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ANNUAL REPORT 2021

ecco®

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ECCO IN 2021 AT A GLANCE

€ 1,218m

Revenue

2020 - € 1,092m

€ 90m

Investments

2020 - € 195m

(Including acquisition of Russian distributor)

6.9%

Operating margin

2020 - 4.6%

21,700

Number of employees

2020 - 21,400

€ 43m

Profit before tax

2020 - € 45m

€ 498m

Equity

2020 - € 540m



Chief Executive Officer, Panos Mytaros.

CEO'S REPORT

As I write my Annual Report, no one knows how the war in Ukraine will end. We have repeatedly condemned the unacceptable bombing of civilians in Ukraine and wish the war will end as soon as possible.

ECCO's heart is our people. Through many years, ECCO has experienced different crises. Our first concern has always been for the welfare of our employees. We have helped them through the crises and beyond, and we feel morally bound to also do the same now.

If ECCO closed our business in the Russian market, we would send our 1,800 staff and their relatives, probably about 5,000 people in all, on the street. Also, thousands of other jobs would be lost across the world in our factories, shops, and offices, as ECCO is one of the very few in the industry who controls the majority of our value chain and produces leathers and shoes in our own tanneries and factories.

Turning to 2021, it was a year with many challenges for ECCO. We sadly lost colleagues across the world to the COVID-19 pandemic. They will be missed.

Our entire supply chain was shaken. Freight disturbances, factories running at lower efficiency due to COVID-19, and a lot of unpredictability on raw

material supply. More than ever, we appreciated owning our own supply chain from tanneries to distribution. We managed to keep cancellations of orders to less than 1%.

We have seen growth in all areas of our business. The shift in consumer behaviour towards digital channels is a new reality. ECCO's investments in and focus on this distribution showed payback with 42% growth. Direct-to-consumer sales grew by 35%. A very encouraging development.

ECCO's sales in China continued to outperform with constant growth.

The integration of the Russian business, acquired in 2019, went well thanks to an impressive performance by the new management and staff.

Turkey and the Middle East showed very encouraging growth and a direct-to-consumer focus. Our performance in Europe and the US improved compared to 2020, but it is still unsatisfactory.

ECCO's new management is focusing on the transformation of the company - a transformation which is coming from inside the company. A total rethink of the way we do things. The focus is on simplicity, clarity, and streamlining of all areas of the business.

A modern value chain set-up from idea to the consumer. A stronger brand, a clear brand identity, and a more focused brand. A brand which talks more to its consumers and is closer to the consumer with a renewed look.

A digital transformation in all areas of our business will enable us to work smarter and react to data, producing a cleaner and focused product range.

Our commitments to innovation and quality remain of very high priority.

In 2020, we formalised our environmental targets towards 2030. We are proud of achieving the first milestone for 2024, in 2022 already. Our responsible attitude towards the environment is intensified, and many new projects leading to better and cleaner products and ways of working are on their way.

We are looking with confidence towards the future, and towards a modern and rethought ECCO. An ECCO transformed from its own core and by its own people. Our ECCO.



Panos Mytaros
Chief Executive Officer

2021 KEY EVENTS



JANUARY - ECCO LAUNCHES ECCO HYGGESOFT - Inspired by the Danish concept of "Hygge", the ECCO Hyggesoft is a new collection of luxury indoor shoes created to bring a warm and cozy feeling of home and family gatherings. Many have switched to remote work from a city apartment or a country house and the ECCO Hyggesoft slippers and sneakers fit perfectly into the new reality.



FEBRUARY - 25 YEARS OF GOLF - What started as a birthday gift for ECCO's founder Karl Toosbuy led to ECCO Golf becoming one of the four biggest golf shoe brands globally – all in the course of just 25 years. The first pair of ECCO Golf shoes were sold in 1996 and already in 2010, the iconic ECCO Golf Street shoe started the so-called hybrid revolution, which is seen as a major game changer in the world of golf.



MARCH - RESPIN TURNS LEATHER WASTE INTO TEXTILE FIBRE - In 2021, a novel hybrid between leather and textile saw the light of day through Respin, a joint venture between Finnish-based Spinnova and ECCO. The new fibre has already been used by ECCO's Applied Research team to create a demo shoe, which is just one example of its high versatility. The ambition with Respin is to close the leather loop and create a high-quality material through upcycling.



APRIL - ECCO OPENS ICONIC MARKETING BUILDING IN TØNDER - The building includes a showroom area to demonstrate the heartbeat of the business, including consumer experience, retail concepts, and digital screens with live feeds showing how consumers are engaging with ECCO online. The building's design reflects the tradition of farm building in the marshlands of South Jutland. Energy-efficient solutions such as geo-thermal heating and solar power have been incorporated into the building.



MAY - ANNA KASPRZAK JOINS ECCO'S SUPERVISORY BOARD - Third-generation owner of ECCO Anna Kasprzak joins ECCO's Supervisory Board. Anna Kasprzak has built an international career in dressage riding and has represented Denmark on the Danish National Dressage Team at several events, including the Olympic Games in London and Rio, as well as European and World Championships. In addition, she manages Future Dressage – Sport & Breeding, which continuously develops its breeding and training activities with elite dressage horses. Anna Kasprzak brings extensive knowledge of the ECCO business, having served on the ECCO Holding Supervisory Board since 2010.



JUNE - ECCO REORGANISES IN THE US - It was decided to reorganise the US unit and towards the end of the year, a new chief executive for the US market was appointed. Four new prime outlets opened in the space of only two weeks in Denver, Tennessee, North Carolina, and Florida using a specially designed outlet concept for the US market.



JULY - ECCO PIONEERS WASTE WATER TREATMENT TECHNOLOGY - After a successful phase of preliminary tests and research, ECCO Holding invests in the Danish cleantech company Bioscavenge. The start-up company specialises in advanced water purification technologies and novel waste water treatment systems. The close partnership will help ECCO pioneer the future of tannery waste water treatment.



AUGUST - ECCO OPENS FLAGSHIP SHOP IN SHANGHAI - Situated within Shanghai's modern international shopping area, ECCO's new 442 square metre flagship shop is designed to give consumers a chance to experience the innovation and comfort which characterise the ECCO brand. The new shop takes much of its inspiration from ECCO's Danish heritage, creating a stage for ECCO's expansive product portfolio in a sophisticated environment that resonates with consumers.



SEPTEMBER - HOT-SHOP - AN ERUPTION OF CREATIVE ENERGY - Focusing on the future of natural materials, ECCO Leather's 14th HOT-SHOP addresses the application of leather in unexpected and unconventional uses. With 80 international participants, the theme of HOT-SHOP 14 is Hypothesis. The concepts and leathers that come out of the four-day leather festival include ideas for leathers integrated in electronics and as a construction material in buildings.



OCTOBER - 1,505 YEARS OF WORKING EXPERIENCE AT ECCO HEADQUARTERS Following a lengthy lockdown, ECCO invites our staff to the first physical staff meeting in two years. 330 employees get together at headquarters in Denmark, while the rest of the organisation follows the event via live-stream. One of the highlights is the celebration of 47 employees, who together have put in no less than 1,505 years of working at ECCO headquarters.



NOVEMBER - ECCO POSTS RECORD SALES FOR SINGLE'S DAY - Single's Day sees record sales for the business as the push of brand activities takes place online, in shops, and through social media. Consumers in China celebrate Single's Day on 11 November. Using new channels to communicate with consumers, ECCO Greater China breaks its previous record for sales over this celebratory period.



DECEMBER - ECCO CONSOLIDATES POSITION IN THE MIDDLE EAST - ECCO opens two new shops in the United Arab Emirates in parallel with a new owned and operated e-commerce channel, which is launched a year earlier than planned. In Turkey, ECCO adds two premium shops and two pop-up shops to our portfolio as well as a shop in the Kingdom of Saudi Arabia and two more in Kuwait and Jordan.

FINANCIAL REVIEW

COVID-19 disrupted production in ECCO's factories and regrettably loss of life occurred. Supply chains were massively affected. Freight rates increased to historic heights and delays were frequent. In spite of this, ECCO returned to growth. Sales grew by 11.5% to EUR 1,218m, and operating margin increased to 6.9% from 4.6% in 2020.

ECCO's profit before tax ended at EUR 42.8m, slightly below 2020. It was, however, affected by an extraordinary event – the merger of ECCO's European wholesale and retail activities. This led to EUR 13m in profits on shoes sold to the previously independent retail activities being carried back, as well as losses being absorbed and goodwill written off. Before this transaction, profit before tax stood at EUR 75.8m.

Despite continued adverse conditions for footwear sales in 2021, ECCO secured a currency-neutral growth of 35% in direct-to-consumer channels with strong e-commerce growth of 42% over 2020. This was driven not only by owned and operated e-commerce, but also continued growth on third-party online market places.

Retail sales partially recovered from 2020, but prolonged COVID-19 related lockdowns continued to be a challenge.

Shoe sales grew by 11% with a 7.5% growth in volume sold and stronger price realisation. This led to net sales prices increasing by 2%, helping to offset the margin impact from continued high freight rates and inflationary cost pressure.

Leather sales grew by 22% with record volumes of leather sold. Sales of shoe related accessories

grew by 15% compared to 2020. The ECCO Leather Goods business was relaunched in 2021 with a stronger collection targeted at a more premium range of the segment.

Geographically, ECCO realised good growth across all regions. The North American markets were hardest hit in 2020, but also experienced the strongest recovery in 2021 with sales growing by 26%. The Asia Pacific region with heavy reliance on retail and tourism experienced a growth in sales of 15% despite continued lockdowns in key markets.

Greater China, ECCO's most successful region, was largely unaffected by COVID-19 in 2021 and showed a solid growth of 19% in sales compared to 2020.

ECCO Europe was challenged by weaker demand and supply disruptions impacting wholesale activities, which declined by 2%. Direct-to-consumer sales in Europe showed recovery versus the prior year with sales growing by 10% as a result.

Investments for the year 2021 were EUR 89.8m.

The Group ended the year with lower levels of working capital, mostly from reduced receivables. A strong focus in 2021 on reducing aged inventory saw inventory of shoes reducing by more than half a million pairs versus prior year.

ECCO ended 2021 with healthier levels of current inventory with valuation of inventories increased by 5% compared to 2020; hence with a sales uplift of 10%, the inventory turn was increased.

PROFIT & LOSS

The year saw an increase over prior year in volume and sales, and top line growth rates were higher in the first half of the year when the prior year's pandemic impacts were most severe.

In terms of profitability, the recovery was stronger in the latter part of 2021 and in the final four months, profitability returned to expected levels with double-digit profit margins.

Throughout the year, the business successfully directed efforts towards the online channels to meet the consumers where they were, while strengthening the interaction between offline and online channels. Omni-channel functionalities were introduced in several markets during 2021, driving additional sales and supporting the consumer journey.

Total net sales of shoes and accessories increased by 10% compared to 2020. With the exception of the Europe region, all other regions saw double-digit growth. The US and Canada markets were the most severely impacted by COVID-19 in 2020, but also recovered the most in 2021.

The Greater China region saw continued solid growth throughout 2021 with double-digit growth in all channels. As a consequence, the region's share of total Group sales grew by 3% points to 33%.

A highly promotional environment continued in many markets. Despite this, however, ECCO managed to secure a better price realisation on footwear sold.



Chief Financial Officer, Mads Fink Eriksen.

To mitigate the anticipated supply disruptions, a significant increase in freight rates as well as retail lockdowns continuing in many markets, a cost saving plan was implemented in early 2021.

The capacity cost base was well managed and increased by only EUR 35.3m (+7%) on a stronger recovering top line (+10%) and capacity costs as a percentage of sales dropped 1.9% points compared to 2020.

Most of the increase in the capacity costs was caused by activity-driven costs like indirect production costs from higher production level and higher sales in the direct-to consumer channels.

Depreciations and amortisation increased to EUR 70.0m (compared to EUR 68.9m in 2020) and hence, were almost flat compared to 2020.

Profitability saw a substantial improvement in 2021 coming from all channels. Retail regained profitability, and e-commerce continued the positive trend and strong result.

BALANCE SHEET & CASHFLOW

Cash from operating activities

increased to EUR 185m from EUR 32m in 2020. The profitable result and the improved working capital were the main reasons for the positive operational cashflow.

Net working capital (trade receivables, inventories, and accounts payable) declined by a total of EUR 38m.

Cashflow from investing activities was EUR 89.8m.

Major investments were related to the IT integration and replatforming of the Russian and European businesses, a new PLM system, technology infrastructure, and renovations.

The Group cash position increased by 25%, and Return on equity improved by 1.1% points versus prior year.

OUTLOOK

The outbreak of war in Ukraine in February 2022 impacts ECCO's business in Eastern Europe. The Ukraine business with annual sales of EUR 15m is expected to be lost in the outlook for 2022. Furthermore, it impacts Russia/Belarus, where ECCO operates above 220 shops with over 1,800 employees.

The current unfortunate situation will negatively influence the financial performance for ECCO in 2022. It is at current not possible to estimate the impact; however, management is very confident that ECCO will remain financially strong at the end of 2022. Other markets are currently not impacted by the war, and ECCO expects these markets in 2022 to maintain a positive growth compared to 2021.

The COVID-19 impact is expected to continue to subside. At the same time, new challenges will continue into 2022 with primarily supply side challenges on inflation in material prices and higher freight costs. Significant investments will be directed to relevant commercial opportunities with strong return on capital expected.

Isolated from the Eastern Europe conflict, ECCO's net sales and profitability are expected to significantly increase in 2022. The net profit in 2022 and financial status end of 2022 depend on the development in Eastern Europe and consequently, a more precise outlook is not possible to estimate currently.



FIVE-YEAR SUMMARY

FINANCIAL HIGHLIGHTS
EUR '000

	2017	2018	2019	2020	2021
Net revenue	1,275,960	1,309,386	1,359,722	1,092,470	1,218,078
Profit before amortisation and depreciation	241,265	259,012	258,240	119,192	155,156
Amortisation and depreciation	(50,694)	(52,428)	(57,172)	(68,950)	(71,030)
Profit before financials	190,571	206,585	201,068	50,242	84,126
Financial income and expenses	(6,735)	(5,918)	(5,233)	(5,506)	(8,326)
Profit before tax	183,836	200,667	195,834	44,735	42,832
Income tax	(45,555)	(51,815)	(48,260)	(21,588)	(29,356)
Profit for the year	138,281	148,852	147,574	23,147	13,476
Non-current assets	310,624	352,108	371,528	463,798	542,841
Current assets	684,971	700,355	781,268	856,958	876,243
Total assets	995,595	1,052,463	1,152,797	1,320,756	1,419,084
ECCO Sko A/S shareholders' share of equity	592,123	617,366	648,754	539,877	498,436
Non-controlling interests	98,881	116,809	144,781	146,910	179,734
Non-current liabilities	81,709	97,834	108,045	249,495	226,105
Current liabilities	222,882	220,454	251,217	384,474	514,809
Equity and liabilities	995,595	1,052,463	1,152,797	1,320,756	1,419,084
Cashflow from operating activities	188,691	206,864	248,256	31,510	184,839
Cashflow from net investing activities	(48,842)	(96,773)	(79,056)	(195,229)	(89,835)
Investments in property, plant, and equipment	(35,894)	(85,821)	(67,618)	(55,156)	(44,328)
Cashflow from financing activities	(121,530)	(100,325)	(105,154)	150,819	(36,363)
Number of employees (as of 31 December)	21,526	21,271	21,364	21,434	21,712
KEY RATIOS					
Operating margin	14.9%	15.8%	14.8%	4.6%	6.9%
Profit ratio	14.4%	15.3%	14.4%	4.1%	3.5%
Return on assets	18.2%	19.6%	17.8%	3.6%	3.1%
Investment ratio	1.0	1.8	1.4	2.8	1.3
Return on equity	18.4%	20.3%	17.7%	(1.1%)	(4.6%)
Solvency ratio	59.5%	58.7%	56.3%	40.9%	35.1%
Liquidity ratio	3.1	3.2	3.1	2.2	1.7

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



ECCO'S UNIQUE VALUE CHAIN BY PANOS MYTAROS

ECCO's founder was a true shoemaker. He built his business on the quality and durability of his shoes and was very innovative. He was among the first to design and develop casual shoes with great comfort and good fit.

But Karl Toosbuy was also focused on production and constantly improving the processes in his factories. At a very early stage, the focus on production of quality shoes in a top-tuned production became ECCO's strength.

The second phase was the contact to ECCO's customers. For many years, ECCO sold primarily through

distributors and agents, but we slowly took over this business ourselves and became retailers rather than wholesalers. We now have a supply chain from the hides to the end-user.

This was rather unique in the industry and a great advantage. ECCO did not depend on others in the main areas of our business, and in good years could make a profit along the supply chain – in the tanneries, the shoe factories, and in ECCO's shops and e-commerce.

But this strength becomes a weakness in crisis periods. Then ECCO can lose money – in all

activities. The supply chain still has advantages. We are able to deliver normally to our customers, when competitors have big supply problems.

We have now in our transformation process entered phase three of our unique value chain. Data-based facts are used to define new collections. Designers now can develop with new insights in our customers' preference – and we can shorten our supply chain by ordering new collections earlier and produce them faster. And we will at all times have full visibility of the process.



Panos Mytaros

Chief Executive Officer
Nationality: Greek
28 years with ECCO

The supply chain which originally became ECCO's strength has in fact been turned on its head and is stronger than ever - but still with customers and quality at heart.



**"OUR STRENGTH
IS OUR CONTROL
OF THE
VALUE CHAIN."**

ECCO LEATHER

2021 was a year of many highlights for ECCO Leather, both in terms of great achievements as well as tough challenges.

Like any business, ECCO Leather felt the consequences of the global pandemic. An unforeseen event was the temporary closure of our tannery in China due to a local outbreak. ECCO's tannery in Indonesia was faced with high levels of absence due to infections.

The Thai tannery was also faced with high levels of absence, but nevertheless managed to produce the highest volume of any unit in ECCO Leather.

Last year saw excellent growth of the external business. Besides our own shoe factories, ECCO Leather

is the preferred supplier for many high-end and other well-known brands.

Innovation also continued in 2021. Major projects were initiated, mainly on our site in the Netherlands, where we installed a pilot plant that will help us save significant amounts of water in our beamhouse operations. A new drying technology has improved the quality significantly, reduced the raw material input, and lowered the environmental footprint considerably.

ECCO Leather launched a new EL3 material platform dedicated to material innovation, taking ECCO Leather into 'the third dimension'. EL3 is a dedicated platform for natural material processing built

on technological and creative innovation. The first material launched through EL3 is the Motion Material Collection, which is a response, in part, to the enduring emphasis on functional clothing. Nowadays, leather is rarely thought of or used in this context, but this collection shows the ancient material recast in a new light. This is the purpose of EL3, to bring leather to areas previously not even considered an option.

An important project in ECCO Leather is the roll-out of a new Product Lifecycle Management system. ECCO Leather has built a solution focusing on merchandising, product development, and costing. This is seamlessly integrated with the solution of ECCO Sko.

LEATHER IS A UNIQUE MATERIAL

Humans have used it for thousands of years. In ancient times, when an animal was slaughtered for food, the hides became clothes, shelter, or boats.

Today, leather is used for e.g. furniture, cars, coats, dresses, bags, and shoes.

Leather is extremely durable, can be used for 10-25 years, and some bags have been used for 50 years or longer. Then it can be recycled and reused.

Leather is a long-lasting and versatile material - a true natural fit for the circular economy.

In recent years, leather has met some criticism, initially from animal welfare groups, who pointed out

examples where animals were mistreated.

ECCO totally shared their concerns and decided to start to track the hides back to the farms where the animals were reared – not an easy task, as the hides are a by-product from the slaughterhouses. We have made great progress, have visited many farms, followed the transport of the animals, and inspected the slaughterhouses. Where we are not satisfied, we do not buy. The situation as it is today is much improved.

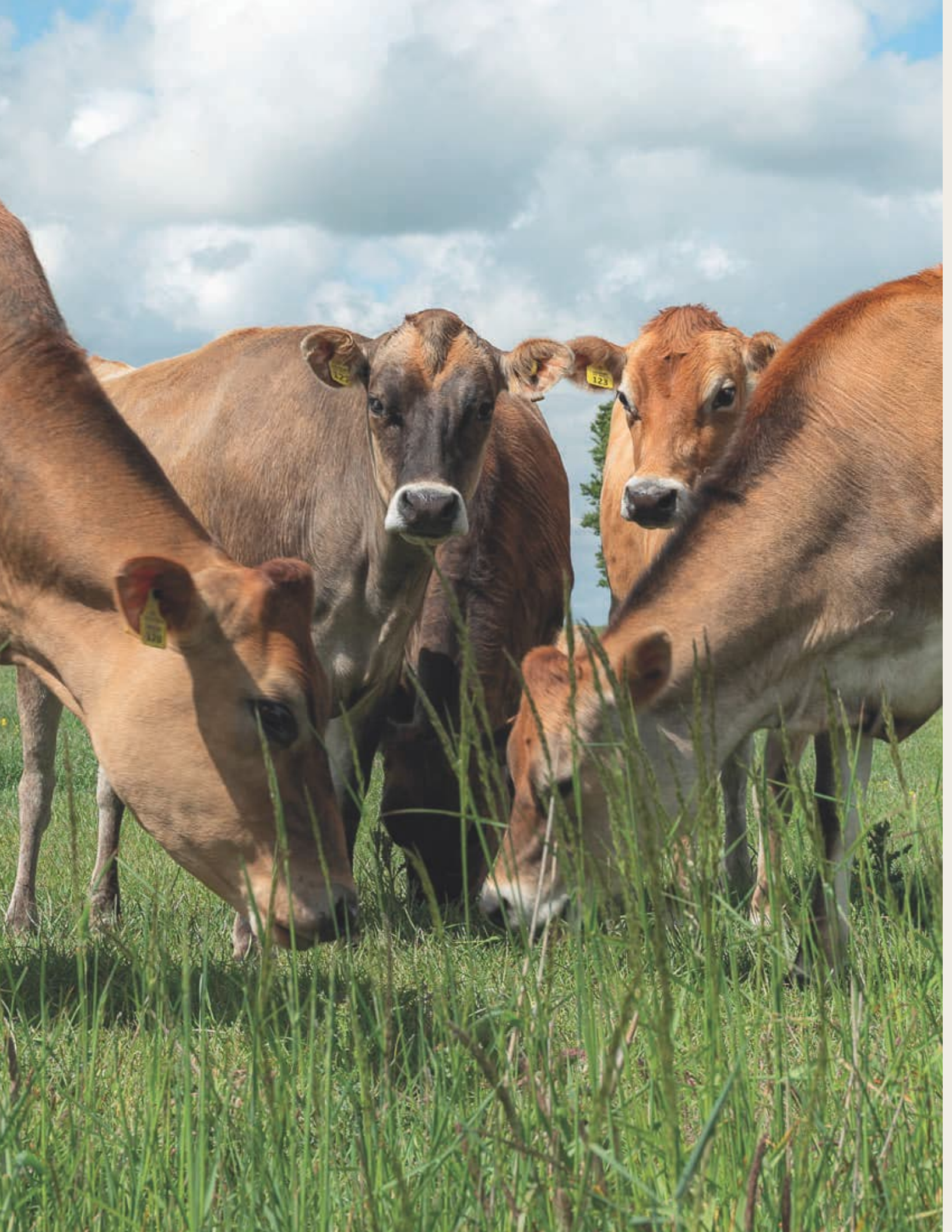
The environmental debate included the fact that cows' digestion produces methane gas.

Scientists have already found that changing the composition of food

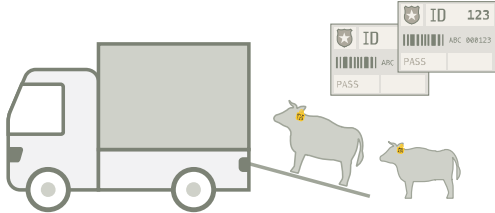
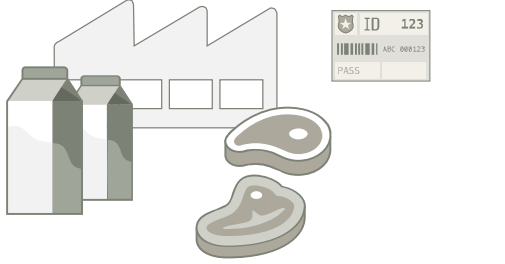
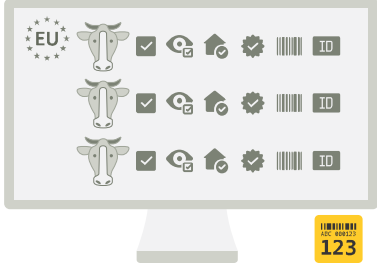
for the animals leads to a marked decrease in emissions, and many tests continue worldwide to reduce it further. ECCO also participates in this work. ECCO will continue to make and use leather whilst constantly challenging the status quo of leather making.

We do not believe it makes sense to exclude such a useful, durable, and versatile product to see it replaced by materials that are neither as durable, nor as versatile as leather.





TRACEABILITY OF COW HIDES



Consumers are increasingly interested in the origin of the products they buy. Traceability helps us create transparency in our supply chain.

In Europe, all cows have an ID number, and this follows the animal to the slaughterhouse and later the by-product - the hide - to the tanneries. This means that the animal can be traced back to the farm where it was reared. Tracking from feedlot to tannery is also possible in the US via a cattle marking system.

Most of ECCO's hides are sourced in Europe and the US. Food traceability is strictly regulated both in the US and Europe, and slaughterhouses are regulated and controlled by governments and veterinarians.



Factory 2025 - ECCO's test factory in Bredebro, Denmark.

ECCO SHOE PRODUCTION

The wellbeing of our employees remained the top priority during the year. Whereas the spread of COVID-19 mainly affected the European factories in 2020, Asian factories faced similar challenges in 2021.

The initial focus areas in the factories were linked to pro-active measures like maintaining safe distancing, providing protective gear, isolating and otherwise assisting infected employees. As vaccines started to become available, ECCO successfully helped facilitate the roll-out of vaccines to employees in many countries. Thanks to a close co-operation with local authorities and the societies where we operate, our factories were able to operate

throughout the entire year, albeit at lower activity levels.

ECCO's global supply chain also felt the effects of the pandemic. Many suppliers were forced to extend production timelines and deliveries. The impact from these challenges was further amplified by the global freight challenges.

To meet the changing market situation, ECCO continues to allocate more funds towards investments in automation and efficiency.

FACTORY 2025 – Stepping into the future

Part of ECCO's innovative approach to production is Factory 2025 – a pilot test factory, which in

2021 was further developed and tested at ECCO's headquarters in Bredebro, Denmark. The installation, which is a full production line, combines craftsmanship with highly automated functionalities.

When fully operational, Factory 2025 can produce smaller batch sizes of shoes quickly, flexibly, and close to markets, enabling ECCO to act fast and respond to changing trends in the market.

Factory 2025 operates separately from ECCO's existing shoe production and can be activated if it is deemed necessary to market a product quickly in smaller quantities without disrupting planned production. Fast replenishment will be a key element in ECCO's



ability to reach consumers faster and more precisely, thereby strengthening ECCO's competitive ability.

Furthermore, the advanced technology of Factory 2025 enables ECCO to monitor real time and measure specific elements in each shoemaking process.

This makes the installation a crucial element in ECCO's efforts to soften our environmental footprint as it opens for a more in-depth understanding of our carbon emission drivers and thus a higher degree of transparency in our environmental benchmarking.

Factory 2025 combines ECCO's many years of shoemaking

experience and know-how with high-tech robotics and innovations. As people and machines bring different skills and abilities to the table, the process of producing premium-quality shoes requires a high degree of craftsmanship and attention to detail.

Factory 2025 in Bredebro is to be further stress tested and is expected to be operational with small-scale commercial production in the course of 2022.





ECCO LEATHER GOODS

2021 saw the launch of ECCO Leather Goods, a new bags and accessories concept that offers functional, futuristic leather goods – designed in-house and using high-quality leathers from ECCO Leather.

Many of the bags are hands-free, giving the wearer greater freedom of movement. Within the line are many small leather goods that can be attached to one another to create eclectic and unique combinations.

The ECCO Leather Goods concept has been inspired by the aesthetics of ECCO's founding years in the 1960s. Lettering from the archives is reborn in an alphabet of attachable charms.

ECCO ACCESSORIES

In 2021, ECCO Accessories rolled out its new Silver Line shoe care collection globally. It achieved great success wherever launched.

ECCO Accessories' sock collection was expanded and saw good growth. An in-depth market analysis indicates a growing demand, and a number of new products will be launched in 2022.

A strong and reliable portfolio of suppliers has been built to ensure close cooperation, and this allowed ECCO Accessories to mitigate the worst effects of the delays experienced in shipping. All

suppliers meet ECCO's strict quality standards and audit requirements.

A close cooperation with ECCO's shoe divisions as well as with ECCO's designers has been maintained to ensure alignment with the shoe collection.

In 2022, ECCO Accessories plans to intensify its research into products that do not affect the environment negatively.







ECCO's new studio in Brooklyn, New York.

NEW YORK STUDIO

At the end of 2021, ECCO opened a design studio at the Brooklyn Navy Yard. The focus will be on footwear and bag design, prototyping, product line building, and leather sales. The new space will also serve as a "playground" for creatives to connect, collaborate, learn, teach, and inspire.

The US is an important market for ECCO, and having a strong creative foothold here is relevant. The studio's attractive collaborative space will help to strengthen partnerships with key wholesalers.

In line with ECCO's manufacturing spirit, the 7,000 s/f studio embraces an open-door philosophy, in which allies across the industry are invited to learn about materials, innovation, and technologies.

The Brooklyn Navy Yard is a 300-acre industrial site. In addition to being the home of ECCO's new studio, it also houses more than 450 businesses.

The Brooklyn Navy Yard celebrates community, its people, and economic and social best practices. There are many parallels between the core values of Brooklyn Navy Yard and ECCO. ECCO comes to the Brooklyn Navy Yard during the Yard's ongoing \$1 billion expansion, which will increase its job total to 20,000 from its current 11,000 in the coming years.

The studio will work in close collaboration with the teams in HQ and the US to establish a wider creative community around ECCO, draw physically closer to the US market and the consumers,

and create a new vibrant culture around ECCO that is felt both internally and externally.



ECCO's New York studio with focus on footwear, product line building, and leather sales.



ECCO's flagship shop in Shanghai, China.

ECCO GLOBAL SALES BY MICHEL KROL

Sales started to pick up in early 2021 and regained momentum compared to the previous year. However, returning to 'normal' is to ECCO considered an illusion.

Instead, new ways of communicating with consumers have appeared in the wake of the COVID-19 pandemic. Ways which moved ECCO even closer to the markets and increased the direct consumer engagement.

Technology and a personal touch are to be combined to cater for a more comfortable consumer experience no matter the channel. Achieving a 35% growth in the direct-to-consumer channel is encouraging.

The shift of consumer behaviour towards the digital channels continued to accelerate during 2021. In response, ECCO continued

to invest significantly in better and faster technologies including improved IT infrastructures and consumer-facing touch-points. New organisations and dedicated teams responsible for lifting ECCO's technological capabilities were established and expanded during 2021 and will constitute a key pillar in ECCO's digital transformation in the years to come.

Due to the continued investment in e-commerce, consumers were still able to access products online when shops temporarily were closed. This element is part of the digital acceleration which continues to take place, focusing on the digital consumer journey across all ECCO platforms and touch-points to ensure the consistency of the brand experience. Our dedicated teams in shops continued to ensure a safe shopping experience for consumers

throughout 2021 with markets offering appointment shopping as well as an ever-increasing touch-point through social media.

ECCO has supported the retail industry in all our markets through the opening of pop-up locations, using the opportunity of unused space in malls and high streets to support the growth of the brand's footprint.

Retail locations will remain key to providing class-leading service and brand experience, and the opening of pop-up locations shows the belief ECCO has in the future of physical retail locations and our willingness to invest.

Focus on learning and development of staff remains a key focus for ECCO. Growth of our online training platform has enabled the retail teams



Michel Krol

Chief Consumer Officer
Nationality: Dutch
24 years with ECCO

to continue their learning and development to provide an even better service moving forward.

Through a focus on marketing, ECCO looks to communicate better with our wide range of consumers through more targeted marketing campaigns and investments in digital touch-points.



“THE PANDEMIC HAS SHOWN THAT THOSE ABLE TO ADAPT QUICKLY AND REACT TO CHANGING ENVIRONMENTS HAVE BEEN ABLE TO KEEP A STRONG AND LOYAL CONSUMER BASE.”



ECCO's flagship shop in Copenhagen, Denmark.

ECCO IN EUROPE

From 1 January 2021, the merger of ECCO Europe's retail and wholesale organisations was initiated. Throughout the year, steps were taken towards integrating IT systems, combining ways of working, and changing the structural set-up, to create a strong, united organisation under the name of ECCO Europe AG, in which ECCO Sko A/S has a participating interest.

Headquartered in Zug, Switzerland, the management structure was changed in 2021. Decisions to empower the organisation resulted in ECCO's customer service teams moving from a central function in Amsterdam, the Netherlands, into ECCO Europe's five regions.

In 2021, ECCO expanded our European network of own and operated shops by acquiring altogether 39 franchise-operated shops from two partners in the

Netherlands and integrating these into our retail portfolio.

To modernise the processes surrounding our wholesale customers and colleagues, ECCO Europe is investing in digital showrooms. The first one in Nieuwegein, the Netherlands, has been active since 2019 and in 2021, a second digital showroom was implemented in Hamburg, Germany.

In order to grow our profit and brand position in the European markets, an analysis of our existing shop portfolio was carried out throughout 2021. As a result, we closed three shops in the central regions and two unprofitable shops in the southern region.

Always trying to give our consumers the best and most convenient buying experience, ECCO Europe launched two further websites,

in Portugal and Hungary. This means that our consumers in these markets are now able to buy ECCO shoes online in a fully ECCO owned, operated, and branded environment. In Hungary, consumers also have full omni-channel services.

ECCO's joint venture in Ireland had a very successful year. Despite heavy lockdowns, we expanded the business with two additional shops and one additional concession shop, bringing the shop portfolio to a record high of 24 shops across the Irish island. Openings by appointment were arranged when permitted, and we expanded e-commerce business both on ECCO's platform as well as with partners.



ECCO's flagship shop in Shanghai, China.

ECCO IN GREATER CHINA

During 2021, ECCO Greater China continued to show the importance of brands providing a strong retail experience, through the opening of a new global flagship shop in April.

The shop is located on Huaihai Middle Road, Shanghai; a crucial area for premium brands. The new flagship shop pushes the limits of a traditional shop and focuses on an immersive consumer experience.

The grand opening was attended by ECCO China brand ambassadors alongside art and fashion influencers and members of the local press. This media following resulted in over 90,000 viewers also watching the opening through a virtual platform, further adding to the flagship experience.

ECCO Greater China also expanded its market footprint by completing the takeover of the dealership business with 24 ECCO

shops in Hangzhou. Hangzhou holds a strong retail opportunity and will enhance direct-to-consumer opportunities across the markets.

To strengthen the business further and to drive data-based decisions, China is executing key data projects to provide a central data-base for all consumer data with a focus on cleansing and quality checks. This initiative will continue to provide key insights into future business needs.

The commercial event of 11.11., also known as Singles Day, is a vital opportunity for brands in China to push sales and build brand awareness. Once again, ECCO achieved successful results at the event and held the number one ranking for performance in the men's division at leading shopping platforms Tmall and JD.

In line with our premium brand positioning, China continues to show successful brand development with famous Chinese brand ambassadors such as actress Ni Ni. She and other brand ambassadors have participated in marketing campaigns, shop openings, and live streaming events showcasing products to engage with consumers. The elevated fashion credibility with such brand ambassadors also supports ECCO's journey to further strengthen our brand.

ECCO IN RUSSIA

ECCO became active in Russia in 1985 and from 1991, 80,000 pairs of ECCO shoes were sold to Siberia over a 3-year period.

In 1993, the Russian entrepreneurs behind the deal were granted the rights of sole distributor in Russia and over the next years built an impressive distribution across 95 cities in Russia.

In 2006, ECCO Russia was awarded Prince Henrik's Medal of Honour and a diploma from the Danish Export Association.

In 2009, ECCO was named Best Foreign Brand in Russia, an achievement repeated several years thereafter.

Late 2019, ECCO acquired the Russian distributor.

A major programme was initiated to integrate the Russian activities into ECCO.

This progressed well, but the business was negatively affected by the COVID pandemic, and when the war in Ukraine started, ECCO decided to halt further expansion and to postpone new investments in the business.



*ECCO's prime concept shop
in Sochi, Russia.*



ECCO's prime shop in Lotte Jamsil, Seoul, Korea.

ECCO IN ASIA PACIFIC

ECCO's business expanded across all sales channels in Asia Pacific, showing strong signs of recovery despite continued strong headwinds. In many ways, 2021 was just as challenging as the year prior, but with a renewed approach to manoeuvring continued volatile trading conditions, ECCO's APAC businesses delivered strong results. Total net sales in the region grew by 15% over 2020.

ECCO's owned and operated retail shops expanded net sales by 9% compared to 2020, while our online business grew by 86%. ECCO's focus remained on enhancing our abilities to service younger and more digitally affluent consumer segments.

Sales to partner channels also expanded across the region. Our wholesale business grew by 8% in net sales, while sales to distributors expanded by 15%. Growth in both

channels was characterised by a continued strong and growing demand for golf products.

ECCO recently launched our business in India and continues to see signs of rising demands for our products. In 2021, e-commerce spearheaded the market's growth.

While Southeast Asia remains the territory that has seen the most significant impact on business due to border closures and the absence of tourism, ECCO still managed to grow our sales in almost all markets. At the same time, and despite restrictive market conditions, ECCO invested to enhance our retail shop and online infrastructure.

In spite of fewer trading days, ECCO managed to grow our retail net sales by 9%, and we expanded our branded online net sales by 33%.

ECCO's total net revenues grew by 31% in Korea. The driving factors were strong brand positioning and continued increasing demand for our lifestyle and golf products across all channels. Furthermore, ECCO was voted the most sought-after golf shoe brand in Korea by consumers.

ECCO continued to improve our shop profitability in Korea with like-for-like growth of 11% compared to 2019, which is a testament to our brand strength and strong footprint in the Korean market. During 2021, we opened one new outlet and three new shop-in-shops in the market.

In Japan, ECCO managed to grow our revenues by 12%. In addition to improved retail sales productivity, we expanded our branded online net sales by 29%.



St. Cathrine Street Montreal, Canada.

ECCO IN THE AMERICAS

Despite obvious and ongoing pandemic-driven challenges, our US business made significant progress against the key strategic priorities of direct-to-consumer, digital, and operational excellence. Furthermore, the business delivered strong growth on both the top and bottom line versus 2020 and is well positioned for further improvement in 2022.

Our direct-to-consumer business achieved record revenues in 2021 and now comprises more than 50% of net sales for the first time in the history of ECCO USA after continuous strong growth throughout the pandemic. We upgraded our retail fleet in 2021, closing six underperforming outlets and opening seven new outlets.

Our digital transformation accelerated in 2021, and our e-commerce business has now increased by 70% since 2019. Furthermore, we exceeded our customer acquisition goal by more than 30% and were able to deliver a more premium full-price experience in the second half of the year that translated into significant improvements in realised price and margin.

Operationally, we consolidated our distribution centre (DC) footprint and launched a major initiative to significantly upgrade our DC capabilities. As a result, we finished 2021 with our best inventory position since 2019.

ECCO's headquarters in Canada moved to the centre of Toronto. The

location is modern, allowing for both customers and ECCO staff to be creative within the same space.

An ECCO Leather Unit installation was an interesting opportunity for ECCO to collaborate with a Montreal-based artist and showcase ECCO's bags in a new way. The installation was up for some weeks and was also part of our marketing material on ecco.ca as well as Instagram.

2021 was a year to consolidate new territories that reinforce and diversify our presence in Latin America. Reaching new consumers has consolidated our brand positioning and enabled strong sell-through of new product offerings.



Nakheel Mall, The Palm, Dubai.

ECCO IN THE MIDDLE EAST & AFRICA

For many years, ECCO has been represented in the Middle East by partners. In 2021, ECCO took over the operation of the shops previously run by the partner in the United Arab Emirates in spite of widespread and long-lasting lockdowns and travel restrictions.

When ECCO has taken over all shops from the Middle Eastern partner, we will have 27 ECCO owned shops and ten partner shops in the region.

The management of the Middle East was merged with ECCO Turkey, where ECCO operates 15 shops.

ECCO also launched an e-commerce platform ecco.ae

in the Emirates. Sales are growing rapidly, and expansion opportunities for e-commerce are being considered for Saudi Arabia, Qatar, and Bahrain.

The e-commerce platform already established in Turkey experienced 30% growth in 2021. ECCO Turkey initiated a cooperation with a department store chain – a first for ECCO Turkey – introducing ECCO products to Boyner Group, a leading textile retailer with 117 shops throughout Turkey.

After a successful launch in Turkey of a 'Shoe Shine Box', it was also introduced in the Middle East to demonstrate to the customers the value of ECCO's clean and care products.

2021 saw a concerted effort by the new region to capture relevant data offline and online in preparation for the start of the new region. The database created will serve as foundation for analysing our customers' wishes and demands.

GLOBAL MERCHANDISING

During 2021, ECCO introduced a Global Merchandising function based out of Global Sales in Amsterdam, to support ECCO's execution of a consumer-centric strategy and data-based decisions.

Across the global industry, merchandising now plays a critical part in brand alignment, commercial operations, business profitability, and strategic growth opportunities.

Merchandising will operate across all product areas, ensuring one ECCO and one brand view.

Merchandising impacts all areas of the Group value chain and will truly be an area that revolutionises the way ECCO conducts business.

With strong initial target setting and planning in place, the business will be able to confidently translate these deliverables across all business areas. As the business area's look to streamline the collection, the focus remains on creating a collection reflecting ECCO's creative development and commercial consumer opportunities.

Through operational open-to-buy planning models and forecasting activities, focus will be on efficiency across the Group value chain and increased delivery performance. Both elements will drive our improvements on global stock management.

ECCO continues to focus on increased sell-through targets and deliverables across all global regions.

Merchandising management operates with core principles to ensure that we have attractive promotions across all of ECCO's own channels of operation.

From a consumer viewpoint, merchandising will ensure that the business provides the right product offering driven by consumer insight and testing.

Key consumer stories through the right product choice will be supported with strong go-to-market strategies in line with initial concept planning. Visual merchandising and store development will work alongside merchandising to ensure that ECCO provides a clear journey to select the right product and ensure that all consumer touch-points are visually considered.

The central merchandising team will provide best practice for the region, but also develop and drive the merchandising agenda with our market merchandising teams.



New visual merchandising in ECCO's flagship shop in Shanghai.



MEET OUR CONSUMERS



John Caleb

Nationality: *Canadian*

Profession: *Customer Service Ambassador*

Interests: *Travelling, playing sports, and crossfit*

Beauty, comfort, and lean line. That's what ECCO shoes serve me. Functional footwear for work, sports, and leisure, enabling any gender to look and feel their best always.

I love my ECCO Chunky Sneaker, which is my first pair of ECCO shoes. I wear them at work, and then go and hang out with my friends after, and I still feel comfortable and stylish. Otherwise, I wear my ECCO Sartorelle 25 for a more professional and stylish look.

All year round, I can be sure to find what I need in ECCO. Keeping

your feet comfortable and chill in the summer, warm and cozy in the winter. Wearing ECCO shoes in the morning and at night anywhere I go makes my feet and my day happy.

Travelling up north for holidays with my partner, you have to wear a warm, cozy shoe that will keep your feet dry all day. Lots of walking in the woods and in the city to see the festivals and decorations. Wherever we go, ECCO is there to make our holiday season even better by giving us what we need for our holiday celebration.

Cai Min

Nationality: *Chinese*

Profession: *Artist*

Interests: *Diving and surfing*

Honestly, I bought ECCOs because of my dad. I was visiting home during summer vacation and wore a pair of dad's ECCOs. I liked them so much that they became mine and when worn out, I bought a similar pair for myself.

ECCO shoes are very comfortable, and I like that they can be worn for different moments in daily life. My favourite pair would be the ECCO Street Tray. It is simple yet classic; hence, it has a lot of outfit-matching possibilities. The white

sneaker is like an art canvas to me – it may look simple, but the art piece must go through a complex process of framing, gluing, and drying.

There are so many occasions to wear a pair of ECCO - from family gatherings to leisure walking and even when I'm creating my art.

My shoes are covered with layers of paint as the days go by and become a walking testimony of the efforts I put into my work.



Signe

Nationality: Danish

Profession: Police officer

Interests: Crossfit, family, and friends

Taking more than 20,000 steps per day, I must adjust to constant changes in my job.

I wear my boots all year – they regulate my feet automatically, so they never get too hot or too cold. At the same time, they keep my ankles fixed and protect my legs when going across rough ground outdoors.

The best thing about ECCO is that you never have to worry about your feet – you know they are taken good care of. I can stay focused on the task whether it's during an investigation, training, or patrol, where I have to walk, run, or stand for many hours.

My favourite ECCO shoe depends on the occasion. ECCO Biom Hike really surprised me because it is extremely soft and light. Privately, or when going out, I love to wear my ECCO Sculptured high heels.



MEET OUR CONSUMERS



Jung Eun

Nationality: *Korean*
Profession: *Ceramic artist*
Interests: *Golf, pilates, dogs*

A comfortable shoe is an essential element when I work in my atelier. Not only comfort, but also the modern and simple design perfectly fit my style.

There are a lot of heavy physical tasks in the process of handcraft and fired pottery, so I always need stable, supportive, and grippy shoes.

The ECCO Soft 7 sneaker is my no.1 essential item in my work. Of course, when I go for a walk with my lovely dog, Cola, I wear ECCO. When I work, travel, play golf. Every

moment of my daily life is the best time to wear ECCO shoes.

Leif and Leo

Nationality: *Danish*
Profession: *Student*
Interests: *Football and hanging out with friends*

My mother always encouraged me to buy ECCO shoes and today, I understand what she meant. ECCO provides much better comfort, they keep my feet in the right place, and give me a better posture so I can walk longer without compromising my feet.

During the cold winter months, ECCO shoes keep my feet warm and dry while I play with my son at the playground in freezing temperatures.

I want to give my son the best start in life, so he has many more ECCO shoes than I have.





Anne Lise

Nationality: Danish
Profession: Nurse
Interests: Travelling, family, and yoga

As a nurse, you walk a lot and you are constantly reminded of the physical wellbeing of your body. I always wear sports sandals at work. They give me excellent comfort and support, and being able to move my toes during the day is important as it stimulates the blood circulation.

ECCO has a perfect balance between look, comfort, and price. At work, comfort is everything to me, but in my free time, I also want something with a nice design. Some years ago, I bought a pair of ECCO Shape high heels for a wedding. At night, when all other

women were walking around barefoot, I could still dance perfectly in my ECCO shoes. This really taught me the quality and comfort of ECCO.

Flexibility means a lot to me. You never know where life will take you, so comfort and design should always go hand-in-hand.

Clay

Nationality: American
Profession: Musician
Interests: Family, cooking, travel, exercise, entrepreneurship

ECCO offers exactly what I'm looking for in a pair of shoes - style, comfort, and quality.

I travel as many as 200 days a year, performing all over the world. I love that in ECCO shoes, I can feel as comfortable in an airport, travelling from London to Dubai, as I do on a stage, performing for thousands of music fans. My favourite is the ECCO Soft 7 Ankle Sneaker for looking sharp while keeping a hectic pace.

In 2019, my then four-year old daughter could see how much I loved my first pair of ECCO. When it was time to update her footwear, she wanted to find shoes that looked just like mine, so we could be twinsies.





ECCO ST.360.

ECCO 2ND Cozmo.



ECCO Shape35
Sartorelle.



ECCO 2ND Cozmo.

MADE FOR WALKING

True to our heritage, ECCO makes shoes that are comfortable, durable, and enable people to move naturally. From the beginning, ECCO shoes were handmade down to every little detail. As technology has progressed, ECCO has found a fine balance between complete handwork and the newest technology. Although many processes have been automated, the key to shoemaking remains the handcraft, which is time-consuming and demanding. Craftsmanship guarantees quality.

Representing ECCO's unique spin on the laid-back cool of the classic nordic sandal, the design team

has reimagined ECCO's heritage Cosmo sandal from 1994. ECCO in 2021 launched its 2nd ECCO Cozmo for both men and women. The outcome for the lighter and more flexible sandal was great with a strong sales performance, and the sandal will be included in the upcoming seasons.

The line between strictly formal and versatile casual footwear was being challenged by consumers and brands. An increased focus on outside lifestyle has led to widespread changes in consumer behaviour and the need to meet changing demands with products that reflect what consumers want

and need now: a multi-purpose, all-encompassing shoe. ECCO's launch of the ECCO Modtray in 2021 was a successful response to this trend.

Going forward, there is still a market for formal footwear with plenty of potential for ECCO. The ECCO Shape 35 Sartorelle is a new silhouette, which provides ultimate comfort and offers distinctive design and all-day wearability. This sophisticated ankle boot, which is developed with a leather welt and stacked heel, will work well with a broad range of looks that run from casual to more dressed-up.



ECCO Helsinki 2.



ECCO KIDS
Mini Stride sandal.



In 2021, ECCO revamped one of our all-time classics; the ECCO Helsinki 2.0 was launched in a new version with even better comfort and an updated look. Focusing on our core consumer, the ECCO Helsinki 2.0 is a rework from the original – one of ECCO's most successful formal shoes for men ever.

For many people, the great outdoors became the great escape during the pandemic and consumers across the globe sought the outdoors for fresh air during lockdowns. The trend towards outdoor activities fits well with ECCO's outdoor shoes such as the ECCO Offroad and ECCO Biom 2.1 – both built for outdoor enthusiasts

and a premium choice for new consumers to venture out into the countryside.

Golf was booming in popularity during the pandemic and combined with the disruptions to global supply chains, meeting demands for golf equipment from the markets was a challenge in 2021. However, holistic collection planning and execution together with consumer-centric marketing storytelling meet today's golfer spirit and ensure a very healthy brand positioning globally.

BASELINE COLLECTION

As we move towards a more data-driven sales approach, we have the

ability to leverage the information collected during sales transactions. It helps us to anticipate the needs of our consumers and enables us to prepare a collection of historical best-selling ECCO products and new successor products from former bestsellers.

In consequence, we are consolidating our baseline collection – ECCO's core collection, which our consumers can find anywhere at any time.



ECCO Golf Biom H4.



ECCO Soft 7.



ECCO's global marketing building, inspired by the marshlands of southern Jutland, Denmark.

ECCO'S CULTURE AND VALUES

BY THOMAS GØGSIG

ECCO builds on a heritage of craftsmanship and entrepreneurship. Since day one, the ambition to make premium-quality shoes that follow the natural shape of our feet has fuelled our growth from a small start-up in the southern part of Denmark to the global brand we are today. Over the course of almost 60 years, ECCO has grown into a worldwide business that on average is visited by around one hundred million consumers annually, be it in a physical shop or online.

"To know where we are heading, we need to know where we come from." Our founder, Karl Toosbuy, set out the standards for responsible behaviour in the ECCO Code of Conduct in 1999.

Much has changed since our foundation in 1963, but through it all, at least one constant remains: We wish to build our business on a foundation of respect for our people, the environment, and society. The decisions we take today will affect our world of

tomorrow, and so it becomes crucial that our values are ingrained principles in everything we do.

To this day, the ECCO Code of Conduct continues to set out clear principles and high ethical standards in the areas of human rights, education, health and safety, and environment.

We believe in empowering our people and strive to provide a good working environment and safe working conditions for all employees. They are the heart of ECCO. Lifelong training and access to new challenges are key elements in ensuring that our employees find satisfaction in their work. In 2021, the total number of training hours at our factories in China, Indonesia, Thailand, Vietnam, Portugal, and Slovakia was 350,000.

We make it a priority to understand and support the local communities in which ECCO is active. ECCO has always taken an active and constructive role and engaged

directly with local communities, whether supporting the local sports teams or helping out in times of severe crises.

ECCO is committed to reducing environmental pollution whenever possible, while meeting or exceeding the highest environmental standards set by the industry.

With influence comes responsibility. Therefore, we make it a priority to seek out new ideas to push ourselves and our industry to do better. We have experienced first-hand how innovation has the potential to change our industry. One example is our water-efficient tanning solution DriTan™, which has significantly reduced our consumption of water; a technology, which is now being shared with peers in the tanning industry to scale up its effects.

Almost 60 years into operation, ECCO is still in it for the long run, and we will continue to apply



Thomas Gøgsig

Chief Operations and Data Officer
Nationality: Danish
10 years with ECCO

the latest research to reduce our impact on the environment.

At ECCO, we continue to allow our legacy and values to guide us and pave the way for future success.

Shouldering significant responsibility is by no means new to ECCO. Whether it relates to guaranteeing the quality of our products, the means of manufacturing, or the stability as a business partner towards our customers, suppliers, and consumers, we acknowledge that this is more important than ever.

Only by applying best practice across our business are we able to retain the values which matter to us and which can so easily be lost.

On pages 44-69, the areas related to our corporate responsibility are covered.



“THE DECISIONS WE
TAKE TODAY WILL
AFFECT OUR WORLD
OF TOMORROW.”



ecco[®]

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.




Panos Mytaros
Chief Executive Officer


Michel Krol
Chief Consumer Officer


Mads Fink Eriksen
Chief Financial Officer


Thomas Gøgsig
Chief Operations and Data Officer

The standards for ECCO's corporate sustainability ambitions were set out by our founder K. Toosbuy in the Code of Conduct in 1999.



"The Foot", ECCO's landmark placed at one of ECCO's domiciles in Tønder, Denmark.

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 fulfil 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. Any breach should be reported to ECCO's Corporate Governance Audit team.
10. ECCO's Whistleblower system is available for all of ECCO's employees to use to report serious offences.



ECCO carries out on-site audits at our shoe factories, tanneries, and our suppliers.

CODE OF CONDUCT AUDITS

ECCO's Code of Conduct is the framework for ECCO's business conduct and sets the scene for our Corporate Responsibility ambitions when it comes to environment, health and safety, and employment relations for our employees.

The actual performance is assessed by on-site audits at ECCO's shoe factories, tanneries, and also at our suppliers. These audits address critical areas like chemical management, emergency actions, energy and water savings, discrimination, respect for culture, religion, and freedom of association - all topics included in the ten commitments in ECCO's Code of Conduct.

In 2021, the pandemic imposed restrictions on our ability to carry out the full number of planned audits. However, 183 supplier on-site audits were completed in 2021, and five on-site audits were carried out at our tanneries and shoe factories, including Research and Development facilities.

ECCO's business model is unique in terms of our ownership and control

of the vast majority of the supply chain in terms of manufacturing of leather and shoes.

ECCO 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's leather, shoes, leather goods, and accessories.

ECCO's selection of suppliers to be audited is based on risk assessments where, for example, risk of environmental impact and working conditions are decisive parameters.

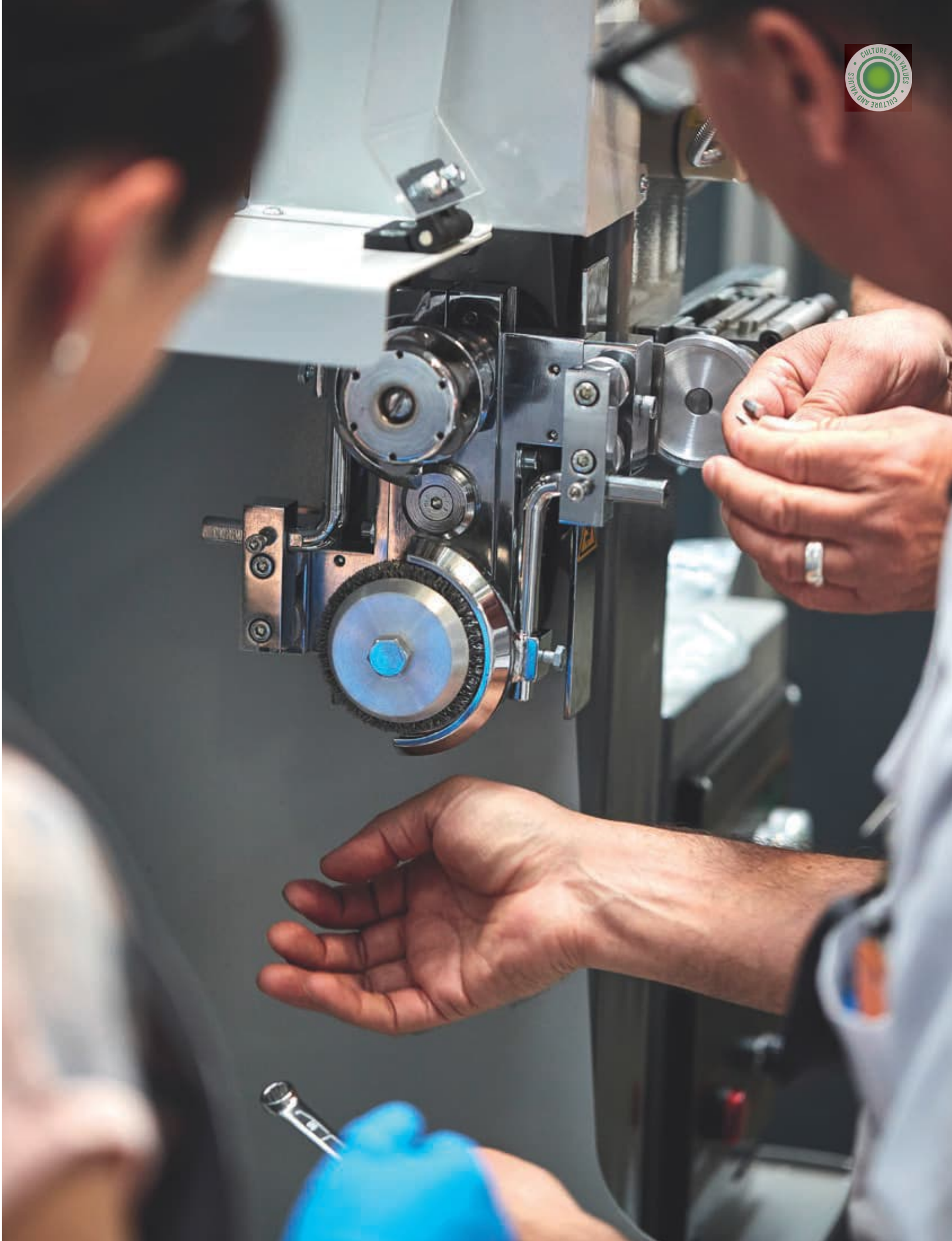
This means that we also conduct audits at our suppliers' sub-suppliers, for example a dyeing house where chemicals are used in the production process and could potentially cause harm to the environment and employees.

When it comes to human rights and modern slavery, ECCO recognises that the risks exist in all countries worldwide.

During audits, ECCO identifies evidence of good examples as

well as areas where improvements must be made. ECCO's Managing Board reviews the results of audits and, in the event of critical findings, immediate action is taken. In the worst cases, ECCO terminates the collaboration with the supplier. In 2021, serious breaches of our Code of Conduct caused ECCO to terminate cooperation with two suppliers.

ECCO's audit programme is reviewed annually to strengthen our effectiveness. ECCO has trained a number of our employees to carry out the ongoing audits, and also uses external auditors to carry out audits at our suppliers. ECCO collaborates with an external audit company, Bureau Veritas, which evaluates ECCO auditors continuously and checks the performance and validity of the audits. These assessments of ECCO's Code of Conduct audit system cover, for example, policy procedures and audit training programmes.





ECCO has defined a Human Rights Policy which sets out ECCO's approach towards human rights.

HUMAN RIGHTS AND ANTI-CORRUPTION

PROACTIVE PROTECTION OF HUMAN RIGHTS

ECCO's fight against human rights violations is rooted in our Code of Conduct, where seven out of ten commitments directly relate to internationally defined human rights.

To support the statements in ECCO's Code of Conduct, ECCO has further defined a Human Rights Policy, which clearly sets out ECCO's approach towards human rights. We seek to implement these in a business setting by drawing up and implementing further policies, procedures, and guidelines, which help our organisation implement our commitments.

Therefore, ECCO also has policies as for instance in the area of Modern Slavery. There is a relentless focus in our organisation to ensure that

child labour does not take place in ECCO's business and supply chain.

ACTION, DUE DILIGENCE, KPI, AND RESULTS

The responsibility to monitor the implementation of ECCO's human rights policies lies in ECCO's Group Corporate Responsibility department. This department further tracks new relevant standards, best practices, and new legal requirements to ensure that we continuously improve our human rights performance policies and mitigate potential risks. ECCO also has a Group Corporate Responsibility Steering Committee where employees at management level and internal experts discuss ECCO's performance, related projects, and monitor potential risks.

As ECCO's commitment to proactively protecting human and

labour rights goes beyond our own operations, ECCO has a Code of Conduct Audit System, which investigates the human rights and labour standards performance of ECCO's suppliers. The audits are followed up by action plans to improve our suppliers' performance related to ECCO's Code of Conduct.

ECCO invites employees to advise ECCO if they encounter violations of ECCO's Code of Conduct or general business ethics. ECCO encourages employees to approach their immediate manager or a colleague if a breach or concern arises, so that ECCO can act appropriately in a timely manner. However, ECCO acknowledges the fact that some concerns can be sensitive and may be done anonymously.



RISKS AND RISK MITIGATION

As a global company with employees and suppliers in most parts of the world, ECCO recognises that human rights related risks are present in our business operations.

Based on research, ECCO has identified areas of our value chain where we have the highest risk. This is one of the main reasons behind ECCO's robust and comprehensive Code of Conduct Audit System, which targets suppliers with the highest identified risks of non-compliance to ECCO's standards.

ECCO's business model, where we have direct control of the majority of our value chain through the operation of own tanneries, shoe factories, and retail shops, once again proves a great advantage in the fight against human rights violations.

ANTI-CORRUPTION & ANTI-BRIBERY POLICY AND PROGRAMME

Operating as a global company, ECCO is exposed to various risk levels related to anti-corruption in the markets where ECCO operates.

ECCO maintains a rigorous policy to avoid and prevent corruption and bribery. In addition, ECCO has implemented policies to comply with international sanction regimes.

In 2021, the policies were continuously reinforced and further implemented throughout the Group with specific focus on rolling out the anti-corruption programme in new jurisdictions. Training of staff continued, and in-depth on-site interactive sessions were made.

In 2022, ECCO will review the the relevant anti-corruption and sanction policies and assess the

need for additional training and audit of the programmes.



THE HEART OF ECCO

The heart of ECCO is our people. Our products and processes require high levels of craftsmanship and know-how, often in combination with innovation and the ability to rethink the status quo. ECCO's lasting success can to a large extent be ascribed to our greatest asset: ECCO's employees.

ECCO has worked hard to address our employees' basic needs of safety, stability, and security. While the top priority is to ensure our employees' health and safety at all times, the past few years have been proof of the loyalty and dedication ECCO has earned from our employees.

Despite several lock downs and factory closures, ECCO honoured our delivery agreements to our consumers and partners despite the industry seeing massive order cancellations. Only through commitment and a flexible mindset can this be achieved.

We strive to ensure that ECCO remains a motivating workplace and we survey the satisfaction of our employees regularly. ECCO's employee survey, the ECCO Engagement Driver, is a tool to measure the state of the organisation and this year, a total of 3,329 employees completed the survey, corresponding to 94.6% of the employees asked.

Despite the challenges of the pandemic, pride and commitment among ECCO's employees remained high. On average, the statement "I am proud to tell others that I am employed by ECCO" was rated 91 on a scale from 0-100.

Another statement "I feel that my work is an important part of ECCO's daily operations" was rated 90 on a scale from 0-100.

DIVERSITY & INCLUSION

It is ECCO's ambition to create and maintain a diverse and inclusive workplace that presents the best possible framework for ECCO to be a preferred employer brand.

During 2021, we further increased our focus on diversity and inclusion with the aim of building a formalised process globally.

DEVELOPING OUR PEOPLE

The last years of turmoil have accelerated a lot of change on a global level. New capabilities and areas of expertise have arisen and traditional professions have witnessed a revival. This is naturally reflected in the required skill set of a future-proof organisation, and re-education is by no means new to ECCO. On the contrary, we emphasise lifelong learning for our employees. In times of crisis, this is even prioritised further.

Over time, ECCO has developed and refined several training programmes for our employees with the aim of taking our overall skill set to a higher level. Maintaining and building strong capabilities is essential in achieving our goals, both on an individual level as well as from a business perspective. It is essential in attracting, developing, and retaining new talents throughout our organisation.

Although conducting physical training sessions was almost

impossible in 2021, our training via Nottingham Trent University was still offered as online sessions. Almost 130 people participated in nine different modules, such as Digital Transformation, Managing Change, Managing and Leading People, and more. Also, the Leading Others, Leading Leaders, and Project Management courses went from physical to virtual sessions for their 134 participants.

The restructuring of ECCO's Russian and European regions required an extensive change management effort for our 3,964 employees in these regions. In connection with the changes, our new colleagues were introduced to ECCO's culture and values in customised integration training sessions. To further strengthen leadership capabilities in our new Russian organisation, a specific leadership training course was set up.

GENDER DISTRIBUTION

70% of ECCO's employees are women, and 30% are men.

ECCO's long-term aim is a minimum 35%/65% gender balance at management level. At the end of 2021, out of ECCO's top 300 global managers, 41% are women and 59% are men.

ECCO Sko A/S also has a target of at least 25% female representation of the ECCO Sko A/S Supervisory Board, which is elected by the Annual General Assembly. At the end of 2021, ECCO had 25% female representation. The Board regularly reviews the policy relating to gender distribution in ECCO's management.



The 2021 ECCO NextGens represent 13 different nationalities.

NEXT GENERATION IN ECCO

ECCO's NextGen programme is a global graduate trainee programme that invites young talents to work closely with senior staff across the business.

It combines rotations of real job experience with elements of formal education, which equips them to take up permanent positions within ECCO's organisation at the end of their programme. Most ECCO NextGens are stationed in at least two continents during their training.

In 2021, ECCO recruited 20 new talents onto the ECCO NextGen programme. As a result of significant employer branding efforts targeted at young talents, ECCO received an unprecedented number of applications for our graduate trainee programme.

For the first time, the ECCO NextGen team participated in two digital career fairs. Covering more

than 600 universities and business schools worldwide, approximately half of the 2021 ECCO NextGen intake came through these channels. The increased interest in ECCO is positive news at a time when there is a demand for high-quality young talents, and companies are making every effort to attract the best candidates.

The 2021 ECCO NextGens are highly diverse. The intake represents 13 different nationalities, from as far afield as Australia, Finland, and El Salvador. Women represent 75% of this year's talents.

During their initial onboarding at ECCO, the NextGens go through a successful induction and have already attended several of ECCO's customised courses, including a Leather Crash Course in Dongen, the Netherlands, our cutting and stitching programme, Cow to Shoe, in Denmark, and an Innovation Sprint with challenging topics from

Group Value Chain covering a real business challenge. The latter is presented to senior stakeholders in a competitive and challenging environment.

Due to its international nature, the ECCO NextGen programme was significantly affected by travel restrictions as a result of COVID-19 mitigation measures around the globe. Although the ECCO NextGens in some cases had to stay in one location instead of following their planned rotations, not a single track was cancelled. Being digital natives themselves, the ECCO NextGens fully adapted to the switch from physical meetings to solely online activities and remote working.



ECCO's NextGen go through international job rotations in specific career tracks.



LIFELONG LEARNING AND EMPLOYMENT



Anne Rasmussen

Nationality: Danish
Profession: Deputy Managing Director at ECCO Accessories Ltd
Years with ECCO: 20 years

Anne joined ECCO in 2002, having previously worked at the Danish Embassy in London.

Delivering prime customer service to ECCO's consumers is a passion which has paved an impressive career way for her in ECCO's Accessories company. Danish by heart, Anne moved to Switzerland 16 years ago after having spent 18 years in London.

"I believe in interacting openly and honestly with my colleagues and trusting them with responsibilities," says Anne, who also took the

first steps in introducing a global training programme for ECCO's retail staff.

After 20 years with ECCO, Anne continues to challenge herself and believes that openness to change, growth, and adaptation are the keys to success.

Maggie Dong

Nationality: Chinese
Profession: Regional Director at ECCO Greater China
Years with ECCO: 23 years

Maggie is from north-east China, and an IT engineer by training. She also gained an MBA, because she had always dreamed of working for a large international company.

"ECCO gives opportunities to employees regardless of nationality and gender. It is a company with strong family values, which we feel extended from headquarters all the way to our factories. All in all, the ECCO brand is consistent when it comes to identity, heritage, workmanship, quality, and care."

Maggie's first job in Beijing was for the French cognac company, Camus, where she worked for two and a half years. When Camus withdrew from the Chinese market, she joined ECCO's operation in Beijing when ECCO was just entering the market.

Since then, Maggie has worked her way up the organisation in ECCO and has since 2016 been ECCO's Regional Director in Greater China. Her profound understanding of both the Danish and Chinese cultures has been a great benefit to ECCO's success in China.





Gitsada Boonchirt

Nationality: Thai

Profession: Managing Director at ECCO Thailand

Years with ECCO: 17 years

Gitsada has been with ECCO since 2005. Since then, he has risen rapidly within the Group, and in four years went from Financial Controller to Deputy Managing Director.

Today, Gitsada is the Managing Director of ECCO in Thailand. "I live and breathe my job, and I like the international style of leadership. It is based on trust and you're allowed to develop."

During his time with ECCO, Gitsada has attended several training modules, including a

talent programme and ECCO's customised leadership programme.

Gitsada continues to bring extensive knowledge to the Group and has repeatedly shown strong leadership during crises, including the ongoing COVID-19 pandemic.

Marco Bossen

Nationality: Danish

Profession: Chief Financial Officer at ECCO Russia

Years with ECCO: 8 years

With an Economics Masters from Aarhus University, Marco started his career with ECCO in 2014 as a graduate, and he was shortly after selected for a position as Strategy Consultant in the Finance Department at headquarters.

Born and raised in Tønder, Marco found it natural to seek a career with ECCO, so when asked to move with his family to the Middle East as General Manager, he immediately accepted.

"I always dreamt of an international business career and taking my

family abroad. Working in Russia since 2019 and taking part in the acquisition of Russia, ECCO's largest investment to date, was one of the most exciting tasks in my career so far."

During his time with ECCO, Marco has improved his leadership skills by attending ECCO's postgraduate programme at Nottingham Trent University, the London School of Economics, and George Washington University in Munich, Germany.





ECCO contributes to the local communities in which we operate.

COMMUNITY ENGAGEMENT

ECCO's Code of Conduct defines how ECCO wants to act in the communities where we operate.

Karl Toosbuy, ECCO's founder, wanted his shoes to be perfect. When a consumer put them on, there should be an immediate fit and comfort. And he never compromised on quality. He knew he was dependent on skilled employees to achieve that.

He placed his factories in relatively small towns, where staff would be able to get to the factory easily, and where ECCO could help develop and assist the local society.

Over the years, his vision and ECCO's Code of Conduct became an integrated part of local life. This was demonstrated very strongly during the pandemic. All ECCO units contributed to the local societies.

In Indonesia, ECCO established a close cooperation with the local government, providing facilities for the government vaccination

programme. ECCO's employees, their families, and people from the surrounding villages were offered vaccinations.

In China, the employees volunteered to help limit the outbreak. ECCO donated masks, PPE sets, and money for medical equipment for local hospitals.

ECCO Vietnam sponsored 100 hospital beds and participated in COVID-19 prevention measures.

ECCO Slovakia donated to a local hospital, and especially to staff with hospitalised children.

Year after year, ECCO units have assisted local societies with training of young children, medical clinics, supporting the elderly, books for libraries, or arranging sports activities. These also, when possible, took place in 2021.

In Thailand, ECCO has a long history of supporting the specific needs in our communities, ranging from disaster relief over donations to

orphanages and cultural events. In 2021, ECCO's tannery and shoe factory in Thailand were awarded by the Thai Ministry of Labour for ECCO's great focus on employee relations and for the labour standards implemented in Thailand.

Additionally, ECCO received an award from the Thai Ministry for our continued focus on assisting the communities outside of ECCO with several initiatives. These included donations to local hospitals and health workers, IT equipment to ensure quality education for less privileged students, environmental activities, and donation of food and basic supplies to a home for girls.

ECCO Xiamen was awarded the 'Enterprise of Harmonious Labor Relationship 2021' by the Xiamen government for the excellent performance in labour relations.



For more than 20 years, ECCO has organised walks for charity.

WALKING FOR A GOOD CAUSE SINCE 1999

For more than 20 years, ECCO has funded charity walks with the aim of supporting charities related to children, young people, and health – all of which are areas which resonate well with ECCO's corporate values.

To keep people involved and the fundraising going, ECCO decided to go digital – and global – with ECCO Walkathon after the worldwide breakout of COVID-19.

The introduction of the first ever digital ECCO Walkathon in 2020 was a reinvention of the original charity walk. Previously, people would gather in communities across Denmark to walk for charity. The online event invited everyone across the globe to sign up digitally and walk wherever and whenever they wanted. This encouraged people to get together and move, while at the same time helping more people around the world – as our founder envisioned many years ago. The event is finding its feet on the global scene, but we managed to reach 70,000 people

and raise funds for several local causes.

In Denmark, ECCO Walkathon has collaborated with SOS Children's Villages for more than 10 years. Together, we have raised funds and improved living conditions for children in the slums of Nairobi, just to mention one project.

This year, the proceeds from the European event were donated to the Danish Heart Foundation, while the US donated to the Make a Wish foundation. 2021 saw the first Walkathon in Russia, where people attended the online event. The money raised will be used for building playgrounds in Russian SOS Children's Villages to stimulate the joy of movement.



ECCO operates waste water treatment plants at all our tanneries.

OUR ENVIRONMENT

In 2020, ECCO set ambitious and far-reaching environmental targets and introduced an environmental task force. In addition, the environmental policy was updated during 2021.

2024: ECCO'S HEADQUARTERS IN DENMARK

ECCO commits to continuing to improve the energy efficiency of our headquarter facilities.

By the end of 2021, ECCO Holding invested in a new photovoltaic park in Denmark, which will be fully operational during 2022. The production capacity of our photovoltaic arrays will exceed consumption of ECCO's headquarter facilities in Denmark. Thus, ECCO will achieve the 2024 target well in advance.

In 2021, we completed the insulation of the roof of our old production building in Bredebro. Furthermore, we are committed to ensuring any future buildings ECCO constructs will always be of the

highest standard when it comes to energy efficiency.

We are well on the way to reaching the 2024 energy-neutral target of our HQ facilities. ECCO continues to look further into carbon emission reduction options. One such activity is to promote e-driving. During 2021, we began to build a green fleet of company cars. Together with the introduction of electric/hybrid company cars, 50 electric charging stations were installed at our headquarters in Denmark.

2026: WASTE

Managing the waste streams of ECCO's production is a cornerstone in achieving our environmental targets.

Also in 2021, all units were asked to review waste streams and evaluate the possibilities of improving the disposal methods.

Significant improvements were achieved in ECCO's shoe production during 2021. 78% of all

waste generated, measured in kilos, was recovered, reused, or recycled.

In ECCO's tanneries, 62.5% was recovered, reused, or recycled.

RESPIN JOINT VENTURE

ECCO's engagement in introducing leather-based waste streams into the circular economy continued in 2021. Together with ECCO's Finnish-based partner, Spinnova, preliminary tests were carried out with leather waste from ECCO, which was converted into fibre.

The partners formed a joint venture, Respin, and have decided to advance Respin from a small-scale testing stage to pilot scale processing. By the end of 2021, the pilot plant in Finnish Jyvaskyla was commissioned and ready for initial production rounds. Substantial volumes of the novel material are expected to be produced and further refined during 2022.

Having access to some of nature's most refined materials such as

ENVIRONMENTAL TARGETS

2024

ECCO'S HEADQUARTERS IN DENMARK

The HQ in Denmark has been chosen as the environmental model for ECCO's many global offices.
The target is to have an energy-neutral HQ by 2024.

2026

WASTE

Waste overall to be further reduced, especially waste to landfill and wherever possible, waste to be recycled.
The target is that 90% of all waste is recovered by 2026.

2028

ENERGY

To reduce dependence on energy generated from fossil fuel sources and replace it with renewable energy.
The target is to be energy-neutral by 2028.

2030

WATER/WASTE WATER

To continue the reduction in water usage and improve waste water facilities to create closed-loop water systems.
Subject to relevant technologies to be developed, the target is to reach net zero water discharge by 2030.

CHEMICALS

To reduce the consumption of chemicals and gradually replace them with bio-based substances,
and to work on recycling chemicals where not easily replaceable.
Subject to relevant technologies to be developed, the target is to only use bio-based,
recycled, or recyclable chemicals and substances by 2030.



collagen from the cow hides and keratin originating from cow hairs, allows ECCO to invent new materials with intrinsic advanced properties and hence elevated value.

Throughout 2021, ECCO refined and rolled out enzymatic hair removal processes in our tanneries. The method is milder compared to conventional procedures and leaves the hair structure and its properties intact. Additionally, chemical consumption and waste water treatment efforts can be lowered considerably. Furthermore, increased quality of the final leathers is obtained.

Another important step in recovering ECCO's waste streams from our production facilities involves the implementation of new technologies. Technologies invented outside our core industries often prove viable and indicate that best practice and inspiration for further enhancements can be attained by collaborating across industries.

CIRCLIA NORDIC JOINT VENTURE

In 2021, ECCO entered a partnership with Circlia Nordic, which specialises in turning waste water and sludge into a renewable biocrude with the potential of replacing fossil-based oils and fuels.

The key technology is referred to as hydrothermal liquefaction, which in essence accelerates the breakdown of waterborne organic material through high pressures and temperatures generating a biocrude as a residual material. Initial tests on different types of sludge and waste water compositions have been promising. The first demonstration plant is planned to be commenced by year end 2022 in Denmark. Subsequently, a commercial plant is being planned to be installed at ECCO's

Tannery Group headquarters in the Netherlands.

2028: ENERGY

In addition to reducing and optimising the energy consumption, ECCO strives to lower the dependency on energy originating from fossil fuels. This is reinforced by our 2028 energy neutrality target. The scope of this objective covers all facilities ECCO owns and operates including manufacturing units, offices, shops, warehouses, and administration buildings.

During 2021, the energy consumption at ECCO's shoe factories and tanneries originating from renewable energy (solar, wind, water, geothermal energy, and biogas) almost doubled compared to 2020 reaching 17.8% from 9.0% in the previous year, measured in kWh.

Monitoring of ECCO's environmental performance at our manufacturing sites has been established for years. The scope and depth of these activities were revised during 2021.

Going forward, ECCO's entire value chain is included. Plans for reducing and optimising ECCO's overall energy efficiency are being defined and are expected to be executed over the coming years in order to achieve the target of energy neutrality by 2028.

ECCO's shoe factory in Slovakia obtained green energy certificates for its entire electricity consumption of 2021.

The official energy certificates guarantee that all electricity consumed originates from renewable energy sources. Additionally, our tanneries in the Netherlands (since 2020) and in Indonesia (since July 2021) also have green energy certificates

to cover their entire electricity consumption.

Recently, ECCO invested in facilities to generate biodiesel from fleshing waste from rawhides at ECCO's tannery in Dongen, the Netherlands. The installation was successfully commissioned and approved by the authorities and during the last quarter of 2021, biodiesel from 141,000 kg fat was produced.

2030: WATER, WASTE WATER, AND CHEMICALS

ECCO intends to further improve the water and chemical management in our tanneries and shoe factories. Meeting these challenges requires a break with conventional technologies and current procedures.

Hence, to reach a net zero water discharge by 2030, completely new technologies and procedures have to be developed and implemented at scale.

ECCO's focus on dedicated water-saving programmes accelerated with the DriTan™ implementation in 2018. In ECCO, DriTan™ refers to an array of water and chemical-saving activities in the leather making processes.

BIOSCAVENGE JOINT VENTURE

After a successful phase of preliminary tests and research, ECCO Holding decided to invest in the Danish cleantech company Bioscavenge. This start-up company specialises in advanced water purification technologies and novel waste water treatment systems. The close and direct partnership will help ECCO pioneer the future of tannery waste water treatment plants.

The overall target is to close the water-in and water-out loop of ECCO's tanneries by 2030, and thereby bring leather



ECCO's new recyclable paper shopping bag.

manufacturing to essentially a net zero water discharge industry.

The first closed-loop pilot plant was commissioned late 2021 at ECCO Tannery Group headquarters in the Netherlands. Initial tests confirmed the promising results of the R&D phase. More extensive testing of ECCO's waste water streams will be conducted and analysed in-depth. If successful, large-scale systems will be installed.

The first step of ECCO's DriTan™ technology proved that the fundamental elements of leather making can be changed without compromising the key characteristics of leather such as durability, strength, and beauty.

ECCO's DriTan™ documented that water, despite being considered critical to every conventional leather making recipe, could be completely excluded in the main tanning step. A number of advantages were obtained including lower water consumption, lower chemical usage, and less sludge generated. In short, no water in, no water out.

When changing processes fundamentally, new possibilities

often arise. With DriTan™ 2.0, ECCO succeeded in lowering the chemical consumption of the subsequent steps of the leather making process due to a more efficient and enriched tanning step. With DriTan™ 2.0 fully implemented in all ECCO's tanneries, a 20% reduction in chemical consumption has been achieved.

ECCO's DriTan™ technology has been successfully tested in tanneries outside the ECCO Group. We are proud to share this technology with the industry. Several collaborations and partnerships are currently being evaluated and are in progress. To lower the environmental footprint of ECCO's operations radically, new inventions and technologies will be needed. In addition, more direct partnerships with companies ranging from major players to start-ups and academia inside and outside the shoe and leather industries will be crucial.

Recently, ECCO partnered with the Dutch cleantech company FeyeCon in the search for technologies to replace the conventional procedures within the ECCO Tannery Group. FeyeCon specialises in the development

and engineering of super-critical carbon dioxide technology applications. The technology is so far utilised in a number of industries from beverages to the textile industry.

Although still at lab scale, the carbon dioxide technology holds a lot of promise for the leather industry. If successful, it is expected that chemical usage, generation of sludge, and water consumption can be lowered dramatically.

ECCO DROPPED PLASTIC BAGS AND INTRODUCED RECYCLABLE PAPER BAGS

Starting in 2021, ECCO's consumers can take their ECCO products home in recyclable paper shopping bags.

The well-known grey plastic bags with the white ECCO logo that employees have been handing over the counter in ECCO shops across the world, are being retired and phased out. The transition to the paper bags is part of a broader initiative to improve ECCO's environmental footprint.



ECCO operates shoe factories in Portugal, Slovakia, Indonesia, Thailand, China, and Vietnam.

ECCO'S BUSINESS MODEL BY MADSFINK ERIKSEN

We never stop listening to our customers. We base our business model on consumer data, in-house innovation, research and development, leather tanning, and shoe production; ending with sales and distribution through partner retailers, online, and our more than 2,200 shops worldwide. During the entire journey, our shoes go through no less than 220 pairs of hands of skilled ECCO employees.

Based on the data collected, ECCO shoes are sketched in the hands of our designers, who work closely with our research, development, and innovation teams to refine and create new products that bring comfort and quality to our consumers. We are innovative by nature and continuously invest in new technologies. Our portfolio spans a wide range of products in the footwear segment as well as in the leather goods segment.

Leather is a core part of our product heritage and value proposition. While most of the leather we develop and produce

goes to footwear production, a significant part of the output of our ECCO Leather business goes to third-party manufacturers who seek ECCO for our reliable production processes and commitment to quality and innovation.

The backbone of our global supply chain is our shoe factories. Located in Europe and Asia, the shoe factories are often co-located with our tanneries, ensuring that ECCO has end-to-end control of the footwear development and production process. The factories deploy state-of-the-art technologies to complement more than 50 years of craftsmanship and experience in making high-quality shoes where function follows the foot.

Our finished products leave warehouses and distribution centres for the final journey to ECCO's shops, online channels, or retail partners around the world.

We take great pride in our business model, but we never stop working

to improve it. In 2021, we took decisive steps to further strengthen our business model with a number of transformative activities.

We completed the integration and simplification of our European wholesale and retail activities under one management team, thus ensuring greater transparency and reducing complexity of coordination to the benefit of our consumers.

We completed the plan for a multi-year digital transformation with the aim of overhauling our systems and processes and embedding digital capabilities closer to the business. Over the next five years, ECCO will fundamentally scale the digitalisation of our end-to-end business model.

We furthered our innovation into materials and production technologies to ensure the transformation of our supply chain capabilities and to embed our environmental targets ever increasingly into our value chain.



Mads Fink Eriksen

Chief Financial Officer
Nationality: Danish
12 years with ECCO

Our future factory concepts, like the Factory 2025, are maturing at an increasing rate. These upstream innovations will soon be available to meet the increasing consumer demand for speed, quality, and sustainability.

Our operating model is strongly rooted in our Code of Conduct. We emphasise respect for our surroundings and towards the places and the people with whom we do business. We are committed to good corporate conduct by design as the Code of Conduct pervades all our decisions. ECCO has always and will continue to work hard to contribute to global and regional environmental goals.

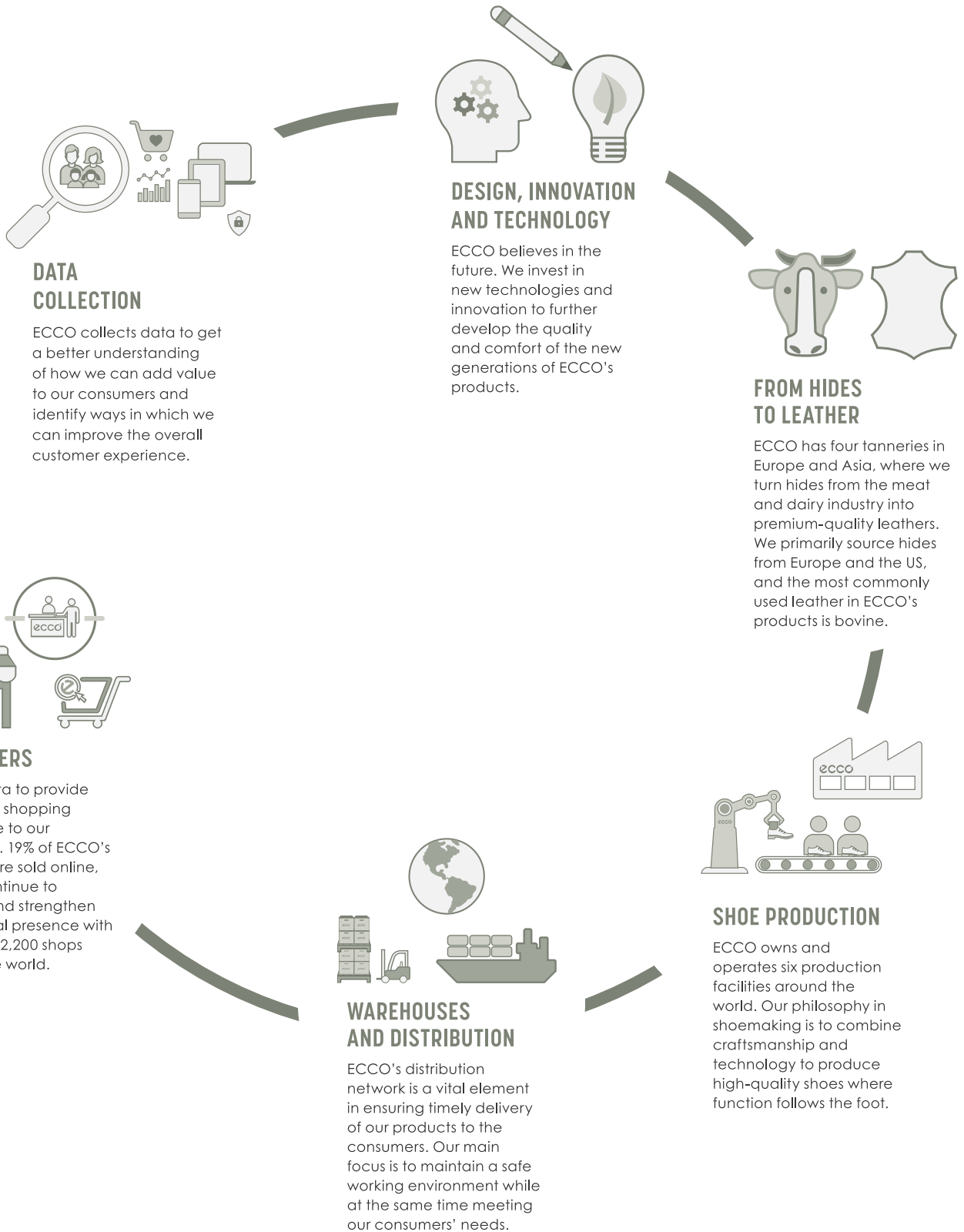


“WE TAKE GREAT PRIDE IN OUR BUSINESS MODEL, BUT WE NEVER STOP WORKING TO IMPROVE IT.”



*An ECCO shoe
in the making.*

ECCO'S BUSINESS MODEL



DATA COLLECTION

ECCO collects data to get a better understanding of how we can add value to our consumers and identify ways in which we can improve the overall customer experience.

DESIGN, INNOVATION AND TECHNOLOGY

ECCO believes in the future. We invest in new technologies and innovation to further develop the quality and comfort of the new generations of ECCO's products.

FROM HIDES TO LEATHER

ECCO has four tanneries in Europe and Asia, where we turn hides from the meat and dairy industry into premium-quality leathers. We primarily source hides from Europe and the US, and the most commonly used leather in ECCO's products is bovine.

CONSUMERS

We use data to provide a premium shopping experience to our consumers. 19% of ECCO's products are sold online, but we continue to develop and strengthen our physical presence with more than 2,200 shops around the world.

WAREHOUSES AND DISTRIBUTION

ECCO's distribution network is a vital element in ensuring timely delivery of our products to the consumers. Our main focus is to maintain a safe working environment while at the same time meeting our consumers' needs.

SHOE PRODUCTION

ECCO owns and operates six production facilities around the world. Our philosophy in shoemaking is to combine craftsmanship and technology to produce high-quality shoes where function follows the foot.



Effective risk management enables ECCO to implement appropriate countermeasures.

RISK FACTORS AND RISK MANAGEMENT

RISK MANAGEMENT

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

However, even with vigorous preparation and planning, there is a risk that pandemics might occur in the future and damage the business.

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 and, if necessary, the Managing Board and the Audit Committee delegate mitigation responsibility.

Significant risks include cyber security, tax risks, internal supply chain disruption, illegal use of ECCO's IPR, and financial risks.

CYBER RISKS

The potential consequences of cyber attacks can be substantial, ranging from data breaches to direct financial losses, business interruption, and damage to ECCO's brand reputation. To mitigate the risks, ECCO continues to invest in countermeasures and takes the necessary steps to prevent, detect, and respond to potential cyber threats.

In 2021, we saw a continued increase in cyber criminality. Increased awareness and training programmes enhanced our first line of defence, our employees, enabling them to spot and report threats more efficiently. Controls were strengthened across the technical areas, and the cyber risk team was strengthened in line with the increasing threat picture.

TAX RISKS

The global tax policy landscape has undergone dramatic changes over the past several years and continued to do so in 2021.

ECCO's global presence, and a significant number of inter-

company transactions, increase the exposure to challenging tax evolutions and in this increasingly uncertain environment, double taxation continues to be a tangible threat. The COVID-19 pandemic has caused a major decline in tax revenue in many countries, which increases the risk of more disputes with tax authorities as a consequence of the needs for governments to address deficits debt stemming.

To mitigate this risk in the best possible way, ECCO continues to follow the OECD guidelines in its price setting for all transactions, supported by secure and timely transfer pricing documentation. ECCO is renewing an existing bilateral advance pricing agreement between Denmark and Indonesia, and is finalising a similar agreement between Denmark and the US.

INTERNAL SUPPLY CHAIN DISRUPTION

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.

In 2021, the COVID-19 pandemic continued to cause some disruption to ECCO's internal supply chain. The effects were again mitigated by our ownership or control of the entire shoemaking and sales process, from the tanning of hides, to shoe production, and sales of products to our consumers. Owning our own factories carries financial risk associated with disruptive events such as the COVID-19 pandemic. Our factories in Asia saw periodic closure from COVID-19 related circumstances, whereas we saw European factories less affected in 2021, highlighting simultaneously the risk-mitigating benefits for ECCO of our global production footprint being geographically diverse.

ILLEGAL USE OF ECCO IPR

ECCO's Intellectual Property Rights (IPR) are core assets due to their essential and considerable value. ECCO's IPR strategy ensures that we are able to carry out our business activities unhindered, to achieve competitive advantages, and to maintain and further develop our position in global markets. 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.

In ECCO, we therefore protect our brand, designs, and new technical developments as rigorously as possible through patents, trademarks, copyrights, design rights, and trade secrets. In addition, ECCO constantly monitors our products, both online and offline. When required, we rigorously defend our IPR against copycats and other infringements through administrative and legal actions. In 2021, ECCO successfully enforced our IPR in many jurisdictions, leading to cancellation of third-

party registrations, compensation, prevention of sales, and acknowledgement of ECCO's rights.

In 2021, ECCO invested significantly and increasingly in innovations, and these are protected by patent applications.

IMPACT FROM FINANCIAL MARKETS

ECCO's Corporate Treasury has overall responsibility for financial risk management, arranging currency hedging and ensuring adequate credit facilities to mitigate fluctuations in Net Working Capital, if needed, and to even out sales patterns that traditionally have two annual peaks. ECCO maintains an appropriate degree of financial headroom, which acts as a buffer in situations 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 the Corporate Treasury maximises natural hedging whenever possible, respecting regulations and practicalities. Our Currency Policy ensures that the material part of 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 the risk of increased financing costs, ECCO manages the interest rate risk by taking up fixed-rate loans or by entering into interest rate swaps.

DATA ETHICS

In ECCO, we care about creating and maintaining strong, positive relationships with our colleagues, our partners, and our customers and we therefore always strive to process data in an ethical manner and with respect for the individual.

ECCO is collecting and processing more and more data about our employees, consumers, customers, and other partners and since ECCO is continuously using new technologies to improve its value chain and the consumer and customer experiences, ECCO makes a clear commitment to always collect and process data

in accordance with high ethical standards.

In ECCO, we are currently implementing our Data Ethics Policy and in 2022 will be working diligently with the implementation hereof to ensure we honour the commitment.

Managing data protection obligations has come into clearer focus over the past years due to additional regulatory requirements imposed in the EU through GDPR, General Data Protection Regulation. To comply with this regulation, ECCO continuously evaluates the maturity level of our data protection and offers our employees appropriate GDPR training. An action plan is in place to mitigate any vulnerability disclosed in our protection of data.

ENVIRONMENTAL RISKS

We 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. The greatest risks to the environment from ECCO's operations and activities come from energy consumption, water management, air pollution, etc.

ECCO's operations depend on changes to legislation or regulations, natural disasters and extreme weather conditions, or human-made environmental disasters. Furthermore, ECCO's financial performance may be affected by potential changes in natural resource prices due to scarcity or inconsistent supply of raw materials, for example.

REPUTATIONAL RISKS

ECCO also appreciates that environmental risks are becoming of increasing importance to executives, investors, and regulators and aims to be more transparent in our risk identification and management processes.



ECCO Soft 7, limited edition.



ANNUAL ACCOUNTS 2021

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 2021.

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 2021, 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 2021.

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.

Bredbro, 12th April 2022

SUPERVISORY BOARD



Hanni Toosbuu Kasprzak
Chairman



Karsten Borch
Vice Chairman



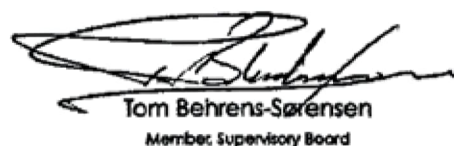
Henrik Ottosen
Member, Supervisory Board



André Kasprzak
Member, Supervisory Board



Anna Kasprzak
Member, Supervisory Board



Tom Behrens-Sørensen
Member, Supervisory Board



Erik G. Hansen
Member, Supervisory Board



Lars Hemming
Member, Supervisory Board



Kjeld Mathiesen
Employee Representative



Anja Mie Karschulin
Employee Representative



Bernd Scheelke
Employee Representative

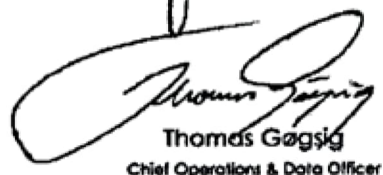
MANAGING BOARD



Panos Mytaros
Chief Executive Officer



Michel Krol
Chief Consumer Officer



Thomas Gøgsig
Chief Operations & Data Officer



Mads Fink Eriksen
Chief Financial Officer

ECCO'S MANAGING BOARD

Thomas Gøgsig

Chief Operations & Data Officer

Michel Krol

Chief Consumer Officer

Mads Fink Eriksen

Chief Financial Officer

Panos Mytaros

Chief Executive Officer



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 2021, 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 2021 and of the results of the Group's and the Parent Company's operations as well as the consolidated cashflows for the financial year 1 January – 31 December 2021 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 ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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, 12th April 2022

**EY Godkendt
Revisionspartnerselskab**
CVR No.: 30 70 02 28



Torben Bender
State Authorised
Public Accountant
MNE no. mne21332



Maren Østergaard Koch
State Authorised
Public Accountant
MNE no. mne35420

INCOME STATEMENT 2021

Note	EUR '000	Group		Parent Company	
		2021	2020	2021	2020
2	Net revenue	1,218,078	1,092,470	598,743	616,796
	Change in inventories of finished products and work in progress	18,896	46,135	2,852	(9,945)
	Cost of raw materials and consumables	(440,149)	(400,344)	(540,519)	(500,527)
3	Other operating income	10,424	12,283	-	-
	Other external costs	(286,872)	(262,616)	(38,877)	(36,317)
4	Staff costs	(365,221)	(368,736)	(57,960)	(50,853)
7,8	Amortisation and depreciation	(71,030)	(68,950)	(14,770)	(16,369)
	Profit before financials	84,126	50,242	(50,531)	2,784
5	Financial income	6,788	3,291	7,602	3,576
5	Financial expenses	(15,114)	(8,797)	(6,655)	(2,565)
9	Result from subsidiaries	-	-	45,948	(15,439)
11	Result from participating interest	(32,968)	-	(32,968)	-
	Profit before tax	42,832	44,735	(36,604)	(11,644)
6	Income tax	(29,356)	(21,588)	12,650	5,231
	Profit for the year	13,476	23,147	(23,954)	(6,413)
The profit for the year for the Group is specified as follows:					
	Shareholders of ECCO Sko A/S	(23,954)	(6,413)		
	Non-controlling interests	37,430	29,560		
		13,476	23,147		

BALANCE SHEET AS OF 31 DECEMBER 2021

ASSETS	Group		Parent Company	
	2021	2020	2021	2020
Note EUR '000				
Development projects completed	2	37	-	-
Patents, trademarks, licences	2,105	1,662	2,102	1,662
Software	15,560	18,277	13,528	16,198
Goodwill	87,765	97,052	173	336
Leasehold rights	2,399	2,809	-	-
Intangible assets in progress	11,585	5,794	11,384	5,775
7 Total intangible assets	119,416	125,631	27,187	23,971
Land and buildings	164,123	147,659	26,776	14,444
Plant and machinery	43,751	47,603	4,764	3,021
Fixtures and fittings, tools, and equipment	41,142	39,837	6,511	7,315
Property, plant, and equipment under construction	32,152	39,864	3,189	15,994
8 Total property, plant, and equipment	281,168	274,963	41,240	40,774
9/10 Investments in subsidiaries	-	-	680,876	604,806
11 Participating interest	32,032	-	32,032	-
9 Receivables from subsidiaries	-	-	83,679	120,361
Receivables from affiliated companies	24,052	-	20,070	-
Other receivables	10,183	10,232	-	-
12 Deferred tax	75,990	52,972	31,978	13,576
Total other non-current assets	142,257	63,204	848,635	738,742
Total non-current assets	542,841	463,798	917,062	803,486
Raw materials and consumables	67,281	66,121	294	938
Work in progress	5,953	4,997	-	-
Finished products and commercial products	320,198	303,806	59,212	56,716
Total inventories	393,432	374,925	59,506	57,654
Trade receivables	85,485	105,228	5,119	7,753
Receivables from subsidiaries	-	-	103,597	120,408
20 Receivables from affiliated companies	16,961	56,307	15,020	55,772
Other receivables	41,348	51,580	17,331	24,268
Income tax	15,177	16,978	2,599	4,356
13 Prepayments	26,272	13,013	8,803	4,323
Total receivables	185,243	243,106	152,469	216,880
Securities	3	22	-	-
Cash	297,565	238,905	881	597
Total current assets	876,243	856,958	212,856	275,131
TOTAL ASSETS	1,419,084	1,320,756	1,129,918	1,078,618

BALANCE SHEET AS OF 31 DECEMBER 2021

EQUITY AND LIABILITIES	Group		Parent Company	
	2021	2020	2021	2020
Note EUR '000				
Share capital	666	666	666	666
Net revaluation reserve according to the equity method	-	-	316,776	253,277
Hedge reserve	(11,314)	1,127	(15,850)	3,330
Translation reserve	(4,086)	(37,198)	-	-
Retained earnings	488,170	535,282	171,844	242,604
Dividend proposed for the year	25,000	40,000	25,000	40,000
ECCO Sko A/S shareholders' share of equity	498,436	539,877	498,436	539,877
Non-controlling interests	179,734	146,910	-	-
Total equity	678,170	686,787	498,436	539,877
14 Provision for pensions	28,913	30,872	-	-
12 Deferred tax	7,166	8,509	-	-
Other provisions	7,871	5,487	-	-
Credit institutions	182,155	201,193	181,184	201,999
Other long-term liabilities	-	3,434	-	3,434
15 Total non-current liabilities	226,105	249,495	181,184	205,432
Short-term part of non-current liabilities	110,843	76,490	110,843	76,490
Credit institutions	90,278	57,372	85,668	53,818
Trade payables	73,616	54,952	20,007	12,641
Payables to subsidiaries	-	-	107,052	105,526
20 Payables to affiliated companies	76,515	52,238	74,527	62,796
Income tax	15,883	3,495	-	-
16 Other payables	147,674	139,927	52,201	22,037
Total current liabilities	514,809	384,474	450,298	333,308
Total liabilities	740,914	633,969	631,482	538,741
TOTAL EQUITY AND LIABILITIES	1,419,084	1,320,756	1,129,918	1,078,618

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

STATEMENT OF CHANGES IN EQUITY 2021

GROUP	Share capital	Hedge reserve	Translation reserve	Retained earnings	Proposed dividend	Total	Non-controlling interests	Total Equity
EUR '000								
Equity at 1 January 2020	666			576,088	72,000	648,754	144,781	793,535
Additions	-	-	-	-	-	-	250	250
Disposals	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	(72,000)	(72,000)	(22,237)	(94,237)
Profit allocation	-	-	-	(46,413)	40,000	(6,413)	29,560	23,147
Exchange rate adjustments	-	-	(37,198)	-	-	(37,198)	(5,444)	(42,642)
Adjustment of currency hedges of future sales and financial swaps	-	1,415	-	9,767	-	11,182	-	11,182
Actuarial gains / (losses)	-	-	-	(2,840)	-	(2,840)	-	(2,840)
Tax on equity transactions	-	(288)	-	(1,320)	-	(1,608)	-	(1,608)
Equity at 1 January 2021	666	1,127	(37,198)	535,282	40,000	539,877	146,910	686,787
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	(40,000)	(40,000)	(21,341)	(61,341)
Profit allocation	-	-	-	(48,954)	25,000	(23,954)	37,430	13,476
Exchange rate adjustments	-	-	33,112	-	-	33,112	16,735	49,847
Adjustment of currency hedges of future sales and financial swaps	-	(15,908)	-	181	-	(15,727)	-	(15,727)
Actuarial gains / (losses)	-	-	-	1,694	-	1,694	-	1,694
Tax on equity transactions	-	3,467	-	(33)	-	3,434	-	3,434
Equity at 31 December 2021	666	(11,314)	(4,086)	488,170	25,000	498,436	179,734	678,170

PARENT COMPANY	Share capital	Net revaluation according to the equity method	Hedge reserve	Retained earnings	Proposed dividend	Total Equity
EUR '000						
Equity at 1 January 2020	666	343,030	-	233,058	72,000	648,754
Dividend paid	-	0	-	-	(72,000)	(72,000)
Profit allocation	-	(44,837)	-	(1,576)	40,000	(6,413)
Exchange rate adjustments	-	(36,529)	-	(669)	-	(37,198)
Adjustment of currency hedges of future sales and financial swaps	-	(8,096)	4,263	15,015	-	11,182
Actuarial gains / (losses)	-	(2,840)	-	-	-	(2,840)
Tax on equity transactions	-	2,549	(933)	(3,224)	-	(1,608)
Equity at 1 January 2021	666	253,277	3,330	242,604	40,000	539,877
Dividend paid	-	(24,300)	-	24,300	(40,000)	(40,000)
Profit allocation	-	45,948	-	(94,902)	25,000	(23,954)
Exchange rate adjustments	-	33,146	-	(8)	-	33,138
Adjustment of currency hedges of future sales and financial swaps	-	9,037	(24,674)	(117)	-	(15,754)
Actuarial gains / (losses)	-	1,694	-	-	-	1,694
Tax on equity transactions	-	(2,026)	5,494	(33)	-	3,435
Equity at 31 December 2021	666	316,776	(15,850)	171,844	25,000	498,436

Proposed dividend EUR 25.000m moved between retained earnings and proposed dividend.

CASHFLOW STATEMENT 2021

EUR '000	Group	
	2021	2020
Cashflow from operating activities		
Profit before tax	42,832	44,735
Adjustment for non-cash operating items:		
Amortisation and depreciation	71,030	68,950
Exchange rate adjustments	33,274	(15,650)
Financial income/expenses net	(24,642)	5,506
Working capital adjustments:		
(Increase)/decrease in inventories	(18,928)	4,007
(Increase)/decrease in receivables	36,253	(37,989)
Increase/(decrease) in trade payables	38,827	10,925
Increase/(decrease) in other payables	45,297	(1,438)
Increase/(decrease) in provisions	424	(11,245)
Income taxes paid	(39,528)	(36,291)
Total cashflow from operating activities	184,839	31,510
Cashflow from investing activities		
Net investment in acquisitions	(30,586)	(125,970)
Net investment in Intangible assets	(14,921)	(14,103)
Net investment in Property, plant, and equipment	(44,328)	(55,156)
Total cashflow from investing activities	(89,835)	(195,229)
Cashflow from financing activities		
Financial income/expenses net	(8,326)	(5,506)
Non-controlling interests	(32,824)	(22,302)
(Repayment of)/proceeds from debt to credit institutions	44,787	250,627
Dividend paid	(40,000)	(72,000)
Total cashflow from financing activities	(36,363)	150,819
Cashflow from operating, investing, and financing activities	58,641	(12,901)
Cash and cash equivalents at beginning of year	238,927	251,828
Cash and cash equivalents at year-end	297,568	238,927
Breakdown of cash and cash equivalents		
Securities	3	22
Cash	297,565	238,905
Cash and cash equivalents at year-end	297,568	238,927

NOTES

1. Accounting policies

The annual report of ECCO Sko A/S for 2021 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C companies.

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 balance sheet and hence, the calculation of goodwill. Costs relating to restructuring decided by the acquiring entity are recognised in the income statement. The tax effect of the restatement of assets and liabilities is taken into account.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill) is recognised as intangible assets and

amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset.

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

INTRA-GROUP BUSINESS COMBINATIONS

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

NON-CONTROLLING INTERESTS

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

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

FOREIGN CURRENCY TRANSLATION

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

NOTES

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 operating income: Other operating income includes income from all other operating activities which are not related to the principal activities of the company, such as gains/losses from disposals, subsidies, etc.

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: These include interest income and expenses, realised and unrealised

exchange rate gains and losses on deposits/loans, and other bank charges.

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

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

Danish corporate tax, at the current rate, is allocated by paying a joint taxation contribution from the companies in the joint taxation arrangement. The contribution is allocated according to their taxable income. Companies in the joint taxation arrangement which have a taxable deficit receive joint taxation contributions from companies which have been able to use this deficit to reduce their taxable income. The income tax for this year is part of the income statement with the share which can be assigned to profit of the year and is part of the equity with the share which can be allocated to entries in equity.

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

Deferred tax is measured on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax

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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 carryforwards, 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

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 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,

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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 and participating interests 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 intercompany profits.

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

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

Inventories: Raw materials are measured at cost and are determined on the basis of the most recent purchases. Work in progress and finished products are measured at cost, consisting of the cost of raw materials and consumables and manufacturing costs, plus a share of production overheads. Commercial products are valued at their acquisition price.

Products with a net realisable value lower than the cost or acquisition

price are written down to the lower value.

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

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

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

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

EQUITY

Reserve for net revaluation according to the equity method: Net revaluation of investments in subsidiaries and associates is recognised at cost in the reserve for net revaluation according to the equity method. The reserve can be eliminated in case of losses, realisation of investments, or a change in accounting estimates. The reserve cannot be recognised as a negative amount.

Hedge reserve: Hedge reserve comprises fair value of derivative financial instruments qualifying as hedge of future assets or liabilities.

Translation reserve: The reserve comprises foreign exchange differences from translating foreign entities and long-term loans to foreign entities.

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

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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.

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2. Segment information

EUR '000	Group		Parent Company	
	2021	2020	2021	2020
Segment information				
Shoes	1,068,995	964,014	597,863	615,973
Accessories	31,912	36,573	-	-
Leather	104,512	85,573	-	-
Others	12,659	6,310	880	823
Total net revenue	1,218,078	1,092,470	598,743	616,796
Net revenue Shoes & Accessories				
ECCO Europe, Middle East & Africa	422,267	437,751	309,819	337,655
ECCO North Americas	210,641	166,692	101,609	112,801
ECCO Greater China	360,170	302,366	143,564	121,321
ECCO Asia Pacific	107,829	93,779	42,871	44,195
Total Shoes & Accessories	1,100,907	1,000,588	597,863	615,973
Sales channels				
Wholesale	575,179	609,017	598,743	616,796
Retail, E-Commerce	538,387	397,880	-	-
Leather	104,512	85,573	-	-
Total net revenue	1,218,078	1,092,470	598,743	616,796

Reference is made to the ECCO Group structure on pages 98 and 99 regarding the definition of the geographic regions.

3. Other operating income

Other operating income includes wages subsidy, rent subsidy, and other support in connection with COVID-19.

4. Staff costs and management and staff information

EUR '000	Group		Parent Company	
	2021	2020	2021	2020
Salaries	326,482	329,974	54,986	48,154
Pensions and defined benefit plans	10,147	10,502	2,936	2,686
Other social security costs	28,592	28,260	38	13
Staff costs	365,221	368,736	57,960	50,853
Average number of employees	21,613	22,495	485	502
Number of employees at year-end	21,712	21,434	479	498
Fees to Managing Board and Supervisory Board:				
Managing Board	6,363	3,207	6,363	3,207
Supervisory Board	466	470	466	470

Staff costs classified as other comprehensive income are not included.

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5. Financial income and financial expenses

EUR '000	Group		Parent Company	
	2021	2020	2021	2020
Interest income from subsidiaries	-	-	4,999	2,889
Interest income from affiliates	148	-	148	-
Other financial income	6,640	3,291	2,455	687
Total financial income	6,788	3,291	7,602	3,576
Other financial expenses	(15,114)	(8,797)	(6,655)	(2,565)
Total financial expenses	(15,114)	(8,797)	(6,655)	(2,565)
Total net financial income and expenses	(8,326)	(5,506)	947	1,011

6. Income taxes

EUR '000	Group		Parent Company	
	2021	2020	2021	2020
Income tax for the year	50,510	24,729	-	(2,423)
Prior-year adjustment	(226)	(4,777)	(1,896)	(4,964)
Adjustment of deferred tax	(20,928)	1,636	(10,754)	2,156
Total income tax	29,356	21,588	(12,650)	(5,231)

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7. Intangible assets 2021

	Development projects completed	Patents, trademarks, licences	Software	Goodwill	Leasehold rights	Intangible assets in progress	Total
EUR '000							
GROUP							
Cost at 1 January	1,193	6,011	78,898	122,016	4,266	5,794	218,178
Currency translation	100	2	649	623	(5)	2	1,371
Additions	2	939	1,346	1,249	22	11,123	14,681
Transferred	-	-	5,708	-	-	(5,332)	376
Disposals	(207)	(122)	(321)	(3)	(36)	-	(689)
Disposal related to divestments	-	1	(86)	(1,168)	(4)	(2)	(1,259)
Cost at 31 December	1,088	6,831	86,194	122,717	4,243	11,585	232,658
Accumulated amortisation at 1 January	1,156	4,349	60,621	24,964	1,457	-	92,547
Currency translation	98	2	598	229	(1)	-	926
Amortisation	39	497	10,066	10,957	428	-	21,987
Amortisation on disposals	(207)	(122)	(564)	-	(36)	-	(929)
Disposal related to divestments	-	-	(87)	(1,198)	(4)	-	(1,289)
Accumulated amortisation at 31 December	1,086	4,726	70,634	34,952	1,844	-	113,242
Carrying amount at 31 December	2	2,105	15,560	87,765	2,399	11,585	119,416
PARENT COMPANY							
Cost at 1 January	-	12,010	62,579	7,908	-	5,775	88,272
Currency translation	-	2	24	3	-	2	31
Additions	-	939	732	-	-	10,922	12,593
Transferred	-	-	5,594	-	-	(5,315)	279
Disposals	-	(122)	(235)	-	-	-	(357)
Cost at 31 December	-	12,829	68,694	7,911	-	11,384	100,818
Accumulated amortisation at 1 January	-	10,348	46,381	7,572	-	-	64,301
Currency translation	-	2	18	3	-	-	23
Amortisation	-	497	9,001	163	-	-	9,661
Amortisation on disposals	-	(120)	(234)	-	-	-	(354)
Accumulated amortisation at 31 December	-	10,727	55,166	7,738	-	-	73,631
Carrying amount at 31 December	-	2,102	13,528	173	-	11,384	27,187
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.

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8. Property, plant, and equipment 2021

EUR '000	Land and buildings	Plant and machinery	Fixtures and fittings, tools, and equipment	Property, plant, and equipment under construction	Total
GROUP					
Cost at 1 January	317,366	217,782	165,842	39,864	740,854
Currency translation	14,743	6,546	6,838	930	29,057
Additions	7,914	7,556	17,750	14,553	47,773
Transferred	12,996	3,896	2,835	(20,103)	(376)
Disposals	(5,082)	(2,614)	(15,824)	(3,092)	(26,612)
Disposal related to divestments	(9,971)	(2,491)	(9,873)	-	(22,335)
Cost at 31 December	337,966	230,675	167,568	32,152	768,361
Accumulated depreciation at 1 January	169,707	170,179	126,005	-	465,891
Currency translation	5,344	5,178	6,011	-	16,533
Depreciation	15,291	16,603	17,149	-	49,043
Transferred	142	-	(142)	-	-
Depreciation on disposals	(4,714)	(2,540)	(15,913)	-	(23,167)
Disposal related to divestments	(11,927)	(2,496)	(6,684)	-	(21,107)
Accumulated depreciation at 31 December	173,843	186,924	126,426	-	487,193
Carrying amount at 31 December	164,123	43,751	41,142	32,152	281,168
PARENT COMPANY					
Cost at 1 January	54,420	7,983	30,733	15,994	109,130
Currency translation	20	3	12	6	41
Additions	995	851	1,387	2,619	5,852
Transferred	13,132	1,933	86	(15,430)	(279)
Disposals	-	(546)	(460)	-	(1,006)
Cost at 31 December	68,567	10,224	31,758	3,189	113,738
Accumulated depreciation at 1 January	39,976	4,962	23,418	-	68,356
Currency translation	15	2	9	-	26
Depreciation	1,800	1,037	2,273	-	5,110
Depreciation on disposals	-	(541)	(453)	-	(994)
Accumulated depreciation at 31 December	41,791	5,460	25,247	-	72,498
Carrying amount at 31 December	26,776	4,764	6,511	3,189	41,240
Depreciation period	20-30 years	5-10 years	3-5 years		

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9. Other non-current assets, subsidiaries

EUR '000	Investments in subsidiaries		Receivables from subsidiaries	
	2021	2020	2021	2020
PARENT COMPANY				
Cost at 1 January	351,529	204,732	120,361	67,423
Additions	14,599	146,797	21,370	81,480
Disposals	(2,028)	-	(58,052)	(28,543)
Cost at 31 December	364,100	351,529	83,679	120,361
Accumulated revaluation at 1 January	253,277	343,031	-	-
Profit after tax of subsidiaries	56,136	(5,605)	-	-
Currency adjustment of foreign subsidiaries	33,146	(36,529)	-	-
Adjustment of currency hedging of future sales in subsidiaries	7,011	(6,258)	-	-
Actuarial gains/(losses)	1,694	(2,130)	-	-
Amortisation and depreciation on goodwill	(10,188)	(9,837)	-	-
Dividend	(24,300)	(29,395)	-	-
Net revaluation	63,499	(89,754)	-	-
Accumulated revaluation at 31 December	316,776	253,277	-	-
Carrying amount at 31 December	680,876	604,806	-	-

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10. 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 (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	100%		
ECCO CACC Trading Inc.	Panama	100%	400	t.USD
ECCO China Wholesale Holding (Singapore) Pte. Ltd.	Singapore	55%	1,000	t.SGD
ECCO EMEA B.V.	The Netherlands	100%	23	t.EUR
ECCO France S.A.S.	France	80%	1,250	t.EUR
ECCO Global Business Development B.V.	The Netherlands	100%	10	t.EUR
ECCO India Trading Private Limited	India	100%	66,830	t.INR
ECCO Japan Co. Ltd.	Japan	100%	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%	23,500	t.MYR
ECCO Middle East A/S	Denmark	100%	2,250	t.DKK
ECCO Philippines, Inc.	Philippines	50%	75	t.PHP
ECCO Real Estate LLC (dormant)	USA	100%	0	t.USD
ECCO Retail LLC	USA	100%	2,300	t.USD
ECCO Retail (Shanghai) Co. Ltd.	China	55%	3,000	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%	31,102	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	100%	274,835,050	t.INR
ECCO Shoes L.L.C	United Arab Emirates	100%	18,500	t.AED
ECCO Shoes Pacific Pty. Limited	Australia	100%	3,250	t.AUD
ECCO Shoes Trade Ltd.	Turkey	100%	30,466	t.TRY
ECCO USA, Inc.	USA	100%	7,500	t.USD
ECCO-ROS LTD.	Russia	100%	3,000	t.RUB
ECCO-ROS Kazakhstan LLP	Kazakhstan	100%	160	t.KZT
ECCO-BELROS LLC	Belarus	100%	17,26	t.BYN
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%	30,700	t.GBP

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

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11. Participating interest

	Group		Parent Company	
	2021	2020	2021	2020
EUR '000				
Cost at 1 January	-	-	-	-
Additions	65,000	-	65,000	-
Cost at 31 December	65,000	-	65,000	-
Accumulated revaluation at 1 January	-	-	-	-
Result after tax of participating interest	(16,887)	-	(16,887)	-
Internal margin on inventories	(12,745)	-	(12,745)	-
Amortisation and depreciation on goodwill	(3,336)	-	(3,336)	-
Net revaluation	(32,968)	-	(32,968)	-
Accumulated revaluation at 31 December	(32,968)	-	(32,968)	-
Carrying amount at 31 December	32,032	-	32,032	-

Increases in value on initial recognition total t.EUR 31,051.

PARTICIPATING INTEREST

ECCO Europe AG Subsidiaries	Country	Ownership interest	Share capital
ECCO Europe AG	Switzerland	50%	51,500 t.CHF
ECCO Adriatic d.o.o. (Croatia)	Croatia	50%	20 t.HRK
ECCO (Austria) GmbH	Austria	50%	35 t.EUR
ECCO Baltic SIA (Latvia)	Latvia	50%	3 t.EUR
ECCO (Belgium) BV	Belgium	50%	18,55 t.EUR
ECCO (Czech Republic) s.r.o.	Czech Republic	50%	200 t.CZK
ECCO Distributors DAC	Ireland	25%	1 t.EUR
ECCO (Danmark) A/S	Denmark	50%	1,000 t.DKK
ECCO (Deutschland) GmbH	Germany	50%	250 t.EUR
ECCO Footwear d.o.o. Beograd (Serbia)	Serbia	50%	1 t.RSD
ECCO Footwear Romania s.r.l.	Romania	50%	0,25 t.RON
ECCO (Hungary) kft.	Hungary	50%	10,000 t.HUF
ECCO (ITALY) S.R.L.	Italy	50%	10 t.EUR
ECCO Kenkä Oy (Finland)	Finland	50%	4,2 t.EUR
ECCO Let Sales (Portugal) LDA	Portugal	50%	5 t.EUR
ECCO (Netherlands) B.V.	The Netherlands	50%	50 t.EUR
ECCO (Norway) AS	Norway	50%	30 t.NOK
ECCO Obutev SL d.o.o. (Slovenia)	Slovenia	50%	7,5 t.EUR
ECCO (Poland) sp. z.o.o.	Poland	50%	5,050 t.PLN
ECCO Retail (Slovakia) s.r.o.	Slovakia	50%	30 t.EUR
ECCO SALES Limited	UK	50%	10 t.GBP
ECCO EMEA Sales SE	The Netherlands	50%	121 t.EUR
ECCO Service Center (Poland) sp. z.o.o.	Poland	50%	5 t.PLN
ECCO (Sweden) AB	Sweden	50%	50 t.SEK
ECCO Switzerland AG	Switzerland	50%	100 t.CHF
KRM (Cyprus) Limited to be renamed into ECCO (Cyprus) Limited	Cyprus	50%	1 t.EUR
Kasprzak Retail Management (Spain), S.L. to be renamed into ECCO Retail Management (Spain), S.L.	Spain	50%	3 t.EUR

NOTES

12. Deferred tax 2021

EUR '000	Property, plant, and equipment	Inventories	Provisions	Other liabilities	Tax losses	Other	Total
GROUP							
Recognised at 1 January	(10,629)	25,967	7,543	14,843	9,839	(3,101)	44,462
Recognised income statement	(7,145)	4,437	(1,149)	11,874	15,102	(2,191)	20,928
Recognised directly to equity	-	-	-	-	-	3,434	3,434
Total adjustment for the year	(7,145)	4,437	(1,149)	11,874	15,102	1,243	24,362
Recognised at 31 December	(17,774)	30,404	6,394	26,717	24,941	(1,858)	68,824
Deferred tax asset							75,990
Deferred tax liability							(7,166)
Recognised at 31 December							68,824
PARENT COMPANY							
Recognised at 1 January	1,186	4,320	35	-2,201	-	10,235	13,575
Recognised income statement	185	(6)	-	7,754	11,400	(6,391)	12,942
Recognised directly to equity	-	-	-	-	-	5,461	5,461
Total adjustment for the year	185	(6)	0	7,754	11,400	(930)	18,403
Recognised at 31 December	1,371	4,314	35	5,553	11,400	9,305	31,978
Deferred tax asset							31,978
Deferred tax liability							-
Recognised at 31 December							31,978

NOTES

13. Prepayments

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

14. Provision for pensions

Group

EUR '000

	2021	2020
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The provision for pensions is due as follows:

< 1 year	853	493
1-5 years	5,283	5,104
> 5 years	22,777	25,275

Total	28,913	30,872
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The provision relates to future payments to employees under defined benefit plans.

15. Non-current liabilities

EUR '000	Group		Parent Company	
	2021	2020	2021	2020
Non-current liabilities due more than five years after the end of the financial year	10,322	18,038	5,469	7,189

16. Other payables

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

NOTES

17. Financial instruments

EUR '000

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 2021 in EUR '000	Principal value of unrealised forward contracts end 2020 in EUR '000
Currency		
EUR	12,846	1,418
CNY	(20,619)	(17,969)
CAD	(3,437)	(14,157)
USD	(83,532)	(59,257)
AUD	(2,043)	(2,052)
CHF	(146)	(21)
KRW	(2,363)	(2,636)
NOK	6,359	4,505
HKD	(509)	716
IDR	6,294	6,452
SGD	21,526	11,072
THB	3,331	(3,183)
SEK	8,754	7,804
Others	902	1,576
Total	(52,637)	(65,732)

Cashflow hedges & Interest rate swaps:

The Group has covered part of the currency risk on future sales and purchases. The Group has entered into interest rate swaps to cover part of the risk of interest fluctuations.

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

	Principal value of unrealised forward contracts & Interest rate swaps		Fair value adjustment on Equity begin/end of	
	2021 in EUR '000	2020 in EUR '000	2021 in EUR '000	2020 in EUR '000
Cashflow hedges	394,695	394,353	(16,476)	10,683
Interest rate swaps fixing the interest rate	-	80,000	568	499

In 2021, there have been the following fair value adjustments of financial instruments:

	Fair value of financial instruments		Fair value adjustments through the equity		Fair value adjustments through the Income statement	
	Group in EUR '000	Parent Company in EUR '000	Group in EUR '000	Parent Company in EUR '000	Group in EUR '000	Parent Company in EUR '000
Financial instruments	(18,351)	(25,131)	(15,908)	(24,974)	(2,884)	(4,862)

NOTES

18. Contingent liabilities and guarantees, etc.

EUR '000	Group		Parent Company	
	2021	2020	2021	2020
CONTINGENT LIABILITIES				
Rent and lease liabilities	141,224	169,469	1,088	863
Guarantees and letters to suppliers	2,538	3,372	-	1,230
Guarantees and letters to subsidiaries	-	-	-	-
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	21,381	21,379	21,381	21,379
Guarantee for import duty	6,835	6,789	2,002	2,000
Personnel obligations	39	43	-	-
PLEGDED ASSETS				
Book value of assets pledged in security of the Group's loans from credit institutions and other non-current liabilities				
	26,322	14,485	24,527	12,872

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 2021 do not exceed the total provisions regarding company taxes and withholding taxes on dividend, interest, and royalties as per 31 December 2021. 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.

19. Fees to auditors appointed at the Annual General Meeting

EUR '000	Group	
	2021	2020
Auditor's fee	1,161	1,191
Other assurance services and statements	74	170
Tax advisory services	220	241
Other assistance	12	10
Total	1,467	1,612

NOTES

20. 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	
	2021	2020	2021	2020
EUR '000				
Sale of goods to subsidiaries	-	-	134,990	130,759
Sale of goods to related parties	173,226	90,775	136,038	85,331
Purchase of goods from subsidiaries	-	-	(85,974)	(383)
Purchase of legal assistance etc. from parent company	(1,522)	(1,525)	(1,586)	(1,489)
Interest income from subsidiaries	-	-	-	139
Interest expense to subsidiaries	-	-	-	33
Interest income from related parties	281	12	346	(6)
Interest expenses to related parties	43	-97	18	(98)
Receivables from subsidiaries	-	-	103,597	120,408
Receivables from affiliated companies	16,961	56,307	15,020	55,772
Payables to subsidiaries	-	-	107,052	105,526
Payables to affiliated companies	76,515	52,238	74,527	62,796

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 4.

21. Proposed profit allocation

	Parent Company	
	2021	2020
EUR '000		
Revaluation reserve for undistributed profit in subsidiaries	45.948	(44.837)
Retained earnings	(94.902)	(1.576)
Proposed dividend	25.000	40.000
Profit for the year	(23.954)	(6.413)

22. Significant events after the end of the financial year

The outbreak of war in Ukraine is considered as a material event since the end of the financial year, which will negatively impact the Group's financial status and expected profit for 2022.

Referring to the Financial Review on page 9, the management is confident in ECCO's financial status end of 2022 remaining strong.

GROUP STRUCTURE AS OF 31 DECEMBER 2021

ECCO SKO A/S

SUBSIDIARIES, SALES



* Participating Interest

** Pending company name change

SUBSIDIARIES, PRODUCTION

REGION ECCO AMERICAS

USA
ECCO USA, Inc.

▶ **USA**
ECCO Retail LLC

CANADA
ECCO Shoes Canada, Inc.

PANAMA
ECCO Latin America Holding Ltd. Inc.

▶ **PANAMA**
ECCO CACC Trading Inc.

▶ **PANAMA**
ECCO CACC Inc.

REGION GREATER CHINA

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

▶ **CHINA**
ECCO Retail (Shanghai) Co. Ltd.

▶ **HONG KONG**
ECCO Shoes Hong Kong Limited

▶ **MACAO**
ECCO Macao Limited

▶ **TAIWAN (branch)**
ESHK Ltd. Taiwan Branch

REGION ECCO ASIA/PACIFIC

▶ **AUSTRALIA**
ECCO Shoes Pacific Pty, Limited

▶ **NEW ZEALAND**
ECCO Shoes (NZ) Limited

▶ **INDIA**
ECCO Shoes India Private Limited

▶ **INDIA**
ECCO India Trading Private Limited

▶ **JAPAN**
ECCO Japan Co. Ltd.

▶ **KOREA**
ECCO Korea Limited

▶ **MALAYSIA**
ECCO Malaysia Sdn. Bhd.

▶ **PHILIPPINES (JV)**
ECCO Philippines, Inc.

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.

