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generalforsamling
den 27. maj 2020

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ecco®

ANNUAL REPORT 2019

A high-contrast, black and white close-up photograph of a shoe's sole and stitching. The image shows the intricate details of the stitching and the texture of the sole material, which appears to be a combination of dark and light-colored sections. The lighting creates strong highlights and deep shadows, emphasizing the three-dimensional quality of the shoe's construction.

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eCCO[®]

Front page: ECCO Shape Sculpted Motion 75

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ECCO'S FUTURE

I am delighted that our son André and daughter Anna have agreed that ECCO should continue as a company owned and operated by our family.

They became ECCO shareholders several years ago, and in 2019, we discussed and agreed how we should work together as owners of ECCO in the future. We have made a formal agreement setting this out.

I find it rewarding to work with André and Anna. It is a joy to involve them in the responsibility for ECCO, not least because they bring different perspectives to our discussions. This gives us the opportunity to combine the heritage of ECCO and the family, and our fundamental values, with their views on the future of ECCO.

I am also convinced that our many loyal, dedicated employees are happy to know there will be continuity, and that ECCO will go on, always adapting to new times and new challenges. Currently, big challenges are centered around the disruptive and fast-paced nature of digital technologies and the way these are empowering consumers globally - and of course presently COVID-19.

From my father, who with my mother founded ECCO, we inherited ECCO's Code of Conduct, a set of rules that he formulated in the early 1990s, which we still live and work by. Today, they are expressed in a set of detailed policies based on their original ethical attitudes.

During 2019, André, Anna, and I sat down to talk about what our focus points for the coming years should be. We defined them as:

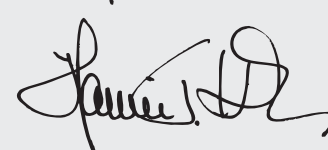
- To continue to provide consumers with a unique and pleasant experience when buying and wearing ECCO products. It is, and will always be, our primary aim to make great shoes and leather to satisfy our customers and consumers.
- To provide job security for ECCO's employees, and continue to be a company where people enjoy coming to work.
- To care for the environment. We must realise that our activities have environmental impacts when we tan leathers, make shoes, and transport our products. We cannot change this entirely – but we will always work hard to minimise our impact on the environment, and always strive to be an industry leader in this respect. Caring about the environment is, however, not just an obligation for big companies or governments – it starts with every single one of us.

The first focus point, to make high-quality shoes and leather, has always been at the heart of what we do. Uniquely, we control virtually the entire supply chain from hides and tanning, to shoe production and transportation, and selling the products. This allows us, at every point, to ensure that quality is high.

The second point, to create a company where people enjoy coming to work, is evident from our annual engagement surveys across the entire company, and from the fact that we generally have a very low turnover of staff. We have also experienced this directly when we travel to ECCO's factories and offices across the world.

Finally, the environment. ECCO has, for many years, focused on developing solutions to reduce our impact on the environment. We invest heavily in environmental measures and have made very good progress – and will continue to do so. In the area of energy consumption, ECCO has used renewables, but also developed sustainable energy processes. ECCO has limited its use of natural resources, particularly water. Much has been achieved, and further landmark environmental developments are nearing completion. ECCO is also improving its programmes for recycling or upcycling waste.

ECCO is in a good place.



Hanni Toosbuy Kasprzak
Chairman



Anna Kasprzak, Hanni Toosbuy Kasprzak, and André Kasprzak

ECCO IN 2019 AT A GLANCE

€ 1,360m

Revenue
2018 - € 1,309m

€ 196m

Profit before tax
2018 - € 201m

14.4%

Profit ratio
2018 - 15.3%

€ 649m

Equity
2018 - € 617m

21,400

Number of employees
2018 - 21,300

CEO'S REPORT

I wish to thank all my colleagues for making 2019 another successful year for ECCO, while at the same time driving our strategic agenda forward. Despite the efforts, however, the achievements of the past year are overshadowed by the spread of COVID-19 which has severe consequences for many people and businesses.

Looking back at 2019, the speed of change in the industry accelerated, led by changing consumer behaviour. The footwear industry continues to be characterised by limited growth and changing distribution patterns. In a challenging market setting, ECCO showed progress on many fronts in our ambition of being the leading premium shoe brand.

We continued positioning ECCO for long-term success in our markets with a more strategic approach to our brand and distribution. ECCO's global strategies with regional and local adaptations proved successful.

The new ECCO prime retail concept was further rolled out, providing consumers with a more premium shopping experience. The focus of the retail portfolio was to secure the right locations as consumer and traffic patterns changed. During 2019, the shop portfolio growth slowed to only six extra shops. However, this fact only shows the tip of the iceberg of the portfolio changes. The underlying figures are 200 openings and 194 closings, ensuring that ECCO is positioned well in the markets. The online and omni-channel shopping experiences were supported by significant investments in our technology platforms. In our important business-to-business sales, a milestone was reached as more than 80% of all wholesale sales were automated and handled from our digital platforms, and ECCO's first digital showroom was launched.

ECCO's growing hybrid and athleisure categories proved successful as we capitalised on new designs and our ST.1 and Multivent technologies. In the women's category, the elevated comfort technology concept, Shape Sculptured Motion, drove new consumers to the brand. Amongst other, the successful collaborations with Stone Island and Saks Potts exposed the brand to new consumers.

Towards the end of the year, ECCO reached an agreement to buy the business in Russia from our long-standing partners. This as a consequence of our strategy to be close to our consumers and to continue the great success ECCO has had in Russia in the past 25 years.

2020 marks the beginning of a new decade. A decade where sustainability and digitalisation will be shaping our industry. It is in ECCO's DNA to conduct business in a way



Steen Borgholm, ECCO's Chief Executive Officer

that minimises the impact on the environment, which is simply how we do, and always have done business. ECCO is an innovative company that can create real innovation in both products and processes. We control the entire value chain ourselves, and this provides us with the knowledge and insight necessary to push the boundaries in innovation through our ownership of tanneries, shoe factories, and distribution.

It is also a strength when a disastrous event like COVID-19 happens. ECCO is able to look after and ensure our employees are as well protected as possible and adhere strictly to the instructions from the authorities.

At ECCO, we are confident that we can be successful also in the next decade, but at the same time it is crystal clear to us that past glory will not lead to future success. Therefore, we will accelerate our strategic initiatives, once Covid-19 is under control.

Steen Borgholm
Chief Executive Officer

FIVE YEAR SUMMARY

FINANCIAL HIGHLIGHTS EUR '000	2015	2016	2017	2018	2019
Net revenue	1,255,886	1,250,919	1,275,960	1,309,386	1,359,722
Profit before amortisation and depreciation	234,421	221,453	241,265	259,012	258,240
Amortisation and depreciation	(46,179)	(49,417)	(50,694)	(52,428)	(57,172)
Profit before financials	188,242	172,036	190,571	206,585	201,068
Financial income and expenses	(4,778)	(1,874)	(6,735)	(5,918)	(5,233)
Profit before tax	183,464	170,162	183,836	200,667	195,834
Income tax	(42,235)	(37,261)	(45,555)	(51,815)	(48,260)
Profit for the year	141,229	132,901	138,281	148,852	147,574
Non-current assets	338,416	330,299	310,624	352,108	371,528
Current assets	609,959	692,593	684,971	700,355	781,268
Total assets	948,375	1,022,892	995,595	1,052,463	1,152,797
ECCO Sko A/S shareholders' share of equity	579,376	595,551	592,123	617,366	648,754
Non-controlling interests	63,460	86,652	98,881	116,809	144,781
Non-current liabilities	93,533	124,942	81,709	97,834	108,045
Current liabilities	212,006	215,747	222,882	220,454	251,217
Equity and liabilities	948,375	1,022,892	995,595	1,052,463	1,152,797
Cashflow from operating activities	188,540	196,804	188,691	206,864	248,256
Cashflow from net investing activities	(51,516)	(50,571)	(48,842)	(96,773)	(79,056)
Investments in property, plant, and equipment	(47,568)	(45,069)	(35,894)	(85,821)	(67,618)
Cashflow from financing activities	(126,447)	(92,713)	(121,530)	(100,325)	(105,154)
Number of employees (as of 31 December)	19,109	20,635	21,526	21,271	21,364
KEY RATIOS					
Operating margin	15.0%	13.8%	14.9%	15.8%	14.8%
Profit ratio	14.6%	13.6%	14.4%	15.3%	14.4%
Return on assets	19.6%	17.3%	18.2%	19.6%	17.8%
Investment ratio	1.1	1.0	1.0	1.8	1.4
Return on equity	20.6%	17.7%	18.4%	20.3%	17.7%
Solvency ratio	61.1%	58.2%	59.5%	58.7%	56.3%
Liquidity ratio	2.9	3.2	3.1	3.2	3.1

DEFINITIONS OF KEY RATIOS

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

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

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

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

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

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

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

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

ECCO had a good year in 2019. The result is seen as satisfactory in a changing market, where several unforeseen events affected consumer spending.

The company's global presence and position across sales channels made it possible to navigate through the challenges and deliver a solid result.

For the financial year 2019, net sales of EUR 1,359.7m and profit before tax of EUR 195.8m were achieved.

The increased investments made in the past years impacted amortisation and depreciation. Group profit before amortisation and depreciation amounted to EUR 258.2m against EUR 259,0m in 2018.

Net sales increased by 3.8% when compared to 2018.

Net sales of shoes increased by 4.5%. Accessories grew by 2.8% and leather sales decreased by 5.0%.

Investments in Direct-to-Consumer sales channels continued in 2019, with net sales from retail and e-commerce combined increased by 10.9%. Online sales channels grew by 22.2%. Brick and mortar shops grew sales by 8.2%.

The global retail environment continued to be challenging, with intense competition. The Hong Kong retail business suffered severely from social unrest in the second half of 2019.

The number of ECCO shops increased marginally in 2019. The focus was on shop profitability and portfolio optimisation and resulted in high activity in shop openings and closings during the year.

Foreign currency effects from the translation of non-euro profits into EUR had a minor positive impact in 2019.

The Group ended the year in a strong financial position, with cash at EUR 251.8m and a solvency ratio at 56.3%.

PROFIT & LOSS

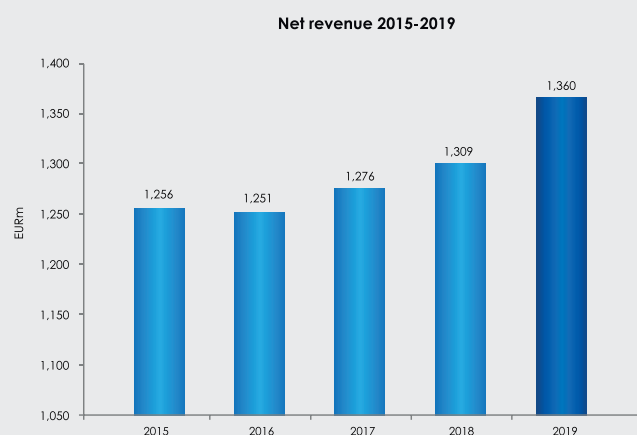
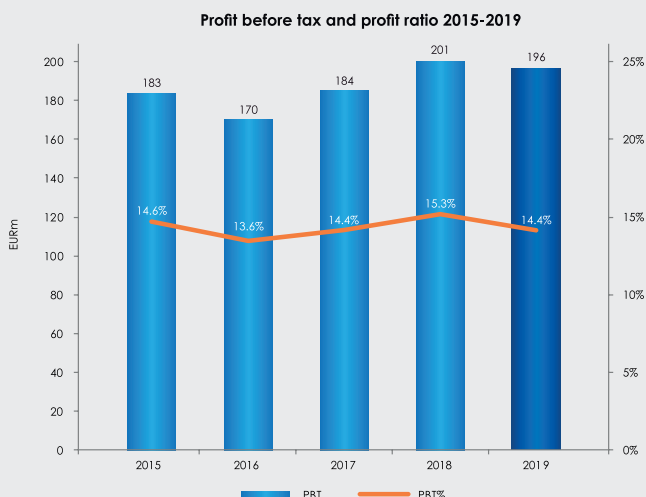
Total net sales of shoes and accessories increased by 4.4% when compared to 2018. At comparable exchange rates, the increase was 2.9%.

Strong organic growth in Asia Pacific and Greater China made up for slightly lower net sales in Europe and North America.

As a result of the strong growth in Asia Pacific over the past 10 years, the region has grown to a total sales share of 39%, where Greater China represents 28% and Asia Pacific 11%. The percentage for Europe is 39%, and North America 22%.

Region Europe markets are still undergoing rapid changes, and the consolidation and closure of retailers continued. In 2019, a strategic plan to reset and rebuild a sustainable and healthy distribution for ECCO was initiated. Sales posted a decline of 0.8%, or 1.8% at constant exchange rates.

The core European markets continue to undergo a strategic repositioning with focus on selling more premium products through high-service retailers. This proved challenging for the more traditional distribution in the markets. Positive results were seen in stronger full-price replenishment orders compared to previous seasons. In addition, the consolidation continued with an optimisation of the retailer set-up across Europe.



Sales to Russia decreased by 5.4% during 2019 due to a significant stock reduction plan in the market ahead of ECCO's planned acquisition. Overall owned and operated retail and e-commerce sales in Russia were largely flat compared to 2018.

Sales in the Middle East and Turkey showed double-digit growth and continued to find pockets of growth in challenging markets.

Region Americas realised an increase in net sales of 1.0%, which at comparable exchange rates equalled a 4.4% decline.

The general US market was characterised by consumer traffic decline in retail stores and a slowdown in online sales from the big e-commerce platforms.

The wholesale channels experienced a decline in both the USA and Canada. The quality of wholesale net sales improved, as 2018 saw significant inventory clearance.

Sales in the retail stores were on par with 2018. US retail stores were challenged by lower traffic, especially in tourist areas. Strong improvements in retail operations made up for the traffic decline and were able to deliver comparable shop growth.

Online sales increased by 9.4% at comparable exchange rates.

Region Greater China realised a net sales increase of 10.6%, equal to 9.3% at constant exchange rates. China continues to be a growth driver for ECCO.

In 2019, sales grew in all channels of distribution and across all markets, except Hong Kong.

Retail sales increased by 3.5% at comparable exchange rates. Excluding Hong Kong, due to extraordinary circumstances, the growth rate reached 11%.

E-commerce continued to be in the lead with a growth of 23.3%.

Region Asia Pacific's net turnover grew by 17.4% or 13.1% at constant currency rates. Within the last decade, ECCO has capitalised on a strong brand presence in the region, where Japan and Australia are seen as main markets.

Direct-to-consumer sales grew by 12.1% at constant currency rates, with both retail and e-commerce showing double-digit growth.

The golf business in Asia Pacific continued its strong momentum and grew by 9.0%.

ECCO staff costs increased by 8.0%, or 4.9% at comparable exchange rates. Inflationary pressure in Asia and higher costs of operating retail globally continued.

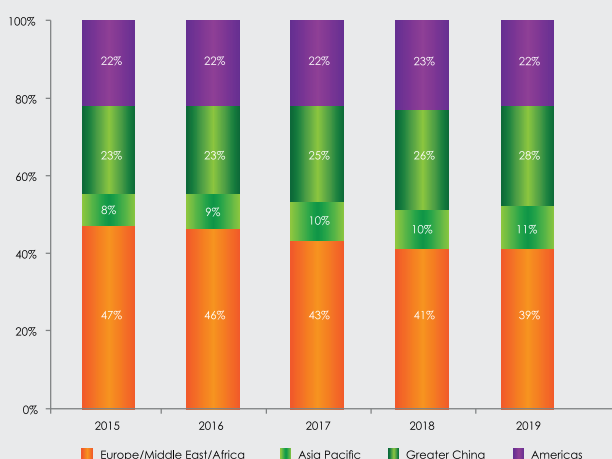
Depreciation and amortisation were up by 9.1% in 2019 driven by higher investment levels in recent years.

Financial items decreased by 11.6% due to lower net interest and a stronger financial position.

ECCO's profit before tax was EUR 195.8m, a decrease of 2.4%. The profit ratio was 14.4%. The income tax for the year was EUR 48.3m, equivalent to a tax rate of 24.6%, a decrease from 25.8% in 2018 caused by lower withholding taxes on dividends.

Profit after tax in 2019 was 0.9% lower than 2018 and amounted to EUR 147.6m versus 148.9m in 2018.

Net revenue (Shoes & Accessories) split by region 2015-2019



Net Working Capital 2015-2019



CASHFLOW

ECCO generated a strong operating cashflow of EUR 248.3m, an increase of 20% against 2018. Investments were EUR 17.7m lower than in 2018, which increased the free cashflow to EUR 169.2m from EUR 110.1m in 2018.

BALANCE SHEET

Net working capital (trade receivables, inventories, and accounts payable) increased by a total of EUR 10.9m, caused by higher raw material inventory of EUR 12.6m. Net working capital share of net sales decreased from 30.8% to 30.4%. The inventory position of the Group improved against 2018 with a higher share of current collections.

Investments amounted to EUR 79.1m, which was EUR 17.7m lower than in 2018. This was caused by the elevated investment level in 2018 due to strategic property investments.

Major investments were related to the new factory in Vietnam under construction, new shop openings, technology infrastructure, and renewable energy initiatives.

ECCO ended the year in a very strong financial position with an equity of EUR 648.7m and a solvency ratio of 56.3%. By year-end 2019, ECCO held more cash than long- and short-term debt.

OUTLOOK

The outbreak of the COVID-19 pandemic is a severe crisis with consequences for many people. Supporting ECCO's employees and focusing on their safety have been a first priority for the company.

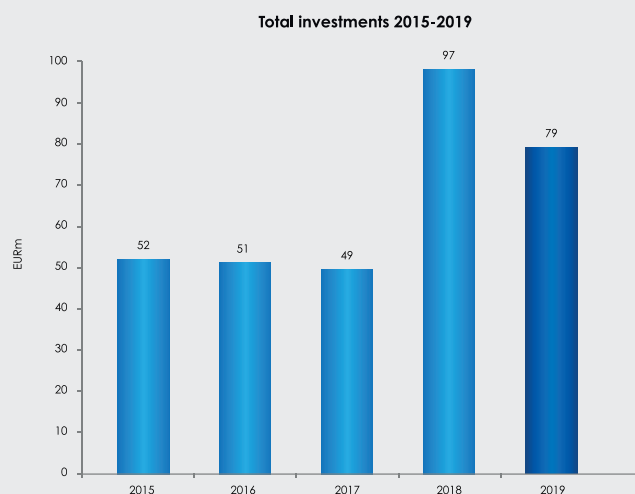
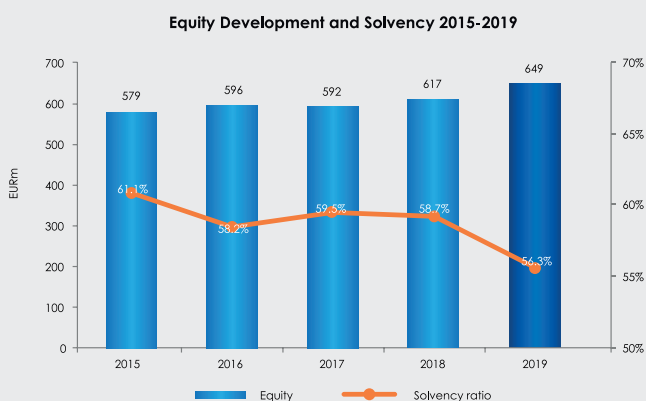
The outbreak negatively impacted sales from end January 2020 in Greater China and has since end of February impacted sales in both Europe and North America.

March has seen temporary closure of stores in Europe and North America. Early signs towards the end of March showed improvement in sales in Greater China.

There is no way at this point to predict the final impact on ECCO's financial performance in 2020, except that it will be severe. ECCO has a strong financial position and has in March 2020 secured access to further financing, should the crisis last beyond 2020.

The financial outlook for 2020 is furthermore impacted by the acquisition of ECCO's distributor in Russia. The consolidation of ECCO Ros into the ECCO Group will cause significant one-time accounting effects (non-cash), causing negative effects of EUR 20-25m on reported profit before tax in 2020.

ECCO will, once the COVID-19 crisis is over, still be in a position to increase investments in the ongoing strategic transformation of the company to become a consumer-oriented vertical retailer.



2019 HIGHLIGHTS

JANUARY



10 YEARS WITH ECCO BIOM®

ECCO launches its commemorative ECCO Biom® C anniversary range in Asia to celebrate 10 years with the Biom® Natural Motion® technology. The Biom® technology was originally introduced into running shoes, but has been adapted and is used across a wide range of ECCO Outdoor series footwear.

FEBRUARY



ECCO WINS ISPO AND SCANDINAVIAN OUTDOOR AWARDS

Innovative technology and sustainability are key words for ECCO Outdoor's two award winners: The ECCO SOFT 7 TRED W, which won the 2019 ISPO award in the Outdoor category for Hiking and Trekking Footwear, and DriTan™ by ECCO Leather, the winner of the 2019 Scandinavian Outdoor Award in the Technology category.

MARCH



ECCO S-LITE RECOGNISED WITH PRESTIGIOUS RED DOT DESIGN AWARD

The ECCO S-Lite golf shoe wins the Red Dot Award, Product Design, in one of the world's largest design competitions. The international jury comprises experienced experts from different disciplines and has been convening for more than 60 years in order to select the year's best designs. The assessment focuses on criteria such as the level of innovation, functionality, formal quality, longevity, and ergonomics.

APRIL



ECCO WINS GOLD MEDAL AT NY FESTIVALS TV & FILM AWARDS

ECCO gains a gold medal at the New York Festivals TV & Film Awards in the category Employee Engagement for portraying its employees in three employer branding films. The films play a significant part in ECCO's global onboarding site ENTERECCO: <https://enter.ecco.com>.

MAY



ECCO OPENS FLAGSHIP SHOP IN ZÜRICH

ECCO opens its first flagship shop in Switzerland on Bahnhofstrasse in Zürich. ECCO's new flagship shop is situated next to other premium brands such as Prada and Coach, allowing the customers to see and experience the true essence of the ECCO brand.

JUNE



ECCO LEATHER OPENS SHOWROOM IN TOKYO

The Tokyo showroom, which is ECCO Leather's fourth, offers ECCO Leather's core collection to the Japanese market, showcasing a selected range of innovations and classic leathers. In addition, ECCO Leather presents the Open Circle Lab: a collection preview highlighting leather developments from its Creative Studio, aimed at experimenting and inspiring progressive designers and brands for future collaborations.

JULY



ECCO BUILDS A NEW FACTORY IN VIETNAM

ECCO breaks ground to a new shoe factory in Vietnam, its sixth shoe factory across the globe. The new factory is expected to be operational in autumn 2020 and will employ around 1,400 people to produce premium quality uppers.

AUGUST



ECCO SHAPE X SAKS POTTS PRESENTED AT THE COPENHAGEN FASHION WEEK

A collaboration between ECCO and Danish Saks Potts leads to the development of an ECCO Shape boot, sculpted in premium leather and with a bold design that celebrates personality as well as comfort. The boot, which was revealed at the Copenhagen Fashion Week, is sold in selected shops.

SEPTEMBER



20 YEARS WITH ECCO WALKATHON

More than 21,000 people participate in the 2019 ECCO Walkathon in four major cities across Denmark. This year marks the 20th anniversary of the charity walks, for which ECCO donates 1 euro per km walked to either the SOS Children's Villages or the Danish Heart Association.

OCTOBER



ECCO OPENS ENVIRONMENTALLY FRIENDLY LEATHER CUTTING PLANT IN XIAMEN, CHINA

In continuation of ECCO Leather's long-standing efforts to minimise its environmental impact, ECCO opens an environmentally friendly cutting plant equipped with highly efficient rooftop solar panels. In addition to being energy-neutral, the new facilities are able to export surplus energy to ECCO's tannery. It is therefore a net energy producer.

NOVEMBER



ECCO OPENS ITS FIRST SHOP IN INDIA

ECCO opens its first concept shop in India, in Gurgaon Ambience shopping mall in Delhi. Having identified a strong potential in the Indian market, online business will follow in the first quarter of 2020, allowing approximately 1.3 bn Indians to shop ECCO products from ECCO's website.

DECEMBER



SINGAPORE EXCELLENT SERVICE AWARD

ECCO receives Excellent Service Award from the Singapore Retailers' Association. The award is given to companies which have gone beyond the call of duty in delivering exceptional service, and for creating memorable experiences for customers.



Saint Basil's Cathedral in Red Square in Moscow, Russia



ECCO prime concept shop in Raduga, St. Petersburg, Russia

MAJOR ECCO ACQUISITION IN RUSSIA

Late in 2019, ECCO entered into an agreement with its Russian distributor, ECCO Ros, to take over this business, and will operate ECCO Ros as part of the ECCO Group from early 2020.

It is an impressive business, built up by three Russians over nearly 30 years. Initially, one of the three, Michael Sevan, imported ECCO shoes into Russia. Then, in 1993, two young businessmen, Andrey Sevagin and Ivan Shtopel, formed ECCO Ros and opened the first ECCO shop in Moscow as sole distributors for ECCO.

Since then, they have built an impressive presence for ECCO in Russia. There are now 216 ECCO shops in Russia, Belarus, and Kazakhstan, including franchise partner shops in Armenia, Uzbekistan, Azerbaijan, and Kirgistan with ECCO being represented in 81 cities.

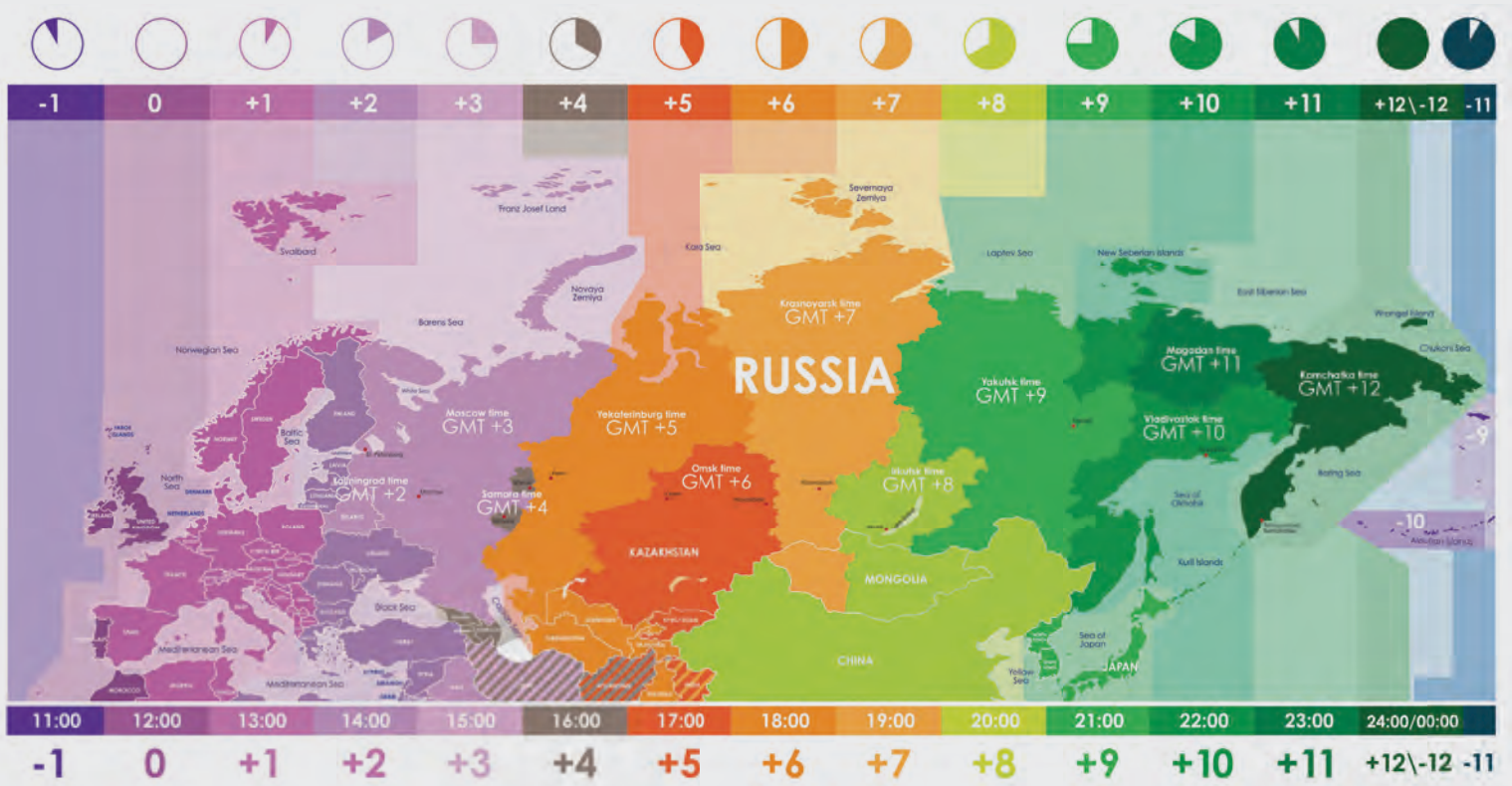
The distributors built the ECCO brand in these markets from scratch and were very successful, developing strong brand campaigns which stressed ECCO's unique features – high technology, quality, and comfort.

As a result, ECCO was for many years the best-known international shoe brand in Russia. And between 2009 and 2012, ECCO achieved the status of Best Foreign Brand in Russia, as well as Most Favourite Shoe Brand. ECCO remains one of the top three shoe brands in Russia.

ECCO's Russian partners built a large market share with the ECCO Kids range, but all ECCO's products continue to sell well across Russia, making it one of ECCO's largest markets.

ECCO's acquisition includes taking over the responsibility for more than 2,000 employees as well as office facilities and shops. A group of ECCO specialists have joined the organisation in Russia to assist with the acquisition.

ECCO plans to build on these strong foundations and develop further sales growth in the Russian market.



The world's largest country, Russia spans 11 time zones

In 2019, the shop network owned and operated by ECCO Ros consisted of 176 shops in 55 cities located mainly in Russia.

ECCO also operates online shopping in this market.

The shop network is strongest in cities west of the Urals, with 56 shops in Moscow alone and 21 in the larger St. Petersburg area.

But ECCO Ros is also present in Belarus and Kazakhstan, and partners operate several shops in towns including Chelyabinsk, Vladivostok, Kemerovo, Nizhny Novgorod, Samara, Krasnoyarsk, Ufa, and Krasnodar.

ECCO Ros experienced reduced footfall in some of its shops in 2019, but there was a rapid increase in e-commerce shopping.

Last year, Russia confirmed its rank as Europe's largest Internet market with 90 million users aged 16 and older. According to a GfK (Gesellschaft für Konsumforschung) study, internet penetration exceeds 75% in the country.

Large, modern malls are also attracting more consumers, and digital elements are becoming increasingly common.

Looking ahead, the footwear market in Russia is poised for further growth, and will continue to contribute significant sales gains for ECCO.

Уданичаем с
 ьбами, опыт
 в 50 лет. Поэтом
 дах ЕССО работ
 ь поколений
 звенников, кот
 оводят
 ведационную к
 ожу
 вдущих миров
 ьных

**ПРЕМИАЛЬНАЯ
 КОЖА**

**ВДОХНОВЕНИЕ
 ОТ ПРИРОДЫ**

Вдохновение на новые
 открытия мы черпаем у
 природы с ее огромным
 разнообразием цветов,
 форм и текстур. Однако
 это далеко не
 единственный фактор
 нашего успеха.
 Основатель ЕССО Карл
 Лусби всегда ставил
 комфорт на первое
 место. Именно поэтому
 он изобрел
 анатомические колодки,
 которые следуют
 естественным изгибам
 стопы и позволяют
 создавать
 по-настоящему
 качественную обувь.

**ЕСТЕСТВЕННОЕ
 ДВИЖЕНИЕ**

Подобно естественным
 процессам нашей
 природы, наша
 обувь поддается
 трансформации и
 адаптируется к
 максимальной
 естественной
 подвижности.
 Благодаря своему
 многолетнему опыту и
 новым технологиям мы
 рожаем продукты,
 которые позволяют
 подлинно инновационно

ЕССО

ЕССО SHAPE
**НОВЫЙ УРОВЕНЬ
 КОМФОРТА**



ECCO prime concept shop
 in Moscow, Russia



ECCO prime concept shop in Shen Yang, China

ECCO SALES IN GREATER CHINA (EGC)

During 2019, Greater China cemented its position as ECCO's largest market, delivering yet another record result.

Whilst sales in Hong Kong were affected by the political and social unrest, overall sales in this region grew by around 10% compared to 2018, with increases from all but one channel of the business. Shop-in-shop business in department stores showed a general decline in the market, but both the ECCO mono-brand shops and dealership businesses showed good growth. ECCO's acquisition of the Shenzhen business proved a good investment, generating 17% more sales than in 2018.

The e-commerce channel in the Greater China region is ECCO's fastest growing sales channel, achieving a rise of more than 20% during 2019.

ECCO's strong brand presence continued to build momentum, and there are now more than 1,200 ECCO shops in the Greater China area: China, Taiwan, Hong Kong, and Macao.

This strong growth during 2019 was supported by a significant focus on targeted marketing activities, which included a wide range of initiatives from brand ambassadors, celebrity

endorsements, and a greater presence on social media platforms, such as Tiktok, YOHOOD, and WeChat.

Digital Transformation is one of the key focus points for ECCO Greater China. During the year, ECCO's WeChat Enterprise was implemented, followed by the launch of the ecco.cn mini programme. Finally, a new CRM system is being finalised with upgraded POS systems and data moved to cloud.

Finally, ECCO extended the company's office premises in Shanghai and acquired a further office in Xian.



ECCO prime concept shop in Marina Bay Sands, Singapore

ECCO SALES IN ASIA PACIFIC (EAP)

ECCO's business in the Asia Pacific region grew net sales by 15%, compared to 2018, and like-for-like retail sales by 7%. ECCO's shop expansion continued, with a net increase of 12 shops opened in 2019. The markets showed different developments in the region.

ECCO's business in Vietnam continued positively, with net sales 20% higher than in 2018.

In Australia, the macroeconomic situation deteriorated with an 8% drop in consumer spending and retail traffic, but ECCO experienced a positive development.

In Japan, sales grew by 1%. A large, exclusive pop-up ECCO shop was launched in the premium Japanese department store, Isetan.

Whilst sales of ECCO products in Singapore were impacted by fewer tourists during the first 10 months of 2019, ECCO ended the year on a positive note. ECCO's increasingly strong online presence here has increased brand awareness, and this has been supported by the launch of the ECCO prime shop concept in key locations.

In Korea, ECCO maintained the previous year's growth, with the ECCO Golf range achieving a double-digit growth in sales.

ECCO Thailand experienced a 1% increase despite declining inbound tourism and local Thai consumers spending more overseas. The focus here remains on organic growth and further retail expansion.

In early November 2019, the first ECCO shop in India was opened in the Ambience Mall, Haryana, followed by a second shop opening in mid-December at The Pavillion Mall in Pune, Maharashtra. With the vast market potential in India, ECCO expects a significant expansion of shops over the coming years.

In 2019, ECCO successfully concluded the formation of a joint venture with a local partner in the Philippines. In its first year of operation, 14 shop points and one full price shop were opened.



ECCO shop in Paris, France

ECCO SALES IN EUROPE & MIDDLE EAST

Increasingly fierce, price-driven competition continues to characterise the European markets, and this has created tough retail trading, reduced consumer interest and spending, and a steep decline in retail traffic.

Net sales in Europe fell by 7% compared to 2018, reflecting the general market conditions, but ECCO maintained its business levels in its own and operated shops, with a 1% growth on like-for-like shops. The shift in consumer demand positively affected the outlet business, which grew by 11%, with e-commerce business rising by 7%, both compared to 2018. By the end of 2019, 290 ECCO shops were operated in 22 markets across Europe, with e-commerce in 21 markets.

In ECCO's wholesale business, the continued reorganisation of distribution continued, and ECCO now has 3,350 customers in this sector.

Two new ECCO shops were opened in Paris, which brought the total in the French capital to four shops by the end of 2019.

Despite the generally challenging retail environment in the European markets, ECCO sustained a strong footprint throughout.

ECCO's presence in Turkey expanded, with a shop opening in the new Istanbul Airport in April 2019, and there are now eight ECCO shops in Turkey and further positive developments in this market.

In the Middle East, ECCO saw improvements during 2019. The company took over the operations in the Kingdom of Saudi Arabia and began to rebuild and strengthen brand awareness in collaboration with its partner, Landmark.

Furthermore, ECCO's presence in Egypt was relaunched with a new partner, and there were three ECCO shop openings, all in premium retail malls.



ECCO flagship shop on the prestigious Bahnhofstrasse, Zürich



ECCO's first prime shop in the USA, located in Miami's Aventura Mall

ECCO SALES IN THE AMERICAS

Despite the general market challenges in 2019, ECCO's retail business, with owned and operated shops and e-commerce grew the like-for-like turnover by 2% versus 2018 by significantly improving the conversion rate at point of sale. Overall, within the retail channel, ECCO maintained the turnover level of 2018, with profitable channels in both e-commerce and the outlet businesses. ECCO operated 78 ECCO shops and premium outlets in the US market by the end of 2019.

The USA experienced the global trend of declining retail traffic, with a drop of more than 6%. ECCO's wholesale business was also affected and experienced a 5% decline. Overall, ECCO gained market share and grew the Women's category during 2019 in all distribution channels including wholesale, whereas the larger share of the business in the Men's category had a double-digit decline. The decline in the Men's business was the main factor contributing to the overall decline in net sales versus the previous year.

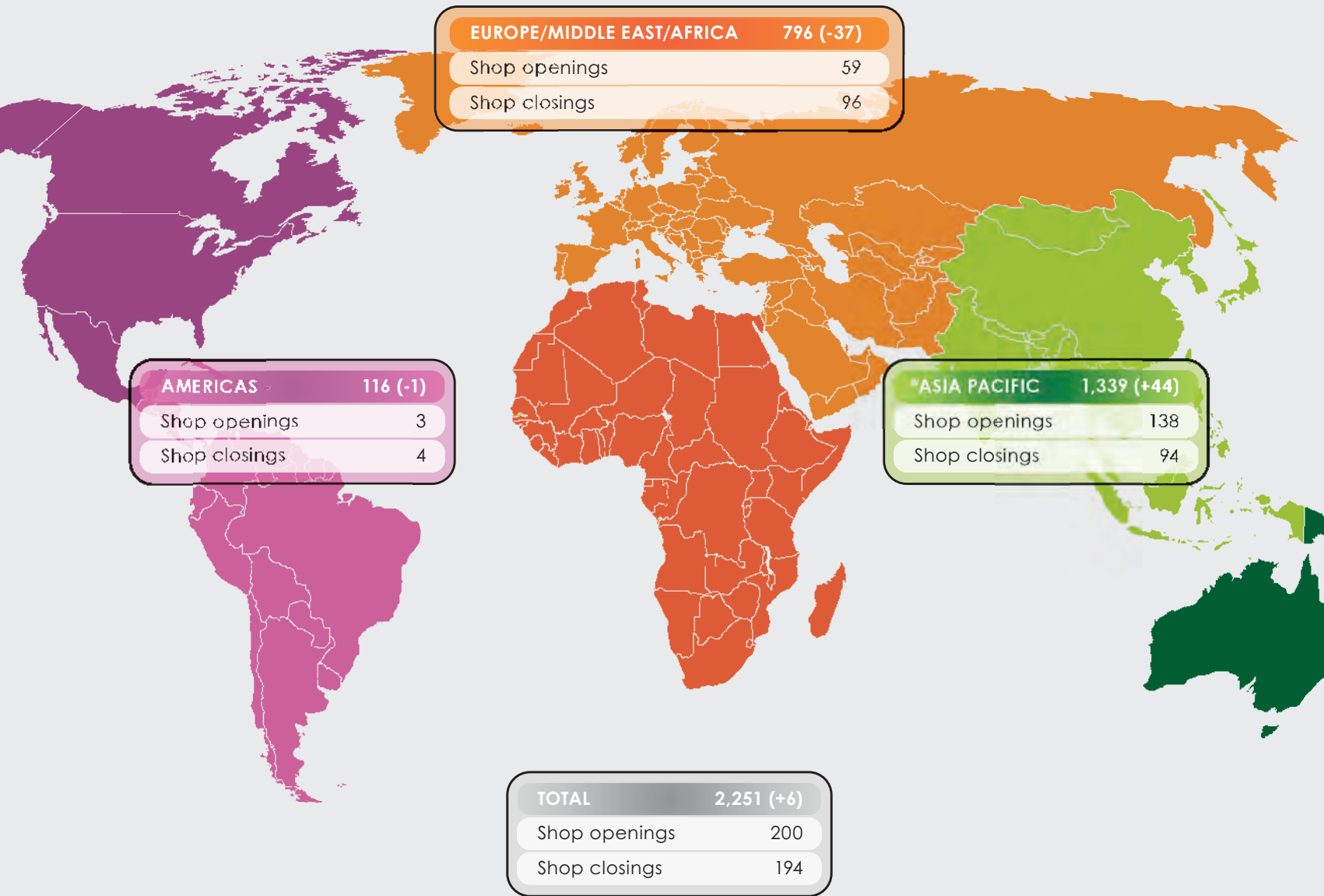
Further unrest caused by the volatile and unpredictable trade war between the USA and China affected consumer spending during 2019, as did the sharp decline in both Chinese and international tourism, and this had adverse effects on the turnover of many outlet centres, including 12 ECCO Outlet shops.

However, new product collections and marketing initiatives have been planned by ECCO and are already partly implemented, in the expectation that the decline in wholesale sales will be addressed in 2020.

In Canada, ECCO's owned and operated retail grew sales by 6% and e-commerce by 21% compared to 2018, whereas the wholesale business was challenged, with net sales dropping by 16% on the previous year. The Canadian business is undergoing a restructuring to regain and grow the wholesale business during 2020. Several other initiatives will be launched, and there will also be continuing efforts in retail via more, and better targeted, product launches and marketing activities. ECCO operated 39 ECCO shops and premium outlets in Canada by the end of 2019.

ECCO entered the Latin American market in 2016 with the establishment of a regional representation office and business infrastructure. The commercial footprint has since been expanded to 10 countries in this region, primarily via wholesale and distributors. ECCO currently operates one ECCO shop in Panama.

WORLDWIDE STATUS ON SHOP OPENINGS AND SHOP CLOSINGS



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



ECCO Biom C



ECCO Kids Exostrike



ECCO ST.1 Men's



ECCO Exostrike



ECCO Kids Crepetray

ECCO PRODUCTS

In 2019, ECCO launched a new event, 1ECCO, which brought together 500 of ECCO's country managers, wholesale managers, and retail and marketing representatives. The purpose: to focus on how ECCO's design DNA could be expressed in products in a more unified way.

Beyond designing individual shoes, the group developed full concepts and collections which emphasised modern, Danish design values. There was a significant emphasis on colours and leather innovations to create greater visual impacts and more exciting styles.

There is increased consumer interest in products that have a unique brand image and are perceived as authentic, versatile, and produced as sustainably as possible. ECCO's DriTan™ leather, used in casual and outdoor styles, is an example of the company's aim to be a leader in environmental innovations in the shoe industry.

The market's focus on elements which are central to ECCO's core proposition has provided a vital source of energy for ECCO's International Design Studio. Within the casual ranges, popular concepts like SOFT 7 and SOFT 8 have been reinvigorated and expanded to include fresh new running silhouettes as well as enhancing the ST.1 athleisure range. Within the women's formal range, an edgy feminine Flowt sandal series and Shape Sculpted heel collections deliver discreet comfort innovation. Within men's formal programmes, the popular Vitrus concept was extended to include the Vitrus Mondial, and the momentum of hybridised office-casual continues to increase with the ST.1 Hybrid range.

ECCO's advanced R&D and innovation units were equally forward-looking. Fundamentally improved materials such as Phorene™ underpin styles such as the ST.1 Hybrid formal shoes, TredTray workboots, and Exostrike outdoor runners, producing higher levels of cushioning and rebound, and reducing weight. The team also pushed the performance of Fluidform™ Direct Comfort to a new level in Multivent ECCO Outdoor and proprietary ECCO Golf technologies.

ECCO ST.1. Women's



ECCO COOL 2



ECCO Golf Biom G3





ECCO Flowt LX sandal

ECCO WOMEN'S

The global launch in AW19 of the ECCO Sculpted Motion resulted in strong sales and gave the formal range the expected growth. The overall brand focus on improving femininity and drawing closer to modern female consumers generated a better understanding of ECCO in the marketplace.

The formal range was in clear focus during 2019. The ECCO Shape Sculpted Motion 55 is part of the ECCO Sculpted Motion series, which is by far the most aspirational and urbanised part of ECCO's heel collection. The boot attracts the modern fashion-oriented woman, who is looking for an urban heel she can use for any occasion, dressing up or down. For the SS20 season, ECCO will continue with a collection of pumps and mesh boots.

For the SS20 season, growth is expected to be driven primarily by ECCO's casual offering based on the current athleisure and sneaker trends. An example is the sleek ECCO Flowt LX sandal, fitted with a lightweight, durable ECCO Fluidform™ sole, which will be available in shops in March 2020. Another sneaker which will be available in 2020 is the ECCO SOFT 7 sneaker: a celebration of Scandinavian design values with an understated contemporary twist.



ECCO Sculpted Motion 75



ECCO SOFT 7



ECCO ST.1 Hybrid Lite



ECCO Vitrus Mondial

ECCO MEN'S

The main focus for ECCO's men's collection is on three global megatrends: athleisure, premium sneakers, and formal footwear with advanced comfort. Contemporary design with undisputed comfort is key to serving ECCO's consumers and attracting new ones.

The ECCO Vitrus Mondial, which is to be launched in the spring of 2020, is the advanced result of product innovation. Years of testing and engineering have enabled ECCO to develop its first formal shoe with a real leather outsole with Fluidform™ technology. With Vitrus Mondial, ECCO has cracked the code for business shoes: premium footwear with sneaker-feel comfort.

Formal footwear is still highly relevant for ECCO's Asian markets, but also in selected ECCO premium shops in the bigger European cities. This segment is driven by premium materials and craftsmanship.

An example of a strong product in the athleisure segment is the modern ECCO ST.1 Lite sneaker, which has won great acceptance in all of ECCO's global markets. The outstanding design and quality of the product are supported by a fresh design language.

Going forward, ECCO's strategic intent in the athleisure category is to build a collection from entrance price level to aspirational premium range for the contemporary customer. Furthermore, ECCO will continue its investments in the development of modern sneakers; efforts which have paved the way for the unique ECCO Shock Thru technology.



ECCO Snow Mountain

ECCO KIDS

To strengthen the direct-to-consumer marketing approach, ECCO Kids launched the ECCO Kids Instagram account #ECCOKIDS in 2019. This approach gives ECCO's Kids business unit the opportunity to enter into an ongoing dialogue with consumers. In 2020, it will be possible for consumers to buy ECCO Kids products directly from their Instagram account.

ECCO Snow Mountain was awarded "best in test" by the Swedish Testfakta. The result was published in Nordic media as well as on Testfakta's consumer pages online at www.testfakta.se. In general, autumn 2019 saw a good sell-through of ECCO Kids products in most markets, above the average of the competition.

Looking ahead, the aim of ECCO Kids is to offer a full-year sneakers concept that clearly demonstrates the innovative Fluidform™ technology and premium leathers that only ECCO offers. An example is the contemporary ECCO Intervene sneaker: a stylish choice for streetwear, playground, or park.

Part of the strategy is to continue the Mini Me stories to strengthen the ECCO family brand image and its marketing

stories across Women's, Men's, Outdoor, and Kids. Focus on bestselling seasonal products like sandals and winter boots will continue, and new designs will be developed.



ECCO Intervene



ECCO Biom C-Trail

ECCO OUTDOOR

The year 2019 for ECCO Outdoor can be summed up in one word – strong. Growth was in particular driven by the unit's new product and marketing direction with athletic outdoor footwear. ECCO's brand is starting to mould the outdoor footwear industry of the future step by step. The most successful initiatives in 2019 were ECCO's Exo series, as well as the unparalleled strength of Biom, which is growing on a global scale. For future seasons, ECCO's ZipFlex series is the new focal-point. All products will be aligned with the same aim: versatility for the consumers.

2019 AWARDS

Innovative technology and sustainability are keywords for ECCO Outdoor's award winners in 2019. The ECCO SOFT 7 TRED W won the 2019 ISPO award in the Outdoor category for Hiking and Trekking Footwear. ECCO's Biom C-Trail won a Scandinavian Outdoor Award in the Footwear Category for its innovative production process, which replaces the EVA midsole with a material that allows an integrated construction. Finally, ECCO took home the 2019 Scandinavian Outdoor Award in the Technology category for its innovative, water-efficient tanning approach, DriTan™.

STRATEGIC OUTLOOK

ECCO Outdoor's strategic outlook for 2020 and beyond will be solely focused on providing consumers with products that allow them to keep their mind on the adventure while ECCO supports them through each step of the journey. The ECCO Exohike boot is an example of a hiking boot which merges fully functional outdoor attributes with athletic design.

This strong approach will be supported by acquiring market shares and building the brand with longevity in mind. In 2020, ECCO Outdoor will exploit a more direct effort towards conceptual selling in wholesale to position ECCO's brand among other competitors and create an even stronger strategic position.



ECCO Exohike



*ECCO Golf's newest Ambassador
Henrik Stenson, wearing ECCO
Golf Biom Cool Pro*



ECCO Golf S-Lite

ECCO GOLF

ECCO Golf kicked off 2019 by winning the prestigious Red Dot Design Award in the Product Design category for its ECCO S-Lite golf shoe. The ECCO S-Lite is the lightest leather golf shoe ever produced by ECCO, offering golfers an extremely light and versatile model in a range of eye-catching colours. The Red Dot Award, Product Design, is one of the world's largest design competitions. In 2019, designers and manufacturers from 55 countries entered more than 5,500 products in the competition. The international jury comprises experienced experts from different disciplines and has been convening for more than 60 years in order to select the year's best designs.

Towards the end of 2019, ECCO signed Henrik Stenson as a new ECCO Golf Ambassador. Stenson has enjoyed an impressive career since turning professional in 1998. A two-time European Tour Golfer of the Year (2013 and 2016) and Olympic silver medallist, Stenson has spent over 300 weeks ranked in the World Top Ten during his career, which has seen him accomplish more than 20 Tour victories.

Henrik Stenson, also known as 'the Iceman', is extremely popular worldwide with 333,000 followers on Instagram.

In addition to Stenson, ECCO Golf shoes are worn in competitions around the world by Lydia Ko, Minjee Lee, Caroline Masson, Fred Couples, Erik van Rooyen, Doc Redman, and Thomas Bjørn, amongst others.

CELEBRATING A HYBRID REVOLUTION

Ten years ago, ECCO and golf legend Fred Couples sparked a hybrid revolution with the ECCO Golf Street – a hybrid golf shoe which, instead of cleats or spikes, had the pioneering ECCO Dynamic Traction System (E-DTS), with traction bars and traction angles ensuring outstanding grip in all playing conditions. A concept never seen before and widely regarded as the biggest game-changer in the history of the golf shoe industry. ECCO Golf Street 10 celebrates 10 years of this iconic success.



Fred Couples wearing ECCO Golf Street 10

PRODUCT COLLABORATIONS

In 2019, ECCO expanded its reach through innovative collaborations with both well-known and up-and-coming brands. These cooperations are like a merger of expert knowledge and resulted in a number of products available through the partners and in selected ECCO shops.



In collaboration with the luxury-meets-tech outerwear label, Norwegian Rain, ECCO created a special waterproof edition Chelsea boot variant of the ST.1 Hybrid featuring HM100K leather. The design garnered high praise from GQ magazine and sold out quickly from the brand's online platform.



Together with renowned Italian sportswear innovators, Stone Island, ECCO created exclusive editions of the award-winning Exostrike. Each style was coloured after assembly using proprietary dyeing technology. The programme sold out quickly from Stone Island shops and premium multi-brand shops worldwide.



Working in partnership with Saks Potts, one of Denmark's freshest international fashion labels, ECCO created exclusive signature variations of the all-new Shape and Shape Sculpted Motion high-heeled boots. The designs were a highlight of the designers' Copenhagen Fashion Week catwalk show.



Working alongside the pioneering Japanese designer, Mihara Yasuhiro, considered by many to be the godfather of athleisure design, ECCO co-created a new interpretation of the Exostrike, which premiered on the catwalk at Paris Fashion Week.



ECCO shoe factory in Xiamen, China

ECCO SHOE PRODUCTION

2019 proved to be a challenging year for ECCO's shoe production due to cost inflationary pressures and the strengthening of Asian currencies against the Euro. Despite this, the production units met their performance targets through effective cost-saving initiatives and succeeded in keeping the costs per unit stable.

However, to maintain a competitive cost structure, the continued development of ECCO's sourcing strategy is crucial. This includes the insourcing of strategic key components and further optimisations in the overall supply chain.

As part of our future strategy to stimulate and improve growth, competitiveness, and flexibility, ECCO commenced the construction of a new production factory in Vietnam. It will replace the existing leased facility, and the completion of the new plant is expected in the third quarter of 2020.

FIRST 3D PRINTED MOULDS

Part of ECCO's substantial investments in new leather technology is a collaboration with BASF 3D Printing Solutions

and Origin, which provides open-platform additive-manufacturing printers. In the development of a wholly new approach to footwear production, ECCO's R&D centre has used the Origin platform with BASF's 3D material.

The initial results demonstrate outstanding accuracy and mechanical stability, creating the potential for ECCO to use additive manufacturing in certain types of mass production. In the longer term, for example, it could allow ECCO to produce moulds very rapidly for small-scale productions and, ultimately, to produce and deliver shoes directly to smaller, higher-end consumer groups.

To further strengthen its ability to innovate, ECCO is in the process of redeveloping the R&D facilities at its headquarters in Bredebro, Denmark.



ECCO's headquarters in Bredebro, Denmark

FACTORY 2025

Almost 20 years ago, regular production at ECCO's headquarters in Denmark was halted.

Today, production takes place in Portugal, Slovakia, Indonesia, Thailand, China, and Vietnam.

Over the last few years, ECCO's department of Applied Research has scouted the world for new methods and systems and developed a test factory in Denmark, called Factory 2025. The new factory is highly automated and combines ECCO's many years of experience with direct injection and new high-tech innovations. Production is expected to start in 2020.



ECCO's largest direct injection machine, 'the Beast', in Slovakia

'THE BEAST'

ECCO's largest direct injection machine, installed in ECCO's factory in Slovakia, is nicknamed 'the Beast'. It is huge, with 44 injection stations, compared to similar machines with a maximum of 30 injection stations. It weighs over 50 metric tonnes, but more importantly, it is able to produce a larger number of shoes than similar machines.

In March 2019, in a matter of just seven hours, it reached a production of nearly 2,000 pairs. 'The Beast' represents new technology, including the use of linear electro engines to drive the round table. It is the only machine in the world of this type.



ECCO's new factory in Vietnam is expected to be operational by autumn 2020

ECCO VIETNAM

The production of uppers in Vietnam is running to plan. There are now more than 1,300 employees, and the factory is still increasing employment and production.

ECCO is in the process of constructing its own fully-owned plant, having acquired 12 hectares of land in Binh Duong to build a large, new production facility.

The first phase will include offices, warehouses, and production halls. It is expected to be ready in the autumn of 2020. A second phase will allow for installation of shoe production equipment.



*ECCO shoe factory in
Surabaya, Indonesia*

ECCO LEATHER

Despite challenging markets, 2019 proved to be another good year for ECCO Leather, and the group consolidated its international position as a leading premium-quality leather supplier – especially in terms of luxury goods and innovative technology.

The group's environmental performance also had a positive impact. In April, Apple announced that ECCO Leather had joined the list of suppliers that had committed to run their leather production for Apple using 100 percent clean energy, as part of its Supplier Clean Energy Program, which is reducing Apple's carbon footprint.

ECCO Leather's headquarters in the Netherlands continues to be an in-demand centre of creativity, developing highly innovative leather qualities for some of the world's most iconic contemporary designers. And they, along with other major international brands and specialist customers, are increasing their cooperation with ECCO Leather.

Leather designers and technicians from ECCO's Leather Studio are continually looking to create innovative types of leather. One example is FSDX, a new collection of technical and "empowered" leathers produced by fusing leather with carefully selected materials that have exceptional physical or aesthetic properties.

ECCO Leather's skills benefitted customers such as J.W. Anderson, who experienced great success with their Track and Trace accessories collection in 2019.

ECCO joined online magazine IGNANT in a collaboration about a leather development, NEO NUDE. And ECCO's Factory Petit had another exciting year and was in action in cities such as Kiev and Los Angeles.

There were several new initiatives. The Artist in Residence programme allows young artists to use ECCO facilities and materials to develop a product, which is then sold commercially. Finally, the 2019 HOT-SHOP 12 event attracted more participants than ever before.

Following a panel talk initiated by HXOUSE, and together with Matthew Williams in support of his brand 1017 Alyx 9SM, ECCO Leather co-hosted the first live masterclass and panel session. This addressed the need to improve the industry standard and work together towards a more sustainable future.

ECCO Leather will continue to work with major international brands and other specialist customers, and spread its cooperative and creative network.

IMPROVED PRODUCT FOCUS

2019 marked a transition year for ECCO Accessories (EA), which will continue into 2020. To elevate the business, it was decided to split EA into two separate business units: ECCO Accessories in Switzerland, with a singular focus on Shoe Related Accessories (SRA), and a new Leather Goods Unit (ELU) in Dongen, the Netherlands.

This constructive split will ensure that both product categories will receive the appropriate attention and development, leading to more product innovations and even higher quality levels.



ECCO leather is used by some of the world's leading premium brands

ECCO TANNERY GROUP

ECCO has, over a number of years, invested heavily in constant upgrades of its tanneries.

These upgrades have focused on improving the production facilities using the latest available technology and improving working conditions.

Among the key developments during 2019 was an upgrade of the controls of tanning and re-tanning processes, reducing water consumption and improving leather quality.

ECCO is installing a new fully integrated finishing line at the tannery in Xiamen, which uses the the most advanced finishing technology available.

ECCO also continues to reduce the use of chemicals where possible and, among other refinements, has developed a new biocide-free process, which it is seeking to patent.

The drying facilities have been significantly improved with new technology, which gives higher material efficiency, reduces the use of energy, and increases yield.

Headquartered in Holland, ECCO Leather strives to reduce the environmental effects of its operations by using environmentally-focused methods and technology.

DriTan™, a water-efficient tanning process, is one of the latest examples of ECCO's approach to improving its eco-performance at its state-of-the-art tanneries in the Holland, Thailand, China, and Indonesia.

It was necessary to expand ECCO's capabilities in 2019 to serve the sector with new leather design techniques – and do so rapidly, because the markets demand faster development cycles, and more individual or personalised products. ECCO has therefore invested heavily in upgrades of its tannery capacities to increase development and sampling volumes and overall efficiency.



ECCO Leather's headquarters in Dongen, the Netherlands



ECCO AND THE ENVIRONMENT

ECCO's global presence is linked to a range of environmental considerations.

To reduce the environmental impact of its operations, ECCO has invested significantly in developing an in-house data fabric and advanced machine learning algorithms for automated distribution of products to ECCO's shops and online customers. These algorithms reduce unnecessary transport between distribution centres and shops.

One of the main problems arising from internet trade is the hundreds of thousands of parcels that are delivered by trucks and vans, leading to massive emissions.

ECCO encourages customers to pick up orders in its shops. In addition to offering them the necessary attention and expertise, an encounter with competent ECCO staff will enable customers to leave the shops wearing shoes with an optimum fit, thus increasing customer satisfaction, minimising returns, and avoiding unnecessary transport pollution.

ECCO's commitment to people and the environment expands beyond its value chain. In 2019, ECCO involved itself in finding methods to help reduce the methane emitted by cattle. This addresses the carbon footprint of leather at its very origin, and these efforts continue in 2020.

Leather is a long-lasting, sustainable material, superior to alternatives, which are nearly all plastic-based. In recent years, discussions with scientists in Australia and the USA have led ECCO to conclude that a change of animal feed to include seaweed has the potential to achieve a marked reduction in methane emission from cows.

ECCO has therefore established a cooperation with a new Danish company, Fermbiotics, which has access to scientific and veterinarian expertise. It is the intention, after initial laboratory tests, to run a full-scale experiment with a herd of cows during spring 2020.

RENEWABLE ENERGY

ECCO has focused on the utilisation of solar energy for several years. The first installation was in Thailand, where solar panels were installed on the roof of ECCO's tannery to heat water for its operation.

In 2019, ECCO installed a massive 4,500 m² array of solar panels on top of its new leather-cutting plant in Xiamen, China. Today, all of the tannery buildings are covered by solar panels.

The cutting plant's new installation produces more than 950,000 kWh/year – more than three times the energy needed, and so the plant is a net energy producer. The surplus energy is being used at the tannery. ECCO plans to fit similar installations at other ECCO factories in the coming years.

The introduction of sustainable production methods is part of ECCO's agenda to continuously improve energy efficiency and minimise the company's environmental impacts.

ECCO's tannery facility in Dongen, the Netherlands, houses a major waste water treatment plant, which turns leftovers from the tanning process into biogas, thereby significantly reducing the consumption of fossil fuels.

Since 2012, ECCO has used its waste water treatment plant to transform flesh scraps into biogas, simply by letting the materials biodegrade in anaerobic conditions – that is, without the presence of oxygen. This biogas is particularly suitable for heating water used in the tanneries.

New technologies, such as converting fleshings to biofuel, including biodiesel, will further expand the scope and environmental efficiency of the waste water treatment plant in Dongen in 2020.

Today, the renewable energy produced from biogas covers around 30% of the energy consumption at the tannery in Dongen.

During 2020, we expect renewable energy, including the conversion of fleshings into biodiesel and biogas, to cover 100% of the energy needs of the Dutch tannery.



Solar panels on ECCO's new cutting plant and tannery in Xiamen, China



The majority of all ECCO's hides are tanned using DriTan™, and during 2020, all hides will be tanned this way

USE OF NATURAL RESOURCES

Water is a scarce resource. Therefore, ECCO continuously focuses on reducing its water consumption. In 2018, ECCO's Applied Research team developed DriTan™ - a water-efficient element of the tanning process, which uses the moisture in the skins.

In 2019, DriTan™ was implemented at ECCO's two beamhouses in the Netherlands and Indonesia. Today, the majority of all ECCO's hides are tanned using DriTan™ technology, and during 2020, all hides will be processed this way. As a result, around 25 million litres of fresh water, and more than 500 metric tonnes of chemicals are saved annually at ECCO's tannery in Dongen alone. Equally important, approximately 600 metric tonnes of sludge have been removed from ECCO's waste streams in Dongen, further reducing the use of chemicals.

DriTan™ is the first step towards a water-free leather making process and marks a paradigm shift. Recently, the system was once again recognised as a ground-breaking invention and was highlighted as Best of What's New in the Recreation category by the Popular Science community. DriTan™ is patented by ECCO, and further dissemination to third-party tanneries is planned during 2020, because ECCO believes in sharing best practices with its colleagues in the leather industry.

In an attempt to bring ECCO's leather making processes to a net zero water usage operation, the possibility of introducing a closed loop water system is currently being researched. New ways of reducing water consumption and water purification are tested and evaluated at ECCO's Dutch tannery.

To achieve this goal, ECCO has entered into a collaboration with Danish-based Bioscavage, a company with expertise in water purification and recycling techniques. If successful, this project will lower ECCO's overall water consumption significantly and decouple aqueous waste from tannery waste streams.

New synergies such as heat exchange, process water inlets, and chemical up-concentration are expected to be achieved, in parallel with the main goals.



RECYCLING

ECCO has, for several years, constantly increased its recycling of waste materials. Initially, waste was converted into new shoe components such as inlay soles and fillers. In total, 75% of the waste in ECCO's shoe factories is now being recycled. In the tanneries, the recycling ratio amounts to 60%.

And the process continues. During 2019, new and more environmentally friendly techniques for removing hair from rawhides were introduced. Enzymatic hair removal processes were installed, leading to higher leather quality and ensuring that residual hairs remained intact, which allows for both recycling and upcycling of the material.

The hairs are converted to energy via the digesting processes. However, as the hairs are a direct source of keratin, more valuable recycling routes will be developed to produce items such as keratin-based materials, shoe components, and insulation.

With this new system in place, more consistent, higher quality waste water streams are expected. In addition, significant reductions in the consumption of chemicals are achieved.

Other more elaborate upcycling procedures will be introduced during 2020.

Leather-based waste sources offer a highly valuable material base. In order to maintain the natural, high-performing properties of the elemental collagen structures, mild and non-degenerative processes have been developed in recent years.

ECCO has been inspired by processing methods used in other areas, such as the wood and textile industries. In close cooperation with experts in these fields, ECCO is planning to bring new materials and product concepts to the market. This will initially be based on recycling leather waste from ECCO's factories, but will eventually also become a way to use leather components from end-of-life consumer products as a raw material in a circular economy.

Another exciting step for ECCO was joining RePURpose, a consortium of major players in the Danish polyurethane industry, the Danish Technological Institute, and the University of Aarhus. Supported by Innovation Fund Denmark, the goal is to develop two distinct polyurethane recycling technologies as part of a circular economy.

One of these technologies focuses on reusing the waste from the manufacturing of polyurethane; the other will entirely deconstruct polyurethane from end-of-life products

into its original chemical building blocks. This means that the original properties and, importantly, the original monetary value, are restored.

Although much is still to be developed, a technically and financially competitive procedure is being pursued.

ENVIRONMENTAL STATISTICS

From a global perspective, the importance and complexity of the environmental challenge are evident.

ENERGY

Investments in new technologies alone will not solve all the challenges regarding ECCO's environmental impacts. Continuous improvements, based on critical energy screenings, have led to the integration of several energy-efficient processes throughout the Group. Some examples are LED lighting, more efficiently responsive air-conditioning, and better control of compressed air use.

RENEWABLE ENERGY

ECCO invests in the reduction of its fossil fuel usage and, with the installation of the photovoltaic installation in China in 2019, a next step was taken. The first half year of operation added 1.3 GWh to the renewable energy produced in China. The renewable energy percentage at ECCO's tanneries increased from 10% in 2018 to 13% in 2019, with a proportion of 22% from solar installations in the tanneries in Thailand and China. The renewable energy used at ECCO's tanneries could provide 2,354 households with electricity for one year.

RECYCLING AND RECOVERY OF WASTE

Evaluating all waste streams and finding possibilities to reduce, re-use, and recycle waste are on-going tasks in the factories. These constant efforts led to a continuous increase of the recycled and recovered waste amounts, which currently reach 75% in the shoe factories and 60% in the tanneries.

Some of the activities started in 2019 to reduce waste and/or landfill were:

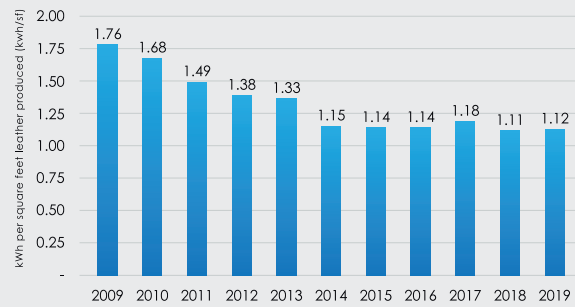
Following extensive tests and approval processes, ECCO's tannery in Indonesia started sending fleshings to an animal feed producer for re-use as protein-rich animal food. The fleshings are a major waste stream in the tannery and were until now sent for landfill.

ECCO's shoe factory in Slovakia recycles plastic bottles by using them as a raw material for shoe components.

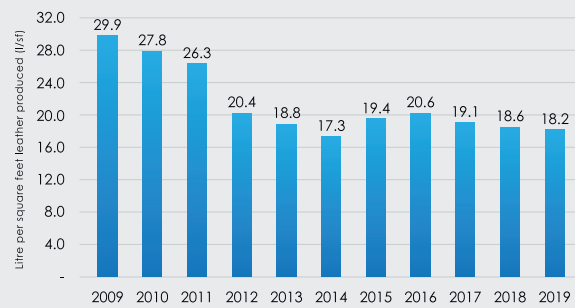
ECCO's shoe factory in Portugal provides employees with re-usable stainless steel water bottles, which can be filled up from multiple water dispensers at the factory. By 1 January 2020, the canteen stopped selling plastic water bottles.

At ECCO's tannery in Thailand, part of the leather waste is now sent to a waste recovery company, which extracts its protein.

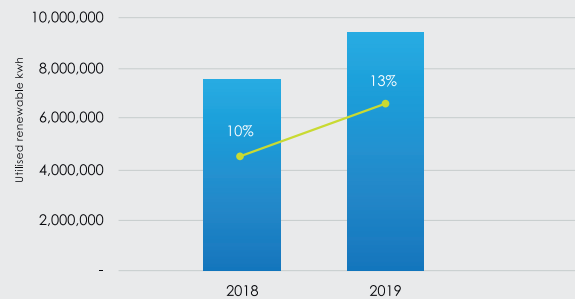
Tanneries' total energy consumption (kwh/sf)



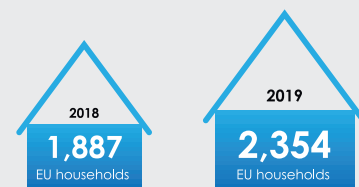
Tanneries' water consumption (l/sf)



Tanneries' renewable energy consumption

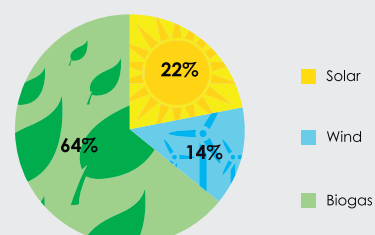


Renewable electricity used in ECCO in equivalent to EU households electricity usage per year



*Based on average EU electricity usage per dwelling in 2015 from Odyssee-Mure's sector profile - Households

Sources of renewable energy used in 2019



ENVIRONMENTAL BENCHMARKING

As a new initiative, environmental benchmarking of ECCO's shoe factories was developed and tested in 2019 with the support of an external environmental specialist. The purpose is to review and benchmark all aspects of environmental management: energy and water efficiency, chemical and waste handling, etc. The test phase turned out positively, and the benchmarking will be implemented fully in 2020. Since 2017, all of ECCO's tanneries have achieved gold ratings from the Leather Working Group. The tanneries in Indonesia, Thailand, and the Netherlands were audited for re-certification, which all three successfully passed, maintaining the highest environmental performance level.

WATER

Water is a core element in the process of making beautiful, smooth leathers. True to its responsibility to the environment, ECCO has a continuous focus on reducing its use of water. In addition to operating state-of-the-art tanneries in Europe and Asia, the company continuously researches and refines production methods to keep the water consumption at a minimum without compromising product quality.

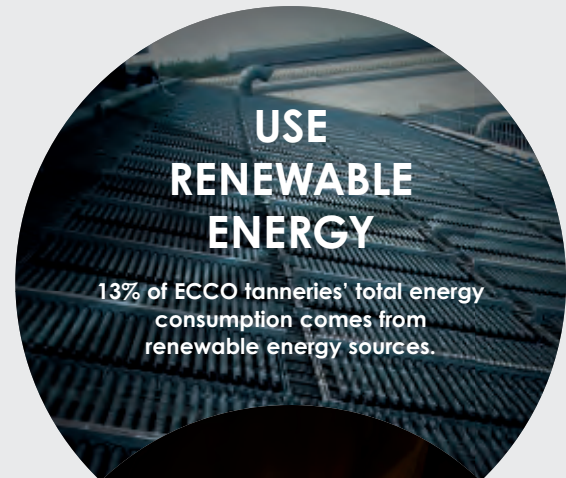
The water usage in ECCO's tanneries is highly dependent on the product mix being manufactured.

Initiatives such as the water-efficient DriTan™ approach have already made their mark on ECCO's water usage. A technology considered just a first step in the company's long-term ambitions to make the entire leather manufacturing process water-free.

ECCO operates waste water treatment plants at all of its tanneries, and in 2019, initiatives were taken to renovate and enlarge the plants in Thailand and Indonesia. The projects will continue well into 2020. In Indonesia, the renovation includes the construction of a separated waste water treatment plant for sanitary waste water to achieve effective and efficient cleaning.

At ECCO's shoe factories, water is used mainly for employee sanitary installations and canteens.

Acknowledging its role in the leather industry, ECCO will continue to push boundaries and develop best practices without compromising its high standards for ECCO products.





This document is to confirm that Bureau Veritas ('BV') has assessed whether ECCO lives up to its own criteria when it comes to audits at its external suppliers and in accordance with the ECCO Code of Conduct.

BV has been directed by ECCO to make an assessment of the audit conducted, by ECCO auditors, at Xiamen JEX Service Co., Ltd on June 20&21, 2019. BV confirms that the audit has been carried out in compliance with the following ECCO policies, procedures and associated documents set in ECCO's audit program with focus on a supplier audit:

- Audit Policy, the ECCO Code of Conduct
- Audit procedure of supplier to ECCO, the ECCO Code of Conduct
- Audit training material, the ECCO Code of Conduct

In order to conduct this assessment, BV has followed the audit and compared with the above documents. This assessment has been completed and provided to ECCO solely.

In relation to this specific audit, BV has the following observations:

1. The observed ECCO Supplier Code of Conduct (CoC) audit was well planned with regard to audit actives and time arrangement. An audit agenda was delivered to the auditee and had reached a mutual agreement between ECCO auditors and the Auditee before the audit.
2. The observed ECCO Supplier Code of Conduct (CoC) audit had covered all audit processes including Audit Preparation, Opening Meeting, Factory Tour, Document Review, Employee and Management Interview, and Conclusion Meeting.
3. With audit methods proficiently applied by the Auditors during the whole audit process, the audit turned out to be effective in the verification of conformance and non-conformance against the corresponding ECCO Supplier CoC audit procedures.
4. All findings from the observed audit were discussed between auditors and auditee in the conclusion meeting. The practice of applying Power Point slides had made the conclusion meeting more effective.
5. The observed audit was conducted by the two ECCO internal auditors objectively and impartially. The auditors demonstrated high level of ethics, proficiency in the ECCO CoC audit program and respect to the audited supplier.

Signed for and on behalf of
Bureau Veritas Shenzhen Co., Ltd.

Name:

Title:

Date:

[Signature]
Sr. Manager
Dec 17, 2019

It is specifically acknowledged and agreed that (a) this observation does not resemble any standard normally used by BV; (b) BV does not make any representation or warranty in relation to the information set in ECCO's audit program. It is specifically acknowledged and agreed that our audit observation service is not a certification service. In other words, the result of this observation does not certify, confirm, or imply: (a) compliance or non-compliance with any government, industry, or association regulations or standards; (b) the quality of any specific products manufactured by the factory/sellers/suppliers; or, (c) the shipment or non-shipment of any specific products. This document does not discharge or release the factory/sellers/suppliers from their commercial, legal or contractual obligations with buyers in respect of products manufactured by the factory/sellers/suppliers. BV's services, and all documents issued in relation to the services, are subject to Bureau Veritas' General Conditions of Service, which have been agreed with ECCO. This document cannot be partially copied. Any reader other than the party for whom this document has been specifically issued is hereby informed that Bureau Veritas' General Conditions of Service contain liability limitation provisions.

The international certification agency Bureau Veritas checks the validity of ECCO's audits

CODE OF CONDUCT AUDITS



ECCO Code of Conduct audit in Thailand

It is very important to ECCO that its Code of Conduct is respected and taken seriously internally, and by its suppliers. In order to ensure compliance and good working conditions, and to source products with integrity, frequent on-site audits at ECCO's facilities, and at suppliers, are carried out by ECCO's specialist audit team and external auditors.

As ECCO recognises that breaches of human rights, modern slavery, and environmental rules take place around the world, all these areas are covered in the audits.

Unique to the industry, ECCO controls its entire supply chain. ECCO owns six state-of-the-art shoe manufacturing factories and four internationally recognised tanneries.

However, ECCO also relies on suppliers to provide materials such as leather, uppers, thread, laces, inlay soles, machines, and chemicals used in connection with the manufacturing of ECCO products. Suppliers are held to the same high Code of Conduct standards as ECCO's own factories, and the relationship with suppliers is based on partnership, openness, education, and a mutual understanding and respect towards employees and the environment.

ECCO's tanneries and shoes factories are audited every year, and in 2019, there were 210 on-site supplier audits in 13 countries. This is a massive increase from the 12 on-site

audits carried out in 2006, and is also far above the average for production companies.

As a consequence of the 210 audits, ECCO terminated collaborations with five suppliers because of critical Code of Conduct findings. These included working hours per week for operators, which considerably exceeded what was legal according to local employment law; another example was that workers were found not to have employment contracts. In another case, it was lack of chemical management involving carcinogenic, mutagenic, and reprotoxic (CMR) chemicals.

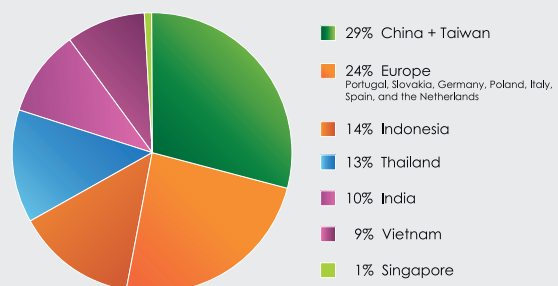
The frequency of supplier audits is annual and bi-annual depending on previous audit scores.

ECCO's approach to selecting the suppliers to be audited is based on a risk assessment, where elements such as environmental impact and working conditions are decisive parameters. ECCO also requires sub-suppliers to adhere to the ECCO Code of Conduct. Thus, audits were also conducted at sub-suppliers - for example, at a dyeing house, where the chemicals used in the production process could potentially cause harm to the environment and employees.

ECCO's approach to auditing also focuses on evidence of good Code of Conduct practice, and identifying areas where improvements can be made.

ECCO collaborates with an external audit company, Bureau Veritas, which shadows ECCO auditors and checks on the performance of ECCO's audits and their validity. This is done to ensure a thorough assessment of the ECCO Code of Conduct audit system, which covers policy, procedures, and audit training programmes. The overall aim is to always keep improving, and to avoid any damage to ECCO's brand.

Geographical overview of 2019 supplier audits



CORPORATE GOVERNANCE

1. Designing and making products of the highest quality, always seeking to understand what our consumers want and meeting their expectations.
2. Creating good jobs for ECCO's employees, who are the core of our business, always offering lifelong training and education and new challenges to increase their job satisfaction.
3. Caring for the environment. Whilst acknowledging there will be polluting activities, ECCO is committed to minimising these and to always meeting or exceeding the highest environmental standards wherever we are active.
4. To be able to fulfill these ambitions, operating a healthy and efficient business with sufficient profitability to fund ECCO's ambitions and also safeguarding the future of the company and its employees.
5. Benefitting shareholders and employees as well as suppliers and customers and understanding and supporting the local communities where ECCO is active.
6. Maintaining a widely experienced Supervisory Board, closely involved in the company's strategy, activities, and risk management.
7. Being an innovative company which is always evolving and discovering new and better ways of doing things.
8. Behaving correctly and decently in all of ECCO's activities and complying with ECCO's Code of Conduct at all times.
9. Expecting management and employees to be vigilant if they observe any breaches of ECCO's Code of Conduct.

ECCO has set up a system, where any breaches can be reported anonymously to: codeofconduct@ecco.com.



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CODE OF CONDUCT

THE 10 COMMITMENTS

1. ECCO is a guest in each of the countries in which it operates and respects the local culture.
2. ECCO supports, respects, and takes a proactive approach to protecting internationally defined human rights.
3. ECCO respects equal opportunities and fights discrimination in the workplace.
4. ECCO respects the individual'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 within the environment, health, and safety and supports sustainable development.
10. ECCO wishes to ensure that it complies with all relevant laws and regulations.



Steen Borgholm
Chief Executive Officer



Panos Mytaros
Executive Vice President, Global Shoe Production



Michel Krol
Executive Vice President, Global Sales

ECCO'S PEOPLE

ECCO's workforce is ethnically diverse, covering several generations and a multitude of nationalities. Being different together is seen by ECCO as one of the keys to driving innovation, while maintaining a rigorous focus on craftsmanship and quality.

2019 ACHIEVEMENTS

ECCO depends on the skills, integrity, and commitment of its employees all over the world. Significant focus is put on building the capabilities of individuals to help deliver ECCO's strategic goals and ensure adequate succession planning throughout the Group.

In collaboration with Nottingham Business School, which is part of Nottingham Trent University, ECCO offers a tailored educational programme to many of its employees to develop their competencies, thereby boosting the organisation's ability to identify and execute strategic and operational objectives. In 2019, a Digital Commerce module was added to the curriculum, and since the launch of the programme in 2017, approximately 200 ECCO employees from across the business have participated in one or more modules.

Attracting and retaining competent employees are crucial to the growth and success of ECCO's business. In 2019, ECCO developed a more sophisticated employer branding strategy to strengthen its reputation as an attractive workplace.

Once a year, ECCO carries out an Engagement Driver survey to measure key areas of its employees' work situation, which allows management to learn more about the strengths and weaknesses of the organisation. With over 2,500 employees participating, the response rate was very high at 96%. More than 88% felt they knew what was expected of them, and 88% stated that their job was meaningful. More than 87% said they would be proud telling others they are working for ECCO.

ECCO NEXTGEN

Ensuring a constant flow of people with leadership and specialist talents to fulfill ECCO's mid- to long-term resourcing requirements is the key purpose of the ECCO NextGen programme. The NextGens work closely with senior staff across the business, who facilitate and support the young people as they go through the programme. This combines rotations of real job experience with elements of formal education, which equips them to take up permanent positions within ECCO's global organisation at the end of their programme. Most NextGens will be stationed in at least two different continents during their training.

In 2019, a team of eight NextGens graduated, going into permanent roles in Leather and Shoe Production, Finance, Global Marketing, Supply Chain, and Sales. A new international group of 11 then joined the ECCO NextGen programme: four men and seven women from Denmark,



WOMEN'S PARTICIPATION IN ECCO'S MANAGEMENT

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

ECCO disagrees for two reasons:

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

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

ECCO respects the law, but continues the development of its own programme to ensure that suitably talented

women will continue to gain positions in the company's management.

ECCO's 2020 strategy set the long-term aim for a 35%/65% female/male ratio at management level, with a minimum of one third of senior management positions to be held by women by 2020. At the end of 2019, the company had exceeded this target by a wide margin: across the company's management as a whole, 194 were women (40.1%) and 281 were men (59.9%).

ECCO has a target of at least 25% female representation of the Supervisory Board, elected by the Annual General Assembly. At the end of 2019, ECCO had 17% female representation. The Board regularly reviews the policy relating to women in management.

the Netherlands, Singapore, Indonesia, South Korea, India, Vietnam, Austria, and Italy.

The ECCO NextGen programme is open to all students of working age from most countries. There are two- or three-year duration programme options, based on the educational background of candidates. Read more about ECCO's NextGen programme here: <http://enter.ecco.com/en/teams/be-our-nextgen>.

ANTI-CORRUPTION & ANTI-BRIBERY POLICY AND PROGRAMME

Operating as a global company, ECCO is exposed to various risk levels. ECCO maintains its rigorous policy to avoid and prevent corruption and bribery. In 2019, the policy was updated with particular emphasis on compliance with international sanctions and on the increased focus on money laundering. Training of staff continues throughout the company via global e-learning as well as on-site interactive training sessions.

HEALTH & SAFETY

ECCO's overall performance in health and safety in 2019 is satisfactory. The increasing number of safety observations throughout the year is a sign of strong support for proactive measures and behaviour.

CHEMICAL MANAGEMENT

The main focus in 2019 was the support of an EU campaign called "Healthy workplaces – Manage dangerous

substances". Activities organised by ECCO in 2019, such as training for the introduction of new chemicals, were in full compliance with the content and objectives of the campaign.

An online survey was carried out at all ECCO units, helping to raise awareness and understanding of safety and health hazards associated with dangerous substances and chemical products in the workplaces. The evaluation of environmental, health and safety issues has become an integrated part of the assessment process, helping to reduce and mitigate the risks arising from use, storage, and handling of new chemicals.

ERGONOMY

To improve the work environment and implement ergonomic standards and principles, an external ergonomic survey was carried out at ECCO Thailand in cooperation with the Institute of Occupational Medicine. Data obtained will, among other things, be used for training a team of internal ECCO ergonomists in 2020.

In addition, a software application for ergonomic analysis has been tested at ECCO Slovakia. This tool helps to screen evaluation for the design and layout conditions of workplaces. Promising test results may lead to a decision to use it as a standard ergonomic tool at all ECCO units.

COMMUNITY ENGAGEMENT

ECCO's ambition to take an active part in the local societies in which it operates leads the company to continuously support a variety of initiatives. A project which ECCO chose to support in 2019 was Zendo, an entrepreneurial Danish business with a socioeconomic profile. The company has found a niche in creating quality design products made by people not able to meet the demands of a regular job.

ECCO donates surplus leather to the company, which provides jobs and hope to a growing number of marginalised people. The people who work for Zendo typically suffer from a mental health disorder or a psychiatric disability that makes it difficult for them to hold down a regular job. Zendo offers a creative space, and the necessary guidance, to prepare them for a future in a regular job by offering a holistic programme that aims for professional as well as personal progression.

During its three years in business, Zendo has experienced steady growth, and today, nine people work for the design business.

BOOKS ON WHEELS IN INDONESIA

Developing the mind and gaining knowledge of the world is an essential part of growing up. According to the UN, obtaining a quality education creates the foundation for sustainable development. Even in countries that do offer

proper schooling to children, it can be a challenge to make up-to-date books and teaching facilities available to all students. This is the case, for example, in some parts of Sidoarjo, Indonesia, where ECCO operates a shoe factory and tannery. With more than 7,000 employees living in the area surrounding ECCO's premises, ECCO is a well-known employer in the area.

To counter the lack of availability of educational equipment in some of the areas surrounding ECCO's facilities, ECCO financed two so-called SIMOKOS (Short of Information and Communication Media Facility), which are mobile learning centres equipped with a sound system, big screen TV, laptop, and books. They even have generators to provide power for the electronic devices.

Local officials operate these mobile libraries and make sure that they are maintained and reach as many locations as possible. In March 2018, the first of Sidoarjo's two new mobile libraries made its first trip to a local school, and since then, the two libraries have reached more than 80% of the 600 km² district's kindergartens and elementary schools.



ECCO has sponsored two mobile libraries to support education in Indonesia



In cooperation with the Danish Heart Foundation, ECCO hosts a summer camp for children with heart diseases

20 YEARS WITH ECCO WALKATHON

In 1999, ECCO's founder Karl Toosbuy introduced a charity walk, encouraging people to get together and walk for a good cause. Since then, more than 20,000 Walkathon participants have raised over €3m for charities: children, young people, and health – all of which are areas which resonate well with ECCO's corporate values.

The 2019 Walkathons marked the 20th anniversary of Karl Toosbuy's initiative. Since its launch, the donations from ECCO Walkathons have made a difference to many people around the world. Again this year, the money raised went to the SOS Children's Villages and the Danish Heart Association. Read more about one of the projects supported by the ECCO Walkathon at <https://group.ecco.com/en/news/newsroom/news/2019/ecco-walkathon-improves-life>.

SUMMER CAMP FOR CHILDREN WITH HEART DISEASES

ECCO's cooperation with the Danish Heart Foundation has grown out of the ECCO Walkathons. Most of the money donated to the Danish Heart Foundation is spent on research, but in 2018, a summer camp was added to the programme.

ECCO's summer camp aims to encourage the children to challenge their comfort zones. In 2019, 33 children spent a week at ECCO's Conference Centre in Tønder, Denmark, to network, break down boundaries, and strengthen their self-esteem. At first glance, children with heart disease are no different from other children. However, they are often subject to limitations. While their physical symptoms differ, the reality is that the children have to take their disease into consideration in their everyday lives. Therefore, ECCO's summer camp offers the campers an opportunity to meet peers who struggle with some of the same difficulties as they experience.

Read more about ECCO's summer camp for children with heart diseases here: <https://group.ecco.com/en/news/newsroom/news/2019/ecco-summer-camp>.



Children at the Wat Tham Phupha
Tham Charoensuk orphanage in
Thailand



ECCO colleagues from ECCO Asia Pacific and ECCO Singapore spent a day cleaning the beaches of Pulau Ubin

PROMOTING QUALITY OF LIFE FOR CHILDREN IN THAILAND
 In Thailand, ECCO in 2019 decided to support a local orphanage in Wat Tham Phupha Tham Charoensuk. The orphanage cares for around 200 children, all of whom are either orphans or come from poor and deprived families. To increase the quality of life for the children, ECCO donated school supplies and basic living supplies, such as medicine and dry foods. In addition, around 50 of ECCO's employees spent a day socialising with the children, playing games and cooking their meals.

In a broader perspective, ECCO Thailand held similar activity days at several local schools and youth centres and donated school supplies, computers, and sports equipment. The aim is to promote a healthier lifestyle and provide learning experiences for the children.

The many community activities in which ECCO Thailand engages every year have earned ECCO an award from the Thai Ministry of Industry. The award was given for ECCO's commitment to corporate responsibility, and for supporting a sustainable development of the communities in which it operates.

CLEAN BEACHES IN SINGAPORE

ECCO takes an active interest in keeping the environment clean. From time to time, ECCO hosts clean-up days at

local communities to protect the environment. Following this mindset, ECCO employees from Singapore spent a day cleaning the beach of Pulau Ubin, an island off the coast of Singapore.



ECCO donated bicycles for underprivileged children in Vietnam

BICYCLES FOR UNDERPRIVILEGED CHILDREN IN VIETNAM
 ECCO wishes to promote a healthy lifestyle for all and to encourage the use of bicycles over motorised transportation whenever possible. As bicycles are not within reach for everyone in Vietnam, ECCO again in 2019 donated bicycles to underprivileged school children.



RISK FACTORS AND RISK MANAGEMENT

ECCO is exposed to a number of business risks that may adversely impact the company's ability to reach its financial and strategic objectives. In pursuing business opportunities, ECCO consciously takes on certain risks, but effective risk management enables the Group to continuously monitor them and eventually implement appropriate counter-measures.

The Supervisory Board is ultimately accountable for ECCO's risk management. Key risks are examined by the Managing Board and the Audit Committee on a quarterly basis. If necessary, the Managing Board and the Audit Committee delegate mitigation responsibility.

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

CYBER RISKS

The potential consequences of cyber attacks can be massive, ranging from data breaches to direct financial losses, business interruption, and damage to brand reputation.

To mitigate the risks, ECCO continues to invest in counter-measures and takes the necessary steps to prevent, detect,

and respond to potential threats. In 2019, the cyber security shields were strengthened, both on the technical side and in terms of elements related to the human factor – the latter via a number of risk awareness programmes and proactive user alerts from ECCO's Security Operations Centre.

TAX RISKS

The global tax landscape experienced many changes in 2019, driven by technology, geopolitical and macroeconomic factors, and increasing calls for business transparency.

ECCO's global presence, and a significant number of inter-company transactions, increase the exposure to this challenging tax landscape. In this increasingly uncertain environment, double taxation has become a tangible threat. When cross-border tax disputes arise, the countries involved may all demand a larger tax payment. To mitigate this risk in the best possible way, ECCO continues to follow the OECD guidelines in its price setting of all transactions, supported by secure and timely transfer pricing documentation. ECCO has also applied for two bilateral advance pricing agreements, covering a significant amount of intercompany transactions.

INTERNAL SUPPLY CHAIN DISRUPTION

ECCO owns or controls its entire shoemaking and sales process, from the tanning of hides, to shoe production, and sales of products to consumers. This means that ECCO's tanneries, factories, and shops are co-dependent, and a disruption in one area may adversely affect the entire value chain and, most notably, sales to consumers. For example, a factory fire or natural catastrophe could significantly affect the Group's operations. ECCO's prepared mitigations include measures to prevent fires, various contingency plans, and suitable insurance cover. The present COVID-19 virus constitutes a risk of significant internal supply chain disruption.

ILLEGAL USE OF ECCO IPR

ECCO's Intellectual Property Rights (IPR) are considered core assets due to their essential and considerable value. The overall purpose of ECCO's IPR strategy is to ensure that the company is able to carry out its business activities unhindered, to achieve competitive advantages and to maintain and further develop ECCO's position in the global market.

ECCO is constantly alert to the ongoing threat of individuals or companies that 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 brand, designs, and new developments as rigorously as possible through patents, trademarks, copyrights, design rights, and trade secrets. In addition, ECCO constantly monitors its products, both online and offline. When required, the company rigorously defends its IPR against copycats and other infringements through both administrative and legal actions. In 2019, ECCO successfully enforced its IPR in many jurisdictions, leading to cancellation of third-party registrations, compensation, stopped sales, and acknowledgement of ECCO's rights.

In 2019, ECCO invested significantly in innovations which are protected by an increased number of patent applications.

IMPACT FROM FINANCIAL MARKETS

ECCO's Corporate Treasury has overall responsibility for cost management, arranging currency hedging, and ensuring adequate funding. ECCO's financial condition is fundamentally sufficient to mitigate fluctuations in Net Working Capital, and the fact that sales patterns traditionally

have two annual peaks. ECCO maintains an appropriate degree of financial headroom, which acts as a buffer in the event of conditions that could affect income and net working capital.

The Corporate Treasury functions as ECCO's internal bank, providing loans and deposits within the Group. ECCO is globally exposed to fluctuations in currency rates, and Corporate Treasury maximises natural hedging whenever possible in relation to regulations and practicalities.

The Currency Policy ensures that the material part of remaining transactional exposures is hedged. ECCO's hedge horizon has a range of 12 to 27 months, depending on the nature of the underlying exposure. To reduce potentially heavy financing costs, ECCO manages its interest rate risk by taking up fixed-rate loans or by entering into interest rate swaps.





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ANNUAL ACCOUNTS 2019

STATEMENT BY THE MANAGEMENT

Today, the Managing Board and the Supervisory Board have discussed and approved the annual report of ECCO Sko A/S for the financial year 1 January - 31 December 2019.

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 2019, 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 2019.

Further, in our opinion, the Management's review gives a fair view of the developments in the Group's and the Parent Company's operations and financial state, 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, 14th April 2020

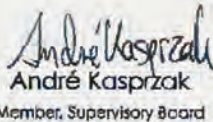
SUPERVISORY BOARD



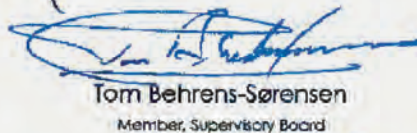
Hanni Toosbuyl Kasprzak
Chairman



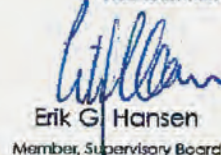
Karsten Borch
Vice Chairman



André Kasprzak
Member, Supervisory Board



Tom Behrens-Sørensen
Member, Supervisory Board



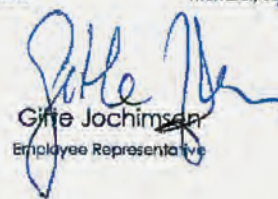
Erik G. Hansen
Member, Supervisory Board



Lars Hemming
Member, Supervisory Board



Kjeld Mortensen
Employee Representative



Gitte Jochimsen
Employee Representative



Bernd Scheelke
Employee Representative

MANAGING BOARD



Steen Borgholm
Chief Executive Officer



Michel Krol
Executive Vice President, Global Sales



Panos Mytaros
Executive Vice President, Global Shoe Production



Executive Vice President Global Shoe Product Panos Mytaros, Chief Executive Officer Steen Borgholm, and Executive Vice President Global Sales Michel Krol

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ECCO SKO A/S

OPINION

We have audited the consolidated financial statements and the parent company financial statements of ECCO Sko A/S for the financial year 1 January – 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2019 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 2019 in accordance with the Danish Financial Statements Act.

BASIS FOR OPINION

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

INDEPENDENCE

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

MANAGEMENT'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

STATEMENT ON THE MANAGEMENT'S REVIEW

Management is responsible for the Management's review.

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

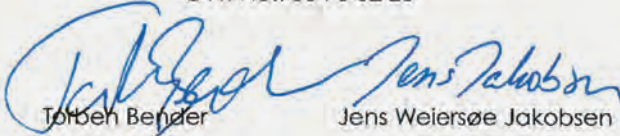
In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially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

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

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

Bredebro, 14th April 2020

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



<p>Torben Bender State Authorised Public Accountant MNE no. mne21332</p>	<p>Jens Weiersøe Jakobsen State Authorised Public Accountant MNE no. mne30152</p>
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INCOME STATEMENT 2019

Note	EUR '000	Group		Parent Company	
		2019	2018	2019	2018
2	Net revenue	1,359,722	1,309,386	723,306	743,534
	Change in inventories of finished products and work in progress	(540)	11,390	(4,157)	4,385
	Cost of raw materials and consumables	(450,902)	(472,311)	(567,696)	(587,634)
	Other external costs	(284,744)	(251,344)	(39,717)	(51,027)
3	Staff costs	(365,296)	(338,108)	(51,566)	(48,875)
6.7	Amortisation and depreciation	(57,172)	(52,428)	(11,008)	(9,110)
	Profit before financials	201,068	206,585	49,162	51,273
4	Financial income	4,616	4,183	5,585	5,022
4	Financial expenses	(9,850)	(10,101)	(4,821)	(4,763)
8	Profit from subsidiaries	-	-	75,328	79,634
	Profit before tax	195,834	200,667	125,254	131,166
5	Income tax	(48,260)	(51,815)	(12,920)	(8,513)
	Profit for the year	147,574	148,852	112,334	122,653

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

Shareholders of ECCO Sko A/S	112,334	122,653
Non-controlling interests	35,240	26,199
	147,574	148,852

BALANCE SHEET AS OF 31 DECEMBER 2019

Assets	Note	EUR '000	Group		Parent Company	
			2019	2018	2019	2018
NON-CURRENT ASSETS						
			1,422	1,168	1,421	1,165
			11,022	10,494	9,248	9,755
			4,876	5,967	225	423
			3,429	2,446	-	-
			6,422	3,800	6,422	3,800
6		Total intangible assets	27,171	23,875	17,316	15,143
		Land and buildings	141,457	131,270	15,858	17,847
		Plant and machinery	55,064	52,939	3,351	3,005
		Fixtures and fittings, tools, and equipment	37,749	34,924	5,855	6,438
		Property, plant, and equipment under construction	42,468	31,479	5,083	2,063
7		Total property, plant, and equipment	276,738	250,612	30,147	29,353
8.9		Investments in subsidiaries	-	-	547,763	491,568
8		Receivables from subsidiaries	-	-	67,423	54,185
		Receivables from affiliated companies	-	-	-	-
		Other receivables	11,861	30,835	-	20,376
10		Deferred tax	55,759	46,786	16,669	16,782
		Total other non-current assets	67,620	77,621	631,855	582,911
TOTAL NON-CURRENT ASSETS			371,529	352,108	679,318	627,407
CURRENT ASSETS						
		Raw materials and consumables	82,978	70,388	499	716
		Work in progress	6,483	5,410	-	-
		Finished products and commercial products	254,185	255,798	66,661	70,818
		Total inventories	343,646	331,596	67,160	71,534
		Trade receivables	109,596	110,519	18,477	9,797
		Receivables from subsidiaries	-	-	89,240	114,403
		Receivables from affiliated companies	25,178	25,973	22,759	326
		Other receivables	23,662	23,103	6,209	5,195
		Income tax	14,970	8,163	690	3,155
11		Prepayments	12,388	13,219	3,085	3,120
		Total receivables	185,794	180,977	140,460	135,996
		Securities	27	23	-	-
		Cash	251,801	187,759	11,675	25,070
TOTAL CURRENT ASSETS			781,268	700,355	219,295	232,600
TOTAL ASSETS			1,152,797	1,052,463	898,613	860,007

BALANCE SHEET AS OF 31 DECEMBER 2019

Equity and liabilities	Group		Parent Company	
	2019	2018	2019	2018
Note EUR '000				
Share capital	666	666	666	666
Reserve for net revaluation according to the equity method	-	-	343,030	296,740
Retained earnings	576,088	525,700	233,058	228,960
Dividend proposed for the year	72,000	91,000	72,000	91,000
ECCO Sko A/S shareholders' share of equity	648,754	617,366	648,754	617,366
Non-controlling interests	144,781	116,809	-	-
Total equity	793,535	734,175	648,754	617,366
12 Provision for pensions	30,892	23,148	-	-
10 Deferred tax	10,893	7,885	-	-
Other provisions	4,072	3,509	-	-
Credit institutions	60,934	63,292	61,208	57,615
Debt to subsidiaries	-	-	-	-
Other long-term liabilities	1,254	-	1,192	-
13 Total non-current liabilities	108,045	97,834	62,400	57,615
Short-term part of non-current liabilities	21,727	20,551	21,727	20,551
Credit institutions	1,767	614	246	7
Trade payables	64,462	65,142	15,694	13,997
Payables to subsidiaries	-	-	84,076	121,509
Payables to affiliated companies	19,748	26,170	23,548	-
Income tax	16,592	6,634	-	-
14 Other payables	126,921	101,343	42,168	28,962
Total current liabilities	251,217	220,454	187,459	185,026
Total liabilities	359,262	318,288	249,859	242,641
TOTAL EQUITY AND LIABILITIES	1,152,797	1,052,463	898,613	860,007

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

CHANGES IN EQUITY STATEMENT 2019

GROUP	Share capital	Retained earnings	Proposed dividend	Total	Non-controlling interests	Total Equity
EUR '000						
Equity at 1 January 2018	666	497,457	94,000	592,123	98,881	691,004
Additions	-	-	-	-	405	405
Disposals	-	-	-	-	-	-
Dividend paid	-	-	(94,000)	(94,000)	(8,731)	(102,731)
Profit allocation	-	31,653	91,000	122,653	26,199	148,852
Exchange rate adjustments	-	3,215	-	3,215	55	3,270
Adjustment of currency hedges of future sales and financial swaps	-	(8,860)	-	(8,860)	-	(8,860)
Actuarial gains / (losses)	-	854	-	854	-	854
Reversal actuarial gains / losses, begin	-	-	-	-	-	-
Tax on equity transactions	-	1,381	-	1,381	-	1,381
Equity at 1 January 2019	666	525,700	91,000	617,366	116,809	734,175
Additions	-	-	-	-	2,548	2,548
Disposals	-	-	-	-	-	-
Dividend paid	-	-	(91,000)	(91,000)	(11,441)	(102,441)
Profit allocation	-	40,334	72,000	112,334	35,240	147,574
Exchange rate adjustments	-	15,575	-	15,575	1,625	17,200
Adjustment of currency hedges of future sales and financial swaps	-	(3,766)	-	(3,766)	-	(3,766)
Actuarial gains / (losses)	-	(3,230)	-	(3,230)	-	(3,230)
Tax on equity transactions	-	1,475	-	1,475	-	1,475
Equity at 31 December 2019	666	576,088	72,000	648,754	144,781	793,535

PARENT COMPANY	Share capital	Net revaluation according to the equity method	Retained earnings	Proposed dividend	Total Equity
EUR '000					
Equity at 1 January 2018	666	255,814	241,643	94,000	592,123
Dividend paid	-	-	-	(94,000)	(94,000)
Profit allocation	-	28,162	3,491	91,000	122,653
Exchange rate adjustments	-	3,645	(430)	-	3,215
Adjustment of currency hedges of future sales and financial swaps	-	11,355	(20,215)	-	(8,860)
Actuarial gains / (losses)	-	854	-	-	854
Tax on equity transactions	-	(3,090)	4,471	-	1,381
Equity at 1 January 2019	666	296,740	228,960	91,000	617,366
Dividend paid	-	-	-	(91,000)	(91,000)
Profit allocation	-	34,599	5,735	72,000	112,334
Exchange rate adjustments	-	15,165	410	-	15,575
Adjustment of currency hedges of future sales and financial swaps	-	(1,158)	(2,608)	-	(3,766)
Actuarial gains / (losses)	-	(3,230)	-	-	(3,230)
Tax on equity transactions	-	914	561	-	1,475
Equity at 31 December 2019	666	343,030	233,058	72,000	648,754

CONSOLIDATED CASHFLOW STATEMENT 2019

EUR '000	2019	2018
Cashflow from operating activities		
Profit before tax	195,834	200,667
Adjustment for non-cash operating items:		
Amortisation and depreciation	57,172	52,428
Exchange rate adjustments	5,648	(3,962)
Financial income/expenses net	5,233	5,918
Working capital adjustments:		
(Increase)/decrease in inventories	(12,050)	(11,202)
(Increase)/decrease in receivables	20,964	19,910
Increase/(decrease) in trade payables	(8,919)	794
Increase/(decrease) in other payables	28,649	9,243
Increase/(decrease) in provisions	6,800	4,086
Income taxes paid	(51,075)	(71,018)
Total cashflow from operating activities	248,256	206,864
Cashflow from investing activities		
Net payments to invest in non-current assets:		
Intangible assets	(11,438)	(10,952)
Property, plant, and equipment	(67,618)	(85,821)
Total cashflow from investing activities	(79,056)	(96,773)
Cashflow from financing activities		
Financial income/expenses net	(5,233)	(5,918)
Non-controlling interests	(8,892)	(8,325)
(Repayment of)/proceeds from debt to credit institutions	(29)	7,918
Dividend paid	(91,000)	(94,000)
Total cashflow from financing activities	(105,154)	(100,325)
Cashflow from operating, investing, and financing activities	64,046	9,766
Cash and cash equivalents at beginning of year	187,782	178,016
Cash and cash equivalents at year-end	251,828	187,782
Breakdown of cash and cash equivalents		
Securities	27	23
Cash	251,801	187,759
Cash and cash equivalents at year-end	251,828	187,782

NOTES

1. Accounting policies

The annual report of ECCO Sko A/S for 2019 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 7.47.

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

BASIS OF CONSOLIDATION

The consolidated financial statements comprise ECCO Sko A/S and subsidiaries in which ECCO Sko A/S has a controlling influence on those companies' operations.

The consolidated financial statements are prepared on the basis of the audited financial statements of ECCO Sko A/S and its subsidiaries, by adding items of a similar nature. The financial statements used for consolidation are adapted to the accounting policies of the Group.

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

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

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

BUSINESS COMBINATIONS

Recently acquired or formed entities are recognised in the consolidated financial statements from the date of acquisition or formation. Entities sold or otherwise disposed of are recognised in the consolidated income statement

until the date of disposal. Comparative figures are not restated in respect of recently acquired or sold entities.

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

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

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

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

INTRA-GROUP BUSINESS COMBINATIONS

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

NON-CONTROLLING INTERESTS

On initial recognition, non-controlling interests are measured at the fair value of the non-controlling interests' ownership share or at the non-controlling interests' proportionate share of the fair value of the acquired entity's identifiable assets, liabilities, and contingent liabilities.

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

NOTES

FOREIGN CURRENCY TRANSLATION

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

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

DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

INCOME STATEMENT

Net revenue:

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

Raw materials and consumables:

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

Other external costs:

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

Staff costs:

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

Profit from subsidiaries:

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

Financial income and expenses:

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

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.

NOTES

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.

Leasehold rights:

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

Property, plant, and equipment:

This is recognised at cost, excluding interest, less accumulated depreciation and write-downs to a lower recoverable amount. Cost comprises the purchase price and any costs directly attributable to the acquisition

NOTES

until the date when the asset is available for use. Where individual components of an item of property, plant, and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

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

The expected useful lives of fixed assets are as follows:

- Buildings: 20-30 years
- Plant and machinery, vehicles, fixtures and fittings: 3-10 years
- Land is not depreciated

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

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

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

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

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

Investments:

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

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

Write-downs:

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

Inventories:

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

Receivables:

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

Prepayments:

These are costs incurred relating to the following accounting year.

Securities:

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

Cash:

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

EQUITY

Reserve for net revaluation according to the equity method:

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

NOTES

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

The reserve cannot be recognised as a negative amount.

Reserve for development costs:

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

Dividend:

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

LIABILITIES

Provision for pensions:

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

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

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

Other provisions:

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

Non-current debt to credit institutions:

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

Current liabilities:

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

CASHFLOW STATEMENT

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

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		Parent Company	
	2019	2018	2019	2018
Segment information				
Shoes	1,186,783	1,135,847	723,246	739,949
Accessories	46,774	45,511	-	-
Leather	113,341	119,244	-	-
Others	12,824	8,784	60	3,585
Total net revenue	1,359,722	1,309,386	723,306	743,534
Net revenue Shoes & Accessories				
ECCO Europe, Middle East & Africa	480,059	484,060	382,201	405,198
ECCO North Americas	269,441	266,899	149,136	145,274
ECCO Greater China	348,476	314,947	-	-
ECCO Asia Pacific	135,581	115,452	191,909	189,477
Total Shoes & Accessories	1,233,557	1,181,358	723,246	739,949
Sales channels				
Wholesale	857,098	839,024	723,306	743,534
Retail, e-commerce	389,283	351,118	-	-
Leather	113,341	119,244	-	-
Total net revenue	1,359,722	1,309,386	723,306	743,534

Reference is made to the ECCO Group structure on pages 88 and 89 regarding the definition of the geographic regions.

NOTES

3. Staff costs and management and staff information

EUR '000	Group		Parent Company	
	2019	2018	2019	2018
Salaries	321,898	295,858	48,977	46,351
Pensions and defined benefit plans	14,076	14,662	2,577	2,512
Other social security costs	29,322	27,588	12	12
Staff costs	365,296	338,108	51,566	48,875
Average number of employees	21,164	21,361	490	488
Number of employees at year-end	21,364	21,271	501	487
Fees to Managing Board and Supervisory Board:				
Managing Board	6,201	5,503	6,201	5,503
Supervisory Board	235	235	235	235

Staff costs classified as other comprehensive income are not included.

NOTES

4. Financial income and financial expenses

	Group		Parent Company	
	2019	2018	2019	2018
EUR '000				
Interest income external	3,627	4,183	1,232	1,947
Interest income from subsidiaries	-	-	3,887	3,038
Net exchange rate gains	989	-	466	37
Total financial income	4,616	4,183	5,585	5,022
Interest expenses external	(2,874)	(3,436)	(2,787)	(3,175)
Interest expenses to subsidiaries	-	-	(1,772)	(1,346)
Net exchange rate losses	-	(346)	-	-
Other financial expenses	(6,976)	(6,319)	(262)	(242)
Total financial expenses	(9,850)	(10,101)	(4,821)	(4,763)
Total net financial income and expenses	(5,234)	(5,918)	764	259

5. Income taxes

	Group		Parent Company	
	2019	2018	2019	2018
EUR '000				
Income tax for the year	51,005	55,250	8,716	13,615
Prior-year adjustment	(187)	239	115	431
Adjustment of deferred tax	(2,558)	(3,674)	4,089	(5,533)
Total income tax	48,260	51,815	12,920	8,513

NOTES

6. Intangible assets 2019

	Development projects completed	Patents, trademarks, licences	Software	Goodwill	Leasehold rights	Intangible assets in progress	Total
EUR '000							
GROUP							
Cost at 1 January	-	4,784	60,246	19,414	2,832	3,800	91,076
Currency translation	-	(1)	497	147	(180)	(1)	462
Additions	-	625	1,885	(8)	1,890	6,032	10,424
Transferred	-	-	4,460	235	-	(3,409)	1,286
Disposals	-	-	(1,014)	-	-	-	(1,014)
Cost at 31 December	-	5,408	66,074	19,788	4,542	6,422	102,234
Accumulated amortisation at 1 January	-	3,616	49,752	13,447	386	-	67,201
Currency translation	-	-	482	100	1	-	583
Amortisation	-	370	5,560	1,365	726	-	8,021
Amortisation on disposals	-	-	(742)	-	-	-	(742)
Accumulated amortisation at 31 December	-	3,986	55,052	14,912	1,113	-	75,063
Carrying amount at 31 December	-	1,422	11,022	4,876	3,429	6,422	27,171
PARENT COMPANY							
Cost at 1 January	-	4,693	45,995	7,651	-	3,800	62,139
Currency translation	-	(2)	(15)	(2)	-	(1)	(20)
Additions	-	625	585	-	-	6,032	7,242
Transferred	-	-	4,232	235	-	(3,409)	1,058
Disposals	-	-	(904)	(8)	-	-	(912)
Cost at 31 December	-	5,316	49,893	7,876	-	6,422	69,507
Accumulated amortisation at 1 January	-	3,528	36,240	7,228	-	-	46,996
Currency translation	-	(3)	(13)	(3)	-	-	(19)
Amortisation	-	370	5,050	426	-	-	5,846
Amortisation on disposals	-	-	(632)	-	-	-	(632)
Accumulated amortisation at 31 December	-	3,895	40,645	7,651	-	-	52,191
Carrying amount at 31 December	-	1,421	9,248	225	-	6,422	17,316
Amortisation period	5 years	5 years	3-5 years	5-10 years	5-10 years		

Capitalised goodwill mainly relates to expansion of the retail business and production portfolio in accordance with the Group strategy.

The useful lifetime for goodwill has been determined to be 5-10 years considering the market environment, the technological development, and the expected economic benefits.

NOTES

7. Property, plant, and equipment 2019

	Land and buildings	Plant and machinery	Fixtures and fittings, tools, and equipment	Property, plant, and equipment under construction	Total
EUR '000					
GROUP					
GROUP					
Cost at 1 January	278,445	197,877	145,620	31,479	653,421
Currency translation	5,676	8,168	3,655	591	18,090
Additions	19,810	10,150	16,498	23,589	70,047
Transferred	2,180	6,213	3,513	(13,191)	(1,285)
Disposals	(2,086)	(3,338)	(8,622)	-	(14,046)
Cost at 31 December	304,025	219,070	160,664	42,468	726,227
Accumulated depreciation at 1 January	147,175	144,938	110,696	-	402,809
Currency translation	1,598	6,208	2,815	-	10,621
Depreciation	15,585	15,949	17,429	-	48,963
Depreciation on disposals	(1,790)	(3,089)	(8,025)	-	(12,904)
Accumulated depreciation at 31 December	162,568	164,006	122,915	-	449,489
Carrying amount at 31 December	141,457	55,064	37,749	42,468	276,738
PARENT COMPANY					
Cost at 1 January	54,114	7,117	28,962	2,063	92,256
Currency translation	(17)	(2)	(9)	(2)	(30)
Additions	154	325	1,553	4,866	6,898
Transferred	-	739	47	(1,844)	(1,058)
Disposals	(210)	(269)	(3,449)	-	(3,928)
Cost at 31 December	54,041	7,910	27,104	5,083	94,138
Accumulated depreciation at 1 January	36,267	4,112	22,524	-	62,903
Currency translation	(13)	(1)	(9)	-	(23)
Depreciation	2,124	717	2,009	-	4,850
Depreciation on disposals	(195)	(269)	(3,275)	-	(3,739)
Accumulated depreciation at 31 December	38,183	4,559	21,249	-	63,991
Carrying amount at 31 December	15,858	3,351	5,855	5,083	30,147
Depreciation period	20-30 years	5-10 years	3-5 years		

NOTES

8. Other non-current assets, subsidiaries

	Investments in subsidiaries		Receivables from subsidiaries	
	2019	2018	2019	2018
EUR '000				
Cost at 1 January	194,828	167,197	54,185	74,036
Additions	9,904	27,631	60,741	29,750
Disposals	-	-	(47,503)	(49,601)
Cost at 31 December	204,732	194,828	67,423	54,185
Accumulated revaluation at 1 January	296,740	255,814	-	-
Profit after tax of subsidiaries	75,328	79,634	-	-
Currency adjustment of foreign subsidiaries	15,165	3,645	-	-
Adjustment of currency hedging of future sales in subsidiaries	(697)	8,432	-	-
Actuarial gains/(losses)	(2,778)	687	-	-
Dividend	(40,727)	(51,472)	-	-
Net revaluation	46,291	40,926	-	-
Accumulated revaluation at 31 December	343,031	296,740	-	-
Carrying amount at 31 December	547,763	491,568	67,423	54,185

The carrying amount of investments in subsidiaries at 31 December 2019 includes Group goodwill of t. EUR 351.

NOTES

9. Investments in subsidiaries

	Country	Ownership interest	Share capital	
SHOE PRODUCTION				
Ecco'let (Portugal) - Fábrica de Sapatos, Lda.	Portugal	100%	8,270	t.EUR
ECCO Shoe Production Pte. Ltd.	Singapore	100%	16,000	t.USD
ECCO Slovakia, a.s.	Slovakia	100%	7,634	t.EUR
ECCO (Thailand) Co., Ltd.	Thailand	100%	1,100,000	t.THB
ECCO (Vietnam) Co. Ltd.	Vietnam	100%	226,095,000	t.VND
ECCO (Xiamen) Co. Ltd.	China	100%	15,600	t.USD
P.T. ECCO Indonesia	Indonesia	100%	23,000	t.USD
Xiamen ECCO Logistics Co. Ltd.	China	100%	150	t.CNY
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 Leather B.V.	The Netherlands	100%	13,400	t.EUR
ECCO Tannery (Holland) B.V.	The Netherlands	100%	5,000	t.EUR
ECCO Tannery Holding (Singapore) Pte. Ltd.	Singapore	100%	16,965	t.EUR
ECCO Tannery (Thailand) Co., Ltd.	Thailand	100%	385,645	t.THB
ECCO Tannery (Xiamen) Co. Ltd.	China	100%	21,000	t.USD
PT. ECCO Tannery Indonesia	Indonesia	100%	37,403,550	t.IDR
Water Treatment Dongen B.V.	The Netherlands	100%	18	t.EUR
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	55%	2,000	t.USD
ECCO CACC Inc.	Panama	50%	-	
ECCO CACC Trading Inc.	Panama	50%	400	t.USD
ECCO China Wholesale Holding (Singapore) Pte. Ltd.	Singapore	55%	1,000	t.USD
ECCO Distributors DAC	Ireland	50%	1	t.EUR
ECCO EMEA B.V.	The Netherlands	100%	23	t.EUR
ECCO EMEA Sales SE	The Netherlands	100%	121	t.EUR
ECCO France S.A.S.	France	50%	500	t.EUR
ECCO Global Business Development B.V.	The Netherlands	100%	10	t.EUR
ECCO Shops A/S	Denmark	100%	500	t.DKK
ECCO India Trading Private Limited	India	100%	66,830	t.INR
ECCO Japan Co. Ltd.	Japan	98%	100,000	t.JPY
ECCO Korea Limited	Korea	100%	1,058,500	t.KRW
ECCO Latin America Holding Ltd. Inc.	Panama	100%	250	t.USD
ECCO Macao Limited	Macao	100%	25	t.MOP
ECCO Malaysia Sdn. Bhd.	Malaysia	100%	17,000	t.MYR
ECCO Middle East A/S	Denmark	100%	2,250	t.DKK
ECCO Philippines, Inc.	Philippines	50%	12,000	t.PHP
ECCO Retail LLC	USA	100%	2,300	t.USD
ECCO Schuhe GmbH	Germany	100%	1,790	t.EUR
ECCO (Shanghai) Co. Ltd.	China	55%	2,100	t.USD
ECCO Shoes (NZ) Limited	New Zealand	100%	100	t.NZD
ECCO Shoes Canada, Inc.	Canada	100%	18,602	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 India Private Limited	India	51%	70,100	t.INR
ECCO Shoes Pacific Pty. Limited	Australia	100%	3,250	t.AUD
ECCO Shoes Singapore Pte. Ltd.	Singapore	100%	10,300	t.SGD
ECCO Shoes Trade Ltd.	Turkey	100%	15,466	t.TRY
ECCO Shops Vestdanmark A/S	Denmark	100%	600	t.DKK
ECCO USA, Inc.	USA	100%	7,500	t.USD
Xi'an ECCO Limited	China	44%	20,000	t.CNY
ACCESSORIES				
ECCO Accessories Ltd.	Switzerland	100%	2.250	t.CHF
OTHER				
Eccolet Portugal ApS	Denmark	100%	200	t.DKK
High Street Properties Investment Ltd.	UK	55%	22.000	t.GBP

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

NOTES

10. Deferred tax

EUR '000	Property, plant, and equipment	Inventories	Provisions	Other liabilities	Tax losses	Other	Total
GROUP							
Recognised at 1 January	(11,611)	27,958	5,692	10,210	9,621	(2,969)	38,901
Recognised Income statement	(447)	(478)	810	2,622	(1,990)	2,041	2,558
Recognised directly to equity	-	-	-	-	-	3,407	3,407
Total adjustment for the year	(447)	(478)	810	2,622	(1,990)	5,448	5,965
Recognised at 31 December	(12,058)	27,480	6,502	12,832	7,631	2,480	44,866
Deferred tax asset							55,759
Deferred tax liability							(10,893)
Recognised at 31 December							44,866
PARENT COMPANY							
Recognised at 1 January	(334)	4,320	35	2,266	-	10,495	16,782
Recognised Income statement	(197)	(9)	-	709	-	(3,804)	(3,301)
Recognised directly to equity	-	-	-	-	-	3,188	3,188
Total adjustment for the year	(197)	(9)	-	709	-	(616)	(113)
Recognised at 31 December	(531)	4,311	35	2,975	-	9,879	16,669
Deferred tax asset							16,669
Deferred tax liability							-
Recognised at 31 December							16,669

NOTES

11. Prepayments

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

12. Provision for pensions

EUR '000	Group	
	2019	2018
The provision for pensions is due as follows:		
< 1 year	556	528
1-5 years	3,479	3,176
> 5 years	26,857	19,444
Total	30,892	23,148

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

13. Non-current liabilities

EUR '000	Group		Parent Company	
	2019	2018	2019	2018
Non-current liabilities due more than five years after the end of the financial year	17,724	14,455	8,896	10,660

14. Other payables

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

NOTES

15. Financial instruments

Group
2019

Derivative financial instruments

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

Currency forward contracts

Fair value hedges:

The Group has covered part of the currency risk on existing receivables, payables, bank deposits, and loans.

At year-end, the Group had entered into the following contracts (net sale of currency):

	Principal value of unrealised forward contracts end 2019 in EUR '000
Currency	
EUR	70,473
CNY	23,945
CAD	15,987
USD	30,865
AUD	1,971
CHF	1,124
KRW	1,825
NOK	(4,860)
HKD	(3,198)
IDR	(3,534)
SGD	(27,313)
THB	(3,430)
SEK	(6,678)
Others	(641)
Total	96,536

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 2019 in EUR '000	Value adjustment on equity begin/end in EUR '000
Cashflow hedges	448,027	(4,387)

Interest rate swaps

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

	Principal value of unrealised interest swaps end 2019 in EUR '000	Value adjustment on equity begin/end in EUR '000
Interest swaps fixing the interest rate	97,828	611

NOTES

16. Contingent liabilities and guarantees, etc.

EUR '000	Group		Parent Company	
	2019	2018	2019	2018
CONTINGENT LIABILITIES				
Rent and lease liabilities	144,343	131,130	1,302	1,056
Guarantees and letters to suppliers	3,517	4,315	1,227	738
COLLATERAL SECURITY				
The following assets have been pledged in security of the Group's loans from credit institutions and other non-current liabilities:				
Bearer mortgages on property, plant, and equipment	21,356	21,363	21,356	21,363
Guarantee for import duty	6,102	7,341	2,001	2,002
Personnel obligations	87	78	-	-
PLEGDED ASSETS				
Book value of assets pledged in security of the Group's loans from credit institutions and other non-current liabilities	15,741	17,314	14,413	16,170

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 2019 are less than the total provisions regarding company taxes and withholding taxes on dividend, interest, and royalties by EUR 0.7m as per 31 December 2019. 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	
	2019	2018
Auditor's fee	1,283	1,256
Other assurance services and statements	68	83
Tax advisory services	319	386
Other assistance	263	105
Total	1,933	1,830

NOTES

18. Related parties

ECCO Sko A/S is included in the consolidated financial statements of ECCO Holding A/S and Anpartsselskabet af 1. oktober 2011, Bredebro, Denmark. The parent company of the ECCO Group with controlling influence is ECCO Holding A/S.

ECCO Sko A/S' 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.

TRANSACTIONS WITH RELATED PARTIES

	Group		Parent Company	
	2019	2018	2019	2018
EUR '000				
Sale of goods to subsidiaries	-	-	147,496	150,636
Sale of goods to related parties	112,413	95,120	78,570	1,313
Purchase of goods from subsidiaries	-	-	(496)	(458)
Purchase of legal assistance etc. from parent company	(1,744)	(1,349)	(1,801)	(1,396)
Interest income from subsidiaries	-	-	91	42
Interest expense to subsidiaries	-	-	-	(9)
Interest income from related parties	42	14	47	11
Interest expenses to related parties	(83)	(117)	(77)	(114)
Receivables from subsidiaries	-	-	29,325	42,498
Receivables from related parties	25,178	26,493	22,759	1,111
Payables to subsidiaries	-	-	(895)	(471)
Payables to related parties	19,748	27,987	23,548	25,198

Besides distribution of dividend and legal assistance, no other transactions were carried out with shareholders in the year.

Remuneration/fees to members of the Managing Board and Supervisory Board of the Parent Company are reflected in note 3.

19. Proposed profit allocation

	Parent Company	
	2019	2018
EUR '000		
Revaluation reserve for undistributed profit in subsidiaries	34,599	28,162
Retained earnings	5,735	3,491
Proposed dividend	72,000	91,000
Profit for the year	112,334	122,653

20. Significant events after the end of the financial year

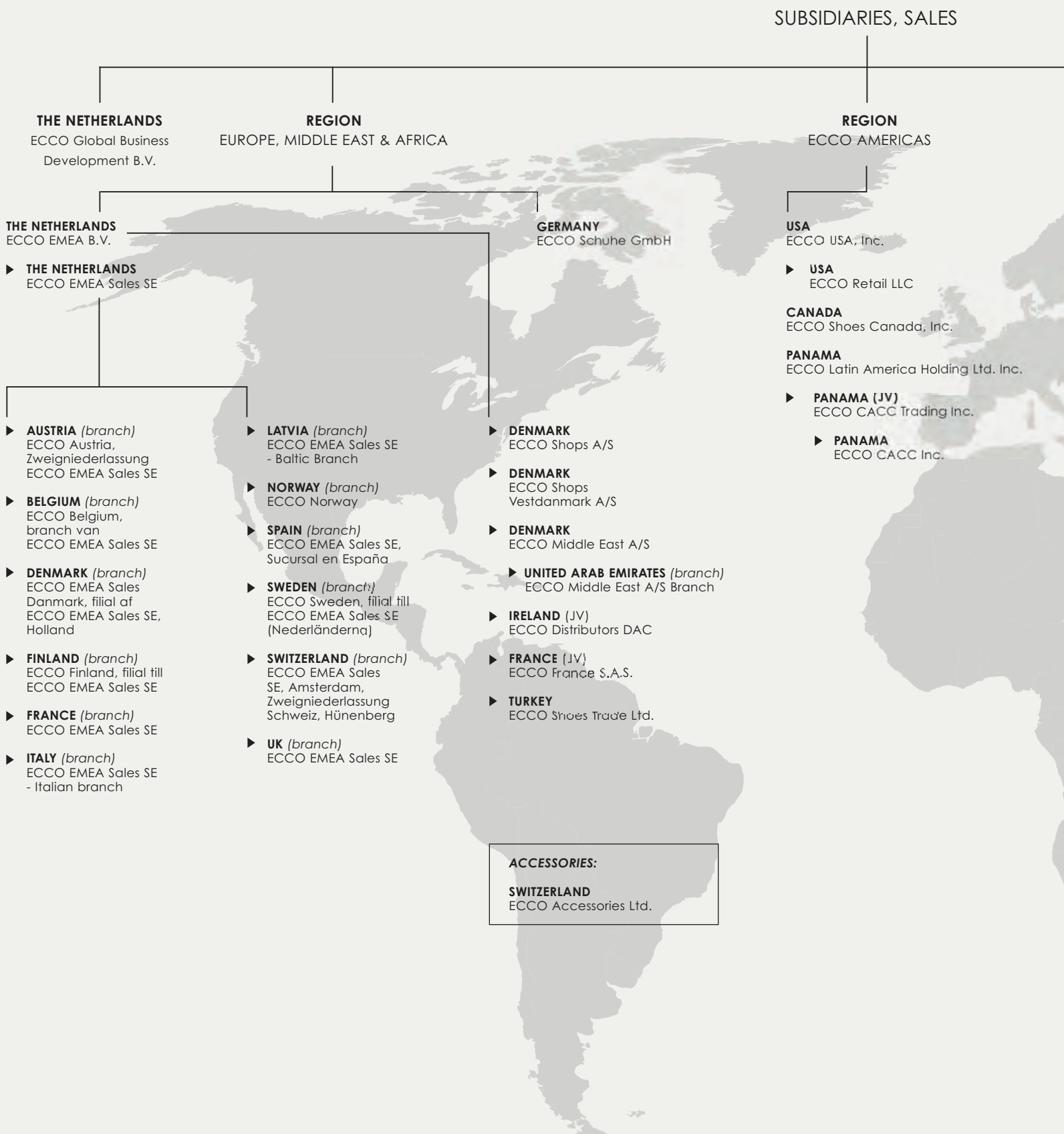
The outbreak of COVID-19 will have significant impact on the financial performance of the Group in 2020. The extent of the impact is not known until the situation normalises.

ECCO Sko A/S has acquired ECCO Ros, its former distributor in Russia. The consolidation of ECCO Ros into the ECCO Group will cause significant one-time accounting effects (non-cash), causing negative effects of EUR 20-25m on reported profit before tax in 2020.

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

GROUP STRUCTURE AS OF 31 DECEMBER 2019

ECCO SKO A/S





SUBSIDIARIES, PRODUCTION

**REGION
ECCO ASIA/PACIFIC**

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

ECCO SHOE FACTORIES

- INDONESIA**
PT. ECCO Indonesia
- PORTUGAL**
Ecco'let (Portugal) – Fábrica de Sapatos, Lda.
- SINGAPORE**
ECCO Shoe Production Pte. Ltd.
- ▶ **CHINA**
ECCO (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.
- ▶ **THE NETHERLANDS**
Water Treatment Dongen B.V.
- ▶ **INDONESIA**
PT. ECCO Tannery Indonesia
- ▶ **SINGAPORE**
ECCO Tannery Holding (Singapore) Pte. Ltd.
- ▶ **CHINA**
ECCO Tannery (Xiamen) Co. Ltd.
- ▶ **CHINA**
Danna Leather (Xiamen) Co. Ltd.
- ▶ **THAILAND**
ECCO Tannery (Thailand) Co., Ltd.

DORMANT COMPANIES/BRANCHES AND INVESTMENT COMPANIES HAVE BEEN OMITTED.



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CVR No. 45 34 99 18

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