

ECCO EMEA Sales SE

Financial Statements 2020

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Directors' report

The Management of ECCO EMEA Sales SE (the Company) hereby presents its financial statements for the financial year ended on 31 December 2020.

General information

ECCO is one of the few major shoe manufacturers to own and manage every step of the shoemaking process.

ECCO EMEA Sales SE is the pan-European shoes and accessories wholesale company with permanent establishments (the Branches) across the EMEA footprint.

At the end of 2020, ECCO EMEA Sales SE employed 66 people (2019: 67).

Legal structure

ECCO EMEA Sales SE is a wholly-owned subsidiary of ECCO EMEA B.V., a Dutch company that is wholly-owned by ECCO Sko A/S, a Danish company. As per 1 January 2021 ECCO EMEA B.V. sold all its shares in ECCO EMEA Sales SE to ECCO Europe AG (previous KRM AG).

There is a distribution agreement in place between the Company and ECCO EMEA B.V., whereas the Company is appointed as a 'limited risk distributor'. Within this agreement the company has been granted the distribution rights to conduct wholesale activities within a defined territory (mainly European countries) and goods are obtained through ECCO EMEA BV.

The distribution agreement between the Company and ECCO EMEA B.V. has been terminated as per 31 December 2020. As of 1 January 2021 a similar distribution agreement is in place between the Company and ECCO Europe AG.

At 31 December 2020, the company had branch offices in the following countries: Austria, Belgium, Cyprus (dormant), Denmark, Finland, France, Hungary (dormant), Italy, Latvia (Baltics branch), the Netherlands, Norway, Poland (dormant), Spain, Sweden, Switzerland and United Kingdom.

Women's participation in ECCO's Management

Further to Article 166 Title 9, Book 2 of the Dutch Civil Code, companies are required to report on the split of gender in Management Boards and Supervisory Boards. The law is set up to reduce imbalances in the gender representation in the management of companies.

ECCO disagrees, fundamentally, with the prescriptive approach in the law to set targets for improved representation of women in management for two reasons:

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1. Firstly, it should be skill and experience of a person, rather than the gender, that determine if he or she is suitable for a management position.
2. 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, for example through ECCO's graduate trainee programme.

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

The Management of the Company currently has no female representation, the Supervisory Board of the Company has a 33% female representation.

Strategy

The Company aims to deliver shareholder value by becoming a world-class sales organization in the EMEA region for the ECCO brand.

Financial information

The COVID-19 pandemic had a significant impact on the Company's Net turnover which decreased by 27.8% to EUR 111.7 million (2019: 154.6 million).

The operating result decreased by 16.9% to EUR 3.4 million (2019: EUR 4.1 million).

The solvency of the company at year-end is 75.8% (2019: 64.6%). The Company has cash-pooling arrangements with ECCO Sko A/S and does not make use of any financing with third party financial institutions. In 2020, no significant changes in the financial structure of the Company have taken place.

Significant risks and uncertainties

The Company is exposed to a number of risks and uncertainties due to the international presence and business activities. Effective management of risk is important for the Company's operations, strategy and efficiency. The Supervisory Board is ultimately accountable for risk management.

The Managing Board, identifies, evaluates and reports on risks across the business on a quarterly basis. The Supervisory Board reviews the risk updates, including relevant operational, strategic and emerging risks. If necessary, it prioritizes risks and initiates mitigating actions. The impact of the risks will be evaluated on a quarterly basis. Specific measures that ECCO EMEA Sales SE takes are:

- Annual risk re-orientation;
- Effective operating management controls;

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- Effective operating internal control environment.

Financial risks

Credit towards our customers will remain an important focus area going forward, from a risk perspective as well as a financing perspective in order to maintain today's financial ratios. The Company currently has no material credit risks. Furthermore, it is the responsibility of the Group's treasury function in Denmark to ensure that the Group has adequate access to funding at all times.

Operational risks

Due to the nature of the Company's business, wholesale, it's operational risks are considered limited, but include high dependency on forecasting accuracy, the worldwide supply chain and availability of product matching customer and end-consumer needs and dependency on continuity of critical systems.

Laws and regulations

To ensure compliance across the EMEA footprint the Company has a control framework consisting of a combination of checks and balances performed at the Shared Service Center in Amsterdam, input from the markets and contracted compliance and advisory services from local advisors.

The risk appetite of the company is low.

Material events after 31 December 2020

During 2020, preparations were made to merge the European Wholesale activities of ECCO EMEA Sales SE and the Retail/E-commerce activities of KRM AG and operate the merged European activities in ECCO Europe AG. As a consequence hereof, as per 1 January 2021, ECCO EMEA B.V. transferred all it's shares in ECCO EMEA Sales SE to ECCO Europe AG (previous KRM AG), and the European Wholesale moved it's headquarters from Amsterdam to Zürich.

The COVID-19 pandemic will remain to have significant impact on the financial performance of ECCO EMEA Sales SE in 2021. The full extent of the impact is not known until the situation normalises.

There have been no further significant events since the end of the financial year that will materially change the financial status of ECCO EMEA Sales SE.

Corporate Social Responsibility

The Company, as a member of the ECCO Sko A/S Group, adheres to the ECCO Code of Conduct. Further information can be found at the website: responsibility.ecco.com
The ECCO Code of Conduct can be summarized as follows:

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

As a member of the ECCO Sko A/S, the Company is regularly audited by a dedicated team of auditors from ECCO. Audit results are reviewed by ECCO's Managing Board and if there are any critical findings, immediate action is taken.

Outlook

The pandemic has created a new commercial reality for the footwear business and accelerated changes in consumer behaviour. 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, sales and profitability are expected to increase in 2021.

Amsterdam, June 24, 2021


T. Vangsgaard *


B. Normann Madsen

Company balance sheet as at 31 December 2020

(before appropriation of the Result for the year)

		31/12/2020		31/12/2019	
		EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Fixed assets					
Tangible fixed assets	1	<u>934</u>		<u>1,698</u>	
			934		1,698
Current assets					
Inventories	2	420		392	
Trade and other receivables	3	40,132		42,461	
Cash and cash equivalents	4	<u>2,691</u>		<u>2,969</u>	
			43,243		45,822
			<u>44,177</u>		<u>47,520</u>
Shareholders' equity	5				
Issued capital		121		121	
Share premium reserve		18,371		18,371	
Legal reserves		1,438		1,405	
Retained earnings		10,818		7,773	
Result for the year		<u>2,749</u>		<u>3,045</u>	
			33,497		30,715
Current liabilities	6		<u>10,680</u>		<u>16,805</u>
			<u>44,177</u>		<u>47,520</u>

Company profit and loss account for the year ended 31 December 2020

		2020		2019	
		EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Gross margin	7		18,732		21,620
Cost of outsourced work		6,929		10,101	
Wages and salaries	8	5,577		5,089	
Social security and pension charges	9	1,072		1,129	
Depreciation on tangible fixed assets		803		1,205	
Other operating expenses		853		-17	
Total operating expenses			15,234		17,517
Operating result			3,498		4,103
Interest and similar income					
• from group companies		9		45	
• external		1		-1	
Interest and similar expense					
• from group companies		-6		-9	
• external		-41		-35	
Foreign exchange results		-39		17	
			-76		17
Result from ordinary activities before tax			3,422		4,120
Tax on result from ordinary activities	10		-673		-1,075
Net result			2,749		3,045

Notes to the 2020 company financial statements

General

Relationship with parent company and principal activities

ECCO EMEA Sales SE (the Company), chamber of commerce number 16076783, having its legal address at Haaksbergweg 76, 1101 BZ in Amsterdam, is a private limited liability company under Dutch law, with 100% of its shares held by ECCO EMEA B.V. On 1 January 2021 ECCO EMEA B.V. sold all its shares in ECCO EMEA Sales SE to ECCO Europe AG.

The principal activity of the Company is the sale and distribution of shoes and leather products.

There is a distribution agreement in place between the Company and ECCO EMEA B.V., whereas the Company is appointed as a 'limited risk distributor'. Within this agreement the Company has been granted the distribution rights to conduct wholesale activities within a defined territory (mainly European countries) and goods are obtained through ECCO EMEA BV. The distribution agreement also includes arrangements regarding certain risks with respect to e.g. inventory and doubtful debtors. The majority of these risks are borne by ECCO EMEA B.V.

The distribution agreement between the Company and ECCO EMEA B.V. has been terminated as per December 31st 2020. As of 1 January 2021 a similar distribution agreement is in place between the Company and ECCO Europe AG.

Basis of preparation

The financial statements have been prepared in accordance with Title 9, Book 2 of the Dutch Civil Code. The applied accounting policies are based on the historical cost convention.

The financial statements were prepared on June 24 2021.

Going concern

These financial statements have been prepared on the basis of the going concern assumption.

Accounting policies

General

Unless stated otherwise, assets and liabilities are shown at nominal value.

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An asset is disclosed in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

A liability is recognised in the balance sheet when it is expected to result in an outflow from the entity of resources embodying economic benefits and the amount of the obligation can be measured with sufficient reliability.

Income is recognised in the profit-and-loss account when an increase in future economic potential related to an increase in an asset or a decrease of a liability has arisen, the size of which can be measured reliably. Expenses are recognised when a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, the size of which can be measured with sufficient reliability.

If a transaction results in a transfer of future economic benefits and/or when all risks relating to assets or liabilities transfer to a third party, the asset or liability is no longer included in the balance sheet.

The revenue and expenses are allocated to the period to which they relate. Revenues are recognised when the company has transferred the significant risks and rewards of ownership of the goods to the buyer.

The Branches have different functional currencies, which are the common currencies in their respective countries. The reporting currency of the financial statements is euros, which was chosen since the majority of the Branches have euro as their functional currency.

All financial information in euros has been rounded to the nearest thousand, unless otherwise indicated.

Use of estimates

The preparation of the financial statements requires the management to form opinions and to make estimates and assumptions that influence the application of principles and the reported values of assets and liabilities and of income and expenditure. Actual results may differ from these estimates. The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognised in the period in which the estimate is revised and in future periods for which the revision has consequences. The areas where assumptions and estimates are significant to the financial statements are tangible fixed assets (useful life), trade receivables and current liabilities related to bonuses.

Principles for the translation of foreign currency

Transactions in foreign currencies

Transactions denominated in foreign currency are translated into the functional currency of the Company and the Branches at the exchange rate applying on the transaction date. Monetary assets and liabilities denominated in foreign currency are translated at

the balance sheet date into the functional currency at the exchange rate applying on that date. Non-monetary assets and liabilities in foreign currency that are stated at historical cost are translated into the functional currency at the applicable exchange rates applicable on the transaction date. Translation gains and losses are taken to the profit and loss account as expenditure.

Foreign operations

The assets and liabilities of the Branches, including goodwill and fair value adjustments arising, are translated into euros at exchange rates applying on the balance sheet date. Income and expenses of foreign operations are translated into the functional currency at the exchange rate applying on the transaction date.

Related translation gains and losses are taken to the reserve for translation differences. If a Branch's activities are terminated or fully or partially sold, the respective amount is transferred from the reserve for translation difference to the profit and loss account.

Financial instruments

Financial instruments includes trade and other receivables, cash items, loans and other financing commitments, and trade and other payables.

Financial instruments embedded in contracts that are not accounted for separately from the host contract are recognised in accordance with the host contract.

After initial recognition, financial instruments are valued in the manner described below.

Loans granted and other receivables

Loans granted and other receivables are carried at amortised cost on the basis of the effective interest method, less impairment losses.

Liabilities, Provisions and Other financial commitments

Current and Non-current liabilities, Provisions and Other financial commitments, that are not held for trading, are carried at amortised cost on the basis of the effective interest rate method.

Impairment of financial assets

A financial asset that is not stated at (1) fair value with value changes reflected in the profit and loss account, or at (2) amortised cost or lower market value, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, with negative impact on the estimated future cash flows of that asset, which can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy, adverse changes in

the payment status of borrowers or issuers, indications that a debtor or issuer is approaching bankruptcy, or the disappearance of an active market for a security.

The entity considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and financial assets that are held to maturity) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those individually significant assets found not to be specifically impaired and assets that are not individually significant are then collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of collections and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset stated at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Losses are recognised in the profit and loss account and reflected in an allowance account against loans and receivables or investment securities held to maturity. Interest on the impaired asset continues to be recognised by using the asset's original effective interest rate.

Impairment losses, of investments in equity instruments that are stated at fair value through profit or loss, below (amortised) cost are recognised directly in profit or loss.

When, in a subsequent period, the amount of an impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the decrease in impairment loss is reversed through profit or loss (up to the amount of the original cost).

Tangible fixed assets

Land and buildings, plant and equipment, other fixed operating assets, tangible fixed assets in production and prepayments on tangible fixed assets are stated at cost of acquisition or manufacture, less accumulated depreciation.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each item of the tangible fixed assets. Land, tangible fixed assets in production and prepayments on tangible fixed assets are not depreciated.

The following rates of depreciation are applied:

- Buildings : 3%
- Plant and equipment : 20%
- Other fixed operating assets : 20% – 25%

Maintenance expenditure is only capitalised when the maintenance extends the useful life of the asset.

Tangible fixed assets, for which the company and its group companies possess the economic ownership under a financial lease, are capitalised. The obligation arising from the financial lease contract is recognised as a liability. The interest included in the future lease instalments is charged to the profit and loss account during the term of the finance lease contract.

Impairment

For tangible and intangible fixed assets an assessment is made as of each balance sheet date as to whether there are indications that these assets are subject to impairment. If there are such indications, then the recoverable value of the asset is estimated. The recoverable value is the higher of the value in use and the net realisable value. If it is not possible to determine the recoverable value of an individual asset, then the recoverable value of the cash flow generating unit to which the asset belongs is estimated.

If the carrying value of an asset (or a cash flow generating unit) is higher than the recoverable value, an impairment loss is recorded in the profit and loss account for the difference between the carrying value and the recoverable value. In addition, an assessment is made on each balance sheet date whether there is any indication that an impairment loss that was recorded in previous years has decreased. If there is such an indication, then the recoverable value of the related asset (or cash flow generating unit) is estimated.

Reversal of an impairment loss that was recorded in the past only takes place in case of a change in the estimates used to determine the recoverable value since the recording of the last impairment loss. In such a case, the carrying value of the asset (or cash flow generating unit) is increased up to the amount of the estimated recoverable value, but not higher than the carrying value that would have applied (after depreciation) if no impairment loss had been recorded in prior years for the asset (or cash flow generating unit).

Disposal of fixed assets

Assets available for sale are stated at the lower of their carrying amount and fair value, less costs to sell.

Current Assets

Assets are presented under Current Assets if they are short-term in nature, i.e. are expected to be realised within 12 months from balance sheet date.

Inventories

Goods available for sale are carried at the lower of cost and recoverable amount, based on FiFo (First-in, First-out). Cost includes the purchase price and expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

The measurement of inventories includes possible impairments that arise on the balance sheet date.

Receivables

The accounting policies applied for the valuation of trade and other receivables are described under the heading 'Financial instruments'.

Shareholders' equity

Financial instruments that are designated as equity instruments by virtue of the economic reality are presented under shareholders' equity. Financial instruments that are designated as a financial liability by virtue of the economic reality are presented under liabilities. Interest, dividends, income and expenditure with respect to these financial instruments are recognised in the profit and loss as financial income or expense.

Non-current liabilities

The valuation of non-current liabilities is explained under the heading 'Financial instruments'.

Current liabilities

The valuation of current liabilities is explained under the heading 'Financial instruments'.

Revenue recognition

Revenue/gross margin

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

The transfer of risks and benefits varies according to the conditions of the relevant sales contracts.

There is a distribution agreement in place between the Company and ECCO EMEA BV, whereas the Company is appointed as a 'limited risk distributor'. Within this agreement the company has been granted the distribution rights to conduct wholesale activities within a defined territory (mainly European countries) and goods are obtained through ECCO EMEA BV. The distribution agreement also includes arrangements regarding

certain risks with respect to e.g. inventory and doubtful debtors. The majority of these risks are borne by ECCO EMEA BV.

The distribution agreement between the Company and ECCO EMEA B.V. has been terminated as per 31 December 2020. As of 1 January 2021 a similar distribution agreement is in place between the Company and ECCO Europe AG.

Costs of outsourced work and other external costs

This concerns costs that are directly attributable to net turnover.

Employee benefits/pensions

Dutch pension plans

Pensions are classified as defined contribution plans. The main principle is that the pension charge to be recognised for the reporting period should be equal to the pension contributions payable to the pension fund over the period. Insofar as the payable contributions have not yet been paid as at balance sheet date, a liability is recognised. If the contributions already paid exceed the payable contributions as at balance sheet date, a receivable is recognised to account for any repayment by the fund or settlement with contributions payable in future.

In addition, a provision is included as at balance sheet date for existing additional commitments to the fund and the employees, provided that it is likely that there will be an outflow of funds for the settlement of the commitments and it is possible to reliably estimate the amount of the commitments. The existence or non-existence of additional commitments is assessed on the basis of the administration agreement concluded with the fund, the pension agreement with the staff and other (explicit or implicit) commitments to staff. The liability is stated at the best estimate of the present value of the anticipated costs of settling the commitments as at balance sheet date.

For any surplus at the pension fund as at balance sheet date, a receivable is recognised if the Company has the power to withdraw this surplus, if it is likely that the surplus will flow to the Company and if the receivable can be reliably determined.

Foreign pension plans

Pension plans that are comparable in design and functioning to the Dutch pension system, having a strict segregation of the responsibilities of the parties involved and risk sharing between the said parties (company, fund and members) are recognised and measured in accordance with Dutch pension plans (see previous section).

For foreign pension plans that are not comparable in design and functioning to the Dutch pension system, a best estimate is made of the commitment as at balance sheet date. This commitment should then be stated on the basis of an actuarial valuation principle generally accepted in The Netherlands.

Leasing

The Company may enter into financial and operating leases. A lease contract where the risks and rewards associated with ownership of the leased property are transferred substantially all to the lessee, is referred to as a financial lease. All other leases are classified as operating leases. In classifying leases, the economic reality of the transaction is decisive rather than its legal form.

Operating leases

If the Company acts as lessee in an operating lease, then the leased property is not capitalised. Lease payments regarding operating leases are charged to the profit and loss account on a straight-line basis over the lease period.

Corporate income tax

Corporate income tax comprises the current and deferred corporate income tax payable and deductible for the reporting period. Corporate income tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax comprises the expected tax payable or receivable on the taxable profit or loss for the financial year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to the tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Cash flow statement

In connection with adoption of Dutch Accounting Standard article 360.104, no cash flow statement is included in the financial statements. The consolidated cash flow statement of ECCO Sko A/S, in which the cash flow statement of ECCO EMEA Sales SE is included can be found on the website of ECCO (group.ecco.com).

Determination of fair value

A number of accounting policies and disclosures in the Company's financial statements require the determination of the fair value for both financial and non-financial assets and liabilities. For measurement and disclosure purposes, fair value is determined by

discounting the expected cash flows to their present value, applying a discount rate that is equal to the current risk-free market interest rate for the remaining term plus credit and liquidity surcharges. Where applicable, detailed information concerning the principles for determining fair value are included in the section that specifically relates to the relevant asset or liability.

1 Tangible fixed assets

Movements in tangible fixed assets were as follows:

	Land and Buildings	Plant and equipment	Other fixed operating assets	Total
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Balance as at 1 January 2020				
• Purchase price	157	1,489	9,308	10,954
• Accumulated depreciation and impairment	-144	-1,446	-7,666	-9,256
	<hr/>	<hr/>	<hr/>	<hr/>
• Carrying amount	13	43	1,642	1,698
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Changes in carrying amount:				
• Investments	0	27	69	96
• Depreciation	0	-27	-789	-816
• Disposals	-10	-2	-35	-47
• Foreign exchange result	0	0	3	3
	<hr/>	<hr/>	<hr/>	<hr/>
• Total	-10	-2	-752	-764
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Balance as at 31 December 2020				
• Purchase price	147	1,514	9,342	11,003
• Accumulated depreciation and impairment	-144	-1,473	-8,452	-10,069
	<hr/>	<hr/>	<hr/>	<hr/>
• Carrying amount	3	41	890	934
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

2 Inventories

Finished products

	31/12/2020	31/12/2019
	EUR 1,000	EUR 1,000
Cost of goods available for sale	420	392
Less: Provision for obsolescence	-	-
	<u>420</u>	<u>392</u>

3 Trade and other receivables

	31/12/2020	31/12/2019
	EUR 1,000	EUR 1,000
Trade receivables	7,812	14,946
Accounts receivable from related parties	31,296	26,490
Deposits	212	215
Other receivables	812	810
	<u>40,132</u>	<u>42,461</u>

Trade receivables

	31/12/2020	31/12/2019
	EUR 1,000	EUR 1,000
Amortised cost of outstanding receivables	9,780	16,157
Less: Provision for bad debts	-1,968	-1,211
	<u>7,812</u>	<u>14,946</u>

Other receivables

	31/12/2020	31/12/2019
	EUR 1,000	EUR 1,000
Prepaid insurance premiums	13	33
Prepaid rent	78	90
Sales samples	213	485
Value-added tax	265	6
Others	243	196
	<u>812</u>	<u>810</u>

Other receivables are due within one year.

4 Cash and cash equivalents

Cash and cash equivalents are at immediate disposal of the company.

The Company's total external credit facilities amount to EUR 812,000 in total (2019: EUR 823,000), which at 31 December 2020 were undrawn (2019: undrawn). As part of the cash-pooling agreement the Company's total internal credit facilities amount to EUR 20,000,000 in total as per 31-12-2020.

5 Shareholders' equity

EUR 1,000

	Issued capital	Share premium reserve	Legal reserves	Retained earnings	Result for the year	Total 2020	Total 2019
Balance as at 1 January 2020	121	18,371	1,405	7,773	3,045	30,715	28,559
Changes							
• Allocation of Net result prior year	-	-	-	3,045	-3,045	-	-
• Dividend paid	-	-	-	-	-	-	-
• Corrections	-	-	-	-	-	-	-1,058
• Translation differences	-	-	33	-	-	33	169
• Result for the year	-	-	-	-	2,749	2,749	3,045
	<u>121</u>	<u>18,371</u>	<u>1,438</u>	<u>10,818</u>	<u>2,749</u>	<u>33,497</u>	<u>30,715</u>
Balance as at 31 December 2020							

Issued capital

The authorised capital of the company amounts to EUR 600,000 and comprises of 600 ordinary shares of EUR 1,000 each of which 121 ordinary shares have been issued and fully paid-up.

Share premium reserve

The share premium concerns the income from the issuing of shares insofar as this exceeds the nominal value of the shares (above par income). The share premium reserve can be considered as freely distributable share premium as referred to in the 1964 Income Tax Act.

Legal reserves

The Legal reserves balance relates entirely to the translation of balances in functional currencies in those Branches that have a different functional currency than euro, to the reporting currency of the Company.

Retained earnings

The General Meeting of Shareholders will be asked to approve the appropriation of the Net result for the year ended 31 December 2020 to be added to the other reserves.

6 Current liabilities

	31/12/2020	31/12/2019
	EUR 1,000	EUR 1,000
Debts to related parties	6,353	11,710
Other taxes, social security contributions and pensions due	1,501	2,045
Income tax liability	319	470
Accounts payable to suppliers and trade creditors	420	623
Bonuses	231	420
Holiday allowance due	389	541
Marketing	145	249
Sales reductions	71	176
Sales commissions	166	280
Invoices to be received	12	39
Other liabilities	1,073	252
	10,680	16,805

All liabilities are due within one year.

ECCO EMEA Sales SE

The debt to credit institutions mainly exist of short-term credit facilities related to corporate credit cards in various countries. The maximum of the facility amounts to EUR 813,000 (2019: EUR 723,000). No collaterals have been set for these amounts.

Other taxes and social security contributions due

	31/12/2020	31/12/2019
	EUR 1,000	EUR 1,000
Wage tax and national insurance contributions	255	117
Value-added tax	699	1,399
Social security contributions	547	529
	<u>1,501</u>	<u>2,045</u>

Financial instruments

General

During the normal course of business, the company uses various financial instruments that expose the company to market and/or credit risks. The company does not trade in these financial derivatives and follows procedures and code of conduct to limit the size of the credit risk with each counterparty and market. If a counterparty fails to meet its payment obligations to the company, the resulting losses are limited to the fair value of the instruments in question. The contract value or principal amounts of the financial instruments serve only as an indication of the extent to which such financial instruments are used, and not of the value of the credit or fair risks.

Credit risk

Approximately 70% of the trade receivables are concentrated at 50 major clients in the branches. The total number of customers approximately amounts to 5,000. However, based on the agreement in place between ECCO EMEA B.V. and the Company, the bad debt risk from trade debtors is legally and economically borne by ECCO EMEA BV. Should any of the debtors not be able to fulfil its obligations towards the Company, it shall recover such amount from ECCO EMEA B.V. As per 1 January 2021 the bad debt risk from trade debtors is legally and economically borne by ECCO Europe AG.

For details about the credit risks on accounts receivable from participating interests and other receivables, please refer to note 3 'Trade and other receivables'.

Interest rate risk and cash flow risk

The interest rate risk is limited to possible changes in the fair value of loans taken up and granted. These loans have a fixed interest rate over their entire term. The loans are held to maturity. The company's policy is therefore not to use derivative financial instruments to control interim or other interest rate fluctuations.

Fair value

The fair value of most of the financial instruments stated on the balance sheet, including receivables, securities, cash and cash equivalents and current liabilities, is approximately equal to their carrying amount. The fair value of the accounts receivable from participating interests cannot be determined with sufficient certainty.

Currency risk

The company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the entity, the euro. The currencies in which these transactions primarily are denominated are euro, GBP, SEK, DKK, PLN, NOK and CHF.

Off-balance sheet assets and liabilities

Liability and guarantees

Guarantees are limited to one bank guarantee in the amount of EUR 3,500 issued on behalf of the branch in the Netherlands (2019: EUR 3,500).

Leasing

The operating leasing costs are recognised on a straight-line basis in the profit and loss account over the lease period.

The remaining term can be specified as follows:

	31/12/2020	31/12/2019
	EUR 1,000	EUR 1,000
No more than 1 year	824	896
Between 1 and 5 years	700	1,103
Longer than 5 years	-	-
	<hr/>	<hr/>
Total	1,524	1,999
	<hr/>	<hr/>

Fiscal unity

The Dutch branch and ECCO EMEA Sales SE standalone constitute a fiscal unity with ECCO EMEA B.V. for corporate income tax and VAT purposes. The standard conditions prescribe that all companies of the fiscal unity are liable for corporate income tax payable and VAT.

7 Gross Margin

The breakdown of gross margin is as follows:

	2020 EUR 1,000	2019 EUR 1,000
Net turnover	111,687	154,638
Less: Cost of Sales	92,955	133,018
Gross Margin	18,732	21,620

All turnover is realized in the wholesale sector.

There is a distribution agreement in place between the Company and ECCO EMEA BV, whereas the Company is appointed as a 'limited risk distributor'.

The distribution agreement between the Company and ECCO EMEA B.V. has been terminated as per 31 December 2020. As of 1 January 2021 a similar distribution agreement is in place between the Company and ECCO Europe AG.

The company only recognizes gross margins realized on revenues in its Profit and Loss account.

Net turnover

The breakdown of net turnover by geographical region is as follows:

	2020 EUR 1,000	2019 EUR 1,000
The Netherlands	24,345	31,287
Sweden	21,348	30,374
Denmark	17,849	24,852
Norway	13,140	18,740
United Kingdom	9,872	11,546
Rest of Europe	25,133	37,839
Net turnover	111,687	154,638

The amount as disclosed under 'Rest of Europe' relates to the following countries: Finland, Austria, Switzerland, Belgium, France, Italy, Spain, Poland and Baltics.

ECCO EMEA Sales SE

Cost of sales

The breakdown of cost of sales by geographical region is as follows:

	2020 EUR 1,000	2019 EUR 1,000
The Netherlands	21,710	27,863
Sweden	17,198	26,114
Denmark	14,974	21,169
Norway	11,239	16,093
United Kingdom	8,543	10,091
Rest of Europe	19,291	31,688
Net turnover	<u>92,955</u>	<u>133,018</u>

The amount as disclosed under 'Rest of Europe' relates to the following countries: Finland, Austria, Switzerland, Belgium, France, Italy, Spain, Poland, Cyprus and Baltics.

8 Wages and salaries

Staffing level

During the 2020 financial year, the average number of staff employed, converted into full-time equivalents, amounted to 65 people (2019: 70), of which of which 56 (2019: 60) were employed outside the Netherlands.

This staffing level (average number of staff) can be divided into the following staff categories:

	2020	2019
Management	8	10
Merchandise and marketing	12	9
Sales	39	44
Administration	6	7
	<u>65</u>	<u>70</u>

9 Social security charges and pension cost

	2020 EUR 1,000	2019 EUR 1,000
Social security charges	727	778
Pension costs	345	351
	<u>1,072</u>	<u>1,129</u>

10 Tax on result from ordinary activities

The company forms a tax entity for corporate income tax purposes together with the company ECCO EMEA B.V. In this capacity the company is severally liable for income tax liabilities for the fiscal unit as a whole. Each of the companies recognises the portion of corporate income tax that the relevant company would owe as an independent taxpayer, taking into account the tax facilities applicable to the company.

The effective tax rate for 2020 is 19,7% (2019: 26.1%) whereas the Dutch applicable tax rate is 25%.

The difference between the applicable weighed average tax rate and the recognised tax rate is the result of the differences between the Dutch corporate income tax rate and the corporate income tax rates for the foreign branches as well as corrections over prior periods.

Transactions with related parties

Transactions with related parties occur when a relationship exists between the company, its participating interests and their directors and key management personnel. There were no transactions with related parties that were not on a commercial basis. Generally, these transactions are conducted on a commercial basis under comparable conditions that apply to transactions with third parties. In 2020, all the purchases of goods and services are from related parties, no sales of goods and services to related parties are admitted within the company.

As at 31 December 2020, the accounts receivable and accounts payable from and to related parties are disclosed in the balance sheet. The note on remuneration of the managing and supervisory directors can be found on page 24.

ECCO EMEA Sales SE is a wholly-owned subsidiary of ECCO EMEA B.V., located in Amsterdam, the Netherlands. ECCO EMEA B.V. is wholly-owned by ECCO Sko A/S located in Bredebro, Denmark. As per 1 January 2021 ECCO EMEA B.V. sold all its shares in ECCO EMEA Sales SE to ECCO Europe AG (previous KRM AG).

Auditor's fees

The following fees were charged by EY to the company, its subsidiaries and other consolidated companies, as referred to in Section 2:382a (1) and (2) of the Netherlands Civil Code.

	2020 EUR 1,000	2019 EUR 1,000
Audit of the financial statements	138	146
Other audit engagements	15	-
Tax-related advisory services	-	-
Other non-audit services	-	-
	<u>138</u>	<u>146</u>

The fees stated above for the audit of the financial statements are based on the total fees for the audit of the 2020 financial statements, regardless of whether the procedures were already performed in 2020.

Branch offices

At 31 December 2020, the company had branch offices in the following countries: Austria, Belgium, Cyprus, Denmark, Finland, France, Hungary (dormant), Italy, Latvia (Baltics branch), Netherlands, Norway, Poland, Spain, Sweden, Switzerland and United Kingdom.

The decision to close the branch office in Poland has been taken in 2017 but this has not been completed in 2020.

Remuneration of managing and supervisory directors

The remuneration including pension obligations for the current and former managing directors and supervisory directors as intended in article 2:383 section 1, Netherlands Civil Code, which was charged in the financial year to ECCO EMEA Sales SE and group companies is nil (2019: nil).

Proposal for profit appropriation

The General Meeting of Shareholders will be asked to approve the following appropriation of the 2020 profit after tax: an amount of EUR 2,749,000 to be added to the other reserves.

Significant events after the end of the financial year

During 2020, preparations were made to merge the European Wholesale activities of ECCO EMEA Sales SE and the Retail/E-commerce activities of KRM AG and operate the merged European activities in ECCO Europe AG. As a consequence hereof, on 1 January 2021 ECCO EMEA B.V. transferred all its shares in ECCO EMEA Sales SE to ECCO Europe AG (previous KRM AG), and the European Wholesale moved its headquarters from Amsterdam to Zürich.

The distribution agreement between the Company and ECCO EMEA B.V. has been terminated as per 31 December 2020. As of 1 January 2021 a similar distribution agreement is in place between the Company and ECCO Europe AG.

The COVID-19 pandemic will remain to have significant impact on the financial performance of ECCO EMEA Sales SE in 2021. The full extent of the impact is not known until the situation normalises.

There have been no further significant events since the end of the financial year that will materially change the financial status of ECCO EMEA Sales SE.

Amsterdam, June 24, 2021


The Managing Board


T. Vangsgaard


B. Normann Madsen

The Supervisory Board


H. Toosbuy Kasprzak


K. Borch


M.J.A.J.J. Krol

Other information

Provisions in the Articles of Association governing the appropriation of profit

According to article 26 of the company's Articles of Association, the profit is at the disposal of the General Meeting of Shareholders, which can allocate the profit wholly or partly to the general or specific reserve funds.

The company can only make payments to the shareholders and other parties entitled to the distributable profit for the amount the shareholders' equity is greater than the paid-up and called-up part of the capital plus the legally required reserves.

Auditor's report

The auditor's report is presented on the next page(s).

Independent auditor's report

To: the shareholders, management and supervisory board of ECCO EMEA Sales SE

Report on the audit of the financial statements 2020 included in the annual report

Our opinion

We have audited the financial statements 2020 of ECCO EMEA Sales SE, based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of ECCO EMEA Sales SE as at 31 December 2020, and of its result for 2020 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The balance sheet as at 31 December 2020
- The profit and loss account for 2020
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of ECCO EMEA Sales SE in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The management report
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities for the financial statements

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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.

- Obtaining 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 company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 a company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Amsterdam, 24 June 2021

Ernst & Young Accountants LLP

signed by J. Waals