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ANNUAL REPORT 2016

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CVR No. 45 34 99 18

CONTENTS

DIETER KASPRZAK
Based in Tønder, Denmark

President and CEO

CEO's REPORT

Despite worldwide challenges in the shoe industry, ECCO has managed to deliver yet another good result in 2016.

The footwear industry is changing and this means that we as a company have to change, too. In order to meet new demands and to take advantage of the possibilities from increased digitalisation and e-commerce, we are investing in, and optimising, our structures.

We are preparing for the future and our 2020 strategy is still valid and in progress. Continuous improvement of our business processes, and reduction of costs, mean that we also maintain the highest possible profitability. This, of course, is based on never compromising on the quality and comfort of our products.

In 2016, we have continued our expansion and opened many new premium ECCO retail shops, including flagship shops at prime locations in Berlin, Hamburg, and Tokyo.

In Amsterdam, we have launched an innovative shop concept, which is complementing our Innovation Lab, where new innovative collections and techniques will be tested. These initiatives are encouraging and it makes me full of optimism when looking ahead.

Stepping down as Chief Executive, I recognise that 2017 will be another challenging year for ECCO. However, I am very confident that our management and staff are well prepared to respond effectively to secure ECCO's position as a leading international producer of shoes, leather, and accessories.

Dieter Kasprzak
President & Chief Executive Officer

ECCO IN 2016 AT A GLANCE

FIVE YEAR SUMMARY

FINANCIAL HIGHLIGHTS EUR '000	2012	2013	2014	2015	2016
Net revenue	**1,082,949**	**1,130,844**	**1,169,157**	**1,255,886**	**1,250,919**
Profit before amortisation and depreciation	203,173	213,943	221,023	234,421	221,453
Amortisation and depreciation	(41,166)	(37,150)	(39,006)	(46,179)	(49,417)
Profit before financials	162,007	176,793	182,017	188,242	172,036
Financial income and expenses	(8,878)	(11,352)	(5,622)	(4,778)	(1,874)
Profit before tax	**153,129**	**165,441**	**176,395**	**183,464**	**170,162**
Income tax	(43,102)	(40,256)	(40,515)	(42,235)	(37,261)
Profit for the year	**110,027**	**125,185**	**135,880**	**141,229**	**132,901**
Non-current assets	239,590	239,284	266,016	338,416	330,299
Current assets	520,593	533,211	658,669	609,959	692,593
Total assets	760,183	772,495	924,685	948,375	1,022,892
ECCO Sko A/S shareholders' share of equity	418,427	461,611	532,229	579,376	595,551
Non-controlling interests	26,863	30,959	45,450	63,460	86,652
Liabilities	314,893	279,925	347,006	305,539	340,689
Equity and liabilities	760,183	772,495	924,685	948,375	1,022,892
Cashflow from operating activities	106,623	117,377	145,863	188,540	196,804
Cashflow from net investing activities	(79,566)	(45,678)	(43,738)	(51,516)	(50,571)
Investments in property, plant, and equipment	(77,460)	(43,598)	(43,695)	(47,568)	(45,069)
Cashflow from financing activities	(43,360)	(86,988)	(61,421)	(126,447)	(92,713)
Number of employees (as of 31 December)	19,426	18,500	19,851	19,109	20,635

KEY RATIOS	2012	2013	2014	2015	2016
Operating margin	15.0%	15.6%	15.6%	15.0%	13.8%
Profit ratio	14.1%	14.6%	15.1%	14.6%	13.6%
Return on assets	21.1%	21.6%	20.8%	19.6%	17.3%
Investment ratio	1.9	1.2	1.1	1.1	1.0
Return on equity	22.6%	24.2%	23.0%	20.6%	17.7%
Solvency ratio	55.0%	59.8%	57.6%	61.1%	58.2%
Liquidity ratio	2.4	2.9	3.1	2.9	3.2

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

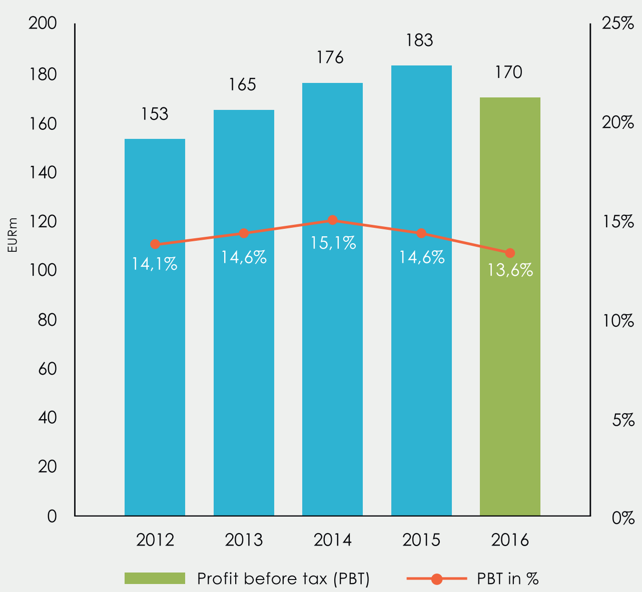
Liquidity ratio: $\frac{\text{Current assets}}{\text{Current liabilities}}$

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

FINANCIAL REVIEW

There is a new normal for the footwear industry – slow growth, increasing costs of doing business, and increasing competition between channels, causing margin erosion.

Profit before tax and profit ratio 2012-2016



ECCO was not insulated from these challenges in 2016. Group profits were down 7.3% compared to 2015, although a major part of the difference was due to currency factors. The net profit before tax was EUR 170.2m against EUR 183.5m in 2015.

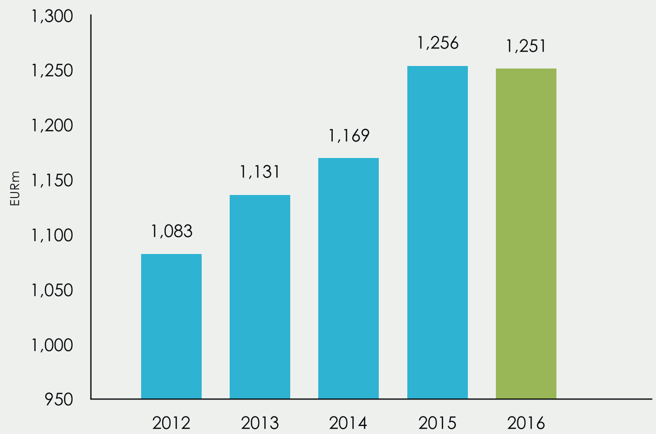
Net sales were EUR 1,251m against EUR 1,256m in 2015. Shoes and accessories sales grew 2% at comparable FX rates, while net sales of leather declined 10%. Although net sales were flat compared to 2015, ECCO gained market share in many markets and outpaced competition.

The retail and e-commerce businesses continued their strong growth patterns: retail sales grew by 11% and sales in own e-commerce markets rose 30%.

ECCO's European e-commerce business, which had previously been outsourced, was taken over by ECCO's European retail sister company, KRM, at the beginning of 2017.

ECCO's wholesale business was heavily impacted by de-stocking and, as a result, recorded a low, single-digit percentage drop in net sales. On the positive side, ECCO's key wholesale markets, China and Russia, achieved major stock reductions through strong sell-out rates.

Net revenue 2012-2016



In 2016, ECCO's largest golf account in the US, went into bankruptcy, resulting in reduced overall sales for ECCO's golf business.

ECCO continued to combat the general reduction in retail footfall, and lower numbers of tourists in several destinations, by making significant investments. The programme of opening more shops was continued and ECCO invested heavily in new distribution channels to futureproof the business. These investments included the infrastructure needed to ensure the strongest possible integration between offline and online channels. Investments in brand positioning also continued unabated.

In general, the markets in 2016 were characterised by intensive promotional activities, reducing retail margins. Product costs were affected by rising manufacturing costs in Asia, including the full-year impact of higher USD and USD-related costs for sourcing components.

However, ECCO's tight focus on cost reduction and operational efficiency, helped to offset some of the rise in manufacturing costs.

During 2016, investment in a new upper factory in Vietnam was made, and there were other investments to improve product quality and efficiency. This will reduce the impact of product cost inflation in the coming years.

The change in exchange rates during 2016 compared to 2015 had a EUR 5m negative impact, caused by the translation of profits from ECCO's subsidiaries into EUR. Further, if transactions during 2016 were done on comparable exchange rates to 2015, it would had an estimated postive effect of EUR 7m. This was due to differences in the hedging horizons on sourcing and sales country currencies. In total, a negative impact of EUR 12m in 2016 was caused by changing exchange rates compared to 2015.

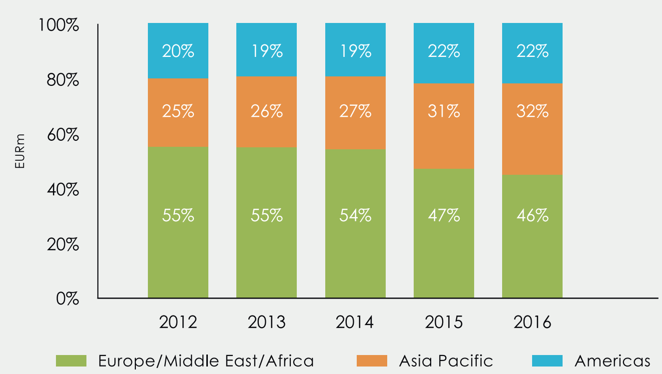
The Group ended 2016 in a strong financial position. The cash position at the end of 2016 was EUR 159.7m. The equity amounted to EUR 595.6m, and the solvency ratio was 58.2%.

Profit and loss

Total net sales were realised at EUR 1,251m. Net sales of shoes and accessories increased by 2.0%, measured at comparable exchange rates. The value of external sales of leather fell by 10%, caused by a focus on selling higher-value leathers.

The somewhat subdued growth was partly deliberate to reduce market inventories, and partly a result of the intensely promotional marketplace. A healthy inventory position with key partners and retailers is critical to ensuring agility in launching new collections.

Net revenue (Shoes & Accessories) split by region 2012-2016



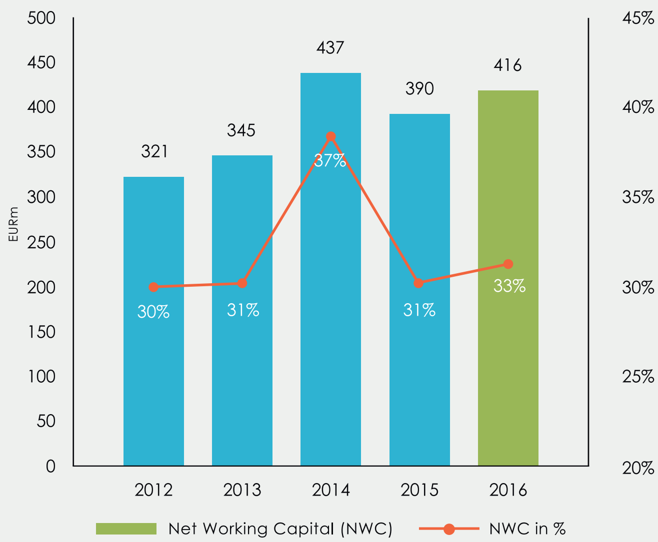
The composition of the Group's net sales of shoes and accessories continued the shift from Europe to Asia and North America, but at a slower pace than in previous years. By the end of 2016, Europe had generated 46% of these sales; Asia Pacific made up 32%; and North America 22%.

ECCO's sales channels across all regions continued their previously established patterns. The strongest growth was in the e-commerce channel. The online business, either through ecco.com or managed online portals such as TMall, continued to grow rapidly.

On a comparable basis, ECCO-operated online sales increased 41%, in particular in the Chinese market.

Owned retail operations grew net sales by 10% at comparable exchange rates.

Net Working Capital 2012-2016



The markets struggled to meet the same level of shop sales as last year, partly as online or omni-channel activities drove more sales online.

ECCO shops grew sales in several markets, though it remained a challenge to generate organic sales growth. In particular, net sales in Hong Kong and Macao fell by double-digit amounts. However, in Japan, Canada, and the US, full-price shops generated organic growth.

Sales in the Asia Pacific region rose by 5.3% at comparable exchange rates. ECCO's fastest-growing markets, among its Top 20 markets, continue to be Japan and Korea. In China, ECCO performed well. The number of shops and shop-in-shops increased to over 1,000.

In North America, the US market developed positively, albeit in a more challenging market situation than anticipated. The strategically important women's category continued its healthy growth, but the bankruptcy of the US golf retailer, Golfsmith, restricted overall sales growth to a modest increase: net sales grew 1.8% at comparable exchange rates. The Canadian market grew net sales by a healthy mid-single digit rate.

The European region still relies significantly on seasonal products. The early autumn months were very warm in central and northern Europe, causing sales in retail markets to fall by up to 25%, compared to 2015. The autumn season failed to compensate fully for that situation. As a result, a few of ECCO's core European markets posted a small decline, in particular Germany, which experienced a challenging year.

However, ECCO managed to grow business in wholesale markets such as the Netherlands, Russia, and Ukraine, which gained momentum with full-year sales up by double digits.

Other external costs rose by 10.9%, staff costs rose by 6.5%, and amortisation and depreciation were up 7%. These increases were mostly caused by expansion into retail and e-commerce, which are cost-heavy compared to wholesale. Other factors included wage inflation, particularly in Asia, and a decision to insource a number of critical components for production during 2016 to lower costs and improve flexibility. Furthermore, ECCO expanded its joint venture for last-making.

Financial expenses were significantly lower than in 2015 and this reflected generally lower interest rates and higher interest income.

ECCO's profit before tax was EUR 170.2m, with a profit ratio of 13.6%, which is slightly lower than the profit level predicted in the 2015 Annual Accounts. While 2015 was positively impacted by currency exchange rates, ECCO experienced a reverse development in 2016.

Balance sheet

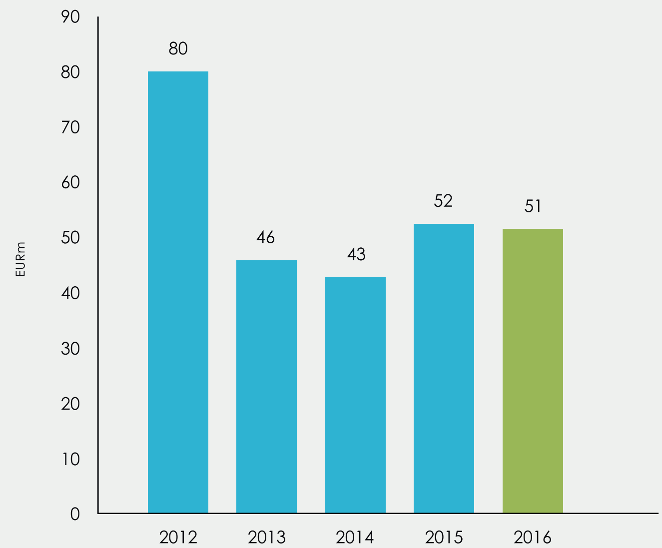
ECCO continues to generate strong cashflow: in 2016, free cashflow amounted to EUR 146m, compared to EUR 137m in 2015. This reflects improved cashflow from operations, as cashflow from investments remained relatively static.

Trade receivables and inventories, less accounts payable (net working capital), increased by a total of EUR 25.8m; and, as a share of net sales, it increased to 33%.

The primary driver of the higher net working capital was inventories, caused by higher average values of shoes in stock, as inventory quantities remained stable. The raw material inventory increased, mainly due to the start-up of ECCO's manufacturing site in Vietnam. Unsold inventory from previous collections was at a slightly higher, but still very healthy, level. Overall, 75% of finished goods inventory positions at year-end were presold or allocated to retail.

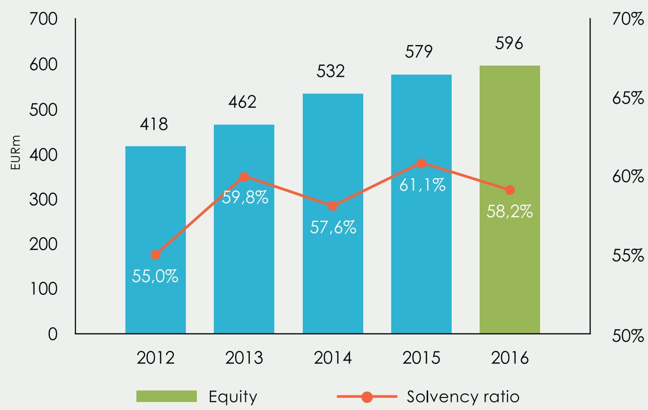
Investments in 2016 amounted to EUR 50.6m, which is comparable to the 2015 figure. Investments were targeted on shop openings, refits, IT platforms, and the continuous improvement of production quality and efficiency.

Total investments 2012-2016



* 2012 investments were extraordinarily high, partly due to flooding in Thailand and purchase of real estate for ECCO's regional head office in China

Equity Development and Solvency 2012-2016



The company ended 2016 in a very satisfactory and secure financial position. The equity increased to EUR 595.6m, with a solvency rate of 58.2%. ECCO was, by the end of 2016, holding more cash than long- and short-term debt.

Outlook

The uncertainties of the international footwear market in 2016 are expected to continue throughout 2017, with no significant improvements in overall or specific market conditions. Consumer markets remain difficult to predict. In response, ECCO is focused on risk management to proactively predict and assess undesirable developments, and minimise possible negative impacts.

In 2017, ECCO will strive to gain more loyal customers and increase market shares in key markets. ECCO continues to invest in the future and with many new and innovative products in the pipeline, and a strengthened organisation capable of meeting new challenge, ECCO's goal is to increase sales and profitability. It must, however, be stressed that the current uncertainties, in the global political situation remain a challenge. As a consequence, the financial results for 2017 are expected to be on par with 2016.

Promotional event for ECCO SHAPE in China.

MARKET DEVELOPMENT

Despite only moderate growth in global footwear markets as a whole, ECCO has, for several years, maintained its strong, well-established presence in Europe, while achieving increased sales in North America and Asia. This has been achieved by further penetrations into existing markets, and by expansion into new markets, and ECCO products are now sold in 88 countries, globally.

Another key step forward in balancing the effects of global market fluctuations has been the division of ECCO's Asian region into two sales regions: ECCO Greater China and ECCO Asia Pacific. This has produced a much tighter focus on the specific consumer situations in these two regions, both of which have considerable growth potential.

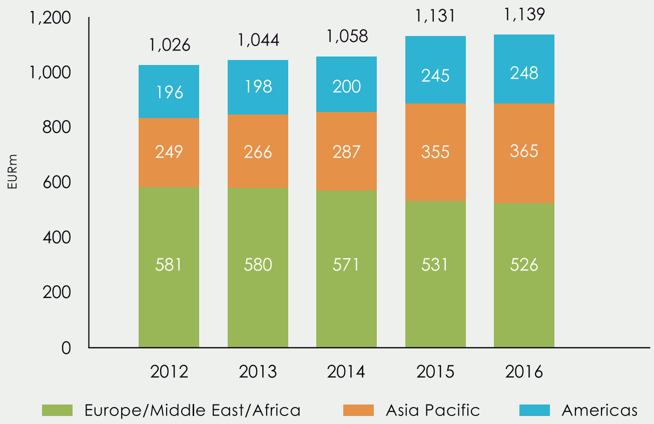
The presence of a large number of players has made the global footwear market increasingly competitive. To gain a long-term edge, internationally, ECCO has followed its strategic agenda and one of the outcomes has been a significant acceleration of direct-to-consumer sales.

Furthermore, ECCO's own and operated shops and shop-in-shops footprint grew by 14% (50 shops) in 2016, while the number of global partner shops increased by 11% (123 shops). The own and operated footprint has increased in all sales regions, contributing to a diversified expansion that is in line with ECCO's strategy.

Another important milestone in the Direct to Consumer strategy has been the acceleration of e-commerce trading. There was a significant roll-out of new platforms in the two Asian regions in 2016, supported by additional double-digit growth in ECCO's existing and mature sales platforms.

This strong growth within the e-commerce and retail footprints, combined with the improved on-line and off-line systems that were successfully piloted in 2016, has created a strong foundation for future sales growth.

Revenue Development for Shoes and Accessories by Region 2012-2016



The Danish singer and songwriter Oh Land entertained during the opening reception at ECCO's new flagship store in Hamburg at Neuer Wall.

The globally increasing demand for trendy and comfortable athleisure products has been another notable sales driver, and there were increased sales of ECCO's innovative athleisure products across all sales regions.

ECCO EMEA (Europe/Middle East/Africa)

The overall economic growth in Europe was modest, as was the salesgrowth in the footwear industry. ECCO increased its business in the Netherlands significantly, and sales in the Nordic countries were stable, but business in Germany declined.

In Russia, the footwear market was flat. ECCO's distributor achieved a double-digit increase in sell-out and ended the year with a much reduced inventory.

Geopolitical uncertainties, coupled with volatile energy pricing, affected activities in the Middle East and Turkey. However, ECCO's strategic presence in the region remains commercially solid.

Consumer shopping trends in the EMEA region continue to evolve and during 2016, business in Europe involving dedicated e-commerce retailers increased by about 10% on a comparable basis. The owned and operated and joint venture retail activity, increased by 16% over 2015.

ECCO's retail sister company, KRM AG in Switzerland, an important business partner for EMEA, opened 14 more shops and now operates 300. KRM also expanded into e-commerce and is taking over ECCO's European e-commerce business, which had previously been operated externally.

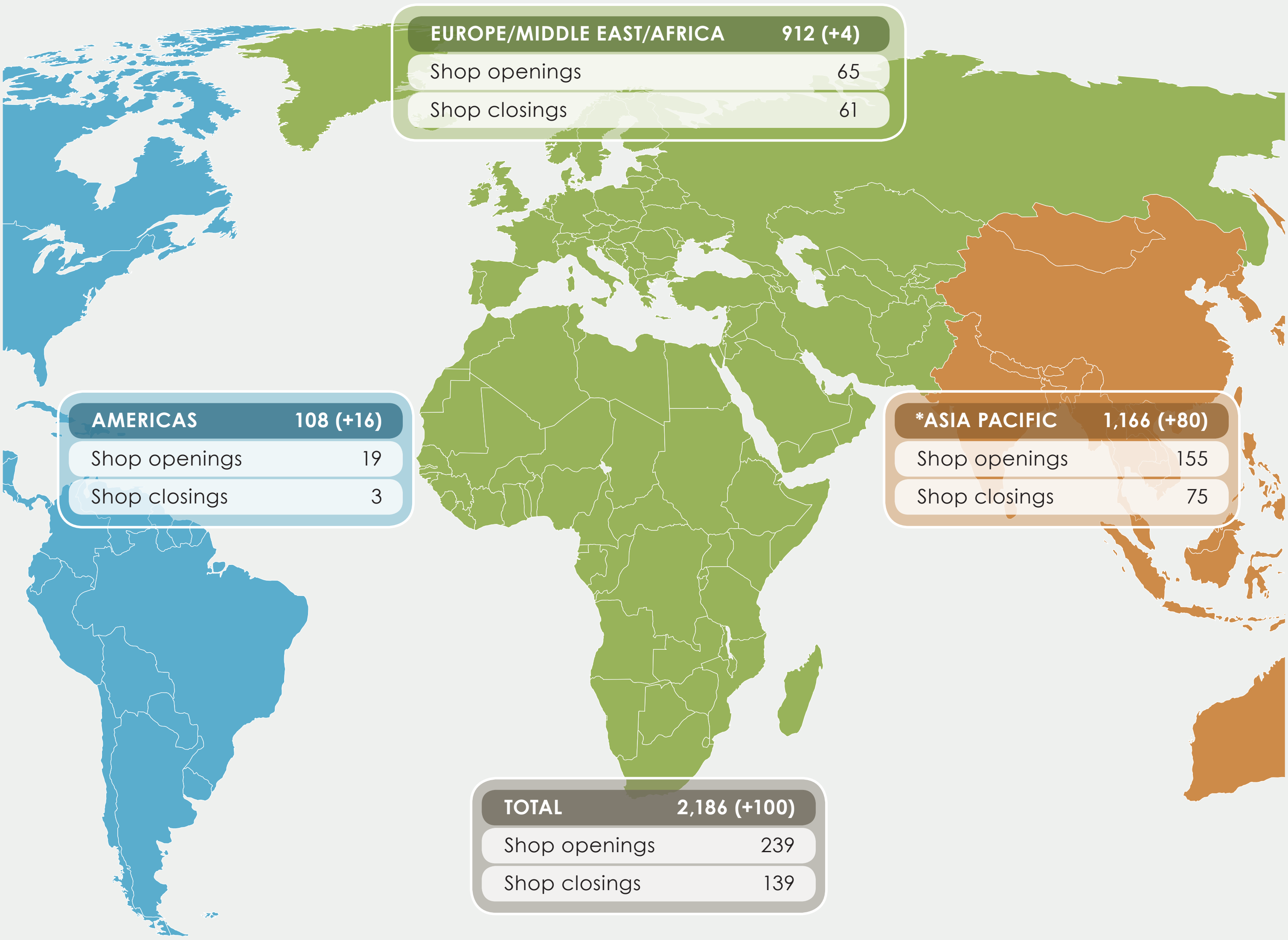
EMEA's focus is on wholesale and it continues to evolve towards a conceptual approach to strengthen the ECCO brand, in close collaboration with its wholesale customers; among them are ECCO's partner retail shops and shop-in-shops. There were 14 fewer partner shops in 2016, but an increase of 74 shop-in-shops.

More shops were opened in attractive or exclusive shopping areas and these included a flagship store in Hamburg at Neuer Wall. There were further prime site shop openings in the city centres of Berlin, Budapest, Lisbon, Split, and Vienna.

ECCO Greater China

The Chinese economy experienced a growth of 6.7% in 2016 and the footwear industry followed suit, recording high single-digit growth. This was mainly due to increased sales in the mid- to low-end market segments. In general, the luxury footwear sector experienced declining sales, with flat sales in premium products.

WORLDWIDE STATUS ON SHOP OPENINGS AND SHOP CLOSINGS:



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

A further acceleration of channel shift, from retail to e-commerce, continued in China, with particularly fast growth in sales via mobiles and tablets.

In 2016, ECCO focused on lowering the inventory position in the Chinese market. This was achieved by selling less to the retail partners than was achieved in sales out of the retail stores. This caused pressure on ECCO sales in 2016, but made the market inventory positions develop positively.

Despite the challenges of this evolving buying situation, ECCO has performed very well compared to most competitors and delivered strong results across the Greater China region, which covers China, Hong Kong, Macao, and Taiwan. Double-digit sell-out growth has been maintained based on sales volumes, and e-commerce has jumped by 50% in the last year.

ECCO China has continued to invest in retail expansion, both within the distributor network and own and operated shops. The Greater China region's portfolio increased by 60 shops and shop-in-shops, reaching a remarkable total of more than 1,000 shops in China. In addition, an own and operated e-commerce platform was launched in late 2016.

Expansion of the own and operated retail footprint also continued in Taiwan, Hong Kong, and Macao, where a total of six new shops were opened.

Hong Kong and Macao experienced a significant drop in visits from tourists, primarily because of fewer visitors from China. But this has been partly offset by a growth in local demand. ECCO's sales in Taiwan grew slightly compared to 2015, despite a generally weak retail environment, especially in the first six months of 2016.

ECCO's new shop in the exclusive Ginza area of Tokyo, Japan.

Overall, ECCO's activities and sales in the Greater China region maintained the brand's market-leading position and gained further market shares in the process.

ECCO Asia Pacific (EAP)

Several markets within the Asia Pacific region have, throughout 2016, experienced weakened consumer demand. There was increasingly fierce competition in the retail sector as a whole, caused by lower than expected economic growth and a change in the buying behaviour of Chinese tourists.

Despite these challenges, ECCO's Asia Pacific activities produced a 10% increase in total net sales compared to 2015, through organic growth and a continued expansion of ECCO's direct-to-consumer footprint. Twenty new shops and shop-in-shops were opened in 2016, including a premium site in Tokyo's fashionable Ginza shopping district. Overall, ECCO performed strongly in Japan, with a 25% increase in total retail net sales.

In the latter part of 2016, ECCO launched owned and operated e-commerce sites in Japan and Korea and these, together with activities in Australia and Singapore, delivered consolidated growth for the channel of 61% compared to 2015. Apart from e-commerce, there was an impressive increase in sales of ECCO accessories, with new initiatives generating a 35% rise in sales in 2016.

ECCO Asia Pacific also invested to boost sales in golf shoes. A larger product range, new market penetrations, and an expanded distribution system led to improved sales in 2016.

ECCO Americas (EAM)

The retail environment in the US remained challenging during 2016, particularly in the brick and mortar channel, as consumers continued their migration towards e-commerce shopping.

Department stores and national retail chains experienced declines, which could not be offset by gains from the shift to online business, and this led to a generally sluggish footwear market.

Despite these challenging conditions, ECCO achieved low single-digit growth in the US market, primarily through its owned and operated retail and e-commerce channels and its strategic wholesale partners. Key focus areas, which included growing the women's footwear business and expansion in the sport lifestyle and wear-to-work categories, continued to build business and led to increased market shares.

During 2016, 14 new retail shops were opened in the US and 5 existing shops were refitted, contributing to overall retail revenue growth of 13%. Most of the shop openings were in the Chicago, Las Vegas, Southern California, and Washington D.C. areas.

ECCO shop at the Fashion Show Mall in Las Vegas, US.

E-commerce continued to perform well, achieving a 23% increase over last year. Omni-channel efforts across ECCO's owned and operated business also developed well, with a notable increase in in-store sales via tablets.

A second ECCO distribution centre was opened at Long Beach, California, and became operational in the fourth quarter of 2016. It will serve the direct-to-consumer business and key wholesale customers in the EAM region.

The retail environment in Canada was stable, although the final quarter of 2016 was characterised by heavy promotional activity and a continued shift of retail sales to online consumers. Growth for the retail sector as a whole has been estimated at 2% in 2016.

ECCO's increased Canadian sales were driven by direct-to-consumer channels; retail grew by 12% and e-commerce by 15%. New stores were added to the Canadian retail portfolio, one of those being at the Rideau Centre in Canada's capital, Ottawa. By the end of 2016, ECCO Canada operated 31 owned shops.

In 2016, the first ECCO Accessories shop-in-shop was launched in North America, at ECCO's Granville Street site in Vancouver.

ECCO representatives celebrating the opening of shop number 1000 in China.

FOCUS ON CHINA

In 1997, 20 years ago, ECCO founders, Birte and Karl Toosbuy, gave distribution rights to Chinese partners, who built up a strong wholesale business.

In 2005, ECCO agreed with its Chinese distributor to form a joint venture in China, managed by ECCO.

ECCO's first office in China was opened in Shanghai 10 years ago and since then, the business has expanded and prospered. ECCO now has more than 1,000 shops or shop-in-shops in 235 Chinese cities.

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

In 2016, ECCO achieved significant sales growth in China. In wholesale, sell-out from shops increased by 11%. In retail, growth was 16%, and e-commerce grew by 65%.

ECCO has achieved a strong position in the Chinese market and will increase sales to consumers through its own and operated e-commerce platform, launched in the third quarter of 2016, and through the opening of more ECCO shops across China.

Independent of its sales joint venture in China, ECCO also operates a shoe factory in Xiamen, which began production in 2005, and a tannery, which was inaugurated in 2008. Both are operating to the highest standards, with a total of more than 4,000 employees. In 2016, ECCO produced more than 3.7 million pairs of shoes in China.

High profile-campaign in Seoul for ECCO SOFT 7.

FOCUS ON KOREA

Established in 2013, ECCO Korea serves one of ECCO Group's newest markets. Originally, sales were focused on golf shoes and this had a beneficial effect, allowing ECCO to develop premium-quality brown shoe sales.

Since the launch, business has grown rapidly. Korea is a fashion-conscious country and its consumers are attracted to high-quality leather goods and shoes. A focused market penetration strategy, based on the shop-in-shop concept, has led to 19 ECCO shops in premium department stores and three locations in major shopping malls. ECCO also operates three duty-free stores in the Seoul district.

To make ECCO products more widely accessible to Korean consumers, the shop-in-shop distribution footprint will be expanded in the coming years, both within and outside Seoul.

Korea is the third largest golf market in the world and will remain highly important to the overall sales growth potential for ECCO golf shoes. ECCO will generally continue to invest in strengthening the distribution and positioning of the brand. This is expected to increase market share and ensure that ECCO remains the preferred footwear supplier among wholesale accounts, and an increasing number of consumers.

In late 2016, ECCO Korea launched an own and operated e-commerce site to cater for increasingly 'online savvy' consumers who want this convenient buying option. This new sales channel offers a genuine ECCO brand experience and is expected to generate rapid double-digit sales growth.

Though ECCO Korea has already proven successful, the growth potential of the market is considerable and this will be pursued through a focus on direct-to-consumer sales and continued investment in digital communication and brand building.

ECCO KENTON, Men's shoe.

ECCO SHAPE, Ladies' high-heel boot.

BRAND AND PRODUCTS

ECCO is a premium global brand for shoes and leather goods, and the further strengthening of the brand's position is one of the key aims of ECCO´s 2020 strategy.

A strong product portfolio is of paramount importance during times of economic turbulence and, as a result, the brand and product team is concentrating on retaining existing consumers and attracting new ones as cost-effectively as possible.

New product concepts remained the key focus during 2016, as ECCO rolled out product launches across all markets to underline the premium-quality aspect of the brand, while also targeting global consumers who have more contemporary tastes.

There was a heightened focus on wearing purposes and a new development structure, which supports formal- and casual-wear products separately. This has allowed a very clear product development process, from design ideas all the way through to product launches in different markets. This structural change is driven by a new leadership team.

The key branding moves in 2016 were targeted at women with contemporary taste in formal and casual fashions and the focus on growing this segment of ECCO's business will continue throughout 2017.

Another large and expanding market is the athleisure segment. Shoes in this category are for everyday use, but have a sporty look and feel. ECCO established a specific team to develop and market athleisure products for men and women.

In line with ECCO's 2020 strategy, the Kids Business Unit is up and running and producing positive results in key markets.


ECCO COOL 2.0, Men's shoe.

ECCO CASUAL

In 2016, ECCO Casual expanded its product portfolio, which targets aspirational consumers who appreciate Scandinavian design with a unique quality, supported by state-of-the-art leather and shoemaking skills. ECCO's designers have made major efforts to create casual shoes that are fashionable and also cradle the foot extremely comfortably.

Increasingly, women and men are becoming more adventurous with their shoe choices and this is generating greater demand for new colours, styles, and designs in the casual footwear market. The design process targets mainly consumers who enjoy trying new styles. This strategy reflects the fact that ECCO's market research has identified the Casual segment as having significant growth potential.

There has been an equally tight focus on the Athleisure segment, which is also expected to grow substantially. ECCO recorded double-digit growth with its athleisure collection during 2016 and a similar increase is expected in 2017.

ECCO UKIUK, Ladies' boot.

ECCO SHAPE, Ladies' high-heel shoe.

ECCO IRVINGTON, Men's bussiness shoe.

ECCO FORMAL

During 2016, the Formal segment has completed a new design flow and set-up with designers based in Portugal. The key ambition of this new approach is to increase quality and benefit from the closeness between the designers and production. This holds true and support ECCO's core value of quality and innovation.

Great efforts were put into promoting a new unique ECCO product in 2016 - the high-heeled SHAPE, which is based on optimal use of technology including direct injection of polyurethane (PU). The resilient shock-absorbent PU material is injected directly into the shoe mould. This allows the wearer to receive an even higher quality product with optimal comfort, with highly feminine shapes and silhouettes.

Men's Formal has defined a two-year strategy on product level in each segment. Most importantly, new finish techniques have been implemented, which will ensure an even more premium look for the business shoes. ECCO will continue creating quality shoes which are stylish and look good.

ECCO XPEDITION, outdoor boot.

ECCO OUTDOOR

ECCO Outdoor's key aim has been to develop substantially increased sales of premium quality shoes in the large outdoor activities market. ECCO's targeted outdoor activities – walking, hiking, and rugged outdoor activities – has a total shoe market value of EUR 100 billion.

The long-term ambition is to attract physically active consumers to the brand, while also achieving growth in established distribution channels. ECCO Outdoor aims to increase sales tenfold over the next three to five years, securing a top five position for ECCO in this important market.

ECCO's Outdoor products are proving increasingly attractive to customers because they combine durability with unique design features, and because they are extremely comfortable and durable, with secure grip on all types of terrain.


ECCO URBAN SNOWBOARDER, Kids boot.

ECCO KIDS

Sales of ECCO Kids shoes are forecast to grow 10% in 2017, based on the increasingly effective Kids Business Unit, which was set up in 2015. In line with ECCO's 2020 Strategy, the team in 2016 initiated a sales expansion strategy in the existing core markets in the EMEA region and is in the process of re-entering the kids' footwear market in China.

The ECCO Kids brand – and the way it is communicated – is aimed at a specific target group: 4 to 8-year-old children and their parents. The new brand image celebrates children's natural behaviour – adventurous, mischievous, cool, fun, and restless.

To support this image, the Kids Business Unit launched a new Kids shop-in-shops concept, a flexible product display system with a story-telling space, suitable for various retail and wholesale situations. The ECCO Kids' shop-in-shop creates an inviting, playful, and engaging environment for both children and their parents.

The introduction of Kids' Business Managers in ECCO's EMEA Central and North regions will be instrumental in generating sales growth and greater market share in a highly competitive sector.

The ECCO Kids' collection has been expanded to include key product categories in both Casual and Sports shoes. Highlights include the new sneaker-inspired ECCO URBAN SNOWBOARDER products, which are designed to capture market share in Russia and the EMEA North and Central regions, and this range outperformed competitors in the autumn and winter of 2016.


ECCO's custom made golf shoes for the Olympics 2016.


ECCO GOLF CAGE.


ECCO brand ambassador, Fred Couples.

ECCO brand ambassador, Lydia Ko.

ECCO GOLF COOL.

ECCO GOLF

2016 was a challenging year for ECCO's golf business and revenue was reduced when Golfsmith, the US company that was ECCO's biggest customer in this product sector, went into bankruptcy.

The bigger picture, however, remains encouraging. ECCO golf shoes are regarded as a leading brand among golfers worldwide, who recognise their quality and great comfort.

ECCO Golf's outstanding roster of endorsed players was boosted at the end of 2016, when the world's leading woman golfer, Lydia Ko, agreed to wear ECCO's shoes and carry an ECCO logo on her collar. Earlier in the year, ECCO Golf proudly announced that a new multi-year endorsement agreement had been reached with one of the world's most famous and popular golfers, Fred Couples. Couples, often referred to as the "coolest golfer of all time", has worn ECCO golf shoes for a decade and currently walks on the fairways wearing the Hybrid shoe.

ECCO Golf designed and manufactured four unique golf shoes for its sponsored female players on the German, Australian, American, and Swedish teams who participated in the 2016 Olympics in Rio de Janeiro. Their iconic white ECCO BIOM HYBRID 2 and ECCO BIOM G2 shoes carried emblems of the countries' national flags.

In 2016, a new trend-setting golf shoe was launched internationally: the ECCO COOL is the first golf shoe which uses the revolutionary GORE-TEX® SURROUND® technology.

Once again, ECCO Golf had a high profile at the third annual Made in Denmark tournament, held at Himmerland Golf Resort. Nearly 80,000 spectators walked the fairways, making it one of 2016's best-attended regular European Tour events.

ECCO ACCESSORIES

ECCO Accessories continued its positive development in Asian markets, with a 10% increase in sales. Its business in Russia remains under general pressure due to the country's uncertain economy. But the overall outlook for 2017 is positive, with expectations for further developments in markets and sales in Europe and Asia.

New industry talent has been added to the Accessories team, ready for the launch of a tightly focused merchandising approach, which will promote ECCO Accessories more effectively.

One of the highlights in 2016 was the new SP2 collection of bags, designed to be great everyday bags that also nicely complement ECCO's high-heeled SHAPE shoe range. Like the SHAPE, the new bags have a stylishly modern, highly individual look.

2016 was a particularly successful year for the SP backpack, which continues to be a bestseller, growing sales year after year. Other signature products will be launched worldwide to help strengthen ECCO Accessories' position as a premium leather goods brand.


W21
VESPER

A look inside the new experimantal ECCO shop at Wolvenstraat 21 in Amsterdam.

INNOVATION

ECCO has a long tradition of innovation. A new department based in Amsterdam, Innovation Lab ECCO (ILE), is dedicated to futureproofing ECCO's brand. ILE's task is to create new product and retail visions and support their development in both retail shop environments and direct-to-consumer channels.

Innovation at ECCO focuses on product and technical developments that are adding to the company's established and traditional shoe-making business. These developments include digital integration, automation and localisation, customisation, and sustainability.

New product development systems are being created, entirely new materials and methodologies are being researched, and more agile R&D processes are being implemented. All of these efforts support a strategic vision that is preparing the ECCO brand to meet future challenges in demanding and constantly evolving consumer and retail environments.

W-21 - An ILE Project

A new type of ECCO shoe shop opened in November 2016. It's called W-21, and the name is derived from the shop's address - Wolvenstraat 21 - in Amsterdam's famous 9-Streets neighbourhood. The new shop is an experimental retail 'laboratory' and testing environment.

ILE's international team of industrial designers, researchers, engineers, and futurists are researching and developing new methods of product design and production, as well as taking a completely fresh look at the overall customer journey, retail experience, and service. The highly innovative W-21 shop in Amsterdam was one of the first outcomes of ILE's blue-sky thinking.

ECCO LEATHER

Despite volatile conditions in various markets, which included high prices for raw hides, ECCO Leather Group's volume of leather production remained stable, reaffirming its position as the market leader in the premium quality category. Expected sales volumes for 2016 were not quite met, but ECCO's overall strategy - to lead in premium leather production, while maintaining a strong and secure foothold in the shoe market, remains successful.

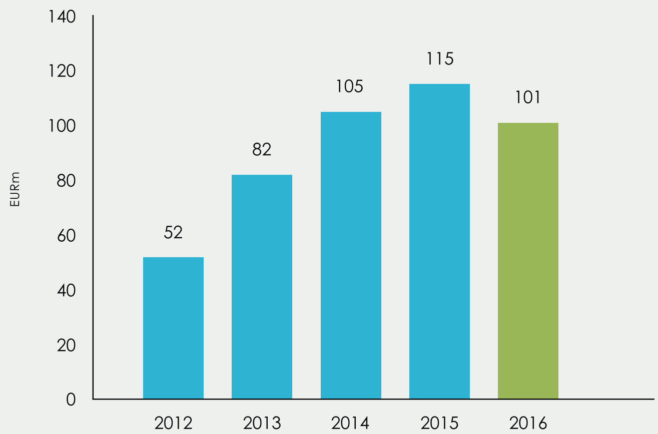
The leather is produced at four ECCO owned tanneries in the Netherlands, China, Indonesia, and Thailand. Three of the four tanneries have gained Gold environmental performance rankings from the auditors of the independent Leather Working Group and one has a Silver ranking. This is a great overall achievement and the tanneries are all models of operational excellence.

ECCO Leather's main customer is ECCO, but leather is also sold to the producers of many of the world's most exclusive branded products; they demand a quality which only ECCO Leather, and a few other tanneries, are capable of delivering. Half of all leather produced by ECCO Leather is sold to external customers, and 40% of this output is used in the manufacture of bags and small leather goods.

As a result, ECCO Leather has a detailed understanding of developments in the rapidly-changing fashion world and this allows ECCO Leather to produce customised leathers for its clients' luxury products. These leathers are made to unique specifications concerning their appearance, feel, and performance in use. For example, when an iconic brand customer chooses a leather for its collection, ECCO Leather typically has to develop up to 10 different colours for each product in the range. This requires the highest degree of technical creativity and accuracy during the development and production of the leathers and has resulted in innovative leathers such as Fire Starter, Tributary®, Jkoh®, Ultrathin®, Evermemor®, B.O.N.D.®, Kromatafor®, Nude®, and Antelope Yak®.

ECCO Leather has become well-known for its annual HOT-SHOP event. The event took place for the ninth time in 2016. It attracted designers from all over the world, who came from the automotive, shoe, and mobile phone industries, as well as from leading fashion brands. More than 100 people attended the three-day event in the Netherlands, which focused on turning unusual leather-making ideas into reality. The event's combination of technical innovation and fun was very successful and characteristic of ECCO Leather's approach to developing its own breakthroughs.

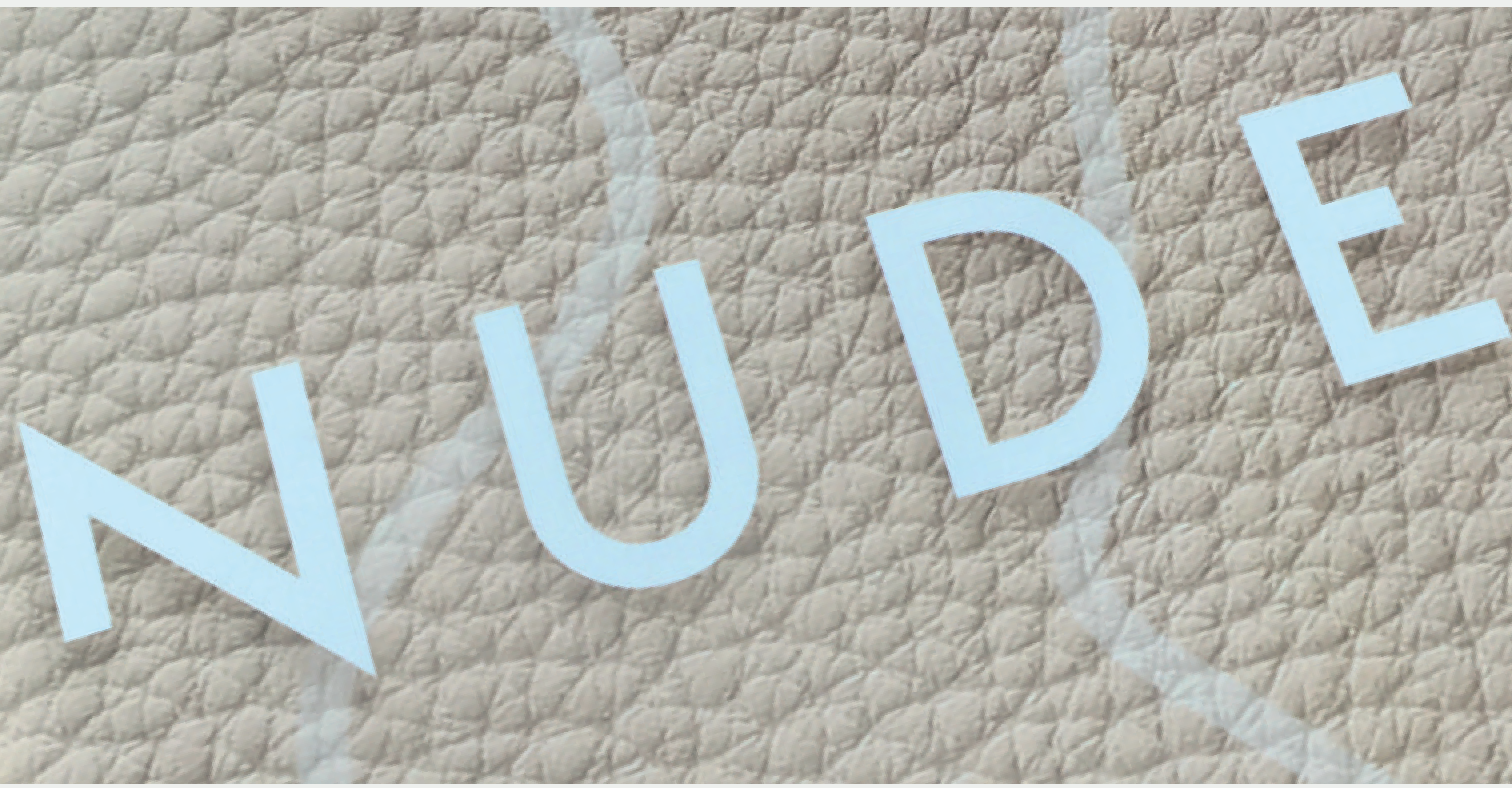
ECCO Leather Consolidated Turnover 2012-2016



Another inspiring and well-received initiative, rolled out globally during 2016, was the Factory Petit. This is a 'nomadic' event, which was presented in Australia, Denmark, and the United Arab Emirates. It is, as its French title suggests, a mini leather factory, where people are invited to try out the creative process of developing a leather product in six steps, which include a cutting station, wax and colour centre, an assembly zone, and a finishing corner.

Looking ahead, ECCO Leather will strengthen its core business, which is expected to generate moderate growth in its global leather sales. ECCO Leather will remain an international leader in leather production technology and continue to produce innovative, market-leading products.


THE CLASSICS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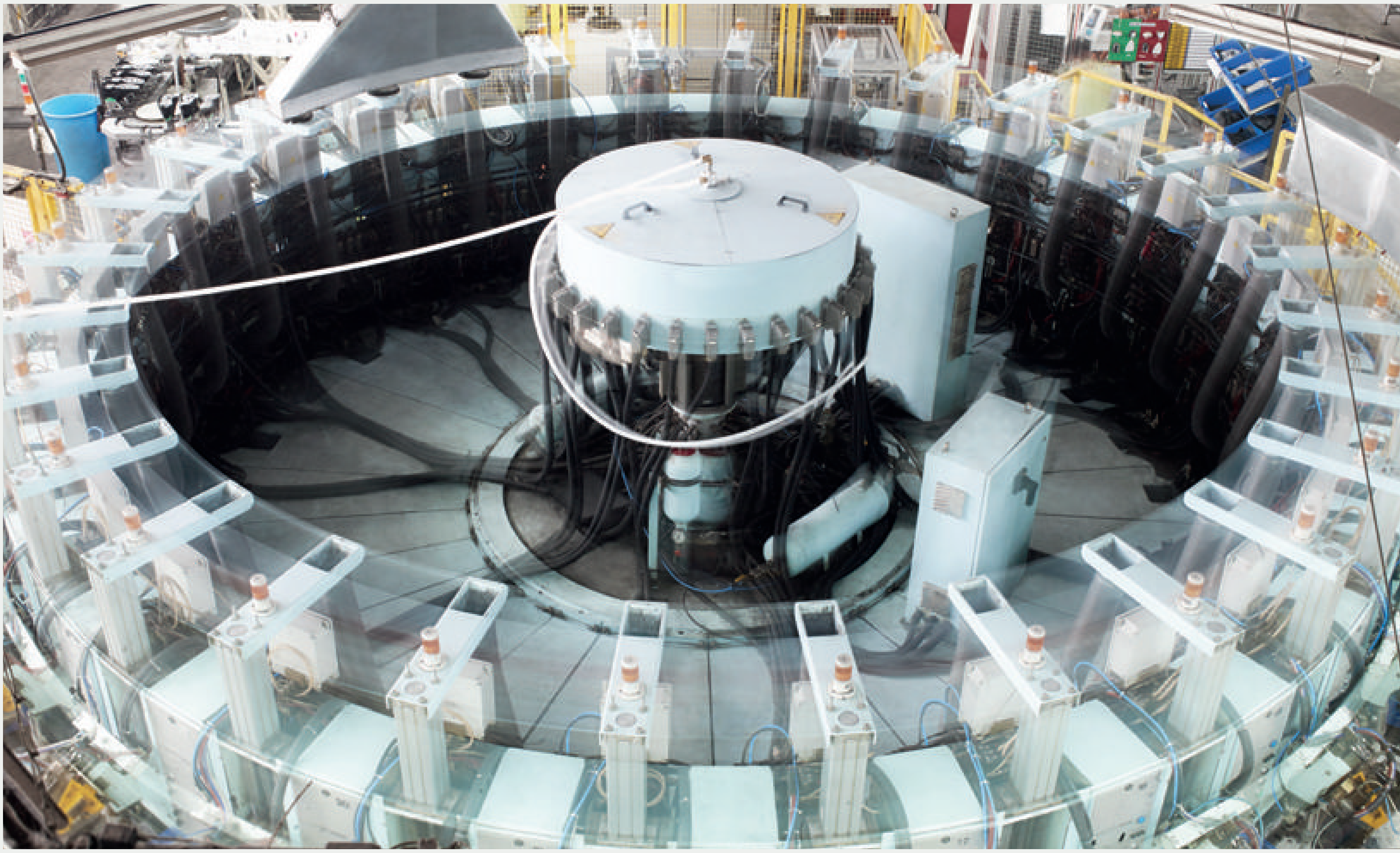
ECCO's tannery in Xiamen, China.



A 30-station direct-injection machine at ECCO's shoe factory in Portugal.

GLOBAL SHOE PRODUCTION

In 2016, ECCO extended its portfolio of shoe factories with a new production plant in Vietnam. This factory produces uppers, which are shipped for shoe-assembling at other ECCO factories, and its output will increase during 2017. The new factory, along with other owned factories in Portugal, Slovakia, China, Indonesia, and Thailand, is controlled by ECCO's Global Shoe Production Office in Singapore.

ECCO's wide-ranging production of stylish, comfortable, top-quality shoes, from high heels to sneakers and high-end boots, requires efficient production coordination and an increased number of shifts in our European shoe manufacturing plants, which operated at 97% of capacity in 2016. Efficient production coordination, across all the plants, has been a vital factor due to increased demand.

There has been a focus on cost saving and production efficiency during 2016 and this will continue during 2017. Larger and faster injection machines will be installed in 2017 at the factories in Slovakia and Indonesia. The overall focus continues to be on finding ways to work faster and more efficiently without sacrificing quality and there will be further improvements in machinery and processes.

ECCO will continue to produce shoes using TPU (thermoplastic polyurethane) moulded inlay soles. Sublimation printing techniques, where heat-sensitive ink becomes part of the structure of the leather, will also be used at plants that are increasingly efficient, with reduced operating costs.

The development of ECCO Kids footwear has been moved from the Brand & Products site in Portugal to the shoe factory in Indonesia to improve synergies between the development of Kids products and production quality.

“ECCO SHOES SAVED MY LIFE”

Michael Loveridge has become a loyal ECCO customer.

The former owner and ‘companion’ of the shoes in the letter to the right is Michael Loveridge, a 69-year-old Brit, who now lives in Harwich, on the east coast of the United Kingdom, together with his partner Pat, a dog called Poppy… and five pairs of ECCO shoes.

Michael Loveridge has led an interesting life, having travelled through more than 100 countries, and his adventurous, and entrepreneurial spirit led to connections with a wide range of businesses.

Following three years at the Naval College Mercury in Southampton as a cadet, he joined a large film company in Soho in the West End of London as a ‘go-for’, which opened his mind to the wider world. After a year, he left to go to sea and eventually became a Marine Officer on a Maersk vessel making its maiden voyage to Venezuela in 1967.

Following his time at sea, he joined the Ford Motor Company as a buyer and learned much about the industrial process and labour relations in the socio-politically troubled 1970s. In 1974, he left Ford in order to follow his dream to become an entrepreneur.

The business adventures of Michael Loveridge have been many and diverse. He has developed property and run restaurants in the UK and Canada, promoted hundreds of concerts, run high-tech businesses in the UK and Silicon Valley, California, and developed a plant-growing nursery in Norfolk, until it was demolished by a hurricane.

At the end of 2008, he suffered an illness and decided to semi-retire to Belize. During his years in Central America, he began to write his life story, so that his four children, and grandchildren, have a record of the wide range of events in his life.

He still does a great deal of travelling – invariably accompanied by his ECCO shoes. For a period, he even lived in a tree house in the jungle. Food and water had to be fetched from some distance away, and it was on one such trek that he was bitten twice by a snake. ”The strong leather of my ECCO shoes saved my life,” he recalls. “It was only because I managed to see a doctor within a few hours and because the leather stopped the bite penetrating too deeply, that I am still around.”

Today, Michael is actively helping fellow-sufferers of diabetes as a Peer Support Facilitator with Diabetes UK. He runs three groups under the umbrella T2T (Type Two Together) in and around Harwich.

In addition to his medically-related advice to the diabetics group he encourages them to wear ECCO shoes because “they are high quality, very sturdy, and they keep your feet safe. Your life becomes easier – especially if you buy ones with elastic speed laces. I have studied many diseases related to the feet and the importance shoes have upon one’s well-being. Buying the correct shoes is an investment, not a cost.”

Besides running his T2T groups and finishing his biography, Michael Loveridge is busy exploring and recording his journeys, from source to sea, of the rivers of eastern England by kayak.

Ecco
Stortorget 17, SE 211 22 - Malmo, Sweden.

Thursday, 25 February 2016

Dear Sirs

I am a pair of shoes, an ECCO pair of shoes. You are meeting me because my owner has recently bought three new pairs from you during the past couple of months and I am being sent out for retirement.

Before this happens I wanted to tell you my story. My life began in Halifax, Nova Scotia in Canada. There I was visited and in the shop my owner asked for a pair of light shoes that could walk a long way. Luckily I was recommended and after several months walking around cold Canada I headed south for the sun. I travelled through the New England States and then Mexico (not all walking) and finally over the border to Belize, a small country in Central America where the adventures began. I spent more than four years walking many miles in many environs staying at all sorts of property and even living in tree houses. During this time, I walked more than 5600 kilometres and was isolated for ninety days in a flooded jungle residence where my owner survived two snake bites though me.

As a result of a jungle accident my owner suffered several broken bones and two failed operations and was so badly injured that he had to return to the UK for proper repairs.

Now more than two years and six operations later he is all repaired and I am being pensioned off because of my loyal service. Although my owner is almost 70 years old he still wants to keep walking and has asked me to ask you what would be a suitable replacement for the size 43 me. If you could let my owner know as soon as possible I would be obliged.

Please have sympathy for my poor state of repair, I have been super glued together on many occasions but my sole is now separated from the upper. 5600 kilometres must be some sort of record so please have regard of where I am retired.

I am sorry to have taken your time but I know my owner is oh so proud of me.

So in the end all that there is left for me to say is to thank you for making my life so long and full of fun.

Dictated by me and typed by my owner.

Michael Loveridge

Karin and Kisser Hørlyck enjoy nature and long walks.

WALKING THE CAMINO IN ECCO BIOM

Karin and Kisser Hørlyck have more than their surnames in common. In 2016, they once again tied the laces of their ECCO Biom shoes and walked the epic Camino de Santiago pilgrimage trail, from the historic city of Porto on the west coast of Portugal, to Santiago de Compostela in northern Spain.

It was the second year in a row that they had undertaken the challenge and it took them 11 days to cover the 260km trail, which leading them to the ancient city walls of Santiago de Compostela, which is reported to attract 250,000 pilgrims, from all over the world, every year.

Life stories and life experiences

"It is a great experience and we meet many different people from the whole world," says Kisser Hørlyck. "We come with many different life stories and for many different reasons." Their husbands are cousins, so they know each other very well, and they bond even more strongly on the pilgrimage. Sometimes they chat as they walk, sometimes they sing; at other times, they simply walk in silence.

Physical training

It's always necessary to train and prepare thoroughly for a pilgrimage. Physical fitness is important, and so too is good equipment – particularly the right footwear, to avoid blisters and damaged toenails.

"We tried on many different brands and models," says Kisser, "and when we put on a pair of ECCO Bioms, our feet said: 'This is a nice place to be'."

COMMUNICATION VIA SOCIAL MEDIA

ECCO has an active presence on some of the biggest and most influential social media platforms, including Facebook, LinkedIn, YouTube, Pinterest, and Instagram. These platforms generate a large number of messages or mentions concerning ECCO, and this gives the company an important insight into our customers' reactions to new shoe models or accessories.

The vast majority of these messages express approval about product design and quality - but some are occasionally critical. These communications are useful because they allow ECCO to investigate and rectify potential shortcomings in individual products.

As these images – four among a steady stream – sent by happy ECCO wearers show, the footwear doesn't just fit feet. It fits very stylishy into the digitally personalised world of selfies, tweets, and instagrams. Three of the four messagers have no hesitation in saying they love their boots, and the fourth, a Spanish-speaker, singles out the warmth and comfort of the shoes.

CORPORATE RESPONSIBILITY

Corporate responsibility covers a wide range of attitudes and activities.

At ECCO, we consider it our primary responsibility to care for our employees, ensure they have good jobs, ongoing education, career opportunities, and are fairly paid.

One result of the close relationship between ECCO and our staff is the number of long-term employees working in the organisation. In December 2016, 253 celebrated their tenth anniversary with PT. ECCO Indonesia, and 521 celebrated twenty years with ECCO.

ECCO wishes to be active, positive citizens in the local societies where we have factories, shops, or offices.

First and foremost, we want to be seen, wherever we are, as adhering to ECCO's Code of Conduct, which originated as a series of statements made by ECCO's founder, Karl Toosbuy, many years ago. These remain clearly expressed in the 10 commitments of the ECCO Code of Conduct:

1. ECCO is a guest in each of the countries in which it, 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 form 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 in standards relating to the environment, health and safety, and supports sustainable development.
10. ECCO wishes to ensure that it complies with all relevant laws and regulations.

The ECCO Code of Conduct applies to all ECCO employees, business units, external suppliers, and other business partners.

OUR PEOPLE AND WORKING CONDITIONS

By owning its tanneries and shoe factories, ECCO has full control of the labour standards and working conditions in

Proud and loyal employees from PT. ECCO Indonesia celebrating their tenth or twenties anniversaries of service.

the production units. ECCO recognises that its employees are entitled to all rights and freedoms set out in the United Nations Declaration of Human Rights. The Declaration implicitly deplores the existence of child labour, forced labour, discrimination, and the prevention of freedom of association.

ECCO regards human and cultural diversity as important qualities. The company knows, from daily experience in its offices, design studios, and production plants around the world, that creativity flourishes more naturally in diverse, rather than monocultural, environments.

Thus, respect towards individuals, and an appreciation of their differences, is found among ECCO's management and employees all around the world.

Modern Slavery Act

Modern slavery, forced labour, and human trafficking occur across the world, in particular where work is conducted by migrant workers or other vulnerable groups. The commitment to condemn modern slavery related issues is core in ECCO's Code of Conduct. It is a strength of ECCO's business model that the majority of ECCO's activities take place in-house, which in turn increases ECCO's control over its labour impacts.

The ECCO Modern Slavery Act Statement is available at *antislavery.ecco.com*. In this statement, ECCO describes its policies and processes and how these are embedded in terms of risk management, contractual requirements, training, assessment and audits of business partners.

Audits

ECCO regularly carries out Code of Conduct audits at key suppliers in 2016, 78 supplier audits were conducted. These audits focus on good examples of conduct, ways to improve conduct, and support for long-term collaborations with suppliers. This approach increases suppliers' willingness to share and accept best practices, and to invest in improvements. ECCO's Managing Board reviews the audit results and in the event of any critical findings, immediate action is taken. In 2016, one business collaboration was terminated.

Various assessments are also conducted at ECCO's tanneries and shoe factories, either by external auditors, or on behalf of external leather customers.

ECCO's insurance company conducted on-site surveys, including fire and business interruption assessments, at three ECCO shoe factories and two tanneries in 2016.

Health and Safety
Health and safety activities at ECCO delivered all objectives set out in the 2016 health and safety plan.

An analysis of accidents shows that ECCO's accident rate was reduced significantly. This positive result was influenced by the 2016 Health & Safety Workshop, which targeted accident reduction, and established improved accident investigation and prevention procedures.

Risk assessment and risk management were examined at a safety workshop, with excellent input from Health and Safety teams from ECCO tanneries and shoe factories.

ECCO's in-house People magazine included a new safety-related section at the beginning of 2016, covering issues such as fire safety, machine safety, and other accident-related topics. These reports had a positive impact throughout the year.

The production of a Group fire safety manual for ECCO's shoe factories was initiated in 2016, and this was driven by ECCO Indonesia, which has set benchmark standards for fire safety, which will be used as an example for the rest of the shoe production.

CORRUPTION & BRIBERY
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 2016, a company-wide e-learning programme concerning the identification and avoidance of bribery and corruption was introduced.

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 the gender, that determine if he or she 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 commitment is ECCO's graduate trainee programme, which recruits young staff with management potential, with the specific aim of fostering future leaders in the company. In the 2016 intake of these trainees, 50% were women. Thus, the awareness of women as potential ECCO managers begins at the very start of their careers.

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

ECCO's Supervisory Board, elected by the Annual General Assembly, currently has 38% female representation.

27% of ECCO's senior management team were women at the beginning of 2017.

The Board regularly reviews the policy relating to women in management.

COMMUNITY ENGAGEMENT
ECCO wishes to be an active and supportive member of the local communities where it operates – supporting initiatives in education, health, welfare services, and disaster relief. Local ECCO units base their engagements with the local communities on regular communication with employees, and local stakeholders, to ensure the relevance and impact of their community initiatives.

China
In 2016, ECCO's shoe factory in Xiamen continued to organise free medical services for the local community, arranging six events in six different villages in cooperation with a local charity organisation. The result: medical care for about 900 people.

In another project, 11 students from economically challenged families were offered financial support by ECCO's shoe factory and tannery in Xiamen. Since 2010, when ECCO Xiamen set up the Student Aid Project, 68 students have received this help.

More than 115 ECCO employees participated in the Xiamen International Marathon. About 80 employees took part in one part of the event – the 5 km run – while 37 employees succeeded in completing the full marathon. CNY 41,000 was raised, and used to give aid to eight students in the local community.

Once again, the shoe factory received an annual award from the local government for providing job opportunities

A group of employees from ECCO Slovakia after the conclusion of a Leather Course.

for a higher number of physically challenged people than legally required. ECCO donated the award money to the local Physically Challenged Federation.

Indonesia
ECCO's shoe factory in Indonesia supports good working conditions for its employees through government and internal company programmes. One of the Indonesian government's current programmes is called "1000 First Days of Life", which emphasises the importance of breast feeding. To support this programme, the shoe factory provided lactation rooms for breast feeding mothers. In these private, comfortable rooms, mothers can express breast milk into containers, store it in a refrigerator, and take it home after they finish work.

The shoe factory is also implementing a programme of health awareness for women in relation to cancer prevention and so far, 1,250 employees have participated.

The majority of the 7,500 employees at ECCO's shoe factory and tannery are living in three neighbouring villages. The collaboration between ECCO and the villages includes the company's support of health programmes by providing free milk and food for babies; and infrastructure development in the villages, such as improving sanitation, maintaining roads, and building a gated railway crossing.

Thailand
On Thailand's National Children's Day, ECCO's tannery organised games at a local school for 50 children – the sons and daughters of ECCO employees and children whose parents worked at other companies.

Recognising the importance of traditional Thai culture, the tannery also organised a ceremony with monks from local temples. A donation was given to assist with the temple's maintenance.

The shoe factory also donated education equipment to eight primary schools in the local area – 20 laptops, 30 desktop computers, and some sports equipment.

ECCO's tannery has been accredited with the International Social Accountability certificate SA8000. Based on the United Nations Declaration of Human Rights and on the International Labour Organisation's conventions, it focuses on issues including the prevention of forced labour, child labour, and discrimination; and it supports freedom of association, the right to collective bargaining, reasonable working hours, and compensation.

Slovakia
ECCO's shoe factory in Slovakia has set up a Shoemaking High School to create a new generation of keen, knowledgeable shoemakers. The three-year full-time

15,113 participants joined the ECCO Walkathons in 2016 in Copenhagen, Kolding, Odense, and Aalborg.

study programme provides high-quality education, with 40% theory classes at school and 60% practical workshops in the shoe factory.

In September 2016, the first group of 12 young students, aged 15-16, joined the school and are setting out on potential careers in the shoe business with ECCO. The students will learn about the heritage and ethos of the company and receive training from experienced professionals, to the benefit of both the students and the company.

USA

ECCO USA, based in Boston, continues to explore new ways of improving its engagement with local communities, while continuing to provide a good workplace for its employees. In 2016, four employee committees were formed: the Safety Committee, Culture Committee, Wellness Committee, and Charitable Efforts Committee. All kicked off new initiatives to ensure that ECCO USA makes positive work and community impacts.

The engagement from all employees has been remarkable and, among other great efforts, resulted in the donation of 2,000 items for the Fall Drive sponsored by the Charitable Efforts group. These items were collected for the urgent care lists from Families in Transition and The Liberty House, two Boston organisations working to help disadvantaged families and individuals.

ECCO Walkathon

In 2016, the annual ECCO Walkathons took place in China, Malta, and Denmark. Responding to the theme, Donate Money With Your Feet, thousands of volunteers raised money for charity. ECCO donated EUR 1 for each kilometre each participant walked. The 15,113 who strode through the Danish cities of Copenhagen, Kolding, Odense, and Aalborg, raised EUR 135,000. The money will support the Danish Heart Foundation and SOS Children's Villages.

In China, the Walkathons took place in Shanghai and Chongqing. More than 3,400 people participated and ECCO donated EUR 15,200 to the Shanghai United Foundation to help autistic children.

In Malta, 155 participants completed the Walkathon, and the Inspire Foundation was supported financially.

A shoe being tested for slip resistance.

PRODUCT COMPLIANCE

Consumers expect to buy products that are safe and well produced, and this makes Product Compliance an important and constantly evolving process. Laws and regulations change continuously, so the business challenge lies in not only ensuring that products meet regulatory standards. The task is also to be able to demonstrate that they are always in compliance with laws and regulations when reaching retail shelves all over the world.

Product Compliance used to be integrated into different parts of ECCO's operations. ECCO is, like all other major international companies, facing the effects of the increasing number of laws and regulations relating to the production and marketing of products. And so, in 2016, it was decided to have a more centralised and focused approach to product compliance to provide the best possible service for ECCO staff, in different regions and markets, who deal with suppliers, development, production, and sales.

A Product Compliance team with diverse skills and backgrounds has been created, based at ECCO's R&D department in Denmark. This ensures that technical regulations are integrated at the beginning of the footwear development process.

It is in ECCO's DNA to do its utmost to deliver quality products. Product compliance requirements are, in many cases, already covered in the existing high quality standards within ECCO. There are, nevertheless, recent market-specific requirements. These include:

- Upper and sole technical requirements of shoe development
- Requirements on materials
- National test methods
- Detailed material specifications
- Declaration of chemicals used
- Finished product specifications
- National labelling requirements

The markets also have an important role. Feedback to the Product Compliance team ensures early involvement in different issues that may surface in various markets. This ensures that ECCO works proactively, and effectively, towards compliances for its products.

Solar panels at the ECCO Conference Centre in Tønder, Denmark.

ENVIRONMENT

ECCO aims to be an industry leader in environmental protection and supports sustainable development where possible. The company, directed by ECCO's Supervisory Board and Managing Board, seeks to minimise its environmental footprint and limit effects linked to climate change. Specialists, focusing on innovation, are also deeply involved in research and development related to new working methods, which will benefit the environment.

The company's environmental impacts are reduced by optimising the use of raw materials and energy and not only reducing waste, but considering waste as a potential resource. Reducing the environmental impact at all levels of ECCO's activities also cuts production costs in the long run.

Audits
Various assessments are conducted at ECCO's tanneries and shoe factories, either by external auditors or on behalf of external leather customers.

In 2016, an environmental audit, to standards set by the independent external Leather Working Group (LWG), was conducted at ECCO's tannery in Xiamen, China, and gained the best rating, Gold. The LWG is a multi-stakeholder expert group, which has developed a protocol to assess the environmental compliance and performance capabilities of leather manufacturers. Three of ECCO's four tanneries are currently rated Gold, and one Silver, by the LWG.

ECCO's tanneries manufacture leather for external customers and three audits were conducted at ECCO's tanneries on behalf of external leather customers in 2016.

Five audits, to standards set by the environmental management system ISO 14001 and the International Social Accountability SA8000, were also conducted at ECCO's tanneries and shoe factories.

Food and food waste
In 2016, the kitchen at the ECCO Conference Centre in Tønder, Denmark, reduced the environmental impact of their activities in two ways. Firstly, the portion sizes for more than 350 people each day were optimised, reducing waste by almost 50%; secondly, most of the food is purchased from local suppliers and 70% comes from organic sources.

Tracking food-waste is a new initiative at ECCO: waste is collected, weighed, and registered and at the end of every week, this data is evaluated and the outcomes are used to reduce future waste levels. In 2016, the food waste at Tønder was reduced to just 2.5kg per day on average.

Optimised wastewater treatment
The ECCO's Tannery in Indonesia made a major investment in additional wastewater cleaning equipment, and its advanced oxidation process ensures a more effective treatment, and results in cleaner water.

Saving energy
ECCO's shoe factory in Thailand has found a relatively simple way to reduce energy consumption by using a device that locks the thermostat temperature of air-condition units. Increasing the conditioned air temperature by 1°C was originally expected to reduce energy use by 10% . In fact, the energy reduction has been 18%.

ENVIRONMENTAL PERFORMANCE

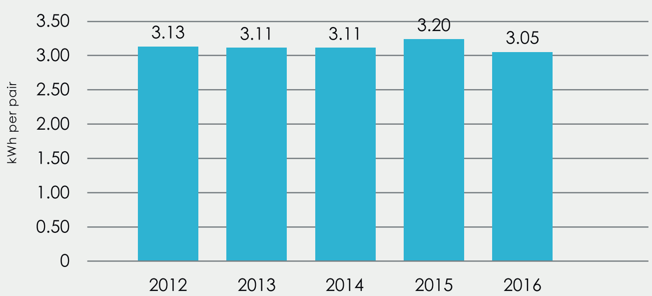
SHOE PRODUCTION

Energy and electricity:

There have been significant and positive energy-saving initiatives during 2016, which were implemented at every shoe factory. The positive impacts are expected to continue during 2017. The initiatives include:

- Change of light sources to LED
- Increased natural light
- Optimisation of compressor energy consumption
- Elimination of air leaks from compressors

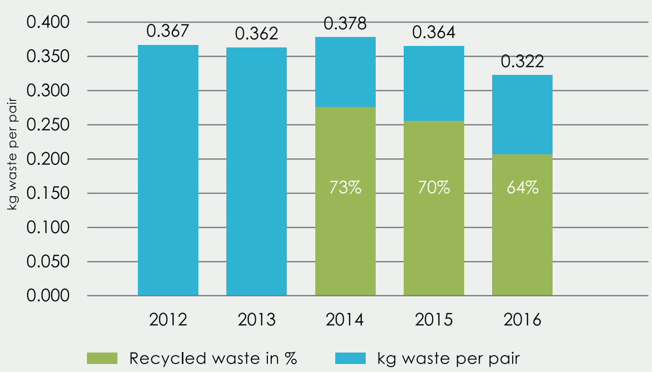
Shoe factories' energy consumption: kWh per pair



Waste and recycled waste:

Efforts to reduce total waste continued throughout 2016, resulting in a drop of 5% over the last year. The reduction was achieved despite the fact that additional processes were involved, and benefitted from continuous cooperation with waste management partners. This ensured that all waste processes were analysed and, where possible, sources for waste recycling were found.

Shoe factories' waste: kg per pair



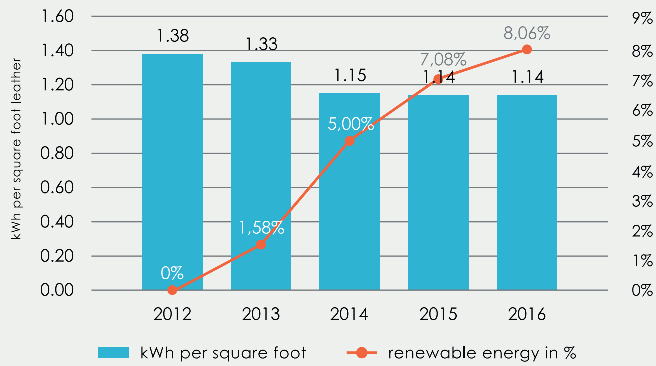
TANNERIES

Energy and electricity:

During 2015, all tanneries were subject to energy screening audits by an external specialist. Following the lead previously set by ECCO's tanneries in Thailand and Indonesia, tanneries in China and the Netherlands implemented investments and activities identified as necessary by the screening audits. These initiatives include:

- All production floor lighting changed to low-energy LED
- Measuring and smart control systems
- Heat exchangers and heat recovery

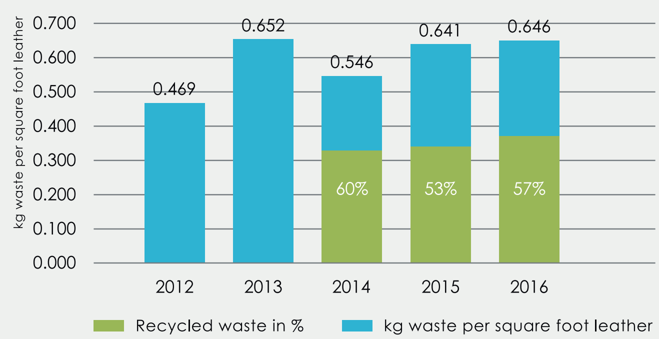
Tanneries' water consumption: Litres per square foot of leather produced



Waste

The generation of waste has increased slightly to 646g per square foot of leather produced. As in 2015, the tannery in the Netherlands had more lime fleshing. This waste stream is used to produce biogas which, in turn, resulted in a higher percentage of recycled waste.

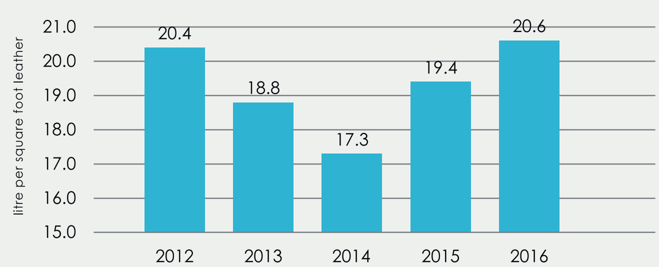
Tanneries' waste: kg per square foot of leather produced



Water consumption

Water consumption in the tanneries has increased significantly over recent years. The increase of 6.2% over the last year is due to the increased operations of our waste water treatment facilities. An additional cleaning system is reducing water usage.

Tanneries' water consumption: Litres per square foot of leather produced



D'Wayne Edward lecturing students at Design School Kolding.

ECCO and Design School Kolding will continue their succesful co-operation for another four years.

FOSTERING NEW TALENT AT DESIGN SCHOOL KOLDING

In 2016, ECCO and the internationally acknowledged Design School Kolding agreed to continue their co-operation for another four years. This relationship began in 2011, and ECCO's involvement guarantees that the students gain an in-depth knowledge of shoe materials, shapes, design, and construction. The fact that ECCO headquarters and the design school are only a 45 minute drive apart contributes to the creative synergy.

ECCO's support to the school is an important element in influencing the Danish fashion sector to focus on Scandinavian design culture. The unique co-operation has helped both organisations gain a strong position in the international design arena. In August 2016, Design School Kolding was ranked in the Business of Fashion's list of the world's best design schools.

ECCO's close links to young designers has certainly contributed to the company's image and positive brand awareness among young creatives.

Each year, ECCO supports a five-week shoemaking course at Design School Kolding, led by the founder of PENSOLE Footwear Design Academy and the former Chief Designer from NIKE, D'Wayne Edwards, whose knowledge of shoes and future trends is legendary. During the course, ECCO hosts the students at its headquarters in Bredebro, where specialists give the students expert advice.

ECCO's Head Designer, Ejnar Truelsen, who is Affiliate Professor at Design School Kolding also supports the shoemaking course. The students benefits from his wisdom gained during a long career, during which he has been the man behind many innovative shoe designs.

The close link to Design School Kolding has also made it possible for ECCO to spot new design talent, and the company has offered jobs to some of the school's best students.

The close collaboration between Design School Kolding and ECCO has global attention, making it possible to attract an impressive list of internationally acclaimed speakers at the annual International Shoe Conference.

ECCO trainees first day at ECCO.

GLOBAL TRAINEE PROGRAMMES

ECCO's global trainee programmes give young people a truly remarkable, thoroughly well-informed start to their business careers.

High school graduates, university bachelor students, and graduates from all over the world apply every year for the two-and three-year schemes, which give successful applicants an international introduction to shoe and leather production – from the hide to the High Street.

The programmes suit bright young people with a good command of spoken and written English. ECCO selects natural problem solvers who can work independently or in a team. Trainees must be ambitious and hard-working, respect different peoples and cultures – a key facet of ECCO's ethos and international outlook, which has made it one of Europe's most successful companies.

Applications come from all over the world. Those selected for the training programmes join one of two schemes. The ECCO International Trainee Education (EITE) scheme over three years, is aimed at high school graduates and university graduates with a Bachelor's Degree up to BA level. The Graduate Trainee Programme is for graduates with a Masters degree. In both cases, the trainees are paid a salary during their time on the programmes.

The EITE programme gives trainees a great deal of hands-on experience – learning by doing; in effect, right across the range of ECCO's many activities. They will also, through up to three international postings, gain important insight into ECCO's global organisation.

After an induction period at ECCO headquarters in Denmark, selected EITE trainees spend their first year at ECCO production plants in Europe or Asia and also experience customer-facing retail sales in Europe. Each trainee's programme is then tailored to their potential career track at ECCO. This could range from core business areas or global positions in production, sales, marketing, e-commerce, branding, supply chain or human resources.

The Graduate Trainee programme lasts two years, the first part of which is a hands-on introduction to ECCO's various activities in Denmark and overseas. In the second year, as the trainees' particular interests and skills become clearer, their typical future career paths within ECCO would include: finance and business control; shoe and leather production management; supply chain; and product design.

The graduate programme provides additional education if it is relevant to a trainee's career path, and also offers a China Scholarship Graduate Programme to suitable trainees; this has the same content as the Graduate Trainee Programme, with an additional year spent learning to speak Mandarin.

Counterfeit shoes of poor quality on display in an illicit shop in Shanghai.

RISK FACTORS AND RISK MANAGEMENT

ECCO is exposed to a number of risks due to the Group's international presence and business activities.

Effective management of risk is essential for ECCO's operations, strategy, and efficiency. It includes identification, evaluation, and mitigation of risks across the company. Key risks are reviewed by the Managing Board on a quarterly basis and, if necessary, the Board initiates additional management measures and responsibilities. ECCO's Audit Committee and Supervisory Board are briefed on key developments. The Supervisory Board is ultimately accountable for risk management.

Examples of significant risks include those related to trade restrictions, internal supply chain disruption, copying of ECCO's IPR, and cyber security issues.

Increased protectionism and trade restrictions

With sales activities in 88 countries worldwide and a global supply chain, ECCO is exposed to evolving trade restrictions and duties. According to the World Trade Organisation (WTO) more than 1200, free-trade restrictions have been implemented among G20 countries alone since the financial crisis in 2008. Recent anti-globalisation measures might lead to some countries imposing unilateral tariffs on major trading partners to obtain more favourable terms of trade. Protectionist trends could add complexity to ECCO's supply chain, increase costs, and reduce sales to consumers.

With production facilities in seven countries spread across Asia and Europe, ECCO may be able to mitigate unilateral trade restrictions.

Internal supply chain disruption

ECCO owns and controls its entire shoemaking process, from tanning of hides to sales of products to consumers. Consequently, ECCO's factories and tanneries are co-dependent producers and a disruption in one area may affect the entire value chain, including sales to consumers. For example, a factory fire or natural catastrophe could significantly affect the Group's operations. Therefore, mitigation actions include measures to prevent fires, contingency plans, back-up production facilities 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 as rigorously as possible through patents, trademarks, and design rights. ECCO also constantly monitors new products, both on-line and off-line, to establish if ECCO's IPR has been violated. When required, actions are taken to defend ECCO's IPR and brand positions through raids against counterfeiters, resulting in confiscation of counterfeited shoes. The raids are carried out in collaboration with relevant national authorities and followed up by legal action.

Cyber risks

ECCO is exposed to increasing threats from cyber-attacks, in the form of industrial espionage and cyber-crime (e.g. payment fraud and ransomware). The potential consequences range from loss of Intellectual Property and business data, financial losses, business interruption and damaged brand reputation. To mitigate the risk of cyber-attacks ECCO has developed a new Information Security Policy in 2016, which addresses the biggest cyber risks; and this policy is supported by intensified cyber awareness training.

Furthermore, numerous steps are taken to optimise IT security to effectively prevent, detect, and respond to cyber security threats, ranging from basic measures such as antivirus, firewall and regular software security updates, to more advanced technologies.

FINANCIAL RISKS

Liquidity risk

ECCO's Group Treasury ensures that the Group has access to adequate funding at all times. The Group's financial facilities are robust enough to deal with fluctuations in net working capital caused by ECCO's seasonal sales patterns, 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.

Foreign exchange risks

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.

Interest rate risks

The Group's interest rate risks are reduced by taking up fixed-interest loans or by entering into interest rate swaps. At year-end 2016, the Group had EUR 76m of fixed-rate debt. This represents 88% of the Group's committed long-term debt at year-end and 60% of the Group's total interest-bearing debt at year-end.

Credit risks

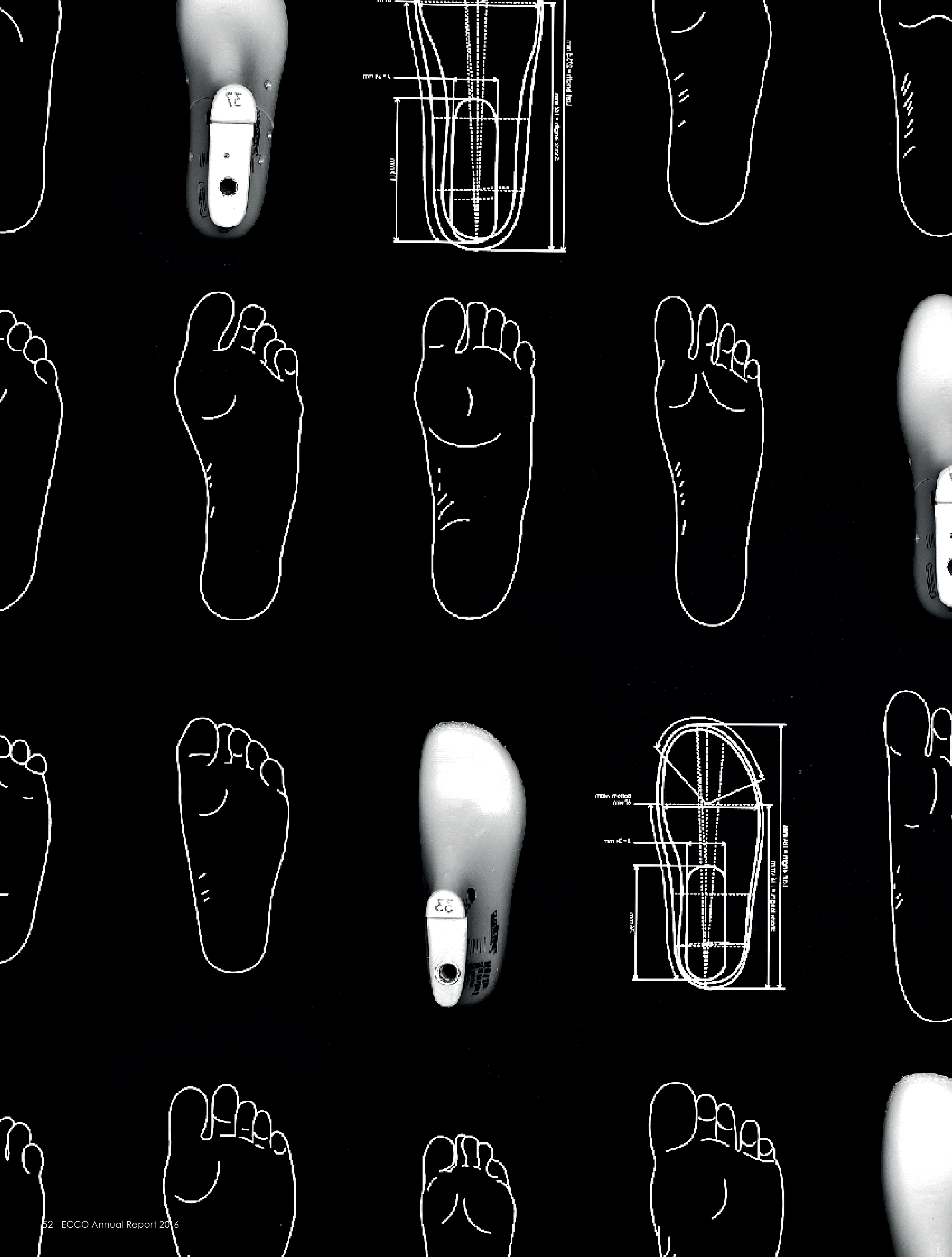
The Group has no material credit risks, other than those identified in this Annual Report's financial statements.

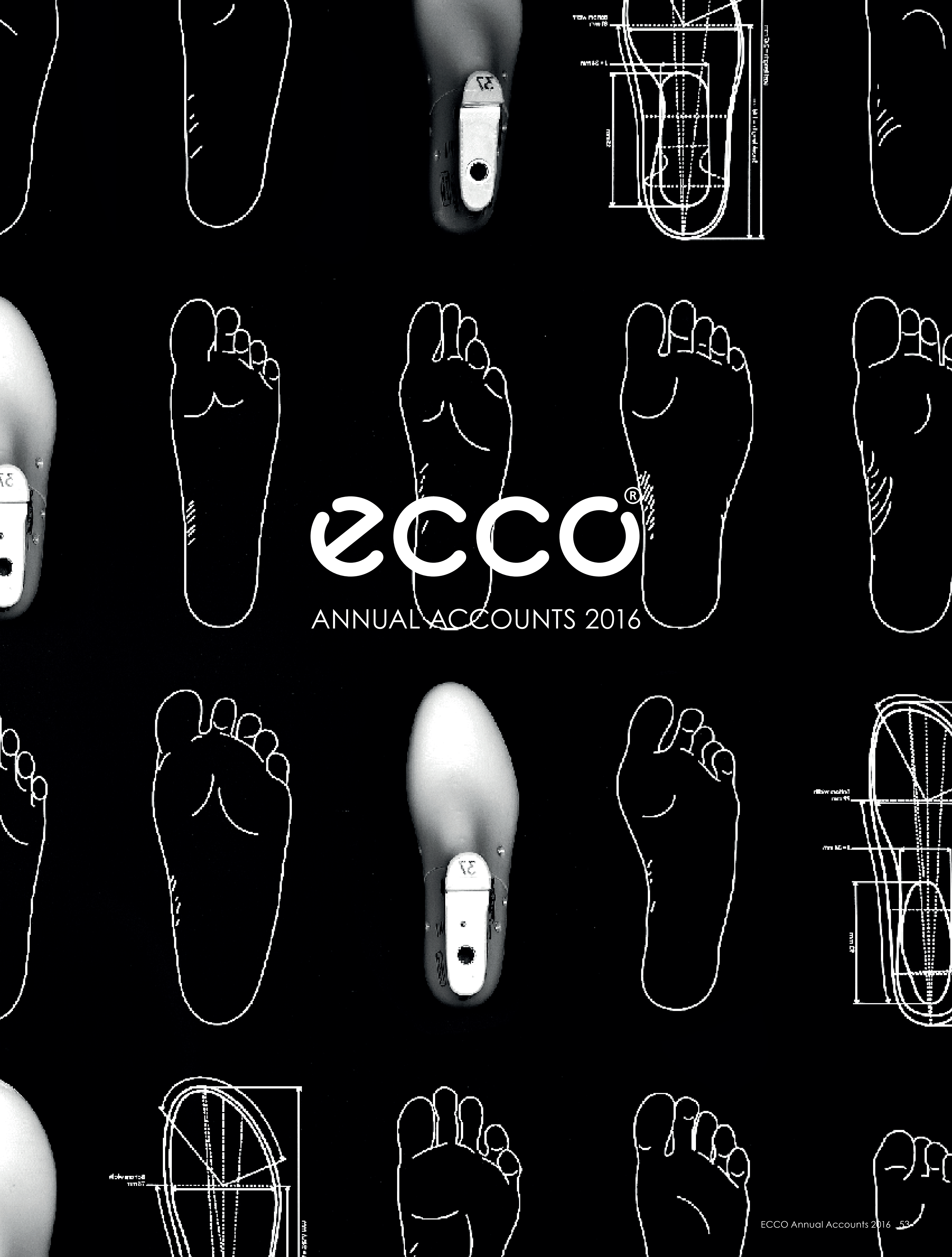
Tax risk

Transfer pricing has become a highly disputed area. It occurs when tax authorities in two countries each seek to maximise taxation in their respective country. ECCO follows OECD principles and Base Erosion and Profit Shifting (BEPS) methodology in setting "arm's length" transfer prices for all transactions. ECCO's transfer pricing policy is supported by appropriate documentation.

In 2015, ECCO lost a Danish transfer pricing case regarding the financial year 2005 in the Danish National Tax Tribunal, by two votes to one. ECCO has appealed the case to the Western High Court, where it is currently pending.

To further mitigate the risk, ECCO seeks to have an open dialogue with tax authorities in all relevant markets, which also means that so-called Advanced Pricing Agreements (APA) are entered into in key markets.





ecco®

ANNUAL ACCOUNTS 2016

STATEMENT BY THE MANAGEMENT

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of ECCO Sko A/S for the financial year 1 January - 31 December 2016.

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 2016, 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 2016.

Further, in our opinion, the Management's review gives a fair review 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, 29th March 2017

SUPERVISORY BOARD

Hanni Toosbuy Kasprzak
Chairman

Karsten Borch
Vice Chairman

Dieter Kasprzak
Member, Supervisory Board

Gerd Rahbek-Clemmensen
Member, Supervisory Board

Erik G. Hansen
Member, Supervisory Board

Kjeld Mortensen
Employee Representative

Majbritt Aarup Lausen
Employee Representative

Bernd Scheelke
Employee Representative

MANAGING BOARD

Dieter Kasprzak
President & Chief Executive Officer

Steen Borgholm
Deputy Managing Director

Michel Krol
Executive Vice President, Global Sales

Panos Mytaros
Executive Vice President, Global Shoe Production

ECCO's Managing Board

Andreas Wortmann (top left) resigned as of 24th February 2017.

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 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the group and the parent company, as well as a consolidated statement of cash flows. 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 2016 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 2016 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" section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent company 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 consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent company 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 these consolidated financial statements and parent company financial statements.

Independent auditor's report
As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is 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 consolidated financial statements and the parent company financial statements, including the note disclosures, and whether the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements or the parent company 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.

Independent auditor's report

Based on our procedures, we conclude that the Management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Bredebro, 29th March 2017

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

Jesper Ridder Olsen	Jens Weiersøe Jakobsen
State Authorised Public Accountant	*State Authorised Public Accountant*

INCOME STATEMENT 2016

		Group		Parent Company	
		2016	2015	2016	2015
Note	EUR '000				
2	**Net revenue**	**1,250,919**	**1,255,886**	**719,966**	**674,029**
	Change in inventories of finished products and work in progress	22,860	(2,983)	(4,926)	(7,458)
	Cost of raw materials and consumables	(507,080)	(515,233)	(597,979)	(535,925)
	Other external costs	(228,235)	(205,755)	(32,448)	(27,347)
3	Staff costs	(317,011)	(297,494)	(51,719)	(50,335)
4,5	Amortisation and depreciation	(49,417)	(46,179)	(9,001)	(9,140)
	Profit before financials	**172,036**	**188,242**	**23,893**	**43,824**
6	Financial income and expenses	(1,874)	(4,778)	5,493	1,469
9	Profit from subsidiaries	-	-	80,830	80,449
	Profit before tax	170,162	183,464	110,216	125,742
7	Income tax	(37,261)	(42,235)	(6,002)	(11,250)
	Profit for the year	**132,901**	**141,229**	**104,214**	**114,492**

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

Shareholders of ECCO Sko A/S	104,214	114,492
Non-controlling interests	28,687	26,737
	132,901	**141,229**

BALANCE SHEET AS OF 31 DECEMBER 2016

		Group		Parent Company	
Assets		2016	2015	2016	2015
Note	EUR '000				
	NON-CURRENT ASSETS				
	Development projects completed	-	637	-	-
	Patents, trademarks, licences	1,155	1,094	1,153	1,094
	Software	7,926	8,010	6,697	6,367
	Goodwill	2,326	1,538	719	1,128
	Development projects in progress	-	36	-	-
4	**Total intangible assets**	**11,407**	**11,315**	**8,569**	**8,589**
	Land and buildings	126,409	126,897	21,401	23,418
	Plant and machinery	54,335	53,226	1,010	1,383
	Fixtures and fittings, tools and equipment	38,303	31,969	7,114	7,428
	Property, plant, and equipment under construction	12,834	16,499	6,988	4,599
5	**Total property, plant, and equipment**	**231,881**	**228,591**	**36,513**	**36,828**
8,9	Investments in subsidiaries	-	-	434,195	383,595
9	Receivables from subsidiaries	-	-	112,483	128,616
	Other receivables	53,027	68,160	44,351	61,325
10	Deferred tax	33,984	30,350	4,638	5,619
	Total other non-current assets	**87,011**	**98,510**	**595,667**	**579,155**
	TOTAL NON-CURRENT ASSETS	**330,299**	**338,416**	**640,749**	**624,572**
	CURRENT ASSETS				
	Raw materials and consumables	70,486	65,260	1,130	960
	Work in progress	4,474	3,939	-	-
	Finished products and commercial products	244,670	222,345	71,002	75,928
	Total inventories	**319,630**	**291,544**	**72,132**	**76,888**
	Trade receivables	134,120	133,692	6,358	10,327
	Receivables from subsidiaries	-	-	108,796	87,312
	Receivables from affiliated companies	26,283	22,924	53	147
	Other receivables	29,868	29,618	4,254	6,577
	Income tax	11,129	16,314	3,866	4,807
11	Prepayments	11,866	9,690	5,252	3,220
	Total receivables	**213,266**	**212,238**	**128,579**	**112,390**
	Securities	**23**	**18**	**-**	**-**
	Cash	**159,674**	**106,159**	**2,203**	**7,394**
	TOTAL CURRENT ASSETS	**692,593**	**609,959**	**202,914**	**196,672**
	TOTAL ASSETS	**1,022,892**	**948,375**	**843,663**	**821,244**

BALANCE SHEET AS OF 31 DECEMBER 2016

		Group		Parent Company	
	Equity and liabilities	2016	2015	2016	2015
Note	EUR ’000				
	Share capital	666	663	666	663
	Reserve for net revaluation according to the equity method	-	-	266,060	217,542
	Retained earnings	510,885	473,713	244,825	256,171
	Dividend proposed for the year	84,000	105,000	84,000	105,000
	ECCO Sko A/S shareholders’ share of equity	**595,551**	**579,376**	**595,551**	**579,376**
	Non-controlling interests	**86,652**	**63,460**	**-**	**-**
	Total equity	**682,203**	**642,836**	**595,551**	**579,376**
12	Provision for pensions	17,258	9,960	-	-
10	Deferred tax	1,668	1,167	-	-
	Other provisions	1,405	1,053	-	-
	Credit institutions	104,611	81,353	100,417	77,603
13	**Total non-current liabilities**	**124,942**	**93,533**	**100,417**	**77,603**
	Short-term part of non-current liabilities	7,438	8,527	564	558
	Credit institutions	12,374	14,758	10,775	14,548
	Trade payables	64,117	58,057	14,385	15,303
	Payables to subsidiaries	-	-	84,988	89,865
	Payables to affiliated companies	6,694	6,362	35	56
	Income tax	18,907	14,211	-	-
14	Other payables	106,217	110,091	36,948	43,935
	Total current liabilities	**215,747**	**212,006**	**147,695**	**164,265**
	Total liabilities	**340,689**	**305,539**	**248,112**	**241,868**
	TOTAL EQUITY AND LIABILITIES	**1,022,892**	**948,375**	**843,663**	**821,244**

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 Significant events after the end of the financial year

CHANGES IN EQUITY STATEMENT 2016

GROUP EUR '000	Share capital	Retained earnings	Proposed dividend	Total	Non-controlling interests	Total Equity
Equity at 1 January 2015	**665**	**461,564**	**70,000**	**532,229**	**45,450**	**577,679**
Additions	-	-	-	-	192	192
Disposals	-	-	-	-	(12,813	(12,813)
Dividend paid	-	-	(70,000)	(70,000)	-	(70,000)
Profit allocation	-	9,492	105,000	114,492	26,737	141,229
Exchange rate adjustments	(2)	15,954	-	15,952	3,894	19,846
Adjustment of currency hedges of future sales and financial swaps	-	(13,077)	-	(13,077)	-	(13,077)
Tax on equity transactions	-	(220)	-	(220)	-	(220)
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 31 December 2016	**666**	**510,885**	**84,000**	**595,551**	**86,652**	**682,203**

PARENT COMPANY EUR '000	Share capital	Net revaluation according to the equity method	Retained earnings	Proposed dividend	Total Equity
Equity at 1 January 2015	**665**	**194,407**	**267,157**	**70,000**	**532,229**
Dividend paid	-	-	-	(70,000)	(70,000)
Profit allocation	-	21,378	(11,886)	105,000	114,492
Exchange rate adjustments	(2)	16,084	(130)	-	15,952
Adjustment of currency hedges of future sales and financial swaps	-	(14,327)	1,250	-	(13,077)
Tax on equity transactions	-	-	(220)	-	(220)
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 31 December 2016	**666**	**266,060**	**244,825**	**84,000**	**595,551**

	2016	2015
Proposed profit allocation:		
Revaluation reserve for undistributed profit in subsidiaries	35,625	21,378
Retained earnings	(15,411)	(11,886)
Proposed dividend	84,000	105,000
Profit for the year	**104,214**	**114,492**

CONSOLIDATED CASHFLOW STATEMENT 2016

EUR '000	2016	2015
Cashflow from operating activities		
Profit before tax	170,162	183,464
Adjustment for non-cash operating items:		
Amortisation and depreciation	49,417	46,179
Exchange rate adjustments	17,410	892
Financial income/expenses net	1,874	4,778
Working capital adjustments:		
(Increase)/decrease in inventories	(28,086)	(5,378)
(Increase)/decrease in receivables	8,920	888
Increase/(decrease) in trade payables	6,392	(5,418)
Increase/(decrease) in other payables	(3,874)	11,608
Increase/(decrease) in provisions	5,103	(1,329)
Income taxes paid	(30,514)	(47,144)
Total cashflow from operating activities	**196,804**	**188,540**
Cashflow from investing activities		
Net payments to invest in non-current assets:		
Intangible assets	(5,502)	(3,948)
Property, plant and equipment	(45,069)	(47,568)
Total cashflow from investing activities	**(50,571)**	**(51,516)**
Cashflow from financing activities		
Financial income/expenses net	(1,874)	(4,778)
Non-controlling interests	(5,624)	(12,622)
(Repayment of)/proceeds from debt to credit institutions	19,785	(39,047)
Dividend paid	(105,000)	(70,000)
Total cashflow from financing activities	**(92,713)**	**(126,447)**
Cashflow from operating, investing and financing activities	**53,520**	**10,577**
Cash and cash equivalents at beginning of year	106,177	95,600
Cash and cash equivalents at year-end	**159,697**	**106,177**

	2016	2015
Breakdown of cash and cash equivalents		
Securities	23	18
Cash	159,674	106,159
Cash and cash equivalents at year-end	**159,697**	**106,177**

NOTES

1. Accounting policies

The annual report of ECCO Sko A/S for 2016 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.

Effective 1 January 2016, ECCO Sko A/S adopted the required changes set out in the Danish Financial Statements Act of 1 July 2015. This implies changes in the recognition and measurement in the following areas:

1) Yearly reassessment of residual values of Property, Plant, and Equipment

2) Amortisation period for intangible assets

3) Reserve for development costs

4) Method applied to intra-group business combinations

5) Restructuring in connection with business combinations

6) Actuarial gains or losses regarding defined benefit pension plans

Ad 1
Property, Plant, and Equipment will, in future, be subject to a yearly reassessment of residual values. This is considered as a change in accounting estimates with no impact on equity.

Ad 2
Intangible assets are amortised over their useful lives. Previously, amortisation was charged over a maximum of 5 years. The changes have been made with future effect as a change in accounting estimate.

Ad 3
An amount equal to the capitalised development cost is booked in the Parent Company in a special reserve under equity called “Reserve for development costs”. This reserve cannot be used to distribute dividend or cover losses. For 2016, no development costs were capitalised.

Ad 4
In connection with business combinations involving entities controlled by the Parent Company, the book value method is applied going forward, meaning that the combination is considered complete at the time of acquisition without any restatement of comparative figures. Previously, the combination was considered completed at the beginning of the financial year with restatement of comparative figures.

Ad 5
Going forward, only restructuring costs which are recognised in the acquired entity before the date of acquisition and which are not agreed as part of the acquisition, will be recognised in the acquisition balance sheet and, accordingly, the calculation of goodwill. Costs relating to restructuring decided by the acquiring entity must be recognised in the income statement in future. Previously, provisions for restructuring decided in connection with the business combination were recognised.

Ad 6
Actuarial gains or losses regarding defined benefit pension plans are recognised directly in equity. Previously, actuarial gains or losses were expensed as staff costs.

Apart from the above and new and changed presentation and disclosure requirements, the accounting policies are consistent with those of 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 items: Financial items include interest income and expenses, realised and unrealised exchange rate gains and losses on deposits/loans, and other bank charges.

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.

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.

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.

Write-downs: The carrying amount of intangible assets and property, plant and equipment 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.

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.

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 evaluations.

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.

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.

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 2016	Group 2015	Parent Company 2016	Parent Company 2015
Segment information				
Shoes	1,096,032	1,088,143	716,448	671,913
Accessories	42,757	42,507	-	-
Leather	101,167	114,864	-	-
Others	10,963	10,372	3,518	2,116
Total net revenue	**1,250,919**	**1,255,886**	**719,966**	**674,029**
Net revenue Shoes & Accessories				
ECCO Europe, Middle East & Africa	526,148	530,798	410,228	380,494
ECCO North Americas	248,337	244,728	157,114	146,089
ECCO Asia/Pacific	364,304	355,124	149,106	145,330
Total Shoes & Accessories	**1,138,789**	**1,130,650**	**716,448**	**671,913**

Reference is made to the ECCO Group structure on pages 80 and 81 regarding the definition of the geographic regions.

3. Staff costs and management and staff information

EUR '000	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
Salaries	278,965	261,770	49,002	47,679
Pensions and defined benefit plans	14,886	10,815	2,711	2,647
Other social security costs	26,498	24,909	6	9
Staff costs	**320,349**	**297,494**	**51,719**	**50,335**
Average number of employees	20,000	19,323	524	532
Number of employees at year-end	20,635	19,109	519	534
Fees to Managing Board and Supervisory Board:				
Managing Board	7,599	6,967	7,599	6,967
Supervisory Board	215	195	215	195

NOTES

4. Intangible assets

EUR '000	Development projects completed	Patents, trademarks, licences	Software	Goodwill	Development projects in progress	Total
GROUP						
Cost at 1 January	1,012	3,817	53,712	11,604	167	70,312
Currency translation	47	11	647	190	(1)	894
Additions	-	419	2,497	1,584	-	4,500
Transferred	(1,044)	(18)	1,522	288	(166)	582
Disposals	-	-	(546)	-	-	(546)
Cost at 31 December	**15**	**4,229**	**57,832**	**13,666**	**-**	**75,742**
Accumulated amortisation at 1 January	375	2,723	45,702	10,066	131	58,997
Currency translation	250	7	364	164	-	785
Amortisation	-	344	4,315	860	-	5,519
Transferred	(610)	-	64	250	(131)	(427)
Amortisation on disposals	-	-	(539)	-	-	(539)
Accumulated amortisation at 31 December	**15**	**3,074**	**49,906**	**11,340**	**-**	**64,335**
Carrying amount at 31 December	**-**	**1,155**	**7,926**	**2,326**	**-**	**11,407**
PARENT COMPANY						
Cost at 1 January	-	3,726	39,617	7,072	-	50,415
Currency translation	-	14	153	27	-	194
Additions	-	419	2,020	-	-	2,439
Transferred	-	(18)	1,688	-	-	1,670
Disposals	-	-	(442)	-	-	(442)
Cost at 31 December	**-**	**4,141**	**43,036**	**7,099**	**-**	**54,276**
Accumulated amortisation at 1 January	-	2,632	33,251	5,944	-	41,827
Currency translation	-	11	134	24	-	169
Amortisation	-	345	3,396	412	-	4,153
Transferred	-	-	-	-	-	-
Amortisation on disposals	-	-	(442)	-	-	(442)
Accumulated amortisation at 31 December	**-**	**2,988**	**36,339**	**6,380**	**-**	**45,707**
Carrying amount at 31 December	**-**	**1,153**	**6,697**	**719**	**-**	**8,569**
Amortisation period	5 years	5 years	3 years	5 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 years considering the technological development and the expected economic benefits.

NOTES

5. Property, plant, and equipment

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	235,073	174,032	124,641	16,499	550,245
Currency translation	2,084	3,209	2,115	192	7,600
Additions	12,704	13,509	16,618	3,890	46,721
Transferred	3,586	2,052	1,413	(7,633)	(582)
Disposals	(1,581)	(4,029)	(4,960)	(114)	(10,684)
Cost at 31 December	**251,866**	**188,773**	**139,827**	**12,834**	**593,300**
Accumulated depreciation at 1 January	108,176	120,806	92,672	-	321,654
Currency translation	982	2,364	2,135	-	5,481
Depreciation	14,507	15,128	14,263	-	43,898
Transferred	3,333	(22)	(2,884)	-	427
Depreciation on disposals	(1,541)	(3,838)	(4,662)	-	(10,041)
Accumulated depreciation at 31 December	**125,457**	**134,438**	**101,524**	**-**	**361,419**
Carrying amount at 31 December	**126,409**	**54,335**	**38,303**	**12,834**	**231,881**
PARENT COMPANY					
Cost at 1 January	53,793	10,133	33,581	4,599	102,106
Currency translation	208	39	130	18	395
Additions	37	16	1,672	4,380	6,105
Transferred	-	-	339	(2,009)	(1,670)
Disposals	(150)	(343)	(812)	-	(1,305)
Cost at 31 December	**53,888**	**9,845**	**34,910**	**6,988**	**105,631**
Accumulated depreciation at 1 January	30,375	8,750	26,153	-	65,278
Currency translation	121	34	105	-	260
Depreciation	2,136	394	2,318	-	4,848
Transferred	-	-	-	-	-
Depreciation on disposals	(145)	(343)	(780)	-	(1,268)
Accumulated depreciation at 31 December	**32,487**	**8,835**	**27,796**	**-**	**69,118**
Carrying amount at 31 December	**21,401**	**1,010**	**7,114**	**6,988**	**36,513**
Depreciation period	20-30 years	5-10 years	3-5 years		

NOTES

6. Financial income and financial expenses

EUR '000	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
Interest income external	4,105	3,135	2,708	1,522
Interest income from subsidiaries	-	-	3.304	2.819
Net exchange rate gains	3,296	1,336	3,693	1,994
Total financial income	**7,401**	**4,471**	**9,705**	**6,335**
Interest expenses external	(3,158)	(4,108)	(3,186)	(3,971)
Interest expenses to subsidiaries	-	-	(803)	(830)
Other financial expenses	(6,117)	(5,141)	(223)	(65)
Total financial expenses	**(9,275)**	**(9,249)**	**(4,212)**	**(4,866)**
Total net financial income and expenses	**(1,874)**	**(4,778)**	**5,493**	**1,469**

7. Income taxes

EUR '000	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
Income tax for the year	40,210	39,874	6,408	8,710
Prior-year adjustment	(4,690)	2,443	(140)	2,638
Adjustment of deferred tax	1,741	(82)	(266)	(98)
Total income tax	**37,261**	**42,235**	**6,002**	**11,250**

NOTES

8. 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%	55,880,000	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 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 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 Global Business Development B.V.	The Netherlands	100%	10	t.EUR
ECCO Korea Limited	Korea	100%	1,058,500	t.KRW
ECCO Latin America Holding Ltd. Inc.	Panama	100%	10	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
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

9. Other non-current assets, subsidiaries

EUR '000	Investments in subsidiaries 2016	Investments in subsidiaries 2015	Receivables from subsidiaries 2016	Receivables from subsidiaries 2015
Cost at 1 January	166,053	166,053	128,616	118,157
Additions	2,082	-	34,266	36,596
Disposals	-	-	(50,399)	(26,137)
Cost at 31 December	**168,135**	**166,053**	**112,483**	**128,616**
Accumulated revaluation at 1 January	217,542	194,407	-	-
Profit after tax of subsidiaries	80,830	80,449	-	-
Currency adjustment of foreign subsidiaries	8,003	16,084	-	-
Adjustment of currency hedging of future sales in subsidiaries	7,437	(14,327)		
Actuarial gains/(losses)	(2,547)	-		
Dividend	(45,205)	(59,071)	-	-
Net revaluation	48,518	23,135	-	-
Accumulated revaluation at 31 December	**266,060**	**217,542**	**-**	**-**
Carrying amount at 31 December	**434,195**	**383,595**	**112,483**	**128,616**

The carrying amount of investments in subsidiaries at 31 December 2016 includes Group goodwill of t. EUR 1,986

10. Deferred tax

EUR '000	Property, plant and equipment	Stock	Provisions	Other liabilities	Tax losses	Other	Total
GROUP							
Recognised at 1 January	(3,034)	5,921	2,960	10,119	9,077	4,140	29,183
Recognised Income statement	(4,407)	8,731	2,054	850	5,250	(10,737)	1,741
Recognised directly to equity	-	-	-	(714)	-	2,106	1,392
Total adjustment for the year	**(4,407)**	**8,731**	**2,054**	**136**	**5,250**	**(8,631)**	**3,133**
Recognised at 31 December	**(7,441)**	**14,652**	**5,014**	**10,255**	**14,327**	**(4,491)**	**32,316**
Deferred tax asset							33,984
Deferred tax liability							(1,668)
Recognised at 31 December							**32,316**
PARENT COMPANY							
Recognised at 1 January	(621)	3,360	35	3,462	-	(618)	5,618
Recognised Income statement	(375)	691	-	(105)	-	(477)	(266)
Recognised directly to equity	-	-	-	(714)	-	-	(714)
Total adjustment for the year	**(375)**	**691**	**-**	**(819)**	**-**	**(477)**	**(980)**
Recognised at 31 December	**(996)**	**4,051**	**35**	**2,643**	**-**	**(1,095)**	**4,638**
Deferred tax asset							4,638
Deferred tax liability							-
Recognised at 31 December							**4,638**

NOTES

11. Prepayments

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

12. Provision for pensions

EUR '000	Group 2016	Group 2015
The provision for pensions is due as follows:		
< 1 year	197	96
1-5 years	1,448	663
> 5 years	15,613	9,201
Total	**17,258**	**9,960**

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

13. Non-current liabilities

	Group		Parent Company	
EUR '000	2016	2015	2016	2015
Non-current liabilities due more than five years after the end of the financial year	20,666	17,753	14,146	15,869

14. Other payables

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

NOTES

15. Financial instruments

Group

2016

Derivative financial instruments
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):

EUR '000	Principal value of unrealised forward contracts end 2016
Currency	
EUR	96,594
USD	29,310
CAD	14.223
CNY	11,919
JPY	4,788
SGD	2,516
SEK	1,686
AUD	(2,342)
PLN	(2,736)
THB	(3,121)
IDR	(4,126)
Others	(592)
Total	**148,119**

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 2016 in EUR '000	Value adjustment on equity begin/end in EUR '000
Forward contracts	441,227	9,979

Financial swaps
The Group has entered into financial swaps to cover part of the risk of interest fluctuations.

	Principal value of unrealised interest swaps end 2016 in EUR '000	Value adjustment on equity begin/end in EUR '000
Interest swaps fixing the interest rate	114,803	397

NOTES

16. Contingent liabilities and guarantees, etc.

EUR '000	Group 2016	Group 2015	Parent Company 2016	Parent Company 2015
CONTINGENT LIABILITIES				
Rent and lease liabilities	175,787	146,467	862	781
Guarantees and letters to suppliers and subsidiaries	2,942	13,638	780	2,339
COLLATERAL SECURITY				
The following assets have been lodged in security of the Group's loans from credit institutions and other non-current liabilities:				
Bearer mortgages on property, plant, and equipment	21,383	22,346	21,383	19,847
Guarantee for import duty	9,849	7,844	3,653	1,996
Personnel obligations	189	142	-	-
LODGED ASSETS				
Book value of assets lodged in security of the Group's loans from credit institutions and other non-current liabilities	20,842	27,237	19,849	22,327

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 2016 exceed the total provisions regarding company taxes and withholding taxes on dividend, interest, and royalties by EUR 1.4m as per 31 December 2016. 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 2016	Group 2015
Auditor's fee	1,195	1,171
Other assurance services and statements	97	114
Tax advisory services	523	437
Other assistance	47	198
Total	**1,862**	**1,920**

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.

ECCO Sko A/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. 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 2016

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
- **PORTUGAL** *(branch)*
  ECCO EMEA Sales SE Sucursal em Portugal
- **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
- **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.

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.
    - **MALAYSIA**
      ECCO Malaysia Sd. Bhd.
  - **HONG KONG**
    ECCO Shoes Hong Kong Limited
    - **MACAO**
      ECCO Macao Limited
    - **TAIWAN**
      ESHK Ltd. Taiwan *(branch)* 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 AND BRANCHES HAVE BEEN OMITTED.

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Denmark
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A/S Reg. No. 43.088
CVR No. 45 34 99 18