

Van de Velde

Annual report 2014



OUR MISSION

To shape 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.

Photography

Thibaut de Saint Chamas (Marie Jo)
Frank Uyttenhove (PrimaDonna)
Thibaut de Saint Chamas (Marie Jo L'Aventure)
Zeb Daemen (PrimaDonna Twist)
Zeb Daemen (PrimaDonna Swim)
Txema Yeste (Andres Sarda)

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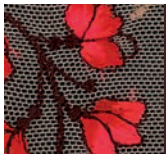
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MARIE JO



1 | The year 2014

Message from the Chairman

A student sits at a table at an outdoor café enjoying a drink with friends in the sun.

A distinguished professor passing by stops to speak to him:

Professor: "Why are you lazing about here? Why don't you start a business?"

Student: "Okay, and then what?"

Professor: "Then you can make things or provide a service that people like or need, create jobs and prosperity, here and in the rest of the world; you can make a living out of it and if you're lucky make a lot of money too."

Student: "Okay, and do I get to keep it all?"

Professor: "Of course not. At the end of the day you have to hand most of it over to the government, which can then spend it where needed."

Student: "Ouch!"

Professor: "But... you can keep enough of it to sit in the sun and enjoy a drink with your friends."

Student: "Like now. So I could just as well stay here then?"

The idea that you can just as well not get out of your chair kills the creation of prosperity for society stone dead. Prosperity is created by the passion of strong individuals.

Real entrepreneurs and innovators, and by that I do not mean speculators, are primarily driven by the ambition to create something out of nothing or to improve something that already exists. Day and night, they are driven by the desire to be the best. With their passion they inspire their employees, prioritise the pursuit of excellence, push everyone onward or pull them along, create and maintain a strong team. They are the ones who pass on their belief in progress to their employees and share it with others.

Van de Velde was founded in 1919 by a married couple who did not want to take it easy. They had no capital and no qualifications. What they did have was business acumen and expertise in their field. They were on the bottom rung of the prosperity ladder. And they were ready to work flat out to get further up. There was no guarantee they would be successful; they had no idea how far they would go. There was no such thing as a social safety net. Working hard and saving for their old age was the only option for them. But they hoped and believed that all their toiling would be rewarded.

Van de Velde has been growing for almost a hundred years. The second and third generations have taken on the message of self-motivation and independence from the founders to transform a small workshop into a strong industrial, commercial and financial group. In 1997 Van de Velde went public. That not only allowed the family shareholders to diversify some of the capital they had saved up, it also allowed employees and regular people to get aboard too.

The success of Van de Velde is not only built on the efforts of the family. It is also built on the commitment, competence, appetite for work and energy of everyone who has worked here since 1919, including the current workforce. It has been part of our company's DNA since the very beginning that all employees give the best of themselves, that they excel in their job and want to be the best they can be. Anyone who has that Van de Velde DNA always works to improve, focuses on growth, is not put off by difficulties but rather wants to overcome them, and uses the company's resources efficiently. People like that

do not just work hard when everything is going smoothly, they also roll their sleeves up when the going gets tough. Van de Velde's brilliant results are proof that this is a mindset that pervades the company and achieves results.

At the time of the IPO in 1997 the family also moved towards involving outsiders in shaping and implementing the company's strategy, and running operations. Nowadays no family member has a seat on the Management Committee. That is not deliberate, but the family was fully aware that could come about when they went public. The company has grown to such dimensions that it must be able to secure its future without any family members running day-to-day operations. The company spent the past decade preparing for that and the step that has been taken does not compromise our capacity for future growth in the least.

The family shareholders are active on the Board of Directors and have full confidence in the present Management Committee. Together with the other directors and the CEO, they set the company's strategy and safeguard the further development of the company's values. The representatives of the family on the Board of Directors have in-depth knowledge of the company and the industry. They are expected to be a source of inspiration and a sounding board for company management. That will not change. Their primary concern is the wellbeing of the company. The priorities are ambitious goals, strong performance and efficiency. The most important thing is offering consumers the best product in the world.

Van de Velde has the attitude of an elite sportswoman: the constant drive to reach the top and stay there, being brave and single-minded, knuckling down and going through the pain barrier if needed. As a result, Van de Velde achieves excellent performance year after year and 2014 was another exceptional year with regard to turnover and profitability. All wholesale brands performed very well and the introduction of PrimaDonna Swim was an outstanding success. Retail advanced in the right direction – as planned – in Europe in terms of turnover and income. That said, major challenges await in 2015. First and foremost, in the United States we will have to thoroughly evaluate our retail subsidiary Intimacy, which has been experiencing difficulties for quite a while. Because it is not in our nature to hide when things go wrong. In addition, for years we have been faced with the decline of our natural ally, the small independent retailers, on the European markets. Running our own retail outlets is just one of the options and we continue to search for, and experiment with, ways to work intensively with our traditional partners. Finding solutions that also actively involve and bring benefits to them is a challenge that takes time.

Consumers expect companies to offer better and better products and services, and to create prosperity for society. The government expects no less. So it is disappointing to have to say that although the government feels that excellence and world-class performance go without saying, it itself trails far behind when it comes to deploying its resources efficiently. Despite the commitment of many hard-working, competent, motivated civil servants and care providers, this situation has been created by a stifling bureaucratic system that neither stimulates nor motivates, but rather obstructs every initiative targeting progress and improvement. The government should take care not to identify the wrong enemy. It is not successful entrepreneurs that are the biggest threat to a continued increase in prosperity, it is the rampant growth of the state's very own bureaucracy. That is an area in

which the government, which controls over half of the resources the country produces on an annual basis, still has a lot of work to do. The population has every right to demand it works efficiently and delivers high quality.

We are facing challenging times in Western Europe. The cornerstones of our prosperity in the West – the freedom to do business and the right to reap the rewards – are being openly questioned. A negative climate is being cultivated with regard to the more successful and prosperous section of society. The new dogma is equality at the finish line. The experience of Eastern Europe in the twentieth century unequivocally gave lie to that notion. We must create a society that provides opportunities, offers hope and stimulates confidence in the future. We must create those opportunities, and a prerequisite of that

is that obstacles are removed. It should not be the job of the government to pamper and nanny. On the contrary, “Look ma, no hands” is something we must champion; success must be rewarded and appreciated. That is where progress always begins. We have to raise the bar – again and again, higher and higher. Society is entitled to have high expectations of talented individuals. Government and business must be on the same side so that these people can blossom. Only then can we create prosperity for everyone.

Lucas Laureys
Chairman of the Board of Directors



MARIE JO
L'AVENTURE

Activity report

Van de Velde is back where it belongs. After two challenging years, we have had a very good twelve months – with the exception of Intimacy – and we have made up what was feared to be ‘lost growth’ of the past twenty-four months. In 2014 all lingerie brands picked up, PrimaDonna’s swimwear line was a huge success, the retail activities performed well or very well, and innovation initiatives for 2015 and beyond were accelerated. Our strategic focus is simple: providing the right lingerie and the right advice to make women more beautiful. That strategy brings clarity both inside and outside the company and gets us thinking creatively about the future of the fitting room channel. But its implementation continues to be key, of course and we have learned lessons from 2012 and 2013. Our collections are now better, the branding more well-defined, new people have come on board, the sales teams have taken it to the next level. So we are pleased, but not self-satisfied.

Van de Velde has two strategic divisions: wholesale and retail. Retail was set up when it became clear that the wholesale model could at some point reach the limits of its growth. The share of independent specialty shops continues to decline on most markets, sometimes because of a lack of financial resources and ambition to grow. But declining market share is not inevitable: many women could improve their self-image by wearing snug-fitting trendy lingerie. A modern-day fitting room, combined with brands that instil confidence and a bond of trust between one woman (the sales assistant) and another (the consumer), is unbeatable. Clearly, that mix must be implemented

with expertise and conviction. That was not sufficiently the case in a number of countries, so we set up our own retail division. This is gradually taking shape, becoming more profitable and achieving growth.

Wholesale

Brands

- PrimaDonna remains the strongest of the Van de Velde brands. It is focused on large cup sizes and enjoys very strong customer loyalty. Four years ago we took the decision to invest additional resources and time in PrimaDonna. The subsidiary brand ‘Twist’ was strengthened, preparations were begun for ‘Swim’, the marketing resources were increased and in a number of countries we set up a sales team focused on the brand. That has paid dividends. PrimaDonna continues to be our biggest brand and our most important growth vector. Statistically, women’s cup sizes are getting bigger. So PrimaDonna’s potential is growing and it also gives independent specialty shops something they can rely on. Women who take a large cup have to feel the difference.
- These past two years Marie Jo has shown that a better collection drives growth. Subsidiary brand Marie Jo L’Aventure has also made progress. As of 2015 not only will the brand bring the new ‘Nicky’ briefs series to market, the campaign visual will also be changed. A new team took responsibility for this and they will also ensure the way the Marie Jo image is communicated and presented is further improved (especially in the Benelux).



- Sales of Andres Sarda to the specialty retailers have posted growth for three consecutive seasons. The brand has been boosted by a combination of higher turnover, slightly better margins and lower costs in Barcelona (due to restructuring in 2013). That said, there is still a long way to go before Andres Sarda fulfils our ambitions.

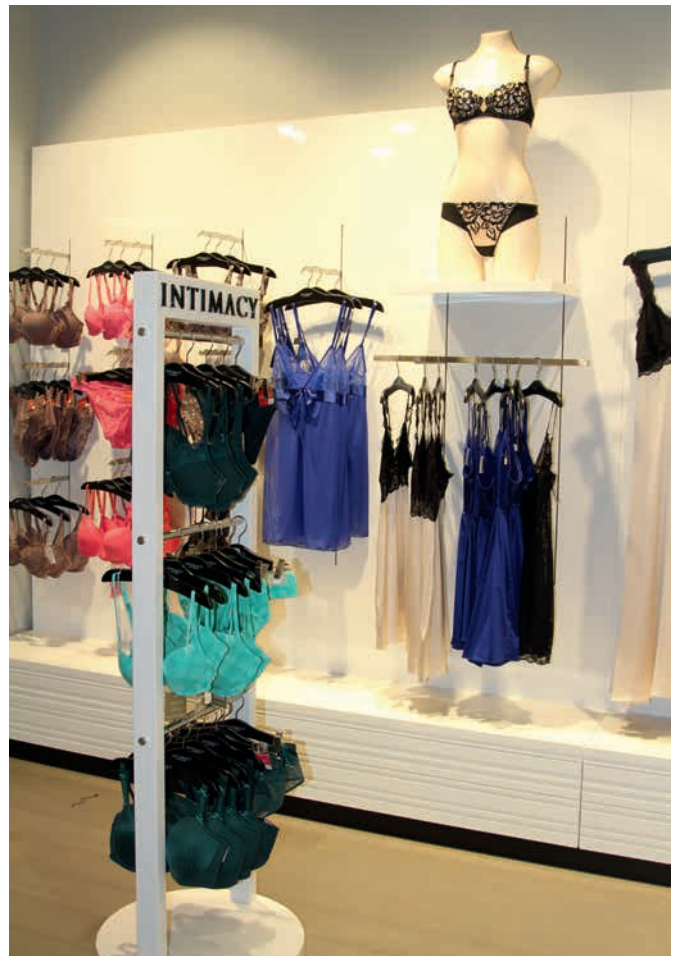
Markets

- When the collections are good, the campaigns strong and the sales teams focused, it seems that growth is experienced on every single market. Tremendous improvements were noted across the board, save a few minor exceptions.
- The 'Lingerie Styling' programme was fine-tuned in France and more stress was placed on product training.
- In markets where specialty retail turnover is measured (the Netherlands, France), we saw a zero growth of their total turnover to the consumer in 2014. So Van de Velde is gaining market share in retail.
- More attention is given to e-tailers. We continue to focus on the fitting room channel, but we should not be blind to trends among consumers, who increasingly buy lingerie online. Our retail department, in particular, has been busy in this field, although selected e-tailers have been approached in wholesale too (primarily in North America). We saw that growth in this segment has had no negative consequences for the traditional specialty shop, so we will accelerate this development in 2015. The traditional specialty shops will also be given tools in 2015 to serve consumers online without too much extra effort within their positioning. They must adapt to an evolving world without giving up their identity.

Retail

Our retail strategy is to build a brand in the fitting room channel. The decision was taken to make Rigby & Peller the vanguard brand internationally. Rigby & Peller shops are now open in the United Kingdom, Germany, Denmark, Hong Kong and China. The strong local brand Lincherie leads the way in the Netherlands, while Intimacy does the same in the United States. 2014 was a decent year, with a lot of attention going to the United States:

- In *Germany* our shops experienced growth of more than 14% (on a like-for-like basis). Two Rigby & Peller shops were opened in *Copenhagen (Denmark)*, for the time being under our own management, although independent entrepreneurs with an interest in the concept are being sought. The aim is to set up relationships with independent retailers in Germany, too, on the basis of a franchise formula.
- In the *Netherlands* all former Donker shops were converted to Lincherie in 2013, which led to very strong growth in excess of 14% (on a like-for-like basis) in 2014. The franchise shops also grew by 10%, in an otherwise steady Dutch market.
- Lingerie styling has not been a success in *France* and *Spain*. In Spain we will restrict ourselves to running the Andres Sarda flagship stores (Madrid and Barcelona). The Marie Jo boutiques have already been closed in France.
- Rigby & Peller moved in the right direction in the *United Kingdom*. 2014 saw slight growth in turnover on a like-for-like basis and a substantial strengthening of EBITDA. We want to accelerate that growth in 2015.
- In the *United States* we have been unable to get Intimacy's engine running. This is despite the same principles being applied as in



other countries. Marketing continues not to be strong enough in the United States and implementation on the shop floor could be better – despite the best efforts of local management. 2014 was the first year in which Intimacy made a negative contribution to Van de Velde's consolidated EBITDA. Intimacy is a big, unexpected disappointment, which keeps both our feet on the ground. The turning point in like-for-like growth came in 2008 (which was a tough year in the United States), but Intimacy's decline has gone on too long and is primarily an internal matter (positioning, implementation). Specialty shops are generally performing well in the United States.

- In *Hong Kong* our partners Getz were on track up to the end of August, but the 'Occupy Central' movement resulted in a decline in a number of shops. Furthermore, the shop portfolio has been adjusted on a couple of occasions due to the short-term contracts that apply there. Shanghai is the main focus in China.
- *E-commerce*: new e-commerce websites were developed in both Germany and the Netherlands for our own shops and franchisees. Rigby & Peller's e-commerce website in the United Kingdom was taken over by Schellebelle and is run from Wichelen, which is a much more efficient approach.

Operations

All operational activities continue to be run from Belgium. The fabrics are also cut in Belgium, except for part of the swimwear collection. Some labour-intensive assembly (stitching) has been relocated to low-cost countries. Production rose by 9%. It is split over the following countries:

– Production in Tunisia

The production in Tunisia, which is partly in-house and partly subcontracted, rose by 13%. This rise is particularly due to the success of the swimwear collection. Unlike the previous year, business was not disrupted by political or social unrest. We nonetheless continue to closely follow political developments.

– Production through Top Form

Production through our Chinese partner rose by 8%. Most production was in China, with a smaller share in Thailand.

After a number of difficult years, Top Form moved back into growth. Turnover for the fiscal year 1/7/2013 to 30/06/2014 was 1,132 million Hong Kong dollars, with net profit of 39 million Hong Kong dollars.

– Production in Sri Lanka

The partnership with a subcontractor was terminated at the end of 2013. However, we continue to believe in the opportunities the country offers and so a new partnership has been launched with another subcontractor. Quality has been greatly improved due to more intensive support from Belgium. The intention is to further expand Sri Lankan production.

The *workshop in Schellebelle* plays a major part in the technical development of new collections. In close association with the design department, the workshop studies the technical feasibility of new products, perfects their technical aspects, and makes prototypes and samples. Retaining capacity at the desired level continues to be a major challenge, however. A large number of employees have reached or are approaching retirement age but it is virtually impossible to find qualified stitchers in Belgium. We have actively recruited in Hungary in recent years and eight new Hungarian stitchers were hired in 2014, too.

The reliability of *deliveries* is a very important aspect in our relation with customers and has been closely monitored for many years. We achieved very high delivery reliability scores in the year under review. 93% of the fashion collections was delivered within the agreed term in the spring. That rose even further to 96% in the winter. Customers are more and more demanding, which has led us to shorten delivery terms and raise delivery targets.

For the stayer articles we achieved an average score of 95% in 2014. That means that an average of 95% of the 5,920 stayer references was in stock and could be sent to customers within 24 hours.





Investments

- Head office: the major project to renovate the premises in Schellebelle was awarded to architectural firm ELD. After planning permission was granted, Dedeyne Construct was named main subcontractor. Work started at the end of November 2014, with completion scheduled for May 2016. The total budget was increased to approximately 9.5 million euros. This investment is necessary to ensure there is sufficient space to offer the rising number of employees a pleasant and efficient work environment. The conferencing facilities will also be significantly expanded. Last but not least, we will be able to receive our customers and guests in a way befitting the quality and image of our products.
- Wichelen distribution centre: the decision was taken to enlarge the mini-load system. This 1.2 million euro project will be completed in 2015.

Culture

- The in-house 'GROWTH' corporate culture programme, the key values of which are Game & Drive, Respect, Opportunity & Entrepreneurial Spirit, Efficiency and International, remains very important to Van de Velde's expansion. Not only the 'what' but also the 'how' are part of who we are.
- The 'Conversation Company' programme was strengthened. The goal of this programme is to tightly integrate a customer focus mindset in our culture, with regard to both our own customers – retailers – and end consumers.

Prospects for 2015

We currently have insight into just 20% of our total 2015 turnover. As a consequence, we can only give pointers for the spring, with due consideration for a great many unknowns (including deliveries, collection sell-through, consumer confidence in Europe in 2015, etc.). The swimwear collection continues to grow and the early purchasing data for Marie Jo L'Aventure's new 'Nicky' briefs is good. We accordingly expect growth in the wholesale division in the first two quarters.

Retail forecasts are always very difficult because the retail sector often has a short-term mindset. We assume that growth will continue in the Netherlands and Germany. In Hong Kong we hope to return to the stability of pre-August 2014. At Intimacy we cannot allow the cash drain experienced in 2014 to continue.

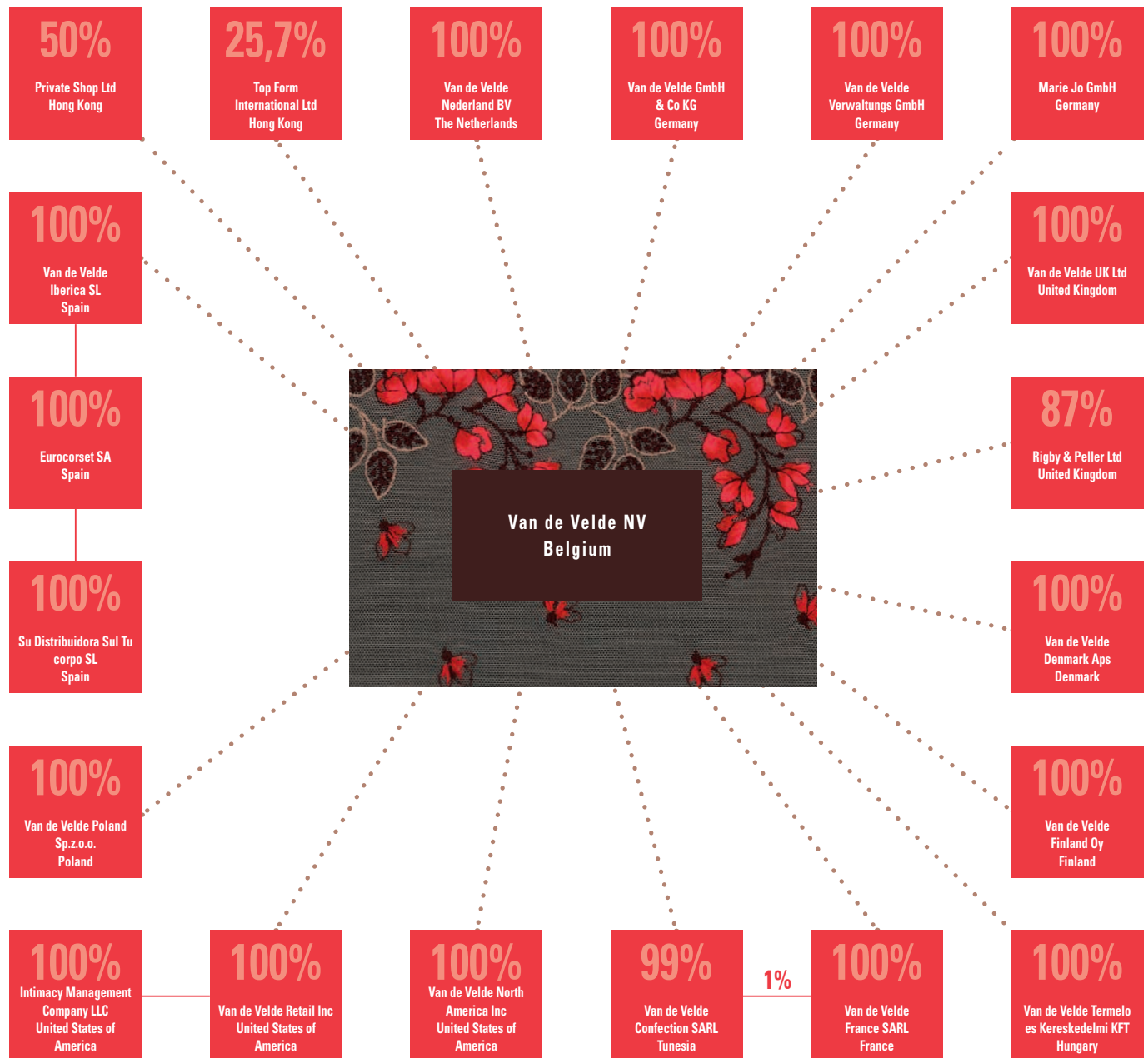


PRIMADONNA

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 current Group structure is as follows:



Within the framework of a simplification of the Group structure, five Dutch companies were reduced to one company in 2014, i.e. Van de Velde Nederland BV (former Re-tail BV). This involved the liquidation of Van de Velde Mode BV. This simplification effort will be taken forward in 2015, whereby early 2015 the three Spanish companies will be merged into one company, i.e. Van de Velde Iberica SL.

At 31 December 2014, Van de Velde Retail Inc acquired the remaining 15% of Intimacy Management Company LLC shares.



PRIMADONNA
— twist —



3 | Corporate Governance

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 18 February 2014 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:

- Lucas Laureys NV, always represented by Lucas Laureys, director (tenure expires at the Ordinary General Meeting of 2018);
- Herman Van de Velde NV, always represented by Herman Van de Velde, non-executive director (tenure expires at the Ordinary General Meeting of 2018);
- Bénédicte Laureys, director (tenure expires at the Ordinary General Meeting of 2018);
- EBVBA 4 F, always represented by Ignace Van Doorselaere, managing director (tenure expires at the Ordinary General Meeting of 2016);
- EBVBA Benoit Graulich, always represented by Benoit Graulich, director (tenure expires at the Ordinary General Meeting of 2016);
- BVBA Dirk Goeminne, always represented by Dirk Goeminne, director (tenure expires at the Ordinary General Meeting of 2017);
- 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).

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 NV, Bénédicte Laureys, Mavac BVBA 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.

EBVBA 4F is managing director and also a member of the Management Committee.

Lucas Laureys 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 to the company's Corporate Governance Charter, which is published on the company's website.

In 2014 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. All meetings of the Board of Directors were fully attended, except for one meeting during which BVBA Dirk Goeminne was excused.

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 NV, always represented by Lucas Laureys;
- Dirk Goeminne BVBA, 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 three times a year and as often as considered necessary for its proper operation. In 2014 the Audit Committee met six times. All members attended these meetings.

(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 NV, always represented by Lucas Laureys;
- EBVBA 4F, always represented by Ignace Van Doorselaere;
- Herman Van de Velde NV, always represented by Herman Van de Velde.

The chairman of the Strategic Committee is Lucas Laureys NV, always represented by Lucas Laureys. 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.

(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:

- Lucas Laureys NV, always represented by Lucas Laureys;
- 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 less than two times every year. The Nomination and Remuneration Committee met three times in 2014. 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.

The Management Committee is composed as follows:

- EBVBA 4F, always represented by Ignace Van Doorselaere;
- Stefaan Vandamme, CFO;
- Isabelle Massagé, international sales director;
- Karlien Vanommeslaeghe, human resources director;
- Hedwig Schockaert, ICT & supply chain director;
- Dirk De Vos, international retail director,
- Louis de Saint Michel, brand director,
- Peter Bynens, production director.

As of 12 May 2014 Louis de Saint Michel was appointed as brand director. Peter Bynens was as from 1 January 2015 appointed as production director.

Philippe Vertriest (as from 30 November 2014) and Herman Van de Velde NV (as from 1 January 2015) are no longer member of the Management Committee.

The chairman of the Management Committee is EBVBA 4F, always represented by Ignace Van Doorselaere (CEO).

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 EBVBA 4F, always represented by Ignace Van Doorselaere, 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 29 April 2015 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. 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.

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 (Lucas Laureys NV) receives annual gross remuneration of 60,000 euro. 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.

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, with the exception of Herman Van de Velde NV, who is as of 1 January 2015 no longer a member 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 targets¹ 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 303,000 euro, half of the bonus shall be paid after the closing of the financial year and the other half at the latest by 15 February 2018.

¹ 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.

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. For the CEO, this individual bonus will be paid at the latest by 15 February 2018.

The maximum amount of the individual variable remuneration is 27% of the gross basic remuneration², not including one member whose maximum bonus is 45% of the gross basic remuneration. 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 a specific performance or merit, on the proposal of the Nomination and Remuneration Committee.

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.

With regard to the relative importance of the variable remunerations, see below.

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 less than three years.

The total gross remuneration (in 000 euro) (including remunerations received from other companies that form part of the Group) awarded in 2014 to the members of the Management Committee (including Herman Van de Velde NV) and the CEO amounted to:

	Management Committee³	CEO
Basic remuneration	1,435	511
Variable remuneration	388 ⁴	348 ⁵
Pensions	30	0
Other benefits	33	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) and hospitalization insurance.

Currently, all members of the Management Committee, with the exception of the managing director and Isabelle Massagé, 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. The employment agreement of Isabelle Massagé can be terminated by the company, with due regard for a notice term or corresponding termination indemnity of 8 months' fixed and variable salary, provided Isabelle Massagé has been employed within the Group for less than 10 years⁶. As from the moment Isabelle Massagé has been employed within the Group for 10 years or more, this notice period will be increased to 12 months. However, in the event of a termination for urgent cause, the contract can be terminated with immediate effect.

The members of the Management Committee who work through a management company – the managing directors⁷ – are employed on an independent basis and are subject to a notice term of six months. In the management contract of the CEO it is stated that the notice period the company must comply with is prolonged by 6 months to 12 months if there is a change in the current reference shareholder, which entail Van de Velde and/or Laureys family no longer holding - directly or indirectly - the majority of the Van de Velde shares or no longer having the right to appoint the majority of the seats within the Board of Directors.

In 2014 the employment agreement of one of the members of the Management Committee was terminated by the company. The legal notice period (without extensions) was equal to 11 months and 2 weeks, of which 8 months and 2 weeks were performed. After approval of the Board of Directors the remaining part (3 months base remuneration plus extensions) was paid as an indemnity in lieu of notice. Besides, Van de Velde Mode BV paid a termination indemnity of 2 months of director's fees for the dismissal as director. The concerned member of the Management Committee is no longer employed by the Group.

4. Remuneration policy for coming years

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

² For some members of the Management Committee, the maximum is lower.

³ Excluding the CEO, including Herman Van de Velde NV and including Philippe Vertriest till 30 November 2014 and Louis de Saint Michel as from 12 May 2014.

⁴ A part of this variable remuneration (28,900 euro) was provided for in the variable remuneration reported in the remuneration report of 2013, since it related to a long term bonus. For this long term bonus, the individual bonus was determined based on the targets attained during the current year, but the effective payment would only take place provided the individual was still working for the company on a previously determined moment. The provided amount was also included in the awarded variable remuneration as reported in the annual report 2013.

⁵ A part of this bonus (212 thousand euro) will be paid at the latest by 15 February 2018 provided that the agreement with the CEO is still in force.

⁶ Only the basic salary shall be taken into account for the calculation of any termination indemnity, which shall not exceed 8 or 12 months' basic salary if the employee in question has not satisfied the performance criteria established to determine entitlement to any bonus.

⁷ Herman Van de Velde NV was managing director till 31 December 2014.

5. Share-based payments

The General Meeting of 28 April 2010 approved the 2010 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 2014 5,000 options were granted to Herman Van de Velde NV, always represented by Herman Van de Velde and Hedwig Schockaert. To EBVBA 4F, always represented by Ignace Van Doorselaere, 3,500 options were granted. No unexercised options expired.

	Options end 2013	Granted and accepted in 2014		Exercised in 2014		Options end 2014
		Number	Exercise price	Number	Exercise price	
EBVBA 4F	15,000	3,500	37.85	5,000	29.29	13,500
Herman Van de Velde NV	15,000	5,000	37.85	10,000	5,000 to 34.51 5,000 to 29.29	10,000
Dirk De Vos	5,000	0		0		5,000
Hedwig Schockaert	15,000	5,000	37.85	0		20,000
Stefaan Vandamme	5,000	0		0		5,000
	55,000	13,500		15,000		53,500

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 responsible person is assigned to each risk as well as a number of actions that must be taken to manage the risk. The financial department is responsible for monitoring and reporting these. A formal report is made once a year to the Audit Committee. The Management Committee bears the responsibility for analysis, proactive measures and plans with regard to operational risks.

The operational risks mainly relate to:

- Management of the insurance portfolio;
- Protection of critical assets;
- Human resources policy (e.g. dependence on key persons, recruitment of technical profiles);
- Quality management;
- Information technology in general (e.g. disaster recovery) and specifically with regard to applications (e.g. access controls, segregation of duties);
- Compliance with social and ethical standards;
- Protection of intellectual property;
- Compliance matters.

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.

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 2014 no such transactions nor other contractual links occurred.

Statutory auditor

The General Meeting of 24 April 2013 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 2016.

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 2014 for auditing of the statutory and consolidated financial statements of Van de Velde NV was 49,500 euro (excl. VAT). The total costs for 2014 for the auditing of the annual accounts of all companies of the Van de Velde Group were 184,236 euro (excl. VAT), including the aforementioned 49,500 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 13,844 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 principles laid down in the Belgian Code on Corporate Governance.

Conflict of Interests Scheme

In 2014 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 in the continuous Eurolist by 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 1.26% at the end of 2014. The starting weight as at 21 March 2014 was 1.43%.

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 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 (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.

Acquisition of own shares

On 30 April 2014 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.

In 2014 3,801 own shares were acquired by Van de Velde NV. At the end of 2014 Van de Velde NV has 26,000 own shares in its possession.

The treasury shares owned by Van de Velde NV at the end of 2014 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.

Based on a decision of the Board of Directors of 17 November 2014 Van de Velde paid out an interim dividend of 1.35 euro gross per share.

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 26,000 own 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 reduced from 13,322,480 shares to 13,296,480 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 0.07 euro (1.02 euro per share excluding impairment).

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 2014 this implies that the Board of Directors will propose

to the General Meeting the payment of a dividend for the fiscal year 2014 of 3.5000 euro per share. After the payment of 25% withholding tax, this represents a net dividend of 2.6250 euro per share. Of this amount, 1.3500 euro per share (or 1.0125 euro net per share) was paid out as an interim dividend in November 2014.

After approval by the General Meeting of Shareholders, the final dividend of 2.1500 euro per share (net dividend of 1.6125 euro per share) will be paid out as from 6 May 2015.

Financial Calendar

Closing of fiscal year	31 December 2014
Announcement of 2014 turnover figures	8 January 2015
Announcement of annual results	24 February 2015
Publication of annual financial report	23 March 2015
General Meeting of Shareholders	29 April 2015
Ex-coupon date	4 May 2015
Record date	5 May 2015
Dividend payment date	6 May 2015
Sale of bearer shares	8 May 2015
Announcement of H1 2015 turnover figures	7 July 2015
Publication of 2015 half-year results	28 August 2015
Closing of fiscal year	31 December 2015

4 | Consolidated key figures 2014

Profit and loss account (in millions of euro)	2014	2013	2012	2011	2010
Operating income	203.3	186.8	186.8	184.5	170.5
Turnover	198.4	182.4	181.8	179.8	166.3
Recurring EBITDA ⁽¹⁾	57.7	48.7	48.8	53.8	52.3
Recurring EBIT ⁽²⁾	49.5	41.1	42.7	49.4	46.3
Consolidated result before taxes ⁽³⁾	18.8	40.5	38.0	54.3	52.5
Consolidated result after taxes ⁽³⁾	2.5	31.7	28.0	41.0	39.9
Profit for the period ⁽⁴⁾	2.5	31.8	25.6	41.2	40.0
Operating cash flow ⁽⁵⁾	45.9	34.8	30.8	46.7	34.9

- (1) EBITDA is earnings before interest, taxes, depreciation and amortization on tangible and intangible assets. The recurring EBITDA for 2013 does not include the non-recurring restructuring cost for Eurocorset in the amount of 1.7 million euro. For 2014, the recurring EBITDA on a comparable basis (including comparable deliveries) is 55.9 million euro.
- (2) EBIT is earnings before interest and taxes. The recurring EBIT for 2013 does not include the non-recurring restructuring costs.

- (3) Result of the Group (Group share) before share in the profit / (the loss) of associates (equity method).
- (4) Result of the Group (Group share) after share in the profit / (the loss) of associates (equity method).
- (5) Operating cash flow is net cash from operating activities.

Balance sheet (in millions of euro)	2014	2013	2012	2011	2010
Fixed assets	68.0	100.9	109.4	103.9	89.0
Current assets	91.9	96.3	87.7	96.6	92.9
Shareholders' equity	134.0	173.5	170.0	168.1	153.6
Balance sheet total	159.9	197.2	197.1	200.4	181.9
Net debt position ⁽¹⁾	-34.2	-38.9	-31.1	-40.5	-37.8
Working capital ⁽²⁾	37.2	42.3	39.0	35.7	38.2
Capital employed ⁽³⁾	105.2	143.2	148.4	139.6	127.2

- (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)	2014	2013	2012	2011	2010
Return on equity ⁽¹⁾	1.6	18.5	16.5	25.5	27.6
Return on capital employed ⁽²⁾	2.0	21.7	19.4	30.7	35.5
Solvency ⁽³⁾	83.8	88.0	86.3	83.9	84.5
Liquidity ⁽⁴⁾	4.5	6.4	5.0	4.7	5.5

(1) Consolidated result after taxes / Average of equity at end of fiscal year and previous fiscal year. In case impairment of 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. In case impairment of 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 %)	2014	2013	2012	2011	2010
Recurring EBITDA ⁽¹⁾	29.1	26.7	26.9	29.9	31.4
Recurring EBIT ⁽²⁾	25.0	22.5	23.5	27.5	27.9
Tax rate ⁽³⁾	32.6	24.4	24.2	25.7	26.2

(1) Recurring EBITDA on turnover.

(2) Recurring EBIT on turnover.

(3) Income taxes on Consolidated result before taxes. In 2010 and 2011 the extraordinary finance gain on the Intimacy business combination was excluded from the consolidated result before taxes. In 2012 the extraordinary finance gain on the Intimacy business

combination and the impairment of goodwill and intangible assets with indefinite useful life were excluded from the consolidated result before taxes. In 2013 the extraordinary finance gain on the Intimacy business combination was excluded from the consolidated result before taxes and the reversal of the tax provision is excluded from the income taxes (see note 22). In 2014 the impairment is not taken into account.

Stock market data	2014	2013	2012	2011	2010
Average daily volume in pieces	6,226	6,885	6,281	5,329	5,472
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	1,587,689	1,755,685	1,607,998	1,369,623	1,411,725
Velocity	11.9%	13.2%	12.1%	10.3%	10.6%
Turnover (in thousands of euro)	60,210	62,165	58,314	50,269	47,212
(in euro per share)					
Highest price	39.62	38.44	42.49	40.97	39.60
Lowest price	35.81	32.01	33.02	32.25	28.51
Closing price	38.94	36.40	34.20	35.33	39.60
Average price	38.16	35.36	36.30	37.47	33.80

Key figures per share (in euro)	2014	2013	2012	2011	2010
Book value ⁽¹⁾	10.1	13.0	12.8	12.6	11.5
Recurring EBITDA ⁽²⁾	4.3	3.7	3.7	4.0	3.9
Profit for the period ⁽³⁾	0.2	2.4	1.9	3.1	3.0
Gross dividend ⁽⁴⁾	3.50	2.15	2.15	2.15	2.15
Net dividend ⁽⁴⁾	2.63	1.61	1.61	1.61	1.61
Dividend yield ⁽⁵⁾	6.74%	4.43%	4.71%	4.56%	4.07%

(1) Shareholders' equity / Number of shares at year end.

(2) Recurring EBITDA / Number of shares at year end.

(3) Profit for the period / Number of shares at year end. In case impairment of 2014 is not taken into account, profit for the period per share is 2.5.

(4) Gross dividend is 3.50 euro per share, of which amount 1.35 euro per share was paid out as an interim dividend in November 2014. The net dividend is 2.63 euro per share (of which amount 1.01 euro per share was paid out as interim dividend).

(5) Net dividend / Closing price.

Value determination (in millions of euro)	2014	2013	2012	2011	2010
Book value ⁽¹⁾	134.0	173.5	170.0	168.1	153.6
Market capitalization ⁽²⁾	518.8	484.9	455.6	470.7	527.6
Enterprise value (EV) ⁽³⁾	469.9	432.2	408.2	414.9	474.7

(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).

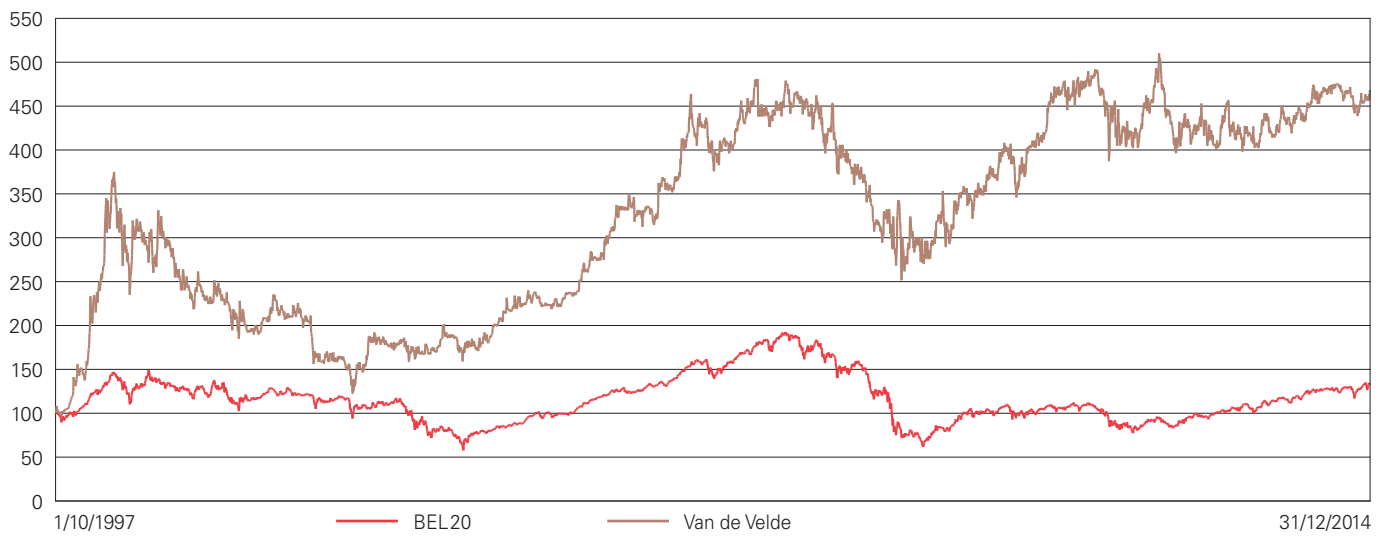
Multiples	2014	2013	2012	2011	2010
EV/Recurring EBITDA ⁽¹⁾	8.1	8.9	8.4	7.7	9.1
Price/Profit ⁽²⁾	213.2	15.4	18.1	11.5	13.2
Price/Book value ⁽³⁾	3.9	2.8	2.7	2.8	3.4

(1) Enterprise value / Recurring EBITDA.

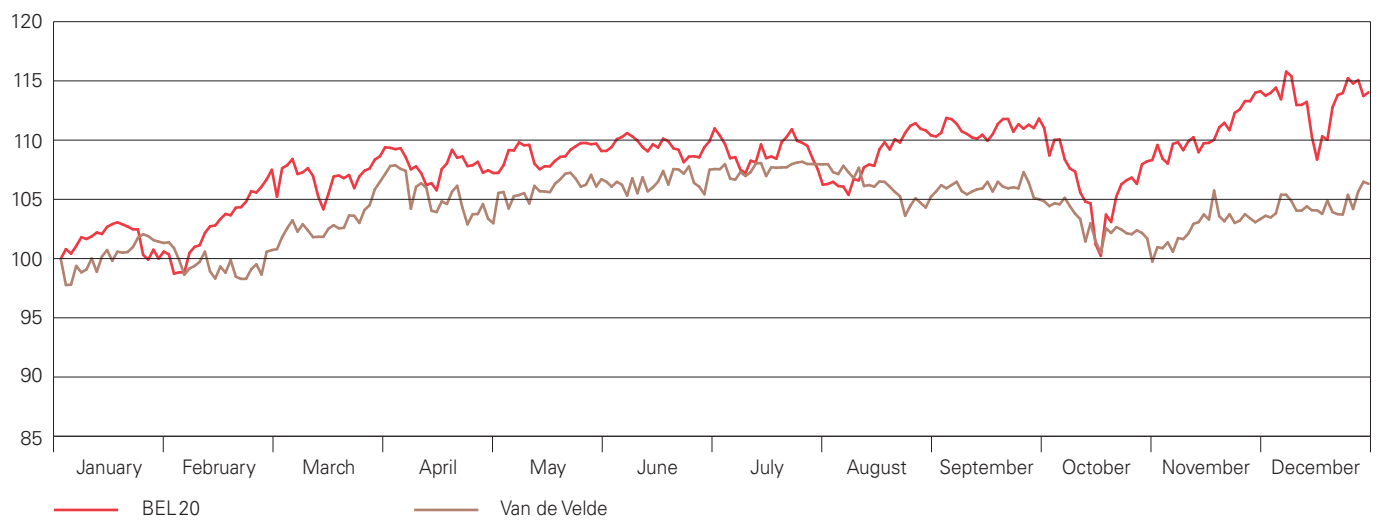
(2) Closing price / Profit for the period. In case impairment of 2014 is not taken into account, the price/profit multiple is 15.3.

(3) Market capitalization / Book value.

Van de Velde and BEL 20 stock market price



Stock market price in 2014





PRIMA DONNA
— swim —



5 | Consolidated financial statements and related notes

Consolidated balance sheet

Consolidated income statement

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Consolidated balance sheet

000 euro	2014	2013	(Note)
Assets			
Total fixed assets	67,980	100,853	
Goodwill	4,546	28,210	3
Intangible assets	18,107	26,930	4
Tangible fixed assets	29,339	30,405	5
Participations (equity method)	14,708	13,906	6
Deferred tax asset	333	333	15
Other fixed assets	947	1,069	7
Total current assets	91,936	96,314	
Inventories	37,149	36,377	9
Trade and other receivables	13,570	12,205	10
Other current assets	5,945	8,422	11
Cash and cash equivalents	35,272	39,310	12
Total assets	159,916	197,167	
Equity and liabilities			
Shareholders' equity	133,979	173,460	
Share capital	1,936	1,936	13
Treasury shares	-833	-1,182	13
Share premium	743	743	13
Other comprehensive income	-9,063	-9,502	
Retained earnings	141,196	181,465	
Non-controlling interests	717	3,976	13
Total non-current liabilities	4,665	4,567	
Provisions	877	1,034	14
Pensions	32	32	21
Other non-current liabilities	3,237	2,976	16
Deferred tax liability	519	525	15
Total current liabilities	20,555	15,164	
Trade and other payables	15,707	14,044	17
Other current liabilities	937	852	18
Income taxes payable	3,911	268	18
Total equity and liabilities	159,916	197,167	

Consolidated income statement

000 euro	2014	2013	(Note)
Turnover	198,366	182,433	27
Other operating income	4,889	4,354	
Cost of materials	-46,247	-43,587	
Other expenses	-56,540	-52,807	
Personnel expenses	-42,769	-43,420	21
Depreciation and amortization	-8,158	-7,589	4,5
Operating profit	49,541	39,384	
Impairment of goodwill and intangible assets with indefinite useful life	-31,448	0	3
Finance income	2,989	2,618	20
Finance costs	-2,301	-1,513	20
Share in result of associates	34	58	6
Profit before taxes	18,815	40,547	
Income taxes	-16,382	-9,076	22
Profit for the year	2,433	31,471	
Other comprehensive income			
Currency translation adjustments	493	-318	
Total other comprehensive income (fully recyclable in the income statement)	493	-318	
Total of profit for the period and other comprehensive income	2,926	31,153	
000 euro	2014	2013	(Note)
Profit for the year	2,433	31,471	
Attributable to the owners of the company	2,484	31,763	
Attributable to non-controlling interests	-51	-292	
Total of profit for the period and other comprehensive income	2,926	31,153	
Attributable to the owners of the company	2,923	31,676	
Attributable to non-controlling interests	3	-523	
Basic earnings per share (in euro)	0.19	2.39	23
Diluted earnings per share (in euro)	0.19	2.39	23
Weighted average number of shares	13,295,354	13,283,528	23
Weighted average number of shares for diluted profit per share	13,304,828	13,290,720	23
Proposed dividend per share (in euro) ⁽¹⁾	3.50	2.15	24
Total dividend (in 000 euro) ⁽²⁾	46,538	28,561	24

(1) Of this amount, 1.35 euro per share was paid out as interim dividend in November 2014.

(2) Of this amount, 17,951 thousand euro was paid out as interim dividend in November 2014.

Consolidated statement of changes in equity

000 euro Change in equity	Attributable to the shareholders of the parent						Equity	Non- controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Retained earnings	Share- based payments	Other compre- hensive income			
Equity at 01/01/2013	1,936	743	-1,336	177,582	469	-9,415	169,979	4,615	174,594
<i>Profit for the period</i>				31,763			31,763	-292	31,471
<i>Other comprehensive income</i>						-97	-97	-231	-328
<i>Sale of treasury shares for stock options</i>			154				154		154
<i>Purchase of treasury shares</i>							0		0
<i>Amortization deferred stock compensation</i>					101		101		101
<i>Granted and accepted stock options</i>				47	-47		0		0
<i>Reserves at Top Form</i>				75		10	85		85
<i>Dividends</i>				-28,525			-28,525		-28,525
<i>Adjustments to non-controlling interests</i>							0	-116	-116
Equity at 31/12/2013	1,936	743	-1,182	180,942	523	-9,502	173,460	3,976	177,436
<i>Profit for the period</i>				2,484			2,484	-51	2,433
<i>Other comprehensive income</i>						492	492	54	546
<i>Sale of treasury shares for stock options</i>			495				495		495
<i>Purchase of treasury shares</i>			-146				-146		-146
<i>Amortization deferred stock compensation</i>					116		116		116
<i>Granted and accepted stock options</i>				171	-171		0		0
<i>Reserves at Top Form</i>				821		-53	768		768
<i>Dividends</i>				-46,540			-46,540		-46,540
<i>Adjustments to non-controlling interests</i>				2,850			2,850	-3,262	-412
Equity at 31/12/2014	1,936	743	-833	140,728	468	-9,063	133,979	717	134,696

Consolidated cash flow statement

000 euro	2014	2013
Cash flows from operating activities		
Cash receipts from customers	251,377	235,128
Cash paid to suppliers and employees	-191,161	-184,826
Cash generated from operations	60,216	50,302
Income taxes paid	-8,537	-11,419
Other taxes paid	-5,546	-3,796
Interest and bank costs paid (note 20)	-234	-242
= Net cash from operating activities	45,899	34,845
Cash flows from investing activities		
Interest received (note 20)	351	404
Received dividends (note 20)	828	0
Purchase of fixed assets (note 4 and 5)	-5,665	-5,499
Investment / Recovery investment in subsidiary ⁽¹⁾	-412	7,261
Investments in other participating interests	0	-1,147
Net sale /(purchase) of treasury shares (note 13)	354	147
= Net cash used in investing activities	-4,544	1,166
Cash flows from financing activities		
Dividends paid (note 24)	-46,567	-28,651
Repayment of long-term borrowings / increase in financial debt	0	-482
Repayment of short-term borrowings / increase in financial debt	581	172
Net financing of customer growth fund	146	-24
= Net cash used in financing activities	-45,840	-28,985
Net increase/(decrease) in cash and cash equivalents	-4,485	7,026
Cash and cash equivalents at the beginning of the period (note 12)	39,310	31,738
Exchange rate differences	447	546
Net increase/(decrease) in cash and cash equivalents	-4,485	7,026
Cash and cash equivalents at the end of the period (note 12)	35,272	39,310

(1) For 2013, this relates to the collection of the receivable from the minority shareholders of Intimacy (7,232 thousand euro - see note 7) plus the cash at Re-tail BV upon acquisition of the remaining 50.1% of the shares (29 thousand euro). For 2014, this relates to the acquisition of the remaining 15% of Intimacy Management Company LLC shares.

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 23 February 2015, subject to approval of the statutory non-consolidated accounts by the shareholders at the Ordinary General Meeting to be held on 29 April 2015. 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 21.

Fair value measurement of a contingent consideration

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 2 years based on estimated percentages. 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 2014:

- IFRS 10 Consolidated financial statements;
- IFRS 11 Joint arrangements;
- IFRS 12 Disclosure of interests in other entities;
- IFRS 10 – 11 - 12 - Transition guidance;
- IFRS 10, IFRS 12 and IAS 27 - Investment entities;
- IAS 27 Separate financial statements;
- IAS 28 Investments in associates and joint ventures;
- IAS 32 Financial instruments - Presentation: Offsetting financial assets and financial liabilities;
- IAS 36 Impairment of assets: Recoverable amount disclosures for non-financial assets;
- IAS 39 Financial instruments: Recognition and measurement - Novation of derivatives and continuation of hedge accounting;

- IFRIC 21 Levies;
- Annual improvements 2010-2012 cycle: Amendment to IFRS 13 Fair value measurement;
- Annual improvements 2011-2013 cycle: Amendment to IFRS 1 First-time adoption of International Financial Reporting Standards.

The first adoption of these changes did not have an impact on the annual 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 exchange rates approximating the foreign exchange rates on the dates of the transactions. 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 France, Germany, Denmark and Spain, and is recorded at cost. The value of the French right does not decrease in relation to the lease period but changes with the market for this type of commercial right.

Therefore the useful life of this key money is considered to be indefinite, but reviewed periodically for impairment. The German key money (related to a rent agreement of 2012) is amortized over a period of 5.5 years. The Danish key money (related to a rent agreement entered into in 2013) was impaired in 2014. The Spanish key money (related to rent agreement entered into in 2014) is amortized over the tenor of the rent agreement.

(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 five 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.

Collateralized debt obligations (CDOs)

Investments in collateralized debt obligations (CDOs) are measured at fair value with recognition of changes in value through profit and loss. Fair value is based on market value at the balance sheet date. CDOs are recognized in the balance sheet as other fixed assets. In the fiscal year 2009 the decision was taken to impair CDOs completely, regardless of the reported fair value. This applies to 1 CDO with initial value of 1,450 thousand euros.

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

The company has established a group insurance scheme for its Belgian employees. Considering that the company is obliged to make additional payments in case the annual return on contributions to the pension plan falls below 3.25%, the classification of the plan as defined contribution plan might change. The statutory minimum guarantee was achieved in 2013 and 2014.

The company's obligations to contribute to 'defined contribution' plans (also outside Belgium) are charged to the income statement as incurred.

(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 deduction of revenue.

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 do either 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 2 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 2014

The Group has not early-adopted any standards or interpretations issued but not yet effective as at 31 December 2014.

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

- IFRS 9 Financial instruments¹, effective 1 January 2018;
- IFRS 14 Regulatory deferral accounts¹, effective 1 January 2016;
- IFRS 15 Revenue from contracts with customers¹, effective 1 January 2017;
- Amendment to IAS 1: Disclosure initiative¹, effective 1 January 2016;
- Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortisation¹, effective 1 January 2016;

¹ Not yet endorsed by the European Union (as of the 15th of January 2015).

- Amendment to IAS 27: Equity method in separate financial statements¹, effective 1 January 2016;
 - Amendment to IAS 16 and IAS 41 – Bearer plants¹, effective 1 January 2016;
 - Amendment to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture¹, effective 1 January 2016;
 - Amendment to IFRS 10, IFRS 12 and IAS 28 - Investment entities: Applying the consolidation exception¹, effective 1 January 2016;
 - Amendments to IFRS 11: Accounting for acquisitions of interests in joint operations¹, effective 1 January 2016;
 - IAS 19 Employee benefits – Defined benefit plans: Employee contributions, effective 1 July 2014;
 - Annual improvements to IFRSs 2010-2012 cycle (issued December 2013), effective 1 February 2015;
 - Annual improvements to IFRSs 2011-2013 cycle (issued December 2013), effective 1 January 2015;
 - Annual improvements to IFRSs 2012-2014 cycle (issued 25 September 2014)¹, effective 1 January 2016.
- The Group is currently assessing the impact of these changes.

¹ Not yet endorsed by the European Union (as of the 15th of January 2015).

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 thousand euro) as follows:

000 euro	Andres Sarda	Intimacy	Rigby & Peller	Re-tail ⁽¹⁾	Total
Carrying value, gross					
At 01/01/2014	6,357	26,189	1,749	2,797	37,092
Acquisition through business combinations	0	0	0	0	0
At 31/12/2014	6,357	26,189	1,749	2,797	37,092
Impairment and other adjustments					
At 01/01/2014	6,357	2,525	0	0	8,882
Impairment and other adjustments	0	23,664	0	0	23,664
At 31/12/2014	6,357	26,189	0	0	32,546
At 31/12/2014					
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 31/12/2014	0	0	1,749	2,797	4,546

(1) Re-tail refers to the former Donker stores in the Netherlands

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

000 euro	Andres Sarda	Intimacy	Rigby & Peller	Re-tail ⁽¹⁾	Lincherie ⁽²⁾	Total
Carrying value, gross						
At 01/01/2014	11,000	7,784	6,734	0	1,675	27,193
Acquisition through business combinations	0	0	0	0	0	0
At 31/12/2014	11,000	7,784	6,734	0	1,675	27,193
Impairment and other adjustments						
At 01/01/2014	5,531	0	0	0	0	5,531
Impairment and other adjustments	0	7,784	0	0	0	7,784
At 31/12/2014	5,531	7,784	0	0	0	13,315
At 31/12/2014						
Accumulated acquisitions	11,000	7,784	6,734	0	1,675	27,193
Accumulated impairment/other adjustments	5,531	7,784	0	0	0	13,315
Brand names with indefinite useful life, net 31/12/2014	5,469	0	6,734	0	1,675	13,878

(1) Re-tail refers to the former Donker stores in the Netherlands.

(2) Lincherie is not a cash-generating unit but is included for the sake of completeness and to allow for a reconciliation with note 4.

Impairment test

In the fourth quarter of 2014 the Group conducted 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 2014:

000 euro	Andres Sarda	Intimacy	Rigby & Peller	Re-tail	Total
Goodwill	0	23,664	1,749	2,797	28,210
Brands with indefinite useful life	5,469	7,784	6,734	0	19,987
Total intangible assets	5,469	31,448	8,483	2,797	48,197

For the cash-generating unit Intimacy, an impairment of 16,307 thousand euro was recognised at the half-year closing. This impairment was allocated to the brand with indefinite useful life (7,784 thousand euro) and the goodwill (8,523 thousand euro). An additional impairment test was done as part of the year-end closing and this test related to the remaining goodwill balance of 15,141 thousand euro.

Result of the impairment test

Impairment tests in 2014 resulted in impairment charges of 31,448 thousand euro, entirely related to the cash-generating unit Intimacy. Of this amount, 16,307 thousand euro was already accounted for in the half-year figures. However, the impairment test conducted in 2015 indicates that the remaining balance of 15,141 thousand euro should also be written off. As a consequence, the value of both goodwill and the brand with indefinite useful life is zero.

The profitability of Intimacy continues to suffer from a further turnover decrease and the turnaround at Intimacy remained elusive in 2014. In addition to a significant loss on a stand-alone basis (Intimacy's stores), Intimacy recorded negative consolidated REBITDA (including the margin on Van de Velde brands sold through Intimacy) for the first time in 2014. The targets were not achieved and Intimacy's performance also fell short of the targets set when the majority stake was acquired in 2010, which were used as a basis for the valuation in 2010 of the goodwill and the other intangibles in accordance with IFRS.

In 2014 the impairment test showed that the realizable value of the cash-generating units Andres Sarda, Rigby & Peller and Re-tail exceeded the carrying value and hence no impairment was required.

In 2013 no impairments on goodwill or brands with indefinite useful life were recorded.

Further information on the impairment test is provided below.

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 (2015), the growth plan as approved by the Board of Directors is used as the basis.
- For the subsequent years (2016-2018), 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 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 four 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 (2015).

For the cash-generating unit Intimacy, the starting point was adjusted downward to reflect the evolution over the last months. The expected turnover growth was not achieved and the turnaround remained elusive. A further turnover reduction is hence provided for in 2015. For the period 2016-2018 a stabilisation of the turnover is foreseen in 2016 followed by a reasonable turnover growth on a store-to-store basis as from 2017, albeit starting from a much lower basis. Furthermore, the plan foresees a lower number of stores than at the end of 2014.

For Andres Sarda, the expected average growth rate during the period 2015-2018 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 (2015-2018) moderate turnover growth on a like-for-like basis has been applied to the cash-generating units Rigby & Peller and Re-tail. For Rigby & Peller, one new store opening per year has been provided for.

Fully aligned with the segment reporting, the turnover estimates for the cash-generating units Intimacy, 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 US and 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. For the cash-generating unit Intimacy, the EBITDA margin does not reach the target EBITDA margin. Notwithstanding significant efforts, also regarding costs, the target EBITDA margin seems not achievable in view of the current circumstances.

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 (2%).

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 in a range between 7.5% and 8.8% for the four cash-generating units. This corresponds to a cost of capital before tax of between 9.3% and 12.1%. For the cash-generating unit Intimacy, the cost of capital after tax is 8.7% and the capital cost before tax is 12.1%.

Sensitivity to changes in assumptions

For the cash-generating unit Intimacy, no further sensitivity analysis has been conducted since the carrying value of both the goodwill and the brand with indefinite useful life is reduced to zero.

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 headroom¹ in the three cash-generating units. The tested sensitivities related to:

- the possibility of lower than forecast turnover growth during the forecast period (2015-2018);
- 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 01/01/2013	38,661	1,389	27,193	3,786	5,837	456
Acquisitions through business combinations	27	0	0	0	27	0
Investments	1,205	331	0	0	827	47
Disposals	-222	0	0	0	-22	-200
Exchange adjustments	-53	-1	0	-52	0	0
At 31/12/2013	39,618	1,719	27,193	3,734	6,669	303
Amortization and impairment						
At 01/01/2013	11,297	869	5,531	757	3,800	340
Amortization	1,611	218	0	689	682	22
Impairment	0	0	0	0	0	0
Disposals	-220	0	0	0	-20	-200
At 31/12/2013	12,688	1,087	5,531	1,446	4,462	162
Intangible assets, net 31/12/2013	26,930	632	21,662	2,288	2,207	141
Intangible assets, gross						
At 01/01/2014	39,618	1,719	27,193	3,734	6,669	303
Acquisitions through business combinations	0	0	0	0	0	0
Investments	700	93	0	0	534	73
Disposals	-175	0	0	0	-39	-136
Exchange adjustments	25	25	0	0	0	0
At 31/12/2014	40,168	1,837	27,193	3,734	7,164	240
Amortization and impairment						
At 01/01/2014	12,688	1,087	5,531	1,446	4,462	162
Amortization	1,756	164	0	747	777	68
Impairment	7,784	0	7,784	0	0	0
Disposals	-176	0	0	0	-40	-136
Exchange adjustments	9	9	0	0	0	0
At 31/12/2014	22,061	1,260	13,315	2,193	5,199	94
Intangible assets, net 31/12/2014	18,107	577	13,878	1,541	1,965	146

The expenses of brands with a finite useful life are mainly 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 (see note 3).
- The Lincherie brand and concept acquired in 2010.
- 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 American dollar, 3,000 thousand American dollar of which was settled. The remaining amount of 2,000 thousand American 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 2014 relates among other things to implementation of software for among other things e-commerce, exchange of information and online collaboration, integration of applications, renewal of shop management system and miscellaneous improvements to ERP software.

Key money relates to one store in Germany and one store in Spain.

Expenditure on research activities undertaken to acquire new scientific or technical knowledge and understanding, is recognized as expense when incurred.

5. Tangible fixed assets

000 euro	Total	Land and buildings	Installations, machinery and equipment	Assets under construction
Tangible fixed assets, gross				
At 01/01/2013	70,094	32,142	37,494	458
Investments	4,417	1,083	2,476	858
Acquisitions through business combinations	1,520	823	697	0
Transfer	0	370	26	-396
Disposals	-1,700	-1,083	-617	0
Exchange adjustments	-477	-296	-181	0
At 31/12/2013	73,854	33,039	39,895	920
Depreciation and impairment				
At 01/01/2013	37,782	14,032	23,750	0
Depreciation	5,978	2,803	3,175	0
Acquisitions through business combinations	1,361	563	798	0
Disposals	-1,671	-1,083	-588	0
Exchange adjustments	0	0	0	0
At 31/12/2013	43,450	16,315	27,135	0
Tangible fixed assets, net				
Tangible fixed assets (without grants)	30,404	16,724	12,760	920
Grants at 31/12/2013	-24	-10	-14	0
Grants utilized in 2013	25	+10	+15	0
At 31/12/2013	30,405	16,724	12,761	920
Tangible fixed assets, gross				
At 01/01/2014	73,854	33,039	39,895	920
Investments	5,028	1,155	2,461	1,412
Transfer	0	16	764	-780
Disposals	-2,602	-1,114	-1,488	0
Exchange adjustments	502	356	146	0
At 31/12/2014	76,782	33,452	41,778	1,552
Depreciation and impairment				
At 01/01/2014	43,450	16,315	27,135	0
Depreciation	6,402	3,081	3,321	0
Disposals	-2,449	-1,053	-1,396	0
Exchange adjustments	64	33	31	0
At 31/12/2014	47,467	18,376	29,091	0
Tangible fixed assets, net				
Tangible fixed assets (without grants)	29,315	15,076	12,687	1,552
Grants at 31/12/2014	0	0	0	0
Grants utilized in 2014	24	10	14	0
At 31/12/2014	29,339	15,086	12,701	1,552

The investments in 2014 primarily relate to the new packaging equipment and the expansion of the mini-load system for the distribution center in Wichelen, the renovation costs of the building in Schellebelle as well as to the opening of new stores and/or store enhancements in the United States, the United Kingdom, Denmark, Germany 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 01/01/2014	11,849	2,057	13,906
Results for the fiscal year	313	-279	34
Reserves	821	0	821
Other comprehensive income ⁽¹⁾	-53	0	-53
At 31/12/2014	12,930	1,778	14,708

(1) Before intercompany eliminations.

Key figures per participation are as follows:

Key figures	Top Form Ltd. HKD 000 (31/12/2014)	Private Shop Ltd. HKD 000 (31/12/2014)
Tangible fixed assets	121,445	5,264
Other fixed assets	105,462	3,364
Current assets	520,641	33,949
Non-current liabilities	25,067	0
Current liabilities	151,155	5,555
Total net assets	571,326	37,022
Turnover	581,649	63,992
Net result	17,056	-5,621

The figures relating to Top Form International Ltd. in the above table refer to the half-year closing at 31/12/2014 (first half-year fiscal year 2015) and therefore refer to turnover and net profit for a period of six months.

7. Other fixed assets

Other fixed assets consist of the following:

000 euro	2014	2013
Security deposits for VAT	217	252
Other security deposits	272	212
Other participating interests	25	25
Prepaid rent expenses	113	123
Borrowings	320	457
Other fixed assets, net	947	1,069

Prepaid rent expenses are recorded in the income statement on a straight-line basis over the lease term.

8. Grants

Grants for investments in assets

Grants that compensate the company for the cost of an asset are recognized in the income statement as a deduction of the depreciation charge on a straight-line basis over the useful life of the asset.

000 euro	2014	2013
At 1 January	24	54
Received during the year	0	0
Released to the income statement	24	25
Exchange rate adjustments	0	5
At 31 December	0	24

Other grants

In 2013 and 2014 no amount was recorded as other operating income related to other grants.

9. Inventories

Inventories by major components are as follows:

000 euro	2014	2013
Finished and merchandise goods	21,744	20,778
Work in progress	8,271	9,146
Raw materials	12,404	12,568
Inventories, gross	42,419	42,492
Less: Allowance for obsolescence	-5,270	-6,115
Inventories, net	37,149	36,377

The allowance for obsolescence in 2014 relates to finished products (2,461 thousand euro) and raw materials (2,809 thousand euro). The allowance for obsolescence in 2013 relates to finished products (2,739 thousand euro), work in progress (20 thousand euro) and raw materials (3,356 thousand euro).

The additional write-down on inventories amounted to 3,613 thousand euro in 2014, compared with 3,099 thousand euro in 2013. The additional write-down relates to raw materials (2,309 thousand euro in 2014 and 1,817 thousand euro in 2013) and finished products (1,304 thousand euro in 2014 and 1,282 thousand euro in 2013).

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

10. Trade and other receivables

Accounts receivable are as follows:

000 euro	2014	2013
Trade receivables, gross	14,029	12,549
Less: allowance for doubtful debtors	-459	-344
Trade receivables, net	13,570	12,205

Trade and other 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 2014 there was a loss of 125 thousand euro with respect to trade receivables (171 thousand euro in 2013).

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:

000 euro	Total	Neither past due nor impaired	Past due but not impaired		Past due and an impairment has been recorded
			1-60 days	60-90 days	> 90 days
2014	14,029	9,109	2,963	588	1,369
2013	12,549	8,173	2,792	373	1,211

11. Other current assets

Other current assets consist of the following:

000 euro	2014	2013
Prepaid expenses	4,322	2,548
Tax receivables (VAT & corporate income tax)	1,198	5,201
Accrued income	47	220
Sundry	318	346
FX forwards contracts (note 19)	60	107
Other current assets, net	5,945	8,422

12. Cash and cash equivalents

Cash and cash equivalents consist of the following:

000 euro	2014	2013
Cash at banks and in hand	13,600	16,838
Marketable securities	21,672	22,472
Cash and cash equivalents	35,272	39,310

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	2014	2013
Nominative shares	7,497,676	7,497,851
Dematerialized shares	5,822,369	5,823,299
Bearer shares	2,435	1,330
Total number of shares	13,322,480	13,322,480

At 31 December 2014 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 (21 May 2012).

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 2013 Van de Velde held 38,199 of its own shares with a total value of 1,182 thousand euro.

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 2014 3,801 treasury shares were purchased.

Within the framework of the stock option plan a total of 16,000 options were exercised and the same number of treasury shares was made available to the option holders.

At the end of 2014 Van de Velde NV held 26,000 of its own shares with a total value of 833 thousand euro. The treasury shares owned by Van de Velde NV at the end of 2014 are held with the intention of offering them to the management within the framework of a stock option programme initiated in 2005.

000 euro	2014	2013
Share capital	1,936	1,936
Treasury shares	-833	-1,182
Share premium	743	743

Non-controlling interests

At the end of 2014, 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	Provisions
At 01/01/2013	1,111
Arising during the year	136
Utilized	-213
Provisions 31/12/2013	1,034
At 01/01/2014	1,034
Arising during the year	18
Utilized	-175
Provisions 31/12/2014	877

At the end of 2013 a provision of 1,034 thousand euro was outstanding in relation to termination fees for sales agents and other planned measures. In 2014, 49 thousand euro of the provision was used (88 thousand euro in 2013) and an additional provision of 18 thousand euro (136 thousand euro in 2013) was recognized. The expected timetable of the corresponding cash outflows depends on the progress and duration of the negotiations with the sales agents.

In 2012 a provision for expenses to be incurred going forward (376 thousand euro) was recorded in relation to the contribution of knowhow in Private Shop Ltd. This provision will be used over a period of 3 years; one third of it was used during 2014 (126 thousand euro).

Intimacy has been named as defendant in a potential class action suit alleging violation of FACTA ("Fair and Accurate Credit Transactions Act"). This Act stipulates the credit card details that can be stated on a cash receipt. The case is currently in the discovery phase and in the meantime parties are negotiating a settlement agreement. It remains uncertain whether class certification will be granted.

Management cannot reasonably and reliably estimate the outcome or estimate the amount of damages that may result from this matter at this time. Management refers to the following matters:

- To our knowledge, no single consumer has suffered any damage by stating the credit card details on the cash receipt.
- It concerns a rather limited period.
- There are strong arguments and defense lines.

Therefore, it is impossible at this point in time to assess whether this case will result in any cash outflow and when the case eventually will be settled. Management will do what it takes to avoid a possible cash outflow.

15. Deferred taxes

The deferred taxes consist of the following:

000 euro	Captive	Deferred tax liabilities on fixed assets	Deferred tax assets on assets	Deductible losses	Total
At 01/01/2013	-590	-1,275	1,525	0	-340
Changes	590	-223	-552	333	148
At 31/12/2013	0	-1,498	973	333	-192
At 01/01/2014	0	-1,498	973	333	-192
Changes	0	-113	119	0	6
At 31/12/2014	0	-1,611	1,092	333	-186

The net deferred tax liability of 519 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 relate to differences between the statutory accounting policies and the accounting policies in accordance with IFRS.

The deductible losses are related to different entities and taxation authorities than the other components and are therefore reported separately as an asset. This change resulted from the first full consolidation of Re-tail BV (now Van de Velde Nederland BV).

16. Other non-current liabilities

Other non-current liabilities consist of the following:

000 euro	2014	2013
Deferred rent and lease incentives	1,781	1,520
Liabilities from acquisition of a participation in joint venture	1,456	1,456
Other non-current liabilities	3,237	2,976

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 1,456 thousand euro (2,000 thousand American 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 2015.

17. Trade and other payables

Trade and other payables consist of the following:

000 euro	2014	2013
Trade payables	4,505	4,872
Payroll, social charges	5,031	5,384
Gift cards and credits issued	889	779
Accrued charges	3,540	2,157
Sundry	673	393
Short-term borrowings	1,069	459
Trade and other payables	15,707	14,044

18. Other current liabilities and taxes payable

000 euro	2014	2013
Other current liabilities: Taxes (VAT payable, local taxes, withholding taxes)	937	852
Taxes payable: corporate income taxes	3,911	268

19. 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 15/01/2015 and 15/12/2015 (maturities at 31 December 2013: between 15/01/2014 and 15/12/2014). 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 the fair value of these FX forward contracts was -262.0 thousand euro, comprising an unrealized income of 60.2 thousand euro and an unrealized loss of 322.2 thousand euro.

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

000 euro	2014	2013
Derivatives that do not qualify for hedge accounting:		
Other current assets	60.2	107.4
Other current liabilities	-322.2	-112.0

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.

20. Financial result

The financial result breaks down as follows:

000 euro	2014	2013
Interest income	336	251
Interest costs	-13	-9
Interest result, net	323	242
Exchange gains	1,738	1,480
Exchange losses	-2,056	-1,242
Exchange result, net	-318	238
Finance income from business combination with Intimacy	0	885
Income from investments (dividends)	828	0
Other financial income	87	2
Other financial costs	-232	-262
Financial result	688	1,105

Financial income from business combination with Intimacy refers to the result recognized as a consequence of adjusting the purchase price of 35.1% of the Intimacy shares (transaction dated April 2010). In 2013 the receivables on minorities were increased by 0.9 million euro. The receivable from the selling party (the minority shareholder) of 9.4 million American dollar (7.2 million euro) in total was fully collected during 2013.

21. Personnel expenses

Personnel expenses are as follows:

000 euro	2014	2013
Wages ⁽¹⁾	9,020	10,303
Salaries ⁽²⁾	25,026	24,883
Social security contributions	7,565	7,324
Other personnel expenses	1,158	910
Personnel expenses	42,769	43,420

(1) Figures for 2013 were adjusted to enhance comparability with 2014.

(2) Figures for 2013 were adjusted to enhance comparability with 2014.

Workforce at balance sheet date	2014	2013
White collars	608	609
Blue collars	764	846
Total	1,372	1,455

At the moment the Group primarily has pension plans of the 'defined contribution' type. The cost of this plan amounted to 818 thousand euro in 2014 (623 thousand euro in 2013). A provision of 32 thousand euro (32 thousand euro in 2013) of the 'defined benefit' type remains.

Share-based payments

The Group applies 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. For options accepted before 2008, 212 thousand euro was included under retained earnings.

The impact of IFRS 2 on the result of the year 2014 was 116 thousand euro versus 101 thousand euro in 2013.

The option plans for 2005 until 2009 were valued on the basis of the binomial tree structure. The option plans for 2010 until 2014 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		PLAN	PLAN	PLAN	PLAN	PLAN
	2007	2008	2009	2011	2012	2013	2014
Grant date	02/10/07	28/06/08	28/09/09	28/09/11	24/09/12	11/10/13	13/10/14
Dividend right as of the grant date	no	no	no	no	no	no	no
Contractual term of the options	5-15	5-10	5-10	5-10	5-10	5-10	5-10
Exercise price	35.93	28.38	29.29	34.00	34.88	34.89	37.85
Expected volatility	35.05%	35.05%	35.05%	35.00%	35.00%	35.00%	35.00%
Risk-free interest rate	3.64%-4.07%	4.14%	2.76%-3.59%	2.48%-2.74%	0.90%-2.06%	1.08%-2.16%	0.33%-1.01%
Fair value of the share options (in euro)	6.99	8.66	9.42	10.41	9.62	10.26	9.97

The share option plan has developed as follows:	Option plan 2005 - 2014
Outstanding at 01/01/2013	69,000
Exercisable at 01/01/2013	41,000
Movements during the year	
Accepted	11,000
Forfeited	0
Exercised	5,000
Expired	0
Outstanding at 31/12/2013	75,000
Exercisable at 31/12/2013	36,000
Movements during the year	
Accepted	14,500
Forfeited	0
Exercised	16,000
Expired	0
Outstanding at 31/12/2014	73,500
Exercisable at 31/12/2014	26,000

22. Income taxes

The major components of income tax expense for the years ending 31 December 2014 and 2013 are:

000 euro	2014	2013
Current income tax	16,388	9,224
Current income tax charge	16,398	9,316
Adjustments in respect of current income tax of previous years	-10	-92
Deferred income tax	-6	-148
Relating to the origination and reversal of temporary differences	-6	-148
Income tax expense reported in the consolidated income statement	16,382	9,076

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	2014	2013
Profit before taxes ⁽¹⁾	50,229	40,489
Parent's statutory tax rate of 33.99%	17,073	13,762
Higher income tax rates in other countries	115	113
Lower income tax rates in other countries	-3,317	-3,665
Tax effect on finance gain on business combinations	0	-301
Utilization tax losses and unrecognized losses	1,388	394
Disallowed expenses	234	238
Notional interest deduction	-110	-571
Reversal tax provision (note 15)	0	-590
Other	-562	-304
Dividend received reduction ('DBI')	1,561	0
Total income taxes	16,382	9,076
Effective income tax rate	32.61%	22.42%

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

The increase in the effective income tax rate is due to the following reasons:

- The additional profit was mainly generated by the wholesale business, primarily in Belgium, taxed at the Belgian tax rate.
- As a consequence of administrative restructuring, the tax rate for 2014 rose on an annual basis.
- Increase in unrecognized losses.

23. 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).

	2014	2013
Profit attributable to shareholders (in 000 euro)	2,484	31,763
Weighted average number of ordinary shares	13,295,354	13,283,528
Dilutive effect of stock options	9,474	7,192
Weighted average number of shares after impact of dilution	13,304,828	13,290,720
Basic earnings per share (euro)	0.19	2.39
Diluted earnings per share (euro)	0.19	2.39

In 2013 all stock options granted over the period 2008-2013 were dilutive. In 2014 all stock options granted over the period 2007-2013 were dilutive.

24. Dividends paid and proposed

000 euro	2014	2013
Dividend paid	46,526	28,576
Dividend paid:		
– in 2014:		
– 1.35 euro per share as interim dividend for fiscal year 2014.		
– 2.15 euro per share for fiscal year 2013.		
– in 2013: 2.15 euro per share for fiscal year 2012.		
Dividend proposed	46,538	28,561
Dividend proposed:		
– 3.50 euro per share for fiscal year 2014 of which amount 1.35 euro per share was paid as interim dividend in November 2014.		
– 2.15 euro per share for fiscal year 2013.		
– No dividend rights are attached to treasury shares.		

25. 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 6,982 thousand euro in 2014 (6,406 thousand euro in 2013).

Future minimum lease payments under operating leases were as follows at 31 December 2014:

000 euro	2014
Within one year	6,817
After one year but not more than five years	20,500
More than five years	7,630
Total	34,947

26. 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 2014	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 KERESKEDELMİ KFT	Selyem U.4 7100 SZEKSZARD, Hungary	100	0
VAN DE VELDE UK LTD	Mitre House, Aldersgate Street 160 EC1A 4DD LONDON United Kingdom	100	0
VAN DE VELDE FRANCE SARL	16, Place du General De Gaulle 59000 LILLE, France	100	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 NEW YORK, NY 10016, 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 NEW YORK, NY 10016, United States of America	100	0
EUROCORSET SA	Calle Santa Eulalia, 5-7-9 08012 BARCELONA, Spain	100	0

Name	Address	(%) equity interest 2014	Change on previous year
SU DISTRIBUIDORA SUL TU CORPO SL	Calle Santa Eulalia, 5-7-9 08012 BARCELONA, Spain	100	0
INTIMACY MANAGEMENT COMPANY LLC	3980 Dekalb Technology Parkway 760 GA 30340 ATLANTA, United States of America	100	15%
RIGBY & PELLER LTD	Unit 5, Portal West Business Centre 6 Portal Way, LONDON W3 6RU, United Kingdom	87	0
VAN DE VELDE POLAND SP ZOO	Ul. Al Wyzwolenia 10 - lok 171 00570 WARSZAWA, Poland	100	0
VAN DE VELDE NEDERLAND BV	Corellistraat 27 1077 HB AMSTERDAM, Netherlands	100	0

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 2014	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	Wylar Centre I, 8th Floor 202-210 Tai Lin Pai Road Kwai Chung, Hong Kong	50	0

Top Form International Ltd ("TFI")

In 2014 transactions between the Group and TFI totalled 9,434 thousand American dollar. On 31 December 2014 the Group had trade payables to TFI in the amount of 124 thousand American dollar. In 2013 transactions between the Group and TFI totalled 9,409 thousand American dollar. On 31 December 2013 the Group had trade payables to TFI in the amount of 714 thousand American dollar.

Private Shop Ltd

In 2014 sales between the Group and Private Shop Ltd totalled 752 thousand euro. On 31 December 2014, the Group had no accounts receivable to Private Shop Ltd. In 2013 sales between the Group and Private Shop Ltd totalled 616 thousand euro. On 31 December 2013, the Group had no accounts receivable to Private Shop Ltd.

During 2013, the Group also paid 1.5 million American dollar to Getz as a milestone payment for the acquisition of a distribution agreement and a number of intangible assets in relation to Private Shop. As at 31 December 2014, the Group had a debt to Getz of 2.0 million American dollar. This amount will be paid to Getz as 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

The remuneration of the directors is as follows. For his chairmanship of the Board of Directors, his membership of the Nomination and Remuneration Committee, the Audit Committee and the Strategic Committee, the chairman of the Board of Directors receives gross annual remuneration of 60,000 euro. 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. 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. The total remuneration for the directors (excluding the managing directors) was 145 thousand euro in 2014 and 160 thousand euro in 2013. The directors have not received any loan or advance from the Group.

Management Committee Remuneration

For the year ended 31 December 2014, a total amount of 2,745 thousand euro (2,332 thousand euro in 2013) was awarded to the members of the Management Committee, including the managing directors. 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	2014	2013
Basic remuneration	1,946	1,833
Variable remuneration	736	441
Group insurance premiums	30	28
Other benefits	33	30
Total	2,745	2,332

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 2014 (idem in 2013). The calculated cost of the options accepted by the Management Committee in 2014 was 136 thousand euro.

27. 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 attrib-

uted 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 2014 and on 31 December 2013:

Segment Income Statement	2014				2013			
	Wholesale	Retail	Unallocated	Total	Wholesale	Retail	Unallocated	Total
000 euro								
Segment revenues	155,015	43,351	0	198,366	138,941	43,492	0	182,433
Segment costs	-75,911	-39,098	-25,658	-140,667	-69,387	-38,813	-27,260	-135,460
Depreciation	0	-4,141	-4,017	-8,158	0	-3,348	-4,241	-7,589
Segment results	79,104	112	-29,675	49,541	69,554	1,331	-31,501	39,384
Net finance profit				688				1,105
Impairment				-31,448				0
Result from associates				34				58
Income taxes				-16,382				-9,076
Non-controlling interest				-51				-292
Net income				2,484				31,763

Segment Balance Sheet 000 euro	2014			2013		
	Wholesale	Retail	Total	Wholesale	Retail	Total
Segment assets	50,046	28,704	78,750	48,527	60,809	109,336
Unallocated assets			81,166			87,831
Consolidated total assets	50,046	28,704	159,916	48,527	60,809	197,167
Segment liabilities	0	0	0	0	0	0
Unallocated liabilities			159,916			197,167
Consolidated total liabilities	0	0	159,916	0	0	197,167

Capital expenditure 000 euro	2014				2013			
	Wholesale	Retail	Unallocated	Total	Wholesale	Retail	Unallocated	Total
Tangible fixed assets	0	2,240	2,788	5,028	0	1,639	2,778	4,417
Intangible assets	0	112	588	700	0	313	892	1,205
Depreciation	0	4,141	4,017	8,158	0	3,348	4,241	7,589

Breakdown by region – turnover 000 euro	2014			2013		
	Eurozone	Elsewhere	Total	Eurozone	Elsewhere	Total
Turnover	128,941	69,425	198,366	113,749	68,684	182,433

The most important markets, determined on the basis of the quantitative IFRS criteria, are:

- Belgium, Germany and the Netherlands for the Eurozone
- United States of America for Elsewhere.

Further information about the assets of the company – location (000 euro)	Belgium	Elsewhere	Total
Tangible fixed assets	20,639	8,700	29,339
Intangible assets	10,856	7,251	18,107
Inventories	31,386	5,763	37,149

28. Events after balance sheet date

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

29. 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.

The transaction risk is mainly centralized within Van de Velde NV. In 2014 Van de Velde NV invoiced slightly over 25% of sales in currencies other than euro. In addition, a significant proportion of purchases are in foreign currency (e.g. purchases raw materials and subcontractors).

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 2014 with regard to changes in foreign currencies for the positions EUR/CAD, EUR/USD, EUR/GBP, EUR/DKK and EUR/CHF. 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%
CAD	27	-27
CHF	90	-90
DKK	29	-29
GBP	58	-58
USD	5	-5
	209	-209

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 credit risk at its customers. 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 turnover.

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.

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 (34.2 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 eight leading material suppliers account for approximately 60% of purchase costs. The largest supplier accounts for more than 25% of purchase costs, whereas all other suppliers account for less than 10%.
- Assembly capacity is mainly spread over China and several sites in Tunisia.
- From August 2012, 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.

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 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 against. 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.

As referred to in note 14, Intimacy has been named as defendant in a potential class action suit alleging violation of FACTA ("Fair and Accurate Credit Transactions Act"). This Act stipulates the credit card details that can be stated on a cash receipt. The case is currently in the discovery phase and in the meantime parties are negotiating a settlement agreement. It remains uncertain whether class certification will be granted.

Management cannot reasonably and reliably estimate the outcome or estimate the amount of damages that may result from this matter at this time. Management refers to the following matters:

- To our knowledge, no single consumer has suffered any damage by stating the credit card details on the cash receipt.
- It concerns a rather limited period.
- There are strong arguments and defense lines.

Therefore, it is impossible at this point in time to assess whether this case will result in any cash outflow and when the case eventually will be settled. Management will do what it takes to avoid a possible cash outflow.


Other operational risks

As mentioned in the chapter on 'Major characteristics of internal control and risk management systems', operational risks are regularly listed, controls to remediate the risk are defined and implementation of controls is evaluated.

ANDRES SARDA

Designed in Barcelona





6 | Statutory auditor's report to the general meeting of shareholders of Van de Velde NV on the consolidated financial statements for the year ended December 31, 2014

As required by law and the Company's by-laws, we report to you in the context of our statutory auditor's mandate. This report includes our opinion on the consolidated statement of the financial position as at 31 December 2014, the consolidated statement of the realized and non-realized results, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended and the disclosures (all elements together "the Consolidated Financial Statements") and includes as well our report on other legal and regulatory requirements.

Report on the Consolidated Financial Statements - Unqualified opinion

We have audited the Consolidated Financial Statements of Van de Velde NV ("the Company") and her subsidiaries (together "the Group") as of and for the year ended 31 December 2014, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, which show a consolidated balance sheet total of € 159.916 thousand and of which the consolidated income statement shows a profit for the year (attributable to the equityholders of the parent) of € 2.484 thousand.

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

The Board of Directors is responsible for the preparation of Consolidated Financial Statements that give a true and fair view in accordance with the International Financial Reporting Standards, as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation of Consolidated Financial Statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the given circumstances.

Responsibility of the statutory auditor

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the Annual Accounts, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the Group's preparation and presentation of the Annual Accounts that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used, the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the Consolidated Financial Statements.

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

Unqualified opinion

In our opinion, the Consolidated Financial Statements of the Group as at 31 December 2014 give a true and fair view of the net equity and financial position of the consolidated whole, 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.

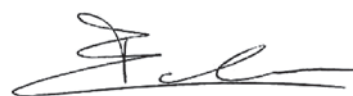
Report on other legal and regulatory requirements

The Board of Directors is responsible for the preparation and the content of the Board of Director's report on the Consolidated Financial Statements, in accordance with article 119 of the Belgian Company Code.

In the context of our mandate and in accordance with the additional standard issued by the 'Instituut van de Bedrijfsrevisoren/Institut des Réviseurs d'Entreprises' as published in the Belgian Gazette on 28 August 2013 (the "Additional Standard"), it is our responsibility to perform certain procedures to verify, in all material respects, compliance with certain legal and regulatory requirements, as defined in the Additional Standard. On this basis, we make the following additional statement, which does not modify the scope of our opinion on the Consolidated Financial Statements.

- The Board of Director's report to the Consolidated Financial Statements includes the information required by law, is consistent with the Consolidated Financial Statements and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.

Gent, 23 February 2015
Ernst & Young Bedrijfsrevisoren BCVBA
Statutory auditor
represented by
Paul Eelen
Partner



7 | Concise version of the statutory financial statements 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	31/12/2014	31/12/2013
Fixed assets	102,022	37,514
Intangible fixed assets	4,112	5,842
Tangible fixed assets	15,896	16,752
Financial fixed assets	82,014	14,920
Current assets	95,443	85,437
Amounts receivable after one year	5,261	4,713
Stocks and orders in production	33,485	33,325
Amounts receivable within one year	20,494	18,380
Financial investments	22,505	13,639
Cash at banks and in hand	11,051	13,906
Accrued income and deferred charges	2,647	1,474
Total assets	197,465	122,951
Shareholders' equity	138,552	66,949
Issued capital	1,936	1,936
Share premium	743	743
Reserves	135,873	64,270
Provisions, deferred taxes and tax liabilities	782	763
Provisions for risks and costs	782	763
Liabilities	58,131	55,239
Amounts payable after one year	0	0
Amounts payable within one year	54,842	52,971
Accrued charges and deferred income	3,289	2,268
Total liabilities	197,465	122,951

Concise income statement

000 euro	31/12/2014	31/12/2013
Operating income	178,914	161,508
Turnover	175,298	154,947
Changes in stocks unfinished goods and finished goods	-1,210	2,911
Other operating income	4,826	3,650
Operating costs	133,560	131,383
Goods for resale, raw materials and consumables	40,297	36,502
Services and other goods	65,091	64,342
Salaries, social charges and pension costs	24,640	22,668
Depreciations	5,599	8,224
Write-downs and provisions	-2,295	-548
Other operating costs	228	195
Operating profit	45,354	30,125
Financial result	88,903	-2,989
Finance income	94,478	1,849
Finance costs	-5,575	-4,838
Profits on ordinary activities before tax	134,257	27,136
Exceptional result	-11	36
Exceptional income	0	48
Exceptional costs	-11	-12
Pre-tax profit for the fiscal year	134,246	27,172
Tax on the profit	-16,105	-8,787
Profit for the year	118,141	18,385

Appropriation account

000 euro	31/12/2014	31/12/2013
Distributable profit	118,141	18,385
Distributable profit for the fiscal year	118,141	18,385
Addition to reserves	71,603	0
Transfer from reserves	0	10,207
Profit to be distributed	46,538	28,592

Statutory annual report Van de Velde NV

Fiscal year 1/1/2014 - 31/12/2014

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 197,465 thousand euro and a profit after tax for the fiscal year of 118,141 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 for 2015 in the section 'The year 2014'.

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 and so on.

5. Additional tasks of the statutory auditor

The General Meeting of Shareholders of 24 April 2013 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 2016.

The annual remuneration in 2014 for auditing the statutory and consolidated annual accounts of Van de Velde NV was 49,500 euro (excl. VAT). The total costs for 2014 for the auditing of the annual accounts of all companies of the Van de Velde Group was 184,236 euro (excl. VAT), including the 49,500 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 to the persons with whom the statutory auditor has a professional relationship was 13,844 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 and possible 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 2013 Van de Velde held 38,199 of its own shares with a total value of 1,182 thousand euro.

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 2014 3,801 treasury shares were purchased.

Within the framework of the stock option plan a total of 16,000 options were exercised and the same number of treasury shares was made available to the option holders.

At the end of 2014 Van de Velde NV held 26,000 of its own shares with a total value of 833 thousand euro. The treasury shares owned by Van de Velde NV at the end of 2014 are held with the intention of offering them to the management within the framework of a stock option programme initiated in 2005.

000 euro	2014	2013
Share capital	1,936	1,936
Treasury shares	-833	-1,182
Share premium	743	743

8. Conflict of interests

In 2014 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'.

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 6 April 2010 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 dividend of 3.5000 euro per share. After payment of 25% withholding tax, this represents a net dividend of 2.6250 euro per share. Of this amount, a gross interim dividend of 1.3500 euro per share (net dividend of 1.0125 euro per share) was paid in November 2014. The final dividend of 2.1500 euro per share (net dividend of 1.6125 euro per share) will be paid out after approval by the General Meeting from 6 May 2015.


Proposed profit distribution in thousands of euro:

Distributable profit	118,141
Addition to reserves	71,603
Gross dividend of 3.50 euro per share on 13,296,480 shares	46,538
– Of this amount, 1.35 euro per share was paid as interim dividend in November 2014	17,951
– Of this amount, 2.15 euro per share as final dividend	28,587

Herman Van de Velde NV
Represented by
Herman Van de Velde
Director



EBVBA 4F
Represented by
Ignace Van Doorselaere
Managing Director



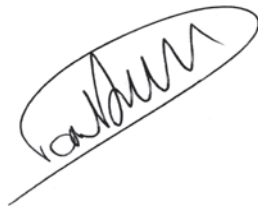


8 | Statement of responsible persons

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.

*EBVBA 4F, always represented
by Ignace Van Doorselaere
CEO*



*Stefaan Vandamme
CFO*



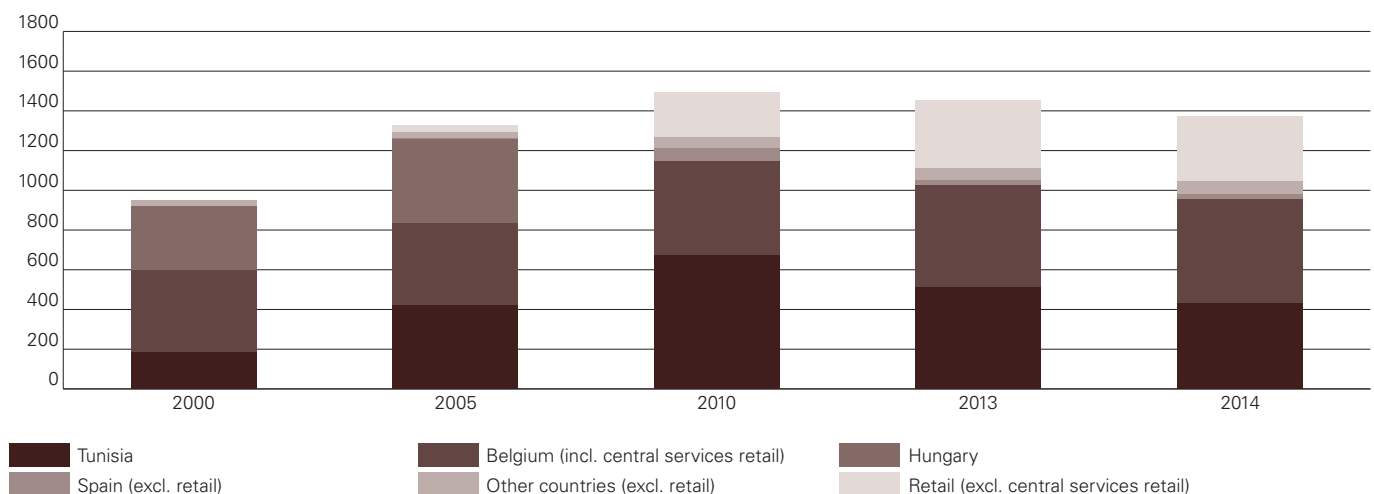
9 | Employment, environment and contribution to the Belgian Treasury

Social report

Headcount (Group)

The total number of employees of Van de Velde Group decreased by 6% in 2014 compared with 2013. Just like last year the decrease is due to a recruitment stop in our production unit in Tunisia (because of the less stable political situation).

Headcount	2000	2005	2010	2013	2014
Tunisia	183	420	672	512	429
Belgium (including retail)	417	416	474	511	526
Hungary	322	422	0	0	0
Spain (excluding retail)	0	1	65	27	27
Other countries (excluding retail)	29	35	56	60	65
Retail (excluding Belgium)	0	34	227	345	325
Total	951	1,328	1,494	1,455	1,372



GROEI is central to our organization

The key drivers of GROEI ('Growth') are Game & Drive, Respect, Opportunity & Entrepreneurial Spirit, Efficiency and International. Together with our employees we are building an environment in which our values can flourish together.

Van de Velde is growing every year and our people grow with us. We are convinced that our organization's positive development can be attributed to the passion of our employees, who grow with Van de Velde.

Our human resources policy is also based on this philosophy. We recruit new employees while always considering the GROEI values. We want to make people stronger, capitalize on their talents and encourage internal mobility in terms of jobs and departments, also between countries. We make efforts to ensure new employees are properly integrated through our induction programme and offer extensive development and training opportunities, from internal and external group courses to personalized training and coaching.

We feel very strongly about sustainable development. We endorse SA8000, a leading social accountability standard worldwide.

The health and wellbeing of our people is also key to sustainable growth. We work to encourage respect and camaraderie, teamwork and personal satisfaction, and aim for a healthy mind in a healthy body.

In 2014 we continued to roll out GROEI in the organization. On the one hand by expanding the growth conversations (see below), on the other by organizing annual growth workshops in each department. In these growth workshops our CEO enters into direct dialogue with all employees and together they establish actions to anchor GROEI in our organization.

GROEI was also included as one of the objectives in the renewed bonus system for blue collars.

Growth conversations

Since 2013, all employees have a yearly growth conversation with their line manager, regardless of their job or which division they work in. These conversations have been designed completely in line with our GROEI philosophy. A Van de Velde employee combines excellent results on the job (performance) and the right attitude (GROEI values). A Van de Velde line manager supports, coaches and guides her or his direct reports to make this possible. The line manager appraises the employee, giving feedback and guidance where necessary.

The purpose of the growth conversations is to encourage more dialogue between line managers and employees with regard to performance, career and teamwork. It is also a source of information to align our HR management to the individual needs of employees.

Training

The growth conversation is one of the most important means of identifying the need for training among employees. We endeavour to attain a good mix between group trainings and individual initiatives, as well as a blend of training to acquire additional job-related knowhow and training that strengthens communication and management skills. Specific on-the-job group trainings are held for a number of employee groups, each in accordance with the training method that best meets the needs of the employee and the overall learning goals.

Smooth integration of new employees is very important to us, because we believe that when new employees settle in quickly it creates a solid foundation for future trust and result-oriented work. With this in mind, every new employee can count on support and guidance from managers and colleagues. They are also given help to settle into the organization by a mentor, who is available during the first six weeks of employment and possibly longer.

In 2014 we invested further in strengthening our people's skills with a wide variety of trainings.

Talent

Van de Velde has a great deal of talent in house. We ensure this gets appropriate attention too. Our starting point is that everyone is talented and it is the responsibility of the manager to create an environment in which everyone is able to optimally use and develop her or his talent. It is also the responsibility of each and every employee to use her or his talent in a positive and constructive way and to say which skills she or he would like to develop in the future. Our talent vision is based on shared responsibilities.

Where possible, we try to promote from within and we always work to assign the right project to the right person. That is our way of making sure we take full advantage of the talents of employees and work on active retention by giving employees challenges that are tailored to them.

In 2014 several employees made a career step via internal promotion or by shifting to another department. We also recruited quite some new talent within our company.

Recruitment and selection

Intake

In order to be able to recruit new talent more efficiently, we updated our jobsite with a brand new layout at the beginning of 2014. Thanks to the real-life testimonies and plenty of pictures of our employees at the workplace, applicants get a better picture of what it would be like to 'Work at Van de Velde'. Furthermore, we have also created a separate jobsite per retail brand. Because of this, we noticed that our jobsite attracts a high rate of new visitors.

Shortage Occupations

The supply of candidates specialized in ready-to-wear clothing technologies on the labour market remains limited.

In 2014 we made further investments in our long-term relationship with Hogeschool Gent. We were present at their internship fair and there was a direct exchange of views during the information sessions with our specialized technical employees, so that they better understand the specific responsibilities of their jobs. We also continue to give guided tours of the company to the first-year Fashion Technology undergraduates.

Last autumn we organized a recruitment campaign together with Randstad in the regional press to attract additional production-oriented profiles (for our cutting room, warehouse or distribution centre). This led to the recruitment of new top-notch profiles. We continue to invest in high-quality internal training programs, in which both internal and external candidates can be trained or retrained as ready-to-wear clothing technologies specialists.

Seamstresses

In the medium and long term, the low influx of skilled seamstresses is a threat to the continuity of our stitching studio. In the spring of 2014, eight Hungarian seamstresses were hired and received an intensive training in our stitching studio.

Communication and team spirit

Staff activity

Van de Velde regularly organizes a special activity for employees and their families. In addition to the annual New Year's drink, we invited our employees to the 'Goodbye party for Herman'. Each department was asked to create a special gift for Herman (such as a short video, a work of art or a souvenir).

The monthly Van de Velde café offers our employees the opportunity to catch up after working hours. In 2014 we also started the summer holidays with a barbecue in the sun, organized by our staff.

Inside-out

Our in-house magazine Inside-out keeps employees informed about new developments with respect to the collections, the company and our people. It is published twice a year. In 2014 we gave it a new look and added content.

Meeting on the company's results every six months and targeted communication

On the day of publication of the annual and interim figures all employees are given the opportunity to attend an information meeting. The aim of this meeting is to tell them about Van de Velde's results and

ongoing projects. We want to keep employees informed and involved on what is going on in our organization.

To enhance this involvement internationally, too, we now keep our international employees updated with a monthly newsletter about ins & outs, new projects and changes in the organization.

The first steps were taken to set up an intranet in 2014 and this project will be rolled out further in the spring of 2015.

Health and safety

Fire safety and first aid

A fire drill is held at all sites every year. As well as being an opportunity to test all procedures, these fire drills enable our employees to refresh their knowledge of the fire safety instructions.

The persons responsible for safety and the employees responsible for first aid follow regular courses to brush up and improve their knowledge and skills.

Occupational accidents

In 2014 there were 16 minor occupational accidents at work in Belgium, as well as 6 accidents on the way to and from work (primarily falls). Although these were mainly very minor incidents, all accidents and near-accidents were thoroughly investigated by the risk prevention advisor. Where necessary, adaptations were made to our risk prevention policy, the use of personal protective equipment (such as safety boots and auditory protection) and employee training (such as lifting).

Safety is an issue that is given daily attention. The risk prevention advisor arranges weekly 'safety discussions' with employees to talk about any accidents and near-accidents and focus attention on the specific safety risks in their work.

Healthy body, healthy mind

In 2014 we again offered our employees the opportunity to improve their physical condition together with their colleagues in a number of sports initiatives. The weekly supervised runs continue to be a big success.

Social commitment

Ethical and social enterprise

The ethical and social commitments of Van de Velde Group are published in the Ethical and Social Charter. This charter can be accessed at www.vandavelde.eu. These commitments have earned the SA8000 label in Belgium (Wichelen and Schellebelle) since 2003.

SA8000

Among other things, the SA8000 label (www.sa-intl.org) draws on the basic conventions of the International Labour Organization, the Universal Declaration of Human Rights and the UN Convention on the Rights of the Child. The standard was drawn up in consultation between NGOs, collective industrial organizations, industry and labelling bodies. Label holders are subject to two social audits per year.

SA8000 certification is not without obligation for the company. The whole company and all employees are closely involved in the audits and must observe the principles. On the other hand, the award is a commitment to the future. All business aspects covered by the SA8000

label are subject to discussions in the Management Committee. Under the conditions of award of the label, the company is obliged to regularly look itself in the mirror and systematically evaluate and fine-tune staff policy, health and safety policy and the monitoring of suppliers.

Interim audits

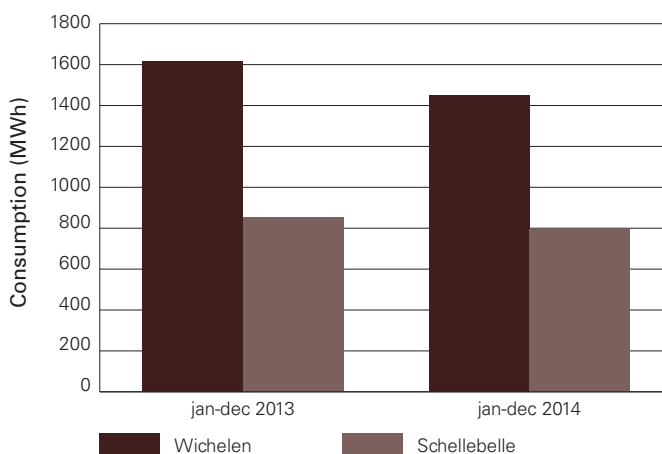
Our certified sites are audited twice a year, once in May and once in November, by independent auditors SGS (www.sgs.be).

The auditor's activities are not limited to contacts with HR, management and administration, but also extend to workplace visits and talks with employees. The auditor also spends a lot of time on supplier control and monitoring procedures.

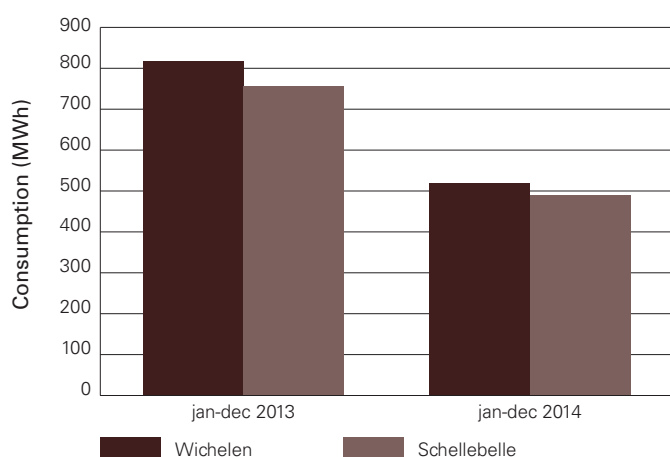
Environmental report

In 2014 we cut electricity consumption at our Schellebelle site by 9.6% compared with the 2013 figure. We cut consumption at our Wichelen site, too, by 6.6%. In Schellebelle this was primarily achieved by eliminating needless consumption, by switching off lights in vacant parts of the building and powering down cooling units when they were not needed. The cooling units are the biggest electricity consumers in Schellebelle. During the alteration works we will install a brand new eco-friendlier controller for the HVAC system to help keep energy consumption down. The three existing cooling units will be cascaded, which will have a positive effect on energy consumption. We will also install a new compressor in Schellebelle, with the focus on energy efficiency. The non frequency-driven 18 kW compressor will be replaced by an 11 kW frequency-driven compressor.

In Wichelen we connected the compressed air network of the two buildings, Meerbos 22 and Meerbos 24, in 2014. An intelligent compressor controller drives the four compressors, optimising energy consumption. In 2015 we will optimise the HVAC system at Meerbos 22 to improve comfort in the building. Our focus there is on energy efficiency. In Wichelen the cooling units also consume a lot of electricity and the intention is to cascade those cooling units with the new arrangement, too.



In 2014 gas consumption to heat the buildings fell by 35.6% in Wichelen compared with 2013. The corresponding fall in Schellebelle was 35.3%. This was primarily achieved by switching off the burners when heating was not needed. The spring of 2014 was significantly warmer than the spring of 2013. Both the alteration works in Schellebelle and improvements to the HVAC system in Wichelen feature a focus on energy efficiency by upgrading the controller and the system itself. Lower consumption will also result in lower carbon emissions.



As part of the alteration works in Schellebelle, the entire drainage system will be modernised to meet the new standards for a separate sewer system. We will also stockpile rainwater, some of which will be used in the sanitary system. We already do this at Meerbos 24.

Waste will be sorted and collected separately as much as possible within the company. Paper/cardboard and residual waste are the largest waste flows from both production and the offices. Foil and films are collected and removed separately, as is PMD waste (plastic bottles, metal packaging and drinking cartons). The small quantities of iron waste, electronics, strip lights, batteries and prunings are also sorted and collected separately.

In the spring of 2015 the paper/cardboard compactor will be taken out of use in Schellebelle and a new baler will be taken into use in Wichelen, where most paper and cardboard waste is produced. This will reduce transports of this type of waste, which also results in lower carbon emissions.

The environmental permit for Schellebelle is valid until January 2016. The extension of the class 2 environmental permit was applied for in mid January 2015. The following application will be for Meerbos 22. The environmental permit for that site is valid until June 2017.

Contribution to the Belgian Treasury

The total contributions made to the Belgian Treasury represent 70% of the operating profit of Van de Velde that was generated in Belgium. This operating profit is based on the statutory financial statements and amounted to 45,354 thousand euro at 31 December 2014.

000 euro	Total	Expense for Van de Velde	Withheld by Van de Velde
Social security contribution	5,033	5,033	0
Withholding tax on wages	3,368	0	3,368
Income tax	16,102	16,102	0
Difference between recoverable and deductible VAT	2,136	0	2,136
Withholding taxes	4,348	50	4,298
Property taxes	163	163	0
Provincial and municipal taxes and other federal taxes	65	65	0
Taxes on insurance premiums	70	70	0
Import duties	641	641	0
Total	31,926	22,124	9,802

