Van de Velde

Annual report 2017

OUR MISSION

Shaping the bodies and minds of women

Our gratitude goes out to all of our employees. Their involvement in the realization of the company objectives and their dynamism enable us to achieve the reported results and to have confidence in the future.

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Deze jaarbrochure is eveneens beschikbaar in het Nederlands,
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* These chapters of the Board of Director's report are consistent with the Consolidated Financial Statements and have been in prepared accordance with article 119 of the Belgian Companies Code.


ANDRES SARDA
Designed in Barcelona

1 | The year 2017

Message from the Chairman

As expected, 2017 was a year of transition. Turnover remained virtually stable but we made heavy investments in people, systems, processes and training. As a result, the very strong profit figures of the past were not repeated, but the resources were deployed to lay the foundations needed to achieve further growth.

Under our new CEO, Erwin Van Laethem, last year new projects and initiatives were launched in our company. Like most companies, we have to learn to navigate a fast-changing environment, influenced by the digital transformation, changing buying behaviour, new distribution channels and much more, and we need to be perceptive and alert to respond to this new situation and grab the opportunities it creates.

In the first half of 2017 we conducted a thoroughgoing assessment of our commercial approach, our processes and our systems. We developed and shaped our growth strategy based on what that taught us. Starting from the strong passion for the product and the unique know-how and experience in our company, we offer women a unique product in terms of fit and creativity through diverse brands. An omni-channel approach is expected to introduce more women in more countries and territories to the exceptional quality of our products. To help achieve that, various new projects have been launched, new employees have been recruited and new investments have been made in the skills of our employees. The new projects are in four essential domains: Supply Chain; Brands & Channels; Business Processes & ICT and Leadership.

The ultimate goal is growth, but in the initial phase we need to make investments so that growth can be achieved in a sustainable way based on strong foundations. In my experience, companies do not usually achieve growth in a straight line. My parents were successful with a private label strategy, but growth tailed off in the 1970s. That's when we updated our collections and laid the foundations for our brand strategy. We enjoyed the return on these investments for two decades. Growth slowed again around the turn of the century and we invested in professional management and such programmes as Lingerie Styling. We now want to make our company ready for the new digital environment. The Board of Directors supports the plan and has freed up the resources required to implement it. For us the sustainable long-term has priority over short-term results.

Governance will also be given more attention in the year to come. After our initial public offering exactly 20 years ago, we have evolved into a company led by external managers with the family shareholder represented at board level. Within the family shareholding, the transition to the fourth generation has already begun. We will evaluate the structures, make agreements and launch initiatives to properly prepare and train this generation to guarantee continuity.

In ending, I would like to thank our employees, not only for their hard work but also and especially for their openness and willingness to participate in this necessary transformation as the company adapts to the changing market conditions and capitalizes on the opportunities that arise. The enthusiastic way in which our employees handle change gives me a great deal of confidence in the future.

Herman Van de Velde
Chairman of the Board of Directors


ANDRES SARDA
Designed in Barcelona

Activity report

The comfort, fit, fashion and style of Van de Velde products were recognized once again by customers, partners and the specialist press. Marie Jo won the first 'Belgian Fashion Award of the Year' in Antwerp and PrimaDonna won the award for 'Best Selling European Boutique Brand' at the Salon International de la Lingerie. We thank our loyal fans and colleagues for their efforts.

As expected, 2017 was another year of challenges. Turnover on a comparable basis was slightly lower in 2017 (0.6% to €205.6m) and would have been stable but for the negative exchange rate effects, primarily as a consequence of Brexit. Retail turnover grew on a like-for-like store basis by 4.2% and wholesale turnover slipped slightly by 0.1% on a comparable basis, each at constant exchange rates. For more detailed notes to the 2017 results, we refer you to the press release of 27 February 2018.

Consumers increasingly shop at different times and locations, change their preferences at ever higher frequency and gather information for their purchases through other channels. The digitization of society, the replacement of the desktop computer by the smartphone, the continuing individualization – including the growing demand for personalization – and consumer expectations with regard to an omni-channel experience continue to put high demands on retail companies and so also on Van de Velde. In that respect, we experienced a tough retail climate in our markets for our brick and mortar stores in 2017.

Independent retailers (wholesale) remain a cherished channel, but retaining this strong position demands greater efforts. In making these efforts, we recognize that this channel still plays a vital role and will continue to do so in the consumer's quest for a strong fitting room experience. That said, it is a channel that faces challenges, due among other things, to changing consumer preferences, and creative solutions will have to be sought, supported by Van de Velde.

Van de Velde has found that the historic growth model goes with increasing complexity in operational management, operational pressure on the supply chain, clear gaps in IT systems and the need to strengthen Van de Velde as a 'Great Place to Work'. This forces us to invest in the organization and the building of a scalable platform.

The organization adapts, so we can respond faster to the economic conditions and the diverse developments in the dynamic markets in which we work. Changing demand, growth and contraction follow each other in quick succession.

After the changes in the leadership team in 2016, 2017 was largely about the continued development of our strategy and organization to align better with changing market dynamics. We implemented the five themes and initiatives described in the 2016 annual report and elaborated them into a strategic framework with this vision: *'Be the powerhouse of world-class brands delivering the ultimate personalized consumer experience'.*

An important priority is making the entire value chain leaner, where design and the supply chain are tied together all the way to the customer. In doing so, Van de Velde develops into a scalable organisation that responds fast and appropriately to changes in demand. That is not possible without a focus on improving business processes, additional investments in the IT systems and cutting lead times while retaining delivery certainty. These are the keys to sustainable growth.

In 2017 we worked on accentuating our brands and strengthening the customer experience in the various channels. Brands are beacons in a turbulent retail landscape. Women identify with and form a bond with our brands. The self-image of a woman is therefore central to the brand experience and fitting room vision. New customer groups were sought and found, and the relationship with them strengthened, through personalized (digital) marketing.

1. Brands

PrimaDonna, Celebrating Curves since 1865

PrimaDonna continued to grow in 2017 with its three core collections, PrimaDonna, PrimaDonna Twist and PrimaDonna Swim. Both the tagline '*Celebrating curves since 1865*' and our range appeal to more and more women every year.

PrimaDonna's success is driven by the outstanding fit that offers unrivalled support in large cup sizes, with a concern for fashion, colour and femininity. PrimaDonna Twist continues to enlarge its customer portfolio with a daring, characteristic style: more graphical and innovative designs, combined with lots of colour and pre-moulded cups.

Just three years after launch, PrimaDonna Swim already has a loyal customer base. The brand sets the benchmark on the market for high-quality fashionable swimwear for women with a large cup size. As its name recognition grows, PrimaDonna Swim also attracts new customers every season.

In the spring of 2017 we launched PrimaDonna Sport in lingerie boutiques. That was a success. The products were well received and sold out almost immediately. PrimaDonna Sport enjoyed a lot of spontaneous positive reviews from the press, customers and consumers.

A lot of time and effort was again invested in raising awareness of the PrimaDonna name in 2017. This time with a bigger marketing budget. Online visibility was improved and boosted by influencer marketing campaigns. This helps ensure PrimaDonna reaches new groups of potential consumers. In the traditional media, partnerships have been entered into with important magazines in PrimaDonna's core markets. Alliances were set up with Linda in the Netherlands, Femme Actuelle in France and Brigitte in Germany.

At the beginning of 2017 and again at the beginning of 2018, based on extensive research by specialist publication Intima Magazine, PrimaDonna was named the '*Best Selling European Boutique Brand*' in Europe at the Salon International de la Lingerie in Paris, emphasizing the brand's constant strong performance. In recent consumer tests in fitting rooms in various countries, PrimaDonna's exceptional comfort and fit were noted and strongly appreciated by consumers.

Marie Jo, Created for Living and Loving

Marie Jo focuses on modern, dynamic women who take their energy from love with a capital L. Love for themselves, love for others and love for the world they live in. In doing so, Marie Jo appeals to fashion-conscious women who are looking for stylish lingerie, at every moment and for every occasion. The consistent signature, in both product and image, ensures that Marie Jo stands the test of time in a fast-changing, competitive retail environment. The distinctive features that make this possible are craftsmanship and authenticity, together with the perfect fit.

The brand offers a rich assortment of high-quality refined lingerie. In 2017 we launched presales of Marie Jo Swim. The high take-up at the launch of Marie Jo Swim by our wholesale customers is promising for the growth of the brand and the turnover figures in 2018.

As well as consistently using the brand's signature in traditional media, in 2017 Marie Jo also took further steps in the integration of various

facets of digital marketing. Influencer marketing campaigns were created and rolled out and deeper focus was placed on activating the online retail channels.

The success of Marie Jo was confirmed in November 2017 with the prestigious '*Belgian Fashion Brand of the Year*' award, presented by Weekend Knack and Flanders DC. This underscores the power of the brand. The award was given a lot of attention in the press, around our channels and by consumers.

Andres Sarda, Designed in Barcelona
Andres Sarda posted robust growth once again, primarily due to swimwear and lingerie. The unique combination of catwalk fashion, a superior fit, the Mediterranean touch and the wow factor attracted fashion-conscious consumers around the world.

The visibility in boutiques and the quality of the collection drove sales and boosted the confidence of retailers in the brand. Online sales grew very strongly and were rolled out in the Netherlands and Germany. The flagship stores in Madrid and Barcelona posted a surge in sales, proof of the growing consumer demand for exclusive products.

The two shows at the biannual Madrid Fashion, featuring Victoria Abril – one of Spanish director Pedro Almodovar's favourite go-to actresses – and rising star Hiba Anouk, were a success. That secured applause and support from the press and fashion bloggers.

Van de Velde sees further growth potential in the brand and will invest to increase visibility and availability in 2018 to enlarge the customer base.

Marketing
In 2017 we built upon the existing pillars of the marketing strategy and laid robust foundations to tap into new consumer groups.

Further efforts were invested in the partnerships with flagship magazines in our core markets. The focus in these relationships is on raising our visibility in the market and developing the pull of our brands, in magazines and at magazine-related events.

After an extensive market study in a number of core markets, we have a better understanding of the preferences and habits of lingerie consumers in those markets. We have also gained greater insight into familiarity with and perceptions of our brands.

We have begun an MROI (marketing return on investment) optimization drive. We increasingly target this in our use of traditional and online media. PrimaDonna, Marie Jo and Andres Sarda are three highly ambitious brands when it comes to increasing name recognition and the consumer basis, in both existing and new markets. We can only achieve our goals by constantly working on marketing effectiveness across the various media.

We have set up new ways to enter into direct and personal dialogue with consumers. Given the importance of personal recommendation, various influencers have been deployed in PrimaDonna and Marie Jo product campaigns. After the successful launch of pilots, the intention is to make more use of influencer campaigns.

2. Channels

Fitting room channel/wholesale – Business-to-business
In 2017 Van de Velde experienced the repercussions of the difficult retail climate for brick and mortar boutiques. A noticeable further downturn in the number of shoppers and the steady erosion of the traditional retailer, due among other things to population ageing, had a negative impact on sales, especially in the second half of the year.

This impact was felt on a number of core markets (such as Belgium, Germany, France and the United States), which experienced a downtick. Growth continued in the Netherlands, in line with the positive market development. This trend is also seen in the presale portfolio for the existing spring/summer 2018 collections. However, the launch of Marie Jo Swim means that presales are up on the whole.

2017 again made it clear to the business-to-business market that the traditional way of selling in and through the traditional fitting room channel will no longer be the only way to deliver the growth that Van de Velde has historically always been able to count on. With that in mind, we need to deepen our partnerships, with additional coaching for the fitting room channel. We do so through a B2B2C Sales Excellence pathway to improve and optimise the sales process and innovative development of the Lingerie Styling 3.0 programme.

The Lingerie Styling programme, which used to be the most successful growth programme at Van de Velde, needs to be fundamentally modernized. Improving the fitting room experience for consumers remains key. Additionally, the business aspect, in which Van de Velde coaches independent retailers to be successful, has been deepened and the whole programme has to be expanded geographically. That will enable all core markets where Van de Velde is active to get value from the new Lingerie Styling programme. The Lingerie Styling team was enlarged again in 2017 to work more intensively on the fitting room experience. 2018 will see a further expansion of the business part of the programme to realize the growth ambitions of independent retailers.

We are also giving more attention to more intensive partnerships with department stores in an international context to take better account of the channel preferences of consumers.

After assessing the '*Entre Copines'/'Unter Freunden*' programme we decided to change direction. We are building the social selling channel in Germany, so that it can be rolled out on other markets in a standardized, professional way. In the meantime, the decision has been taken to stop the social selling activities in France for the time being.

In Germany, a technical platform partnership was formalized with a partner specialized in social selling. Its top-of-the-range platform will be opened up and personalized for Van de Velde. A scalable platform is a precondition of success in the social selling world. This aspect was missing from the first home parties plan.

Talent and experience from the social selling segment was also attracted. A specialized team combined with a proper scalable platform create the conditions this new channel needs to be a success.

3. Retail – Business-to-consumer

Despite the general retail climate in which brick and mortar stores experienced a difficult year, the retail division achieved the projected positive like-for-like growth. This was primarily so in Continental Europe, but the results were negatively impacted by the exchange rate effects (United Kingdom) and store closures in the United States. This performance could be achieved in spite of a lower number of visitors in the stores, due to an intense focus on service (Lingerie Styling), which led to an improvement of the KPIs (conversion and average ticket size). The online channel continues to grow, and increases its share in total turnover.

Continental Europe

Continental Europe experienced an exceptionally good year. That goes for both like-for-like sales, online-driven to a great extent, and the scheduled expansion through franchising. This positive development is noticeable on both the Dutch and German market, where the renovation of the total store portfolio and the introduction of the 3D mirror have now been completed.

United Kingdom

In the United Kingdom, the positive trend started in the second half of 2016 continued at a faster pace. This goes for both like-for-like in the stores and online. The constant focus on the ultimate customer experience was key to this. Unfortunately, the uncertainty around the approaching Brexit and the related impact on the exchange rate had a negative impact on the results.

United States

The United States is a mixed picture. Rigby & Peller continues to post a negative turnover trend, mainly due to the closure of loss-making stores. An encouraging improvement was realized in the like-for-like growth figures. The turnaround in the course of the year was driven by an operational focus of the new management team on customer conversion, the increased ticket size in the existing store portfolio and accelerated growth on the eCommerce website (after the thorough revamp in 2016).

Asia incl. Dubai

The results of Private Shop in Asia improved. The capital injection at the beginning of 2017, the rise in the share of Van de Velde products in the stores and a strong operational focus are gradually starting to pay off. While Van de Velde does not control the management, it does control the concept. Work was done to further transform the Private Shop store concept into Rigby & Peller.

Based on the positive experience of our franchising partner in Dubai, a second Rigby & Peller franchise will be opened in Dubai Mall in 2018.

4. eCommerce

In 2017 Van de Velde made preparatory steps in the digital transformation. Last year was all about attracting extra digital talent with specialized knowledge in the fields of digital transformation, eCommerce, data and IT. Attracting digital marketeers for the various regions has already driven accelerated growth across the board by optimizing all service dimensions within eCommerce.

The turnover of the retail sites (Rigby & Peller, Lincherie) rose.

We opened our own eCommerce channel, Andressarda.com. The eCommerce activities for Andres Sarda were launched in Spain and expanded to France, the Netherlands and Germany.

The business-to-business activities were supported by offering products through eTailers. In addition, Van de Velde has expanded the digital initiatives for business-to-business customers and continued support with the business-to-business order platform.

Next year we will also see a further acceleration of our eCommerce activities. In 2017 experienced digital talent was recruited at the top of the company. The digital sales & marketing team will be significantly enlarged in 2018 to support our eCommerce ambitions. We opened a digital hub in Eindhoven (Netherlands) to attract additional digital and IT talent to support the teams at the head office in Belgium. Finding, attracting and retaining the right people here demands greater attention. We are securing talent based, among other things, on our ambition to be a great place to work.

We are building up future-proof eCommerce platforms and launching new brand websites for PrimaDonna and Marie Jo as part of a total omni-channel approach in which the channels reinforce each other. A strong focus here is on the user experience, which also goes for the existing channels. This development will speed up our expansion in the digital domain over the next few years. We continue to do this in association with and with respect for our partners and independent retailers. With them, we are developing ways to support their own commercial activities digitally, among other things by offering digital development capacity, analysis and expertise on data and digital marketing support.

5. Value Chain

We want to achieve maximum customer value within our value chain too. We do this by delivering quality products on time in the most efficient way.

The quality of our product is important and we constantly invest a lot of attention here. Quality is the most important criterion for decisions that affect the value chain. We do this is in association with our raw materials suppliers, stitching workshops and other stakeholders. A point that demands extra attention is the negative trend in the delivery performance noticeable in the spring of 2017. In the autumn, supplier days were held to give groups of suppliers insight into the needs and processes at Van de Velde. Intentions to reinforce the partnership and align supplier and customer processes were expressed with the aim to deliver first time right. These agreements will be followed up in 2018. In autumn 2017 and for icons good delivery reliability was achieved.

We offer a broad, attractive range on the lingerie market in a cost-effective manner. This means a great variety of products. So there is great complexity in the value chain. A leadership programme has been launched in the value chain to constantly improve quality. Here, we focus on lean, sourcing and production. The heart of this programme is formed by the implementation of a lean culture and a continuous improvement methodology, increasing transparency in our value chain and strengthening and expanding our sourcing and production capacities. In this way we want to transform the low delivery reliability in the spring of 2017 into a continuous improvement in delivery performance in 2018.

To guarantee our delivery reliability season after season, we are building an efficient value chain with clear end-to-end processes, process owners and performance indicators. In 2017 all departments in the value chain were given training. The teams involved have a short meeting every day with the focus on goals, continuous improvement and increased transparency.

Efforts have been invested to establish clear steering in the value chain with the new sales and operations planning (S&OP). The S&OP approach has already paid off, among other things with the proactive resolution of capacity limitations due to a lack of space. The shift system was also adapted and structural Saturday work introduced in good dialogue with the works council and trade unions. The S&OP process was started in the second half of 2017 and will reach full maturity in mid-2018.

All production steps, save pure stitching (assemblage), are done in Belgium. Assembly is consolidated in two regions: Asia (in association with our partner Top Form, at sites in China and Thailand) and Tunisia (a Van de Velde-owned site and two suppliers). Both offer good value for money. We are examining the need for a third production pillar, and the practical details, to allow us to further diversify and grow.

6. IT & Data

IT and Data are fundamentals. Our ability to put the consumer at the centre of what we do is dependent on insight into consumer needs based on high-quality data and consumer-oriented processes and systems. Last year Van de Velde's IT and data systems were assessed in terms of infrastructure, applications and organization. The IT organization and the interaction with the business were also examined.

The initial recommendations from this assessment were implemented in 2017. A CIO was appointed, an IT architect hired and a Lean, Agile/Scrum methodology introduced for development and operations and for the IT roadmap. Many of our systems are at the end of their productive cycle. Innovations, improvements and modifications are examined and included in the roadmap. A clear business & IT governance structure was set up to safeguard the effectiveness and costs of these developments.

However, we are not done yet. The planning is well filled for 2018. Important goals are making IT performance measurable, managing resources and implementing the plans in the roadmap. Among other things, the re-implementation of Infor M3 will be completed. The outsourcing of IT commodities in the infrastructure will also be continued, the full implementation of Office 365 will gain speed and several applications will be given an upgrade.

The digital hub in Eindhoven opened at the end of 2017 to support these processes and attract the right additional talent to support our teams in this transformation.

Data is increasingly important for effective operational management at Van de Velde. A data strategy was developed, based on a data maturity scan, and new ways to process data were introduced, increasingly enabling us to exploit the data and put it to work to achieve our ambitions. Master data management, data protection and data security were all set up in 2017 and will be intensified in 2018. Obviously in compliance with the applicable European regulations (GDPR).

7. Innovation

Continuous innovation is essential to maintain and strengthen Van de Velde's competitive position in the medium and long term. We develop new products and business models to realize our ambition – providing the ultimate personalized consumer experience. Innovation is a strategic priority. Within our innovation programme we are researching, building prototypes and creating MVPs (minimal viable products), where we test concepts and business models and develop them iteratively.

Our innovation covers three axes:

- *The fitting room of the future:* In this programme we develop the omni-channel version of the physical fitting room to create a fitting room experience that also satisfies online and on mobile.

- *The product of the future:* Here we research new technologies and applications with a view to personalization to create an even better style and fit.

- *The design and production process of the future:* Digitization of the end-to-end design, development and production process, using 3D technology, new production techniques and business models.

In 2017 we acquired our first experience in chatbots, mobile apps and augmented reality for online fitting in the innovation programme. We plan to expand this programme further in 2018.

In 2018 we introduced the inspiring innovation methods '*Design Thinking*' and '*Lean Start Up*' as framework, with the aim of making innovation an inclusive process at Van de Velde. We have a strong conviction that the knowhow and expertise of external partners and links to innovative ecosystems are a source of added value. We allow today and tomorrow to flow into each other, with the needs of modern consumers as our mainstay.

8. Engagement, people and culture

In today's fast-changing world it is increasingly important to respond fast and adapt constantly to customers and the market. Engaged employees make a difference here.

As an organization we have a responsibility to create a working environment in which employees feel supported and safe and can develop fully, so they can get the best out of themselves and give excellent service to customers. We aim to be a great place to work. A survey of our employees sheds light on what we need to do to achieve that.

In 2017 we worked on five central themes to make Van de Velde a 'great place to work':

- *First-line leadership:* Training team leaders and managers intensively and bringing them together regularly to create a transparent, consistent leadership style based on core values and recognizable throughout the organization.

- *Transparent organization and clear roles and responsibilities:* By creating transparency in our processes and encouraging collaborations between departments, we enable every colleague, every team and every department to gain insight into their contribution to achieving the overarching goal of the company.

- *Engagement and communication:* A cross-functional team develops initiatives to drive the continuous improvement of communication and increase engagement through dialogue that binds. Core principles here are: 'Open/Transparent', 'Trust', 'Respect'.

- *Internal/external foraging:* Gaining knowledge and inspiration at other companies and other departments. Initiatives that bring this goal closer included 'Walk in your shoes', which sees employees switch jobs for a short time. We also held a foraging day for the whole value chain: our people visited various external companies and we learned from speakers from other organizations.

- *Feedback and fairness:* Establishing fair and effective KPIs for employees, particularly in the operational teams (distribution centre, stitching studio, cutting room, warehouse). Giving constant feedback on how well goals and targets are achieved plays a big role here.

The 'what' and the 'how' were given a great deal of attention in 2017. Questions were: What is my role in the grand scheme? What do we share together? How do we relate to each other in a fair and transparent way? In 2018 we will take the next step, launching initiatives dealing with the 'why'. Why do we do what we do? Why do consumers buy our products? Why do I get out of bed every day and go to work in an engaged and motivated way?

Prospects

In 2018 we will continue to work on the foundations laid in 2017. Adapting to the speed of change in consumer preferences and being able to offer our high-quality products where women search, gather information and shop are two things that will be implemented throughout the organization.

The Van de Velde organization is developing into a scalable company that is well able to capitalize on the opportunities that arise for our brands and products. We continue to build a platform for growth. With an organization that takes direct, immediate action when market conditions change. We expect our markets to become even more dynamic over the next year – and beyond – under the influence of the increasing personalization and digitization. It is a mega-trend in every society we are active in.

Our strong brands – which we load, broaden and strengthen with well thought marketing – are front and centre in the strategic market approach. Over the next few years, Van de Velde will evolve into a 'powerhouse of brands', which will contribute to growing the consumer base, driven by the reinforced omni-channel strategy. This will enable us to create stronger ties between our brands and products and existing customers, but also new ones.

Optimizing the value chain is an important focal point. Using IT and data as input brings design and the supply chain closer together. By simplifying our processes we improve our responsiveness and we become better able to supply our customers – with their variable demand – consistently and on time. It is also a necessary investment to overcome the physical and historical limitations on growth. Here, operational excellence is the standard we measure ourselves against. We invest in our people to get and keep them involved and engaged in achieving Van de Velde's growth ambitions.

These are substantial investments, as is the drive to update our IT and data systems and make them future-proof. We are confident that the organization that will ensure those investments pay off is now being built. We continue to actively look for additional talent. Key positions have already been filled to the desired quality level and others will be in the near future and the skillsets are being strengthened in our teams and organization.

We see most markets becoming more dynamic and we believe in the attractiveness of our brands. We are in a strong position. However, geopolitically there are a number of important unpredictabilities. The nature of Brexit remains a factor that will impact Van de Velde, in part through exchange rates.

In 2018, we aim to restore the turnover growth to the historic average, partly with the introduction of Marie Jo Swim and the impact of the initiatives that were set up in 2017. The scalable platform we are building will entail a further marked increase in costs and investments in 2018. While this will put pressure on profit development, the Board of Directors and management fully support these initiatives to achieve future growth.

With the changes to the organization and the smart investments we have absolute confidence that we will put the right things in the right place to allow us to accelerate growth beyond 2018. Important projects and investments are on the agenda that will have an impact on all departments of the company. A number of them have already been implemented. By rolling them out in a synchronized and cohesive way, we will achieve valuable synergy that will ensure an adequate return on our expenditure and investments.

Erwin Van Laethem
CEO
with thanks to all colleagues


MARIE JO

2 | Description of the company and its activities

For a detailed description of the mission, core business and history, please visit our website at www.vandevelde.eu.

The Group structure as at 31 December 2017 is as follows:

Further in the annual report, all those entities together are referred to as the Group.


MARIE JO
L'AVENTURE

Van de Velde is a listed family company and as such it gives special attention to gearing its operations and organization to the provisions of the Corporate Governance Code.

On 17 February 2017 the Board of Directors of Van de Velde NV approved the Corporate Governance Charter, which is available on the company's website.

The company's family nature is also an important ingredient in good governance. That is because the family has an interest in the company being managed in a professional and transparent way. That is expressed among other things by the presence of experienced family members on the Board of Directors.

Corporate governance and transparency are also discussed in other chapters of this annual report.

The Board of Directors

Composition of the Board of Directors

The Board of Directors of Van de Velde NV is composed as follows:

- Herman Van de Velde NV, always represented by Herman Van de Velde, chairman (tenure expires at the Ordinary General Meeting of 2018);
- Lucas Laureys, director (tenure expires at the Ordinary General Meeting of 2019);
- Bénédicte Laureys, director (tenure expires at the Ordinary General Meeting of 2018);
- Positron BVBA, always represented by Erwin Van Laethem, managing director (tenure expires at the Ordinary General Meeting of 2020);
- EBVBA Benoit Graulich, always represented by Benoit Graulich, director (tenure expires at the Ordinary General Meeting of 2019);
- BVBA Dirk Goeminne, always represented by Dirk Goeminne, director (tenure expires at the Ordinary General Meeting of 2020);
- Emetico NV, always represented by Yvan Jansen, director (tenure expires at the Ordinary General Meeting of 2019);
- Mavac BVBA, always represented by Marleen Vaesen, director (tenure expires at the Ordinary General Meeting of 2019);
- Veronique Laureys, director (tenure expires at the Ordinary General Meeting of 2020);
- Phillip Vandervoort, director (tenure expires at the Ordinary General Meeting of 2020).

    - Herman Van de Velde NV, always represented by *Herman Van de Velde* (m, 1954°), chairman and director;
      After Herman obtained his degree in economics (KULeuven) and a postgraduate degree in development economics (UCL), he moved to Conakry, Guinea to work for UNIDO (United Nations Industrial Development Organization). In 1981 he joined the family firm founded by his grandfather. He was a member of the Board of Directors of Lotus Bakeries for 12 years and chairman of Etion, a platform for entrepreneurs, for seven years. He currently sits on the board of Brabantia, Alsico, Vigo, Artevelde University College and Volksvermogen. He is also chairman of IVOC (the institute for training and development in the clothing industry) and Vlajo (the organisation for young Flemish companies).

- *Lucas Laureys* (m, 1945°), director;
  Lucas Laureys has a licentiate in economics (University of Ghent) and obtained a master's degree in business administration at Vlerick Business School and KUL. In 1971 he joined the familiy firm founded by his grandfather. More than 30 years he has been active as co-managing director and CEO with responsibilities for strategy, sales and marketing. He has also sat in various boards of directors, including those of Delta Lloyd Bank and Omega Pharma. At Omega Pharma he has been chairman for several years.

- *Bénédicte Laureys* (f, 1969°), director;
  Benedicte Laureys obtained a professional bachelor secondary education economics at University College Leuven. Before her appointment as director at Van de Velde, in 2006 she followed a course at Guberna, the institute for administrators. She has 25 years of experience in the lingerie business. She is currently director and managing director of Ambo Holding NV and Vogue BVBA. She also has a seat on the Board of Directors of Rigby & Peller US/UK and ADX Neurosciences NV.

- Positron BVBA, CEO, represented by *Erwin Van Laethem* (m, 1964°);
  Erwin is a civil engineer (electrical engineering) with an MBA in marketing and an executive master's degree in Modern Finance & Risk. He held various international executive positions at Shell and was CEO of Essent (Netherlands). He was appointed CEO of Van de Velde at the end of 2016.

- EBVBA Benoit Graulich, represented by *Benoit Graulich* (m, 1965°), independent director;
  Benoit has qualifications in law, taxation and business administration. He is currently managing partner at Bencis Capital Partners BV and a member of various boards of directors, including Lotus Bakeries.

- Emetico NV, represented by *Yvan Jansen* (m, 1963°), independent director;
  Yvan has a licentiate in law (KUL) and a master's degree in economics (UCL), as well as an MBA from Chicago Booth. Yvan Jansen is managing partner at A.T. Kearney in Brussels. He was previously a partner in private equity and senior partner & managing director at The Boston Consulting Group.

- BVBA Dirk Goeminne, represented by *Dirk Goeminne* (m, 1955°), independent director;
  Dirk Goeminne studied business economics and commercial engineering and is currently CEO of Ter Beke. He also sites on various boards of directors, including Wereldhave.

- Mavac BVBA, represented by *Marleen Vaesen* (f, 1959°), director;
  Marleen has a background in economics and supplemented her training with management courses at prestigious universities, including Harvard. She has built up a career at Procter & Gamble and Sara Lee and was CEO at Greenyard for five years.

- *Veronique Laureys* (f, 1979°), director;
  Veronique has a background in economics. She has more than 10 years' experience in the lingerie business and is director and managing director of Ambo Holding NV and Vogue BVBA.
  This year she was appointed to the Board of Directors of Van de Velde.

- *Phillip Vandervoort* (m, 1961°), director;
  Phillip is a qualified electrical and mechanical engineer, president of the Board of Directors of Scarlet and Tango, and a member of the Board of Directors of Awing.

Honorary director: Henri-William Van de Velde, son of the founder, Doctor of Laws.

EBVBA Benoit Graulich, BVBA Dirk Goeminne and Emetico NV are considered to be independent directors.

Lucas Laureys, Bénédicte Laureys, Veronique Laureys, Mavac BVBA, Phillip Vandervoort and Herman Van de Velde NV represent Van de Velde Holding NV, the majority shareholder of Van de Velde NV, and are non-executive directors.

Positron BVBA is managing director and member of the Management Committee.

In accordance with the Act of 28 July 2011[1], at least one third of the members of the Board of Directors are the opposite sex to the other members.

Herman Van de Velde NV chairs the Board of Directors.

The company secretary is Nathalie De Kerpel, legal counsel.

Operation and activity report of the Board of Directors

Van de Velde's Board of Directors directs the company in accordance with the principles laid down in Belgium's Companies Code and makes decisions on the general policy. These comprise the assessment and approval of strategic plans and budgets, supervision of reports and internal controls and other tasks assigned by law to the Board of Directors.

Pursuant to Article 524bis of Belgium's Companies Code, the Board of Directors has established a Management Committee to which it has delegated its managerial powers, with the exception of general policy and all actions that are reserved to the Board of Directors by statutory provisions.

The Board of Directors has also established the following advisory committees: an Audit Committee, a Nomination and Remuneration Committee and a Strategic Committee.

For a detailed description of the operation and responsibilities of the Board of Directors we refer you to the company's Corporate Governance Charter, which is published on the company's website.

In 2017 the Board of Directors met seven times. There was an additional meeting of the Board of Directors attended only by the non-executive directors for the purpose of evaluating the interaction between the Board of Directors and the Management Committee. Emetico NV and EBVBA Benoit Graulich were excused during one board meeting. Otherwise, all board meetings were fully attended.

Committees within the Board of Directors

(a) Audit Committee

The objective of the Audit Committee is to assist the Board of Directors in carrying out its control tasks with respect to Van de Velde's financial reporting process, including supervision of the integrity of the financial statements, and the qualifications, independence and performance of the statutory auditor.

The Audit Committee advises the Board of Directors on the following:
- appointment (and dismissal) and remuneration of the statutory auditor;
- preparation of bi-annual and annual results;
- internal control and risk management;
- external audit.

The Audit Committee is composed as follows:
- Lucas Laureys;
- BVBA Dirk Goeminne, always represented by Dirk Goeminne (independent director);
- EBVBA Benoit Graulich, always represented by Benoit Graulich (independent director).

The members of the committee possess sound knowledge of financial management.

The chairman of the Audit Committee is EBVBA Benoit Graulich, always represented by Benoit Graulich.

The Audit Committee meets no fewer than four times a year and as often as considered necessary for its proper operation. In 2017 the Audit Committee met three times. All Audit Committees were fully attended.

(b) Strategic Committee

The role of the Strategic Committee is to assist the Board of Directors in establishing the company's strategic direction. Other important strategic themes can be discussed ad hoc, including:
- mergers and acquisitions;
- developments at competitors, customers or suppliers that may/will impact the company;
- important regional developments for the company;
- technological opportunities and/or threats for the company;
- budget assessment.

The Strategic Committee is composed as follows:
- Lucas Laureys;
- Positron BVBA, always represented by Erwin Van Laethem;
- Herman Van de Velde NV, always represented by Herman Van de Velde.

The chairman of the Strategic Committee is Herman Van de Velde. Other members of the Board of Directors can be invited to participate in the Strategic Committee on an ad hoc basis.

The Strategic Committee meets no fewer than two times a year and as often as considered necessary for its proper operation.

1 This act aims to ensure that there is gender balance in board of directors

(c) Nomination and Remuneration Committee

The Nomination and Remuneration Committee formulates recommendations to the Board of Directors concerning the company's remuneration policy, the remuneration of the directors and members of the Management Committee and the appointment of the directors and members of the Management Committee, and is responsible for the selection of suitable candidate directors.

The Nomination and Remuneration Committee is composed as follows:

– Herman Van de Velde NV, always represented by Herman Van de Velde;
– EBVBA Benoit Graulich, always represented by Benoit Graulich;
– BVBA Dirk Goeminne, always represented by Dirk Goeminne.

The chairman of the Nomination and Remuneration Committee is BVBA Dirk Goeminne, represented by Dirk Goeminne. All members of the committee possess sound knowledge of remuneration policy.

The Nomination and Remuneration Committee meets as often as is needed for its proper operation, but never fewer than two times every year. The Nomination and Remuneration Committee met three times in 2017. All members attended these meetings.

No director attends the meetings of the Nomination and Remuneration Committee in which his or her own remuneration is discussed or may be involved in any decision concerning his or her remuneration.

For a detailed summary of the responsibilities and the operation of the various committees established by the Board of Directors, see the company's Corporate Governance Charter, which is published on the company's website.

(d) Management Committee

In accordance with Article 23.4 of the Articles of Association and Article 524bis of Belgium's Companies Code, the Board of Directors established a Management Committee on 2 March 2004.

The Management Committee meets on average every three weeks and is responsible for managing the company. It exercises the managerial powers that the Board of Directors has delegated to the Management Committee. In function of the agenda points, the key persons of the company are invited to the meeting of the Management Committee.

The Management Committee is composed as follows:
- Positron BVBA, always represented by Erwin Van Laethem, CEO;
- Bart Rabaey Consulting VOF, always represented by Bart Rabaey, CFO;
- Karlien Vanommeslaeghe, people & organization director;
- Hedwig Schockaert, ICT & supply chain director;
- YWMA BVBA, always represented by Yan Aerts, global retail director.

During 2017 the following persons left the Management Committee:
- Isabelle Massagé, global sales director as of 30 June 2017. As from July 2017 Evi Vandenzavel and Florence Vandaele fulfil her duties on a temporary basis.
- Louis de Saint Michel, global brand director and chief marketing officer as of 31 December 2017. In December 2017 Louis was appointed general manager of Andres Sarda.

- Erwin (m, 1964°)
  Erwin is a civil engineer (electrical engineering) with an MBA in marketing and an executive master's degree in Modern Finance & Risk. He held various international executive positions at Shell and was CEO of Essent (Netherlands). He was appointed CEO of Van de Velde at the end of 2016.
- Bart (m, 1977°)
  Bart has various qualifications, including a master's degree in business administration. After 15 years of experience in financial consultancy and investments, he joined Van de Velde as CFO at the end of May 2016.
- Karlien (f, 1967°)
  Karlien obtained a master's degree in multilingual business communication and a master's degree in psychology and has more than 25 years of experience in human resources. She has sat on the Management Committee at Van de Velde for more than ten years.
- Hedwig (m, 1960°)
  With his background as an industrial engineer and 30 years of experience in supply chain management, Hedwig is an expert in the field. He began his career more than 30 years ago at Van de Velde and has been a member of the Management Committee for more than 10 years.
- Yan (m, 1960°)
  Yan obtained a master's degree in law and a qualification in Philosophy. After holding several positions in the textile industry, in September 2016 he was appointed international retail director at Van de Velde.
- Isabelle (f, 1970°)
  Isabelle studied business economics and gained a lot of experience in the banking sector before she started working as country manager Spain at Van de Velde. As from July 2017, Evi Vandenzavel (f, 1980°) and Florence Vandaele (f,1976°) fulfil the duties of global sales director on a temporary basis. Evi is a qualified Germanist with experience in various sales positions. Florence studied psychology and was previously active in FMCG. Both of them joined Van de Velde in 2013.
- Louis (m, 1969°)
  Louis obtained a master's degree at ESSEC International Business School, followed by a year studying fashion and textile management at IFM (Institut Français de la Mode). After holding several positions in the cosmetics industry, in 2014 he moved to the lingerie industry as global brand director.

The chairman of the Management Committee (CEO) is Positron BVBA, always represented by Erwin Van Laethem.

The members of the Management Committee are appointed and dismissed by the Board of Directors on the basis of the recommendations of the Nomination and Remuneration Committee. The members of the Management Committee are appointed for an indefinite period, unless the Board of Directors decides otherwise. The ending of the tenure of a member of the Management Committee has no impact on the agreements between the company and the person involved as regards additional duties over and above this tenure.

(e) Daily management
In addition to the Management Committee, Van de Velde's daily management is in the hands of Positron BVBA, always represented by Erwin Van Laethem, managing director.

(f) Evaluation
At least every three years, the Board of Directors, headed by its chairman, conducts an evaluation of its size, composition and performance, and the size, composition and performance of its committees, as well as the interaction with the Management Committee. The directors give their full cooperation to the Nomination and Remuneration Committee and any other persons, within or outside the company, responsible for this evaluation. Based on the findings of the evaluation, the Nomination and Remuneration Committee will, where applicable and in consultation with any external experts, submit to the Board of Directors a report of the strengths and weaknesses and any proposal to appoint new directors or refrain from renewing a directorship. The Board of Directors evaluates the performance of the committees at least every three years.

The non-executive directors evaluate their interaction with the Management Committee annually.

The CEO together with the Nomination and Remuneration Committee evaluates the functioning and performance of the Management Committee annually.

Remuneration report

1. Introduction

The remuneration report provides transparent information on Van de Velde's remuneration policy for its directors and members of the Management Committee, in accordance with the Belgian Corporate Governance Act of 6 April 2010 and the Belgian Corporate Governance Code. The underlying remuneration report will be submitted for approval to the General Meeting of 25 April 2018 and presented to the works council, in accordance with the provisions of the Act.

The company's remuneration policy is focused on attracting and retaining profiles with the experience needed to ensure the continuity and growth of the company. The aim of the reward policy is to ensure employees are properly compensated, based on the performance of the employee and the company. The evolution of the total reward is linked to the results of the company and individual performance.

2. Remuneration of the directors

The Nomination and Remuneration Committee makes recommendations to the Board of Directors with regard to the compensation for directors, including the chairman of the Board of Directors. These recommendations are subject to the approval of the Board of Directors.

The compensation for the non-executive directors is proposed to the General Meeting. They receive only fixed remuneration for their membership of the Board of Directors and the advisory committees on which they have a seat[1]. The amount of the remuneration will only take into account their role in the Board of Directors and various committees, the ensuing responsibilities and time spent.

The non-executive directors receive no performance-related remuneration such as bonuses, long-term payments, non-cash benefits or pension plans. Non-executive directors are not granted any options or warrants.

As from 1 January 2016 Herman Van de Velde NV, permanently represented by Herman Van de Velde, was appointed as chairman. Herman Van de Velde NV receives an annual gross remuneration of 25,000 euro for its chairmanship, his membership of the Nomination and Remuneration Committee and the Strategic Committee. The other non-executive members receive annual remuneration of 15,000 euro for their membership of the Board of Directors and 2,500 euro for their membership of the Audit and/or Nomination and Remuneration Committee respectively. BVBA Dirk Goeminne and EBVBA Benoit Graulich are both a member of the Nomination and Remuneration Committee and Audit Committee, and therefore receive a total annual remuneration of 20,000 euro. Lucas Laureys is a member of the Audit Committee and receives an annual remuneration of 17,500 euro.

The members of the Board of Directors who are also members of the Management Committee receive no remuneration for their membership of the Board of Directors.

A directorship may be terminated at any time without any form of compensation. There are no employment contracts or service contracts that provide for notice periods or severance payments between the company and the members of the Board of Directors who are not members of the Management Committee.

3. The remuneration of the members of the Management Committee

The level and structure of the remuneration for the members of the Management Committee must be such that qualified and expert professionals can be attracted, retained and motivated, bearing in mind the nature and scope of their individual responsibilities. To this end, an international HR consultant is given the task of proposing the job weighting and the corresponding customary salary package in the relevant market. The compensation is regularly benchmarked on the basis of a relevant sampling of listed companies.

The managing director makes proposals to the Nomination and Remuneration Committee with regard to members' remuneration on an individual basis.

Other principles on which the remuneration policy is based:

– A member of the Management Committee who is also a member of the Board of Directors shall receive no remuneration for being a member of the Board of Directors.
– A member of the Management Committee who is also a managing director shall receive no remuneration for being a managing director.
– An appropriate part of the remuneration package of the members of the Management Committee must be linked to the performance of the company and individual performance, to the extent that the interests of the Management Committee are aligned with the interests of the company and its shareholders.
– If members of the Management Committee are eligible for a bonus based on the performances of the company or its subsidiaries or on individual performance, the remuneration report will state the criteria applied to evaluate the performance against the targets as well as the evaluation period. These details shall be published in such a way that no confidential information is disclosed with regard to the company's strategy.
– In principle, granted shares or other forms of deferred remuneration are not deemed to be acquired and options may not be exercised within three years of their grant date.
– Obligations of the company in the framework of premature exit arrangements will be closely investigated to ensure poor performance is not rewarded.

A variable annual remuneration ('team bonus') is granted to the CEO and the members of the Management Committee. This is based on the attainment of annual targets relating to the fiscal year for which the variable remuneration is payable, as set by the Nomination and Remuneration Committee. These targets are based on objective parameters and are closely linked to the results of the Group. Every year, the Nomination and Remuneration Committee evaluates the degree to which the targets have been met and submits this report to the Board of Directors for approval. The maximum amount of this team bonus, not including the CEO, is 37,500 euro per member. For the CEO the maximum amount is 300,000 euro.

There is also an individual bonus scheme for some members of the Management Committee, including the CEO, based on the attainment of individual targets relating to the fiscal year for which the variable remuneration is payable, as set down every year in writing by the Nomination and Remuneration Committee. These targets are based on objective parameters and are closely dependent on the responsibilities of the member in question. The Nomination and Remuneration Committee evaluates the degree to which these individual targets have been attained and submits this report to the Board of Directors for approval. This individual variable remuneration may not exceed 37.5% of the annual gross salary (with exception for the CEO). The CEO's individual variable remuneration may not exceed 150,000 euro.

In addition to the variable remuneration system, the Board of Directors retains the discretionary power to grant an additional bonus to the CEO and one or more members of the Management Committee to reward

1 Audit Committee and Nomination and Remuneration Committee
2 In respect of the targets related to the results of the Group, the audited accounts are used as a basis to determine whether these targets have been reached.
3 For some members of the Management Committee, the maximum is lower.

a specific performance or merit, on the proposal of the Nomination and Remuneration Committee.

For the CEO 2/3 of the total earned bonus is paid after the closure of the financial year. 1/3 of this bonus is paid as follows, provided the CEO is still working for Van de Velde at the time of the scheduled payment:

- 33% of this 1/3: in February of the second year after the financial year to which the bonus relates;
- 33% of this 1/3: in February of the third year after the financial year to which the bonus relates;
- 33% of this 1/3: in February of the fourth year after the financial year to which the bonus relates.

There are no special agreements or systems that entitle the company to claim back variable remuneration that has been paid out if it has been granted erroneously on the basis of data that subsequently proves to be incorrect. In such cases, the company will invoke the possibilities found in common law. Plans in which members of the Management Committee are compensated in shares, share options or any other rights to acquire shares are subject to prior shareholder approval at the Annual General Meeting. The approval relates to the plan itself and not to the individual grant of share-based benefits under the plan. In principle, shares are not permanently acquired and options are not exercisable within fewer than three years.

The total gross remuneration (in 000 euro) (including remunerations received from other companies that form part of the Group) awarded in 2017 to the members of the Management Committee and the CEO were as follows:

	Management Committee [1]	**CEO**
Basic remuneration	1,150 [2]	544 [3]
Variable remuneration	190	237 [4]
Pensions/disability/ guaranteed income	23	0
Other benefits	17	0

The variable remuneration is the bonus acquired during the year under review. There are various types of grant, including cash, deferred payment and deposit into a supplementary pension plan. The members of the Management Committee who are also employees are also entitled to a company car with fuel card as per the company car policy, meal vouchers, a group insurance (pension plan including a disability and decease coverage) and hospitalization insurance.

Currently, two members of the Management Committee are employed on the basis of an employment contract, which can be terminated, subject to the notice term calculated in accordance with the applicable labour laws. This notice term can be replaced by a corresponding termination indemnity as the company sees fit. No other termination indemnity is provided for. However, in the event of a termination for urgent cause, the contract can be terminated with immediate effect.

The CEO and two other members of the Management Committee are engaged on an independent basis. The notice period in the management agreements is no more than six months.

During 2017 no termination indemnity was granted to any of the members of the Management Committee.

4. Remuneration policy for coming years

No extraordinary changes to the remuneration policy are expected for coming years and the above-mentioned provisions will remain in force.

5. Share-based payments

The General Meeting of 29 April 2015 approved the 2015 option plan giving the Nomination and Remuneration Committee the power to grant options on the company's shares to the members of the Management Committee for a term of five years. These options are granted at no charge. The exercise price per share of the options is equal to (i) the average closing price of the share in the course of the thirty calendar days prior to the date of the offer or (ii) the closing price of the final trading day preceding the date of the offer, whichever is lowest. An option remains valid for ten years. The company and the option holder may decide by mutual agreement to reduce the terms of validity of the option below ten years but never below five years. The options cannot be exercised before the end of the third calendar year after the year in which they are offered.

In 2017 20,000 options in total were granted to the members of the Management Committee and 10,000 options were exercised. No unexercised options expired.

1 Excluding the CEO. If remunerated through a management agreement, the total cost of company is included. If remunerated through an employment contract, the social security charges paid by the employer are not included.
2 Departure holiday pay is included in the figures.
3 The figures display the cost for the company.
4 The figures display the cost for the company.

	Options end 2016	Granted and accepted in 2017	Exercised in 2017		Options end 2017
		Number	Number	Exercise price	
EBVBA 4F [1]	8,500	0	5,000	34.89	3,500
Herman Van de Velde NV	10,000	0	5,000	34.89	5,000
Hedwig Schockaert	10,000	5,000	0		15,000
YWMA BVBA	5,000	5,000	0		10,000
Positron BVBA	5,000	5,000	0		10,000
Bart Rabaey Consulting VOF	5,000	5,000	0		10,000
	43,500	**20,000**	**10,000**		**53,500**

1 EBVBA 4F, permanently represented by Ignace Van Doorselaere, CEO up to 31 October 2016.

Major characteristics of internal control and risk management systems

The Management Committee leads the company within the framework of careful and effective control, which makes it possible to evaluate and manage risks. The Management Committee develops and maintains appropriate internal controls that offer reasonable assurance on the attainment of the goals, the reliability of the financial information, compliance with applicable laws and regulations, and the execution of internal control processes.

The Board of Directors oversees the proper functioning of the control systems through the Audit Committee. The Audit Committee evaluates the effectiveness of the internal control and risk management systems at least once a year. It must ensure that significant risks are properly identified, managed and brought to its attention.

In monitoring the financial reporting, the Audit Committee especially evaluates the relevance and coherence of the financial statement standards applied by the company and its Group. This entails an assessment of the accuracy, completeness and consistency of the financial information. The Audit Committee discusses significant financial reporting issues with executive management and the external auditor.

The Board of Directors bears responsibility for analysis and proactive measures and plans with regard to *strategic risks*. The Board of Directors approves the strategy and goals every year. An annual growth plan for the following year is presented to the Board of Directors for approval. The growth plan is monitored systematically during the meetings of the Board of Directors, and may be adapted on the basis of changed prospects.

Operational risks are regularly identified, updated and evaluated. The operational risks are documented and a number of actions are taken to manage the risks. The financial department is responsible for monitoring and reporting these. The Management Committee bears the responsibility for analysis, proactive measures and plans with regard to operational risks.

For each process, internal controls should be in place guaranteeing, where possible, the proper functioning of this process. The effectiveness of the internal controls that are important for the completeness and correctness of the reported figures is regularly verified by the financial department, on the basis of random sampling. An example is the permanent stock system for raw materials and finished products.

Additional information is provided in the company's Corporate Governance Charter as published on the website.

With respect to risk management, we also refer to note 30 related to 'Business risks with respect to IFRS 7'.

Shareholding structure on the balance sheet date

The subscribed capital is 1,936,173.73 euro. It is represented by 13,322,480 shares.

Within the framework of Belgium's Transparency Act of 2 May 2007 stakes must be made public in accordance with the thresholds provided for by the Articles of Association. The thresholds in Van de Velde's Articles of Association are:
- 3%;
- 5%;
- multiples of 5%.

Van de Velde Holding NV holds 7,496,250 (56.27%) shares. It does so through the Vesta foundation as well as Hestia Holding NV and Ambo Holding NV. Vesta foundation and Hestia Holding NV together represent the interests of the Van de Velde family; Ambo Holding NV represents the interests of the Laureys family.

Information about specific safeguards

A majority of Van de Velde NV's directors are appointed from the candidates nominated by Van de Velde Holding NV, as long as it directly or indirectly holds no less than 35% of the company's shares.

Miscellanea

Insider trading

The members of the Board of Directors and some employees that may possess important information ('insiders') have signed the protocol preventing abuse of privileged information. This means that anyone wishing to trade in Van de Velde shares must first request the permission of the Compliance Officer.

Insiders are not permitted to trade in securities in the following periods:
(i) The period between the final meeting of the Board of Directors prior to the end of the year and the moment the annual results are announced;
(ii) The period of two months immediately prior to the announcement of the company's half-year results or the period commencing at the time of closure of the half year in question and ending at the time of publication of the half-year results, whichever is shorter.

The Board of Directors can impose a general transaction ban on all insiders in other periods that may be considered to be sensitive.

All other staff at Van de Velde have been notified in writing of the statutory stipulations concerning abuse of insider knowledge.

Transactions between the company and its directors

The company's Corporate Governance Charter, which is published on the company's website, explains the rules applicable to transactions and other contractual links between the company, including its affiliated companies, and its directors and members of the Management Committee that are not covered by the conflict of interests scheme.

During 2017 no such transactions or other contractual links occurred.

Statutory auditor

The General Meeting of 27 April 2016 of Van de Velde NV appointed Ernst & Young Bedrijfsrevisoren BVCBA, Moutstraat 54, 9000 Ghent, represented by Paul Eelen, as the statutory auditor. This appointment runs until the Ordinary General Meeting of 2019.

Regular consultations are held with the statutory auditor, who is also invited to the Audit Committee for the half-year and annual reporting. The statutory auditor has no relationship with Van de Velde that could impact his opinion.

The annual remuneration in 2017 for auditing of the statutory and consolidated financial statements of Van de Velde NV was 59,515 euro (excl. VAT). The total costs for 2017 for the auditing of the annual accounts of all companies of the Van de Velde Group were 154,378 euro (excl. VAT), including the aforementioned 59,515 euro.

In accordance with Article 134 of Belgium's Companies Code, Van de Velde announces that the remuneration given to the statutory auditor for exceptional and special tasks and to the persons with whom the statutory auditor has a professional relationship was 31,805 euro (excl. VAT), all of which was for tax advice and compliance tasks.

Belgian Code on Corporate Governance

Van de Velde NV complied with the majority of the principles laid down in the Belgian Code on Corporate Governance. The Code was not complied with in one case however due to the character of the company and the importance of the proper functioning of its bodies and employees.

Non-compliance with the Code concerns:
(i) Principle 5.2/28, The Audit Committee meets at least four times per year.

Given that the Board of Directors (which meets at least four times per year) gives sufficient attention to financial reporting, the Audit Committee met only three times in 2017.

Conflict of Interests Scheme

In 2017 no conflicts of interests were declared in the Board of Directors within the meaning of Article 523 of Belgium's Companies Code.

Information to shareholders

Share listing

The shares of Van de Velde have been quoted on the Brussels stock exchange, currently Euronext Brussels, since 1 October 1997, under the abbreviation 'VAN' (MNENO).

Van de Velde's shares can be traded using the ISIN code BE 0003839561.

Euronext Brussels lists Van de Velde on the spot market (continuous market) of Euronext Brussels in compartment B (market capitalization between 150 million and 1 billion euro).

In line with its series of local indexes, Euronext Brussels maintains a BEL20, BEL Mid and BEL Small index, the components of which are selected on the basis of liquidity and free float market capitalization.

Van de Velde is listed in the BEL Mid index. The weight in this index was 1.06% at the end of 2017.

Liquidity provider

Van de Velde concluded a liquidity agreement with Bank Degroof in July 2002.

A liquidity provider guarantees the constant presence of bid and offer prices at which investors can conduct transactions and sets a permanent maximum spread between purchase and selling price of 5%. This allows the increase in share velocity and the reduction of the spreads between bid and offer prices. Major price fluctuations can be avoided on small traded volumes and the listing on the continuous segment of Euronext Brussels can be guaranteed.

General Meeting

The General Meeting of Shareholders is held at the seat of the company (unless another place is mentioned in the convocation) at 5 pm on the last Wednesday of April. If this day is an official holiday the meeting is held on the next working day.

An Extraordinary General Meeting can be convened whenever the interests of the company so demand it and must be convened whenever the shareholders representing one fifth of the capital so demand it.

Authorized capital

The Board of Directors is authorized for a period of five years from the announcement in the annexes to Belgisch Staatsblad/Moniteur belge (18 May 2017) to raise the subscribed capital one or more times by a total amount of 1,936,173.73 euro, under the conditions stated in the Articles of Association.

Acquisition of own shares

On 30 April 2014 [1] the Extraordinary General Meeting of Shareholders authorized the Board of Directors to buy or sell its own shares. This authorization is valid for a period of (i) three years as from 27 May 2014 if the acquisition is necessary to avoid a serious threatened disadvantage and (ii) five years as from 30 April 2014 if the Board of Directors, in accordance with Article 620 of Belgium's Companies Code, acquires the legally permitted number of its own shares at a price equal to the price at which they are listed on Euronext Brussels.

At the beginning of 2017, 11,000 own shares were acquired by Van de Velde NV. At the end of 2017 Van de Velde NV has no own shares in its possession.

The treasury shares owned by Van de Velde NV are held with the intention of offering them to the management within the framework of a stock option programme initiated in 2005. See note 13 to the consolidated financial statements for more information.

Dividend Policy

Van de Velde's objective is to pay out a stable and gradually increasing annual dividend. In doing so, it takes the following factors into consideration:
- Appropriate payment to shareholders in comparison with other companies listed on Euronext Brussels;
- Retention of sufficient self-financing capacity to respond to attractive investment opportunities;
- Remuneration proportionate to cash flow expectations.

The dividend policy of Van de Velde consists in paying out at least 40% of the consolidated profit, Group share, excluding the result based on the equity method. Furthermore, Van de Velde does not retain excess cash in the organization.

Financial Services

The financial services are provided by ING as main payment agent.

Proposed profit distribution

The dividend on distributable profit will be allocated to the shares with rights that are not suspended. In other words, the treasury shares held for which no profit share is retained are not taken into account to reduce distributable profit. This concerns zero treasury shares purchased within the framework of the option programme (see above). Reference is made to Article 622 of Belgium's Companies Code.

The number of shares with dividend rights is accordingly not reduced and amounts to 13,322,480 shares.

The application of the pay-out percentage (40% of consolidated profit, Group share, excluding result based on the equity method) produces a dividend per share of 1.03 euro.

Van de Velde has the policy of not retaining excess cash in the organization, but distributing it in one way or another to the shareholders. Cash required for operating and investing activities is evaluated on an annual basis. For 2017 this implies that the Board of Directors will propose to the General Meeting the payment of a gross dividend for the fiscal year 2017 of 1.03000 euro per share. After the payment of withholding tax, this represents a net dividend of 0.721 euro per share. After approval by the General Meeting of Shareholders, the final dividend of 1.0300 euro per share (net dividend of 0.721 euro per share) will be paid out as from 4 May 2018.

Financial Calendar

Closing of fiscal year 2017	31 December 2017
Announcement of 2017 turnover figures	11 January 2018
Announcement of annual results 2017	27 February 2018
Publication of annual financial report	23 March 2018
General Meeting of Shareholders	25 April 2018
Ex-coupon date	2 May 2018
Record date	3 May 2018
Dividend payment date	4 May 2018
Announcement of H1 2018 turnover figures	9 July 2018
Publication of 2018 half-year results	31 August 2018
Closing of fiscal year 2018	31 December 2018

1 Mandates were renewed on the Extraordinary General Meeting of Shareholders of 26 April 2017

4 | Consolidated key figures 2017

Profit and loss account (in millions of euro)	2017	2016	2015	2014	2013
Operating income	214.7	211.9	214.5	203.3	186.8
Turnover	209.0	206.6	209.0	198.4	182.4
Turnover on a comparable basis [1]	205.6	206.8	206.7	195.6	182.4
EBITDA [2]	55.7	61.9	61.9	57.7	48.7
EBITDA on a comparable basis [3]	53.5	62.0	60.4	55.9	48.7
EBIT [4]	48.0	53.6	53.7	49.5	41.1
Consolidated result before taxes [5]	47.7	53.3	54.0	18.8	40.5
Consolidated result after taxes [5]	34.2	34.0	40.6	2.5	31.7
Profit for the period [6]	33.9	33.6	41.0	2.5	31.8
Operating cash flow [7]	35.0	45.1	50.3	45.9	34.8

(1) Turnover on a comparable basis is turnover excluding early deliveries, to enable seasons to be compared.
(2) EBITDA is earnings before interest, taxes, depreciation and amortization on tangible and intangible assets. The EBITDA for 2013 does not include the non-recurring restructuring cost for Eurocorset in the amount of 1.7 million euro.
(3) EBITDA on a comparable basis is EBITDA excluding the impact of early deliveries, to enable seasons to be compared.
(4) EBIT is earnings before interest and taxes. The EBIT for 2013 does not include the non-recurring restructuring costs.
(5) Result of the Group (Group share) before share in the profit / (the loss) of associates (equity method). An impairment of 31.4 million euro was recognized in 2014.
(6) Result of the Group (Group share) after share in the profit / (the loss) of associates (equity method).
(7) Operating cash flow is net cash from operating activities.

Balance sheet (in millions of euro)	2017	2016	2015	2014	2013
Fixed assets	69.7	71.9	70.8	68.0	100.9
Current assets	89.1	84.8	90.9	91.9	96.3
Shareholders' equity	121.8	116.6	129.2	134.0	173.5
Balance sheet total	158.8	156.7	161.7	159.9	197.2
Net debt position [1]	-21.5	-18.0	-27.8	-34.2	-38.9
Working capital [2]	36.1	32.2	35.9	37.2	42.3
Capital employed [3]	105.8	104.1	106.8	105.2	143.2

(1) Financial debts less cash and cash equivalents (a negative position refers to a cash position; a positive position refers to a debt position).
(2) Current assets (excluding cash and cash equivalents) less current liabilities (excluding financial debts).
(3) Fixed assets plus working capital.

Financial ratios (in %, except liquidity)	2017	2016	2015	2014	2013
Return on equity [1]	29.8	27.7	30.9	1.6	18.5
Return on capital employed [2]	32.2	32.3	38.4	2.0	21.7
Solvency [3]	76.7	74.4	79.9	83.8	88.0
Liquidity [4]	2.8	2.4	3.3	4.5	6.4

(1) Consolidated result after taxes / Average of equity at end of fiscal year and previous fiscal year. If impairment in 2014 is not taken into account, the return on equity is 22.0%.
(2) Consolidated result after taxes / Average of capital employed at end of fiscal year and previous fiscal year. If impairment in 2014 is not taken into account, the return on capital employed is 27.3%.
(3) Equity / Balance sheet total.
(4) Current assets / Current liabilities.

Margin analysis and tax rate (in %)	2017	2016	2015	2014	2013
EBITDA [1]	26.6	30.0	29.6	29.1	26.7
EBITDA on a comparable basis [2]	26.0	30.0	29.3	28.6	26.7
EBIT [3]	23.0	26.0	25.7	25.0	22.5
Tax rate [4]	28.6	36.4	24.5	32.6	24.4

(1) EBITDA on turnover.
(2) EBITDA on a comparable basis on turnover on a comparable basis.
(3) EBIT on turnover.
(4) Income taxes on consolidated result before taxes. For 2013 the extraordinary finance gain on the Intimacy business combination is excluded from the consolidated result before taxes and the reversal of the tax provision is excluded from the income taxes. For 2014 the impairment is not taken into account.

Stock market data	2017	2016	2015	2014	2013
Average daily volume in pieces	9,947	9,304	8,503	6,226	6,885
Number of shares at year end	13,322,480	13,322,480	13,322,480	13,322,480	13,322,480
Number of traded shares	2,536,410	2,391,245	2,176,758	1,587,689	1,755,685
Velocity	19.0%	17.9%	16.3%	11.9%	13.2%
Turnover (in thousands of euro)	129,190	143,456	115,242	60,210	62,165
(in euro per share)					
Highest price	66.30	68.20	62.75	39.62	38.44
Lowest price	41.70	52.63	38.80	35.81	32.01
Closing price	44.45	66.16	62.75	38.94	36.40
Average price	50.35	62.18	53.58	38.16	35.36

Key figures per share (in euro)	2017	2016	2015	2014	2013
Book value [1]	9.1	8.8	9.7	10.1	13.0
EBITDA [2]	4.2	4.6	4.6	4.3	3.7
EBITDA on a comparable basis [3]	4.0	4.7	4.5	4.2	3.7
Profit for the period [4]	2.5	2.5	3.1	0.2	2.4
Gross dividend [5]	1.03	3.50	3.50	3.50	2.15
Net dividend [5]	0.72	2.49	2.58	2.63	1.61
Dividend yield [6]	1.62%	3.76%	4.11%	6.74%	4.43%
Pay-out percentage [7]	40%	137%	115%	138%	90%

(1) Shareholders' equity / Number of shares at year end.
(2) EBITDA / Number of shares at year end.
(3) EBITDA on a comparable basis / Number of shares at year end.
(4) Profit for the period / Number of shares at year end. If impairment of 2014 is not taken into account, profit for the period per share is 2.5.
(5) Gross dividend, as will be proposed by the Board of Directors to the General Meeting of Shareholders, is 1.03 euro per share. The net dividend is 0.721 euro per share.
(6) Net dividend / Closing price.
(7) Pay-out percentage of the consolidated profit, Group share, excluding result based on the equity method and excluding impairment.

Value determination (in millions of euro)	2017	2016	2015	2014	2013
Book value [1]	121.8	116.6	129.2	134.0	173.5
Market capitalization [2]	592.2	881.4	836.0	518.8	484.9
Enterprise value (EV) [3]	556.4	849.3	793.6	469.9	432.2

(1) Shareholders' equity.
(2) Number of shares at 31 December multiplied by the closing price.
(3) Enterprise value is equal to market capitalization plus net debt position less participations (equity method).

Multiples	2017	2016	2015	2014	2013
EV/ EBITDA [1]	10.0	13.7	12.8	8.1	8.9
EV/ EBITDA on a comparable basis [2]	10.4	13.7	13.1	8.4	8.9
Price/Profit [3]	17.5	26.4	20.4	213.2	15.4
Price/Book value [4]	4.9	7.6	6.5	3.9	2.8

(1) Enterprise value / EBITDA.
(2) Enterprise value / EBITDA on a comparable basis.
(3) Closing price / Profit for the period. If impairment in 2014 is not taken into account, the price/profit multiple is 15.3.
(4) Market capitalization / Book value.

Van de Velde and BEL20 stock market price

Stock market price in 2017


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5 | Consolidated financial statements and related notes

Consolidated balance sheet

000 euro	2017	2016	*(Note)*
Assets			
Total fixed assets	**69,698**	**71,904**	
Goodwill	4,546	4,546	3
Intangible assets	13,908	15,137	4
Tangible fixed assets	35,750	37,206	5
Participations (equity method)	14,293	14,188	6
Deferred tax asset	0	0	17
Other fixed assets	1,201	827	7
Total current assets	**89,100**	**84,812**	
Inventories	41,983	42,494	9
Trade receivables	19,314	17,487	10
Other current assets	5,960	6,293	11
Cash and cash equivalents	21,843	18,538	12
Total assets	**158,798**	**156,716**	
Equity and liabilities			
Shareholders' equity	**121,808**	**116,620**	
Share capital	1,936	1,936	13
Treasury shares	0	0	13
Share premium	743	743	13
Other comprehensive income	-8,418	-8,492	
Retained earnings	127,547	122,433	
Non-controlling interests	**458**	**609**	13
Grants	**152**	**0**	8
Total non-current liabilities	**4,881**	**4,845**	
Provisions	609	893	14
Pensions	771	474	15
Other non-current liabilities	2,758	3,126	16
Deferred tax liability	743	352	17
Total current liabilities	**31,499**	**34,642**	
Trade and other payables	20,026	16,560	18
Other current liabilities	1,552	1,211	19
Income taxes payable	9,921	16,871	19
Total equity and liabilities	**158,798**	**156,716**	

Consolidated income statement and overview of other comprehensive income

000 euro	2017	2016	(Note)
Turnover	**208,987**	**206,609**	28
Other operating income	5,673	5,255	
Cost of materials	-45,428	-42,647	
Other expenses	-69,570	-63,645	
Personnel expenses	-43,983	-43,661	22
Depreciation and amortization	-7,706	-8,277	4.5
Operating profit	**47,973**	**53,634**	
Finance income	4,397	2,787	21
Finance costs	-4,641	-3,154	21
Share in result of associates	-267	-473	6
Profit before taxes	**47,462**	**52,794**	
Income taxes	-13,642	-19,381	23
Profit for the year	**33,820**	**33,413**	
Other comprehensive income			
Currency translation adjustments related to Group entities and non-controlling interests	-213	492	
Currency translation adjustments related to participations (equity method)	263	33	6
Total other comprehensive income (fully recyclable in the income statement)	**50**	**525**	
Remeasurement gains/(losses) on defined benefit plans	0	-293	15
Total other comprehensive income (not recyclable in the income statement)	**0**	**-293**	15
Total of profit for the period and other comprehensive income	**33,870**	**33,645**	

000 euro	2017	2016	(Note)
Profit for the year	**33,820**	**33,413**	
Attributable to the owners of the company	33,947	33,554	
Attributable to non-controlling interests	-127	-141	
Total of profit for the period and other comprehensive income	**33,870**	**33,645**	
Attributable to the owners of the company	34,021	33,901	
Attributable to non-controlling interests	-151	-256	
Basic earnings per share (in euro)	2.52	2.52	24
Diluted earnings per share (in euro)	2.52	2.52	24
Weighted average number of shares	13,468,577	13,321,752	24
Weighted average number of shares for diluted profit per share	13,472,996	13,333,811	24
Proposed dividend per share (in euro) (1)	1.03	3.50	25
Total dividend (in 000 euro) (2)	**13,722**	**46,629**	25

(1) For financial year 2016, of this amount, 1.35 euro per share was paid out as interim dividend in November 2016.
(2) For financial year 2016, of this amount, 17,985 thousand euro was paid out as interim dividend in November 2016

Consolidated statement of changes in equity

	Attributable to the shareholders of the parent									
000 euro Change in equity	**Share capital**	**Treasury shares**	**Share premium**	**Treasury shares**	**Retained earnings**	**Other reserves**	**Share-based payments**	**Equity**	**Non-controlling interests**	**Total equity**
Equity at 31/12/2015	1,936	0	743	-9,132	135,394	0	290	129,231	865	130,096
Profit for the period					33,554			33,554	-141	33,413
Other comprehensive income				607		-293		314	-115	199
Sale of treasury shares for stock options		885						885		885
Purchase of treasury shares		-885						-885		-885
Amortization deferred stock compensation							110	110		110
Granted and accepted stock options					144		-144	0		0
Reserves at Top Form				33				33		33
Dividends					-46,622			-46,622		-46,622
Equity at 31/12/2016	1,936	0	743	-8,492	122,470	-293	256	116,620	609	117,229
Profit for the period					33,947			33,947	-127	33,820
Other comprehensive income				-189				-189	-24	-213
Sale of treasury shares for stock options		614						614		614
Purchase of treasury shares		-614						-614		-614
Amortization deferred stock compensation							185	185		185
Granted and accepted stock options					131		-131	0		0
Reserves at Top Form				263	-375			-112		-112
Dividends					-28,643			-28,643		-28,643
Equity at 31/12/2017	1,936	0	743	-8,418	127,530	-293	310	121,808	458	122,266

Consolidated cash flow statement

000 euro	2017	2016	*(Note)*
Cash flows from operating activities			
Cash receipts from customers	263,549	260,668	
Cash paid to suppliers and employees	-201,190	-196,253	
Cash generated from operations	**62,359**	**64,415**	
Income taxes paid	-19,747	-11,565	
Other taxes paid	-7,283	-7,411	
Interest and bank costs paid	-326	-295	21
= Net cash from operating activities	**35,003**	**45,144**	
Cash flows from investing activities			
Interest received	35	85	21
Received dividends	632	647	21
Purchase of fixed assets	-4,846	-10,726	4.5
Investment / Recovery investment in subsidiary	0	0	
Investments in other participating interests	-828	0	6,7
Sale of treasury shares for stock options	384	523	13
Purchase of treasury shares	-614	-885	13
= Net cash used in investing activities	**-5,237**	**-10,356**	
Cash flows from financing activities			
Dividends paid	-28,643	-46,634	25
Repayment of long-term borrowings / increase in financial debt	0	0	
Repayment of short-term borrowings / increase in financial debt	-194	-215	
Net financing of customer growth fund	62	106	
= Net cash used in financing activities	**-28,775**	**-46,743**	12
Net increase/(decrease) in cash and cash equivalents	**991**	**-11,955**	
Cash and cash equivalents at the beginning of the period	**18,538**	**28,148**	12
Exchange rate differences	2,314	2,345	
Net increase/(decrease) in cash and cash equivalents	991	-11,955	
Cash and cash equivalents at the end of the period	**21,843**	**18,538**	12

Notes to the financial statements

1. General information

The Van de Velde Group designs, develops, manufactures and markets fashionable luxury lingerie together with its subsidiaries. The company is a limited liability company, with its shares listed on Euronext Brussels.

The company's main office is located in Wichelen, Belgium.

The consolidated financial statements were authorized for issue by the Board of Directors on 26 February 2018, subject to approval of the statutory non-consolidated accounts by the shareholders at the Ordinary General Meeting to be held on 25 April 2018. In compliance with Belgian law, the consolidated accounts will be presented for informational purposes to the shareholders of Van de Velde NV at the same meeting. The consolidated financial statements are not subject to amendment, except conforming changes to reflect decisions, if any, of the shareholders with respect to the statutory non-consolidated financial statements affecting the consolidated financial statements.

This annual report is in accordance with article 119 of Belgium's Companies Code. The different components as prescribed by article 119 are spread across the various chapters in this annual report.

2. Summary of significant accounting policies

The accompanying consolidated financial statements have been prepared in compliance with 'International Financial Reporting Standards (IFRS)', as adopted for use in the European Union as of the balance sheet date.

The amounts in the financial statements are presented in thousands of euro unless stated otherwise. The financial statements were prepared in accordance with the historical cost principle, except for valuation at fair value of derivative financial instruments.

Use of estimates

The preparation of financial statements in conformity with IFRS requires that management make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes.

Estimates made on each reporting date reflect the conditions that existed on those dates (e.g. market prices, interest rates and foreign exchange rates). Although these estimates are based on management's best knowledge of current events and actions that the Group may undertake, actual results may differ from those estimates.

The most important application of estimates relates to:

Impairment of intangible fixed assets with indefinite useful life (including goodwill)
Intangible fixed assets with indefinite useful life, including goodwill in relation to business combinations, are subject to an annual impairment test. This test requires an estimation of the value-in-use of these assets. The estimate of the value-in-use requires an estimate of the expected future cash flows related to these assets and the choice of an appropriate discount rate to determine the present value of these cash flows. For the estimate of the future cash flows, management must make a number of assumptions and estimates, such as expectations with regard to growth in revenues, development of profit margin and operating costs, period and amount of investments, development of working capital, growth percentages for the long term and the choice of a discount rate that takes into account the specific risks. More details are given in note 3.

Employee benefits – share-based payments
The Group values the costs of the share option programmes on the basis of the fair value of the instruments on the grant date. The estimate of the fair value of the share-based payments requires a valuation depending on the terms and conditions of the grant. The valuation model also requires input data, such as the expected life of the option, the volatility and the dividend yield. The assumptions and the model used to estimate the fair value for share-based payments are explained in note 22.

Employee benefits – pensions
The costs of the defined pension plans and other long-term employee benefits and the cash value of the pension liability are determined by actuarial calculations. To this end, various assumptions are used that could differ from the actual developments in the future. As a consequence of the complexity of the actuarial calculations and the long-term character of the liabilities, the employee liabilities are highly sensitive to changes in the assumptions. The main actuarial assumptions and the sensitivity analysis are included in note 15.

Fair value measurement of a contingent consideration – business combinations
A contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a derivative and so a financial liability, it is subsequently remeasured to fair value at each reporting date, based on estimations of future performances.

Gift cards and store credits
Unused gift cards and store credits are recognized in profit and loss after a period of two years based on estimated percentages. For gift cards and store credits without expiry date, the redemption patterns are based on historical data of the last five years and are reviewed annually.

Change in accounting policies

The accounting policies adopted are consistent with those of the previous fiscal year except for the following new, amended or revised IFRSs and interpretations effective as of 1 January 2017:

- Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative, effective 1 January 2017;
- Amendments to IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses, effective 1 January 2017;
- Annual Improvements Cycle - 2014-2016, effective 1 January 2017.

These changes did not have an impact on the annual consolidated accounts of the Group.

Consolidation principles

Subsidiaries

Van de Velde NV has direct or indirect control over an entity if and only if it has all the following:

- Power over the investee;
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect the amount of the investor's returns.

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date that control commences until the date that control ceases. They are prepared as of the same reporting date and using the Group accounting policies. Intragroup balances, transactions, income and expenses are eliminated in full.

Associated companies

Associated companies are companies in which Van de Velde NV directly or indirectly has a significant influence. This is assumed to be the case when the Group holds at least 20% of the voting rights attached to the shares. The financial statements of these companies are prepared in accordance with the same accounting policies used for the Group. The consolidated financial statements contain the share of the Group in the result of associated companies in accordance with the equity method from the day that the significant influence is acquired until the day it ends. If the share of the Group in the losses of the associated companies is greater than the carrying amount of the participation, the carrying amount is set at zero and additional losses are recognized only insofar as the Group has assumed additional obligations.

Participations in associated companies are revalued if there are indications of possible impairment or of the disappearance of the reasons for earlier impairments.

The participations valued in the balance sheet in accordance with the equity method also include the carrying amount of related goodwill.

Business combinations

Business combinations are accounted for using the purchase method. The cost of a business combination is valued as the total of the fair value on the date of exchange of assets disposed of, issued equity instruments, and obligations entered into or acquired. Identifiable acquired assets, acquired obligations and contingent obligations that are part of a business combination are initially valued at fair value at the acquisition date, regardless of the existence of any minority shareholding.

Costs directly attributable to the business combination are directly recorded in the income statement.

Non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately from the parent's shareholders' equity in the consolidated income statement and in the consolidated balance sheet.

Foreign currencies

Foreign currency transactions

The reporting currency of the Group is the euro. Foreign currency transactions are recorded at the exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currencies are converted at the exchange rate on the balance sheet date. Gains and losses resulting from the settlement of foreign currency transactions and from the conversion of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Non-monetary assets and liabilities denominated in foreign currencies are converted at the foreign exchange rate on the date of the transaction.

Financial statements of foreign activities

Van de Velde's foreign operations outside the euro zone are considered to be foreign activities. Accordingly, assets and liabilities are converted to euro at foreign exchange rates on the balance sheet date. Income statements of foreign entities are converted to euro at the average exchange rates of that currency over the past 12 months. The components of shareholders' equity are converted at historical rates. Exchange differences arising from the conversion of shareholders' equity to euro at year-end exchange rates are recorded in 'Other comprehensive income'. On sale or disposal of a foreign operation, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the income statement.

The Group treats goodwill and intangible assets with an indefinite useful life, arising from business combinations, as assets of the parent. Therefore, those assets are already expressed in the functional currency and are treated as non-monetary items.

Intangible assets

(1) Research and development
The nature of the development costs within the Van de Velde Group is such that they do not meet the criteria set out in IAS 38 for recognition as intangible assets. They are therefore expensed when incurred.

(2) Acquired brands
Brands acquired as part of business combinations are deemed to be intangible assets with an indefinite useful life. These are measured at the value established as part of the allocation of fair value of the identifiable assets, obligations and contingent obligations on the acquisition date, less accumulated impairment losses. These brands are not amortized, but are tested annually for impairment (for more details, see note 3). The correctness of classification as intangible assets with indefinite useful life is also evaluated.

(3) Key Money
Key money refers to the 'droit au bail' or right to rent the shops in Germany, Denmark, the Netherlands and Spain, and is recorded at cost. German key money (related to a rent agreement of 2012) is amortized over a period of 5.5 years. Danish key money (related to a rent agreement entered into in 2013) was impaired in 2014. Spanish key money (related to rent agreement entered into in 2014) is amortized over the tenor of the rent agreement. Dutch key money (related to a rent agreement entered into in 2016) is amortized over a period of 10 years.

(4) Other intangible assets
Other intangible assets acquired by Van de Velde are recognized at cost (purchase price plus all directly attributable costs) less accumulated amortization and accumulated impairment losses. Expenses for the registration of trade names and designs are recorded as brands with finite useful life to the extent that this relates to new registrations in the country of registration. Other expenditure on internally generated goodwill and brands are recognized in the income statement when incurred. The useful life of intangible assets other than acquired brands and key money is considered to be finite. Amortization begins when the intangible asset is available using the straight-line method. The useful life of intangible assets with a finite life is generally estimated at five years. Other intangible assets include acquired distribution rights and similar rights, which are amortized over a period of 5 years

Goodwill

(1) Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that the asset might be impaired. Goodwill is treated by the Group as an asset of the parent and is considered as a non-monetary item. Goodwill is recorded at cost less accumulated impairment losses.

(2) Negative goodwill
If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, Van de Velde will immediately recognize any negative difference through profit or loss.

Tangible fixed assets

(1) Initial expenditure
Tangible fixed assets are recognized at cost less accumulated depreciation and accumulated impairment losses. Cost is determined as being the purchase price plus other directly attributable acquisition costs, such as non-refundable tax and transport.

(2) Subsequent expenditure
Subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. Otherwise, it is recognized in profit or loss when incurred.

(3) Depreciation
The depreciable amount equals the cost of the asset less its residual value. Depreciation starts from the date the asset is ready for use, using the straight-line method over the estimated useful life of the asset. Residual value and useful life are reviewed at least at each fiscal year end.

The depreciation rates used are as follows:

Buildings	15-50 years
Production machinery and equipment	2-10 years
Electronic office equipment	3-5 years
Furniture	5-10 years
Vehicles	3-5 years

Land is not depreciated as it is deemed to have an indefinite life.

Impairment of assets

The carrying amount of Van de Velde's fixed assets, other than deferred tax assets, financial assets and other non-current assets are reviewed on each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment test is conducted annually on intangible assets that are not yet available for use, intangible assets with an indefinite useful life and goodwill, regardless of whether there is any indication of impairment. An impairment loss is recognized in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

(1) Calculation of recoverable amount

The realizable value of an asset is the greater of its fair value less cost to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(2) Reversal of impairment

Impairment losses on goodwill and intangible fixed assets with indefinite useful life are not reversed. For any other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Inventories

Raw materials, work in progress, merchandise and finished goods are valued at the lower of cost or net realizable value. Cost of inventories comprises all purchase costs, conversion costs and other costs incurred in bringing the inventories to their present location and present condition.

Purchasing costs include:

- Purchase price, plus
- Import duties and other taxes (if not recoverable), plus
- Transport, handling and other costs directly attributable to the acquisition of the goods, less
- Trade discounts, rebates and other similar items.

Conversion costs include:

- Costs directly related to the units of production, plus
- A systematic allocation of fixed and variable indirect production costs

The provision for obsolescence is calculated consistently throughout the Group based on the age and expected future sales of the items at hand.

Trade and other receivables

Trade receivables are recognized at cost less impairment losses. If there is objective evidence that an impairment loss has been incurred on trade receivables, the impairment loss recognized is the difference between the carrying amount and the present value of estimated future cash flows. An assessment of impairment is made for all accounts receivable individually. If no objective evidence of impairment for individual receivables exists, a collective assessment for impairment is performed.

Leasing

Leases through which the Group acquires the right to use assets and the lessor substantially retains all the risks and the benefits of ownership of the asset are classified as operating leases. Operating lease payments (as contractually defined) are recognized as an expense in the income statement on a straight-line basis over the lease term (including the construction period). The difference between the actual cash payment to the lessor and the expense recognized in the income statement is recorded on the balance sheet as a debt. Lease incentives received as part of the lease contract are recognized over the lease term in accordance with the principles of SIC 15 and are deducted from the recorded rent expense.

Derivative financial instruments

Hedges

Van de Velde applies derivative financial instruments only in order to reduce the exposure to foreign currency risk. These financial instruments are entered into in accordance with the aims and principles laid down by general management, which prohibits the use of such financial instruments for speculation purposes.

Derivative financial instruments are initially measured at fair value. Although they provide effective economic hedges, they do not qualify for hedge accounting under the specific requirements in IAS 39 (Financial Instruments: Recognition and Measurement). As a result, at reporting date all derivatives are measured at fair value with changes in fair value recognized immediately in the income statement. The fair value of derivatives is calculated by discounting the expected future cash flows at the prevailing interest rates. All spot purchases and sales of financial assets are recognized on the settlement date.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits. Interest income is recognized based on the effective interest rate of the asset.

Share capital

(1) Change in capital
When there is an increase or decrease in Van de Velde's share capital, all directly attributable costs relating to that event are deducted from equity and not recognized in profit or loss when incurred.

(2) Dividends
Dividends are recognized as a liability in the period in which they are declared.

Provisions

Provisions are recognized when Van de Velde has a present legal or constructive obligation as a result of past events, it is probable that an outflow will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Employee benefits

(1) Pension plan
Van de Velde has group insurance plans for its Belgian employees and group insurance plans for its employees elsewhere. Under IAS 19 all pension plans are recognized as defined contribution plans or defined pension plans. A defined contribution plan is a pension plan in which a company pays fixed contributions to a separate company and has no legal or actual obligation to pay further contributions if the pension fund has inadequate assets to pay the benefits related to the years of service in the current or previous periods to all employees. A defined pension plan is a pension plan that is not a defined contribution plan.

The pension plans in foreign countries are defined contribution plans. The costs connected with these are recognized through profit and loss when incurred.

The Belgian pension plans were previously recognized as defined contribution plans. However, this classification has been changed in response to a clarification of the Belgian law of 18 December 2015, which means that the Belgian pension plans will be recognized as defined pension plans from now on. The first actuarial calculation was made on 30 June 2016 and an update calculation was made as of 31 December 2017 in accordance with the principles of IAS 19 set out below. The company recognized the obligation ensuing from the first valuation against other comprehensive income, given that this is deemed to be a change in assumptions.

A liability was recognized in the balance sheet with regard to the Belgian pension schemes equal to the sum of the cash value of the gross liabilities on account of defined pension entitlements (including the tax due on contributions relating to pension costs) as at the balance sheet date, less the market value of the fund investments. An independent actuary made an actuarial calculation of this gross liability for the first time on 30 June 2016 using the projected unit credit method. This type of valuation will be repeated on an annual basis in the future.

The interest expense is calculated by applying a discount rate to the asset or the liability of the defined pension entitlements. This interest expense is recognized through profit and loss. In establishing an appropriate discount rate, the company bases itself on the interest rates applicable to corporate bonds in cash, which correspond to the currency in which the liability is expected to be paid in accordance with the expected duration of the defined pension liability.

Revaluations, including actuarial gains and losses and the return on fund investments (excluding net interest expense), are recognized in other comprehensive income when they occur. Revaluations must not be reclassified to profit and loss in later periods.

Past service pension cost is recognized through profit and loss when the plan is changed or when the related restructuring or termination benefits become payable by the company, whichever occurs first.

(2) Share-based payments
The fair value of the share options awarded under the Group's share option plan is established on the grant date, with due consideration for the terms and conditions under which the options are granted and using a valuation technique corresponding to generally accepted valuation methods for establishing the price of financial instruments and with due consideration for all relevant factors and assumptions. The fair value of the share options is recognized as personnel expenses for the period until the beneficiary acquires the option unconditionally (i.e. vesting date).

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except insofar as it relates to items included in other comprehensive income or shareholders' equity. In that case, income tax is included in other comprehensive income or shareholders' equity.

Current tax is the expected tax payable on the taxable income for the year, using applicable tax rates on the balance sheet date, and any adjustments to tax payables with respect to previous years.

For financial reporting purposes, deferred income tax is calculated using the liability method based on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax assets are recognized only insofar as it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been implemented or substantively implemented at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset when a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Trade and other payables

Trade and other payables are stated at cost. Trade payables are non-interest bearing and are normally settled on 30-day terms. Other payables are non-interest bearing and have an average term of six months.

Revenue

(1) Goods sold

In relation to the sale of goods, revenue is recognized when goods have been invoiced and shipped to the buyer. The possible return of goods or non-settlement of invoices is currently not taken into account. Cash discounts granted are recorded in the income statement upon collection of the outstanding balance. These discounts are recorded as a revenue deduction.

Sales of products to the customers of the Group's retail network are recognized at the point of sale when the transaction is entered into the cash register. Sales are recorded net of sales taxes, value-added taxes, discounts and incentives.

(2) Gift cards and store credits

The Group's retail network sells gift cards and issues credits to its customers when merchandise is returned. The cards and credits either do not expire or have an expiry date in 24 months. The Group recognizes sales from gift cards when they are redeemed by the customer and when the likelihood of the gift cards and credits being redeemed by the customer is remote (breakage). The company determines breakage income on unused gift cards and store credits based on the historical redemption pattern. Management has determined that redemption would be remote after a period of two years. Breakage income is recognized as part of turnover.

(3) Financial income

Financial income comprises dividend income and interest income. Royalties arising from the use by others of the company's resources are recognized when it is probable that the economic benefits associated with the transaction will flow to the company and the revenue can be measured reliably. Dividend income is recognized in the income statement on the date that the dividend is declared. Interest income is recognized based on the effective interest rate of the asset.

(4) Government grants

A government grant is recognized when there is reasonable assurance that it will be received and that the company will comply with the attached conditions. Grants that compensate the company for expenses incurred are recognized as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the company for the cost of an asset are recognized as income over the life of a depreciable asset by means of a reduced depreciation charge.

Expenses

(1) Interest expenses

All interest and other costs incurred in connection with borrowings and finance lease liabilities are recognized in the income statement using the effective interest rate method.

(2) Research and development, advertising and promotional costs, and system development costs

Research, advertising and promotional costs are expensed in the year in which these costs are incurred. Development costs and system development costs are expensed in the year in which these costs are incurred if they do not meet the criteria for capitalization. If the development expenditure meets the criteria, it will be capitalized.

New and amended standards and interpretations, effective for fiscal years starting after 1 January 2017

The Group has not early-adopted any standards or interpretations issued but not yet effective as at 31 December 2017.

Standards and interpretations issued but not yet effective up to the date of issuance of the Group's financial statements are listed below:

- Amendments to IFRS 2 Share-based Payment - Classification and Measurement of Share-based Payment Transactions, effective 1 January 2018;
- Amendments to IFRS 4 Insurance Contracts – Applying IFRS 9 Financial instruments with IFRS 4 Insurance Contracts, effective 1 January 2018;
- IFRS 9 Financial Instruments, effective 1 January 2018;
- Amendments to IFRS 9 Financial Instruments - Prepayment Features with Negative Compensation, effective 1 January 2019;
- IFRS 15 Revenue from Contracts with Customers, including amendments to IFRS 15: Effective date of IFRS 15 and Clarifications to IFRS 15 Revenue from Contracts with Customers, effective 1 January 2018;
- IFRS 16 Leases, effective 1 January 2019;
- IFRS 17 Insurance Contracts, effective 1 January 2021;
- Amendments to IAS 28 Investments in Associates and Joint Ventures - Long-term Interests on Associates and Joint Ventures, effective 1 January 2019;
- Amendments to IAS 40 Investment Property – Transfers of Investment Property, effective 1 January 2018;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration, effective 1 January 2018;
- IFRIC 23 Uncertainty over Income Tax Treatments, effective 1 January 2019;
- Annual Improvements Cycle - 2014-2016, effective 1 January 2018;
- Annual Improvements Cycle - 2015-2017, effective 1 January 2019.

The Group has assessed the impact of the following three IFRS amendments.

IFRS 9 "Financial instruments" replaces IAS 39 "Financial instruments: recognition and measurement" and all previous versions of IFRS 9. The new standard is effective for annual periods beginning on or after 1 January 2018. The Group will adopt the new standard on this date and will not restate comparative information.

The three aspects of the accounting for financial instruments project have been brought together in IFRS 9: classification and measurement, impairment and hedge accounting. During 2017, the Group has conducted a detailed impact assessment for these aspects. Overall, the Group expects no significant impact on its statement of financial position and equity.

Aspect 1 – Classification and measurement

The Group holds a limited number of non-quoted equity shares, which it intends to retain for the foreseeable future. These are currently accounted for at their historical cost in the balance sheet. When applying the option under IFRS 9, these should rather be accounted for at fair value with gains and losses recorded in other comprehensive income. As part of the assessment, the Group calculated the fair value of these shares and found that this value approximates the historical cost value.

Furthermore, the Group grants loans to help its successful independent customers expand their business on a structural basis. Analysis of these loans showed that they do not pass the Solely Payments of Principal and Interest (SPPI) test under the new standard. As a result, the current accounting treatment at amortized cost is not permitted under the new standard. Fair value accounting is more appropriate. However, the loans currently accounted for in the balance sheet amount to only EUR 82 thousand. A calculation of the impact shows that the fair value of the loans is lower than their book value. As such, the application of IFRS 9 to these loans does not significantly impact the balance sheet of the Group.

Aspect 2 - Impairment

IFRS 9 requires the Group to record expected credit losses on all of its trade receivables, on either a 12-month basis or a lifetime basis. Further analysis shows that the application of the simplified approach to all trade receivables would not have any significant impact. Based on this, it was decided not to adjust the current accounting treatment.

Aspect 3 – Hedge accounting

The Group holds FX forward contracts. These are currently accounted for at fair value with gains and losses recorded in profit and loss. IFRS 9 will not impact this accounting treatment.

The Group concludes that IFRS 9 will not change the way of reporting.

IFRS 15 will supersede all current revenue recognition requirements under IFRS. The new standard is required for annual periods beginning on or after 1 January 2018. The Group will adopt the new standard on this date using the full retrospective method. During 2016, the Group conducted a preliminary assessment of IFRS 15, which was supplemented with a more detailed analysis in 2017.

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The two main revenue streams of the Group were analyzed: wholesale and retail. Within these revenue streams, the sale of the goods is generally expected to be the only performance obligation. Furthermore, the Group expects the revenue to be recognized when control of the goods is transferred to the customer, generally at the time of delivery. In preparing to adopt IFRS 15, the Group is considering the following:

1 – Variable consideration

The Group provides rights of return and discounts to its customers. Analysis shows that the current accounting treatment is largely in line with IFRS 15 requirements. Where a deviation from the new requirements was identified, the accounting treatment was updated. However, the quantification of these adjustments shows that this will not have a significant impact on the figures of the Group.

2 – Loyalty points programme

The current accounting treatment of the loyalty vouchers is in line with IFRIC 13 requirements. In its analysis, the Group concluded that the current account treatment is also acceptable under IFRS 15. Therefore, the accounting treatment will not change under the new standard.

3 – Presentation and disclosure requirements

The presentation and disclosure requirements in IFRS 15 are more detailed than under current IFRS. Given the limited impact of the new standard on the Group, many of these disclosure requirements will not be significant. In 2018 the Group will assess which disclosure requirements are relevant to them and ensure that the procedures are in place to collect the required information.

The Group concludes that IFRS 15 will not change the way of reporting.

IFRS 16 replaces IAS 17 "Leases", IFRIC 4 "Determining whether an arrangement contains a lease", SIC-15 "Operating leases-incentives" and SIC-27 "Evaluating the substance of transactions involving the legal form of a lease". The new standard is effective for annual periods beginning on or after 1 January 2019. The Group decided against early adoption of the standard and will apply the modified retrospective approach at the transition date.

In 2017 the Group conducted a first detailed IFRS 16 analysis. As part of this analysis, all leases within the Group were identified. Several contracts were selected and analyzed applying the IFRS 16 criteria.

Lessee accounting

The Group leases mainly real estate, IT equipment and company cars. Each of these is described briefly below.

Real estate

Real estate leases are currently accounted for as operational leases. Analysis shows that these meet the definition of a lease and as such a right-of-use asset and corresponding lease liability will need to be accounted for under the new standard. The Group does not expect to be able to use the short-term lease exemption. Given the fact that all leases worldwide are long-term leases, the main areas management actions are required are determining the lease term and calculating the incremental borrowing rate. The Group also has several shop-in-shop contracts, which will be analyzed in detail in 2018 to check whether they contain substantial substitution rights.

IT equipment

The Group owns the majority of the IT equipment used within the Group. Leased equipment is limited to printers used for invoicing and picking. The Group does not expect to be able to use the low value asset exemption for these leases. The Group also makes use of a datacenter in which server space is rented. The IT-related lease agreements will be analyzed in 2018 to verify whether these meet the definition of a lease.

Company cars

The majority of the company cars within the Group are owned. Further analysis will be conducted in 2018.

Lessor accounting

The Group can be considered to be a lessor only with regard to furniture and 3D mirrors rented to franchisees. These are currently accounted for as operational leases under IAS 17. After analysis, the contracts are considered to be financial leases under the new standard. Further assessment will be conducted in 2018 to check the impact on the figures.

The Group concludes that IFRS 16 will have an impact on the way of reporting. In 2018 a deeper analysis will be conducted to identify the impact of IFRS 16 on the consolidated financial statements.

3. Goodwill

Goodwill is allocated and tested for impairment at the cash-generating unit level that is expected to benefit from synergies of the combination the goodwill resulted from.

The carrying value of goodwill (after impairment and other adjustments) was allocated to each of the cash-generating units (in thousands of euro) as follows:

000 euro	Andres Sarda	Intimacy	Rigby & Peller	Re-tail (1)	Total
Carrying value, gross					
At 01/01/2017	**6,357**	**26,189**	**1,749**	**2,797**	**37,092**
Acquisition through business combinations	0	0	0	0	0
At 31/12/2017	**6,357**	**26,189**	**1,749**	**2,797**	**37,092**
Impairment and other adjustments					
At 01/01/2017	**6,357**	**26,189**	**0**	**0**	**32,546**
Impairment and other adjustments	0	0	0	0	0
At 31/12/2017	**6,357**	**26,189**	**0**	**0**	**32,546**
At 31/12/2017					
Accumulated acquisitions	6,357	26,189	1,749	2,797	37,092
Accumulated impairment/other adjustments	6,357	26,189	0	0	32,546
Goodwill, net 31/12/2017	**0**	**0**	**1,749**	**2,797**	**4,546**

(1) Re-tail refers to the former Donker stores and online store in the Netherlands, which subsequently became Lincherie stores.

The carrying value of brands with indefinite useful life (after impairment and other adjustments) was allocated to each of the cash-generating units (in thousands of euro) as follows:

000 euro	Andres Sarda	Intimacy	Rigby & Peller	Re-tail (1)	Total
Carrying value, gross					
At 01/01/2017	**11,000**	**7,784**	**6,734**	**0**	**25,518**
Acquisition through business combinations	0	0	0	0	0
At 31/12/2017	**11,000**	**7,784**	**6,734**	**0**	**25,518**
Impairment and other adjustments					
At 01/01/2017	**5,531**	**7,784**	**0**	**0**	**13,315**
Impairment and other adjustments	0	0	0	0	0
At 31/12/2017	**5,531**	**7,784**	**0**	**0**	**13,315**
At 31/12/2017					
Accumulated acquisitions	11,000	7,784	6,734	0	25,518
Accumulated impairment/other adjustments	5,531	7,784	0	0	13,315
Brand names with indefinite useful life, net 31/12/2017	**5,469**	**0**	**6,734**	**0**	**12,203**

(1) Re-tail refers to the former Donker stores and online store in the Netherlands, which subsequently became Lincherie stores.

Impairment test

In the fourth quarter of every year, the Group conducts its annual impairment test for each cash-generating unit. The following intangible assets allocated to each of the cash-generating units were subject to an impairment test in 2017:

000 euro	Andres Sarda	Intimacy	Rigby & Peller	Re-tail	Total
Goodwill	0	0	1,749	2,797	4,546
Brands with indefinite useful life	5,469	0	6,734	0	12,203
Total intangible assets	**5,469**	**0**	**8,483**	**2,797**	**16,749**

Result of the impairment test

In 2017 the impairment test showed that the realizable value for all cash-generating units (Andres Sarda, Rigby & Peller and Re-tail) exceeded the carrying value and hence no impairment was required.

Methodology applied to the impairment test

This test aims to compare the realizable value and the carrying value of each cash-generating unit:

- A model-based approach determines the realizable value on the basis of the calculated value-in-use, being the present value of the future expected cash flows from these cash-generating units:
  - For the first year in the forecast period (2018), the growth plan as approved by the Board of Directors is used as the basis.
  - For the subsequent years (2019-2021), a cash flow projection is drawn up based on realistic assumptions.
- The discount rate used to calculate the present value of the future expected cash flows is based on the market assessments and is explained below.

The calculation of the value-in-use for all cash-generating units is most sensitive to the following assumptions:

- Turnover assumptions for the forecast period;
- EBITDA[1] development and EBITDA margins applied to the turnover forecast;
- Growth rate used to extrapolate cash flows beyond the forecast period;
- Discount rate.

The assumptions related to turnover and EBITDA developments are based on available internal data as well as historical percentages on the basis of experience, which are determined for each of the cash-generating units separately. The growth rate and discount rates are checked against external sources insofar as possible and relevant.

Turnover assumptions for the forecast period

For the three cash-generating units, the growth plan as approved by the Board of Directors is the starting point for the first year in the forecast period (2018).

For Andres Sarda, the expected average growth rate during the period 2018-2021 is a double-digit percentage, also due to the low starting point. This takes into account the turnover developments within the Andres Sarda business as well as any synergies as a result of the Andres Sarda acquisition, being a larger customer base for the Van de Velde brands in Spain.

For the planning period (2018-2021) moderate turnover growth on a like-for-like basis has been applied to the cash-generating units Rigby & Peller and Re-tail.

Fully aligned with the segment reporting, the turnover estimates for the cash-generating units Rigby & Peller and Re-tail include the retail turnover realized by the stores as well as the wholesale turnover for the Van de Velde products sold by these retail channels. Furthermore, the turnover forecast for Rigby & Peller takes into account only further developments in the UK market and does not reflect the fact that this brand will be rolled out as Van de Velde's global retail brand (except in the Netherlands).

EBITDA development and EBITDA margins applied to the turnover forecast

A development towards the target EBITDA margin is assumed for Andres Sarda. The improved margin for Andres Sarda should mainly be achieved through turnover growth in the wholesale business and continued penetration of Andres Sarda in Van de Velde's own stores. The cost developments will also be monitored very strictly.

For the cash-generating units Rigby & Peller and Re-tail, a gradual increase in the EBITDA margin is assumed towards the target EBITDA margin for a (partially) integrated retail chain. The target EBITDA margin is achieved through high gross margins, limited cost increases and the envisioned market share of the Van de Velde products.

Growth rate used to extrapolate cash flows beyond the forecast period

The long-term percentage applied to extrapolate cash flows beyond the forecast period is assessed in line with the expected long-term inflation for all cash-generating units (1%).

Discount rate

The discount rates represent the current market assessment of the risks specific to the Van de Velde Group on the one hand and the cash-generating units on the other. The discount rates are estimated on the basis of the weighted average cost of capital after tax and are for the three cash-generating units in a range between 7.2% and 7.9%. This corresponds to a cost of capital before tax of between 9.2% and 10.1%.

1 Operating profit before deduction of depreciation and amortization

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the Andres Sarda, Rigby & Peller and Re-tail units, management believes that, on the basis of the performed sensitivity analysis, no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount. This is also reflected in the reasonable headroom[1] in the three cash-generating units. The tested sensitivities related to:

- the possibility of lower than forecast turnover growth during the forecast period (2018-2021);
- the possibility of lower than forecast EBITDA margin on sales;
- a decrease in the growth rate used to extrapolate cash flows beyond the forecast period;
- an increase in the weighted average cost of capital.

1 Headroom refers to the difference between the calculated realizable value and the carrying value for a specific cash-generating unit.

4. Intangible assets

000 euro	Total	Brands with finite useful life	Brands with indefinite useful life	Distribution rights and similar rights	Software	Key money
Intangible assets, gross						
At 01/01/2016	40,970	3,732	25,518	3,734	7,746	240
Investments	738	100	0	0	561	77
Disposals	0	0	0	0	0	0
Other adjustments	0	0	0	0	0	0
Exchange adjustments	-24	-24	0	0	0	0
At 31/12/2016	41,684	3,808	25,518	3,734	8,307	317
Amortization and impairment						
At 01/01/2016	24,452	2,092	13,315	2,940	5,983	122
Amortization	2,095	802	0	507	752	34
Impairment	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Exchange adjustments	0	0	0	0	0	0
At 31/12/2016	26,547	2,894	13,315	3,447	6,735	156
Intangible assets, net 31/12/2016	15,137	914	12,203	287	1,572	161
Intangible assets, gross						
At 01/01/2017	41,684	3,808	25,518	3,734	8,307	317
Investments	485	144	0	0	341	0
Disposals	0	0	0	0	0	0
Other adjustments	0	0	0	0	0	0
Exchange adjustments	-4	-4	0	0	0	0
At 31/12/2017	42,165	3,948	25,518	3,734	8,648	317
Amortization and impairment						
At 01/01/2017	26,547	2,894	13,315	3,447	6,735	156
Amortization	1,713	769	0	229	678	37
Impairment	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Exchange adjustments	-3	-1	0	0	-2	0
At 31/12/2017	28,257	3,662	13,315	3,676	7,411	193
Intangible assets, net 31/12/2017	13,908	286	12,203	58	1,237	124

The expenses of brands with a finite useful life relates among other things to registration costs of developed in-house brands.

Brands with indefinite useful life are:

– The Andres Sarda brand acquired in 2008. In 2012, an impairment charge of 5,531 thousand euro was recognized on this brand.
– The Intimacy brand and concept acquired in 2010 (7,784 thousand euro) is fully written off in 2014.
– The Rigby & Peller brand and concept acquired in 2011, the fair value of which was determined as part of a business combination.

These brands are deemed to be brands with an indefinite useful life because the Group considers them to be full-fledged additions to its existing brand portfolio.

Distribution rights and similar rights refer to the distribution agreement and the intangible assets that the Group acquired at the start of the Private Shop joint venture with Getz Bros. (Hong Kong) Limited ('Getz') in 2012. The investment for the acquisition of the distribution agreement and the intangible assets is estimated at 5,000 thousand US dollar, 3,000 thousand US dollar of which was settled. The remaining amount of 2,000 thousand US dollar has been recognized as a liability payable to Getz and will be settled dependent on certain milestone criteria being fulfilled. The amortization period is 5 years.

The investment in software in 2017 includes implementation of software for, among other things, eCommerce, exchange of information and online collaboration, integration of applications and miscellaneous improvements to ERP software.

Key money relates to stores in Germany, Denmark, Spain and the Netherlands.

Expenditure on research activities undertaken to acquire new scientific or technical knowledge and understanding, is recognized as expense when incurred. The expenditures on research activities linked to the Vlajo project are currently processed as assets under construction (cfr. fixed assets).

5. Tangible fixed assets

000 euro	Total	Land and buildings	Installations, machinery and equipment	Assets under construction
Tangible fixed assets, gross				
At 01/01/2016	**85,719**	**35,189**	**45,078**	**5,452**
Investments	9,720	4,894	4,826	0
Transfer	0	5,440	0	-5,440
Disposals	-2,566	-1,366	-1,200	0
Exchange adjustments	-591	-348	-243	0
At 31/12/2016	**92,282**	**43,809**	**48,461**	**12**
Depreciation and impairment				
At 01/01/2016	**51,515**	**20,196**	**31,319**	**0**
Depreciation	6,182	2,618	3,564	0
Disposals	-2,374	-1,357	-1,017	0
Exchange adjustments	-247	-115	-132	0
At 31/12/2016	**55,076**	**21,342**	**33,734**	**0**
Tangible fixed assets, net				
Tangible fixed assets (without grants)	**37,206**	**22,467**	**14,727**	**12**
Grants at 31/12/2016	0	0	0	0
Grants utilized in 2016	0	0	0	0
At 31/12/2016	**37,206**	**22,467**	**14,727**	**12**
Tangible fixed assets, gross				
At 01/01/2017	**92,282**	**43,809**	**48,461**	**12**
Investments	4,968	1,128	2,941	899
Transfer	0	0	0	0
Disposals	-1,889	-784	-1,105	0
Exchange adjustments	-1,825	-1,003	-822	0
At 31/12/2017	**93,536**	**43,150**	**49,475**	**911**
Depreciation and impairment				
At 01/01/2017	**55,076**	**21,342**	**33,734**	**0**
Depreciation	5,993	2,232	3,761	0
Disposals	-1,762	-759	-1,003	0
Exchange adjustments	-1,521	-756	-765	0
At 31/12/2017	**57,786**	**22,059**	**35,727**	**0**
Tangible fixed assets, net				
Tangible fixed assets (without grants)	**35,750**	**21,091**	**13,748**	**911**
Grants at 31/12/2017	0	0	0	0
Grants utilized in 2017	0	0	0	0
At 31/12/2017	**35,750**	**21,091**	**13,748**	**911**

In 2017 investments primarily relate to the costs of ICT hardware, a humidifier system for Schellebelle and embellishment of the new offices, as well as new machinery in Wichelen and Tunisia and the opening of new stores and/or store enhancements in the existing store network.

In 2017 disposals mainly relate to the closure and renovation of shops in the United States, the United Kingdom and the Netherlands.

6. Investments in associates

Investments in associates consist of the following Group interests:
- 50.0% in Private Shop Ltd.;
- 25.7% in Top Form International Ltd.

Net carrying amount (000 euro)	Top Form Ltd.	Private Shop Ltd.	Total
At 01/01/2016	13,007	1,621	14,628
Results for the fiscal year	92	-565	-473
Reserves	0	0	0
Other comprehensive income (1)	33	0	33
At 31/12/2016	13,132	1,056	14,188
At 01/01/2017	13,132	1,056	14,188
Results for the fiscal year	225	-492	-267
Reserves	-369	0	-369
Capital increase	0	478	478
Other comprehensive income (1)	263	0	263
At 31/12/2017	13,251	1,042	14,293

(1) Before intercompany eliminations.

On 17 January 2017 it was decided to increase the capital of Private Shop Ltd. by 1,000 thousand US dollar, with the Group subscribing for 500 thousand US dollar.

Key figures per participation are as follows:

Key figures	Top Form Ltd. HKD 000 (31/12/2017)	Private Shop Ltd. HKD 000 (31/12/2017)
Tangible fixed assets	111,169	1,853
Other fixed assets	120,870	2,426
Current assets	514,791	18,375
Non-current liabilities	24,857	230
Current liabilities	150,712	5,997
Total net assets	571,261	16,427
Turnover	645,260	48,683
Net result	19,539	-6,806

The figures relating to Top Form International Ltd. in the table above refer to the closing at 31 December 2017 (first half of fiscal year 2017) and therefore refer to the revenue and net result of a six-month period.

7. Other fixed assets

Other fixed assets consist of the following:

000 euro	2017	2016
Security deposits for VAT	217	217
Other security deposits	497	395
Other participating interests	375	25
Prepaid rent expenses	30	48
Borrowings	82	142
Other fixed assets, net	1,201	827

Prepaid rent expenses are recorded in the income statement on a straight-line basis over the lease term. The increase in other participating interests comprises the 20% participation of Van de Velde in SAS Noyon Dentelle for 300 thousand euro and an additional participation of 50 thousand euro in V.Z.W. De Punt.

8. Grants

In 2017 an amount of 152 thousand euro was recorded as grant. This grant was received in 2017 from Vlajo as a result of a current research and development project. In 2016 an amount of 115 thousand euro was recorded as miscellaneous income with regards to other grants.

9. Inventories

Inventories by major components are as follows:

000 euro	2017	2016
Finished and merchandise goods	22,706	24,425
Work in progress	11,468	9,453
Raw materials	13,172	12,689
Inventories, gross	**47,346**	**46,567**
Less: Allowance for obsolescence	-5,363	-4,073
Inventories, net	41,983	42,494

The allowance for obsolescence in 2017 relates to finished products (2,126 thousand euro) and raw materials (3,237 thousand euro). The allowance for obsolescence in 2016 relates to finished products (2,259 thousand euro) and raw materials (1,814 thousand euro).

The additional write-down on inventories amounted to 3,137 thousand euro in 2017, compared with 2,342 thousand euro in 2016. The additional write-down relates to raw materials (1,867 thousand euro in 2017 and 1,392 thousand euro in 2016) and finished products (1,270 thousand euro in 2017 and 950 thousand euro in 2016).

The allowance for obsolescence and the additional write-downs are recorded in the income statement under 'Cost of materials'.

10. Trade receivables

Accounts receivable are as follows:

000 euro	2017	2016
Trade receivables, gross	19,795	18,166
Less: allowance for doubtful debtors	-481	-679
Trade receivables, net	19,314	17,487

Trade receivables are non-interest bearing. Standard payment terms are country-defined. In addition to payment terms, Van de Velde also applies customer-defined credit limits in order to assure proper follow-up. In the event of overdue invoices, a reminder procedure is initiated.

In 2017 there was a loss of 245 thousand euro with respect to trade receivables (243 thousand euro in 2016).

The allowance for doubtful debtors is recorded in the income statement under 'Other expenses'.

The aging analysis of the trade receivables at year end is as follows:

	Total	Neither past due nor impaired	Past due but not impaired		Past due and an impairment has been recorded
000 euro			1-60 days	60-90 days	> 90 days
2017	19,795	12,438	5,412	993	952
2016	18,166	11,378	5,079	772	937

11. Other current assets

Other current assets consist of the following:

000 euro	2017	2016
Prepaid expenses[1]	4,104	4,220
Tax receivables (VAT & corporate income tax)	1,674	1,359
Accrued income	0	14
Sundry	0	116
FX forward contracts (note 20)	182	584
Other current assets, net	5,960	6,293

(1) The prepaid expenses primarily relate to publicity and marketing costs for the next seasons as well as prepaid maintenance costs.

12. Cash and cash equivalents

Cash and cash equivalents consist of the following:

000 euro	2017	2016
Cash at banks and in hand	21,843	16,612
Marketable securities	0	1,926
Cash and cash equivalents	21,843	18,538

Marketable securities consist only of saving accounts and short-term investments at financial institutions.

Cash and cash equivalents recognized in the cash flow statement comprise the same elements as presented above.

13. Share capital

Authorized and fully paid	2017	2016
Nominative shares	7,577,833	7,502,693
Dematerialized shares	5,744,647	5,819,787
Total number of shares	13,322,480	13,322,480

At 31 December 2017 Van de Velde NV's share capital was 1,936 thousand euro (fully paid), represented by 13,322,480 shares with no nominal value and all with the same rights insofar as they are not treasury shares, whose rights have been suspended or cancelled. The Board of Directors of Van de Velde NV is authorized to raise the subscribed capital one or more times by a total amount of 1,936 thousand euro under the conditions stated in the Articles of Association. This authorization is valid for five years after publication in the annexes to Belgisch Staatsblad/Moniteur belge (18 May 2017).

The distributions from retained earnings of Van de Velde NV, the parent company, is limited to a legal reserve, which was built up in previous years, in accordance with Belgium's Companies Code, to 10% of the subscribed capital.

Treasury shares

At the end of 2016 Van de Velde NV held no treasury shares.

In accordance with Article 620 of Belgium's Companies Code, the Extraordinary General Meeting of Shareholders of 30 April 2014 gave the Board of Directors the power to acquire the company's own shares. In 2017, 11,000 treasury shares were purchased to meet the commitments regarding the exercise of stock options in 2017.

Within the framework of the stock option plan, a total of 11,000 options were exercised and the same number of treasury shares was made available to the option holders.

At the end of 2017 Van de Velde NV held no treasury shares.

000 euro	2017	2016
Share capital	1,936	1,936
Treasury shares	0	0
Share premium	743	743

Non-controlling interests

At the end of 2017, non-controlling interests include the 13% stake of the Kenton family in the equity and the net income of Rigby & Peller Ltd.

14. Provisions

000 euro	Voorzieningen
At 01/01/2016	**841**
Arising during the year	69
Utilized	-17
Reversal	0
Provisions 31/12/2016	**893**
At 01/01/2017	**893**
Arising during the year	0
Utilized	0
Reversal	-284
Provisions 31/12/2017	**609**

At the end of 2016 a provision of 893 thousand euro was outstanding in relation to termination fees for sales agents and other planned measures. In 2017, the provision was not used (17 thousand euro in 2016), but a reversal of 284 thousand euro (an additional provision of 69 thousand euro in 2016) was recognized. The expected timetable of the corresponding cash outflows depends on the progress and duration of the negotiations with the sales agents.

15. Pensions

Van de Velde has five defined pension plans in Belgium. These plans are clarified on a cumulative basis, as they are situated in the same geographical location and have the same attributes and risk characteristics.

As well as the Belgian pension plans, the company also has pension plans for its staff in foreign countries. These pension plans are defined contribution plans. The cost recognized in the current period with regard to these contributions is 23 thousand euro (29 thousand euro in 2016).

The pension plan in Belgium is subject to Belgian legislation and is a group insurance plan with guaranteed return (Tak 21). From fiscal year 2016 the pension plan will be recognized as a defined pension plan, as a consequence of a clarification of Belgian law. The first actuarial valuation occurred on 30 June 2016. The resulting liability was recognized in the interim financial statements against other comprehensive income, as it is considered to be a change in assumptions. A second actuarial valuation occurred on 31 December 2016. A third actuarial valuation occurred on 31 December 2017.

The pension plan in Belgium is financed. If the fund investments are lower than the minimum guarantee set by law, the employer must pay an additional contribution into the plan.

The changes to the defined pension entitlements liability and market value of fund investment on 31 December 2017 are as follows:

	At 01/01/2017	Pension cost allocated to realised income	Return	Gain/(loss) as a consequence of changes to calculation method allocated to other comprehensive income	Employer contribution	Benefits paid	At 31/12/2017
Defined pension entitlement liability	-7,312	-872	-131	437	0	173	-7,705
Market value of the fund investments	6,867	110	127	-437	463	-173	6,957
Net liability in the balance sheet	**-445**	**-762**	**-4**	**0**	**463**	**0**	**-748**

The investments primarily relate to qualifying insurance policies (99.9% of all investments). The expected contribution by the employer for the year ending 31 December 2018 is 623 thousand euro.

The main actuarial assumptions used in the valuation of the pension plans are shown in the table below:

Annual pay rises (excluding inflation)	1%
Annual inflation	2%
Annual discount rate	1.9%
Retirement age in years	65
Total number of members	955(1)
Average age in years	43
Estimated duration in years	18.8

(1) In 2017 an additional plan was installed that was retroactively applied to 1 January 2016.

The expected duration of the non-discounted pension payments is broken down in the table below:

	Expected benefits
Within 12 months (fiscal year ending 31 December 2017)	4
Between 2 and 5 years	808
Between 5 and 10 years	1,187
Total expected benefits	**1,999**

The cash value of pension liabilities depends on a number of factors that are determined actuarially on the basis of a number of assumptions. The assumptions that are used when calculating the net pension costs (income) include the discount rate. Changes in the assumptions impact the carrying value of the pension liabilities.

Van de Velde determines the appropriate discount rate at the end of each year. This is the interest rate that must be applied to determine the cash value of the estimated future cash flows required to meet the pension liabilities. When determining the appropriate discount rate Van de Velde uses the interest rate of high-value corporate bonds expressed in the currency in which the pensions will be paid out and with a duration comparable to the duration of the corresponding pension liabilities.

Other important assumptions for pension liabilities, such as expected annual growth rate of salaries and benefits, are partly based on current market conditions.

The table below shows the effect of the discount rate on the defined pension entitlement liability:

	Valuation trend -0.5%	Original	Valuation trend +0.5%
Discount rate	1.40%	1.90%	2.40%
Defined pension entitlement liability	8,409	7,703	7,083
Market value of the fund investments	7,565	6,955	6,408

The table below shows the effect of the withdrawals from the plan on the defined pension entitlement liability:

	Original	Sensitivity
Withdrawal from the plan	Employer table	0,00%
Defined pension entitlement liability	7,703	8,129

The sensitivity analysis in the above tables is determined on the basis of a method that shows the impact on the liability due to the defined pension entitlements as a consequence of reasonable changes to significant assumptions occurring at the end of the period. This analysis is based on a change to a significant assumption that keeps all other assumptions constant. The sensitivity analysis may not be representative of actual changes in the defined pension entitlement liability because it is unlikely that changes to the assumptions could occur in isolation.

16. Other non-current liabilities

Other non-current liabilities consist of the following:

000 euro	2017	2018
Deferred rent and lease incentives	928	1,296
Liabilities from acquisition of a participation in joint venture	1,830	1,830
Other non-current liabilities	**2,758**	**3,126**

Deferred rent and lease incentives relate to both the difference between the actual cash payment to the lessor and the expense recognized in the income statement and lease incentives received as part of the lease contract, which are recognized over the lease term as a deduction from the recorded rent expense.

The liabilities from acquisition of a participation in joint venture relate to Private Shop Ltd. The amount of 1,830 thousand euro (2,000 thousand US dollar) is a liability payable to Getz for the acquisition of a distribution agreement and intangible assets at the start of the joint venture in 2012. This amount will be settled when certain milestone criteria are fulfilled. The Group is of the opinion that this amount will not be settled until after 2018.

17. Deferred taxes

The deferred taxes consist of the following:

000 euro	Deferred tax liabilities on fixed assets	Deferred tax assets on assets / liabilities	Total
At 01/01/2016	-1,652	1,346	-306
Changes	-213	167	-46
At 31/12/2016	-1,865	1,513	-352
At 01/01/2017	-1,865	1,513	-352
Changes	-365	-26	-391
At 31/12/2017	-2,230	1,487	-743

The net deferred tax liability of 743 thousand euro consists of the following components:

- Regarding the deferred tax liabilities on fixed assets, the depreciable amount of an item of property, plant and equipment should be allocated on a straight-line basis over its useful life. In the statutory financial statements, the double declining depreciation method is applied, which is restated for consolidation purposes. The deferred taxes were valued at the theoretical tax rate of 33.99%.
- Deferred tax assets on assets (-26 thousand euro) relate to differences between the statutory accounting policies and the accounting policies in accordance with IFRS.

18. Trade and other payables

Trade and other payables consist of the following:

000 euro	2017	2016
Trade payables [1]	8,807	5,022
Payroll, social charges	5,043	5,312
Gift cards and credits issued	631	694
Accrued charges [2]	4,946	4,437
Deferred income	0	326
Fx forward contracts (note 19)	237	190
Short-term borrowings	362	579
Trade and other payables	20,026	16,560

(1) A timing difference in received invoices and payments has caused a temporary increase in trade payables.

(2) Accrued charges primarily relate to accrued bonuses to employees and directors as well as discounts to customers.

19. Other current liabilities and taxes payable

000 euro	2017	2016
Other current liabilities: taxes (VAT payable, local taxes, withholding taxes)	1,552	1,211
Taxes payable: corporate income taxes	9,921	16,871

The decrease in current liabilities and taxes payable in 2017 mainly relates to the outstanding payable of corporate income taxes covering income year 2016 compared with 2015 and 2016 in the previous year. The corporate income taxes for 2017 were fully paid in advance.

20. Financial instruments

The Group applies derivative financial instruments to limit the risks of unfavourable exchange rate fluctuations originating from operations and investments.

Derivatives that do not qualify for hedge accounting

The company applies FX forward contracts to manage transaction risks. These have a maturity date between 16/01/2018 and 15/12/2018 (maturities at 31 December 2016: between 15/01/2017 and 15/12/2017). As these contracts do not meet the hedging criteria of IAS 39, they are valued at fair value and recognized as trading contracts through profit or loss.

On 31 December 2017 the fair value of these FX forward contracts was -55 thousand euro, comprising an unrealized income of 182 thousand euro and an unrealized loss of 237 thousand euro.

By way of a summary, the various fair values are shown in the following table:

000 euro	2017	2016
Derivatives that do not qualify for hedge accounting:		
Other current assets	182	584
Other current liabilities	-237	-190
Real value	**-55**	**394**

The valuation technique used to determine the fair value is level 2-compliant, with the various levels and related valuation techniques defined as follows:
- Level 1: quoted (and not adjusted) prices on active markets for identical assets and liabilities;
- Level 2: other techniques, in which all inputs that have a major impact on the recognized fair value are observable (directly or indirectly);
- Level 3: techniques, using inputs with a major impact on the fair value and for which no observable market data is available.

21. Financial result

The financial result breaks down as follows:

000 euro	2017	2016
Interest income	33	59
Interest costs	-31	-64
Interest result, net	**2**	**-5**
Exchange gains	3,388	2,407
Exchange losses	-3,910	-2,299
Exchange result, net	**-522**	**108**
Income from investments (dividends)[1]	958	321
Other financial income	18	0
Other financial costs	-700	-791
Financial result	**-244**	**-367**

(1) In 2016 it was opted not to record the received dividend of Top Form International of 28 November 2016 as a financial result. In 2017, this 326 thousand euro has been recognized in the financial result.

22. Personnel expenses

Personnel expenses are as follows:

000 euro	2017	2016
Wages	8,433	8,259
Salaries	26,514	26,256
Social security contributions	8,102	7,643
Other personnel expenses	934	1,503
Personnel expenses	**43,983**	**43,661**

Workforce at balance sheet date in actual numbers	2017	2016
White collars	621	569
Blue collars	910	848
Total	**1,531**	**1,417**

Share-based payments

The Group has applied IFRS 2 Share-based payments since 2008. The fair value of the options on the grant date is recognized for the period until the beneficiary acquires the option unconditionally in accordance with the gradual acquisition method.

The impact of IFRS 2 on the result of the year 2017 was 185 thousand euro versus 110 thousand euro in 2016. The option plans were valued using the Black-Scholes-Merton model for call options. The following assumptions were used to determine the weighted average fair value at grant date:

	PLAN 2014	PLAN 2015	PLAN 2016	PLAN 2017
Award date[1]	13/10/14	12/10/15	29/9/16	03/10/17
Dividend right as of the grant date	neen	neen	neen	neen
Contractual term of the options	5-10	5-10	5-10	5-10
Exercise price	37.85	55.87	63.02	45.13
Expected volatility	35.00%	35.00%	35.00%	35.00%
Risk-free interest rate	0.33% - 1.01%	0.07%	-0.269% - 0.242%	-0.143% - 0.398%
Fair value of the share options (in euro)	9.97	14.45	16.40	11.23

(1) The exchange of property will take place on the 60th day after the award date and is known as the grant date.

The share option plan has developed as follows:

Number of shares and options	Option plan 2005 - 2017
Outstanding at 01/01/2016	**41,500**
Exercisable at 01/01/2016	**0**
Movements during the year	
Accepted	21,000
Forfeited	0
Exercised	15,000
Expired	0
Outstanding at 31/12/2016	**47,500**
Exercisable at 31/12/2016	**0**
Movements during the year	
Accepted	30,000
Forfeited	0
Exercised	11,000
Expired	0
Outstanding at 31/12/2017	**66,500**
Exercisable at 31/12/2017	**0**

23. Income taxes

The major components of income tax expense for the years ending 31 December 2017 and 2016 are:

000 euro	2017	2016
Current income tax	**13,618**	**19,183**
Current income tax charge	13,618	19,183
Adjustments in respect of current income tax of previous years	0	0
Deferred income tax	**24**	**198**
Relating to the origination and reversal of temporary differences	24	198
Income tax expense reported in the consolidated income statement	13,642	19,381

The reconciliation of income tax expense applicable to income before taxes at the statutory income tax rate and income tax expense at the Group's effective income tax rate for each of the past two years ending 31 December is as follows:

000 euro	2017	2016
Profit before taxes [1]	**47,729**	**53,267**
Parent's statutory tax rate of 33.99%	16,223	18,105
Higher income tax rates in other countries	0	0
Lower income tax rates in other countries	-2,811	-1,321
Utilization tax losses and unrecognized losses	-349	2,128
Disallowed expenses	317	346
Notional interest deduction	-27	-164
Other	147	111
Dividend received reduction ('DBI')	142	176
Total income taxes	13,642	19,381
Effective income tax rate	28.58%	36.38%

(1) Profit before taxes excluding the share in the result of associates and impairment charges.

The decrease of the effective income tax rate in 2017 can mainly be clarified as follows:

- A lower tax percentage in Tunisia in 2017 (22% in 2016 versus 13% in 2017).
- A higher proportion of the taxable profit in Tunisia in 2017.
- Use of unrecognized losses due to a group restructuring.

24. Earnings per share

Basic earnings per share are calculated by dividing the net income for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, excluding the shares purchased by the Group and held as treasury shares (note 13).

Diluted earnings per share are calculated by dividing the net income for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, both adjusted for the effects of dilutive potential ordinary shares (stock options).

	2017	2016
Profit attributable to shareholders (in 000 euro)	33,947	33,554
Weighted average number of ordinary shares	13,468,577	13,321,752
Dilutive effect of stock options	4,419	12,059
Weighted average number of shares after impact of dilution	13,472,996	13,333,811
Basic earnings per share (euro)	**2.52**	**2.52**
Diluted earnings per share (euro)	**2.52**	**2.52**

In 2016 all stock options granted over the period 2012-2016 were dilutive. In 2017 all stock options granted over the period 2013-2017 were dilutive, with the exception of the options granted in 2015 and 2016.

25. Dividends paid and proposed

000 euro	2017	2016
Dividend paid	28,643	46,634

Dividend paid:
- in 2017:
  - 2.15 euro per share for fiscal year 2016.
- in 2016:
  - 1.35 euro per share as interim dividend for fiscal year 2016.
  - 2.15 euro per share for fiscal year 2015.

000 euro	2017	2016
Dividend proposed	13,722	46,629

Dividend proposed:
- 1.03 [1] euro per share for fiscal year 2017.
- No dividend rights are attached to treasury shares.
- Payout ratio in 2017 equals to 40% of the consolidated group profit included the result based on the 'equity' method

(1) In line with the pay-out ratio, namely 40% of the consolidated profit, Group share, excluding the result based on the equity method.

26. Commitments and contingent liabilities

The Group rents sites for the shops of its own retail network and showrooms to present collections to customers. These rent contracts are operational leases with a contract term of one year or more. Rental expenses in respect of these operating leases amounted to 6,317 thousand euro in 2017 (6,791 thousand euro in 2016).

Future minimum lease payments under operating leases were as follows at 31 December 2017 and 2016:

000 euro	2017	2016
Within one year	6,047	6,297
After one year but not more than five years	16,635	16,029
More than five years	5,894	4,001
Total	**28,576**	**26,327**

27. Related party disclosures

Full consolidation

The consolidated financial statements include the financial statements of Van de Velde NV and the subsidiaries listed in the following table.

Name	Address	(%) equity interest 2017	Change on previous year
VAN DE VELDE NV	Lageweg 4 9260 SCHELLEBELLE, Belgium VAT BE0448.746.744	Parent company	
VAN DE VELDE GMBH & Co KG	Blumenstraße 24 40212 DUSSELDORF, Germany	100	0
VAN DE VELDE VERWALTUNGS GMBH	Blumenstraße 24 40212 DUSSELDORF, Germany	100	0
VAN DE VELDE TERMELO ES KERESKEDELMI KFT	Selyem U.4 7100 SZEKSZARD, Hungary	100	0
VAN DE VELDE UK LTD	Cannon Place, 78 Cannon Street, EC4N 6AF LONDON United Kingdom	100	0
VAN DE VELDE FRANCE SARL	16, Place du General De Gaulle 59000 LILLE, France	100 (1)	0
MARIE JO GMBH	Blumenstraße 24 40212 DUSSELDORF, Germany	100	0
VAN DE VELDE IBERICA SL	Calle Santa Eulalia, 5 08012 BARCELONA, Spain	100	0
VAN DE VELDE CONFECTION SARL	Route De Sousse BP 25 4020 KONDAR, Tunisia	100	0
VAN DE VELDE FINLAND OY	Yliopistonkatu 34, 4 krs huone 401 20100 TURKU, Finland	100	0
VAN DE VELDE NORTH AMERICA INC	171 Madison Avenue, Suite 201 NY 10016, NEW YORK, United States of America	100	0
VAN DE VELDE DENMARK APS	Lejrvejen 8 6330 PADBORG, Denmark	100	0
VAN DE VELDE RETAIL INC	171 Madison Avenue, Suite 201 NY 10016, NEW YORK, United States of America	100	0
INTIMACY MANAGEMENT COMPANY LLC	171 Madison Avenue, Suite 201 NY 10016, NEW YORK, United States of America	100	0

(1) The liquidation of Van de Velde France SARL was closed on 15 December 2017, but the legal formalities where finalized early 2018.

Name	Address	(%) equity interest 2017	Change on previous year
RIGBY & PELLER LTD	Second Floor, 37 North Row W1K 6DH, LONDON United Kingdom	87	0
VAN DE VELDE NEDERLAND BV	Beethovenstraat 28 1077 JH AMSTERDAM, Netherlands	100	0
VAN DE VELDE POLAND SP ZOO	Ul. Al Wyzwolenia 10 - lok 171 00570 WARSCHAU, Poland	0	100

Sales of goods and services are at arm's length between Group companies.

Companies to which the equity method is applied

The equity method is applied to the following companies:

Name	Address	(%) equity interest 2017	Change on previous year
TOP FORM INTERNATIONAL LTD	15/F., Tower A, Manulife Financial Centre, No. 223-231 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong	25.7	0
PRIVATE SHOP LTD	Wyler Centre I, 8th Floor 202-210 Tai Lin Pai Road Kwai Chung, Hong Kong	50	0

Top Form International Ltd ("TFI")

In 2017 transactions between the Group and TFI totalled 11,700 thousand US dollar. On 31 December 2017 the Group had trade payables to TFI in the amount of 8 thousand US dollar. In 2016 transactions between the Group and TFI totalled 11,717 thousand US dollar. On 31 December 2016 the Group had trade payables to TFI in the amount of 108 thousand US dollar.

Private Shop Ltd

In 2017 sales between the Group and Private Shop Ltd totalled 697 thousand euro. On 31 December 2017, the Group had no accounts receivable to Private Shop Ltd. In 2016 sales between the Group and Private Shop Ltd totalled 555 thousand euro. On 31 December 2016, the Group had no accounts receivable to Private Shop Ltd.

Related to the acquisition of a distribution agreement and a number of intangible assets in relation to Private Shop Ltd, the Group had a debt to Getz of 2.0 million US dollar as per 31 December 2017. This amount will be paid to Getz when certain milestone criteria are achieved.

Relationships with shareholders

43.73% of the shares of Van de Velde NV are held by the general public. These shares are traded on Euronext Brussels. Van de Velde Holding NV, which groups the interests of the Laureys and Van de Velde families, holds the remainder of the shares.

Relationship with key management personnel

See the remuneration report in chapter 3.

Director Remuneration

For his chairmanship, his membership of the Nomination and Remuneration Committee, the Audit Committee and the Strategic Committee, the chairman of the Board of Directors (Herman Van de Velde NV) received an annual gross remuneration of 25,000 euro. The other non-executive members (excluding the managing director) receive annual remuneration of 15,000 euro for their membership of the Board of Directors. All members of the Board of Directors (excluding the managing director) receive 2,500 euro for their membership of the Audit and/or Nomination and Remuneration Committee respectively. The total remuneration for the directors (excluding the managing director) was 127.5 thousand euro in 2017 and 127.5 thousand euro in 2016. The directors have not received any loan or advance from the Group.

Management Committee Remuneration

For the year ended 31 December 2017, a total amount of 2,161 thousand euro (2,314 thousand euro in 2016) was awarded to the members of the Management Committee, including the managing director. See the remuneration report in chapter 3 for more details.

These total amounts include the following components:

- Basic remuneration: base salary earned in their position during the year under review;
- Variable remuneration: bonus acquired in the year under review. There are various pay-out forms, including cash, deferred payment or a complementary pension plan;
- Group insurance premiums: insurance premium (invalidity, death, pension plan) paid by the Group;
- Other benefits are the private use of a company car and hospitalization insurance.

000 euro	2017	2016
Basic remuneration	1,694	1,795
Variable remuneration	427	475
Group insurance premiums	23	21
Other benefits	17	23
Total	2,161	2,314

In addition to these pecuniary advantages, share-based benefits have been granted to the Management Committee through stock option plans. The members of the Management Committee had the opportunity to participate in an employee stock option plan, through which they were granted 5,000 share options in 2017 (same as in 2016). There was no calculated cost of the options accepted by the Management Committee in 2017.

28. Segment information

Van de Velde is a single-product business, being the production and sale of luxury lingerie. Van de Velde distinguishes two operating segments: Wholesale and Retail. No segments have been combined.

Van de Velde Group has identified the Management Committee as having primary responsibility for operating decisions and has defined operating segments on the basis of information provided to the Management Committee.

Wholesale refers to business with independent specialty retailers (customers external to the Group), retail refers to business through our own retail network (stores and franchisees). The integrated margin is shown within the retail segment for Van de Velde products sold through Van de Velde's own retail network. In other words, the retail segment comprises the wholesale margin on Van de Velde products and the results generated within the network itself.

Management monitors the results in the two segments to a certain level ('direct contribution') separately, so that decisions can be taken on the allocation of resources and the evaluation of performance. Performance in the segments is evaluated on the basis of directly attributable revenues and costs. General costs (such as overhead), financial result, the result using the equity method, tax on the result and minority interests are managed at Group level and are not attributed to segments. Costs that are not attributed benefit both segments and any further division of the costs, such as general administration, IT and accountancy, would be arbitrary.

Assets that can be reasonably attributed to segments (goodwill and other fixed assets as well as inventories and trade receivables) are attributed. Other assets are reported as non-attributable, as are liabilities. Assets and liabilities are largely managed at Group level, so a large part of these assets and liabilities are not attributed to segments.

The accounting policies of the operating segments are the same as the key policies of the Group. The segmented results are therefore measured in accordance with the operating result in the consolidated financial statements.

Van de Velde does not have any transactions with a single customer in Wholesale or Retail worth more than 10% of total turnover.

Transactions between operating segments are on an arm's length basis, comparable with transactions with third parties.

In the following tables, the segmented information is shown for the periods ending on 31 December 2017 and on 31 December 2016:

Segment Income Statement	**2017**				**2016**			
000 euro	**Wholesale**	**Retail**	**Unallocated**	**Total**	**Wholesale**	**Retail**	**Unallocated**	**Total**
Segment revenues	171,426	37,561	0	**208,987**	168,688	37,921	0	**206,609**
Segment costs	-86,796	-33,369	-33,143	**-153,308**	-82,755	-33,887	-28,056	**-144,698**
Depreciation	0	-2,257	-5,449	**-7,706**	0	-3,930	-4,347	**-8,277**
Segment results	84,630	1,935	-38,592	**47,973**	85,933	104	-32,403	**53,634**
Net finance profit				**-244**				**-367**
Impairment				**0**				**0**
Result from associates				**-267**				**-473**
Income taxes				**-13,642**				**-19,381**
Non-controlling interest				**-127**				**-141**
Net income				**33,947**				**33,554**

Segment Balance Sheet	2017			2016		
000 euro	Wholesale	Retail	Total	Wholesale	Retail	Total
Segment assets	61,922	21,194	**83,116**	60,053	23,177	**83,230**
Unallocated assets			**75,682**			**73,486**
Consolidated total assets	61,922	21,194	**158,798**	60,053	23,177	**156,716**
Segment liabilities	0	0	**0**	0	0	**0**
Unallocated liabilities			**158,798**			**156,716**
Consolidated total liabilities	0	0	**158,798**	0	0	**156,716**

Capital expenditure	2017				2016			
000 euro	Wholesale	Retail	Unallocated	Total	Wholesale	Retail	Unallocated	Total
Tangible fixed assets	0	1,525	3,443	**4,968**	0	1,131	8,589	**9,720**
Intangible assets	0	7	478	**485**	0	92	646	**738**
Depreciation	0	2,257	5,449	**7,706**	0	3,930	4,347	**8,277**

Breakdown by region – turnover	2017			2016		
000 euro	Eurozone	Elsewhere	Total	Eurozone	Elsewhere	Total
Turnover	142,320	66,667	**208,987**	139,307	67,302	**206,609**

The most important markets, determined on the basis of the quantitative IFRS criteria, are:
- Belgium, Germany and the Netherlands for the Eurozone;
- United States for Elsewhere.

Further information about the assets of the company – location (000 euro)	Belgium	Elsewhere	Total
Tangible fixed assets	29,887	5,863	**35,750**
Intangible assets	6,987	6,921	**13,908**
Inventories	37,448	4,535	**41,983**

29. Events after balance sheet date

No events after the balance sheet date had a major impact on the situation of the company.

30. Business risks with respect to IFRS 7

Besides the strategic risks described in detail in the activity report, Van de Velde has identified the following risks with respect to IFRS 7:

Currency risk

Due to its international character, the Group is confronted with various exchange rate risks on sale and purchase transactions.

In terms of currency risk, between 30% and 35% of Group turnover is generated in currencies other than the euro. In addition, a significant proportion of purchases and expenses are in foreign currency (e.g. purchases of raw materials and costs of subcontractors as well as local expenses within the retail network).

Where possible, currency risks are managed by offsetting transactions in the same currency or by fixing exchange rates through forward contracts. These risks are managed at the level of the parent company. The Group is aware that exchange risks cannot always be fully hedged.

Foreign operations increase the translation risk of the Group. Financial instruments are not used to hedge this risk.

The Group performed a sensitivity analysis in 2017 with regard to changes in foreign currencies for the positions EUR/GBP, EUR/CAD, EUR/DKK, EUR/CHF, EUR/NOK and EUR/USD. The outstanding trade receivables and trade payables of the Group at the balance sheet date have been converted with a sensitivity of 10%. In the event of a 10% rise or fall in the exchange rate, the impact on the financial statements will be presented as follows:

000 euro	+10%	-10%
GBP	76	-76
CAD	94	-94
DKK	26	-26
CHF	48	-48
NOK	36	-36
USD	91	-91
	371	-371

Credit risk

As a consequence of the large diversified customer portfolio, the Group does not have a significant concentration of credit risks. The Group has developed strategies and additional procedures to monitor and to limit credit risk at its customers. Wholesale sales are generated through more than 5,000 independent retailers and a small number of luxury department stores. No single customer accounts for more than 2.0% of the annual turnover of the Group.

The insolvency risk is also covered by credit insurance. The part of trade receivables not covered by the credit insurer is considered to be impaired as soon as the due date exceeds 90 days.

With respect to eCommerce activities, the credit risk is limited by using country-specific payment methods and the creditworthiness of potential eCommerce customers is monitored in association with an external partner.

Liquidity and cash flow risk

The liquidity and cash flow risk is rather limited thanks to the large operational cash flow and the net cash position (21.8 million euro). Credit lines worth more than 10 million euro are also available.

Risk of interruptions in the supply chain

Adequate measures have been taken in several areas to minimize interruptions in the supply chain and deal with any such interruptions that do occur. Examples of such measures are:

- The IT department has a disaster recovery plan designed to minimize the risk of damage from the failure of the computer infrastructure. Investments are also made to limit the risk of failure of the computer infrastructure.
- The risks of interruption in deliveries by a supplier and the possible alternatives (if available) have been identified and are regularly monitored. The creditworthiness of suppliers is also monitored.
- As far as possible, the concentration risk from suppliers is managed by sufficient diversification. The ten leading material suppliers account for approximately 59% of purchase costs. The largest supplier accounts for 22% of purchase costs, whereas no other suppliers account for more than 10%.
- Assembly capacity is mainly spread over China, several sites in Tunisia and Thailand.
- The raw materials warehouse and the distribution centre are located at the same site. These warehouses are in separate buildings. Both comply with high safety standards.
- Transparent chain management has been organized in which the need for provisions and/or possible interruptions are proactively identified and action can be taken.

Moreover, business risks as a consequence of a potential interruption are covered by insurance. Adequate measures have been taken in consultation with insurers who also regularly inspect the various locations.

Risk of overvalued stock

Van de Velde's business model entails risks with regard to raw materials and finished products. Raw materials are ordered and production launched before we have full insight into the orders. As far as possible, Van de Velde attempts to concentrate this risk at the level of raw materials rather than finished products.

Van de Velde also applies a strict policy regarding write-downs on inventories:

– The value of finished products for which sales are declining is written down at the end of the season or during the following season. These finished products are fully written off in the subsequent year.
– If there is no further need for additional production, the related raw materials are written off completely.

Product risk

Sales are spread over about 50,000 stock references, over 10,000 of which are changed every season. Therefore, sales do not depend on the success of any one model.

Compliance and regulatory risks

Van de Velde Group is subject to federal, regional and local laws and regulations in each country in which it operates. Such laws and regulations relate to a wide variety of matters, such as data security, privacy, product liability, health and safety, import and export, occupational accidents, employment practices and the relationship with associates (regarding overtime and work place safety among other things), tax matters, unfair competitive practices and similar regulations, etc. Compliance with, or changes in, these laws could reduce the revenues and profitability of the Group and could affect its business, financial conditions or the results of operations.

Van de Velde Group has been subject to and may in the future be subject to allegations of violating certain laws and/or regulations. Such allegations or investigations or proceedings may require the Group to devote significant management resources to defending itself. In the event that such allegations are proven, Van de Velde may be subject to significant fines, damages awards and other expenses, and its reputation may be harmed.

Van de Velde Group actively strives to ensure compliance with all laws and regulations to which it is subject. A degree of insurance has been taken out to cover some of the above-mentioned risks.

Other operational risks

The Group is also faced with other operational risks which (if possible) are monitored and for which (if available) corrective actions are taken.


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6 | Independent auditor's report to the general meeting of Van De Velde NV for the year ended 31 December 2017

As required by law and the Company's by-laws, we report to you as statutory auditor of Van de Velde NV (the "Company") and its subsidiaries (together the "Group"). This report includes our opinion on the consolidated balance sheet as at 31 December 2017, the consolidated income statement and overview of other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flows statement for the year ended 31 December 2017 and the disclosures (all elements together the "Consolidated Financial Statements") and includes as well our report on other legal and regulatory requirements. These two reports are considered as one report and are inseparable.

We have been appointed as statutory auditor by the shareholders meeting of 27 April 2016, in accordance with the proposition by the Board of Directors following recommendation of the Audit Committee and on recommendation of the workers council. Our mandate expires at the shareholders meeting that will deliberate on the annual accounts for the year ending 31 December 2018.We performed the audit of the Consolidated Financial Statements of the Group during 20 consecutive years.

Report on the audit of the Consolidated Financial Statements

Unqualified opinion

We have audited the Consolidated Financial Statements of Van de Velde NV, which consists of the consolidated balance sheet as at 31 December 2017, the consolidated income statement and overview of other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and the disclosures, which show a consolidated balance sheet total of € 158.8 million and of which the consolidated income statement shows a profit for the year of € 33.8 million.

In our opinion the Consolidated Financial Statements of the Group give a true and fair view of the consolidated net equity and financial position as at 31 December 2017, as well as its consolidated results and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") and with applicable legal and regulatory requirements in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the consolidated financial statements" section of our report.

We have complied with all ethical requirements that are relevant to our audit of the Consolidated Financial Statements in Belgium, including those with respect of independence.

We have obtained from the Board of Directors and the officials of the Company the explanations and information necessary for the performance of our audit and we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of the current reporting period.

These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole and in forming our opinion thereon, and consequently we do not provide a separate opinion on these matters.

Valuation of goodwill and brands with an indefinite life

• Description of the matter and the audit risk:

As a consequence of different acquisitions in the past, the Group has acquired goodwill and brands with an indefinite life. The book value of goodwill and brands with an indefinite life as at 31 December 2017 amounts to respectively € 4.5 million and € 12.2 million (of which € 8.5 million related to Rigby & Peller, € 2.8 million related to Re-tail BV and € 5.4 million related to Sarda). The book value of goodwill and brands together represent 10.5 % of the consolidated balance sheet total.

In accordance with IFRS, the Group is required to annually test for impairments on goodwill and brands with an indefinite life.

The valuation of goodwill and brands with an indefinite life is significant for our audit because the valuation process is complex and is strongly influenced by management's expectations of expected growth, in particular of revenues and Earnings Before Interest Depreciation and Amortization ("EBITDA") and other assumptions (growth rate, discount rate ('WACC') and tax rate).

The valuation of goodwill and brands with an indefinite life of the Group, is described in notes 3 and 4 of the Consolidated Financial Statements.

• Summary of the performed procedures:

Our audit procedures included, among others, the following:

- We have analyzed the Group's impairment test model including the significant underlying assumptions (revenue growth, EBITDA percentage on revenue, long term growth rate beyond the projection period, discount rate), and we have verified the definition of the cash generating units according to IFRS;
- We made an assessment of the historical accuracy of management's judgements, and compared the expected revenue growth, EBITDA percentage on revenue, for all cash generating units with the Group's business plan as adopted and approved by the Board of Directors;
- We used a valuation expert in our firm to assess the methodology, clerical accuracy, long term growth rate and discount rate by comparison to market information, past performance, the Group's cost of capital and relevant risk factors.
- We assessed the sensitivity analyses prepared by management to understand the impact of reasonable changes in the key assumptions;
- We considered additional impairment triggers by reading board minutes, and holding regular discussions with management.
- We assessed the adequacy of notes 3 and 4 of the Consolidated Financial Statements.

Inventory Valuation

• Description of the matter and the audit risk:
The total inventory value of the group amounts to € 41.9 million, net of allowances for € 5.3 million for inventory items that are considered obsolete, amounts to 26.4 % of the consolidated balance sheet total. Inventory consists of raw materials, work in progress, finished goods and merchandise goods. The Group values inventory at the lower of cost or net realizable value. The allowance for obsolete inventory is calculated based on the ageing and the expected turnover of the inventory.

The allowance for obsolete inventory is significant for our audit because of the magnitude of the amount, and due to the uncertainties related to management's judgment regarding turnover as well as the applied allowance percentages.

The valuation of inventories is described in note 9 of Consolidated Financial Statements.

• Summary of the performed procedures:

Our audit procedures included, among others, the following:
- We have discussed the applied turnover expectations with management, and reconciled these with the underlying documents of management and the board of directors;
- We have tested the accuracy of the applied ageing data of inventory by means of a sample test of inventory items;
- We have discussed the applied allowance percentages with management and reconciled to historical data;
- We have evaluated the historical accuracy of management's judgments by comparing the past judgements with the actual turnover;
- We have performed an analytical evaluation of the allowances for obsolescence per product group;
- We have checked the completeness and adequacy of note 9of the Consolidated Financial Statements.

Responsibilities of the Board of Directors for the preparation of the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the Consolidated Financial Statements that give a true and fair view in accordance with IFRS and with applicable legal and regulatory requirements in Belgium. This responsibility involves implementing internal controls relevant to the preparation of the Consolidated Financial Statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the Consolidated Financial Statements, the Board of Directors is responsible for assessing the Company s ability to continue as a going concern, and provide, if applicable, information on matters impacting going concern.The Board of Directors should prepare the financial statements using the going concern basis of accounting, unless the Board of Directors either intends to liquidate the Company or to cease business operations, or has no realistic alternative but to do so.

Our responsibilities for the audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement, whether due to fraud or error, to express an opinion on these Consolidated Financial Statements based on our audit. Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit, in accordance with ISAs, we exercise professional judgment and we maintain professional skepticism throughout the audit. We also perform the following tasks:

- Identification and assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, the planning and execution of audit procedures to respond to these risks and obtain audit evidence which is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatements is larger when these misstatements are due to fraud, since fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtaining insight in the system of internal controls that are relevant for the audit and with the objective 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 internal control;
- Evaluating the selected and applied accounting policies, and evaluating the reasonability of the accounting estimates and related disclosures made by the Board of Directors as well as the underlying information given by the Board of Directors;
- Conclude on the appropriateness of Board of Director's use of the going-concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to event or conditions that may cast significant doubt on the Company or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company or Group to cease to continue as a going-concern;
- Evaluating the overall presentation, structure and content of the Consolidated Financial Statements, and of whether these financial statements reflect the underlying transactions and events in a true and fair view.

We communicate with the Audit Committee within the Board of Directors 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.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the audits of the subsidiaries. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities.

We provide the Audit Committee within the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee within the Board of Directors, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our report, unless the law or regulations prohibit this.

Report on other legal and regulatory requirements

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and the content of the Board of Director's report and other information included in the annual report , the compliance with the legal and regulatory requirements regarding bookkeeping, as well as compliance with the Belgian Companies Code and with the Company's by-laws.

Responsibilities of the auditor

In the context of our mandate and in accordance with the additional standard to the ISA's applicable in Belgium, it is our responsibility to verify, in all material respects, the Board of Director's report and other information included in the annual report, as well as compliance with certain requirements of the Belgian Companies Code and to report any matters.

Aspects relating to Board of Director's report and other information included in the annual report

In our opinion, after carrying out specific procedures on the Board of Director's report, the Board of Director's report is consistent with the Consolidated Financial Statements and has been in prepared accordance with article 119 of the Belgian Companies Code.

In the context of our audit of the Consolidated Financial Statements, we are also responsible to consider whether, based on the information that we became aware of during the performance of our audit, the Board of Director's report and other information included in the annual report, being:

- Chapter 4. Consolidated key figures 2017 (page 26 to 29)
- Chapter 7. Concise version of the statutory financial statements and the statutory annual report of Van de Velde NV (page 72 to 75)
- Chapter 10. Contribution to the Belgian Treasury (page 96)

contain any material inconsistencies or contains information that is inaccurate or otherwise misleading. In light of the work performed, we do not need to report any material inconsistencies. In addition, we do not express any form of assurance regarding the individual elements included in the Board of Director's report and other information included in the annual report.

The non-financial information required by article 119 §2 of the Belgian Companies Code has been included in the Board of Director's report on the Consolidated Financial Statements, which is part of Chapter 9 of the annual report. The Group has prepared this non-financial information based on the Global Reporting Initiative standards (hereafter "GRI"). However, we do not comment on whether this non-financial information has been prepared, in all material respects, in accordance with GRI.

Independence matters

We have not performed any services that are not compatible with the audit of the Consolidated Financial Statements and we have remained independent of the Company and the Group during the course of our mandate.

The fees for additional services that are compatible with the audit of the Consolidated Financial Statements intended by article 134 of the Belgian Companies Code have been correctly disclosed and detailed in the disclosures to the Consolidated Financial Statements.

Other communications

- This report is consistent with our supplementary declaration to the Audit Committee as specified in article 11 of the regulation (EU) nr. 537/2014.

Gent, 26 February 2018

Ernst & Young Bedrijfsrevisoren BCVBA
Statutory Auditor
Represented by
Paul Eelen*
Partner

* Acting on behalf of a BVBA


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7 | Concise version of the statutory financial statements and the statutory annual report of Van de Velde NV

Statutory financial statements

In accordance with Article 105 of Belgium's Companies Act, the statutory financial statements are hereinafter presented in abbreviated form. The annual report and financial statements of Van de Velde NV and the auditor's report will be filed at the National Bank of Belgium within the month following approval by the General Assembly. A copy is available free of charge at the registered office.

The valuation rules applied for the statutory financial statements differ from accounting principles used for the consolidated financial statements: the statutory annual accounts are prepared in accordance with Belgian legal requirements, while the consolidated financial statements are prepared in accordance with International Financial Reporting Standards. There are no material changes to the accounting principles used for the statutory accounts.

The statutory auditor has issued an unqualified opinion in regard to the statutory financial statements of Van de Velde NV.

Concise balance sheet

000 euro	31/12/2017	31/12/2016
Fixed assets	**113,204**	**111,765**
Intangible fixed assets	2,852	3,959
Tangible fixed assets	24,594	25,547
Financial fixed assets	85,758	82,259
Current assets	**87,320**	**81,885**
Amounts receivable after one year	2,562	1,804
Stocks and orders in production	39,768	39,842
Amounts receivable within one year	23,686	23,593
Financial investments	0	1,919
Cash at banks and in hand	18,564	11,774
Accrued income and deferred charges	2,740	2,953
Total assets	**200,524**	**193,650**
Shareholders' equity	**137,347**	**115,990**
Issued capital	1,936	1,936
Share premium	743	743
Reserves	134,516	113,311
Grants	152	0
Provisions, deferred taxes and tax liabilities	**373**	**808**
Provisions for risks and costs	373	808
Liabilities	**62,804**	**76,852**
Amounts payable after one year	0	0
Amounts payable within one year	58,356	73,167
Accrued charges and deferred income	4,448	3,685
Total liabilities	**200,524**	**193,650**

Concise income statement

000 euro	31/12/2017	31/12/2016
Operating income	**204,030**	**199,222**
Turnover	197,350	190,673
Changes in stocks unfinished goods and finished goods	558	3,059
Other operating income	6,122	5,490
Operating costs	**161,181**	**147,802**
Goods for resale, raw materials and consumables	40,886	41,824
Services and other goods	85,462	74,832
Salaries, social charges and pension costs	27,610	25,801
Depreciations	6,223	5,507
Write-downs and provisions	734	-410
Other operating costs	266	248
Operating profit	**42,849**	**51,420**
Financial result	**2,796**	**6,686**
Finance income	10,492	13,319
Finance costs	-7,696	-6,633
Profits on ordinary activities before tax	**45,645**	**58,106**
Exceptional result	**613**	**67**
Exceptional income	5,730	85
Exceptional costs	-5,117	-18
Pre-tax profit for the fiscal year	**46,258**	**58,173**
Tax on the profit	-11,332	-16,451
Profit for the year	**34,926**	**41,722**

Appropriation account

000 euro	31/12/2017	31/12/2016
Distributable profit	**34,926**	**41,722**
Distributable profit for the fiscal year	34,926	41,722
Addition to reserves	21,204	0
Transfer from reserves	0	4,907
Profit to be distributed	**13,722**	**46,629**

Statutory annual report Van de Velde NV
Fiscal year 1/1/2017 - 31/12/2017

The statutory report is in accordance with article 96 of Belgium's Companies Code.

1. Comments on the financial statements

The financial statements show a balance sheet total of 200,524 thousand euro and a profit after tax for the fiscal year of 34,926 thousand euro.

2. Important events after balance sheet date

No events after the balance sheet date had a major impact on the financial position of the company.

3. Expected developments

We refer readers to 'Prospects' in the chapter 'The year 2017'.

4. Research and development

The design department of Van de Velde also comprises a research and development unit. The design department is responsible for the launch of new collections, whereas the research and development unit and the design department investigate new materials, new production technologies, new products, new sales-supporting techniques and so on.

5. Additional tasks of the statutory auditor

The General Meeting of Shareholders of 27 April 2016 of Van de Velde NV appointed Ernst & Young Bedrijfsrevisoren BVCBA, Moutstraat 54, 9000 Ghent, represented by Paul Eelen, as statutory auditor. The auditor is appointed until the annual meeting of 2019.

The annual remuneration in 2017 for auditing the statutory and consolidated annual accounts of Van de Velde NV was 59,515 euro (excl. VAT). The total costs for 2017 for the auditing of the annual accounts of all companies of the Van de Velde Group was 154,378 euro (excl. VAT), including the 59,515 euro mentioned above.

In accordance with Article 134 of Belgium's Companies Code, Van de Velde announces that the remuneration of the statutory auditor for exceptional and special tasks and of the persons with whom the statutory auditor has a professional relationship was 31,805 euro (excl. VAT), all of which relates to tax advisory and compliance tasks.

6. Description of risks and uncertainties

The following risks at Group level were examined and, where necessary, coverage or preventive measures were taken:

- Currency risk;
- Credit risk;
- Liquidity and cash flow risk;
- Risk of interruptions in the supply chain;
- Risk of overvalued stock;
- Product risk;
- Compliance and regulatory risks;
- Other operational risks.

7. Acquisition of own shares

At the end of 2016 Van de Velde NV held no own shares.

In accordance with Article 620 of Belgium's Companies Code, the Extraordinary Meeting of Shareholders of 30 April 2014 gave the Board of Directors the power to acquire the company's own shares. In 2017 11,000 treasury shares were purchased.

Within the framework of the stock option plan, a total of 11,000 options were exercised and the same number of treasury shares was made available to the option holders.

At the end of 2017 Van de Velde NV held no treasury shares.

000 euro	2017	2016
Share capital	1,936	1,936
Treasury shares	0	0
Share premium	743	743

8. Conflict of interests

In 2017 the procedure laid down in Article 523 of Belgium's Companies Code was not applied as no such events occurred in the Board of Directors.

9. EBVBA Benoit Graulich, always represented by Benoit Graulich, was first appointed director at the annual meeting of 2007 and, in his capacity of independent director within the meaning of article 526ter of Belgium's Companies Code, is a member of the Audit Committee. Benoit Graulich, who is currently a partner at Bencis Capital Partners and was previously a partner at Ernst & Young and a supervisor in the tax department at Price Waterhouse, has appropriate accounting and auditing knowledge.

10. Branches

On 19 July 2011 Van de Velde formed a branch in Sweden (organization number 516407-5078), named "Van de Velde NV Belgium Filial Sweden". On 1 July 2017 Van de Velde formed a branch in France (organization number 831 118 146), named "Van de Velde NV Succursale France".

11 Enumeration within the framework of Article 34 of Belgium's Royal Decree of 14 November 2007 concerning the obligations of issuers of financial instruments that may be traded on a regulated market.

- 43.73% of the shares of Van de Velde NV are held by the general public. The remainder of the shares are held by Van de Velde Holding NV, which groups the interests of the Laureys and Van de Velde families. Different types of shares do not exist.
- There are no restrictions on the transfer of securities laid down by law or the Articles of Association.
- Holders of securities linked to special control: A majority of Van de Velde NV's directors are appointed from the candidates nominated by Van de Velde Holding NV, as long as it directly or indirectly holds no less than 35% of the company's shares.
- There are no employee share plans in which the controlling rights are not directly exercised by the employees.
- There are no restrictions on the exercise of voting rights laid down by law or the Articles of Association.
- Van de Velde NV is not aware of any shareholder agreements.
- Notwithstanding the abovementioned fact that a majority of Van de Velde NV's directors are appointed from the candidates nominated by Van de Velde Holding NV, as long as it directly or indirectly holds no less than 35% of the company's shares, there are no rules for the appointment or replacement of the members of the administrative bodies or restrictions on the exercise of voting rights laid down by the Articles of Association.
- With regard to the power of the administrative body to issuing shares, the Board of Directors is authorized, for a period of five years from announcement in the annexes to Belgisch Staatsblad/ Moniteur belge (21 May 2012), to raise the subscribed capital one or more times by a total amount of 1,936,173.73 euro, under the conditions stated in the Articles of Association.
- The power of the administrative body with respect to the possibility of purchasing shares: see point 7 above.
- There are no major agreements to which Van de Velde NV is party that come into effect, are amended or expire in the event of a change in control of the issuer after a public offer.
- No agreements have been concluded between the issuer and its directors and/or employees that provide for a payment if the relationship is ended as a consequence of a public offer.

12. Corporate Governance

We refer to chapter 3 of the annual report for the Corporate Governance statement.

13. Remuneration Report

The remuneration report provides transparent information on Van de Velde's reward policy for its directors and members of the Management Committee, in accordance with the Belgian Corporate Governance Act of 17 February and the Belgian Corporate Governance Code. Please see chapter 3 (Corporate Governance).

14. Proposed profit distribution

The Board of Directors proposes to the General Meeting of Shareholders payment of a gross dividend of 1.0300 euro per share. After payment of withholding tax, this represents a net dividend of 0.7210 euro per share. After approval by the General Meeting of Shareholders the dividend of 1.0300 euro per share (net dividend of 0.7210 euro per share) will be paid out as from 4 May 2018.

Proposed profit distribution in thousands of euro:

Distributable profit	34,926
Transfer to reserves	21,204
Gross dividend of 1.03 euro per share on 13,322,480 shares	13,722
- Of this amount, 1,03 euro per share as final dividend	13,722

15. Bearer shares

Within the framework of the dematerialization of bearer shares, the statutory auditor has in accordance with article 11 of the Act of 14 December 2005 made a report to the Board of Directors. This report will be submitted in accordance with this same article to the 'Caisse des Dépôts et Consignations'.

Positron BVBA,
always represented by
Erwin Van Laethem
Managing Director

8 | Statement of responsible persons

The undersigned declare that, to the best of their knowledge:

A) The financial statements, which have been prepared in compliance with the applicable standards, faithfully reflect the equity, the financial situation and the results of Van de Velde and the companies included in the consolidation.

B) The annual report faithfully reflects the developments and the results of Van de Velde and the companies included in the consolidation, as well as providing a description of the main risks and uncertainties it faces.

Positron BVBA,
always represented by
Erwin Van Laethem
CEO

Bart Rabaey Consulting VOF,
always represented by
Bart Rabaey
CFO

You have before you the report on our corporate social responsibility efforts of 2017. A first for Van de Velde, as we have never before reported on the efforts and results in corporate social responsibility and sustainability in such a structured, in-depth way.

Cutting back on the consumption of natural raw materials, reducing our ecological footprint, reinforcing the social position of our employees and enhancing the society that we live in – these are all things that demand constant efforts, jobs that are never done. The same goes for including our chain partners in our continual development.

Van de Velde has made a conscious decision to be a sustainable, open and socially engaged company. Our ethical business principles are based on responsibility, dialogue and mutual respect.

For us, sustainability means that we want to grow into an even more powerful player in the long term. Short-term profits – both tangible and intangible – must not interfere with those long-term goals. That goes for all our relationships with consumers, suppliers, employees and even our interaction with the world as a whole. We realize this sounds a little abstract, but we do our best to put these key principles into practice in our day-to-day business.

Without doubt, our customers – women around the world - are at the heart of our business. We strive for maximum customer satisfaction through world-class design, excellent quality and outstanding customer service.

To realize those expectations and ambitions we need an internal corporate culture based on respect for individuals. Our aim is to create and maintain a working environment in which employees are able to develop and work in a safe, stable and progressive working environment.

However, our partnerships with suppliers are equally important. They strengthen our creations and are an essential factor in achieving the desired level of punctuality and helping us create the conditions we need to do business based on our ethical principles.

Provided we organize our internal and external processes properly and embed them in our culture, our stakeholders will also benefit, because the value increases with the optimal allocation of available resources. For us this goes far beyond the old economic definition.

This is why we increasingly focus on the impact that we as a company, but also our chain, have on our environment. We opt for ecological production methods and are making great strides in dealing with our waste.

We seek – and find – connections with society around us. We invest in various social projects, such as the Anti-Cancer Foundation and Time4Society, organizations that support people that need help.

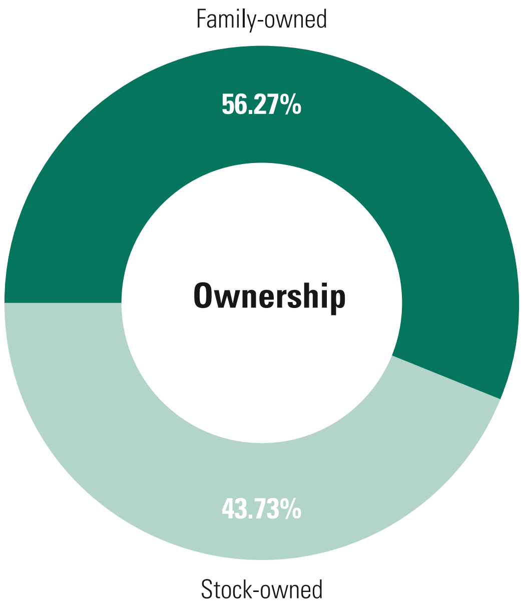
Van de Velde is taking steps forward, leaps even. But we are not there yet, that is a given. Our efforts to do business in a sustainable and responsible way will never be done either. However, rather than feeling discouraged by that thought, we feel invigorated and ready to pursue the path we have embarked upon with great energy, commitment and passion.

Erwin van Laethem
CEO Van de Velde

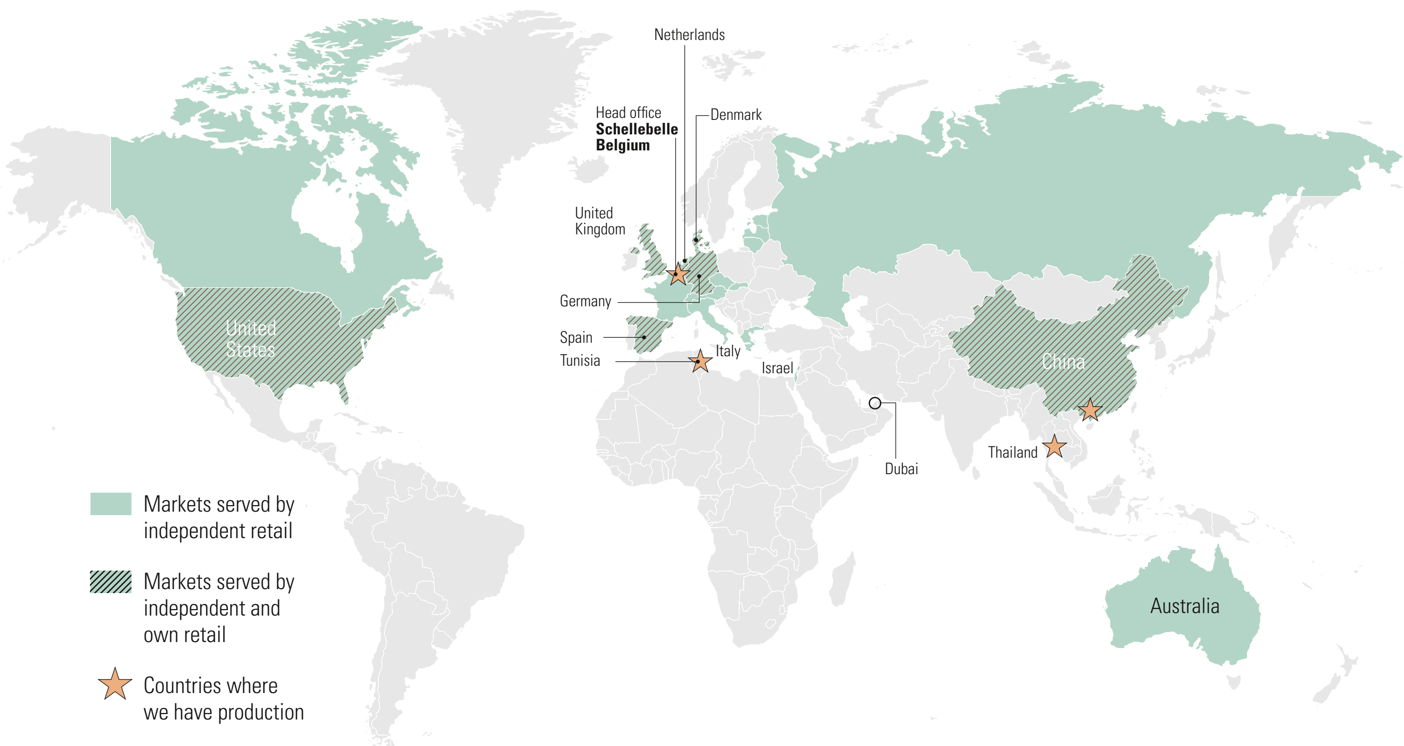
Non-financial reporting: sustainability report

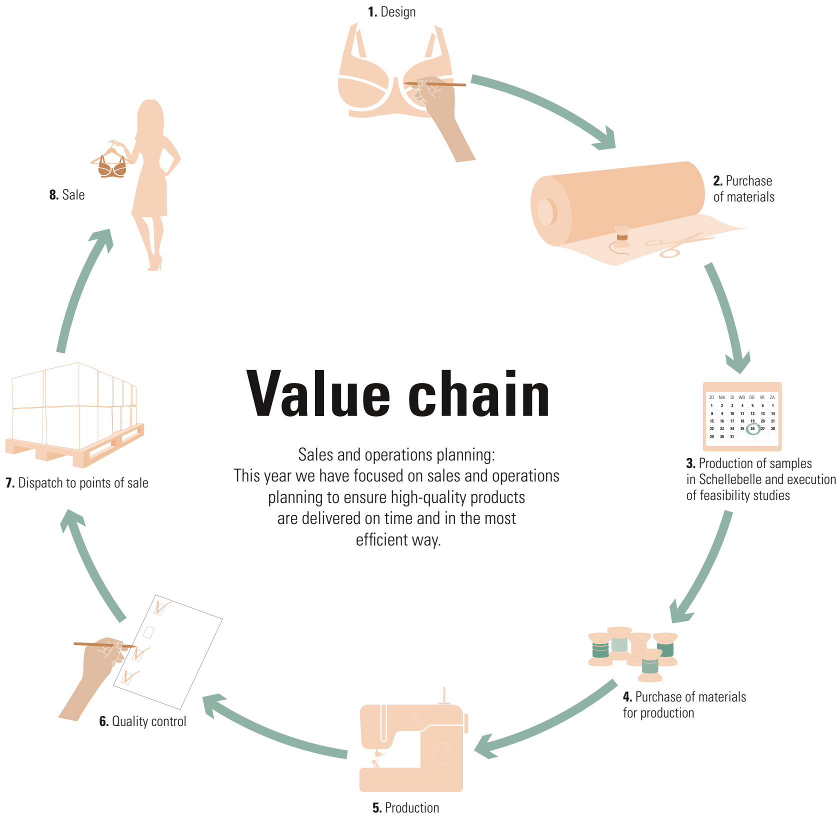
1. About Van de Velde

Van de Velde NV is active in the development, manufacture and sale of lingerie and swimwear, specially designed for women. From our head office in Schellebelle (Belgium) we serve consumers worldwide, with our main market being Europe. Our lingerie is sold in specialist boutiques, our own stores, department stores and increasingly online too.
As a company, we have strong, deep roots in society. That is reflected in our shareholding structure: 56.27 per cent of shares are held by the family, with a minority 43.73 per cent free to trade. As a result, we are well able to shape and structure sustainability, based on the philosophy that short-term profit must never be at the expense of long-term goals and the continuity of the company and the society we operate in.
See chapter 3, for more information about our governance structure.



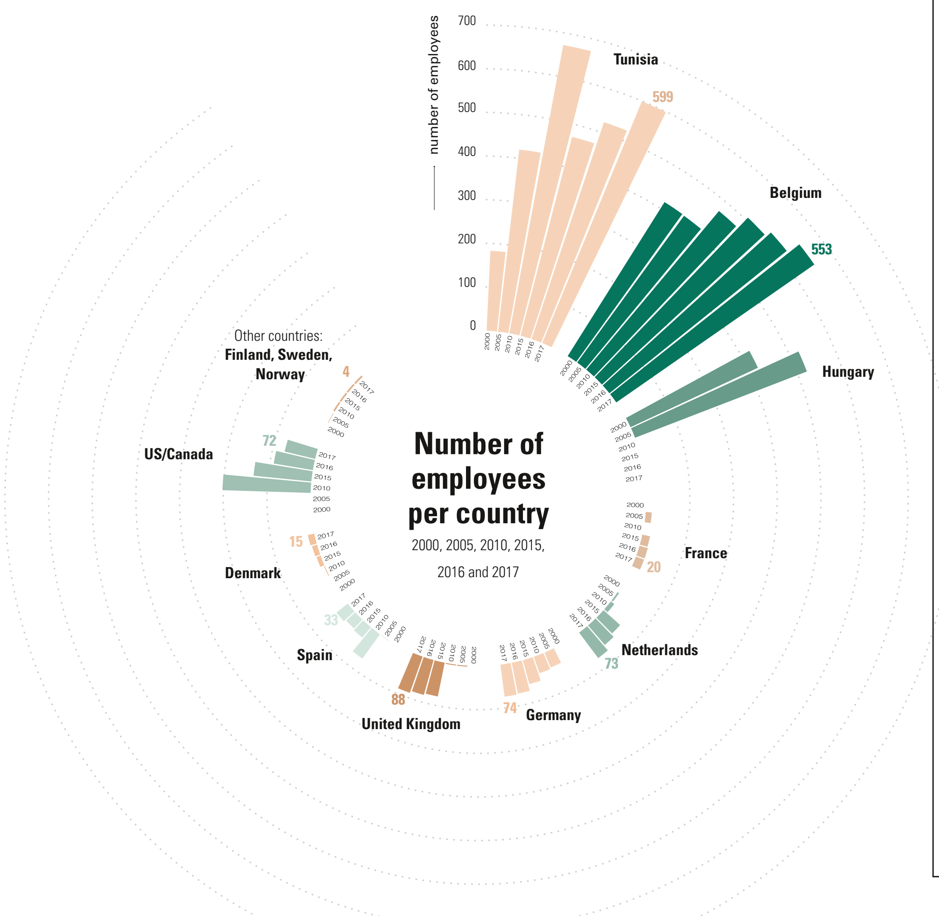
Markets and countries where we have our own retail and production





Value chain

Last year we made various improvements and changes to the organization of our supply chain. We developed a strong focus on Lean methodology, so that improvements can be adapted widely and quickly. A dedicated Lean team has been set up to this end. We have also focused on cutting waste in all supply chain-related processes.



Major risks

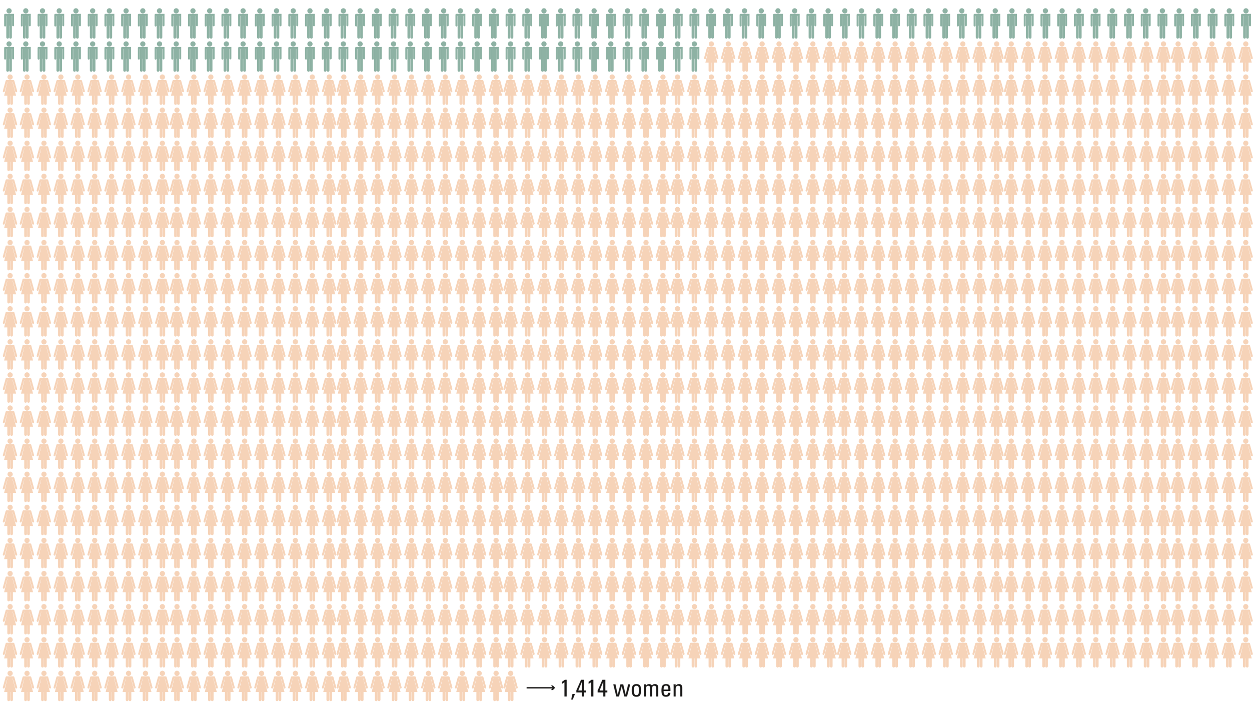
The risks that could have a financial impact on Van de Velde are discussed in chapter 5, note 30 of the financial report. In this report we focus on the non-financial risks that are of material importance for our stakeholders.

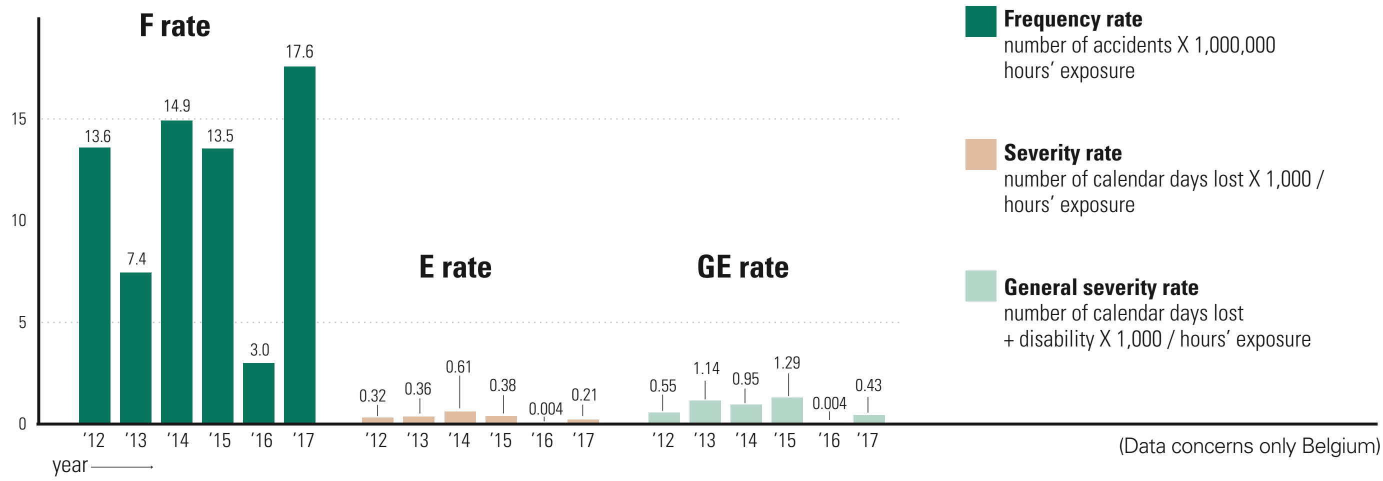
Apparel is an industry sensitive to social wrongs, such as forced child labour, unsafe working conditions and unfair pay conditions. At Van de Velde we do what we can to prevent these wrongs in our production and handle all our employees with fairness and respect. The systems and agreements that help ensure this, will be further explained in this report.

The legal risks connected with unfair competitive practices and the privacy of customer data are also briefly discussed, explaining how Van de Velde properly addresses these risks.

Lastly, we discuss the risks related to society and environmental impact. Bearing in mind that the use of energy and the generation of waste are unavoidable in lingerie production, every year we look for alternative solutions to cut energy consumption and increase the ratio of recyclable to non-recyclable waste. We also briefly explain how we avoid the use of harmful chemicals in production. These and other steps that we take at Van de Velde to achieve our goal of being an environmentally friendly company, are addressed in the last section.

In 2017 Van de Velde employed 1,531 people





(Data concerns only Belgium)

Accidents

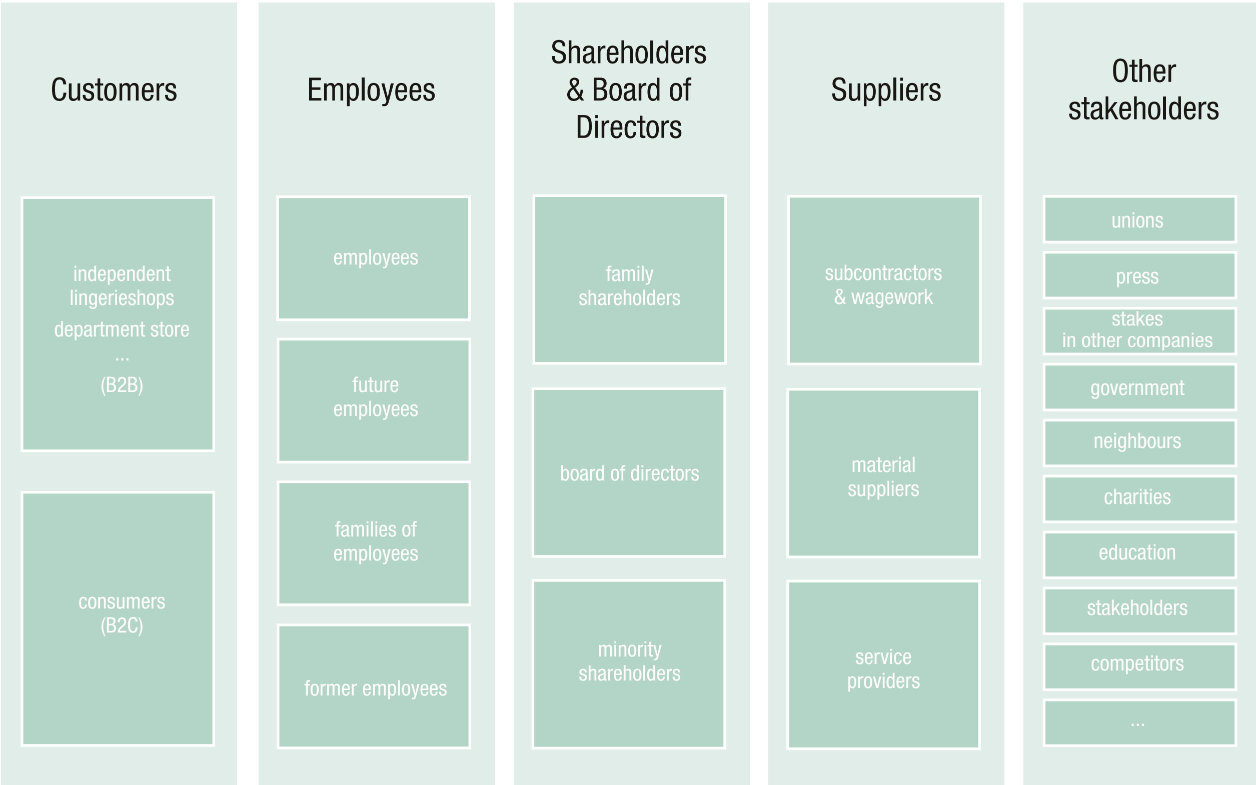
Safety remains a priority for Van de Velde. Unfortunately, there were more incidents in 2017. Compared with an exceptional 2016, there was a huge spike. That being said, the rate was only just above average for the private sector as a whole (2016: 16.55). Time loss due to accidents also increased. In 2017 the E-rate was equal to 0.21, a little less than half of the private sector average (2016: 0.44). The general severity rate also increased compared to last year, but at 0.43, it remains well below sectors average of 1.74 (2016).

(Data concerns only Belgium)

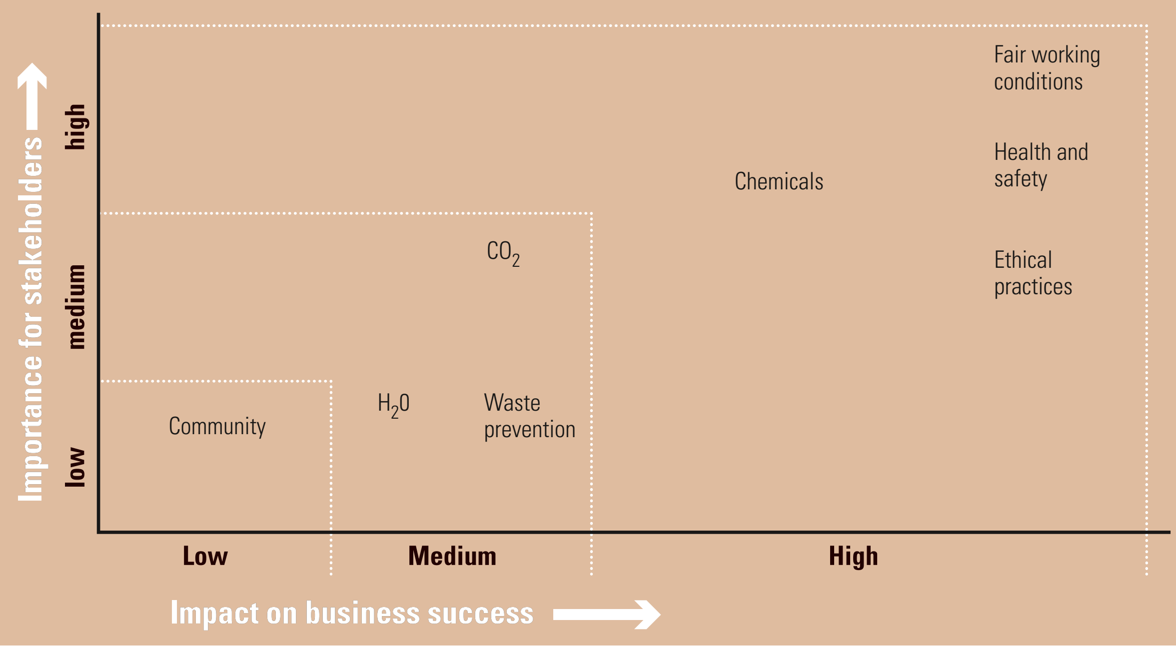
Van de Velde and our stakeholders

As an international company, Van de Velde NV has various stakeholders, all of which are associated with us in different ways. Stakeholders differ in terms of their nature, the strength of their connection and the influence they have on Van de Velde.

Together they form the sphere of influence within which we work. Here, we take our lead from our business and ethical principles. In 2017 we invested additional efforts to gain a good understanding of all stakeholders and their interests. We then opened a dialogue with the most important stakeholders and we established their priorities for our (sustainability) agenda. When comparing what external stakeholders find important and the material issues for the success of Van de Velde, it became clear that 'fair working conditions', 'health and safety' and 'ethical business' are priorities. These are therefore important concerns for management and employees.



Stakeholder issues



To deepen those insights into the priorities of stakeholders, we organized roundtable conferences and supplier days. As well as holding these stakeholder gatherings, we also measure employee satisfaction. Those interests are identified through social media (Facebook communities) as well as regular meetings with the union, which enables us to take them fully into account.

We endeavour to address our customers – the many women who wear our products – by means of the net promoter score. Customers are surveyed immediately after purchase. The goal is to repeat the survey after six months, where possible.

For shareholders we work on long-term value creation. We regularly communicate with them. The annual General Meeting is held on the last Wednesday of April. The press and analysts meetings are held two times per year after the publication of the interim and annual figures.

In the spotlight: our suppliers

For the first time, we turned the spotlight this year on suppliers as an important stakeholder group. This directly concerns the European clothing industry, as Van de Velde continues to source 90% of raw materials for lingerie and swimwear from Europe. Together we understand the need to preserve and protect European creativity, the high quality standard and the technical knowledge.

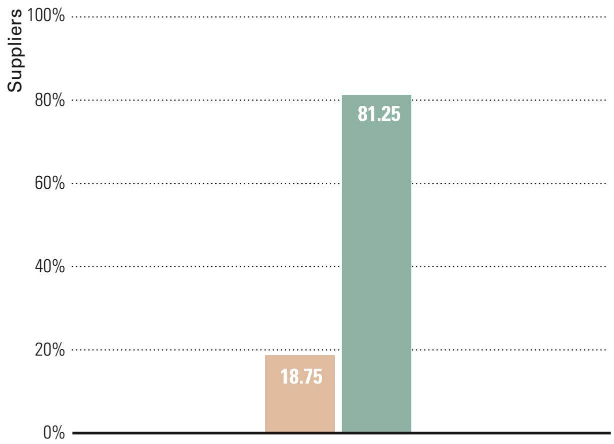
Our 16 suppliers who took part in the roundtable discussions unanimously prioritized a sound chemicals policy and a complete ban on child labour.

There is also a high degree of consensus on the importance of other social ethical and community issues.

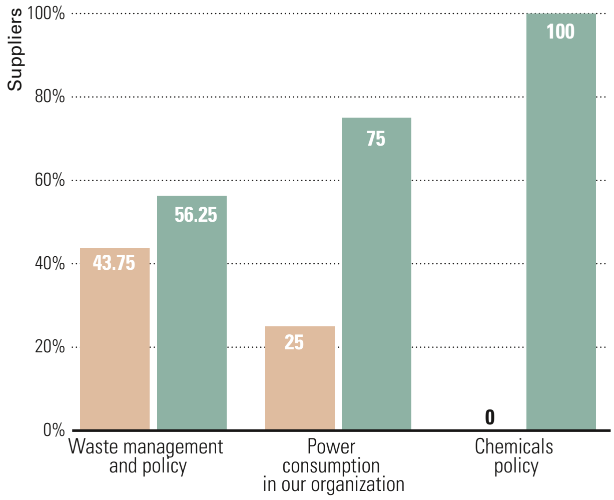
What our suppliers value as important

Not very important
Important
Very important

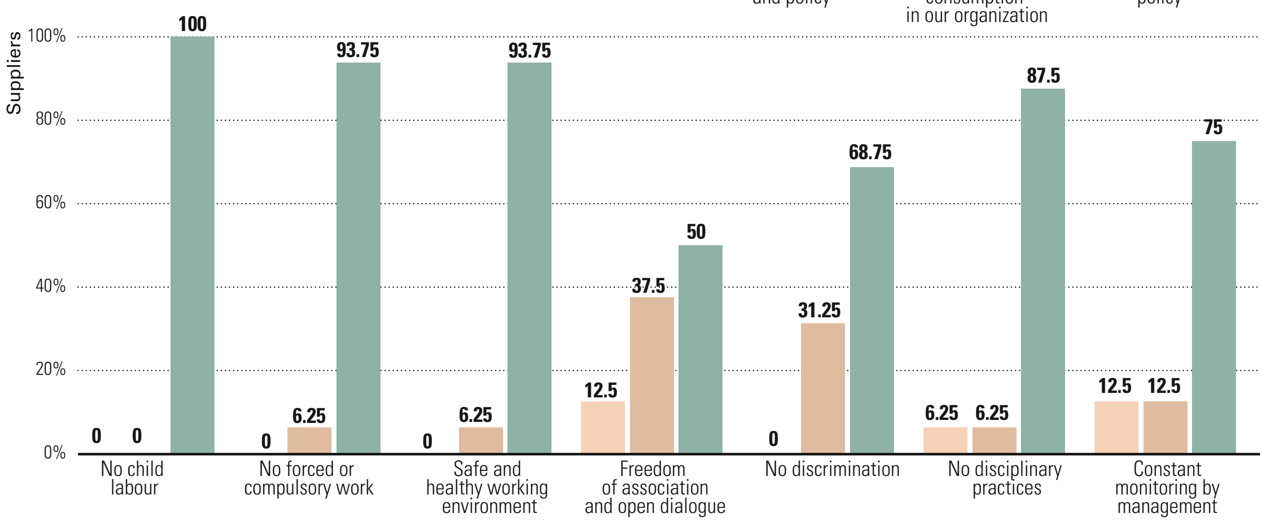
Economic performance



Environment



Ethics



Van de Velde is a member of the following organizations:

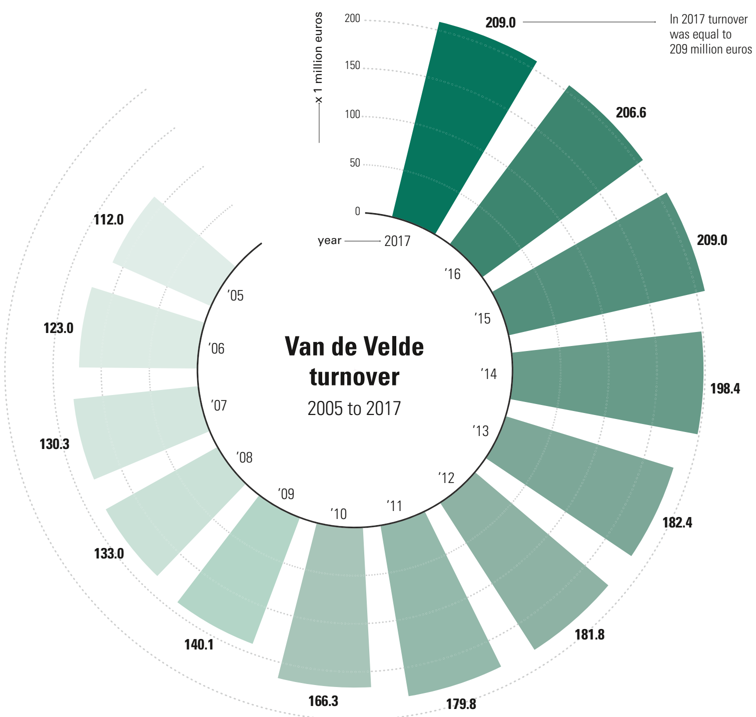
2. Economic impact

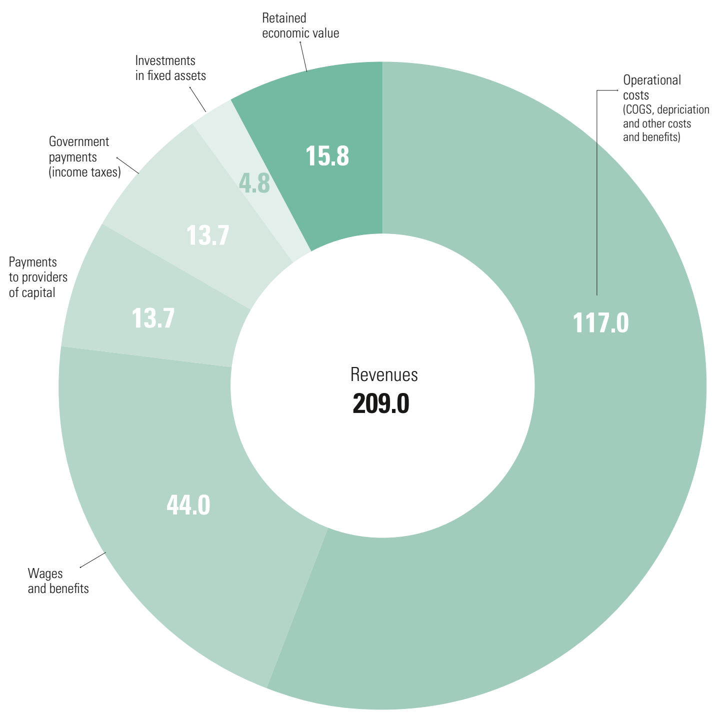
A company like Van de Velde is economically significant. That status takes on many dimensions. Some of them are seen directly in financial statements, payrolls and tax payments. But the impact goes well beyond the financial. Van de Velde is economically significant and that means that we can contribute to shaping the moral climate.

To avoid any form of corruption is an important theme for us. In 2018 we will adapt our employee code of conduct to reflect this and it will be strictly imposed. From the beginning of 2018 the anti-corruption policy is also included in the supplier manual.

In line with the increasing stringency of the code of conduct we have also intensified training for employees. In our next report we will provide information about how many of them took part and how many hours were invested in this.

A second important concern is compliance with the letter and the spirit of competition law. This law makes price setting agreements illegal, as they harm healthy competition and potentially the interests of consumers. Van de Velde NV employs a protocol to make commercial staff, sales representatives and agents with assigned responsibilities aware of the rules. That helps us avoid criminal liability or substantial civil liability due to breaches of competition law.

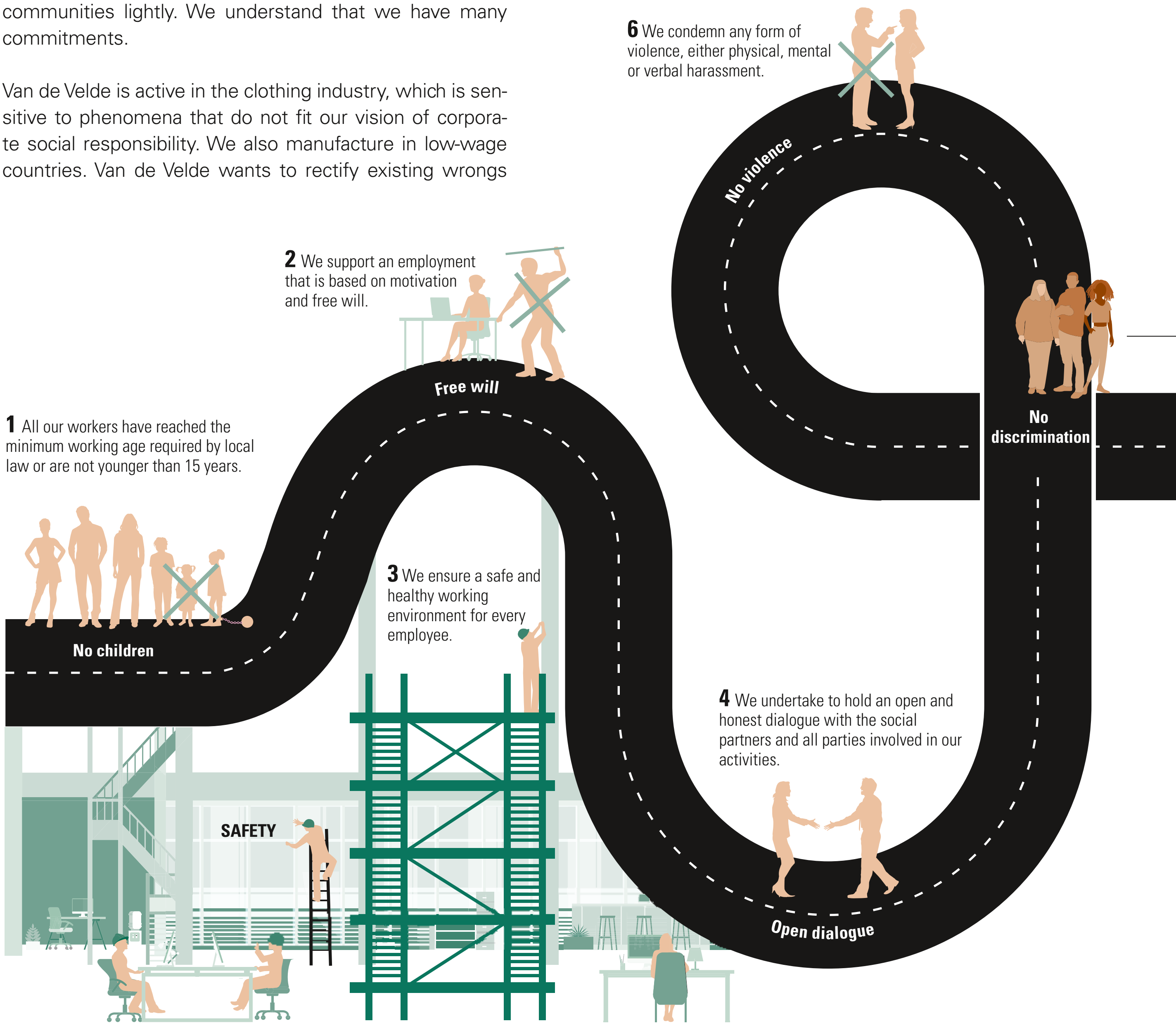


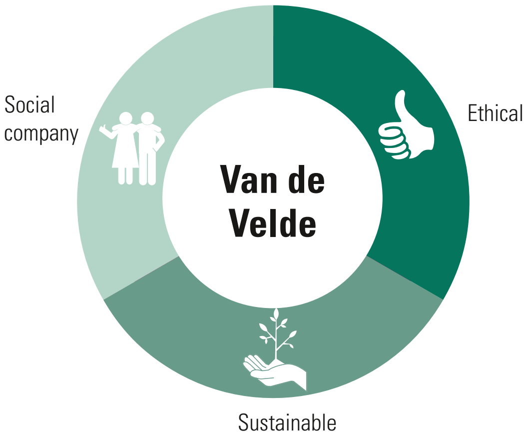


3. Social impact

Van de Velde is a company that takes its social responsibilities seriously. We realize that our products and how we manufacture them have an impact on people's lives. The lives of individuals – be they employees, suppliers or customers – and the life of the communities in which we operate. We do not take that responsibility for people, plant and communities lightly. We understand that we have many commitments.

Van de Velde is active in the clothing industry, which is sensitive to phenomena that do not fit our vision of corporate social responsibility. We also manufacture in low-wage countries. Van de Velde wants to rectify existing wrongs and prevent new wrongs from arising, for ourselves but also for the industry as a whole. We are an ethical, sustainable and social company. We work to avoid any negative social impact and maximize our positive contribution.





We occupy an important place in the production chain. As a result, we have additional responsibilities for the social impact of our partners and suppliers.

Van de Velde has taken significant steps. But we are not yet where we want to be. There is always room for improvement. With that in mind, Van de Velde continues to invest company resources – time, money and people – into achieving our social objectives.

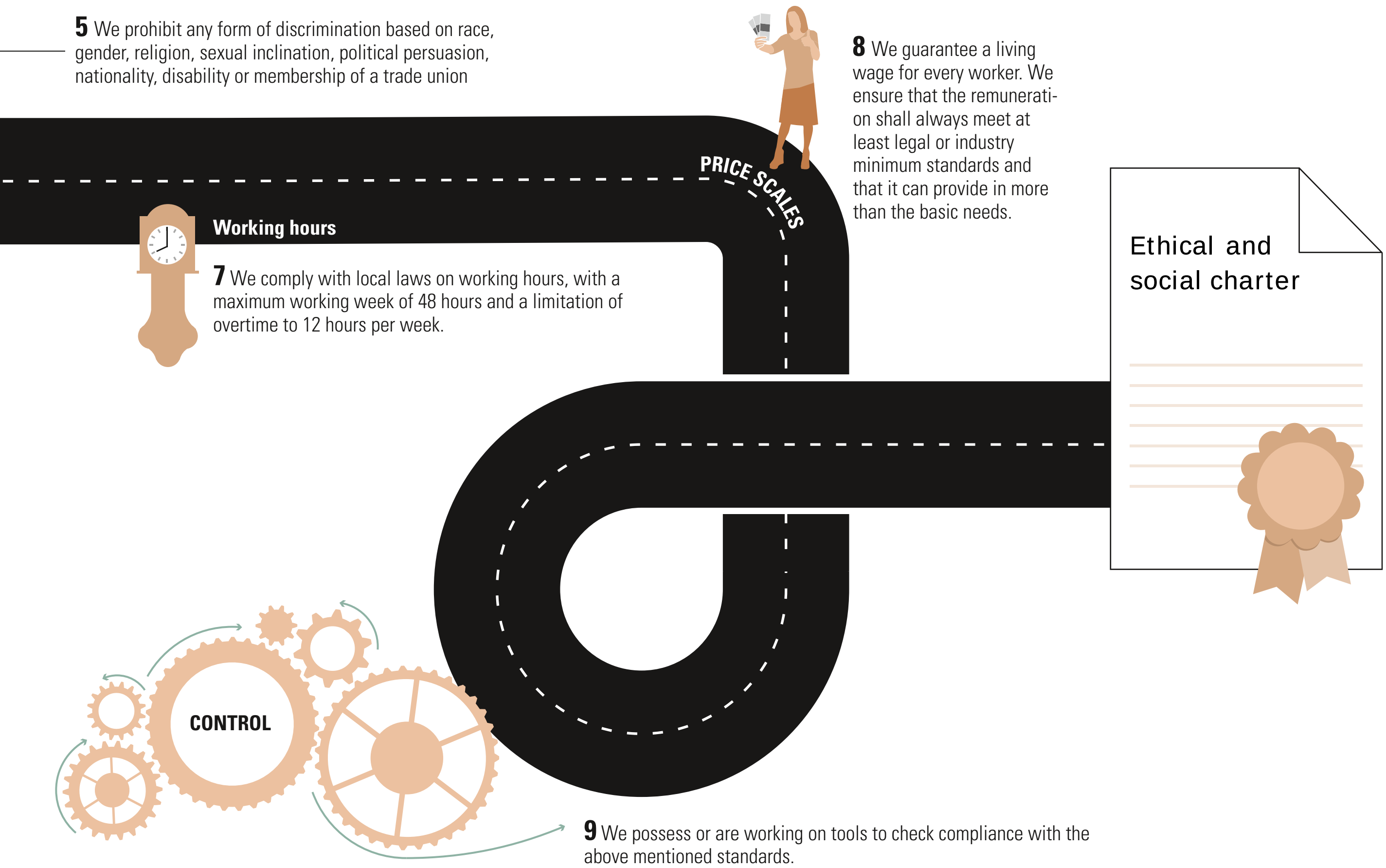
Van de Velde and SA 8000

Since 2003 Van de Velde's Wichelen and Schellebelle sites in Belgium have been SA 8000-certified. SA 8000 certification was established in consultation with NGOs, collective industrial organizations, industry organizations and certification bodies. The foundation is the ILO standards, the Universal Declaration of Human Rights and the UN Convention on the Rights of the Child. In 2016 Van de Velde Tunesië obtained the SMETA/ETI quality mark.

Management and Audits

Van de Velde is inspected two times per year by independent inspector SGS. The SA 8000:2014 standard was introduced as the inspection criterion in May 2017. These independant SA 8000 audits verify whether the working conditions in the entire value chain (from raw material, through production to the final finished product delivered to the customer) are respected, adjusted and monitored. In those inspections, the inspectors speak with people throughout the company, not just management.

That does not mean that management does not take full responsibility and give full attention to this. All parts of SA 8000 certification are recurring agenda items for Van de Velde management. As well as external audits, we also hold regular internal audits. Our current SA 8000 certificate was issued in 2015. We aim to renew it at the end of 2018.



Almost 90% of our employees are female. These are the women who make our products for other women, in countries where employee rights are still not a matter of course. This demands additional efforts from Van de Velde, as set down in our Ethical and Social Charter.

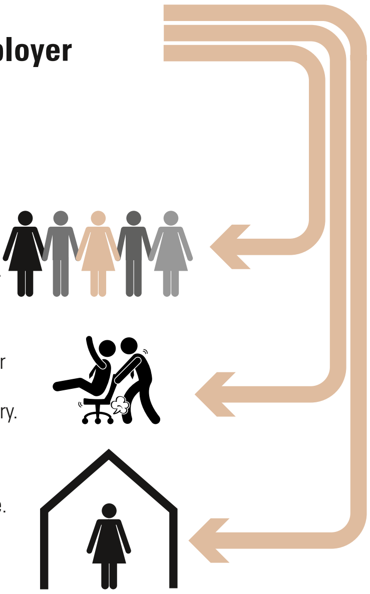
Together, we make Van de Velde products. Our employees are entitled to a safe workplace in which they are able to work without avoidable dangers, discrimination and prejudice. New employees are given two week's training in which the entire organization is clearly presented, along with the values we stand for.

Van de Velde, a respectful employer

1 Diversity and individual freedom: making no distinction between people.

2 No tolerance of behaviour that may be construed as discriminatory or intimidatory.

3 Right to a safe workplace.



Van de Velde is committed to diversity and individual freedoms.

We do not discriminate and we do not tolerate any behaviour that could be experienced as discriminatory or intimidatory. We make no distinction between people; no distinction based on race, gender, faith, sexual orientation, family responsibilities, nationality or regional origin, trade union membership or activity, or any other ground that could be construed as discrimination. Clearly, Van de Velde does not have any involvement in virginity or pregnancy tests.

Van de Velde conducts open and clear dialogue with all social partners (unions, governments) and all other stakeholders. With that in mind, Van de Velde supports the right to freely form a union and the right to collective negotiation.

All our employees are entitled to join or establish a union and to associate in such a way that collective negotiations are possible. They can do this without fear of repercussions of any kind.

Marco, designer PrimaDonna Twist.

Elected representatives

The representatives of our employees deserve special attention. Van de Velde is fully committed to enabling them to do their jobs properly. They have access to the employees in the workplace and are protected from negative consequences.
Discrimination, intimidation and retribution are prohibited. If the freedom of the union is limited by law, Van de Velde's employees are free to associate and elect their own representatives.

Zara, designer Marie Jo L'Aventure.

Pictures by Wouter van Vooren

The chain responsibility of Van de Velde

As a premium supplier of lingerie, we share responsibility for social values during production. Van de Velde is committed to ensuring that its own facilities and those of subcontractors and suppliers comply with the requirements of our own Ethical and Social Charter and are independently inspected. At the moment, we are currently at 65% compliance, but that percentage will rise sharply in 2018:

- Suppliers and subcontractors must submit an independent audit this year. That can be SA 8000, BSCI, WRAP, FWF or SMETA/ETI. If no such audit is submitted, Van de Velde will conduct its own audit based on the principles of the Ethical and Social Charter.
- Potential suppliers and subcontractors will only be used after an audit or the submission of an independent audit report.
- Raw materials suppliers must subscribe to the nine principles in the Charter and SA 8000. They do so by signing the supplier contract of which it is an integral part. Van de Velde implements management routines that ensure compliance with these principles.
- The Charter has already been implemented in contracts for the United States.
- The Charter is part of the supplier contracts for Europe and the United Kingdom.

Our Ethical and Social Charter is provided on our website www.vandevelde.be.






Our people


Clockwise from top left: 1. Bras in the design stage. 2. Delphine, patternmaker. 3. Patricia, cutting room. 4. Elke, quality control finished products. 5. Brigitte, quality control incoming products. 6. Christine, stitcher. 7. Wendy, cutting room. 8. Anja, stitcher.

Pictures by Wouter van Vooren

Child labour and young adults

The fashion industry is vulnerable to child labour. Van de Velde works hard to prevent this and allow children to go to school and grow up freely. We are also heavily committed to assuming our chain responsibilities, perhaps especially here. At Van de Velde we do everything within our power to prevent the use of child labour.

Raw materials suppliers and subcontractors sign our Ethical and Social Charter (or are covered by the SA 8000 certification), which expressly prohibits this practice. Van de Velde communicates its expectations in this domain in a clear and unambiguous way.

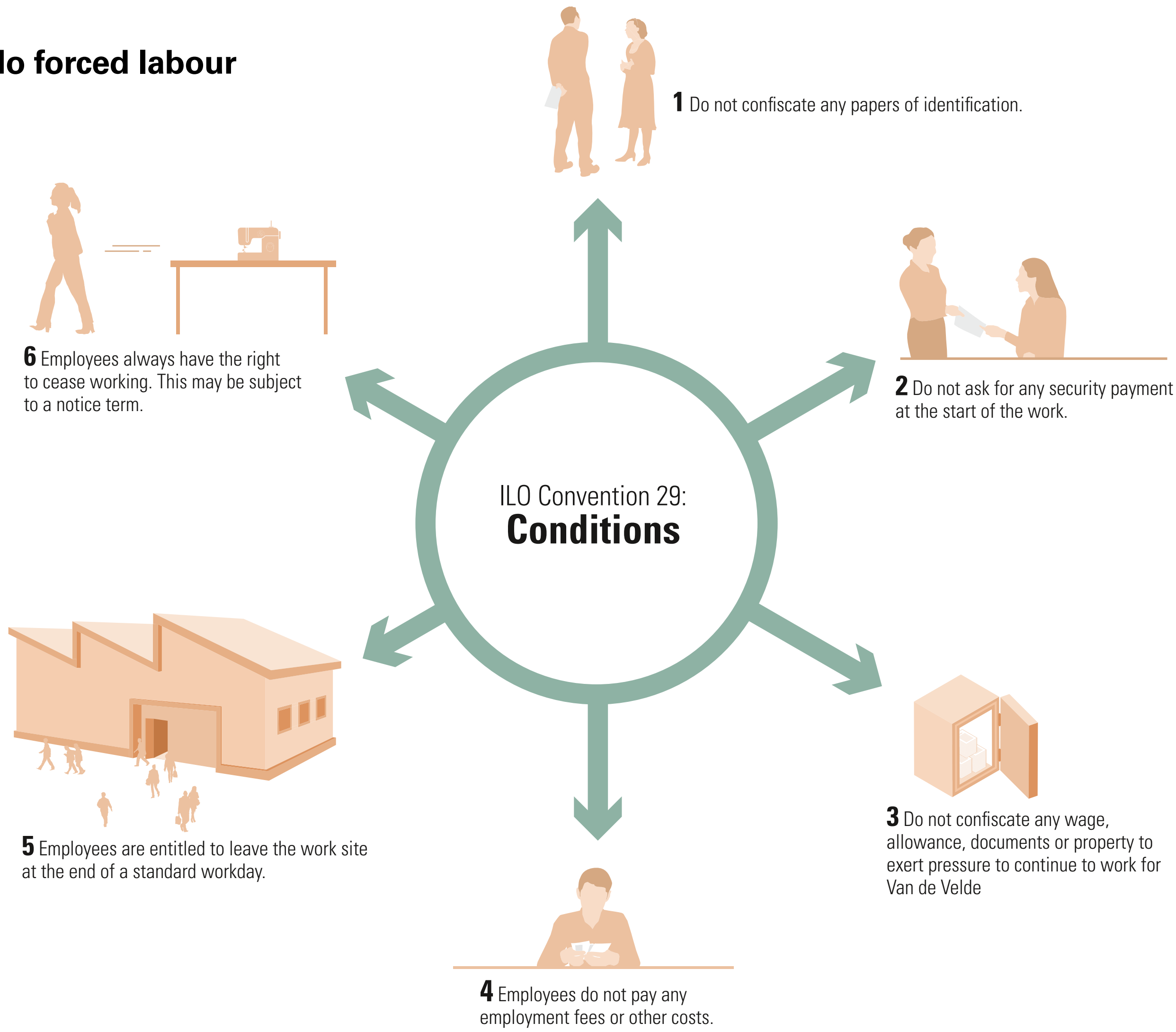
Generally speaking, Van de Velde never exposes children to unsafe situations in or around the workplace.

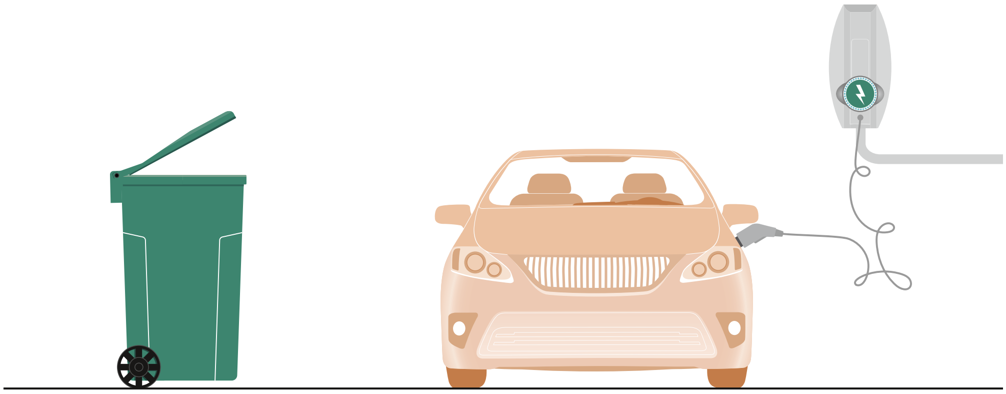
- Van de Velde does not use children under the age of 15 or the minimum legal age;
- Van de Velde does not use children of school age. An exception is summer jobs that comply with local laws and customs;
- Young adults (under 18) are permitted to work at Van de Velde, but are protected by additional safeguards:
  - If they are of school age, they are only permitted to work outside of school hours;
  - Van de Velde ensures that young adults go to school and encourages them to complete their education;
  - They do not work nights;
  - They do not work longer than eight hours at a time.

Forced labour

Unfortunately, forced labour is a reality in the fashion industry. Van de Velde rejects any form of forced labour. For Van de Velde, labour in captivity is unacceptable. In this, we are guided by ILO Convention 29. Labour is always a consequence of the worker's personal motivation and free will. Victims of human trafficking do not work for us or our partners. All our suppliers and subcontractors sign our terms and conditions, which contain an undertaking to this effect.

No forced labour





4. Environmental impact

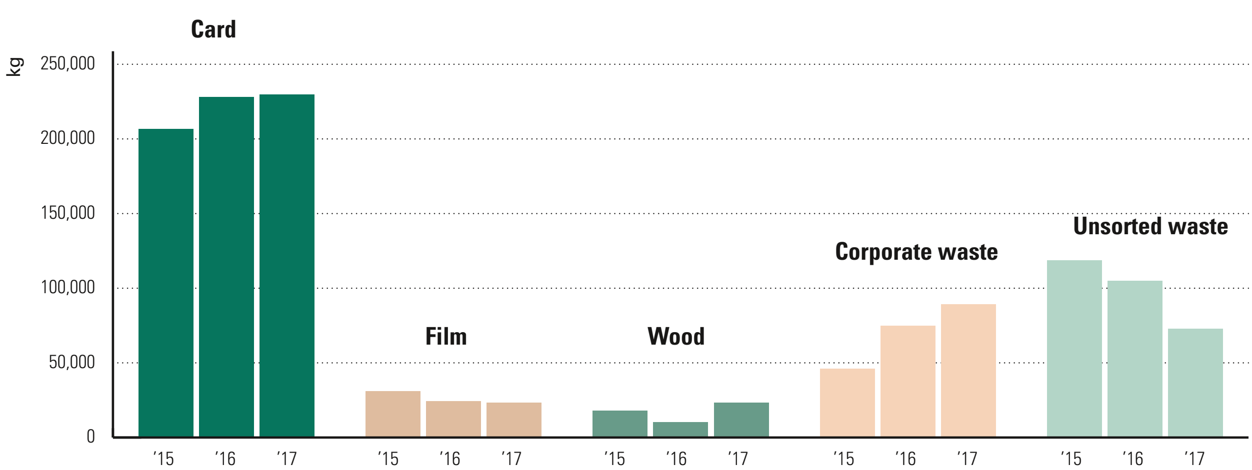
Natural resources are consumed in lingerie production. Van de Velde manufactures clothing that is worn against the skin and so must not contain any harmful chemicals. That protection is necessary for both those who make the clothing and those who wear it. At Van de Velde we make serious efforts to minimize our environmental impact. Awareness of how valuable and fragile the world is has spread across the globe in recent years. That goes for us too.

We assume our responsibilities in lingerie production. We drive down waste and endeavour to consume power and other raw materials as efficiently and ecologically as possible.

Production and related operations generate an environmental impact. With that in mind, we take a broad-based approach to examining ways to work efficiently with power and raw materials. We look at the whole chain, as well as constantly looking for ways to drive down consumption at our own offices.

Deliberate and careful use of resources is part of Van de Velde's day-to-day sustainability ambition. It is a responsibility of employees and management. There is an ongoing campaign to improve the environmental awareness of employees. Power consumption and waste are among the priorities of a dedicated facility manager, who spearheads the continual efforts to improve in this area. The periodic energy audit scan gives the facility manager insight into where improvements can be made. Improving the ecological credentials of the fleet and encouraging the use of electric transport by installing charging stations in Schellebelle are examples of small adjustments.

Changes in waste types

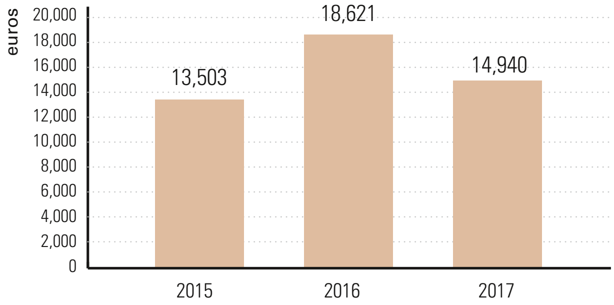


Energy

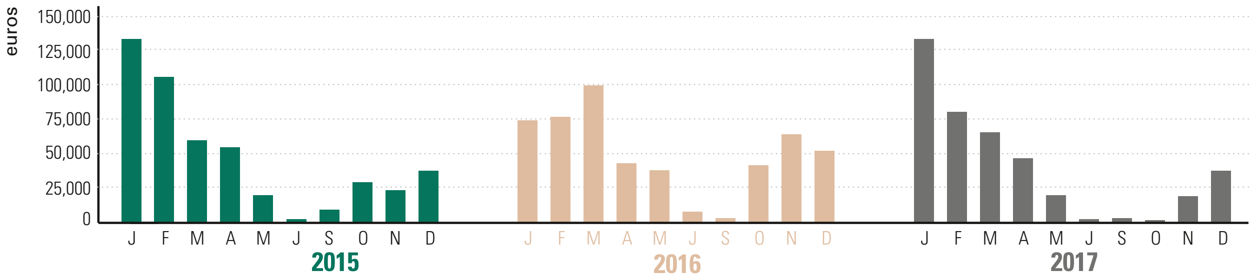
Total energy consumption (gas and electricity) in Belgium has scarcely fallen. This is mainly due to the installation of new systems and the enlargement of the floor space (Wichelen), the higher capacity utilization (production hours have been extended) and the abolition of collective leave (Wichelen and Schellebelle).

We are examining ways to optimize our power consumption in association with Power Pulse. Given the changes in the past year, 2017 will function as a new reference year.

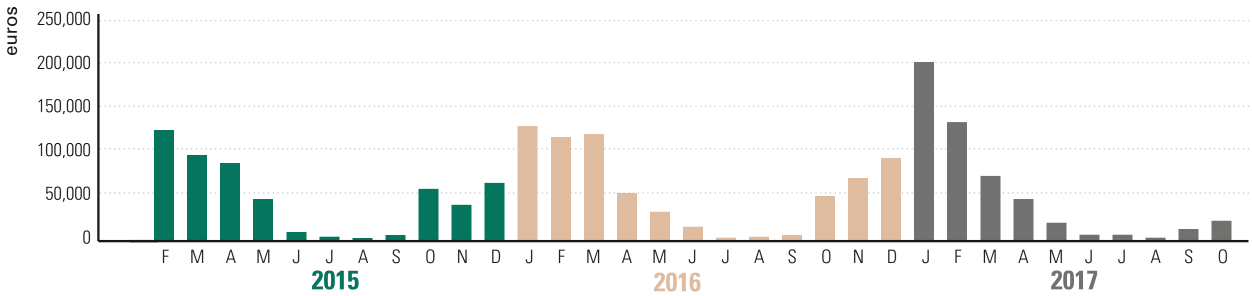
Solar panel savings



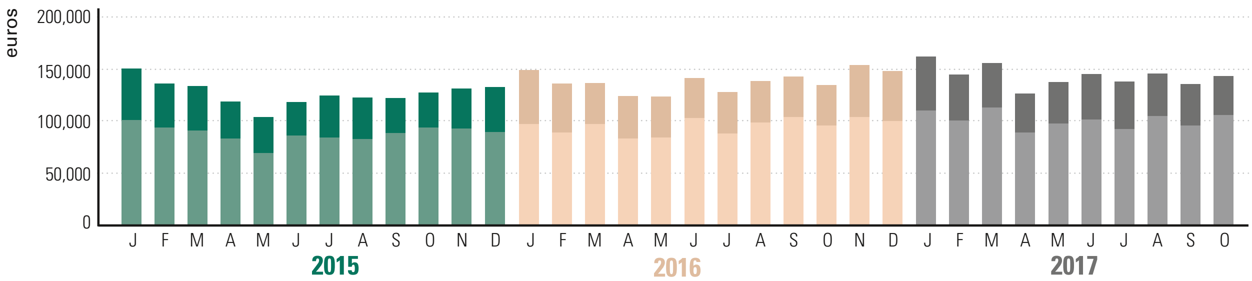
Gas consumption at the head quarters in Schellebelle



Gas consumption at the production site in Wichelen

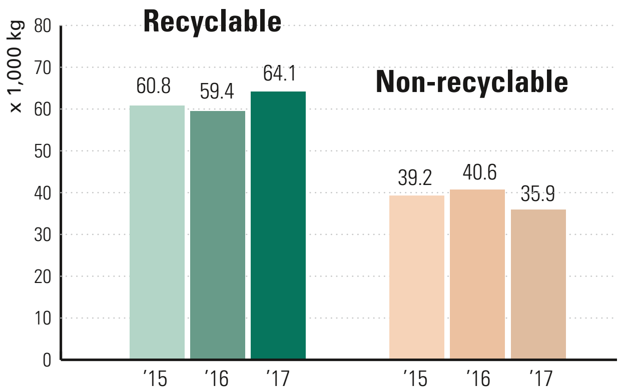


Electricity consumption at the production site in Wichelen



Waste

For Van de Velde, cutting and separating waste is an important first step in the reduction of our environmental impact. We continue to increase the share of recyclable waste and reduce the share of unusable unsorted waste. A major initiative in this domain is the introduction of two new thinner films in 2017, facilitating separation and cutting total consumption. However, the growing demand for our products does lead to an increase in the total volume of waste. The growing awareness among our employees is another important factor in reducing waste and improving waste separation.



Making our contribution

Clockwise from top left:

1. Solar panels on the roof in Wichelen

2. Sorting waste

3. Electric car battery charging station for employees and visitors

4. Press that sucks up production waste according to type of waste (paper and textile)

5. Electric car battery charging station for employees and visitors

6. Colleagues reducing their ecological footprint by taking the bike on their daily commute

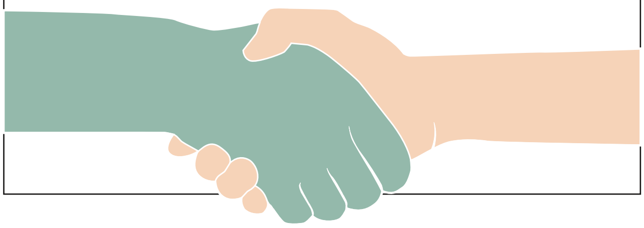
7. 'In 2017 Van de Velde gave all employees in Schellebelle and Wichelen a Dopper drinking bottle to eliminate the use of disposable plastic cups.'
From left to right: Manon, Pauline, Matthieu, Evelyn, Koen, Truc, Babette, Eva, Neelke and Vanessa.

Pictures by Julie Konings

Van de Velde and improving chain sustainability

Van de Velde only works with new suppliers that have been screened with regard to the use of chemicals. If not, there will be no collaboration with them. All suppliers must meet the following demands:

- Valid Oeko-Tex certification;
- Signed REACH documents;
- Signed SA 8000 declaration (using our own template) and/or comparable social certification;
- Signed anti-corruption declaration together with any code of conduct they may have;
- Fully completed Supplier Sheets with regard to the creation in our software, Supplier Qualification Questionnaire, and a current corporate profile, including financial statement.



Ökotex

Every Van de Velde supplier provides a guarantee that all materials meet all Oeko-Tex 100 demands in full. This independent hallmark tells consumers that no harmful chemicals or metals are incorporated into the clothing. If suppliers fail to meet all these demands in full, Van de Velde will immediately end the working relationship. All our products and accessories must be in full compliance with this standard at all times.

CONFIDENCE IN TEXTILES
Tested for harmful substances
according to Oeko-Tex Standard 100
No 0902006 Centexbel

REACH

Van de Velde must comply with European Union laws and regulations. REACH is a European Union regulation concerning the Registration, Evaluation, Authorisation & Restriction of Chemicals that protects European consumers. The main goal of this regulation is to provide greater clarity on the use of chemicals. All companies operating in the European Union have an obligation to comply with this regulation by identifying and managing all related risks

Customer privacy

There were no breaches of customer privacy in 2017. Van de Velde has already taken preparatory steps to comply with the changing GDPR legislation in 2017.

About this report

This sustainability report concerns Van de Velde NV and its consolidated participating interests. A full list of the relevant entities is given in note 27 of chapter 5. The GRI standard (core version) was used as a basis for this annual report, which now concerns the calendar year 2017. To provide insight, we have selected the main stakeholders and KPIs. We have endeavoured to honour all reporting principles (completeness, stakeholder inclusiveness, materiality and sustainability context) in developing the materiality of the discussed issues.

Clearly, we endeavour to indicate where and how we gain insight into and give weight to the interests of our stakeholders. The survey we held among our suppliers (as discussed on page 81-82) is a good example of that.

If you have any questions about the sustainability efforts of Van de Velde or this report, please contact us at **sustainability@vandevelde.eu.**

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GRI Standard	Disclosure	Page number	Omission
General Disclosures			
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	102-12: List of externally-developed economic, environmental and social initiatives	Throughout entire report (SA8000, REACH, …)	
	102-13: List of main memberships of associations	Page 83	
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	102-46: : Explanation of process for defining report content and topic Boundaries and how the organization has implemented the four Reporting Principles	Page 93	
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	102-48: Effects of any restatements of information given in previous reports and the reason for the restatement		NA
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	102-50: Reporting period for the information provided	Page 93	
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PrimaDonna
swim

10 | Contribution to the Belgian Treasury

The total contributions made to the Belgian Treasury represent 61.5% of the operating profit of Van de Velde generated in Belgium. This operating profit is based on the statutory financial statements and amounted to 42,849 thousand euro at 31 December 2017.

000 euro	Total	Expense for Van de Velde	Withheld by Van de Velde Velde
Social security contribution	4,763	4,763	0
Withholding tax on wages	3,650	0	3,650
Income tax	11,280	11,280	0
Difference between recoverable and deductible VAT	1,518	0	1,518
Withholding taxes	3,395	2	3,393
Property taxes	354	354	0
Provincial and municipal taxes and other federal taxes	63	63	0
Taxes on insurance premiums	78	78	0
Import duties	1,269	1,269	0
Total	**26,370**	**17,809**	**8,561**