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**eCCO<sup>®</sup>**

ANNUAL REPORT 2020



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*ECCO Chunky Sneaker.*

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# ECCO IN 2020 AT A GLANCE

**€ 1,092m**

Revenue

2019 - € 1,360m

**€ 45m**

Profit before tax

2019 - € 196m

**4.1%**

Profit ratio

2019 - 14.4%

**€ 540m**

Equity

2019 - € 649m

**21,400**

Number of employees

2019 - 21,400

**€ 195m**

Investments

2019 - € 79m



*Steen Borgholm, ECCO's Chief Executive Officer*

## CEO'S REPORT

2020 was a test of ECCO as an organisation and business. Owning the entire value chain, from rawhide to retail, multiplies the financial effects of the collapse in sales caused by COVID-19.

In ECCO, we pride ourselves of having a culture that stands the strongest when the wind blows straight in our face. This was proven right in 2020, when our dedicated staff focused on getting ECCO through the crisis in the best possible way.

ECCO remained profitable in 2020, albeit much reduced compared to previous years. Across our business, rapid decisions were made to adapt to the new situation and execution was accelerated. In sales and marketing, this meant shifting to full digital sales focus. A complete collection and supply chain reshuffle was conducted in weeks, and many decisions were made in the face of high uncertainty. Radical reductions in our factory output ensured inventories were kept from skyrocketing. The financial impact was further reduced by lowering operational costs by more than 20% from pre-COVID-19 plans.

ECCO also in 2020 launched new successful products. The Athleisure business as well as the Golf business saw strong consumer sales because products such as the ECCO S-Three golf collection and ECCO Zipflex athleisure collection were launched as consumers looked for products for safe outdoor activities. On the other hand, the formal dress categories proved very difficult as people worked from home and social gatherings were cancelled.

Key strategic initiatives continued. A successful take-over of the Russian business from our long-standing partners, digital platforms, and a new factory in Vietnam drove investments to a record high. Further investments were made in innovation capability as a brand new Research & Development Centre opened at ECCO's Headquarters in Denmark. ECCO also in 2020 took a major new step forward in its efforts to reduce our environmental impact, setting very ambitious targets for this decade.

With vaccines being rolled out globally, there is hope we can start looking forward. Many things will change after this crisis. Consumer behaviour will change, but also what matters to consumers will change.

People have grown more accustomed to the digital world. They have gone more casual, but there are also signs that over-consumption of cheap products for environmental reasons will be replaced by purchases of fewer products, but better quality, long-lasting, and sustainable.

In ECCO, we have been moving people since 1963, and I am confident ECCO will be more relevant than ever before in the years to come.

Steen Borgholm  
*Chief Executive Officer*

# 2020 HIGHLIGHTS

JANUARY



## **ECCO SIGNS NEW GOLF AMBASSADOR**

Henrik Stenson, known as 'the Iceman', becomes a new ECCO Golf ambassador. Stenson has enjoyed an impressive career since turning professional in 1998. A two-time European Tour Golfer of the Year (2013 and 2016) and Olympic silver medallist, Stenson has spent over 300 weeks ranked in the World Top Ten during his career and won more than 20 Tour events.

FEBRUARY



## **ACQUISITION OF ECCO RUSSIA**

ECCO's Global Sales Director and Executive Vice President, Michel Krol, welcomes more than 2,000 new employees to ECCO's organisation as we take over distribution in Russia from ECCO ROS after nearly 30 years of collaboration. The business includes a network of 215 shops in Russia, Belarus, Kazakhstan, Armenia, Uzbekistan, Azerbaijan, and Kyrgyzstan. ECCO intends to build on this very strong foundation and develop new products specifically for Russia which underline the fit and comfort of ECCO shoes.

MARCH



## **ECCO RESPONDS TO COVID-19 PANDEMIC**

ECCO starts to close shops around the world to protect our employees and consumers. Although access to physical shops is limited, the company continues to serve consumers through ECCO's online shops. At ECCO's offices, our staff are encouraged to work remotely if possible.

APRIL



## **ECCO TAKES DRITAN™ TO THE NEXT LEVEL**

ECCO takes another big step towards water-free tanning with the development of DriTan™ 2.0, an ECCO patented technology. Less sludge, more efficient treatment of waste water, and a reduced need for chemicals are key elements in this groundbreaking technology, which was introduced in 2018. DriTan™ 2.0 has been fully implemented at ECCO's tannery in Indonesia, and is now in the process of being implemented at ECCO's other tanneries.

MAY



## **ECCO'S ADVANCED LEATHER TECHNOLOGY**

ECCO introduces a new leather finishing application technology at our tannery in Xiamen, China. Metamorph is an advanced process, which can produce flawless leather articles on a large scale. The process has been customised to fit ECCO's needs.

JUNE



## **ECCO'S CHINESE TANNERY WINS CARE AWARD**

ECCO Xiamen receives a Care Award from the Xiamen Physically Challenged Federation for employing physically challenged people. ECCO is dedicated to caring for a diverse workforce, providing life-long training and career possibilities.

### ECCO WINS DANISH TRANSFER PRICING CASE

ECCO wins a Danish transfer pricing case dating back to the 2005 financial year. The case relates to the trade of shoes between ECCO Sko A/S and our manufacturing entities in Thailand and Indonesia. The favourable ruling from the Danish High Court confirms that ECCO strictly adheres to correct transfer pricing principles.

### ECCO OUTDOOR WINS SEVERAL AWARDS

ECCO's Biom® 2.0 shoe and the ECCO Exowrap sandal are acknowledged at the German Design Awards, one of the world's most renowned design competitions. Both shoes are recognised in the category of Excellent Product Design in the Sports, Outdoor Activities, and Leisure categories. Furthermore, ECCO wins the US trade show Outdoor Retailer Innovation Award for our DriTan™ technology and other achievements in innovation and sustainability.

### RESEARCH & DEVELOPMENT OPENS NEW FACILITY

ECCO's commitment to future excellence in shoemaking is demonstrated with the new Research & Development unit in Bredebro, Denmark. Its cutting-edge design introduces a completely new kind of factory space, where people, machines, and nature come together to create a stimulating environment.

### ECCO BEGINS NEGOTIATIONS IN THE MIDDLE EAST

ECCO enters into an agreement with our long-standing partner in the United Arab Emirates to take over 18 ECCO shops, which will allow ECCO to combine Turkey and the Middle East into one new sales region. In October, ECCO opens a premium shop in Istinye Park, one of the most prestigious malls in Istanbul, and this brings the total number of shops in Turkey to nine.

### NEW ECCO FACTORY IN VIETNAM

After ten months of construction, ECCO Vietnam relocates to a new, fully-owned production facility in Bau Bang. ECCO in Vietnam employs more than 1,300 people and produces premium-quality uppers.

### ECCO SETS AMBITIOUS ENVIRONMENTAL TARGETS

ECCO has made great strides over recent years in minimising our impact on the environment. At the end of 2020, ECCO sets out even more ambitious targets to be achieved over the next 10 years, covering the use of energy, water, chemicals, and the recycling of waste.



JULY



AUGUST



SEPTEMBER



OCTOBER



NOVEMBER



DECEMBER

# FINANCIAL REVIEW

The COVID-19 pandemic had a significant impact on the financial performance of ECCO in 2020. Despite the fact that sales contracted 20% to EUR 1,092.5m compared to the previous year, ECCO remained profitable. Profit before tax declined by 77% to EUR 44.7m, a profit ratio of 4.1%, compared to 14.4% in 2019.

Group profit before amortisation and depreciation declined by 54% to EUR 119.2m, and large investments in 2020, most notably the acquisition of the Russian business, impacted amortisation and depreciation, which grew by 21%.

The decline in profit included one-off effects. Among them were the costs of a 22% adjustment of production output and, most notably, the aforementioned acquisition of the Russian business. The latter had a negative accounting impact on profit before tax of EUR 33.4m, partly due to one-off accounting effects from the initial consolidation.

Despite the adverse conditions for footwear sales in 2020, ECCO secured a 2% growth in direct-to-consumer channels through the acquisition of the Russian business and strong e-commerce sales, that grew by 34% over 2020 as a result of rapid changes in consumer shopping preferences.

Retail sales were subject to reduced consumer footfall and periodic pandemic lockdowns across most markets. Comparative shop sales declined by 42% compared to 2019 and during 2020, the shop portfolio was reduced by net 49 shops to 2,180 mono-branded shops. Despite the adverse conditions, 48 shops were opened during 2020 in strategic locations. Wholesale sales contracted 29% as multi-brand retailers and, in particular, department stores cut orders to stabilise inventory positions. This was most evident in the North American markets.

Product segments were impacted equally, with shoes, accessories, and leather sales experiencing net sales decline by 19%, 22%, and 24%, respectively.

ECCO's North American markets were the hardest hit, with net sales falling by 38%. The Asia Pacific region, with its large share of retail shops and its reliance on tourism, suffered a drop in net sales of 31%. Greater China was mostly impacted in the early part of the year, with subsequent months seeing stronger results and ending 2020 with a decline of only 13% compared to 2019. European sales were severely impacted by the pandemic; although this was partly offset by the acquisition in Russia, net sales declined by 9%.

Investments made during 2020 were at a record high through the acquisition of the Russian business. Investments totalled EUR 195.2m, of which EUR 126m were related to acquisitions.

Furthermore, ECCO continued to invest strategically with investments in digital capabilities, marketing, and Research & Development facilities.

The Group ended the year with higher levels of working capital, mostly from increased receivables and from the acquisition in Russia. Excluding acquisitions, the inventory levels were reduced, as substantial reductions in production output were actioned early in the pandemic. ECCO maintained a healthy balance sheet through the crisis, ending the year with a continued strong financial position. The year-end cash position was EUR 238.9m (compared to EUR 251.8m in 2019), and the additional pandemic-buffer credit facilities secured during the year were generally unused.

The solvency ratio at year end 2020 was impacted by the planned acquisition in Russia and ended at 40.9%, not least because of the impact from the COVID-19 crisis.

## PROFIT & LOSS

The year saw a decrease in volume and sales, most of which occurred in the first half of the year when the pandemic's impacts were most severe.

In the second half of the year, the business was increasingly able to re-prioritise commercial efforts in line with the changing channel mix, resulting in strong growth in e-commerce as the consumer shift from offline to online continued strongly. There was a parallel acceleration in our digitalisation programme.

Total net sales of shoes and accessories declined by 19% compared to 2019. All sales regions saw COVID-19 impacting sales, with the US, Canada, and Europe being more severely impacted.

The Greater China region saw early impacts from COVID-19, but almost fully recovered sales in the second half of 2020. With the strong performance of this region, its share of total Group sales grew by 2% to 30%.

While COVID-19 impacted commercial activities in Europe, steps were taken to continue the planned structural changes for this region, progressing the strategic plan for a reset and improved distribution.

As retailers across most markets were generally overstocked, there was a significant increase in promotional activity.

Leather sales saw a total net sales decline by 24%, as consumers mainly in the footwear and leather goods segments reduced orders significantly, while soft goods



for technology companies saw some growth compared to 2019.

In early 2020, a cost-cutting plan was implemented and, together with prudence, restraint, and lower activity-driven costs, resulted in other external and staff costs being EUR 70.6m lower than in 2019, excluding the EUR 51.9m capacity costs of the acquired Russian business.

Much of the fall in costs was due to reduced retail activities, and also the result of rent renegotiations and curtailing discretionary spending. However, strong control of back-office costs, with a hiring freeze and selected postponements of new initiatives, had a significant effect as well. Staff costs have been flat since 2019, despite the acquisition of the Russian business.

Depreciations and amortisation increased to EUR 68.9m (compared to EUR 57.2m in 2019), primarily from the inclusion of the EUR 10m amortisation of goodwill for the acquisition of the Russian business.

Profitability saw a substantial improvement towards the end of 2020, with retail returning to profitability and continued strong results in e-commerce, and this produced a pretax profit of EUR 44.7m.

Income tax for the year was EUR 21.5m, giving an effective tax rate (ETR) of 48.3% (compared to 24.6% in 2019). The increase in ETR was caused primarily by deferred tax assets/tax losses not recognised in North America.

#### BALANCE SHEET & CASHFLOW

Cash from operating activities was reduced to EUR 31.5m from EUR 248.2m in 2019. The profitable results and the reduction of inventory, despite the pandemic challenges, were the main reasons for the positive operational cashflow.

Cashflow from investing activities was a record EUR 195.2m, of which EUR 126m related to acquisitions. Free cashflow was EUR 163.7m, compared to EUR 169.2m in 2019.

Net working capital (trade receivables, inventories, and accounts payable) increased by a total of EUR 36.4m, caused by a higher total inventory position from acquisitions that added inventory of EUR 35.3m. Investments excluding acquisitions amounted to EUR 69.3m, which was EUR 9.8m lower than in 2019.

Major investments were related to the new factory in Vietnam, technology infrastructure, renovations, and new buildings at ECCO Headquarters. ECCO ended the year in a solid financial position, with an equity of EUR 539.9m and

a solvency ratio of 40.9%. By year-end 2020, ECCO had a liquidity ratio of 2.2.

#### OUTLOOK

The pandemic has created a new commercial reality for the footwear business and accelerated changes in consumer behaviour, most obviously in the increasing importance of digitalisation and e-commerce sales. Significant investments are being made to secure a strong response to the changing landscape for footwear sales.

Despite the continued uncertainty and challenges posed by the pandemic, ECCO expects a gradual recovery during 2021, with the second half year likely to see a resurgence in commercial opportunities, once global vaccination efforts start taking hold and social and working restrictions are gradually lifted. As a result, ECCO's net sales and profitability are expected to increase in 2021.

# FIVE YEAR SUMMARY

## FINANCIAL HIGHLIGHTS EUR '000

2016 2017 2018 2019 2020

<b>Net revenue</b>	<b>1,250,919</b>	<b>1,275,960</b>	<b>1,309,386</b>	<b>1,359,722</b>	<b>1,092,470</b>
Profit before amortisation and depreciation	221,453	241,265	259,012	258,240	119,192
Amortisation and depreciation	(49,417)	(50,694)	(52,428)	(57,172)	(68,950)
Profit before financials	172,036	190,571	206,585	201,068	50,242
Financial income and expenses	(1,874)	(6,735)	(5,918)	(5,233)	(5,506)
<b>Profit before tax</b>	<b>170,162</b>	<b>183,836</b>	<b>200,667</b>	<b>195,834</b>	<b>44,735</b>

Income tax	(37,261)	(45,555)	(51,815)	(48,260)	(21,588)
<b>Profit for the year</b>	<b>132,901</b>	<b>138,281</b>	<b>148,852</b>	<b>147,574</b>	<b>23,147</b>

Non-current assets	330,299	310,624	352,108	371,528	463,798
Current assets	692,593	684,971	700,355	781,268	856,958
Total assets	1,022,892	995,595	1,052,463	1,152,797	1,320,756

ECCO Sko A/S shareholders' share of equity	595,551	592,123	617,366	648,754	539,877
Non-controlling interests	86,652	98,881	116,809	144,781	146,910
Non-current liabilities	124,942	81,709	97,834	108,045	249,495
Current liabilities	215,747	222,882	220,454	251,217	384,474
Equity and liabilities	1,022,892	995,595	1,052,463	1,152,797	1,320,756

Cashflow from operating activities	196,804	188,691	206,864	248,256	31,510
Cashflow from net investing activities	(50,571)	(48,842)	(96,773)	(79,056)	(195,229)
Investments in property, plant, and equipment	(45,069)	(35,894)	(85,821)	(67,618)	(55,156)
Cashflow from financing activities	(92,713)	(121,530)	(100,325)	(105,154)	150,819

Number of employees (as of 31 December)	20,635	21,526	21,271	21,364	21,434
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## KEY RATIOS

Operating margin	13.8%	14.9%	15.8%	14.8%	4.6%
Profit ratio	13.6%	14.4%	15.3%	14.4%	4.1%
Return on assets	17.3%	18.2%	19.6%	17.8%	3.6%
Investment ratio	1.0	1.0	1.8	1.4	2.8
Return on equity	17.7%	18.4%	20.3%	17.7%	(1.1%)
Solvency ratio	58.2%	59.5%	58.7%	56.3%	40.9%
Liquidity ratio	3.2	3.1	3.2	3.1	2.2

## 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 GLOBAL SALES

The COVID-19 pandemic led to the periodic closure of most of ECCO's 2,180 shops across the world. Consumers increasingly shopped online and this resulted in a strong e-commerce growth across the ECCO Group.

However, overall turnover dropped dramatically, starting in March, when ECCO, along with businesses across the world, had a large number of shops closed in Asia, Russia, Europe, and the US. ECCO stepped up the e-commerce operations to provide the best possible service to our consumers in all markets.

During 2020, ECCO's online net sales grew by 34%.

In those shops that were still open, ECCO followed the guidelines given by healthcare authorities on distancing and hygiene. The shops were also used as distribution centres to support online transactions.

ECCO communicated directly with our consumers, replying to their questions, and our marketing teams stepped up campaigns across e-commerce platforms. They reacted to analyses of what ECCO's consumers wanted to buy and predicted future demand. Consumer-centric sales remain an integral part of ECCO's sales approach and core strategy going forward.

For many consumers, online shopping has developed from a convenient option before the pandemic into an essential part of the new normal life in lockdown, offering consumers constant brand interaction and access to wider product selections.

However, physical retail remains a key consumer experience option, supported by omni-channel capabilities such as allowing consumers to pick up orders from a shop or have them delivered where they want them.

ECCO believes that when normality returns, shops will remain an important and attractive sales channel with the smallest environmental impact.

ECCO also invested heavily in our distribution network during 2020 by acquiring the distribution business in Russia from long-standing partners, buying the ECCO shops in the Middle East from another partner, and taking over a large number of shops in the Netherlands from one of our Dutch partners.

Major investments were also made in several new, advanced systems and in the build-up of advanced marketing capabilities, including a data-analysis department to generate fresh sales insights and consumer knowledge.



ECCO experimental shop in Shanghai, China.

## ECCO SALES IN GREATER CHINA (EGC)

COVID-19's impact on travelling patterns in Greater China saw a shift to localised shopping and a reliance on e-commerce platforms. Overall, ECCO achieved a 26% increase in e-commerce net sales through ECCO's owned and operated channels.

As areas of retail reopened, initiatives and campaigns were put in place, such as making individual appointments with consumers and running seasonally focused promotion campaigns with dealers to attract consumers to the latest products in ECCO's shops.

A new Customer Relation Management (CRM) programme was launched to make consumers reachable via mobile phones, allowing them to make purchases using these.

ECCO also collaborated with influencers who have millions of Chinese followers to highlight existing and upcoming product groups. Other ECCO organised events targeted new consumer groups.

ECCO's 2020 seasonal launch took place in an experimental space in downtown Xinle Road, Shanghai. Alongside the digital experience, the shop was open for ten days to interact with a new consumer base, and this involved

cooperation with the Chinese sneaker store 'Indefinitely by 6'. The shop offered a premium ECCO shopping experience and product range, and our consumers were able to buy footwear using QR codes and have their purchases delivered to their homes.

In November, the ECCO Greater China region saw record sales on Singles' Day, a major shopping event held by leading e-commerce platforms, which created greater consumer interest and spending.





ECCO Flagship shop at the Claremont Quarter in Perth, Australia.

## ECCO SALES IN ASIA PACIFIC (EAP)

ECCO's regional sales headquarters in Singapore took over the responsibility for developing the Indian market in 2020.

ECCO opened the first two shops in India in November and December 2019, and expanded the distribution of golf shoes. In 2020, ECCO launched an e-commerce website in India with the ECCO.com platform, offering a new product range to our consumers supported by digital marketing.

Across the Asia Pacific region as a whole, ECCO increased the activities in 2020. In Korea, ECCO was able to expand during the pandemic by opening the first ECCO Prime Concept shop at the Hyundai Pangyo department store, located in a highly innovative and premium district.

In Japan, alongside an expansion of full-price sales, ECCO opened the first Prime Outlet Concept shop in Toki City, Gifu.

ECCO Australia increased consumer purchasing opportunities by introducing click-and-collect and click-and-reserve options across instore and e-commerce sites during 2020. To support this development, ECCO expanded, opening a new Flagship shop in Perth in June at the Claremont Quarter luxury shopping centre.

In Cambodia, ECCO opened the first shop in Phnom Penh, the capital city, bringing the brand's products to a new consumer audience.

In the Philippines, digital operations were launched across leading marketing platforms such as Lazada and Zalora to accelerate growth despite the pandemic's challenges to the retail sector.





ECCO's first fully digital showroom in Nieuwegein, the Netherlands.

## ECCO SALES IN EUROPE

Over the last 10 years, ECCO's sales activities in Europe have been operated via two separate entities – the wholesale business out of Amsterdam in the Netherlands, and the retail and e-commerce activities from Zug, Switzerland.

During 2020, preparations were made to combine the two activities into one, ECCO Europe AG, with a clearly defined business approach across all three distribution channels, and starting operations on 1 January 2021.

ECCO Europe is ECCO's single largest market, volume-wise, and the plan is to invest in and strengthen all distribution channels across Europe.

The strong growth experienced in 2020 in ECCO's e-commerce channel will be further developed to counter the economic and social effects of the pandemic for as long as they continue.

The aim is for ECCO's consumer-centric strategy to deliver an increasingly attractive consumer experience, allowing our consumers to shop wherever and whenever they want and take delivery of their purchases in shops or at home.

During 2020, ECCO launched the first fully digital wholesale showroom in Nieuwegein, the Netherlands. The operation was a success, and 24 of ECCO's wholesale key accounts

now use the showroom, which will continue to be expanded, alongside the majority of customers having access to the ECCO Partnersite. Additional digital acceleration has taken place at the ECCO Partnersite to further support customers, and there is now a focus on remote selling whilst still delivering a positive sales experience.





ECCO shop in Toronto, Canada.

## ECCO SALES IN THE AMERICAS

Towards the end of the year, ECCO Canada opened a new brand experience space, ECCO X STACT, in Toronto to encourage local artists to personalise their footwear. Several shipping containers were stylishly converted to showcase key products from the Autumn/Winter 2020 collections, leather samples, and give a glimpse of innovations and technology used by ECCO. The showcase was supported by consumer links across Canada on social media and e-commerce platforms.

ECCO in the US implemented an omni-channel and digital consumer-first approach across a competitive market. Consumer engagement on digital platforms was improved, with an increasing number of consumer purchases moving online, allowing ECCO to offer a wider product range, which increased brand interactions.

ECCO's US logistics networks adapted to new shipping deadlines and procedures to support e-commerce partners and ensure that the flow of products to both customers and consumers remained reliable during the pandemic.

Focus areas in the Latin American region are Argentina, Bolivia, Paraguay, Uruguay, and Ecuador, where ECCO sees potential. In addition, wholesale customers in the Cayman Islands, the Dominican Republic, and

Honduras are also served out of ECCO's headquarters in Panama.





ECCO shop in Metropolis Shopping centre, Moscow, Russia.

## ECCO SALES IN RUSSIA

In February 2020, ECCO Sko A/S acquired ECCO ROS, our Russian distributor, and integrated it into the ECCO Group. A Moscow town hall business meeting was attended by 270 office and retail employees and more than 900 online viewers. All the participants had an opportunity to raise questions about ECCO's brand values and ECCO's plans for the future directly to the leadership team.

Corporate brand values and guidelines were reintroduced across the office and retail organisations to strengthen ECCO and our brand communities. ECCO's Global Retail Academy platform was translated into Russian and integrated into the regional staff training programme.

During the year, the Russian organisation completed some key developments within our retail footprint, opening three shops and eight pop-up shops. ECCO also secured eight key locations, refitting them with the new Prime concept, which increases branding opportunities.

Despite the pandemic, ECCO Russia optimised the online business and saw a growth of 43% in our consumer base through online sign-ups. Online sales increased by 80% with an 18.8% consumer conversion as a highlight. Key marketing campaigns and TV advertising helped to expand the consumer base.

The new and exclusive Russian ECCO Curated Collection was launched in Moscow to strengthen the brand and highlight modern and stylish design features to the consumers. To support the growth of online sales, retail shops were used as fast-fulfilment centres.

A new supply chain partnership was established with Kuehne+Nagel (LLC) with a warehouse in the logistics park PLT North Sheremetyevo, Moscow.





ECCO Flagship shop in Istinye Park, Istanbul, Turkey.

## ECCO SALES IN THE MIDDLE EAST AND TURKEY

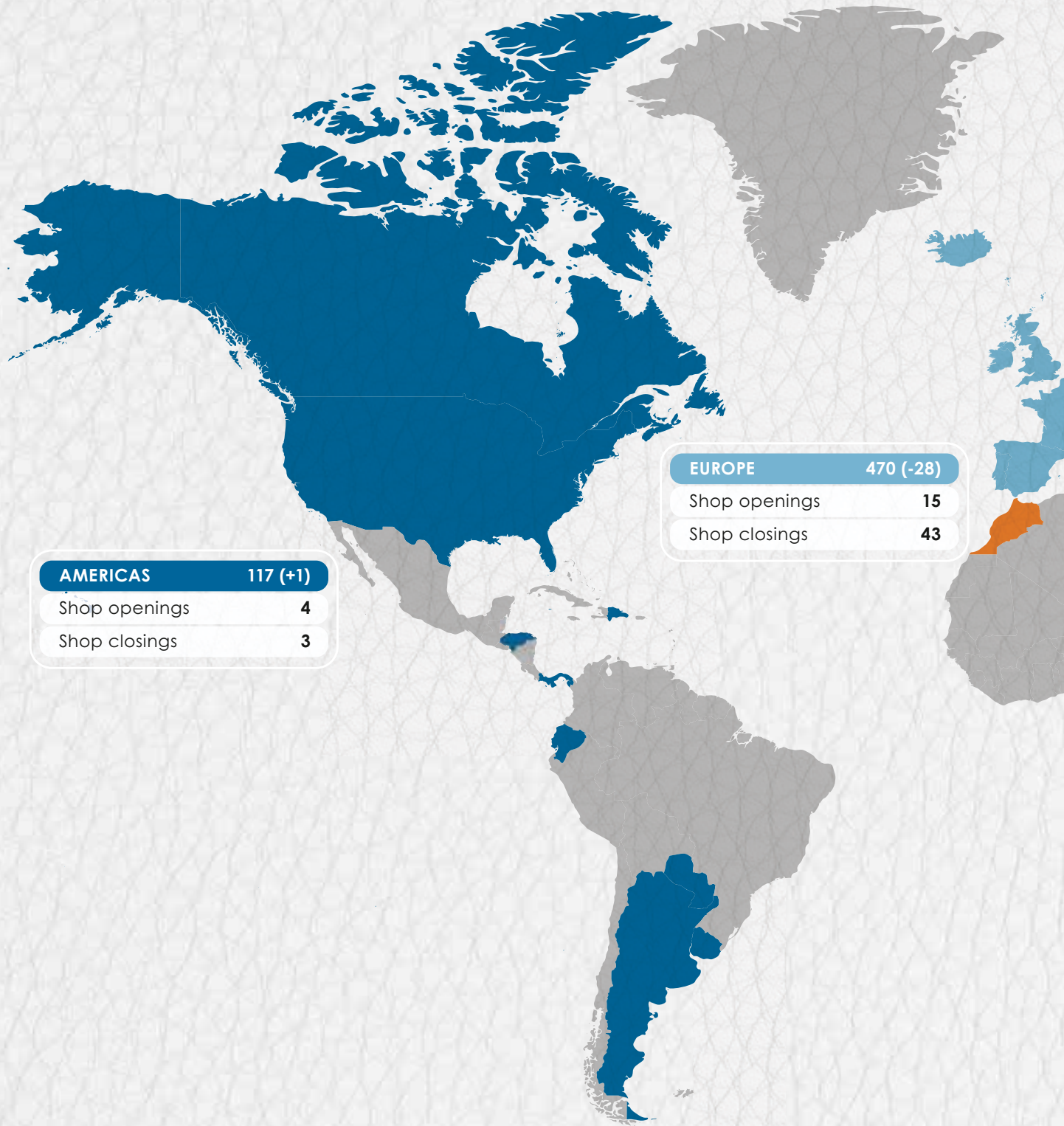
At the end of 2020, ECCO entered into an agreement with our long-standing partner in the United Arab Emirates to take over 18 ECCO shops owned by the partner. This comprises 15 shops in the Emirates, two in Qatar, and one in Bahrain. Four new shops will be opened in 2021 – two in Jeddah and Dammam in Saudi Arabia, and two in Dubai and Sharjah in the United Arab Emirates.

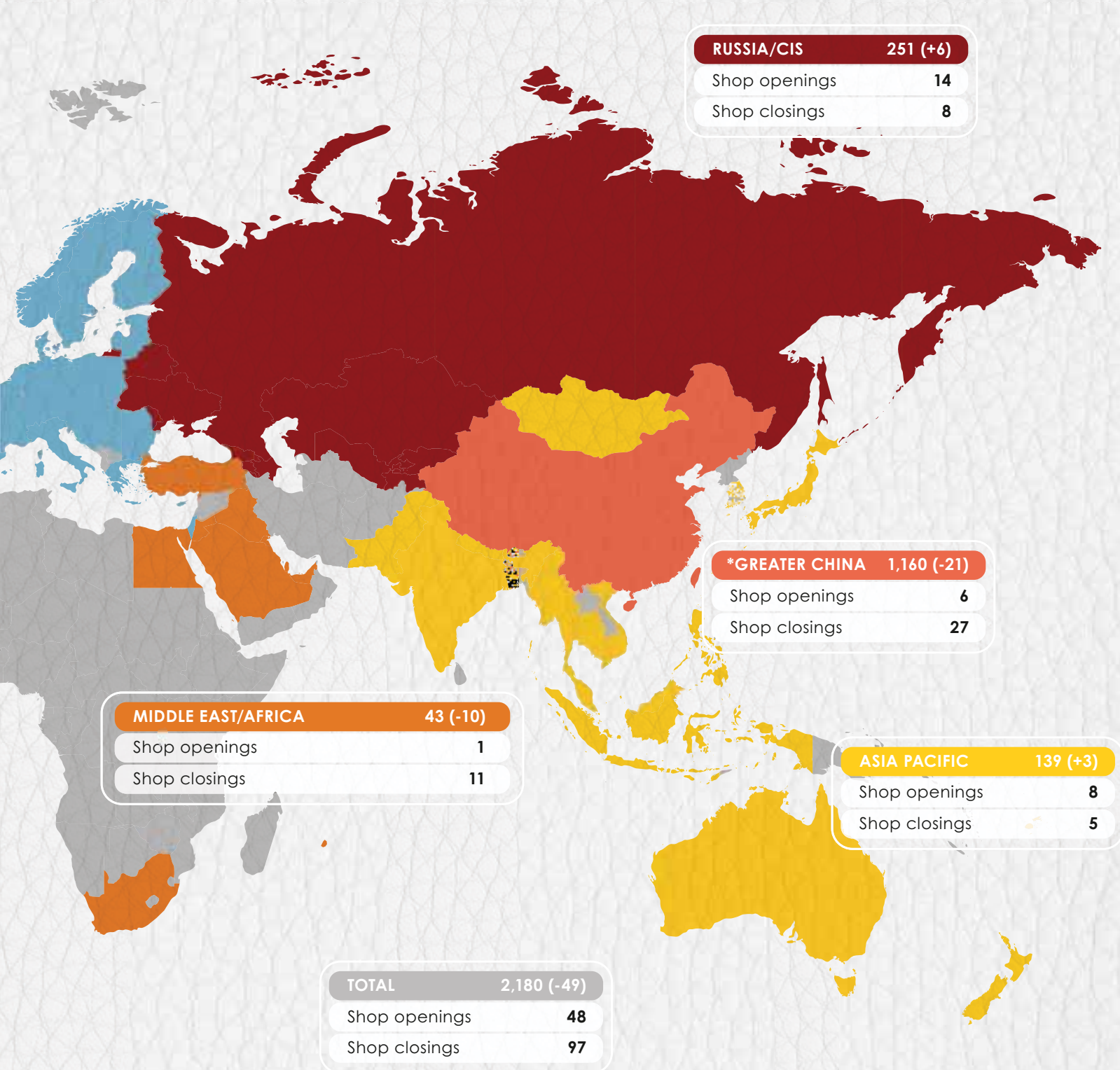
ECCO's successful operation in Turkey opened a new ECCO Flagship shop in one of Istanbul's most prestigious malls, Istinye Park, bringing the number of ECCO shops in Turkey to nine. Despite difficult post-COVID-19 economic conditions, additional market and commercial opportunities were taken through the successful opening of two shops using portable Prime shop fittings. This offered a premium ECCO brand experience for consumers at new locations.

At the end of 2020, ECCO combined the operations in Turkey and the Middle East under one regional management team.



# WORLDWIDE STATUS ON SHOP OPENINGS AND SHOP CLOSINGS





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



# ECCO GLOBAL MARKETING

Key changes were made in 2020 within ECCO's Marketing organisation. Together with the introduction of a new strong executive leadership team, a comprehensive review took place to determine the right architecture and competencies for an updated organisational structure. A strong stakeholder collaboration and team commitment led to alignment on the creation of a Marketing Experience model for growth, and a new organisational structure was concluded before year end.

ECCO has been moving people since 1963, and has no intention of stopping. The new team introduced many new initiatives in the second half of 2020.

ECCO's brand purpose and foundation were reformulated, leading to the first chapter of a new strategy platform that secured a demonstrable positive momentum with the strongest consumer sentiment ECCO has seen since tracking began.

New approaches to claims and product concept testing were initiated, with resulting identification of winning concepts, messages, and product ideas that are now being acted upon.

Global Marketing created improved integrated consumer journeys inclusive of new targeted advertising that embraced our global presence and personality. A thorough audit of ECCO's digital roadmap took place, with resulting improvements in the online journey for a more personalised experience to win the hearts and minds of people of all ages.

Throughout 2020, ECCO took steps to build out the foundations for strong data analytics and data science. Teams have worked at pace to merge channels, sources, and data sets to deliver a well-integrated view and have identified initial consumer insights to help inform growth initiatives. With significantly improved market intelligence resources and tools, several consumer-centric efforts are well underway, market and product reporting are seeing a new format, and audience analytics are being mastered at scale. These important changes are helping to streamline investments and focus efforts smartly. The integrated effort and foundation laid in data science will be crucial to support audience targeting and consumer relationship building in years to come.

Even when life is turned upside down, the world must keep moving. **ECCO #MovesLikeYou**



*Architectural drawings of ECCO's new Marketing building in Tønder to be inaugurated 1 April 2021.*



ECCO's Global Chief Marketing Officer, Pernille Bruun-Jensen, states:

*'ECCO Marketing is looking at a new future, where our strategy is consumer-centric leading with integrated experiences, is data-driven and mobile first, and it emerges with a movement for change that permeates culture and company.'*



*ECCO Simpli.*



ECCO Chunky Sneaker.

## ECCO WOMEN'S

In 2020, the new ECCO Simpil platform was launched with great success. ECCO Simpil offers a lightweight and feminine product executed through premium soft and supple leathers, and leather linings provide an increased barefoot comfort wearing experience for summer. It embraces a casual styling and provides multiple wearing moments. ECCO Simpil celebrates timeless femininity and understated style. As casualisation is a general trend, ECCO expects increased success within this category.

Providing innovative comfort, ECCO's Shape concept creates a strong assortment which strategically builds a core pillar for women's formal range, elevating ECCO into a more premium positioning. With the introduction of the ECCO Shape 35 Squared, a new direction of feminine elegance provides the consumer with day-to-night style

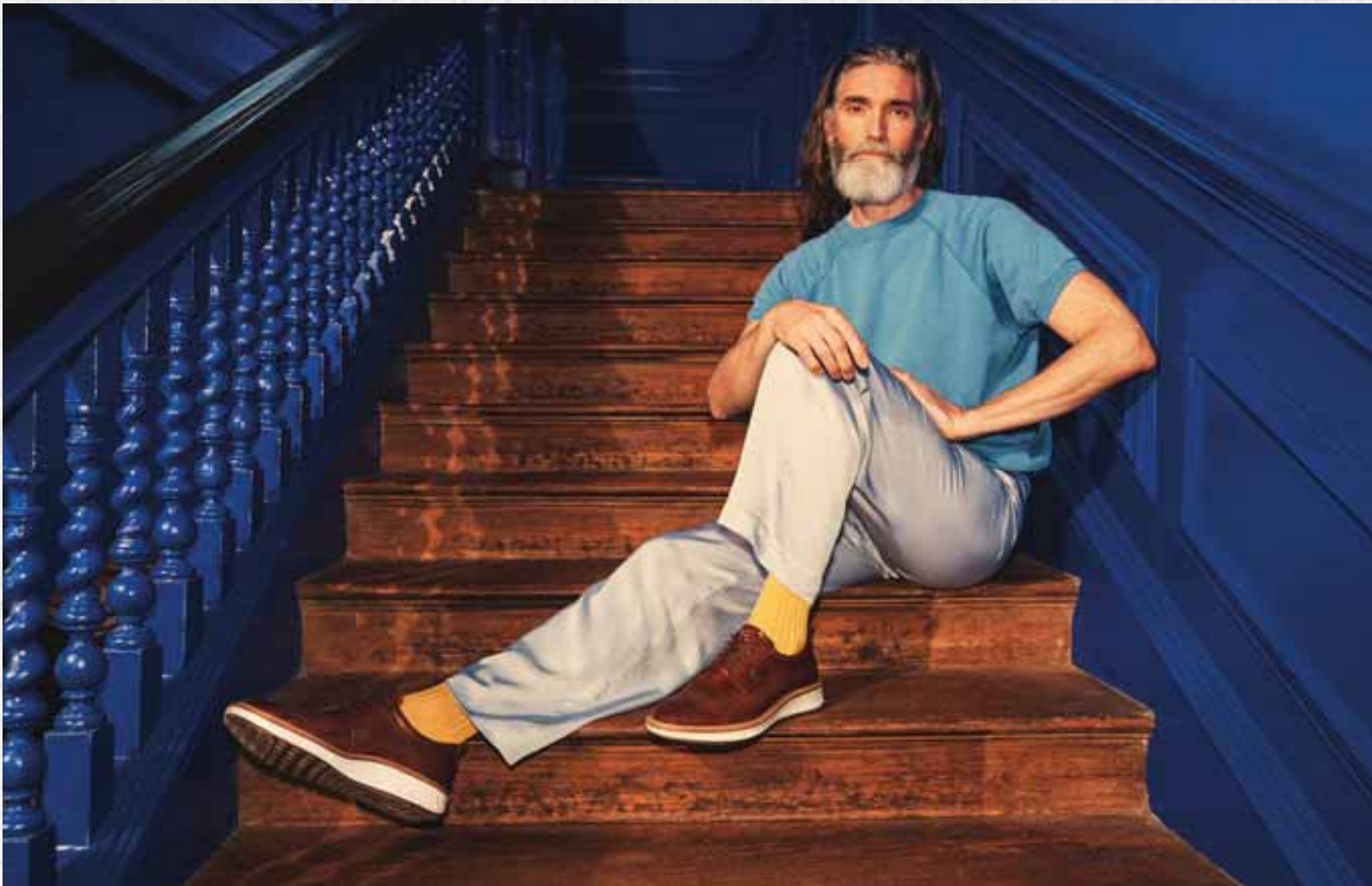
opportunities through varied wearing moments without compromised comfort.

Next to casualisation, another major trend going forward is sneakerisation. In the Autumn/Winter season of 2020, ECCO launched the ECCO Chunky Sneaker, which has already been well received by our consumers. With the ECCO Chunky Sneaker, ECCO aims to attract a new and younger target group. Establishing ECCO as a credible player within this fashionable category, the ECCO Chunky Sneaker is positioned as a versatile fashionable sneaker with the ECCO comfort standards.



ECCO Street Tray.





ECCO ST.1 Hybrid.

## ECCO MEN'S

In 2020, the main focus for ECCO's men's collection was based on two global footwear trends: formal footwear is still relevant, but now with a twist.

ECCO translated these tendencies into a casualisation of formal shoes, creating office hybrids and formal footwear with sporty accents. This is exemplified in the ECCO ST.1 Hybrid, which in 2020 became the most internationally successful ECCO business shoe for men. In addition, ECCO is developing some of our classic sneaker silhouettes using

premium leather and refined details, one example being the ECCO Street Tray. These products continue to deliver ECCO's key footwear qualities – innovation, premium-quality, and perfect fit.



ECCO SP1 Kids.

## ECCO KIDS

ECCO Kids is on a journey to build a progressive, dynamic presence in all digital channels. To attract and engage with the target audience, the approach in 2020 was 'digital first' to elevate the existing ECCO Kids presence.

The collection for Spring/Summer 2021 has been developed to engage with our consumers, highlighting true ECCO DNA and allowing clear storytelling to link to ECCO as a family brand.

Alongside seasonal products, the creation of a full-year sneaker concept that clearly demonstrates the innovative Fluidform technology and premium leathers offered by ECCO only, has been very well received with our current consumers, and enabled new distribution to be explored.

Examples of the full-year sneaker concept and link between ECCO's kids and adult collections are the ECCO SP1 Kids and ECCO Street Tray Kids – stylish choices in look and design lines with features that allow kids to play comfortably and explore the world.

With continued focus on ECCO's family brand image and marketing stories across Women's, Men's, Outdoor, and Kids products, a focused consumer-centric approach is key to moving the brand forward.



ECCO Street Tray.



ECCO ExoHike.

## ECCO OUTDOOR

In 2020, ECCO's Outdoor division was characterised by a sense of 'reset'. On a global scale, people were reminded of the great value of being outdoors in natural surroundings. As a result, consumers were particularly attracted to ECCO's Made for the Elements products, which encourage more adventurous outdoor activities.

Throughout the past year, ECCO Outdoor took our consumers on countless adventures in the urban setting as well as the true outdoors with products like our ECCO ExoHike – a pinnacle product in the hiking collection. This product exactly also showcased ECCO's ability to span from doorstep to trailhead with ease for all consumers via its proprietary heel technology and comfortable Phorene midsole.

In addition, ECCO Outdoor developed a genuinely all-round trail product, the ECCO MX, whose styling suits both urban and outdoor settings. The ECCO MX is built using lightweight, soft upper materials to make the wearing experience uniquely ECCO.



ECCO Zipflex.

## ECCO ATHLEISURE

Pioneering into new territories is something ECCO is known for – and the path towards Athleisure is no different. ECCO is entering the white shoes market with a foundation rooted in shoe-making over the past many decades, allowing us to make a difference for consumers who want more than disposable sneakers – ECCO will be there to deliver quality and comfort through craftsmanship.

Having previously spearheaded market-leading footwear aesthetics and functionality, ECCO is building on our success in the Athleisure segment with consumer-led products and a focus on ready-to-wear. This concept, which is new to ECCO, will be rolled out globally from 1 June 2021, and our consumers can expect to see yet another side of ECCO with younger, faster, and trendier stylings.

ECCO's Athleisure products will feature Phorene technology and be designed around a quick fix system to give consumers an excellent wearing experience. Another innovation is that consumers will be targeted via social media and through online e-commerce connections, as well as a variety of instore retail experiences.



Henrik Stenson,  
ECCO Men's S-Three.



ECCO Women's S-Three.

## ECCO GOLF

In spite of COVID-19 restrictions on outdoor activities, there have been encouraging signs that the sport continues to flourish. Flying the flag for ECCO in 2020 were the ECCO Biom® Cool Pro and ECCO S-Three models, which remain true to ECCO Golf's core design DNA – a fusion of innovation and leather craftsmanship.

Following the gradual easing of lockdown restrictions in countries that have avoided severe second-wave infections, there was positive news for the ECCO Golf team: reports suggested a global uptick in the extent of golf being played and in the number of people taking up the sport.

ECCO Golf will continue this trend in 2021 by introducing an exciting product collection, supported by marketing based on the experiences of real golfers and the idea that, for many, golf is perceived as more than just a game.

The ECCO Golf team will continue to develop the hybrid revolution model by introducing the stylish ECCO Biom® H4, a sleek and highly contemporary successor to the best-selling ECCO Biom® Hybrid 3 range.

The 2021 collection will be the most wide-ranging to date and will be supported by a marketing strategy which includes comprehensive global guidelines and an updated brand bible to ensure that all consumer-facing content follows the same targeted, brand-driven approach. And, as always, ECCO Golf's success will be strengthened across the globe by our partners and our brand ambassadors like Henrik Stenson.



ECCO's clean, care, and protect products.

## ECCO ACCESSORIES

In 2020, ECCO Accessories transferred the leather goods activities to ECCO Leather.

We focused on our clean, care, and protect business and developed and tested a new generation of successful shoe-care products.

After very positive feedback from the test markets, the new line will be rolled out during 2021.

ECCO Accessories also analysed the global market demand for sock collections and developed new ranges, and also found some new suppliers. Again, the aim is to roll out the new products globally during 2021.

Our organisation has also studied ways of improving the visual merchandising activities, including new displays, visual material, and videos. Training has always been a core part of ECCO Accessories' activities and will continue with webinars and ECCO's Retail Academy.

After the transfer of the leather goods activities, the organisation has been reduced and streamlined.







*ECCO shopper bags made of upcycled leather.*

## ECCO LEATHER GOODS UNIT

The newly established ECCO Leather Goods Unit will relaunch the leather goods product category as a long-term growth contributor for ECCO.

ECCO Leather Goods Unit is taking a holistic approach to the leather goods business: with defined aesthetics and consumer-driven products, upgrading craftsmanship to position the product category in the premium market segment, creating thoughtful and rational products to complement ECCO's brick and mortar shops, with an omni-channel strategy for an integrated shopping experience.

ECCO Leather Unit is located within the ECCO Leather headquarters in the Netherlands to leverage ECCO Leather creativity and material innovation. Also, the September opening of a state-of-the-art leather goods atelier in ECCO Leather headquarters opens up possibilities for research, development, collaborations, agile testing, and upscale designs. The full Autumn/Winter 2021 collection with a new generation of leather goods will be available in our shops and online in August 2021.



# PRODUCT COLLABORATIONS

As a modern, industry-leading Danish brand, whose design, engineering, and production are integrated across our entire supply chain, ECCO delivers innovations in style, quality, and shoe performance to a wide range of consumers worldwide. Collaborations with notable designers and brands are an increasingly important part

of ECCO's activities because they often produce limited edition footwear with trend-setting stylistic innovations.

ECCO continued collaborations with several exclusive brands in 2020.



## STONE ISLAND

There is a well-established mutual respect between the design and development teams of Stone Island in Italy and their counterparts at ECCO in Denmark. The partnership has embedded the ECCO brand into Stone Island's premium flagship stores around the world, and made footwear such as ECCO Exostrike, ECCO ST.1, and ECCO Zipflex popular with Stone Island's quality-conscious consumers.



## ECCO X MINOTAUR INST.

In developing the ECCO X Minotaur Inst. Collaboration, ECCO's cutting-edge footwear technologies and premium leathers were combined with a free-spirited Japanese design philosophy, which produced footwear uppers for three of ECCO's shoe types, designed in a relaxed style, with playfully futuristic details. The innovations, with high-end and street-style aesthetics, were jointly developed by ECCO's design team and Eiichi Izumi, founder of Minotaur Inst.

The limited edition collection includes two skateboarder-style versions of the ECCO Kyle, a fresh take on the iconic 'fast hiking' ECCO Exostrike boot, and a new twist on the ECCO Biom® Street inspired by the foot movements of barefoot runners.



#### THE LAST CONSPIRACY

The Last Conspiracy's edgy Nordic look combines with ECCO's minimalist style in a collaboration between two progressive brands that produced a monochrome limited-edition collection of premium leather footwear with a balance of dark and light elements. Based on the ECCO Flexure, ECCO ST.1, ECCO Exostrike, and ECCO Flowt platforms, these variants have become so popular that they enjoy never-out-of-stock status.



#### NORWEGIAN RAIN

Released in 2019, ECCO X Norwegian Rain marked a collaboration that added something unique to the tailored waterproof brand's offer – a limited-edition collection of hybrid leather zip boot variations based on ECCO's pioneering ECCO ST.1 footwear. These comfortable boots have sleek, minimalist lines and are available exclusively in selected shops in Norway, France, Japan, and China.

# RESEARCH AND DEVELOPMENT

Technology has evolved from a business enabler to a critical driver of change. In today's rapidly changing environment, ECCO unlocks our potential by continuously making innovative improvements throughout the business.

ECCO's R&D team consists of shoe professionals and specialists, all focusing on contributing to the creation of new generations of ECCO shoes. Disciplines such as material science and chemistry, biomechanics, and cost engineering are combined with traditional shoemaking, 2D and 3D engineering, rapid prototyping, last and mould development, and injection techniques to create new products. To be able to keep seeking out new innovative technical solutions, ECCO in 2020 added a new R&D centre to our facilities at the headquarters in Denmark. The new centre, which is designed to reflect the reality of the future factory space, is built to provide ECCO's highly specialised R&D team with a workspace where productivity, creativity, and wellness can flourish.

## FACTORY 2025

ECCO's test factory, Factory 2025, is an important element in ECCO's response to recent years' changes in consumer behaviour. The test factory, which is located at our headquarters in Denmark, is a highly automated unit, which enables us to act fast and respond to changing trends in the shoe industry.

Factory 2025 combines ECCO's many years of experience with high-tech innovations. The expectation is that the factory will be able to communicate with our operations globally, allowing us to adjust the production quickly and flexibly across the Group, whenever necessary.

In 2020, the scope of Factory 2025 was increased, and processes were further refined in order to meet ECCO's standards for high-quality shoes.

The advanced systems allow for real-time monitoring and measuring of elements in the shoemaking process at the test factory. This new level of clarity will allow even more detailed analyses of our environmental footprint.

During 2021, ECCO will start to ramp up and scale the Factory 2025 for test production.

## INTELLECTUAL PROPERTY RIGHTS (IPR)

In 2020, we increased our portfolio of intellectual property and invested in no less than 18 brand new patent families, covering new technical solutions invented by our own highly specialised staff – most of whom were brought up and trained inside the ECCO Group.

The level of novel technology combined with the number of patent applications filed is the highest in ECCO's history.

The technical areas in scope for the increased development focus and covered by the new IP investments vary within all parts of the company's value chain and relate to a number of important areas like alternative materials and state-of-the-art manufacturing technology – machinery and methods – green technology, as well as direct product-related technology created for the purpose of adding new technical features to the end consumer products – all in order to further boost ECCO's competitive advantages and strength within the industry and corporate values.

## PRODUCT COMPLIANCE

Being a global company, ECCO faces individual market demands with a constantly increasing number of laws and regulations to product compliance. Based at headquarters in Denmark, ECCO's product compliance team captures challenges from the moment a product is born, focusing primarily on chemicals, labelling/certification, and physical requirements related to footwear. Our team works with a strong link to ECCO's key markets, ensuring that upcoming requirements in regulations are assessed proactively at an early stage.





*ECCO's new Research and Development facility at the headquarters in Bredebro, Denmark.*



New ECCO Factory in Bau Bang, Vietnam.

## ECCO SHOE PRODUCTION

A key challenge in 2020 was to ensure that our employees would be as safe as possible from COVID-19 and so, rigorous health-check procedures were set up in all of ECCO's shoemaking facilities. These included the provision of protective gear, screening all employees, and acting immediately to isolate anyone showing signs of the virus.

The pandemic had a rapid effect on production at ECCO's factory in Xiamen, which was the first factory to be closed down for periods. The delivery of materials from our Chinese suppliers was also severely disrupted.

There were predictable cancellations of shoe orders for the 2020-2021 Autumn/Winter seasons, and ECCO replanned production and deliveries to meet the remaining orders on time despite the continuing pandemic.

It was necessary to reduce production by cancelling night shifts at our European factories, and shifts were reduced at our Asian factories. Other cost controls were also put in place.

On a positive note, ECCO's new factory in Bau Bang, Vietnam, was completed on time and on budget in September 2020, and it will initially provide uppers to our other montage factories.

### HOW ECCO HANDLED COVID-19 IN INDONESIA

In June 2020, ECCO Indonesia received an award from the government-operated Sidoarjo General Hospital for supporting the hospital and the community in its care for COVID-19 patients, and for following strict pandemic protocols. ECCO's efforts reduced the risk of catching the virus for our many thousand employees and their families.

In the early stages of the pandemic in Indonesia, face masks were very hard to obtain locally, so ECCO Indonesia sourced and donated medical masks and disposable hazmat suits at a time when the local hospital was struggling to obtain them for especially doctors and nurses.

ECCO also produced in-house, washable cloth masks and full-face shields with movable visors. This was possible because the pandemic reduced demand for stitched uppers, meaning that our employees could use their skills to make masks and shields. The Sidoarjo COVID Committee paid ECCO a visit, and ECCO was subsequently authorised by the Head of Customs to produce this vital equipment.

ECCO Indonesia also implemented COVID-19 risk reduction measures including temperature screening at the entrance of the plant, providing masks to be worn by all employees,



After almost ten months of construction, ECCO's employees were able to move into ECCO Vietnam's new facilities.

making mask wearing mandatory, temperature spot checks during the working shifts, and social distancing.

Proactive education was provided for all of our employees and families, supported by COVID-19 related flyers, posters, and banners. The management distributed temperature sticks for all employees, to be used at home, and provided hand washing soap with six washable and reusable cloth masks as an option for our employees and their family members.

The Sidoarjo General Hospital stated that ECCO's support had been a big help for the community, and had helped the government to reduce the effects of the pandemic using health protocols including rapid infection testing of our employees and their families by the military medical corps. This improved the early detection rate. The hospital also complimented ECCO on the design of the masks and shields, and on ECCO's monitoring of our employees and family members through an online Employees Daily Journal.

With over 6,800 employees and their families, ECCO helped to protect and educate more than 40,000 people in the community, which the hospital said removed a significant burden from them.





## ECCO LEATHER

ECCO Leather's creative studio in Dongen, the Netherlands, continued to drive innovative leather development. 2020 was a year in which to work together and not slow down. From a joined initiative between designers, technicians, and sales, ECCO Leather accelerated innovation through new digital initiatives whilst further exploring storytelling opportunities.

The COVID-19 crisis was an obvious reason for moving ECCO's annual creative leather festival The HOT-SHOP online. However, it also created the opportunity to experiment with a long-held dream of working remotely on leather design and doing custom developments with short lead times and less waste. From the starting point of co-creation, the digital interactive platform was developed in just six weeks enabling a 24/7 livestream connection with ECCO's tannery in Dongen, the Netherlands. Virtual meeting rooms and live sessions allowed all participants to connect and work on designing leather concepts. The transfer of each design to the real world was made by ECCO's designers and technicians at the tannery. This year's disruptive edition became an experiment and a source of inspiration to consider designing on demand, the future basis for leather development.

ECCO Leather's design philosophy is to create an industry built around conscious development and customisation rather than producing waste. Aimed at continuous improvement and change, the cutting-edge innovation

DriTan™ paves the way to move forward. Having received numerous innovation awards, the continuous development of this ground-breaking technology sets standards high.

'1017 ALYX 9SM' founder Matthew Williams continuously underlines the importance of connecting with the industry's most advanced companies, highlighting the need to work responsibly and therefore choosing ECCO Leather. ECCO Leather's DriTan™ technology is specifically highlighted by leading brands as a sustainable process.

In this light, the continuation of ECCO's vegetable tanning development, the ECCO Neo Natur leather shows that by taking the essence of an ancient tanning technique and modernising this originally lengthy method, development time is substantially shortened, just as the required amount of organic tanning ingredients is considerably reduced. ECCO Leather's vegetable tanning is a new original, recognisable for its softness, heightened stability, and lightness in weight in comparison to traditional vegetable tanned leathers.

The request for metal-free leather is rising. Maintaining the ECCO Leather standard, each newly developed technique needs to maintain the true look and feel of leather. Creating metal-free tannages means sourcing new ingredients and creating a new identity. From a careful composition of synthetic tanning agents, ECCO developed a new range of lightweight and ultra-soft leathers.





'We humans have used leather for many centuries – and for many purposes. It's strong, durable, and very beautiful,' says Panos Mytaros, Executive Vice President and responsible for ECCO's leather activities. 'And as pointed out by Michael Burke, CEO of Louis Vuitton in an eloquent statement about leather, it is a good example of the circular economy, as it is an example of a waste product being re-used.'

Taking responsibility for working with organic resources and the development of natural leathers, ECCO Leather is currently investigating the compostability of all of our leather ranges. According to the internationally set ISO standard, all of ECCO's leathers are confirmed to be biocompostable under the right conditions. ECCO Leather will continue to underline the importance of leather education and communicate how we take constant steps in improving all tanning techniques, executed to a level of perfection.

The success of continuous collaborations and the need for digital availability of leather knowledge and education were highly present in the continuation of ECCO's Collection Premiere, where ECCO streams product launches and brand information to our sales organisation and other relevant stakeholders. The approach, a digital connection between ECCO's global offices and ECCO Leather's tannery in Dongen, created a link between the latest leather innovations, providing insight through educational videos.

ECCO Leather is in the middle of a materials revolution to change the perspective of leather versatility. In collaboration with ECCO, Porter Yoshida & Co released their 85<sup>th</sup> anniversary project, 'Porter Free Style Dyneema® Leather'. Based on the 'Free Style' series, this is the first Japanese bag brand to use our FSDX Dyneema® fused leather created with DriTan™ technology. The brand's key take-away was a bag crafted from high-quality leather and at the same

time offering unprecedented lightness, durability, and comfort.

The continuation of ECCO's collaboration with Stone Island also celebrates Indigo infused with FSDX Dyneema®. State-of-the-art leather developments are recognised for their extraordinary dyeing techniques and maintained leather appearance and endurance whilst being paper thin.

Further challenging the traditional perception of leather, ECCO Leather will drive a continuous force bringing new leather identities to market. In this light, the establishment of a specialised Product Development team will strengthen ECCO's efforts to deliver the unexpected results and further engage in existing and new collaborations with international brands.



*ECCO's beamhouse in Dongen, the Netherlands.*

## ECCO TANNERY GROUP

Always pushing boundaries to do better for our consumers, our employees, and for the environment, ECCO in 2020 continued to invest heavily in continuous upgrades of our tanneries.

One of the main achievements in 2020 was the completion of a new fleshing and splitting line in ECCO's beamhouse in Dongen, the Netherlands.

Continuous focus on environmental improvements also led to a general refinement of the waste stream management of the tannery. An example is a separation technology installed to separate fat and protein prior to the generation of biogas. The technology, which will enable an increased production of renewable energy, is yet another step towards ECCO's ambition to make the tannery energy-neutral.

In the area of leather processing, ECCO is investing in a new drying technology for the leather processing, which uses smart application of physical principles to dry leathers quickly and with no waste of energy. The result of the investment is expected to be put into operation early 2021, starting with an installation in the tannery in Dongen.

Despite strict travel restrictions, ECCO was able to implement a fully integrated finishing line at our tannery in Xiamen, China. The new finishing line uses the most advanced finishing technology available, enabling ECCO to significantly upgrade materials and reduce waste.

In parallel, ECCO continues to reduce the use of chemicals, e.g. via refinements of chemical applications, continued development and application of a biocide-free process, and further implementation of the DriTan™ process.

DriTan™, a water-efficient step in the tanning process, is one example of ECCO's approach to improving the eco performance at our state-of-the-art tanneries in the Netherlands, Thailand, China, and Indonesia. The next level of the long-term strategy towards water-free tanning is the invention of DriTan™ 2.0, which paves the way for major chemical reductions and with that a reduced environmental impact. ECCO is determined to use the findings to make a positive contribution to the leather and shoe industries. Together with peers from the industry, ECCO is already investigating the potential of DriTan™ to see if the technology is sufficiently versatile to be applied to operations outside of ECCO.





## ECCO CARES ABOUT OUR CONSUMERS

Our task is to continuously develop unique new products that satisfy our consumers across the world.

It is therefore of utmost importance for ECCO to understand our consumers' expectations. Some of this can be derived from analysis of sales data, but much is garnered from an ongoing dialogue – in the shops and on the net.

It is also important to make the buying experience positive. It must be easy to find the pair of shoes you want, easy to try them on, straightforward and simple to buy, and the delivery – in the shops or to home – must be efficient and fast.

ECCO knows that our employees are the key to meeting the wishes of our consumers.

They have the daily consumer contact, and ECCO strives to give them lifelong education and training to help make them successful in assisting the consumer.

To make shoes is a complex operation and demands craftsmanship. We acknowledge that our employees are key to delivering premium-quality products that live up to our high standards. From designers and product developers

over leather and stitching experts to quality controllers and logistics employees - they all have a role to play.

In many of our factories, several generations work alongside each other – and often, whole families are employed. This creates continuity. In ECCO, our staff turnover is low. In ECCO's largest factory in Indonesia with 6,800 employees, less than 3% leave every year.

Another example is ECCO's headquarters in Denmark, where every year nearly 10% of our staff can celebrate anniversaries of between 10 and 40 years of employment.

In ECCO's annual engagement survey, 2,698 employees representing all business units in the Group were asked if they find their jobs meaningful - 89% replied 'yes'.

In our opinion, this is what makes good shoemaking.



ECCO Soft, 1982

#### 102 YEARS OF COMFORTABLE WALKING

Irmgard Balle, in a yoga pose at her home, is 102 years old and she has always walked a great deal. Like many Danes of her generation, she has preferred ECCO shoes most of her life. Following different trends and needs, Irmgard is living proof that ECCO is a brand that embraces everybody.

In her work life, she would walk the two kilometres to and from her job as a bookkeeper at a nearby sugar factory. 'I remember in the 1970s, when the foot-shaped ECCO Joke shoes became popular. They were excellent for walking,' Irmgard recalled. 'Later in life, I would choose more classic shoes, and I have always worn ECCO shoes because of the comfort they provide for my feet.'

Nowadays, Irmgard prefers shoes without a heel and has lately been a huge fan of the ECCO Soft. 'Yoga has made me more aware of my body, she said, 'and the ECCO Soft gives good support around the arch, space for the toes, and a comfortable balance for the body in general. I have walked a lot and also worn out a lot of ECCO shoes!'



## ECCO CARES ABOUT OUR EMPLOYEES

ECCO wants all of our employees to enjoy working for us. Therefore, we constantly invest in introduction programmes for new factory workers and advanced training for others.

Making shoes is a complex process demanding knowledge and craftsmanship, and these employee programmes support their education and skills right through their working lives with ECCO.

Despite COVID-19, awareness and safety precaution training remained important activities in ECCO's factories and tanneries throughout 2020, as did ECCO's internal training and education programmes.

More than 20,000 of our employees took part in over 200 different types of internal training modules and courses at our on-site training centres, or in on-the-job training led by experts. The total number of training hours in 2020 was 500,000, the equivalent of 65,000 working days, at our factories in China, Indonesia, Thailand, Vietnam, Portugal, and Slovakia.

In ECCO's administrative, sales, and retail operations, more than 1,000 of our employees participated in training and educational activities during 2020.

In collaboration with Nottingham Business School, which is part of Nottingham Trent University, ECCO offers a tailored educational programme to many of our employees to

develop their competencies, which has boosted ECCO's ability to identify and execute strategic and operational objectives.

In 2020, this programme's Digital Commerce module was further developed and renamed Digital Transformation, and an agreement is being finalised with the university to link ECCO's programme to the university's MBA degree course. The majority of modules were postponed in 2020 due to the pandemic, but began again in January 2021.

Since the launch of this programme in 2017, more than 200 of our employees from across the business have participated in one or more modules.



#### WOMEN'S PARTICIPATION IN ECCO'S MANAGEMENT

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

ECCO disagrees for two reasons:

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

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

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

ECCO's long-term aim is a 35%/65% female/male ratio at management level, with a minimum of one third of senior management positions to be held by women.

At the end of 2020, the company was very close to meeting this target. Across the company's +250 top management as a whole, 93 were women (34%) and 184 were men (66%).

ECCO furthermore has a target of at least 25% female representation of the Supervisory Board, which is elected by the Annual General Assembly. At the end of 2020, ECCO had 17% female representation. The Board regularly reviews the policy relating to women in management.



Children at the Wat Pho Hom School in Thailand with clothing and school accessories from ECCO Thailand.

## ECCO CARES ABOUT OUR LOCAL COMMUNITIES

Since 1963, ECCO has strived to contribute to better lives for our employees, their families, and their local communities. This aim was fundamentally important to ECCO's founders, Birte and Karl Toosbuy, and has been a priority to the family ever since.

This is why, from the very beginning, ECCO has encouraged our units around the world to support their local communities whenever they can, for instance by giving grants, either directly or via local organisations, to improve well-being and education.

Over the years, ECCO has supported numerous projects to strengthen infrastructures across the world. To further support the local communities in which ECCO operates, donations have been made to libraries, school supplies, sports activities, and medical assistance.

Several of ECCO's production units designed, produced, and shipped face shields to medical workers battling the COVID-19 outbreak. In Indonesia, ECCO produced 100,000 washable and reusable masks, and full-face shields for public servants.

In Panama, ECCO made substantial shoe donations in cooperation with a non-profit local organisation 'Heroes

de Blanco' to support healthcare workers at two of the largest public hospitals in Panama City in the fight against COVID-19.

In Russia, ECCO donated 400 pairs of shoes to medical staff at the Tarusa hospital in the Kaluga region, and the Solnechnogorsk Central Regional Hospital, Moscow.

At ECCO Xiamen's facility in China, a group blood donation was organised, and approximately 200 of our employees registered to donate blood to Xiamen's Blood Station.

ECCO Xiamen also received an award from the local government for providing job opportunities for a higher number of physically challenged people than legally required. ECCO donated the award money to the Tong'an Handicapped Federation, just before the Chinese New Year, to buy food gifts for local people with disabilities.

ECCO Vietnam collaborates with a local university to offer their students practical experience. In 2020, ten interns were offered a traineeship with ECCO following their graduation.

In Portugal, ECCO supplied two local schools with computer equipment so that underprivileged children could take part in virtual schooling while the schools were closed.





*ECCO Tannery employees volunteering training to students at the Wat Kaew Ta School in Thailand.*

Similarly, ECCO in Slovakia donated unused company computers to our employees to enable their children to participate in online education.

#### THAILAND

ECCO Thailand has a history of supporting the local community during crises. In 2011, during the worst flooding in Thailand for 60 years, the factory and our facilities were under 3m water for three months. ECCO Thailand organised food, water, and shelter for employees, their families, and many from the local communities during this very difficult time. In return, the employees rescued equipment and cleaned up the factory to help bring it back into operation.

During the first wave of the pandemic, ECCO Thailand strived to keep our staff safe and healthy, and extended ECCO's care to other local communities by setting up pantries which supplied cooking sauces, rice, toothpaste, toothbrushes, and other goods.

ECCO made a donation to the Mirror Foundation to support families in need during the COVID-19 crisis. Working together, they helped underprivileged Thais with food and clothing. ECCO also donated equipment and furniture for a first aid room in a local school to deal with children who fell sick

during the pandemic. The donation included beds, closets, and first aid equipment.

ECCO is committed to supporting local initiatives that promote a culture of lifelong learning – not least among our employees' children. As a result, ECCO Thailand provided 32 scholarships for them, covering a range of school and higher learning contexts.



## ECCO CARES ABOUT THE ENVIRONMENT

Manufacturing relies on the use of natural resources. According to data analytics group Statista, the global shoe industry produces 20-25bn pairs of shoes per year<sup>1</sup>, and this creates around 700m metric tonnes of greenhouse gases, which is about 1-3% of the world's total carbon emissions. Furthermore, 92bn metric tonnes of waste<sup>2</sup> is generated.

ECCO has, for many years, strived to minimise our impact on the environment. ECCO is one of the very few in the shoe industry that controls the entire supply chain. Originally,

this was done to be able to deliver what our consumers wanted: genuine products of high quality, comfort, and longevity. In addition, controlling the entire supply chain has given ECCO the ability, year after year, to reduce the impacts on the environment.

From the early years, ECCO focused on reducing waste and recycling it where possible. We continue to invest in machinery and processes to reduce energy consumption and have installed solar and photovoltaic panels at many



of our factories to produce greater quantities of clean energy. Furthermore, ECCO has developed and patented methods to reduce water consumption.

<sup>1)</sup> [www.statista.com](http://www.statista.com)

<sup>2)</sup> [www.quantis-intl.com/](http://www.quantis-intl.com/)

## RECYCLING

ECCO's efforts to identify ways to manage waste streams continued in 2020 and led to 70.9% of recycled and recovered waste at ECCO's shoe factories, and 64.5% at our tanneries. ECCO is equally focused on recycling right through the value chain and whenever possible, by-products and waste products are transformed into new materials, which creates better environmental outcomes and boosts monetary values.

In 2020, there was a significant improvement in waste stream management at ECCO's tannery in Indonesia, where more than 1,300 tonnes of fleshings were upcycled into proteins.

In Portugal, part of the factory's polyurethane waste is ground and mixed with cork to produce a composite product which can be used for purposes such as insulation.

Another important step in ECCO's improved waste management came at ECCO's tannery in Xiamen, China, when we provided some of the chrome-free sludge to a brick manufacturer. This initiative was launched in February and, so far, more than 65% of our tannery's chrome-free sludge was reused instead of going to landfill.

In Thailand, our tannery reached their target of zero landfill production waste.

Throughout 2020, we installed new hair removal processes in our tanneries and are now able to remove hair from the waste water. This means that the cleaning of the waste water is simpler and requires fewer resources. The hair can also be upcycled and turned into new materials, such as shoe components or inlay soles, and ECCO is currently testing these potentials.

ECCO entered into a pioneering collaboration with the Finnish material innovation company, Spinnova, which will bring new materials and product concepts to the market. In one project, leather-based textile grade fibres are generated in a waste-free environment using minimal energy consumption and no harsh chemicals. These fibres can then be converted into non-woven materials or yarns using conventional textile technologies and this can lead to the production of unique materials for the footwear, clothing, and accessories industries. Initially, the collaboration will concentrate on recycling leather waste from our factories, but will also develop ways to use leather components from end-of-life consumer products as raw materials in a circular economy. This technology is still in the development phase, but ECCO and Spinnova are working towards a commercially scaled production.



## ENERGY

ECCO invests in reducing our use of fossil fuel. Since the first generations of solar panel technology installed on the rooftops in Thailand in 2013, ECCO has implemented several initiatives to further reduce our energy footprint. The installation of photovoltaic arrays at the Xiamen factory in 2020 produced 2.8 GWh of electricity in its first full year of operation, proving solar energy to be a viable and sustainable energy source going forward.

Building on this success, ECCO installed photovoltaic arrays at our new production plant in Vietnam in 2020, with an expected output of approximately 1 GWh per year. This installation has already added 530 MWh to the renewable energy production in the second half of the year, and another photovoltaic installation is planned for 2021.

In 2020, we thoroughly renovated our installations for turning leftovers from the tanning process into biogas at our tannery in Dongen, the Netherlands. This is expected to produce a significant increase in the production of biofuel in 2021, compared to 2019 levels.

## WATER

After introducing the first phase of ECCO's innovative DriTan™ technology in 2018, this water-efficient technology has been rolled out to all of the Group's leather production facilities – and has produced major reductions in the use of water and energy, chemicals, and the production of waste water and sludge.

DriTan™ 1.0 challenged traditional thinking in the tanning industries, but ECCO's search for water-free tanning continued in 2020 with the rollout of DriTan™ 2.0, which reduces the waste streams and the amount of chemicals used in several steps of the tanning process. DriTan™ 2.0 was installed at ECCO's tannery in Indonesia, before being rolled out to the other leather production facilities, and immediately achieved significant chemical and sludge reductions. ECCO is aiming to complete installations of DriTan™ 2.0 at our tanneries by the end of 2021.

ECCO wants to develop leather-making processes to achieve net zero water use, and we are now collaborating with Bioscavenge, a specialist in water purification and recycling techniques. By applying the latest water purification techniques to our waste water treatment systems, we aim to close the 'water-in and water-out' loop at our tanneries. ECCO also hopes to harvest potentially valuable substances from our effluents, and this was being evaluated in 2020.

## FUTURE GOALS

ECCO has already reduced the impact on the environment in several fields, but realises that more needs to be done. The overall aim is to ensure that every new shoe we produce pollutes less than the previous one.

This increasingly intense focus on environmental performance led to the appointment of one of ECCO's most senior directors to lead an Environmental Task Force, which will focus solely on integrating sustainability systems throughout the entire company. The new Environmental Task Force, which started in 2020, will initially define our current environmental baseline and coordinate the effort to reach the goals set.

Our headquarter complex will be the first of ECCO's many global offices to become energy-neutral, and the target is to make our headquarters energy-neutral by 2024.

Next, ECCO will undertake to increase recovery of waste to 90% by 2026.

In 2028, we expect to be able to operate on the basis of renewable energy.

Subject to technological developments, ECCO has put 2030 as our target for operating with closed-loop water systems and use only bio-based, recycled, or recyclable chemicals and substances.

# 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.

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# 2026

## **WASTE**

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

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# 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.

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# 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.



## RISK FACTORS AND RISK MANAGEMENT

ECCO is exposed to a number of business risks that may adversely impact our ability to reach our financial and strategic objectives. In 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 other pandemics, as the present, 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 massive, 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 2020, the human factor was a key focus area. 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.

### TAX RISKS

The global tax policy landscape has undergone dramatic changes over the past several years and continued to do so in 2020, driven by the UK Brexit, OECDs proposals in relation to the taxation of the digital economy and transfer pricing challenges related to the COVID-19 pandemic.

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 most 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 has in place a bilateral advance pricing agreement between Denmark and Indonesia, and has requested a similar agreement between Denmark and the US as well.

#### INTERNAL SUPPLY CHAIN DISRUPTION

In 2020, the COVID-19 pandemic was a significant threat to ECCO's internal supply chain, but its effects were reduced because we own or control the entire shoemaking and sales process, from the tanning of hides, to shoe production, and sales of products to our consumers.

This means that ECCO's tanneries, factories, and shops are co-dependent, and a disruption in one area may adversely affect the entire value chain and, most notably, sales to consumers. For example, a factory fire or natural catastrophe could significantly affect the Group's operations. ECCO's prepared mitigations include measures to prevent fires, various contingency plans, and suitable insurance cover.

#### ANTI-CORRUPTION & ANTI-BRIBERY POLICY AND PROGRAMME

Operating as a global company, ECCO is exposed to various risk levels. ECCO maintains a rigorous policy to avoid and prevent corruption and bribery. In 2020, the policies were further implemented throughout the Group with specific focus on rolling out the programme in Russia. Training of staff continued and in-depth on-site interactive sessions were made.

#### 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 2020, ECCO successfully enforced our IPR in many jurisdictions, leading

to cancellation of third-party registrations, compensation, stopped sales, and acknowledgement of ECCO's rights.

In 2020, ECCO invested significantly in innovations, and these are protected by patent applications.

#### IMPACT FROM FINANCIAL MARKETS

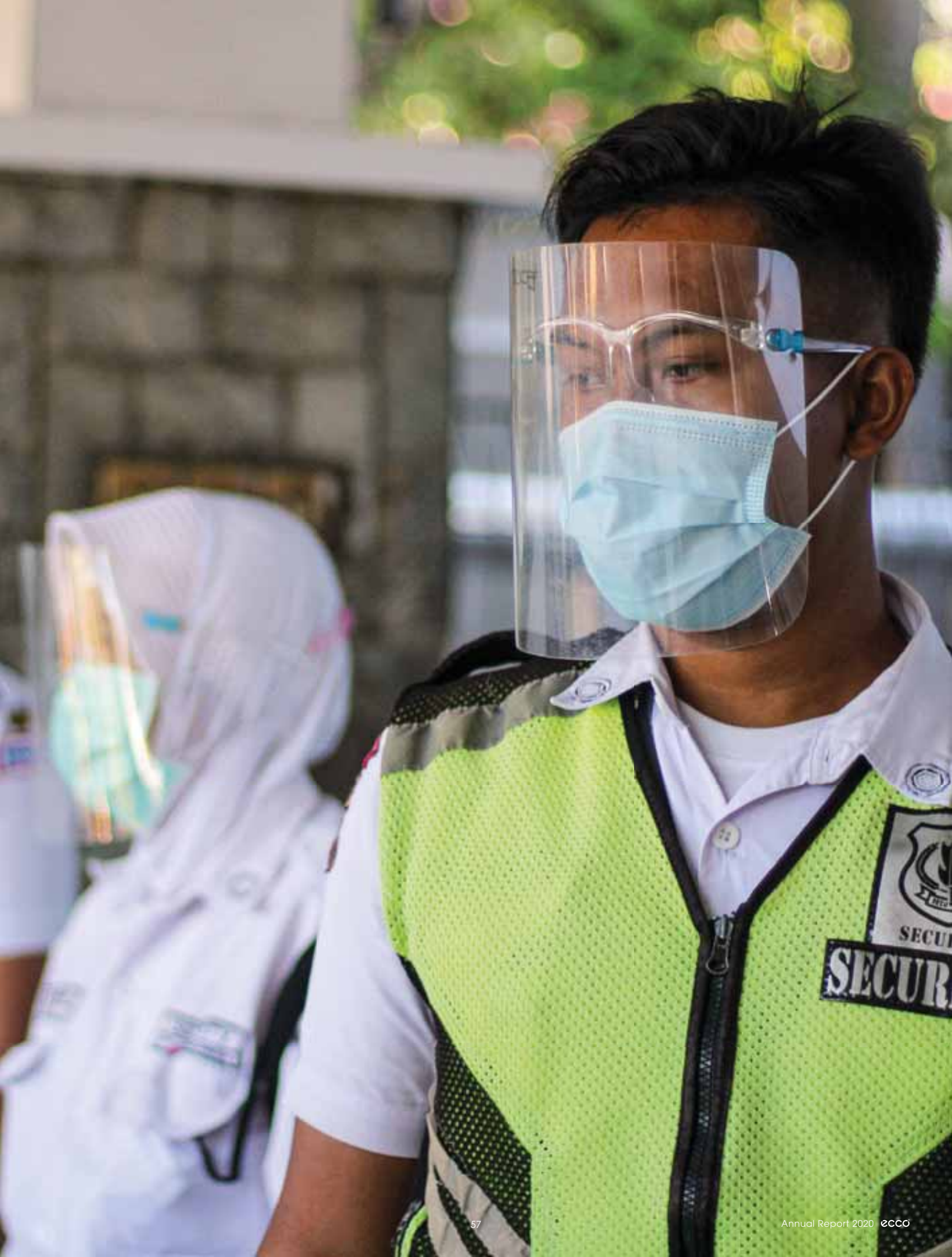
ECCO's Corporate Treasury has overall responsibility for financial risk management, arranging currency hedging and ensuring adequate credit facilities to mitigate fluctuations in Net Working Capital, if needed, and to even out sales patterns that traditionally have two annual peaks. ECCO maintains an 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.







# 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.

ECCO has set up a system, where any breaches can be reported anonymously to:  
**[codeofconduct@ecco.com](mailto:codeofconduct@ecco.com)**.

# eCCO<sup>®</sup>

## CODE OF CONDUCT

### THE 10 COMMITMENTS

1. ECCO is a guest in each of the countries in which it operates and respects the local culture.
2. ECCO supports, respects, and takes a proactive approach to protecting internationally defined human rights.
3. ECCO respects equal opportunities and fights discrimination in the workplace.
4. ECCO respects the individual's right to religious freedom.
5. ECCO respects the right to freedom of association.
6. ECCO wishes to provide employees with a workplace free of harassment or abuse and condemns any form of enforced labour.
7. ECCO supports the UN Convention on the Rights of the Child.
8. ECCO provides training, education, and further development of human resources at all levels.
9. ECCO aims to be a leader within the environment, health, and safety and supports sustainable development.
10. ECCO wishes to ensure that it complies with all relevant laws and regulations.



Steen Borgholm  
Chief Executive Officer



Panos Mytaros  
Executive Vice President, Global Shoe Production



Michel Krol  
Executive Vice President, Global Sales

The standards for ECCO's corporate sustainability ambitions were set out by our founder K. Toosby in the Code of Conduct in 1999 and revised in 2006 and 2010.



## CODE OF CONDUCT AUDITS

ECCO's Code of Conduct is the backbone of ECCO's business ethics and a tool for us to ensure compliance and good working conditions for our employees. Therefore, on-site audits are carried out at ECCO's shoe factories, tanneries, and suppliers to ECCO to monitor standards relating to issues including chemical management, emergency actions, energy and water savings, working hours, discrimination, respect of different cultures and religions, and freedom of association.

The pandemic imposed restrictions to our ability to carry out the full number of audits planned for 2020, and audits were put on hold until 1 July to ensure the safety of our employees and auditors. Nevertheless, 123 supplier audits were completed in 2020, and five on-site audits were carried out at our tanneries, shoe factories, and Research and Development facilities in 2020.

ECCO owns six state-of-the-art shoe production facilities and four tanneries and controls the vast majority of our supply chain. In addition, we rely on suppliers to provide materials such as uppers, thread, laces, inlay soles, and chemicals used in connection with the manufacturing of our leather, shoes, and accessories.

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

Our Code of Conduct audits identify evidence of both good practice and situations where improvements must be made.

ECCO's Managing Board reviews the results of the audits and, in the event of significantly negative findings, immediate action is taken. In extreme cases, ECCO has terminated collaborations with suppliers. In 2020, 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. In 2020, the Code of Conduct training programme was adjusted to fit the circumstances caused by COVID-19. ECCO also provided extra auditor training concerning self-protection against the virus during audits.

ECCO collaborates with an external audit company, Bureau Veritas, which 'shadows' ECCO auditors and checks on the performance and validity of the audits. These independent assessments of ECCO's Code of Conduct audit system cover factors including policy, procedures, and audit training programmes.

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



## ECCO BUSINESS MODEL







**ecco<sup>®</sup>**

ANNUAL ACCOUNTS 2020

# 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 2020.

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 2020, 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 2020.

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, 18<sup>th</sup> March 2021

## SUPERVISORY BOARD



Hanni Toosby Kasprzak  
Chairman



Karsten Borch  
Vice Chairman



André Kasprzak  
Member, Supervisory Board



Tom Behrens-Sørensen  
Member, Supervisory Board



Erik G. Hansen  
Member, Supervisory Board



Lars Hemming  
Member, Supervisory Board



Kjeld Mortensen  
Employee Representative



Gitte Jochimsen  
Employee Representative



Bernd Schreelke  
Employee Representative

## MANAGING BOARD



Steen Borgholm  
Chief Executive Officer



Michel Krol  
Executive Vice President, Global Sales



Panos Mytaros  
Executive Vice President, Global Shoe Production





*ECCO's Managing Board, from the left: Executive Vice President, Global Sales, Michel Krol; Chief Executive Officer, Steen Borgholm; and Executive Vice President, Global Shoe Production, Panos Mytaros.*

# 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 2020, 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 cashflow 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 2020 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 2020 in accordance with the Danish Financial Statements Act.

## BASIS FOR OPINION

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

## INDEPENDENCE

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

## MANAGEMENT'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

#### STATEMENT ON THE MANAGEMENT'S REVIEW

Management is responsible for the Management's review.

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

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

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

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

Bredebro, 18<sup>th</sup> March 2021

EY Godkendt Revisionspartnerselskab  
CVR No.: 30 70 02 28

  
Torben Bendix  
State Authorized  
Public Accountant  
MNE no. mne21333

  
Morten Østergaard Koch  
State Authorized  
Public Accountant  
MNE no. mne35429

# INCOME STATEMENT 2020

Note	EUR '000	Group		Parent Company	
		2020	2019	2020	2019
<b>2</b>	<b>Net revenue</b>	<b>1,092,470</b>	<b>1,359,722</b>	<b>616,796</b>	<b>723,306</b>
	Change in inventories of finished products and work in progress	46,135	5,960	(9,945)	(4,157)
	Cost of raw materials and consumables	(400,344)	(457,402)	(500,527)	(567,696)
3	Other operating income	12,283	-	-	-
	Other external costs	(262,616)	(284,744)	(36,317)	(39,717)
4	Staff costs	(368,736)	(365,296)	(50,853)	(51,566)
7.8	Amortisation and depreciation	(68,950)	(57,172)	(16,369)	(11,008)
	<b>Profit before financials</b>	<b>50,242</b>	<b>201,068</b>	<b>2,784</b>	<b>49,162</b>
5	Financial income	3,291	4,617	3,576	5,585
5	Financial expenses	(8,797)	(9,850)	(2,565)	(4,821)
9	Profit from subsidiaries	-	-	(15,439)	75,328
	<b>Profit before tax</b>	<b>44,735</b>	<b>195,834</b>	<b>(11,644)</b>	<b>125,254</b>
6	Income tax	(21,588)	(48,260)	5,231	(12,920)
	<b>Profit for the year</b>	<b>23,147</b>	<b>147,574</b>	<b>(6,413)</b>	<b>112,334</b>
The profit for the year for the Group is specified as follows:					
	Shareholders of ECCO Sko A/S	(6,413)	112,334		
	Non-controlling interests	29,560	35,239		
		<b>23,147</b>	<b>147,574</b>		

# BALANCE SHEET AS OF 31 DECEMBER 2020

Assets Note	EUR '000	Group		Parent Company	
		2020	2019	2020	2019
<b>NON-CURRENT ASSETS</b>					
	Development projects completed	37	-	-	-
	Patents, trademarks, licences	1,662	1,422	1,662	1,421
	Software	18,277	11,022	16,198	9,248
	Goodwill	97,052	4,876	336	225
	Leasehold rights	2,809	3,429	-	-
	Intangible assets in progress	5,794	6,422	5,775	6,422
7	<b>Total intangible assets</b>	<b>125,631</b>	<b>27,171</b>	<b>23,971</b>	<b>17,316</b>
	Land and buildings	147,659	141,457	14,444	15,858
	Plant and machinery	47,603	55,064	3,021	3,351
	Fixtures and fittings, tools, and equipment	39,837	37,749	7,315	5,855
	Property, plant, and equipment under construction	39,864	42,468	15,994	5,083
8	<b>Total property, plant, and equipment</b>	<b>274,963</b>	<b>276,738</b>	<b>40,774</b>	<b>30,147</b>
9/10	Investments in subsidiaries	-	-	604,806	547,763
9	Receivables from subsidiaries	-	-	120,361	67,423
	Other receivables	10,232	11,861	-	-
11	Deferred tax	52,972	55,759	13,576	16,669
	<b>Total other non-current assets</b>	<b>63,204</b>	<b>67,620</b>	<b>738,742</b>	<b>631,855</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>463,798</b>	<b>371,529</b>	<b>803,486</b>	<b>679,318</b>
<b>CURRENT ASSETS</b>					
	Raw materials and consumables	66,121	82,978	938	499
	Work in progress	4,997	6,483	-	-
	Finished products and commercial products	303,806	254,185	56,716	66,661
	<b>Total inventories</b>	<b>374,925</b>	<b>343,646</b>	<b>57,654</b>	<b>67,160</b>
	Trade receivables	105,228	109,596	7,753	18,477
	Receivables from subsidiaries	-	-	120,408	89,240
19	Receivables from affiliated companies	56,307	25,178	55,772	22,759
	Other receivables	51,580	23,662	24,268	6,208
	Income tax	16,978	14,970	4,356	690
12	Prepayments	13,013	12,388	4,323	3,085
	<b>Total receivables</b>	<b>243,106</b>	<b>185,794</b>	<b>216,880</b>	<b>140,459</b>
	<b>Securities</b>	<b>22</b>	<b>27</b>	<b>-</b>	<b>-</b>
	<b>Cash</b>	<b>238,905</b>	<b>251,801</b>	<b>597</b>	<b>11,675</b>
<b>TOTAL CURRENT ASSETS</b>		<b>856,958</b>	<b>781,268</b>	<b>275,131</b>	<b>219,294</b>
<b>TOTAL ASSETS</b>		<b>1,320,756</b>	<b>1,152,797</b>	<b>1,078,618</b>	<b>898,612</b>

# BALANCE SHEET AS OF 31 DECEMBER 2020

Equity and liabilities	Group		Parent Company	
	2020	2019	2020	2019
Note EUR '000				
Share capital	666	666	666	666
Net revaluation reserve according to the equity method	-	-	253,277	343,030
Hedge reserve	1,127	-	3,330	-
Translation reserve	(37,198)	-	-	-
Retained earnings	535,282	576,088	242,604	233,058
Dividend proposed for the year	40,000	72,000	40,000	72,000
<b>ECCO Sko A/S shareholders' share of equity</b>	<b>539,877</b>	<b>648,754</b>	<b>539,877</b>	<b>648,754</b>
<b>Non-controlling interests</b>	<b>146,910</b>	<b>144,781</b>	-	-
<b>Total equity</b>	<b>686,787</b>	<b>793,535</b>	<b>539,877</b>	<b>648,754</b>
13 Provision for pensions	30,872	30,892	-	-
11 Deferred tax	8,509	10,893	-	-
Other provisions	5,487	4,072	-	-
Credit institutions	201,193	60,934	201,999	61,208
Other long-term liabilities	3,434	1,254	3,434	1,192
<b>14 Total non-current liabilities</b>	<b>249,495</b>	<b>108,045</b>	<b>205,432</b>	<b>62,400</b>
Short-term part of non-current liabilities	76,490	21,727	76,490	21,727
Credit institutions	57,372	1,767	53,818	246
Trade payables	54,952	64,462	12,641	15,694
Payables to subsidiaries	-	-	105,526	84,076
19 Payables to affiliated companies	52,238	19,748	62,796	23,548
Income tax	3,495	16,592	-	-
15 Other payables	139,927	126,921	22,037	42,167
<b>Total current liabilities</b>	<b>384,474</b>	<b>251,217</b>	<b>333,308</b>	<b>187,458</b>
<b>Total liabilities</b>	<b>633,969</b>	<b>359,262</b>	<b>538,741</b>	<b>249,858</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,320,756</b>	<b>1,152,797</b>	<b>1,078,618</b>	<b>898,612</b>

- 1 Accounting policies
- 16 Financial instruments
- 17 Contingent liabilities and guarantees etc.
- 18 Fees to auditors appointed at the Annual General Meeting
- 19 Related parties
- 20 Profit allocation
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# STATEMENT OF CHANGES IN EQUITY 2020

GROUP	Share capital	Hedge reserve	Translation reserve	Retained earnings	Proposed dividend	Total	Non-controlling interests	Total equity
EUR '000								
Equity at 1 January 2019	666	-	-	525,700	91,000	617,366	116,809	734,175
Additions	-	-	-	-	-	-	2,548	2,548
Disposals	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	(91,000)	(91,000)	(11,441)	(102,441)
Profit allocation	-	-	-	40,334	72,000	112,334	35,240	147,574
Exchange rate adjustments	-	-	-	15,575	-	15,575	1,625	17,200
Adjustment of currency hedges of future sales and financial swaps	-	-	-	(3,766)	-	(3,766)	-	(3,766)
Actuarial gains/(losses)	-	-	-	(3,230)	-	(3,230)	-	(3,230)
Reversal actuarial gains/losses, begin	-	-	-	-	-	-	-	-
Tax on equity transactions	-	-	-	1,475	-	1,475	-	1,475
<b>Equity at 1 January 2020</b>	<b>666</b>	<b>-</b>	<b>-</b>	<b>576,088</b>	<b>72,000</b>	<b>648,754</b>	<b>144,781</b>	<b>793,535</b>
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)
<b>Equity at 31 December 2020</b>	<b>666</b>	<b>1,127</b>	<b>(37,198)</b>	<b>535,282</b>	<b>40,000</b>	<b>539,877</b>	<b>146,910</b>	<b>686,787</b>

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 2019	666	296,740	-	228,960	91,000	617,366
Dividend paid	-	-	-	-	(91,000)	(91,000)
Profit allocation	-	34,599	-	5,735	72,000	112,334
Exchange rate adjustments	-	15,165	-	410	-	15,575
Adjustment of currency hedges of future sales and financial swaps	-	(1,158)	-	(2,608)	-	(3,766)
Actuarial gains/(losses)	-	(3,230)	-	-	-	(3,230)
Tax on equity transactions	-	914	-	561	-	1,475
<b>Equity at 1 January 2020</b>	<b>666</b>	<b>343,030</b>	<b>-</b>	<b>233,058</b>	<b>72,000</b>	<b>648,754</b>
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)
<b>Equity at 31 December 2020</b>	<b>666</b>	<b>253,277</b>	<b>3,330</b>	<b>242,604</b>	<b>40,000</b>	<b>539,877</b>

# CONSOLIDATED CASHFLOW STATEMENT 2020

EUR '000	2020	2019
<b>Cashflow from operating activities</b>		
Profit before tax	44,735	195,834
Adjustment for non-cash operating items:		
Amortisation and depreciation	68,950	57,172
Exchange rate adjustments	(15,650)	5,647
Financial income/expenses net	5,506	5,233
Working capital adjustments:		
(Increase)/decrease in inventories	4,007	(12,050)
(Increase)/decrease in receivables	(37,989)	20,964
Increase/(decrease) in trade payables	10,925	(8,919)
Increase/(decrease) in other payables	(1,438)	28,649
Increase/(decrease) in provisions	(11,245)	6,800
Income taxes paid	(36,291)	(51,075)
<b>Total cashflow from operating activities</b>	<b>31,510</b>	<b>248,256</b>
<b>Cashflow from investing activities</b>		
Net payments to invest in non-current assets:		
Acquisitions	(125,970)	-
Intangible assets	(14,103)	(11,438)
Property, plant, and equipment	(55,156)	(67,618)
<b>Total cashflow from investing activities</b>	<b>(195,229)</b>	<b>(79,056)</b>
<b>Cashflow from financing activities</b>		
Financial income/expenses net	(5,506)	(5,233)
Non-controlling interests	(22,302)	(8,892)
(Repayment of)/proceeds from debt to credit institutions	250,627	(29)
Dividend paid	(72,000)	(91,000)
<b>Total cashflow from financing activities</b>	<b>150,819</b>	<b>(105,154)</b>
<b>Cashflow from operating, investing, and financing activities</b>	<b>(12,901)</b>	<b>64,046</b>
Cash and cash equivalents at beginning of year	251,828	187,782
<b>Cash and cash equivalents at year-end</b>	<b>238,927</b>	<b>251,828</b>
<b>Breakdown of cash and cash equivalents</b>		
Securities	22	27
Cash	238,905	251,801
<b>Cash and cash equivalents at year-end</b>	<b>238,927</b>	<b>251,828</b>



# NOTES

## 1. Accounting policies

The annual report of ECCO Sko A/S for 2020 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C companies. The annual report is presented in Euros at a EUR/DKK rate of 7.44.

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

### BASIS OF CONSOLIDATION

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

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

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

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

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

### BUSINESS COMBINATIONS

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

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

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

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

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

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

### INTRA-GROUP BUSINESS COMBINATIONS

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

### NON-CONTROLLING INTERESTS

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

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

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## FOREIGN CURRENCY TRANSLATION

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

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

## DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

## INCOME STATEMENT

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

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

*Other 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

# NOTES

been able to use this deficit to reduce their taxable income. The income tax for this year is part of the income statement with the share which can be assigned to profit of the year and is part of the equity with the share which can be allocated to entries in equity.

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

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

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

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

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

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

## BALANCE SHEET

*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.

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

The expected useful lives of fixed assets are as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## EQUITY

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

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

The reserve cannot be recognised as a negative amount.

*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

# NOTES

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

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

## LIABILITIES

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

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

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

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

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

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

## CASHFLOW STATEMENT

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

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

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

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

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

## SEGMENT INFORMATION

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

# NOTES

## 2. Segment information

	Group		Parent Company	
	2020	2019	2020	2019
EUR '000				
<b>Segment information</b>				
Shoes	964,014	1,186,783	615,973	723,246
Accessories	36,573	46,774	-	-
Leather	85,573	113,341	-	-
Others	6,310	12,824	823	60
<b>Total net revenue</b>	<b>1,092,470</b>	<b>1,359,722</b>	<b>616,796</b>	<b>723,306</b>
Net revenue Shoes & Accessories				
ECCO Europe, Middle East & Africa	437,751	480,059	338,509	382,201
ECCO North Americas	166,692	269,441	113,926	149,136
ECCO Greater China	302,366	348,476	-	-
ECCO Asia Pacific	93,779	135,581	163,538	191,909
<b>Total Shoes &amp; Accessories</b>	<b>1,000,588</b>	<b>1,233,557</b>	<b>615,973</b>	<b>723,246</b>
<b>Sales channels</b>				
Wholesale	609,017	857,098	616,796	723,306
Retail, E-commerce	397,880	389,283	-	-
Leather	85,573	113,341	-	-
<b>Total net revenue</b>	<b>1,092,470</b>	<b>1,359,722</b>	<b>616,796</b>	<b>723,306</b>

Reference is made to the ECCO Group structure on pages 90 and 91 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

	Group		Parent Company	
	2020	2019	2020	2019
EUR '000				
Salaries	329,974	321,898	48,154	48,977
Pensions and defined benefit plans	10,502	14,076	2,686	2,577
Other social security costs	28,260	29,322	13	12
<b>Staff costs</b>	<b>368,736</b>	<b>365,296</b>	<b>50,853</b>	<b>51,566</b>
Average number of employees	22,495	21,164	502	490
Number of employees at year-end	21,434	21,364	498	501
Fees to Managing Board and Supervisory Board:				
Managing Board	3,207	6,201	3,207	6,201
Supervisory Board	470	235	470	235

Staff costs classified as other comprehensive income are not included.

# NOTES

## 5. Financial income and financial expenses

	Group		Parent Company	
	2020	2019	2020	2019
EUR '000				
Interest income external	3,291	3,628	687	1,232
Interest income from subsidiaries	-	-	2,889	3,887
Net exchange rate gains	-	989	-	466
<b>Total financial income</b>	<b>3,291</b>	<b>4,617</b>	<b>3,576</b>	<b>5,585</b>
Interest expenses external	(100)	(2,874)	(480)	(2,787)
Interest expenses to subsidiaries	-	-	-	(1,772)
Net exchange rate losses	(715)	-	(648)	-
Other financial expenses	(7,982)	(6,976)	(1,437)	(262)
<b>Total financial expenses</b>	<b>(8,797)</b>	<b>(9,850)</b>	<b>(2,565)</b>	<b>(4,821)</b>
<b>Total net financial income and expenses</b>	<b>(5,506)</b>	<b>(5,233)</b>	<b>1,011</b>	<b>765</b>

## 6. Income taxes

	Group		Parent Company	
	2020	2019	2020	2019
EUR '000				
Income tax for the year	24,729	51,005	(2,423)	8,716
Prior-year adjustment	(4,777)	(187)	(4,964)	115
Adjustment of deferred tax	1,636	(2,558)	2,156	4,089
<b>Total income tax</b>	<b>21,588</b>	<b>48,260</b>	<b>(5,231)</b>	<b>12,920</b>

# NOTES

## 7. Intangible assets 2020

	Development projects completed	Patents, trademarks, licences	Software	Goodwill	Leasehold rights	Intangible assets in progress	Total
EUR '000							
<b>GROUP</b>							
Cost at 1 January	-	5,408	66,074	19,788	4,542	6,422	102,234
Currency translation	-	(70)	(453)	(239)	167	29	(567)
Additions	1,231	673	8,256	102,874	9	5,499	118,542
Transferred	-	-	5,326	-	-	(6,155)	(829)
Disposals	(38)	-	(305)	(407)	(452)	-	(1,202)
<b>Cost at 31 December</b>	<b>1,193</b>	<b>6,011</b>	<b>78,898</b>	<b>122,016</b>	<b>4,266</b>	<b>5,794</b>	<b>218,178</b>
Accumulated amortisation at							
1 January	-	3,986	55,052	14,912	1,113	-	75,063
Currency translation	(9)	(73)	(459)	(974)	33	-	(1,482)
Amortisation	132	436	6,333	11,205	494	-	18,600
Transferred	-	-	-	-	-	-	-
Amortisation on disposals	1,033	-	(305)	(179)	(183)	-	366
<b>Accumulated amortisation at 31 December</b>	<b>1,156</b>	<b>4,349</b>	<b>60,621</b>	<b>24,964</b>	<b>1,457</b>	<b>-</b>	<b>92,547</b>
<b>Carrying amount at 31 December</b>	<b>37</b>	<b>1,662</b>	<b>18,277</b>	<b>97,052</b>	<b>2,809</b>	<b>5,794</b>	<b>125,631</b>
<b>PARENT COMPANY</b>							
Cost at 1 January	-	5,316	49,893	7,876	-	6,422	69,507
Currency translation	-	21	203	32	-	27	284
Additions	-	6,673	7,296	-	-	5,482	19,450
Transferred	-	-	5,187	-	-	(6,156)	(968)
Disposals	-	-	-	-	-	-	-
<b>Cost at 31 December</b>	<b>-</b>	<b>12,010</b>	<b>62,579</b>	<b>7,908</b>	<b>-</b>	<b>5,775</b>	<b>88,272</b>
Accumulated amortisation at							
1 January	-	3,895	40,645	7,651	-	-	52,191
Currency translation	-	17	174	32	-	-	223
Amortisation	-	6,436	5,561	162	-	-	12,159
Transferred	-	-	-	-	-	-	0
Amortisation on disposals	-	-	-	(273)	-	-	(273)
<b>Accumulated amortisation at 31 December</b>	<b>-</b>	<b>10,348</b>	<b>46,381</b>	<b>7,572</b>	<b>-</b>	<b>-</b>	<b>64,301</b>
<b>Carrying amount at 31 December</b>	<b>-</b>	<b>1,662</b>	<b>16,198</b>	<b>336</b>	<b>-</b>	<b>5,775</b>	<b>23,971</b>
Amortisation period	5 years	5 years	3-5 years	5-10 years	5-10 years		

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

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



# NOTES

## 8. Property, plant, and equipment 2020

EUR '000	Land and buildings	Plant and machinery	Fixtures and fittings, tools, and equipment	Property, plant, and equipment under construction	Total
<b>GROUP</b>					
Cost at 1 January	304,025	219,070	160,664	42,468	726,227
Currency translation	(10,188)	(11,598)	(7,930)	(1,597)	(31,313)
Additions	18,950	5,017	12,249	24,784	61,000
Transferred	7,793	7,041	10,261	(24,266)	829
Disposals	(3,214)	(1,748)	(9,402)	(1,525)	(15,889)
<b>Cost at 31 December</b>	<b>317,366</b>	<b>217,782</b>	<b>165,842</b>	<b>39,864</b>	<b>740,854</b>
Accumulated depreciation at 1 January	162,568	164,006	122,915	-	449,489
Currency translation	(5,119)	(9,223)	(6,264)	-	(20,605)
Depreciation	15,120	16,958	18,276	-	50,354
Transferred	1	-	(1)	-	-
Depreciation on disposals	(2,863)	(1,562)	(8,921)	-	(13,346)
<b>Accumulated depreciation at 31 December</b>	<b>169,707</b>	<b>170,179</b>	<b>126,005</b>	<b>-</b>	<b>465,891</b>
<b>Carrying amount at 31 December</b>	<b>147,659</b>	<b>47,603</b>	<b>39,837</b>	<b>39,864</b>	<b>274,963</b>
<b>PARENT COMPANY</b>					
Cost at 1 January	54,041	7,910	27,104	5,083	94,138
Currency translation	222	32	111	21	385
Additions	-	274	914	13,159	14,347
Transferred	157	187	2,892	(2,268)	968
Disposals	-	(421)	(287)	-	(707)
<b>Cost at 31 December</b>	<b>54,420</b>	<b>7,983</b>	<b>30,733</b>	<b>15,994</b>	<b>109,130</b>
Accumulated depreciation at 1 January	38,183	4,559	21,249	-	63,991
Currency translation	160	20	90	-	270
Depreciation	1,825	803	1,581	-	4,209
Transferred	(192)	-	780	-	589
Depreciation on disposals	-	(421)	(281)	-	(703)
<b>Accumulated depreciation at 31 December</b>	<b>39,976</b>	<b>4,962</b>	<b>23,418</b>	<b>-</b>	<b>68,356</b>
<b>Carrying amount at 31 December</b>	<b>14,444</b>	<b>3,021</b>	<b>7,315</b>	<b>15,994</b>	<b>40,774</b>
Depreciation period	20-30 years	5-10 years	3-5 years		

# NOTES

## 9. Other non-current assets, subsidiaries

	Investments in subsidiaries		Receivables from subsidiaries	
	2020	2019	2020	2019
EUR '000				
Cost at 1 January	204,732	194,828	67,423	54,185
Additions	146,797	9,904	81,480	60,741
	-	-	(28,543)	(47,503)
<b>Cost at 31 December</b>	<b>351,529</b>	<b>204,732</b>	<b>120,361</b>	<b>67,423</b>
Accumulated revaluation at 1 January	343,031	296,740	-	-
Profit after tax of subsidiaries	(5,605)	75,328	-	-
Currency adjustment of foreign subsidiaries	(36,529)	15,165	-	-
Adjustment of currency hedging of future sales in subsidiaries	(6,258)	(697)	-	-
Actuarial gains/(losses)	(2,130)	(2,778)	-	-
Amortisation and depreciation on goodwill	(9,837)	-	-	-
Dividend	(29,395)	(40,727)	-	-
Net revaluation	(89,754)	46,291	-	-
<b>Accumulated revaluation at 31 December</b>	<b>253,277</b>	<b>343,031</b>	<b>-</b>	<b>-</b>
<b>Carrying amount at 31 December</b>	<b>604,806</b>	<b>547,763</b>	<b>120,361</b>	<b>67,423</b>

The carrying amount of investments in subsidiaries at 31 December 2020 includes Group goodwill of t. EUR 93,001.

# NOTES

## 10. Investments in subsidiaries

	Country	Ownership interest	Share capital		
<b>SHOE PRODUCTION</b>					
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
<b>LAST PRODUCTION</b>					
FAGUS Portugal, S.A.	Portugal	50%	200	t.	EUR
FAGUS (Thailand) Co., Ltd.	Thailand	50%	8,500	t.	THB
<b>LEATHER</b>					
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
<b>SALES</b>					
ECCO Asia Pacific Limited (dormant)	Hong Kong	100%	21,500	t.	HKD
ECCO Asia Pacific (Singapore) Pte. Ltd.	Singapore	100%	2,510	t.	SGD
ECCO Business Management (Shanghai) Co. Ltd.	China	55%	2,000	t.	USD
ECCO CACC Inc.	Panama	100%			
ECCO CACC Trading Inc.	Panama	100%	400	t.	USD
ECCO China Wholesale Holding (Singapore) Pte. Ltd.	Singapore	55%	1,000	t.	SGD
ECCO Distributors DAC	Ireland	50%	1	t.	EUR
ECCO EMEA B.V.	The Netherlands	100%	22.6	t.	EUR
ECCO EMEA Sales SE	The Netherlands	100%	121	t.	EUR
ECCO France S.A.S.	France	50%	500	t.	EUR
ECCO Global Business Development B.V.	The Netherlands	100%	10	t.	EUR
ECCO 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%	17,000	t.	MYR
ECCO Middle East A/S	Denmark	100%	2,250	t.	DKK
ECCO Philippines, Inc.	Philippines	50%	12,000	t.	PHP
ECCO Retail LLC	USA	100%	2,300	t.	USD
ECCO Schuhe GmbH	Germany	100%	1,790	t.	EUR
ECCO (Shanghai) Co. Ltd.	China	55%	2,100	t.	USD
ECCO Shoes (NZ) Limited	New Zealand	100%	100	t.	NZD
ECCO Shoes Canada, Inc.	Canada	100%	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	51%	105,100	t.	INR
ECCO Shoes Pacific Pty. Limited	Australia	100%	3,250	t.	AUD
ECCO Shoes Trade Ltd.	Turkey	100%	30,466	t.	TRY
ECCO Shops A/S (dormant)	Denmark	100%	500	t.	DKK
ECCO Shops Vestdanmark A/S (dormant)	Denmark	100%	600	t.	DKK
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%	20	t.	USD
ECCO-Petersburg LLC	Russia	100%	52	t.	RUB
Xi'an ECCO Limited	China	44%	20,000	t.	CNY
<b>ACCESSORIES</b>					
ECCO Accessories Ltd.	Switzerland	100%	2,250	t.	CHF
<b>OTHER</b>					
Eccolet Portugal ApS	Denmark	100%	200	t.	DKK
High Street Properties Investment Ltd.	UK	55%	29,600	t.	GBP

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

# NOTES

## 11. Deferred tax 2020

EUR '000	Property, plant, and equipment	Inventories	Provisions	Other liabilities	Tax losses	Other	Total
<b>GROUP</b>							
Recognised at 1 January	(12,058)	27,480	6,502	12,832	7,631	2,480	44,867
Recognised Income statement	1,429	(1,513)	1,041	2,011	2,208	(6,815)	(1,638)
Recognised directly to equity	-	-	-	-	-	1,234	1,234
<b>Total adjustment for the year</b>	<b>1,429</b>	<b>(1,513)</b>	<b>1,041</b>	<b>2,011</b>	<b>2,208</b>	<b>(5,581)</b>	<b>(404)</b>
<b>Recognised at 31 December</b>	<b>(10,629)</b>	<b>25,967</b>	<b>7,543</b>	<b>14,843</b>	<b>9,839</b>	<b>(3,101)</b>	<b>44,463</b>
Deferred tax asset							52,972
Deferred tax liability							(8,509)
<b>Recognised at 31 December</b>							<b>44,463</b>
<b>PARENT COMPANY</b>							
Recognised at 1 January	(531)	4,311	35	2,975	-	9,878	16,669
Recognised Income statement	1,717	9	-	(5,176)	-	1,296	(2,155)
Recognised directly to equity	-	-	-	-	-	(939)	(939)
<b>Total adjustment for the year</b>	<b>1,717</b>	<b>9</b>	<b>0</b>	<b>(5,176)</b>	<b>-</b>	<b>357</b>	<b>(3,094)</b>
<b>Recognised at 31 December</b>	<b>1,186</b>	<b>4,320</b>	<b>35</b>	<b>(2,201)</b>	<b>-</b>	<b>10,235</b>	<b>13,575</b>
Deferred tax asset							13,575
Deferred tax liability							-
<b>Recognised at 31 December</b>							<b>13,575</b>

## 12. Prepayments

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

## 13. Provision for pensions

Group

EUR '000	2020	2019
The provision for pensions is due as follows:		
< 1 year	493	556
1-5 years	5,104	3,479
> 5 years	25,275	26,857
<b>Total</b>	<b>30,872</b>	<b>30,892</b>

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

## 14. Non-current liabilities

EUR '000	Group		Parent Company	
	2020	2019	2020	2019
Non-current liabilities due more than five years after the end of the financial year	18,038	17,724	7,189	8,896

## 15. Other payables

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

# NOTES

## 16. Financial instruments

	Group
EUR '000	2020

### 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 2020 in EUR '000
Currency	
EUR	1,418
CNY	(17,969)
CAD	(14,157)
USD	(59,257)
AUD	(2,052)
CHF	(21)
KRW	(2,636)
NOK	4,505
HKD	716
IDR	6,452
SGD	11,072
THB	(3,183)
SEK	7,804
Others	1,576
<b>Total</b>	<b>(65,732)</b>

Cashflow hedges:

The Group has covered part of the currency risk on future sales and purchases.

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

	Principal value of unrealised forward contracts end 2020 in EUR '000	Value adjustment on equity begin/end in EUR '000
Cashflow hedges	394,353	10,683

### Interest rate swaps

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

	Principal value of unrealised interest swaps end 2020 in EUR '000	Value adjustment on equity begin/end in EUR '000
Interest swaps fixing the interest rate	80,000	499

# NOTES

## 17. Contingent liabilities and guarantees, etc.

EUR '000	Group		Parent Company	
	2020	2019	2020	2019
<b>CONTINGENT LIABILITIES</b>				
Rent and lease liabilities	169,469	144,343	863	1,302
Guarantees and letters to suppliers	3,372	3,517	1,230	1,227
Guarantees and letters to subsidiaries	-	-	-	-
<b>COLLATERAL SECURITY</b>				
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	21,379	21,356	21,379	21,356
Guarantee for import duty	6,789	6,102	2,000	2,001
Personnel obligations	43	87	-	-
<b>PLEGDED ASSETS</b>				
Book value of assets pledged in security of the Group's loans from credit institutions and other non-current liabilities				
	14,485	15,741	12,872	14,413

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, and royalties within the joint taxation group. Taxes paid in the joint taxation for 2020 do not exceed the total provisions regarding company taxes and withholding taxes on dividend, interest, and royalties as per 31 December 2020. 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.

## 18. Fees to auditors appointed at the Annual General Meeting

EUR '000	Group	
	2020	2019
Auditor's fee	1,191	1,283
Other assurance services and statements	170	68
Tax advisory services	241	319
Other assistance	10	263
<b>Total</b>	<b>1,612</b>	<b>1,933</b>

# NOTES

## 19. 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	
	2020	2019	2020	2019
EUR '000				
Sale of goods to subsidiaries	-	-	130,759	147,496
Sale of goods to related parties	90,775	112,413	85,331	78,570
Purchase of goods from subsidiaries	-	-	(383)	(496)
Purchase of legal assistance etc. from parent company	(1,525)	(1,744)	(1,489)	(1,801)
Interest income from subsidiaries	-	-	139	91
Interest expense to subsidiaries	-	-	33	-
Interest income from related parties	12	42	(6)	47
Interest expenses to related parties	(97)	(83)	(98)	(77)
Receivables from subsidiaries	-	-	120,408	89,240
Receivables from related parties	56,307	25,178	55,772	22,759
Payables to subsidiaries	-	-	105,526	84,076
Payables to related parties	52,238	19,748	62,796	23,548

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

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



## 20. Proposed profit allocation

EUR '000	Parent Company	
	2020	2019
Revaluation reserve for undistributed profit in subsidiaries	(44,837)	34,599
Retained earnings	(1,576)	5,735
Proposed dividend	40,000	72,000
<b>Profit for the year</b>	<b>(6,413)</b>	<b>112,334</b>

## 21. Significant events after the end of the financial year

ECCO Sko A/S and ECCO Holding A/S have agreed to merge the European Wholesale (ECCO EMEA B.V.) and European Retail/E-commerce (KRM AG) and operate the merged European activities in a Joint Venture from 1 January 2021.

As a consequence hereof, ECCO EMEA B.V. transfers all its operations to ECCO Europe AG (previous KRM AG), and the European Wholesale moves its headquarters from Amsterdam to Zürich.

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

# GROUP STRUCTURE AS OF 31 DECEMBER 2020

ECCO SKO A/S

SUBSIDIARIES, SALES





**SUBSIDIARIES, PRODUCTION**

**REGION**  
ECCO ASIA/PACIFIC

**SINGAPORE**  
ECCO Asia Pacific (Singapore) Pte. Ltd.

▶ **SINGAPORE (JV)**  
ECCO China Wholesale Holding (Singapore) Pte. Ltd.

▶ **CHINA**  
ECCO Business Management (Shanghai) Co. Ltd.

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

▶ **CHINA (JV)**  
Xi'an ECCO Limited

▶ **INDIA (JV)**  
ECCO Shoes India Private Limited

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

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

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

▶ **MACAO**  
ECCO Macao Limited

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

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

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

▶ **INDIA**  
ECCO India Trading Private Limited

▶ **KOREA**  
ECCO Korea Limited

▶ **JAPAN**  
ECCO Japan Co. Ltd.

**ECCO SHOE FACTORIES**

**INDONESIA**  
PT. ECCO Indonesia

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

**SINGAPORE**  
ECCO Shoe Production Pte. Ltd.

▶ **CHINA**  
ECCO (Xiamen) Co. Ltd.

▶ **CHINA**  
Xiamen ECCO Logistics Co. Ltd.

**SLOVAKIA**  
ECCO Slovakia, a.s.

**THAILAND**  
ECCO (Thailand) Co., Ltd.

**VIETNAM**  
ECCO (Vietnam) Co. Ltd.

**LAST FACTORIES**

**PORTUGAL (JV)**  
FAGUS Portugal, S.A.

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

**ECCO LEATHER**

**THE NETHERLANDS**  
ECCO Leather B.V.

▶ **THE NETHERLANDS**  
ECCO Tannery (Holland) B.V.

▶ **THE NETHERLANDS**  
Water Treatment Dongen B.V.

▶ **INDONESIA**  
PT. ECCO Tannery Indonesia

▶ **SINGAPORE**  
ECCO Tannery Holding (Singapore) Pte. Ltd.

▶ **CHINA**  
ECCO Tannery (Xiamen) Co. Ltd.

▶ **CHINA**  
Danna Leather (Xiamen) Co. Ltd.

▶ **THAILAND**  
ECCO Tannery (Thailand) Co., Ltd.

DORMANT COMPANIES/BRANCHES AND INVESTMENT COMPANIES HAVE BEEN OMITTED.



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