date to determine if there are indications of decreases in value. If this is the case, the recoverable amount of the asset is determined to assess the need for recognition of any write-downs.

Inventories: Raw materials are measured at cost and are determined on the basis of the most recent purchases. Work in progress and finished products are measured at cost, consisting of the cost of raw materials and consumables and manufacturing costs, plus a share of production overheads. Commercial products are valued at their acquisition price. Products with a net realisable value lower than the cost or acquisition price are written down to the lower value.

Receivables: These are measured at amortised cost, less provisions for anticipated losses, which are determined based on an individual evaluation.

Prepayments: These are costs incurred relating to the following accounting year.

Securities: Securities include shares that can be converted into cash with no restrictions. These are measured at the most recently quoted market price.

Cash: Cash includes cash on hand and bank deposits that can be converted into cash on a short-term basis.

Equity

Reserve for net revaluation according to the equity method: Net revaluation of investments in subsidiaries and associates is recognised at cost in the reserve for net revaluation according to the equity method.

The reserve can be eliminated in case of losses, realisation of investments, or a change in accounting estimates.

The reserve cannot be recognised as a negative amount.

Reserve for development costs: The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividend or cover losses. The reserve will be reduced or dissolved if the recognised development costs are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

Dividend: Dividend proposed for the year is recognised as a liability in the financial statements at the time of adoption by the shareholders at the Annual General Meeting. The dividend proposed in respect of the financial year is stated as a separate item under equity.

Liabilities

Provision for pensions: There are two types of pension plans: defined contribution plans and defined benefit plans.

Under defined contribution plans, the Group recognises the pension contributions, which can either be a fixed amount or a fixed percentage of the monthly salary, in the income statement as they are paid to independent pension insurance companies. Any unpaid contributions are recognised in the balance sheet as a liability.

Under defined benefit plans, the Group has an obligation to pay a fixed amount or a fixed percentage of the salary at retirement. This means that the Group carries the risk of any changes in the actuarially calculated capital value of the pension plans. Annual actuarial calculations are made of the present value of the future benefits to which the employees are entitled. The present value is calculated based on a number of assumptions relating to the future development in salary levels and interest, inflation, and mortality rates. The present value of the defined benefit obligation is recognised in the balance sheet as a liability. Actuarial gains or losses are recognised directly in equity.

Other provisions: These comprise the anticipated costs of warranty obligations, restoration, and restructuring. Provisions are recognised when, as a consequence of a past event, the company has a legal or constructive obligation and it is likely that the obligation will materialise.

Non-current debt to credit institutions: This comprises committed loans and credit facilities with a maturity beyond 1 year. All non-current debt is measured at amortised cost.

Current liabilities: This comprises all uncommitted loans, and committed loans and credit facilities, with maturity less than 1 year. Furthermore, suppliers, affiliates, and other payables are included. All short-term debt is measured at amortised cost, which generally corresponds to the nominal value.

Cashflow statement

The presentation of the cashflow statement follows the indirect method, based on earnings for the year.

NOTES

The cashflow statements show the cashflows for the year, the year's change in cash and cash equivalents, as well as cash and cash equivalents at the beginning and end of the year.

Cashflow from operating activities: Cashflow from operating activities is stated as earnings for the year, adjusted for non-cash income statement items and changes to working capital. The working capital is made up of current assets less current liabilities, excluding items which are recognised as cash or cash equivalents.

Cashflow from investing activities: Cashflow from investing activities comprises the acquisition and disposal of intangible and tangible assets.

Cashflow from financing activities: Cashflow from financing activities comprises borrowings and instalments on non-current liabilities, dividends paid, and the cashflow effect from minority interests.

Segment information
Information is disclosed by activity and geographical market. Segment information follows the Group's accounting policies, risks, and internal financial management.

NOTES

2. Segment information

EUR '000	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Segment information				
Shoes	1,109,654	1,096,032	721,876	716,448
Accessories	44,054	42,757	-	-
Leather	114,077	101,167	-	-
Others	8,175	10,963	4,228	3,518
Total net revenue	**1,275,960**	**1,250,919**	**726,104**	**719,966**
Net revenue Shoes & Accessories				
ECCO Europe, Middle East & Africa	500,363	526,148	421,176	410,228
ECCO North Americas	248,091	248,337	146,547	157,114
ECCO Asia / Pacific	405,254	364,304	154,153	149,106
Total Shoes & Accessories	**1,153,708**	**1,138,789**	**721,876**	**716,448**

Reference is made to the ECCO Group structure on pages 76 and 77 regarding the definition of the geographic regions.

3. Staff costs and management and staff information

EUR '000	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Salaries	296,322	278,965	48,744	49,002
Pensions and defined benefit plans	12,542	11,548	2,671	2,711
Other social security costs	27,181	26,498	21	6
Staff costs	**336,045**	**317,011**	**51,436**	**51,719**
Average number of employees	21,112	20,000	521	524
Number of employees at year-end	21,526	20,635	509	519
Fees to Managing Board and Supervisory Board:				
Managing Board	7,842	7,599	7,842	7,599
Supervisory Board	235	215	235	215

Staff costs classified as other comprehensive income are not included.

NOTES

4. Financial income and financial expenses

EUR '000	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Interest income external	4,004	4,105	2,168	2,708
Interest income from subsidiaries	-	-	3,204	3,304
Net exchange rate gains	-	3,296	-	3,693
Total financial income	**4,004**	**7,401**	**5,372**	**9,705**
Interest expenses external	(3,377)	(3,158)	(3,057)	(3,186)
Interest expenses to subsidiaries	-	-	(937)	(803)
Net exchange rate losses	(900)	-	(667)	-
Other financial expenses	(6,462)	(6,117)	(153)	(223)
Total financial expenses	**(10,739)**	**(9,275)**	**(4,814)**	**(4,212)**
Total net financial income and expenses	**(6,735)**	**(1,874)**	**558**	**5,493**

5. Income taxes

EUR '000	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Income tax for the year	49,783	40,210	13,838	6,408
Prior-year adjustment	(483)	(4,690)	52	(140)
Adjustment of deferred tax	(3,745)	1,741	(8,937)	(266)
Total income tax	**45,555**	**37,261**	**4,953**	**6,002**

NOTES

6. Intangible assets 2017

EUR '000	Development projects completed	Patents, trademarks, licences	Software	Goodwill	Leasehold rights	Total
GROUP						
Cost at 1 January	15	4,229	57,832	13,666	-	75,742
Currency translation		(2)	(904)	(237)	-	(1,143)
Additions	-	313	1,882	2,723	2,795	7,713
Transferred	-	(1)	6,393	-	-	6,392
Disposals	-	(153)	(1,570)	-	-	(1,723)
Cost at 31 December	**15**	**4,386**	**63,633**	**16,152**	**2,795**	**86,981**
Accumulated amortisation at 1 January	15	3,074	49,906	11,340	-	64,335
Currency translation	-	-	(848)	(222)	-	(1,070)
Amortisation	-	369	3,617	955	98	5,039
Transferred	-	-	(62)	-	-	(62)
Amortisation on disposals	-	(141)	(363)	-	-	(504)
Accumulated amortisation at 31 December	**15**	**3,302**	**52,250**	**12,073**	**98**	**67,738**
Carrying amount at 31 December	**-**	**1,084**	**11,383**	**4,079**	**2,697**	**19,243**
PARENT COMPANY						
Cost at 1 January	-	4,141	43,036	7,099	-	54,276
Currency translation	-	(7)	(68)	(11)	-	(86)
Additions	-	313	1,353	331	-	1,997
Transferred	-	(1)	6,477	-	-	6,476
Disposals	-	(153)	(1,360)	-	-	(1,513)
Cost at 31 December	**-**	**4,293**	**49,438**	**7,419**	**-**	**61,150**
Accumulated amortisation at 1 January	-	2,988	36,339	6,380	-	45,707
Currency translation	-	(5)	(60)	(10)	-	(75)
Amortisation	-	369	2,828	416	-	3,613
Amortisation on disposals	-	(141)	(204)	-	-	(345)
Accumulated amortisation at 31 December	**-**	**3,211**	**38,903**	**6,786**	**-**	**48,900**
Carrying amount at 31 December	**-**	**1,082**	**10,535**	**633**	**-**	**12,250**
Amortisation period	5 years	5 years	3-5 years	5-10 years	5-10 years	

Capitalised goodwill mainly relates to expansion of the production portfolio in accordance with the Group strategy.
The useful lifetime for goodwill has been determined to be 5-10 years considering the technological development and the expected economic benefits.

NOTES

7. Property, plant, and equipment 2017

EUR '000	Land and buildings	Plant and machinery	Fixtures and fittings, tools, and equipment	Property, plant, and equipment under construction	Total
GROUP					
Cost at 1 January	251,866	188,773	139,827	12,834	593,300
Currency translation	(10,695)	(9,613)	(7,117)	(492)	(27,917)
Additions	7,141	6,603	13,559	20,805	48,108
Transferred	267	2,529	3,042	(12,230)	(6,392)
Disposals	(5,558)	(4,060)	(12,991)	(75)	(22,684)
Cost at 31 December	**243,021**	**184,232**	**136,320**	**20,842**	**584,415**
Accumulated depreciation at 1 January	125,457	134,438	101,524	-	361,419
Currency translation	(4,503)	(7,097)	(5,133)	-	(16,733)
Depreciation	15,617	14,124	15,914	-	45,655
Transferred	189	(28)	(99)	-	62
Depreciation on disposals	(825)	(3,690)	(12,409)	-	(16,924)
Accumulated depreciation at 31 December	**135,935**	**137,747**	**99,797**	**-**	**373,479**
Carrying amount at 31 December	**107,086**	**46,485**	**36,523**	**20,842**	**210,936**
PARENT COMPANY					
Cost at 1 January	53,888	9,845	34,910	6,988	105,631
Currency translation	(85)	(15)	(55)	(11)	(166)
Additions	74	135	2,364	3,439	6,012
Transferred	-	-	170	(6,646)	(6,476)
Disposals	(118)	(145)	(8,912)	-	(9,175)
Cost at 31 December	**53,759**	**9,820**	**28,477**	**3,770**	**95,826**
Accumulated depreciation at 1 January	32,487	8,835	27,796	-	69,118
Currency translation	(53)	(14)	(46)	-	(113)
Depreciation	2,041	309	2,368	-	4,718
Depreciation on disposals	(114)	(89)	(8,557)	-	(8,760)
Accumulated depreciation at 31 December	**34,361**	**9,041**	**21,561**	**-**	**64,963**
Carrying amount at 31 December	**19,398**	**779**	**6,916**	**3,770**	**30,863**
Depreciation period	20-30 years	5-10 years	3-5 years		

NOTES

8. Other non-current assets, subsidiaries

EUR '000	Investments in subsidiaries 2017	Investments in subsidiaries 2016	Receivables from subsidiaries 2017	Receivables from subsidiaries 2016
Cost at 1 January	168,135	166,053	112,483	128,616
Additions	3,142	2,082	33,276	34,266
Disposals	(4,080)	-	(71,723)	(50,399)
Cost at 31 December	**167,197**	**168,135**	**74,036**	**112,483**
Accumulated revaluation at 1 January	266,060	217,542	-	-
Profit after tax of subsidiaries	91,096	80,830	-	-
Currency adjustment of foreign subsidiaries	(34,058)	8,003	-	-
Adjustment of currency hedging of future sales in subsidiaries	(9,781)	7,437	-	-
Actuarial gains/(losses)	(2,278)	(2,547)	-	-
Dividend	(55,225)	(45,205)	-	-
Net revaluation	(10,246)	48,518	-	-
Accumulated revaluation at 31 December	**255,814**	**266,060**	**-**	**-**
Carrying amount at 31 December	**423,011**	**434,195**	**74,036**	**112,483**

The carrying amount of investments in subsidiaries at 31 December 2017 includes Group goodwill of t. EUR 994.

NOTES

9. Investments in subsidiaries

	Country	Ownership interest	Share capital	
SHOE PRODUCTION				
ECCO (Thailand) Co., Ltd.	Thailand	100%	1,100,000	t.THB
ECCO Slovakia, a.s.	Slovakia	100%	7,634	t.EUR
Ecco'let (Portugal) - Fábrica de Sapatos, Lda.	Portugal	100%	8,270	t.EUR
P.T. ECCO Indonesia	Indonesia	100%	23,000	t.USD
ECCO Shoe Production Pte. Ltd.	Singapore	100%	16,000	t.USD
ECCO (Xiamen) Co. Ltd.	China	100%	15,600	t.USD
Xiamen ECCO Logistics Co. Ltd.	China	100%	150	t.CNY
ECCO (Dongguan) Business Consultancy Co. Ltd.	China	100%	500	t.USD
ECCO (Vietnam) Co. Ltd.	Vietnam	100%	135,295,000	t.VND
LAST PRODUCTION				
FAGUS Portugal, S.A.	Portugal	50%	200	t.EUR
FAGUS (Thailand) Co., Ltd.	Thailand	50%	8.500	t.THB
LEATHER				
Danna Leather (Xiamen) Co. Ltd.	China	100%	3.175	t.USD
ECCO Tannery Holding (Singapore) Pte. Ltd.	Singapore	100%	16.965	t.EUR
ECCO Tannery (Xiamen) Co. Ltd.	China	100%	21.000	t.USD
ECCO Tannery (Thailand) Co., Ltd.	Thailand	100%	385.645	t.THB
ECCO Tannery (Holland) B.V.	The Netherlands	100%	5.000	t.EUR
ECCO Leather B.V.	The Netherlands	100%	13.400	t.EUR
PT. ECCO Tannery Indonesia	Indonesia	100%	37.403.550	t.IDR
SALES				
ECCO Asia Pacific Limited (dormant)	Hong Kong	100%	21,500	t.HKD
ECCO Asia Pacific (Singapore) Pte. Ltd.	Singapore	100%	2,510	t.SGD
ECCO Business Management (Shanghai) Co. Ltd.	China	50%	2,000	t.USD
ECCO CACC Trading Inc.	Panama	50%	400	t.USD
ECCO China Wholesale Holding (Singapore) Pte. Ltd.	Singapore	50%	200	t.USD
ECCO Distributors DAC	Ireland	50%	1	t.EUR
ECCO EMEA B.V.	The Netherlands	100%	23	t.EUR
ECCO EMEA Sales SE	The Netherlands	100%	121	t.EUR
ECCO France S.A.S.	France	50%	500	t.EUR
ECCO Global Business Development B.V.	The Netherlands	100%	10	t.EUR
ECCO Holst A/S	Denmark	50%	500	t.DKK
ECCO India Trading Private Limited	India	100%	66,830	t.INR
ECCO Japan Co. Ltd.	Japan	98%	100,000	t.JPY
ECCO Korea Limited	Korea	100%	1,058,500	t.KRW
ECCO Latin America Holding Ltd. Inc.	Panama	100%	250	t.USD
ECCO Macao Limited	Macao	100%	25	t.MOP
ECCO Malaysia Sdn. Bhd.	Malaysia	100%	1,000	t.MYR
ECCO Middle East A/S	Denmark	100%	2,250	t.DKK
ECCO Retail LLC	USA	100%	2,300	t.USD
ECCO Schuhe GmbH	Germany	100%	1,790	t.EUR
ECCO (Shanghai) Co. Ltd.	China	50%	2,100	t.USD
ECCO Shoes (NZ) Limited	New Zealand	100%	100	t.NZD
ECCO Shoes Canada, Inc.	Canada	100%	6,502	t.CAD
ECCO Shoes Hellas S.A. (dormant)	Greece	51%	60	t.EUR
ECCO Shoes Hong Kong Limited	Hong Kong	100%	3,000	t.HKD
ECCO Shoes Pacific Pty. Limited	Australia	100%	3,250	t.AUD
ECCO Shoes Singapore Pte. Ltd.	Singapore	100%	2,500	t.SGD
ECCO Shoes Trade Ltd.	Turkey	100%	15,466	t.TRY
ECCO Shops Vestdanmark A/S	Denmark	100%	500	t.DKK
ECCO USA, Inc.	USA	100%	7.500	t.USD
Xi'an ECCO Limited	China	40%	20,000	t.CNY
ACCESSORIES				
ECCO Accessories Ltd.	Switzerland	100%	2,250	t.CHF
OTHER				
Eccolet Portugal ApS	Denmark	100%	200	t.DKK

Companies with 50% ownership interest have been consolidated as ECCO has controlling influence according to shareholders' agreements.

NOTES

10. Deferred tax

EUR '000	Property, plant, and equipment	Inventories	Provisions	Other liabilities	Tax losses	Other	Total
GROUP							
Recognised at 1 January	(7,441	14,652	5,014	10,255	14,327	(4,491)	32,316
Recognised Income statement	(3,399)	7,004	17	(4,111)	(2,393)	6,627	3,745
Recognised directly to equity	-	-	-	-	-	(2,735)	(2,735)
Total adjustment for the year	(3,399)	7,004	17	(4,111)	(2,393)	3,892	1,010
Recognised at 31 December	**(10,840)**	**21,656**	**5,031**	**6,144**	**11,934**	**(599)**	**33,326**
Deferred tax asset							38,777
Deferred tax liability							(5,451)
Recognised at 31 December							**33,326**
PARENT COMPANY							
Recognised at 1 January	(996)	4,051	35	2,643	-	(1,095)	4,638
Recognised Income statement	734	92	-	(4,898)	-	13,009	8,937
Recognised directly to equity	-	-	-	-	-	(4,987)	(4,987)
Total adjustment for the year	734	92	-	(4,898)	-	8,022	3,950
Recognised at 31 December	**(262)**	**4,143**	**35**	**(2,255)**	**-**	**6,927**	**8,588**
Deferred tax asset							8,588
Deferred tax liability							-
Recognised at 31 December							**8,588**

NOTES

11. Prepayments

These relate to indirect taxes, rent, insurance, IT fees etc.

12. Provision for pensions

	Group	
EUR '000	2017	2016
The provision for pensions is due as follows:		
< 1 year	192	197
1-5 years	1,646	1,448
> 5 years	18,496	15,613
Total	**20,334**	**17,258**

The provision relates to future payments to employees under defined benefit plans.

13. Non-current liabilities

	Group		Parent Company	
EUR '000	2017	2016	2017	2016
Non-current liabilities due more than five years after the end of the financial year	19,059	20,666	12,395	14,146

14. Other payables

These include liabilities related to indirect taxes, personnel, financial instruments, marketing, insurance, bonuses etc.

NOTES

15. Financial instruments

Group

2017

Derivative financial instruments
The ECCO Group uses derivative financial instruments as part of an overall risk management strategy.

Currency forward contracts
Fair value hedges:
The Group has covered part of the currency risk on existing receivables, payables, bank deposits, and loans.
At year end, the Group had entered into the following contracts (net sale of currency):

Currency	Principal value of unrealised forward contracts end 2017 in EUR '000
EUR	95,067
USD	28,503
CNY	18,653
CAD	14,425
JPY	1,217
AUD	(1,480)
THB	(2,941)
SEK	(3,125)
HKD	(3,158)
NOK	(5,613)
IDR	(5,637)
Others	(199)
Total	**135,713**

Cashflow hedges:
The Group has covered part of the currency risk on future sales and purchases.
At year end, the Group had entered into the following contracts (net sale of currency):

	Principal value of unrealised forward contracts end 2017 in EUR '000	Value adjustment on equity begin/end in EUR '000
Cashflow hedges	445,661	10,894

Interest rate swaps
The Group has entered into interest rate swaps to cover part of the risk of interest fluctuations.

	Principal value of unrealised interest swaps end 2017 in EUR '000	Value adjustment on equity begin/end in EUR '000
Interest swaps fixing the interest rate	158,897	1,064

NOTES

16. Contingent liabilities and guarantees, etc.

EUR '000	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
CONTINGENT LIABILITIES				
Rent and lease liabilities	131,192	175,787	1,026	862
Guarantees and letters to suppliers	4,353	2,942	778	780
COLLATERAL SECURITY				
The following assets have been pledged in security of the Group's loans from credit institutions and other non-current liabilities:				
Bearer mortgages on property, plant, and equipment	21,376	21,383	21,376	21,383
Guarantee for import duty	7,312	9,849	2,002	3,653
Personnel obligations	142	189	-	-
PLEDGED ASSETS				
Book value of assets pledged in security of the Group's loans from credit institutions and other non-current liabilities	19,403	20,842	18,280	19,849

The company is taxed jointly with other Danish companies in the ECCO Group. As a wholly owned subsidiary, the company is jointly and wholly liable together with the other companies as regards joint taxation of Danish taxation at source on dividends, interests, and royalties within the joint taxation group. Taxes paid in the joint taxation for 2017 exceed the total provisions regarding company taxes and withholding taxes on dividend, interest, and royalties by EUR 0.04m as per 31 December 2017. Any subsequent corrections of joint taxation income and withholding taxes etc. may result in a change of the company's liability.

Group and Parent Company are involved in various disputes which are not expected to have any material impact on the income statement in future years.

17. Fees to auditors appointed at the Annual General Meeting

EUR '000	Group 2017	Group 2016
Auditor's fee	1,160	1,195
Other assurance services and statements	93	97
Tax advisory services	260	523
Other assistance	285	47
Total	**1,798**	**1,862**

NOTES

18. Related parties

ECCO Sko A/S is included in the consolidated financial statements of ECCO Holding A/S and Anpartsselskabet af 1. oktober 2011, Bredebro, Denmark.

The Parent Company of the ECCO Group with controlling influence is ECCO Holding A/S.

ECCO Sko A/S's related parties with controlling influence comprise the company's shareholders, the Supervisory Board, the Managing Board, as well as relatives of these persons. Related parties also comprise companies in which the individuals have significant influence.

ECCO Sko A/S trades on normal market conditions with companies in which the same individuals have controlling influence.

19. Proposed profit allocation

	Parent Company	
	2017	2016
EUR '000		
Revaluation reserve for undistributed profit in subsidiaries	35,871	35,625
Retained earnings	(20,612)	(15,411)
Proposed dividend	94,000	84.000
Profit for the year	**109,259**	**104,214**

20. Significant events after the end of the financial year

There have been no significant events since the end of the financial year that will materially change the Group's financial status.

GROUP STRUCTURE AS OF 31 DECEMBER 2017

ECCO SKO A/S

SUBSIDIARIES, SALES

THE NETHERLANDS
ECCO Global Business Development B.V.

REGION
EUROPE, MIDDLE EAST & AFRICA

THE NETHERLANDS
ECCO EMEA B.V.

- **THE NETHERLANDS**
  ECCO EMEA Sales SE

- **AUSTRIA** *(branch)*
  ECCO Austria, Zweigniederlassung ECCO EMEA Sales SE
- **BELGIUM** *(branch)*
  ECCO Belgium, branch van ECCO EMEA Sales SE
- **CYPRUS** *(branch)*
  ECCO Cyprus, ECCO EMEA Sales SE
- **DENMARK** *(branch)*
  ECCO EMEA Sales Danmark, filial af ECCO EMEA Sales SE, Holland
- **FINLAND** *(branch)*
  ECCO Finland, filial till ECCO EMEA Sales SE
- **FRANCE** *(branch)*
  ECCO EMEA Sales SE
- **ITALY** *(branch)*
  ECCO EMEA Sales SE - Italian branch
- **LATVIA** *(branch)*
  ECCO EMEA Sales SE - Baltic Branch

- **NORWAY** *(branch)*
  ECCO Norway
- **POLAND** *(branch)*
  ECCO EMEA Sales SE Spółka Europejska oddział w Polsce
- **SPAIN** *(branch)*
  ECCO EMEA Sales SE, Sucursal en España
- **SWEDEN** *(branch)*
  ECCO Sweden, filial till ECCO EMEA Sales SE (Nederländerna)
- **SWITZERLAND** *(branch)*
  ECCO EMEA Sales SE, Amsterdam, Zweigniederlassung Schweiz, Hünenberg
- **UK** *(branch)*
  ECCO EMEA Sales SE

- **DENMARK** (JV)
  ECCO Holst A/S
- **DENMARK**
  ECCO Shops Vestdanmark A/S
- **DENMARK**
  ECCO Middle East A/S
  - **UNITED ARAB EMIRATES** *(branch)*
    ECCO Middle East A/S Branch
- **IRELAND** (JV)
  ECCO Distributors DAC
- **FRANCE** (JV)
  ECCO France S.A.S.
- **TURKEY**
  ECCO Shoes Trade Ltd.

GERMANY
ECCO Schuhe GmbH

ACCESSORIES:

SWITZERLAND
ECCO Accessories Ltd.

REGION
ECCO AMERICAS

USA
ECCO USA, Inc.

- **USA**
  ECCO Retail LLC

CANADA
ECCO Shoes Canada, Inc.

PANAMA
ECCO Latin America Holding Ltd. Inc.

- **PANAMA (JV)**
  ECCO CACC Trading Inc.
  - **PANAMA**
    ECCO CACC Inc.

SUBSIDIARIES, PRODUCTION

REGION
ECCO ASIA/PACIFIC

SINGAPORE
ECCO Asia Pacific (Singapore) Pte. Ltd.

- **SINGAPORE**
  ECCO Shoes Singapore Pte. Ltd.
  - **SINGAPORE** (JV)
    ECCO China Wholesale Holding (Singapore) Pte. Ltd.
    - **CHINA**
      ECCO Business Management (Shanghai) Co. Ltd.
    - **CHINA**
      ECCO (Shanghai) Co. Ltd.
      - **CHINA (JV)**
        Xi'an ECCO Limited
  - **MALAYSIA**
    ECCO Malaysia Sd. Bhd.
- **HONG KONG**
  ECCO Shoes Hong Kong Limited
  - **MACAO**
    ECCO Macao Limited
  - **TAIWAN** *(branch)*
    ESHK Ltd. Taiwan Branch
- **AUSTRALIA**
  ECCO Shoes Pacific Pty. Limited
- **NEW ZEALAND**
  ECCO Shoes (NZ) Limited
- **INDIA**
  ECCO India Trading Private Limited
- **KOREA**
  ECCO Korea Limited
- **JAPAN**
  ECCO Japan Co. Ltd.

ECCO SHOE FACTORIES

INDONESIA
PT. ECCO Indonesia

PORTUGAL
Ecco'let (Portugal) – Fábrica de Sapatos, Lda.

SINGAPORE
ECCO Shoe Production Pte. Ltd.

- **CHINA**
  ECCO (Dongguan) Business Consultancy Co. Ltd.
- **CHINA**
  ECCO (Xiamen) Co. Ltd.
  - **CHINA**
    Xiamen ECCO Logistics Co. Ltd.

SLOVAKIA
ECCO Slovakia, a.s.

THAILAND
ECCO (Thailand) Co., Ltd.

VIETNAM
ECCO (Vietnam) Co., Ltd.

LAST FACTORIES

PORTUGAL (JV)
FAGUS Portugal, S.A.

- **THAILAND**
  FAGUS (Thailand) Co., Ltd.

ECCO **LEATHER**

THE NETHERLANDS
ECCO Leather B.V.

- **THE NETHERLANDS**
  ECCO Tannery (Holland) B.V.
- **INDONESIA**
  PT. ECCO Tannery Indonesia
- **SINGAPORE**
  ECCO Tannery Holding (Singapore) Pte. Ltd.
  - **CHINA**
    ECCO Tannery (Xiamen) Co. Ltd.
  - **CHINA**
    Danna Leather (Xiamen) Co. Ltd.
- **THAILAND**
  ECCO Tannery (Thailand) Co., Ltd.

DORMANT COMPANIES/BRANCHES HAVE BEEN OMITTED.

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CVR No. 45 34 99 18