Van de Velde

Annual Report 2011

OUR MISSION

To shape the body and mind of women

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

Photography

Marc De Groot (Marie Jo)
Frank Uyttenhove (PrimaDonna)
Gaetan Caputo (Marie Jo L'Aventure)
Zeb Daemen (PrimaDonna Twist)
Ferrater Studio (Andrés Sardá)
Sergi Pons (Sarda by Andrés Sardá)

Form, typesetting, printing and finishing

Lannoo Drukkerij
113086 | www.lannooprint.be

Deze jaarbrochure is eveneens beschikbaar in het Nederlands, bij de hoofdzetel van de onderneming.

Contact

For clarification of the information in this annual report please contact:

Stefaan Vandamme
Financial Director
Tel.: (09) 365 21 00
Fax: (09) 365 21 70

Editor

Van de Velde NV
Lageweg 4
9260 Wichelen
Tel.: (09) 365 21 00
Fax: (09) 365 21 70
VAT 448 746 744
Company number RPR 0448 746 744
Dendermonde
website: www.vandevelde.eu

Table of contents


MARIE JO
—HAUTE LINGERIE—

Message from the Chairman

Van de Velde experienced another successful year in 2011 and all employees should be congratulated for that. They have worked hard every day for many years to fulfil their mission, which is to deliver products that give consumers total satisfaction and meet the highest expectations in terms of both function and emotion. On a daily basis, Van de Velde employees bridge the gap between craftsmanship and creativity. Van de Velde products belong to a select group of genuine luxury products: guaranteed unfailing quality and exceptional design.

At Van de Velde, we know we can only be successful if we have the full cooperation from our customers, the retail shops. With that in mind, outstanding service and support for our customers are an essential part of our business. And with consumer expectations and demands rising all the time, these factors will only become more critical.

Anyone who follows Van de Velde's activities closely will know that the second half of the year was much more difficult than the first six months. The fears many businesspeople have harboured since the 2008 financial crisis, have now indeed become reality. The financial superpowers have managed to pass the buck for the mess they themselves caused, to the state, which is now recovering its losses from taxpayers. That entails savings and new taxes, and less money for investments and consumption. The West will be first to suffer, followed by the rest of the world, because the West consumes what the rest of the world produces. Per capita welfare and consumption in the non-Western world are of little consequence. The problems the West has, encumber the growth potential of the rest of the world and could push the global economy into a long downward spiral. When a business experiences financial and commercial difficulties drastic measures are called for. Spend has to be reduced, customer focus sharpened, ambition fostered; you have to work harder and become more innovative – do more with less. Every businessperson knows that and it is the duty of those in charge at national and international level to behave like responsible businesspeople.

Only businesses that have a fighting spirit for a long time in their corporate culture, that are always alert, and that do not just take advantage of a tail wind, will be able to survive the present crisis. But even that will not be enough. Businesses will have to look critically at themselves and their surroundings. They will have to resist the lure of simply continuing to work diligently (as usual) in the hope that everything will turn out okay. Eventually a business has to let go off the past completely, although in most cases it will have to seek new ways to capitalise on the DNA on which its success is based. It has to have the courage and the vitality to move into new areas, to become stronger and grow in areas in which it is already active. So businesses will have to find ways to make the most of the present situation, while also laying the foundations for success in a totally new situation. Short term and long term are not diametrically opposed – they form a necessary symbiosis in the quest for success. That is something Van de Velde has always been committed to, because we have never felt that anything was our right or guaranteed. We have never thought that a successful, prosperous business is immune to failure. We have always understood that success is not just driven by creative, dynamic enterprise, but also a good understanding of the where and the when. Luck is a big factor, too, but you only get lucky if you work hard to make sure you are in the right place at the right time.

With that in mind, Van de Velde began establishing relationships with our customers – independent retailers – many years ago. It seemed a little rash at the time and stirred up a lot of resistance. All the more so because, at the same time, we developed our own retail concept in those locations where independent retailers for whatever reason were not making an impression. The driving force behind those initiatives is the same: the conviction that it is no use having the ambition to develop and produce the world's best product if you fail to ensure that the service around this product is the best consumers can expect. Many Van de Velde customers have leveraged their extensive know-how and business acumen to put that into practice in their own store, with impressive results. They deserve Van de Velde's great respect and permanent support. But they, too, cannot rest on their laurels. They have to show the ambition and enthusiasm to continue to build and improve.

Because looking at the market from a geographical point of view, there are lots of gaps waiting to be filled up. The United States is an obvious case in point, as shown by the success of Intimacy. The situation is less clear in Europe, but opportunities do exist, as our early success in Germany has proven, on the back of 10 years' hard work. We took our first steps in the Far East in 2011. But our own retail stores are just one part of the story, and, above all, a means to an end. The essential thing is that we believe in specialisation. Preferably hand in hand with independent retailers wherever possible. Our primary goal is partnership with independent retailers who are focused on our products and the type of consumer we are interested in.

It is our duty to the specialty retailers we partner with to ensure that our range within the high-end segment is as comprehensive as can be. Our brand portfolio is built upon that duty. Every brand – across all the variations – has its place and targets a specific consumer or a specific experience. And each individual product in that brand has to be right.

Clarity is our strength. We know what Van de Velde stands for and the commitment of all our employees to our goals is a constant ingredient. We realize that there are tough years to come, but we are not put off by the scale of the challenge. Van de Velde will rise to it.

Lucas Laureys
Chairman of the Board of Directors

Activity report

There are dark clouds above the West and the sky will not clear for some time. Governments and consumers have lived on credit for too long, which has resulted in a total debt of up to four times our Gross Domestic Product ('GDP'). What business would ever dare to rack up a debt four times its turnover? In recent years, growth in the USA and Europe seems to have been based on an elaborate pyramid scheme. Yet every economics textbook advocates the driving power of debt. If you borrow money at a given interest rate and reinvest it at a higher expected return on investment ('ROI'), you create economic value. That is known as the 'positive financial leverage'. They taught us that at school. Perhaps we have forgotten that a 'ROI forecast' is not guaranteed, whereas paying the interest on borrowed money is a duty. There was probably a footnote where it said that there was a limit to borrowing capacity because borrowed money becomes more expensive as the debt rises. But who remembers the footnotes? It is regrettable that we seem to have forgotten the lesson of our parents and many traditional family businesses: "keep saving, because debt is the beginning of slavery!" A responsible debt position based on strong cash flows remains an important driver of growth in any business. But it is vital not to overstretch.

Those dark clouds certainly have an impact on the mood of Western consumers. Repay first, reinvest later. But at Van de Velde we must not concern ourselves with that mood; we must simply continue on the course we have set. Strategically founded ambition, customer focus, and a desire to perform and implement are the best response to a crisis. Growth starts in the mind, but it needs to have rock-solid foundations. A house of cards is liable to collapse. We have continued to grow in 2011, although it took a lot of hard work and the growth factor is lower than it was in 2010. Anyone who thinks that growth is linear and perfectly predictable would do better to leave the arena and make comments and calculations from the sidelines.

Wholesale

Turnover growth of around 2% is reasonable after the record year 2010. But we wanted more. Northern Europe (UK, Scandinavia) continued to be a tough nut and slowed down the Group as a whole. Turnover fell in the North due to the reaction of Northern European consumers to the crisis, a number of developments in distribution and a somewhat belated move towards better leadership (within Van de Velde) in the zone. However, Switzerland and Southern Europe (not including Greece) provided a pleasant surprise, despite general concerns in Southern Europe. North America continued to grow slowly. The restructuring of the German sales team gave our turnover in Germany a big push, and that has clearly continued in the first half of 2012.

PrimaDonnaTwist was the biggest growth brand. Andres Sarda posted growth of over 20% in 2011, but started from too low a basis. One swallow does not make a spring. We need to continue to build. Marie Jo was strong – Marie Jo l'Aventure less so.

We did not add any new sales or marketing programmes. Instead we focused on deepening what we have developed over recent years. Our basic programmes are working well and there is no reason to revise them fundamentally. We want to beef up our marketing support.

Retail

Oreia turnover in Germany grew by around 10% (store-to-store). The Barcelona store has also reached break-even after over a year. This is the basis for further growth in Catalonia.

The central organisation of LinCHérie (Netherlands) was moved to Belgium due to clear synergies with the rest of our retail organisation. In the second half of 2011 we announced our intention to turn LinCHérie into a hard-franchise formula, positioning itself around Lingerie Styling. That policy will be introduced in spring 2012.

Intimacy had a tough year. Turnover fell on a store-to-store basis. This was offset by new store openings, which resulted in a total turnover of 38.4 million American dollar. The fall in turnover across existing stores was only due in a limited degree to the economic crisis. On 1 May 2012 Van de Velde will obtain full management control of Intimacy from the founding shareholders, the Netheros. We have identified numerous potential improvements to be realized in the second half of 2012. The market share of the Van de Velde brands within Intimacy has doubled since the alliance was formed in early 2007. Together with the new stores and the ensuing turnover growth, this results in significant value creation. Intimacy's growth targets will be maintained. We want to have up to 20 stores open through the United States by the end of 2012.

The UK chain Rigby & Peller was acquired in August 2011. Rigby & Peller is the most authentic brand to focus on 'bra fitting' (the UK origin of Lingerie Styling). It ended the year with six stores in London. As with Intimacy, the intention is to strengthen the basic structure so that Rigby & Peller is ready for further development throughout the UK. There are also possibilities for the brand internationally.

At the end of 2011 a joint venture was established for the expansion of the Private Shop chain in Hong Kong and China. At the start of the partnership the chain comprises 22 stores. Founder Getz chose Van de Velde as partner because of our Lingerie Styling know-how and our commitment to gradually tailor the product range to Chinese consumers. Work already started on that in the course of 2012.

2012 will be a very important year for Retail. Bearing in mind the need to continue the above initiatives, new team members joined the Retail department in 2011.

Operations

– *Production in Tunisia*

Around half of the production activities are based in Tunisia, partially in our own company and partially through subcontractors. The Jasmine revolution and political upheaval had no impact on operations. The production lines were not disrupted by the political events at any time. However, management did decide to delay a scheduled investment to expand activities. The investment has since been rescheduled for 2012.

– *Production in China*

The remaining production is based in China, through our partner Top Form, a listed company on the Hong Kong stock exchange. Van de Velde has a 25.7% stake in Top Form, which has various plants in various countries. Production for Van de Velde has been centred at the Nan Hai plant in Guandong province for many years.
Faced with fast-rising costs in southern China, Top Form increased the prices it charges Van de Velde at the beginning of 2011. It is expected that the trend of rising costs will continue and in the long term Van de Velde will work with Top Form to find alternative production opportunities in the Asia region.

– *Deliveries*

Van de Velde has invested huge efforts in recent years to improve deliveries to customers and we apply concrete targets to measure our delivery reliability. We strive to have at least 95% of all stayer references in stock. In 2011 this target was comfortably achieved, with an average of 97% of all stayers in stock.
For fashion collections, we aim to deliver 85% of orders within the agreed term. We exceeded that goal in 2011, which was not the case the preceding year. In the spring 88% of orders were delivered within the agreed term; in the autumn that rose to 93%.

– *Investments*

Work began on the new facility in Wichelen in mid 2011. The three-storey premises with underground car park will have a ground floor area of 3,000sq.m. If everything goes to plan, the raw materials warehouse and the cutting room will relocate from Schellebelle to the new site in July 2012.
A mini-load system was installed in the distribution centre with a capacity of 30,000 bins. This automatic storage system was linked to the existing Order Storage Retrieval (OSR) system. The existing pick-to-light system was also enlarged by 280 positions.
The M3-ERP system was successfully upgraded in early November. This should enable Van de Velde to refine the processes and improve performance and efficiency.

People

– Building on the results of the 2010 employee satisfaction study, efforts were made to raise employee involvement. Improving communication was an important aspect.

– Total employment within the Group rose by 3.8% to 1,545 employees.

– The new job of Talent Manager was introduced in early 2011. It is the responsibility of this jobholder to identify, optimally deploy and support all talent within the company. Talent is everyone's business, not just management's. Van de Velde's philosophy is that everyone is talented and that it is the responsibility of managers to deploy talent in the right place and environment and to support it in the right way. A long-term project was set up at the end of 2011 to improve and strengthen leadership in the company. The project has been set up in association with an external advisor and will be live all the way through 2012.

– Innovation: brainstorming sessions have been set up throughout the company to develop new ideas that can be put into practice. This has led to fifteen or so concrete proposals, which will be monitored by the Management Committee.

– Seniority bonus: in 2011 the decision was taken to give all Belgium-based employees with 25 or 35 years' service a special bonus as a token of gratitude for their loyalty. The bonus amounts to 500 euro or 1000 euro – and is tax-free.

– On the basis of the collective labour agreement introducing non-recurring performance-based benefits, all Belgium-based employees without an individual bonus plan earn a bonus when turnover rises by a certain amount. The bonus for 2011 was 200 euro.

– SA8000: Van de Velde continued to be audited every six months in 2011 to check compliance with the social standards laid down in SA8000 and the results were again positive. The SA8000 certificate expires at the end of 2012, so a detailed recertification audit will be conducted in 2012.

Outlook 2012

It is clear that 2012 will be a tough year in economic terms. However, we cannot allow that to push us off course. We continue to follow our fitting room strategy. We want to help strengthen the pull of the fitting room for consumers and capture a high market share for our brands. There are a number of important action items in this regard:

– Ambition, built on a strategic foundation.

– Focus on 3 brands: PrimaDonna, Marie Jo, Andres Sarda.

– Belief in specialty boutiques. Continued deepening of our programmes.

– Rollout of the German sales structure to other countries.

– Cost reductions where possible and necessary, but never to the detriment of quality and customer focus.

– More ambition in marketing. More means.

– Development and standardisation of the Lingerie Styling concept in our retail channel in various countries.

– Improvement of Intimacy's sharpness.

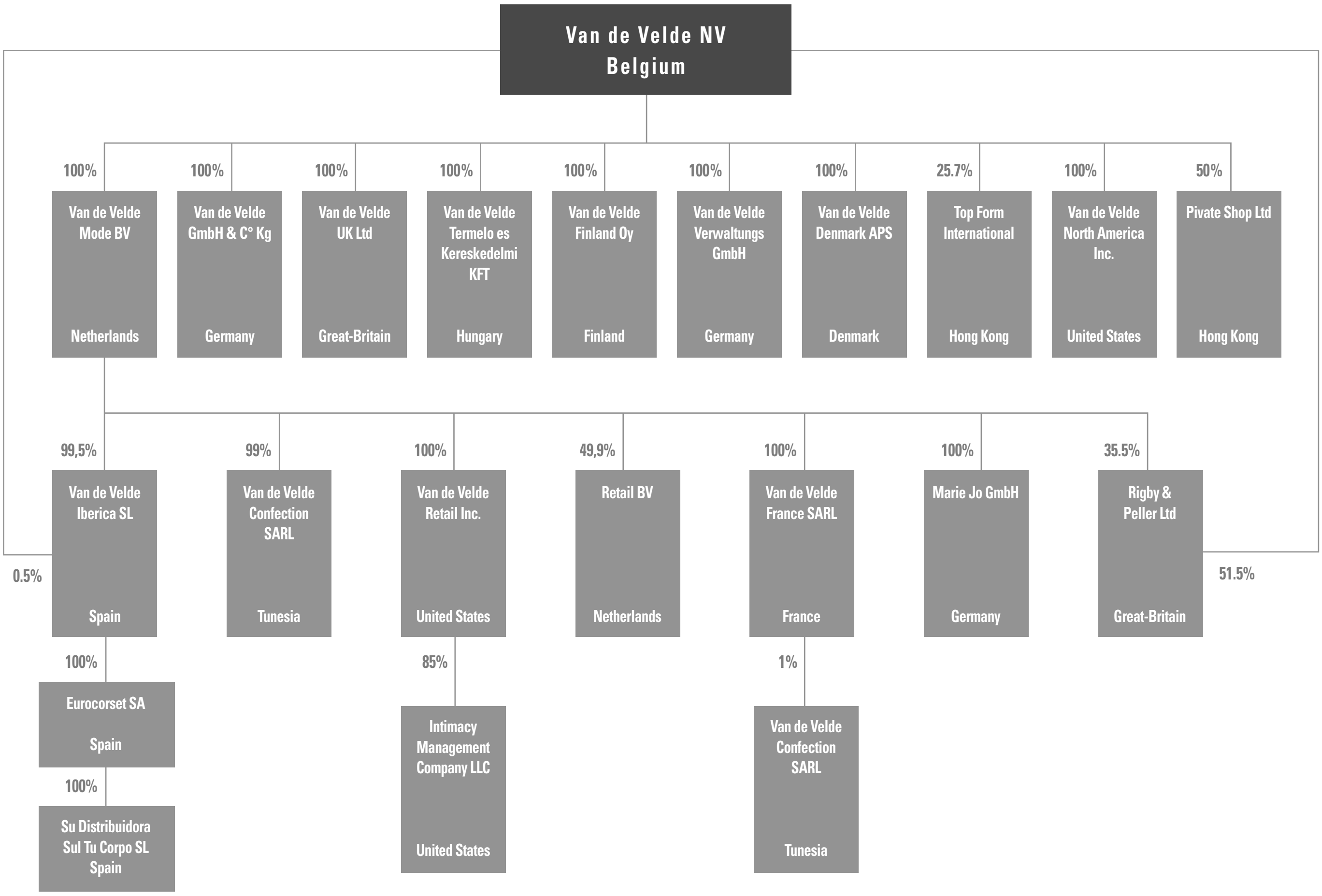
– Expansion of Rigby & Peller.

– Hard franchising for LinCHérie Netherlands, albeit with fewer members than today.

– A good start for Private Shop in Hong Kong and China.

We cannot predict what growth this will lead to. The power of the headwind and the intensity of rainshowers, will impact the outcome. But the course has been set and the team is in good spirits.

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.

In August 2011 Van de Velde acquired 87% of the shares of Rigby & Peller Limited ('R&P'), for which it paid 8 million pound sterling. The Kenton Family remains a minority shareholder for 13%. It was the sole shareholder until the acquisition and will continue to have a role in the future through June and David Kenton. R&P is the leading UK retail chain positioned on 'bra fitting' (Lingerie Styling). Its mission is providing consumers with high-quality advice in the fitting room. R&P operates 6 stores in Greater London. R&P is a reference brand for the British consumer and is holder of the Royal Warrant. We refer to note 3 of the consolidated financial statements for further information.

In November 2011 Van de Velde and Getz Bros. (Hong Kong) Ltd. ('Getz') entered into a business agreement (Joint Venture) to run and further develop Private Shop. Van de Velde and Getz each own 50% of the newly established Joint Venture (Private Shop Ltd.). Private Shop has been active in lingerie retail in for 16 years in Hong Kong and for 5 years in the People's Republic of China ('PRC'). It operates 11 retail outlets in Hong Kong and 11 in PRC.
The strategic intent is to expand the business across Hong Kong and PRC, with a clear positioning on 'Lingerie Styling' while maintaining a multi-brand offering.
The Joint Venture is operational as of early January 2012. We refer to note 29 of the consolidated financial statements for further information.

The liquidations of Guliano (HK) Limited and Van de Velde Italia SRL were successfully completed in 2011.

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 15 December 2009 the Board of Directors of Van de Velde NV approved the Corporate Governance Charter, which is available on the company's website. In this Corporate Governance Charter, which is based on the Corporate Governance Code, Van de Velde NV summarizes the deviations from the Corporate Governance Code, which are mainly dictated by the company's family nature.

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 2012);
- Herman Van de Velde NV, always represented by Herman Van de Velde, managing director (tenure expires at the Ordinary General Meeting of 2012);
- Herman Van de Velde, director (tenure expires at the Ordinary General Meeting of 2012);
- Bénédicte Laureys, director (tenure expires at the Ordinary General Meeting of 2012);
- EBVBA 4 F, always represented by Ignace Van Doorselaere, managing director (tenure expires at the Ordinary General Meeting of 2016);
- Management- en Adviesbureau Marc Hofman V.O.F., always represented by Marc Hofman, 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).

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

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

Lucas Laureys NV, Bénédicte Laureys, Herman Van de Velde and Herman Van de Velde NV represent Van de Velde Holding NV, the majority shareholder of Van de Velde NV. The first two named above are non-executive directors. Herman Van de Velde NV is together with EBVBA 4F a managing director and also a member of the Management Committee.

Lucas Laureys NV chairs the Board of Directors.

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 the Belgian 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 the 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 2011 the Board of Directors met five times. There was an additional 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. Management- en Adviesbureau Marc Hofman V.O.F. was excused for one Board of Directors. Otherwise, all Boards of Directors were fully attended.

Committees within the Board of Directors

(a) Audit Committee

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

The Audit Committee advises the Board of Directors on the following:

- Appointment (and dismissal) and remuneration of the statutory auditor;
- Preparation of bi-annual and annual results;
- Internal control and risk management;
- External audit.

The Audit Committee is composed as follows:

- Lucas Laureys NV, always represented by Lucas Laureys;
- Management- en Adviesbureau Marc Hofman V.O.F., always represented by Marc Hofman;
- 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 Management- en Adviesbureau Marc Hofman V.O.F., always represented by Marc Hofman.

The Audit Committee meets no fewer than three times a year and as often as considered necessary for its proper operation. In 2011 the Audit Committee met five 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.

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 and 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.

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 four times in 2011. 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 at least once 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.

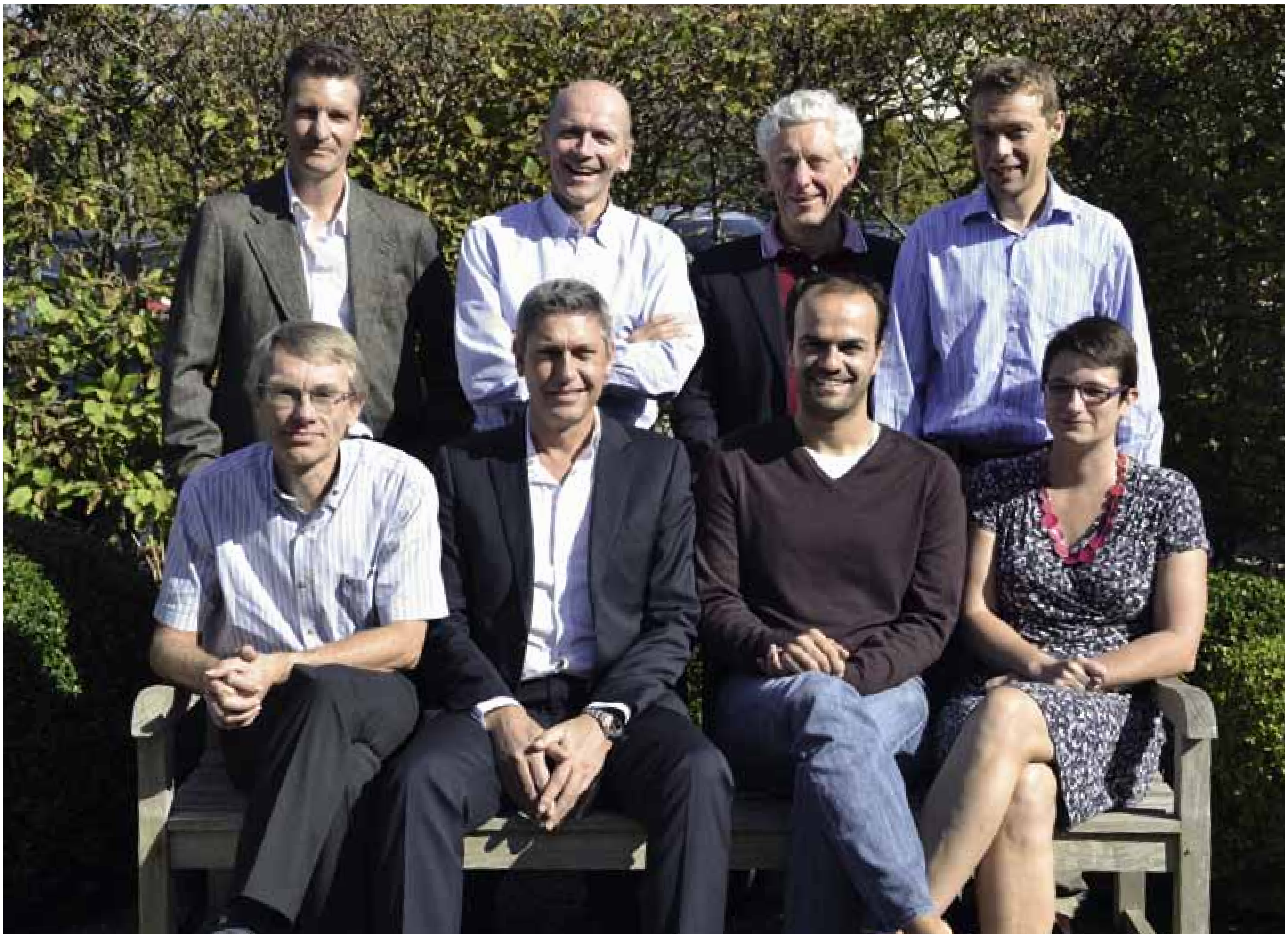
The Management Committee is composed as follows:

– Herman Van de Velde NV, always represented by Herman Van de Velde;
– EBVBA 4F, always represented by Ignace Van Doorselaere;
– Stefaan Vandamme, CFO;
– Dirk De Vos, international sales director;
– Karlien Vanommeslaeghe, human resources director;
– Philippe Vertriest, business development director;
– Antony Verbaeys, international retail director.

On September 5, 2011 the Board of Directors appointed Antony Verbaeys – international retail director – as a 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 team is composed of two managing directors (Herman Van de Velde NV, always represented by Herman Van de Velde and EBVBA 4F, always represented by Ignace Van Doorselaere). The managing directors are members of the Management Committee.

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

The Board of Directors evaluates the performance of the committees at least every three years.

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

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

Remuneration report

1. Introduction

The remuneration report provides transparent information on Van de Velde's remuneration policy for its directors and members of the Management Committee, in accordance with the Belgian Corporate Governance Act of 6 April 2010 and the Belgian Corporate Governance Code. The underlying remuneration report will be submitted for approval to the General Meeting of 25 April 2012 and presented to the worker's 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 receives gross remuneration of 60,000 euro. The other non-executive members receive annual remuneration of 12,000 euro for their membership in the Board of Directors and 2,500 euro for their membership in 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.

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 that 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 used to propose the job weighting and the corresponding customary salary package in the relevant market. The compensation is regularly benchmarked on the basis of a relevant sample of listed companies.
The managing directors make 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 personal 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 from 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 ("Group bonus") is granted to the CEO and the members of the Management Committee, with the exception of Herman Van de Velde NV. This is based on the attainment of annual targets relating to the fiscal year for which the variable remuneration is payable, as set by the Nomination and Remuneration Committee. These targets are based on objective parameters and are closely linked to the results of the Group. Every year, the Nomination and Remuneration Committee evaluates the degree to which the targets[1] have been met and submits this report to the Board of Directors for approval. The maximum amount of this Group bonus, not including the CEO, is 37,500 euro per member.

1 The audited figures are used as a basis for determining whether the targets with regard to the Group result have been met.

There is also an individual bonus scheme for some members of the Management Committee, 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.

The maximum amount of the individual variable remuneration, not including the two members who are entitled to claim a loyalty bonus (see below), is 27% of the gross basic remuneration Two members of the Management Committee (including the CEO) are entitled to a loyalty bonus, which entails the individual bonus being established annually based on the targets attained in the year in question, although the actual payment only occurs if they still work for the company on a date established in advance. In additional 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 (including remunerations received from other companies that form part of the Group and remunerations received for other tasks and/or tenures) awarded in 2011 to the members of the Management Committee (including Herman Van de Velde NV) and the CEO amounts to:

	Management Committee[2]	**CEO**
Basic remuneration	1,126	453
Variable remuneration	317	143
Pensions	23	0
Other benefits	13	0

The variable remuneration is the bonus acquired during the reported year. 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 hospitalisation insurance.

Currently, all members of the Management Committee, with the exception of the managing directors, 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 notice compensation as the company sees fit. No other notice compensation is provided for. The members of the Management Committee who work through a management company – the managing directors – are employed on an independent basis and are subject to a notice term of six months.
In 2011 no members of the Management Committee received severance pay.

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.

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 2011 Hedwig Schockaert was granted 5,000 options. No unexercised options expired.

2 Excluding the CEO. The total gross remuneration of Antony Verbaeys will be included in the total gross remuneration of the Management Committee pro rata 4 months.

	Options end 2010	Granted and accepted in 2011		Exercised in 2011		Options end 2011
		Number	Exercise price	Number	Exercise price	
4F EBVBA	15,000	0		5,000	34	10,000
Herman Van de Velde NV	30,000	0		10,000	34 en 28.33	20,000
Dirk De Vos	10,000	0		0		10,000
Hedwig Schockaert	15,000	5,000	34	5,000	28.33	15,000
Stefaan Vandamme	10,000	0		0		10,000
Karlien Vanommeslaeghe	5,000	0		0		5,000
Philippe Vertriest	7,500	0		5,000	28.33	2,500
	92,500	**5,000**		**25,000**		**72,500**

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 at least every six months to the Management Committee and at least 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 have an important role for the completeness and correctness of the reported figures are regularly verified by the financial department. This occurs on the basis of random sampling and is, for example, the case for 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.

On 10 January 2012 it was announced that Delta Lloyd NV no longer meets the statutory threshold of 3%.

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.

Statutory auditor

The General Meeting of 28 April 2010 of Van de Velde NV appointed Ernst & Young Bedrijfsrevisoren BVCBA, Moutstraat 54, 9000 Ghent, represented by Jan De Luyck, as the statutory auditor. This appointment runs until the Ordinary General Meeting of 2013.

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 2011 for auditing of the statutory and consolidated financial statements of Van de Velde NV was 45,500 euro (excl. VAT). The total costs for 2011 for the auditing of the annual accounts of all companies of the Van de Velde Group was 74,497 euro (excl. VAT), including the 45,500 euro mentioned above.

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 53,920 euro (excl. VAT), of which:

- 2,600 euro for other auditing tasks;
- 51,320 euro for tax advice and compliance tasks.

Belgian Code on Corporate Governance

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

The following provisions were not complied with:

(i) Principle 2.3, At least three members of the Board must be independent

"Van de Velde NV has opted for a small and efficient Board of Directors, with the delegation of a large part of its powers to the Management Committee. In that sense a Board of Directors comprising eight directors, two of which are independent directors, three non-executive directors and three executive directors, is considered to be balanced and there is no immediate need for a third independent director."

Conflict of Interests Scheme

In 2011 no conflict 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 the NYSE Euronext exchange, since 1 October 1997, under the abbreviation 'VAN' (MNENO).

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

Euronext lists Van de Velde in the continuous Eurolist by Euronext market, via the Brussels access point, in compartment B (market capitalization between 150 million and 1 billion euro).

In line with its series of local indexes, Euronext in 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 increased slightly from 1.59% in 2009 to 1.89% in 2011.

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/NYSE 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 and must be convened whenever the shareholders representing one-fifth of the capital 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 (22 May 2008) to raise the subscribed capital by one or more times by a total amount of 1,926,406.25 euro, under the conditions stated in the Articles of Association.

Acquisition of own shares
On 29 April 2009 the Extraordinary General Meeting of Shareholders authorized the Board of Directors to buy or sell its own shares. This authorization is valid from 25 May 2009 for a period of (i) three years if the acquisition is necessary to avoid a serious threatened disadvantage and (ii) five years 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.

No own shares were acquired in 2011.

The treasury shares owned by Van de Velde NV at the end of 2011 are held with the intention of offering them to the management within the framework of a stock option programme initiated in 2005. See note 14 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 a sufficient self-financing capacity to respond to interesting investment opportunities;
- Remuneration proportionate to cash flow expectations.

The customary dividend payment percentage is 40% of the consolidated profit, Group share, excluding profit based on the equity method.

Financial Services
The financial services are provided by ING as main payment agent. This relates to the payment of the coupons for Van de Velde NV shares that have expired.

The main payment agent and the payment agents will retain the settled coupons for a period of five years. After this period the coupons will be destroyed. The processing of the electronic and physical coupons takes place in accordance with the procedures of Euroclear Belgium and through the systems of Euroclear Belgium.

Proposed profit distribution
The dividend on distributable profit will be allocated to the shares with rights that are not suspended. So, taking into account the number of treasury shares held for which no profit share is retained, distributable profit will not be reduced. This concerns 63,095 own shares purchased within the framework of the option programme (see above). Reference is made to Article 622 of the Companies Code.

The number of shares with dividend rights is accordingly reduced from 13,322,480 shares to 13,259,385 shares.

The application of the pay-out percentage (40% of consolidated profit, Group share, excluding profit based on the equity method) produces a dividend per share of 1.18 euro.
Van de Velde has the policy of not retaining excess cash in the organization, but distributing it in one way or another to the shareholders. Cash required for operating and investing activities is evaluated on an annual basis. For 2011 this implies that the Board of Directors will propose to the General Meeting the payment of a dividend for the fiscal year 2011 of 2.15 euro per share. After the payment of 25% withholding tax, this represents a net dividend of 1.61 euro per share.

After approval by the General Meeting the dividend will be paid out from 7 May 2012 at branches of Bank Degroof and ING upon presentation of coupon 6.

Financial Calendar

Closing of financial year	31 December 2011
Announcement of 2011 turnover figures	4 January 2012
Announcement of annual results	17 February 2012
Publication of annual financial report	23 March 2012
General Meeting of Shareholders	25 April 2012
Publication of first interim statement	25 April 2012
Ex-coupon date	2 May 2012
Registration date	4 May 2012
Dividend payment date	7 May 2012
Announcement of H1 2012 turnover figures	5 July 2012
Publication of 2012 half-year results	24 August 2012
Publication of second interim statement	16 November 2012
Closing of financial year	31 December 2012

Notice to the shareholders

As of 31 December 2011, 88,450 Van de Velde NV bearer shares were in circulation. Bearer securities must be converted to nominative securities or dematerialized securities by 31 December 2013. Under Belgium's Di Rupo government the conversion will be subject to a new duty equivalent to 1% of the value of the securities as of 1 January 2012. That duty would rise to 2% as of 1 January 2013. This duty is payable by the shareholder. We advise our shareholders to convert their shares at their earliest convenience so as to minimize the duty on the conversion. Van de Velde NV shares can be converted by:

– conversion in accordance with Article 462 of Belgium's Companies Code, whereby bearer shares can be converted into nominative shares at any time;
– deposit of the bearer securities with a recognized accountholder (bank) and subsequent registration on a securities account.

4 | Consolidated key figures 2011

Profit and loss account (in millions of euro)	2011	2010	2009	2008	2007
Operating Income	184.5	170.5	143.6	135.3	132.2
Turnover	179.8	166.3	140.1	133.0	130.3
Recurring EBITDA (1)	53.8	52.3	44.2	43.4	44.6
Recurring EBIT (2)	49.4	46.3	41.0	40.2	41.7
Consolidated result before taxes (3)	54.3	52.5	37.5	40.2	43.8
Consolidated result after taxes (3)	41.0	39.9	27.2	28.6	30.7
Profit for the period (4)	41.2	40.0	26.6	28.6	31.0
Operating cash flow (5)	46.7	34.9	33.7	29.6	32.2

(1) EBITDA is earnings before interest, taxes, depreciation and amortization on tangible and intangible assets. The recurring EBITDA for 2009 does not include the non-recurring restructuring costs for Hungary and Eurocorset in the amount of 2.9 million euro.
(2) EBIT is earnings before interest and taxes, The recurring EBIT for 2009 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)	2011	2010	2009	2008	2007
Fixed assets	103.9	89.0	65.6	66.1	44.6
Current assets	96.6	92.9	83.7	71.2	86.4
Shareholders' equity	168.1	153.6	135.7	120.9	117.4
Balance sheet total	200.4	181.9	149.3	137.3	131.0
Net debt position (1)	-40.5	-37.8	-40.3	-22.2	-44.5
Working capital (2)	35.7	38.2	32.1	35.5	32.1
Capital employed (3)	139.6	127.2	97.7	101.6	76.8

(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)	2011	2010	2009	2008	2007
Return on equity (1)	25.5	27.6	21.2	24.0	25.2
Return on capital employed (2)	30.7	35.5	27.3	32.0	38.8
Solvency (3)	83.9	84.5	90.9	88.1	89.6
Liquidity (4)	4.7	5.5	7.4	5.4	8.9

(1) Consolidated result after taxes / Average of equity at end of fiscal year and previous fiscal year.
(2) Consolidated result after taxes / Average of capital employed at end of fiscal year and previous fiscal year.
(3) Equity / Balance sheet total.
(4) Current assets / Current liabilities.

Margin analysis and tax rate (in %)	2011	2010	2009	2008	2007
Recurring EBITDA (1)	29.9	31.4	31.5	32.6	34.2
Recurring EBIT (2)	27.5	27.9	29.2	30.2	32.0
Tax rate (3)	25.7	26.2	27.3	29.0	29.8

(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 has been excluded from the consolidated result before taxes.

Stock market data	2011	2010	2009	2008	2007
Average daily volume in pieces	5,329	5,472	3,973	5,905	8,781
Number of shares at year end	13,322,480	13,322,480	13,322,480	13,556,710	13,556,710
Number of traded shares	1,369,623	1,411,725	1,013,229	1,511,681	2,239,046
Velocity	10.3%	10.6%	7.6%	11.2%	16.5%
Turnover (in thousands of euro)	50,269	47,212	27,261	42,230	81,420
(in euro per share)					
Highest price	40.97	39.60	31.00	37.75	40.10
Lowest price	32.25	28.51	22.50	20.30	31.96
Closing price	35.33	39.60	29.36	24.00	37.75
Average price	37.47	33.80	26.70	28.59	37.15

Key figures per share (in euro)	2011	2010	2009	2008	2007
Book value (1)	12.6	11.5	10.2	8.9	8.7
Recurring EBITDA (2)	4.0	3.9	3.3	3.2	3.3
Profit for the period (3)	3.1	3.0	2.0	2.1	2.3
Gross dividend	2.15	2.15	1.65	0.90	0.90
Net dividend	1.61	1.61	1.24	0.68	0.68
Dividend yield (4)	4.56%	4.07%	4.21%	2.81%	1.79%

(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.
(4) Net dividend / Closing price.

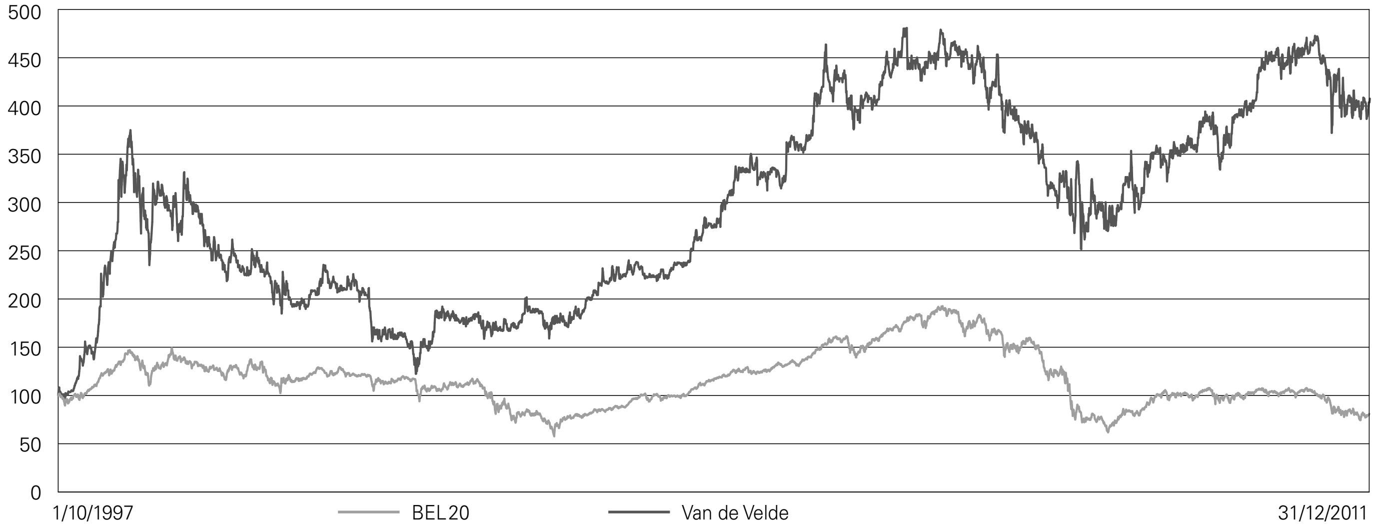
Value determination (in millions of euro)	2011	2010	2009	2008	2007
Book value (1)	168.1	153.6	135.7	120.9	117.4
Market capitalization (2)	470.7	527.6	391.1	325.4	511.8
Enterprise value (EV) (3)	414.9	474.7	325.9	277.1	442.6

(1) Shareholder's 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.

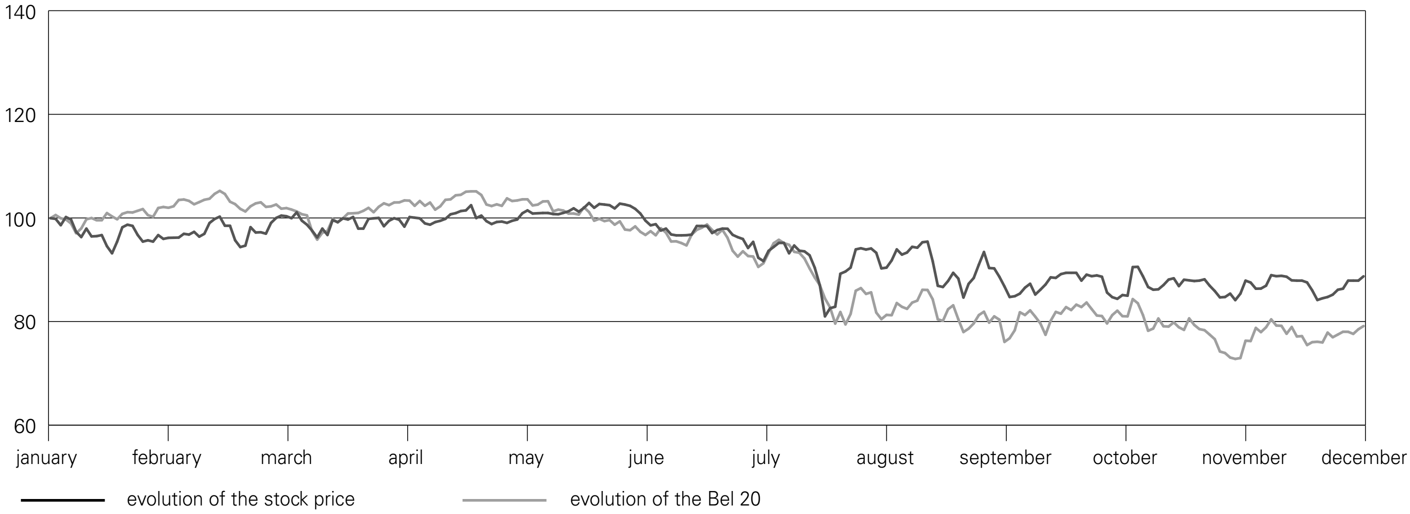
Multiples	2011	2010	2009	2008	2007
EV/Recurring EBITDA (1)	7.7	9.1	7.4	6.4	9.9
Price/Profit (2)	11.5	13.2	14.7	11.4	16.5
Price/Book value (3)	2.8	3.4	2.9	2.7	4.4

(1) Enterprise value / Recurring EBITDA.
(2) Closing price / Profit for the period.
(3) Market capitalization / Book value.

Evolution of stock market price Van de Velde and BEL20



Evolution of stock market price in 2011




twist
PrimaDonna

5 | Consolidated financial statements and related notes

Consolidated balance sheet

000 euro	2011	2010	*(Note)*
Assets			
Total fixed assets	**103,881**	**89,023**	
Goodwill	27,882	28,658	4
Intangible assets	28,927	22,159	5
Tangible fixed assets	26,142	20,726	6
Participations (equity method)	15,367	15,125	7
Deferred tax asset	688	1,227	16
Other fixed assets	4,875	1,128	8
Current assets	**96,568**	**92,885**	
Inventories	34,178	32,814	10
Trade and other receivables	13,797	14,222	11
Other current assets	7,371	7,602	12
Cash and cash equivalents	41,222	38,247	13
Total assets	**200,449**	**181,908**	
Equity and liabilities			
Shareholders' equity	**168,134**	**153,643**	
Share capital	1,936	1,936	14
Treasury shares	-1,699	-2,506	14
Share premium	743	743	
Other comprehensive income	-9,214	-9,792	
Retained earnings	176,368	163,262	
Non-controlling interests	**8,996**	**8,089**	**14**
Total non-current liabilities	**2,884**	**3,286**	
Provisions	906	519	15
Pensions	34	36	
Other non-current liabilities	1,944	2,731	17
Total current liabilities	**20,435**	**16,890**	
Trade and other payables	17,985	16,436	18
Other current liabilities	845	431	19
Income taxes payable	1,605	23	19
Total equity and liabilities	**200,449**	**181,908**	

Consolidated income statement

000 euro	2011	2010	*(Note)*
Turnover	179,846	166,301	28
Other operating income	4,684	4,157	
Cost of materials	-44,589	-38,946	
Other expenses	-47,638	-44,437	
Personnel expenses	-38,519	-34,767	22
Depreciation and amortization	-4,340	-5,993	5, 6
Operating profit	**49,444**	**46,315**	
Finance income	7,655	8,980	21
Finance costs	-2,846	-2,780	21
Share in profit of associates	243	53	7
Profit before taxes	**54,496**	**52,568**	
Income taxes	-13,425	-12,631	23
Profit for the year	**41,071**	**39,937**	
Other comprehensive income			
Currency translation adjustments	848	-308	
Total other comprehensive income	**848**	**-308**	
Total of profit for the period and other comprehensive income	**41,919**	**39,629**	

000 euro	2011	2010	*(Note)*
Profit for the year	**41,071**	**39,937**	
Attributable to the owners of the company	41,201	40,006	
Attributable to non-controlling interests	-130	-69	
Total of profit for the period and other comprehensive income	**41,919**	**39,629**	
Attributable to the owners of the company	41,779	39,698	
Attributable to non-controlling interests	140	-69	
Basic earnings per share (in euro)	3.11	3.03	24
Diluted earnings per share (in euro)	3.10	3.02	24
Weighted average number of shares	13,254,015	13,222,080	24
Weighted average number of shares for diluted profit per share	13,277,110	13,241,421	24
Proposed dividend per share (in euro)	2.15	2.15	25
Total dividend (in 000 euro)	28,508	28,443	25

Consolidated statement of changes in equity

000 euro Change in equity	Attributable to the shareholders of the parent Share capital	Share premium	Treasury shares	Retained earnigs	Share-based payments	Other commpre-hensive income	Equity	Non-controlling interests	Total equity
Equity at 1/01/2010	1,936	743	-2,625	144,456	493	-9,271	135,732	-	135,732
Profit for the period				40,006			40,006	-69	39,937
Other comprehensive income						-521	-521	-63	-584
Acquisition treasury shares			-412				-412		-412
Sale of treasury shares for stock options			531				531		531
Amortization deferred stock compensation					244		244		244
Granted and accepted stock options				-163	121		-42		-42
Deferred stock compensation					-77		-77		-77
Dividends				-21,818			-21,818		-21,818
Non-controlling interests on business combinations							0	8,221	8,221
Equity at 31/12/2010	1,936	743	-2,506	162,481	781	-9,792	153,643	8,089	161,732
Profit for the period				41,201			41,201	-130	41,071
Other comprehensive income						578	578	270	848
Sale of treasury shares for stock options			807				807		807
Amortization deferred stock compensation					224		224		224
Granted and accepted stock options				221	-148		73		73
Deferred stock compensation					-73		-73		-73
Dividends				-28,319			-28,319		-28,319
Non-controlling interests on business combinations							0	767	767
Equity at 31/12/2011	1,936	743	-1,699	175,584	784	-9,214	168,134	8,996	177,130

Consolidated cash flow statement

000 euro	2011	2010
Cash flows from operating activities		
Cash receipts from customers	230,993	208,582
Cash paid to suppliers and employees	-172,543	-152,364
Cash generated from operations	**58,450**	**56,218**
Income taxes paid	-6,920	-15,844
Other taxes paid	-4,558	-5,379
Interest and bank costs paid	-232	-130
= Net cash from operating activities	**46,740**	**34,865**
Cash flows from investing activities		
Interest received (note 21)	620	454
Received dividends (note 21)	1,009	980
Proceeds from sale of equipment	53	12
Purchase of fixed assets (notes 5 and 6)	-7,997	-5,943
Investments in associates	0	-1,492
Investments in other participating interests (note 8 and 12)	-3,040	0
Net sale /(purchase) of treasury shares (note 14)	807	154
Investments in subsidiary, net of cash acquired (note 3)	-9,139	-10,165
= Net cash used in investing activities	**-17,685**	**-16,000**
Cash flows from financing activities		
Dividends paid	-28,505	-21,550
Repayment of long-term borrowings	84	-88
Net financing of customer growth fund	-163	-645
Reimbursement CDO	2,000	0
= Net cash used in financing activities	**-26,584**	**-22,283**
Net increase/(decrease) in cash and cash equivalents	**2,471**	**-3,418**
Cash and cash equivalents at the beginning of the period (Note 13)	**38,247**	**40,361**
Exchange rate differences	504	1,304
Net increase/(decrease) in cash and cash equivalents	2,471	-3,418
Cash and cash equivalents at the end of the period (Note 13)	**41,222**	**38,247**

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 15 February 2012, subject to approval of the statutory non-consolidated accounts by the shareholders at the Ordinary General Meeting to be held on 25 April 2012. 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.

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 4.

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

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 financial year except for the following new, amended or revised IFRSs and interpretations that have been adopted after 31 December 2010 and which have an impact on the consolidated financial statements.

The Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2011:
- IAS 24 Related Party Disclosures (amendment), effective 1 January 2011
- Improvements to IFRS (May 2010), effective 1 January 2011, for which the adoption of the following amendments resulted in changes to accounting policies, but had no impact on the financial position or performance of the Group:
  - IFRS 3 Business Combinations: The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles the holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquirer's identifiable net assets. All other components are to be measured at their acquisition date fair value.
  - IFRS 3 Business Combinations: clarifies that contingent considerations arising from a business combination prior to adoption of IFRS 3 (as revised in 2008) are to be processed in accordance with IFRS 3 (2005).

  - IAS 1 Presentation of Financial Statements: The amendment clarifies that an entity may present an analysis of each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.
  - IFRIC 13 Customer Loyalty Programmes: Clarifies that upon determination of the fair value of award credits, an entity will take account of discounts and other benefits that would be granted to customers who do not participate in the loyalty program.
- Other amendments to the following standards resulting from Improvements to IFRSs did not have any impact on the Group:
  - IFRS 3 Business Combinations: Un-replaced and voluntarily replaced share-based payment awards and their accounting treatment within the framework of the business combination.
  - IFRS 7 Financial Instruments — Disclosures.

The following interpretation and amendments to interpretations are not applicable to the Van de Velde Group:
- IAS 32 Financial Instruments: Presentation (amendment), effective 1 February 2010
- IFRIC 14 Prepayments of a Minimum Funding Requirement (amendment), effective 1 January 2011
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, effective 1 July 2010.

Consolidation principles

Subsidiaries
A subsidiary is an entity directly or indirectly controlled by Van de Velde NV, which also has the power to decide over that subsidiary's financial and operating policies so as to obtain benefits from its activities.

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 at 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 4). 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 and is recorded at cost. The value of this 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 key money is considered to be indefinite. Key money is reviewed periodically for impairment.

(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.

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 financial 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 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 retains substantially 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 long-term 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. Those cash and cash equivalents are financial assets held to maturity. 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's obligations to contribute to 'defined contribution' plans 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 trans-action 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 not expire. 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 financial years starting after 1 January 2011

The Group has not early-adopted any standards or interpretations issued but are not yet effective as at 31 December 2011.

The Group assesses that the impact of adoption of the following new or revised standards and interpretations will not have a significant impact on the financial statements of the financial year in which these are to be adopted:

- IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements, effective 1 July 2011
- IFRS 9 Financial Instruments: Classification and Measurement, effective 1 January 2013
- IFRS 13 Fair Value Measurement, effective 1 January 2013
- IAS 1 Financial Statement Presentation, effective 1 July 2012
- IAS 12 Income Taxes – Recovery of Underlying Assets, effective 1 July 2012
- IAS 19 Employee Benefits (Amendment), effective 1 January 2013
- IAS 28 Investments in Associates and Joint Ventures (as revised in 2011), effective 1 January 2013
- IAS 27 Separate Financial Statements (as revised in 2011), effective 1 January 2013.

The Group is currently assessing the impact of the following new or revised standards and interpretations:

- IFRS 10 Consolidated Financial Statements, effective 1 January 2013
- IFRS 11 Joint Arrangements, effective 1 January 2013
- IFRS 12 Disclosure of Involvement with Other Entities, effective 1 January 2013.

The above changes were not adopted for use in the European Union as at September 30, 2011.

3. Business combinations

On 16 August 2011 Van de Velde acquired 87% of the shares of Rigby and Peller Limited' ('R&P'). The acquisition was effective as of 1 August 2011.

R&P is the leading UK retail chain positioned on 'bra fitting' (Lingerie Styling), i.e. providing consumers with high-quality advice in the fitting room. R&P is a reference brand for the British consumer and is holder of the Royal Warrant.

The Kenton family retains a 13% holding. It was the full owner prior to Van de Velde's acquisition and will continue to be involved in specific roles in the company, through June and David Kenton.

Van de Velde paid 8.0 million pound sterling to acquire the 87% stake.

As of 1 August 2011, R&P is recognized via full consolidation in Van de Velde's consolidated accounts. For the recognition of the business combination in the consolidated accounts, the 13% non-controlling interest in R&P is recognized at fair value.

The fair value of the identified assets and liabilities of R&P at 1 August 2011 is as follows:

	Fair value recognized on acquisition (000 £)	Fair value recognized on acquisition (000 €)
Assets	**9,157**	**10,477**
Intangible fixed assets	5,886	6,734
Tangible fixed assets	1,551	1,775
Inventories	1,132	1,295
Trade and other receivables	257	294
Other fixed assets	331	379
Liabilities	**2,029**	**2,321**
Short term borrowings	197	225
Trade payables	487	557
Other current liabilities	1,049	1,201
Lease incentives	296	338
Total of identifiable net assets at fair value	**7,128**	**8,156**
Non-controlling interest at fair value	(670)	(766)
Goodwill arising on acquisition	1,529	1,749
Fair value 87% R&P	**7,987**	**9,139**

The net cash outflow on acquisition is equal to the purchase price paid and is fully in line with the fair value for 87% of the shares, which is also due to the fact that no funds were received through acquisition.

The fair value of the assets and liabilities recognized on acquisition largely corresponds to the carrying amounts of the various assets and liabilities. There is, however, one important exception, i.e. the intangible assets. On acquisition, a fair value was calculated for the R&P brand and concept. This fair value was determined using the following criteria:

– Valuation in accordance with the relief-from-royalty method applying a royalty percentage for retail business at market conditions.
– The royalty is applied to the estimated turnover growth for the existing stores on acquisition.
– The future value takes account of a growth rate of 1%.
– A 7.5% asset-specific discount rate is established.
– Given growth by opening new stores is not included in the valuation of the brand, all of this growth is part of goodwill.

The applied fair values were determined as follows:
– The actually paid sum of 8 million pound sterling was taken into account for 87% of the shares.
– To value the 13% non-controlling interest, the future development of a number of performance indicators was estimated. Since R&P is not listed, no market information was available. The Group evaluates these performance indicators on a regular basis.

The goodwill of 1,749 thousand euro primarily represents future synergies with Van de Velde and other business-critical assets, which cannot, however, be valued separately as intangible assets for IFRS purposes and with due consideration for the specific characteristics of the retail business, such as customer list, new store openings and knowhow of R&P employees.

The controlling interest in R&P is held by companies within the Van de Velde Group, with the euro as functional and reporting currency. The above components (except for goodwill and the R&P tradename) will accordingly be revalued at closing rates on every balance sheet date with revaluation results recognized as other comprehensive income in shareholders' equity.

Based on a full consolidation, R&P's contribution to the consolidated profit over the period is 9 thousand euro, comprising the following components:
– The negative contribution to the operating profit equals 20 thousand euro. R&P generated an operating profit before depreciation and amortization (EBITDA) of 131 thousand euro in the period August-December 2011.
– However, after consolidation and elimination of intercompany profits on inventories, this contribution was reduced to 115 thousand euro. After depreciation and amortization the negative contribution was 20 thousand euro.
– In addition, a tax asset amounting to 29 thousand euro has been recognized, resulting in a contribution to the consolidated profit of 9 thousand euro.

R&P aligned its year-end closing with Van de Velde after the acquisition. Hence, the fiscal year 2011 only includes 11 months. During this period, R&P generated turnover amounting to 8,903 thousand pound sterling.

4. Goodwill

000 euro	
Goodwill, Gross	
At 01/01/2011	32,546
Acquisitions through business combinations	1,749
At 31/12/2011	34,295
Impairment and other adjustments	
At 01/01/2011	-3,888
Adjustments	-2,525
At 31/12/2011	-6,413
Goodwill, net 31/12/2011	27,882
At 31/12/2011	
Goodwill, gross	34,295
Accumulated impairment/adjustments	-6,413
Goodwill, net 31/12/2011	27,882

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

As part of the identification and measurement of assets and liabilities at the acquisition of control of Intimacy Management Company LLC, the Group reassessed the initial liability recorded at the acquisition date (see note 17). As a result of this, the liability of 2,111 thousand American dollar has been adjusted to a receivable of 4,456 thousand American dollar (3,453 thousand euro) as at the reporting date. The receivable is recognized as other non-current asset (see notes 8 and 17). This adjustment has been processed partially though goodwill at 2,525 thousand euro and partially through the income statement at 1,933 thousand euro (2,700 thousand American dollar).

Impairment test

In the fourth quarter of 2011 the Group conducted an impairment test on the following intangible fixed assets:

- Intangible fixed assets as part of the acquisition of Eurocorset (goodwill of 2,469 thousand euro) and the purchase of the Andrés Sardá brand (11,000 thousand euro).
- Intangible fixed assets acquired through control of Intimacy Management Company LLC ('Intimacy'), consisting of goodwill and the Intimacy brand to a total value of 42,798 thousand American dollar (31,511 thousand euro at closing rate).

Based on the current vision of management with regard to the future developments in the Andrés Sardá business, on the one hand, and the Intimacy business, on the other hand, supported and confirmed by a model-based approach in accordance with IFRS requirements, it has been decided that there is currently no long-term impairment on the intangible fixed assets of the Andrés Sardá and Intimacy businesses. The model-based approach determines the realizable value of these intangible fixed assets on the basis of their calculated value-in-use, being the present value of the future expected cash flows from these intangible fixed assets. The discount rate used to calculate the present value of the expected future cash flows is based on market assessments and is explained in more detail below.

This calculation shows that, taking into account the assumptions used, the present value of the expected future cash flows for these intangible fixed assets is higher than the carrying value and the carrying value is therefore retained.

The value-in-use is determined as the present value of the expected future cash flows derived from the Group's current long-term planning. The expected future cash flows are determined on the basis of cash flow forecasts in accordance with a strategic business plan. The residual value is determined, taking account of a growth rate of 2.0%, which is close to the expected long-term inflation rate.

The discount rate used to determine the present value of the expected future cash flows is a discount rate based on the weighted average cost of capital. The weighted average cost of capital has been determined taking into account the specific characteristics of each cash generating unit, starting from a reference rate of 9.0%.

The main assumptions used to assess a possible impairment are determined by management and are based on past performance, expectations with regard to market and brand developments and market conditions, the investment plan and planned operational improvements.

Regarding the estimate of the value-in-use of the intangible assets for the Andrés Sardá and Intimacy business, management concludes that a possible reasonable change to the assumptions (except for turnover estimates and the impact of planned operational improvements) would not lead to a value-in-use lower than the carrying amount of the intangible fixed assets.

5. Intangible assets

000 euro	Total	Brands with finite useful life	Brands with indefinite useful life	Software	Key money
Intangible assets, gross					
At 01/01/2010	**15,464**	**822**	**11,000**	**3,306**	**336**
Acquisitions through business combinations	7,897	0	7,847	50	0
Investments	2,299	145	1,675	479	0
Exchange adjustments	-63	0	-63	0	0
At 31/12/20010	25,597	967	20,459	3,835	336
Amortization and impairment					
At 01/01/2010	**2,834**	**454**	**0**	**2,369**	**11**
Amortization	604	102	0	407	95
At 31/12/2010	**3,438**	**556**	**0**	**2,776**	**106**
Intangible assets, net 31/12/2010	**22,159**	**411**	**20,459**	**1,059**	**230**
Intangible assets, gross					
At 01/01/2011	**25,597**	**967**	**20,459**	**3,835**	**336**
Acquisitions through business combinations	6,734	0	6,734	0	0
Investments	907	171	0	736	0
Disposals	-91	0	0	-91	0
Exchange adjustments	8	0	0	8	0
At 31/12/2011	**33,155**	**1,138**	**27,193**	**4,488**	**336**
Amortization and impairment					
At 01/01/2011	**3,438**	**556**	**0**	**2,776**	**106**
Amortization	811	127	0	454	230
Disposals	-20	0	0	-20	0
At 31/12/2011	**4,229**	**683**	**0**	**3,210**	**336**
Intangible assets, net 31/12/2011	**28,927**	**455**	**27,193**	**1,278**	**0**

The expenses of brands with a finite useful life are mainly registration costs of developed in-house brands.

Brands with indefinite useful life relate to:
- The Andrés Sardá brand acquired in 2008
- The 'Intimacy' trade name and concept, of which the fair value was determined as part of a business combination in 2010
- The 'Rigby & Peller' trade name and concept, of which the fair value was determined as part of a business combination in 2011 (see note 3).

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.

The investment in software in 2011 relates to, amongst others, the upgrade of the Group's ERP software and the implementation of a customs warehousing system.

At the end of 2010 an impairment loss was recorded on key money following specific market indications. This trend in the market continued in 2011, hence an additional impairment loss was recognized.

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized as expense when incurred.

6. Tangible fixed assets

000 euro	Total	Land and buildings	Installations, machinery and equipment	Assets under construction
Tangible fixed assets, gross				
At 01/01/2010	**43,835**	**18,434**	**25,401**	**0**
Investments	4,019	1,581	2,438	0
Acquisitions through business combinations	3,484	2,811	673	0
Disposals	-404	0	-404	0
Exchange adjustments	-27	-22	-5	0
At 31/12/2010	50,907	22,804	28,103	0
Depreciation and impairment				
At 01/01/2010	**24,700**	**7,707**	**16,993**	**0**
Depreciation	5,388	3,261	2,127	0
Disposals	-285	0	-285	0
Exchange adjustments	293	110	183	0
At 31/12/2010	30,096	11,078	19,018	0
Tangible fixed assets, net				
Tangible fixed assets (without grants)	**20,811**	**11,726**	**9,085**	**0**
Grants at 31/12/2010	-114	-47	-67	0
Grants utilized in 2010	29	12	17	0
At 31/12/2010	**20,726**	**11,691**	**9,035**	**0**
Tangible fixed assets, gross				
At 01/01/2011	**50,907**	**22,804**	**28,103**	**0**
Investments	7,135	994	4,356	1,785
Acquisitions through business combinations	1,775	1,293	482	0
Disposals	-332	0	-332	0
Exchange adjustments	151	81	70	0
At 31/12/2011	**59,636**	**25,172**	**32,679**	**1,785**
Depreciation and impairment				
At 01/01/2011	**30,096**	**11,078**	**19,018**	**0**
Depreciation	3,529	1,198	2,331	0
Disposals	-260	0	-260	0
Exchange adjustments	73	25	48	0
Per 31/12/2011	**33,438**	**12,301**	**21,137**	**0**
Tangible fixed assets, net				
Tangible fixed assets (without grants)	**26,198**	**12,871**	**11,542**	**1,785**
Grants at 31/12/2011	-85	-35	-50	0
Grants utilized in 2011	29	12	17	0
At 31/12/2011	**26,142**	**12,848**	**11,509**	**1,785**

7. Investments in associates

The Group holds a stake of 25.7% in Top Form International and 49.9% in Retail BV.

Net carrying amount (000 euro)	Retail BV	Top Form	Total
At 01/01/2011	2,865	12,260	15,125
Results for the financial year	-73	1,323	1,250
Dividends	0	-1,008	-1,008
At 31/12/2011	2,792	12,575	15,367

The Top Form International figures in the table are from 30 June 2011. This is due to the fact that the publication of our annual results could potentially be seen as a disclosure of privileged information and that the information was unavailable on 31 December. We refer to a profit warning from Top Form for the period 01/07/2011 to 31/12/2011 in note 29.

Key figures	Retail BV 000 euro (31/12/2011)	Top Form HKD 000 (30/06/2011)
Tangible fixed assets	458	150,128
Other fixed assets	26	8,806
Current assets	1,816	554,316
Non-current liabilities	495	5,838
Current liabilities	738	125,954
Total net assets	1,067	581,458
Turnover	5,789	1,339,798
Net profit	-145	56,706

8. Other fixed assets

Other fixed assets consist of the following:

000 euro	2011	2010
Security deposits for VAT	547	445
Other security deposits	203	195
Other participating interests	25	0
Receivables on minorities (note 4)	3,453	0
Prepaid rent expenses	200	157
Borrowings	447	331
Other fixed assets, net	4,875	1,128

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

9. 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.

	2011	2010
At 1 January	114	147
Received during the year	0	0
Released to the income statement	28	29
Exchange rate adjustments	1	4
At 31 December	85	114

Other grants
In 2011 Van de Velde was awarded a grant for strategic investments and training totalling 227 thousand euro. Part of the grant was received in 2011 but not recorded in the income statement, as not all conditional criteria had been met.

The company is also working on an innovation for which it receives subsidies from Belgium's Agency for Innovation, Science and Technology (IWT). In the course of 2011 an amount of 219 thousand euro was received and recognized in the income statement as other operating income. The grant is received based on progress reports and may be considered as vested.

10. Inventories

Inventories by major components are as follows:

000 euro	2011	2010
Finished goods	20,178	17,226
Work in progress	7,072	8,222
Raw materials	13,052	15,070
Inventories, gross	**40,302**	**40,518**
Less: Allowance for obsolescence	-6,124	-7,704
Inventories, net	**34,178**	**32,814**

The allowance for obsolescence in 2011 relates to finished products (2,542 thousand euro), work in progress (20 thousand euro) and raw materials (3,562 thousand euro). The allowance for obsolescence in 2010 related to finished products (3,509 thousand euro), work in progress (20 thousand euro) and raw materials (4,175 thousand euro).

The additional write-down on inventories amounts to 3,344 thousand euro in 2011, compared to 3,848 thousand euro in 2010.

11. Trade and other receivables

Accounts receivable are as follows:

000 euro	2011	2010
Trade receivables, gross	14,545	15,124
Less: allowance for doubtful debtors	-748	-902
Trade receivables, net	**13,797**	**14,222**

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 2011 there was a loss of 168 thousand euro with respect to trade receivables (176 thousand euro in 2010).

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

	Total	Neither past due nor impaired	Past due but not impaired		Past due and an impairment has been recorded
000 euro			1-60 days	60-90 days	> 90 days
2011	14,545	8,278	4,206	668	1,393
2010	15,124	9,110	3,672	554	1,788

12. Other current assets

Other current assets consist of the following:

000 euro	2011	2010
Prepaid expenses	2,613	1,623
Tax receivables (VAT & corporate income tax)	1,146	5,548
Prepayments on participations	3,015	0
Accrued income	356	128
Sundry	193	227
Exchange rate result on FX forward contracts	48	76
Other current assets, net	7,371	7,602

The prepayment on participations represents the cash that was made available for the joint venture investment in Private Shop Ltd., which was established on 3 January 2012 (see note 29).

13. Cash and cash equivalents

Cash and cash equivalents consist of the following:

000 euro	2011	2010
Cash at banks and in hand	12,620	14,650
Marketable securities	28,602	23,597
Cash and cash equivalents	41,222	38,247

Marketable securities only consist of saving accounts and short-term investments at financial institutions with a maximum term of six months.

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

14. Share capital

Authorized and fully paid	2011	2010
Nominative shares	7,497,876	7,497,841
Dematerialized shares	5,736,154	5,703,454
Bearer shares	88,450	121,185
Total number of shares	13,322,480	13,322,480

At 31 December 2011 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 destroyed. The Board of Directors of Van de Velde NV is authorized to raise the subscribed capital by one or more times for a total amount of 1,926 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 (22 May 2008).
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, up to 10% of the subscribed capital.

Treasury shares

At the end of 2009 Van de Velde NV held 99,601 of its own shares to a total value of 2,625 thousand euro.
In accordance with Article 620 of the Companies Code, the General Meeting of 29 April 2009 gave the Board of Directors the power to acquire the company's own shares. In 2010 a total number of 13,494 treasury shares were purchased for a total amount of 392 thousand euro. Within the framework of the stock option plan a total of 20,000 options were exercised and the same number of treasury shares was made available to the option holders.
Within the framework of the stock option plan, a total of 30,000 options have been exercised in 2011. In order to honour its obligation in respect of these exercises, Van de Velde used 30,000 treasury shares in 2011. At the end of 2011 Van de Velde NV held 63,095 of its own shares with a total value of 1,699 thousand euro.

000 euro	2011	2010
Share capital	1,936	1,936
Treasury shares	-1,699	-2,506
Share premium	743	743

Non-controlling interests

Non-controlling interests include the 15% stake of minority shareholder Nethero Management Company LCC in the equity and net income of Intimacy Management Company LCC. Since 1 August 2011, non-controlling interests also include the 13% stake of the Kenton family in the equity and the net income of Rigby & Peller Limited (see note 3).

15. Provisions

000 euro	Provisions
At 01/01/2010	**724**
Arising during the year	83
Utilized	-288
Provisions 31/12/2010	**519**
At 01/01/2011	**519**
Arising during the year	595
Utilized	-208
Provisions 31/12/2011	**906**

In accordance with IFRS, a provision of 724 thousand euro in relation to termination fees for sales agents was outstanding at the end of 2009. In 2010, 288 thousand euro of the provision was used and an additional provision of 83 thousand euro was recognized. 208 thousand euro of this was used in 2011. An additional provision of 595 thousand euro was recognized in 2011. The expected timetable of the corresponding cash outflow depends on the progress and duration of the negotiations with the sales agents.

16. Deferred taxes

The net deferred tax asset consists of the following:

000 euro	Captive	Financial instruments	Deferred tax liabilities on fixed assets	Deferred tax assets on assets	CDO	Total
At 01/01/2010	**-590**	**49**	**-1,036**	**3,512**	**408**	**2,343**
Changes	0	80	-17	-1,179	0	-1,116
At 31/12/2010	**-590**	**129**	**-1,053**	**2,333**	**408**	**1,227**
At 01/01/2011	**-590**	**129**	**-1,053**	**2,333**	**408**	**1,227**
Changes	0	47	-50	-128	-408	-539
At 31/12/2011	**-590**	**176**	**-1,103**	**2,205**	**0**	**688**

Captive: upon sale, an amount of 590 thousand euro was deposited on an escrow account. A deferred tax liability was recognized in the same amount.

Financial instruments: FX forward contracts are recognized at fair value on the closing date every year, taking into account deferred taxes.

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 effective 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.

Collateralized debt obligations are valued at fair value with value changes recognized through profit and loss. In 2011 one CDO was fully repaid. The deferred tax asset on the difference between the accounting value and the value for tax purposes was no longer required.

17. Other non-current liabilities

Other non-current liabilities consist of the following:

000 euro	2011	2010
Deferred rent and lease incentives	1,944	1,148
Liabilities from business combinations (note 4)	0	1,583
Other non-current liabilities	1,944	2,731

Deferred rent and lease incentives contain 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.

18. Trade and other payables

Trade and other payables consist of the following:

000 euro	2011	2010
Trade payables	6,840	6,461
Payroll, social charges	6,727	6,062
Gift cards and credits issued	524	400
Accrued charges	2,160	2,244
Sundry	852	803
Grants	114	0
Short-term borrowings	768	466
Trade and other payables	17,985	16,436

19. Other current liabilities and taxes payable

000 euro	2011	2010
Other current liabilities: Taxes (VAT payable, local taxes, withholding taxes)	845	431
Taxes payable: corporate income taxes	1,605	23

20. Financial instruments

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

Derivatives that do not qualify for hedge accounting

The company applies FX forward contracts to manage transaction risks. These have a maturity date from 16/01/2012 to 17/12/2012 (maturities at 31 December 2010: 17/01/2011 to 15/12/2011). 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 -551.4 thousand euro, comprising an unrealized income of 35.2 thousand euro and an unrealized loss of -586.6 thousand euro. A net deferred tax asset was recognized for both unrealized results.

To summarize, the following table presents the different fair values:

000 euro	2011	2010
Derivatives that do not qualify for hedge accounting:		
Other current assets	35.2	62.9
Other current liabilities	-586.6	-474.8

The valuation technique used to determine the fair value is level 2-compliant, whereby the various levels and related valuation techniques are defined as follows:

- Level 1: quoted (and not adjusted) prices on active markets for identical assets and liabilities;
- Level 2: other techniques, in which all inputs that have a major impact on the recognized fair value are observable (directly or indirectly);
- Level 3: techniques, using inputs with a major impact on the fair value and for which no observable market data is available.

21. Financial result

The financial result breaks down as follows:

000 euro	2011	2010
Interest income	723	437
Interest costs	-99	-16
Interest result, net	**624**	**421**
Exchange gains	1,835	3,180
Exchange losses	-2,524	-2,556
Exchange result, net	**-689**	**624**
Finance income from business combination with Intimacy	1,933	4,344
Reversal impairment of CDO	2,000	0
Income from investments (dividends)	1,009	983
Other financial income	155	0
Other financial costs	-223	-172
Financial result	**4,809**	**6,200**

Following the remeasurement to fair value of the 49.9% participation in Intimacy, an extraordinary finance gain of 4,344 thousand euro was realized in 2010. The remeasurement of the contingent consideration on the business combination with Intimacy resulted in the finance income of 1,933 thousand euro in 2011 (see note 4).

On 10 October 2010, KBC has executed early and full repayment of the CDO Fulham Road Finance Ltd. The expected maturity date of the CDO was January 7, 2013. The remeasurements to fair value that have been recorded in the past, are reversed in financial result for an amount of 2,000 thousand euro.

22. Personnel expenses

Personnel expenses are as follows:

000 euro	2011	2010
Wages	10,066	10,252
Salaries	21,152	17,919
Social security contributions	6,389	5,559
Other personnel expenses	912	1,037
Personnel expenses	**38,519**	**34,767**

Workforce at balance sheet date	2011	2010
White collars	502	477
Blue collars	943	1,011
Total	**1,545**	**1,494**

At the moment the Group primarily has pension plans of the ‘defined contribution’ type. The cost of this plan amounts to 687 thousand euro in 2011 (423 thousand euro in 2010). There is a provision of 34 thousand euro (36 thousand euro in 2010) of the ‘defined benefit’ type.

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 2011 was 224 thousand euro versus 244 thousand euro in 2010.

The option plans for 2005 until 2009 were valued on the basis of the binomial tree structure. The option plans for 2010 and 2011 have been valued using the Black-Scholes-Merton Model for call options. The following assumptions have been used to determine the weighted average fair value at grant date:

	PLAN 2005	PLAN 2006	PLAN 2007	2008	PLAN 2008	PLAN 2009	PLAN 2010	PLAN 2011
Grant date	5/10/05	25/09/06	2/10/07	28/06/08	13/10/08	28/09/09	1/10/10	28/09/11
Dividend right as of the grant date	neen	neen	neen	neen	neen	neen	neen	neen
Contractual term of the options	5-15	5-15	5-15	5-10	5-10	5-10	5-10	5-10
Exercise price	28.33	34	35.93	28.38	23.89	29.29	34.51	34
Expected volatility	35.05%	35.05%	35.05%	35.05%	38.06%	35.05%	35.10%	35.00%
Risk-free interest rate	3.01%-3.88%	3.46%-3.97%	3.64%-4.07%	4.14%	4.51%	2.76%-3.59%	2.27%-3.05%	2.48 % - 2.74 %
Fair value of the share options (in euro)	7.45	7.28	6.99	8.66	11.26	9.42	12.88	10.41

The share option plan has developed as follows:	**Optionplan 2005 - 2011**
Outstanding at 01/01/2010	**133,500**
Exercisable at 01/01/2010	**32,500**
Movements during the year	
Accepted	6,000
Forfeited	0
Exercised	20,000
Expired	0
Outstanding at 31/12/2010	**119,500**
Exercisable at 31/12/2010	**32,500**
Movements during the year	
Accepted	7,000
Forfeited	0
Exercised	30,000
Expired	0
Outstanding at 31/12/2011	**96,500**
Exercisable at 31/12/2011	**12,500**

23. Income taxes

The major components of income tax expense for the years ending 31 December 2011 and 2010 are:

000 euro	2011	2010
Current income tax	**12,886**	**11,515**
Current income tax charge	12,841	11,603
Adjustments in respect of current income tax of previous years	45	-88
Deferred income tax	**539**	**1,116**
Relating to the origination and reversal of temporary differences	539	1,116
Income tax expense reported in the consolidated income statement	**13,425**	**12,631**

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 ended is as follows:

000 euro	2011	2010
Profit before taxes [1]	**54,253**	**52,515**
Parent's statutory tax rate of 33.99%	18,441	17,850
Higher income tax rates in other countries	51	12
Lower income tax rates in other countries	-3,180	-3,286
Tax effect on finance gain on business combinations	-657	-1,476
Utilization tax losses and unrecognized losses	-95	705
Disallowed expenses	197	181
Notional interest deduction	-782	-927
Other	-224	-110
Tax impact on Top Form dividend	-325	-318
Total income taxes	**13,425**	**12,631**
Effective income tax rate	**24.75%**	**24.00%**

(1) Profit before taxes excluding the share in the profit of associates.

24. Earnings per share

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

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).

	2011	2010
Profit attributable to shareholders (in 000 euro)	41,201	40,006
Weighted average number of ordinary shares	13,254,015	13,222,080
Dilutive effect of stock options	23,095	19,341
Weighted average number of shares after impact of dilution	13,277,110	13,241,421
Basic earnings per share (euro)	**3.11**	**3.03**
Diluted earnings per share (euro)	**3.10**	**3.02**

In 2010 all stock options granted over the period 2005-2010 were dilutive, with the exception of the options granted in 2006 and 2007. In 2011 all stock options granted over the period 2005-2011 were dilutive.

25. Dividends paid and proposed

000 euro	2011	2010
Dividend paid	28,505	21,550
Dividend paid (2.15 euro per share in 2011, 1.65 euro per share in 2010)		
Dividend proposed	28,508	28,443
Dividend proposed (2.15 euro per share for fiscal year 2011, 2.15 euro per share for fiscal year 2010). No dividend rights are attached to treasury shares.		

26. Commitments and contingent liabilities

The Group rents sites for the shops of its own retail network and showrooms for demonstration 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 4,448 thousand in 2011 (3,237 thousand euro in 2010).

Future minimum lease payments under operating leases were as follows at 31 December 2011:

000 euro	2011
Within one year	5,167
After one year but not more than five years	14,030
More than five years	10,424
Total	**29,621**

27. Related party disclosures

Full consolidation

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

Name	Address	(%) equity interest 2011	Change on previous year
VAN DE VELDE NV	Lageweg 4 9260 SCHELLEBELLE BTW 448.746.744	Parent company	
VAN DE VELDE GMBH & Co. KG	Blumenstraße 24 40212 DUSSELDORF, Germany	100	0
VAN DE VELDE VERWALTUNGS Gmbh	Blumenstraße 24 40212 DUSSELDORF, Germany	100	0
VAN DE VELDE TERMELO ES KERESKEDELMI Kft	Selyem U.4 7100 SZEKSZARD, Hungary	100	0
VAN DE VELDE UK LTD	Mitre House Aldersgate Street 160 EC1A4DD LONDON United Kingdom	100	0
VAN DE VELDE MODE BV	Ringbaan West 268 5025 VA TILBURG, the Netherlands	100	0
VAN DE VELDE FRANCE SARL	16, Place du General De Gaulle 59800 LILLE, France	100	0
MARIE JO GMBH	Blumenstraße 24 40212 DUSSELDORF, Germany	100	0
GULIANO HK LIMITED	193, Prince Edward Road West KOWLOON, Hong Kong	0	-100%
VAN DE VELDE ITALY SRL	Via San Vito 7 20123 MILANO, Italy	0	-100%
VAN DE VELDE IBERICA	Santa Eulalia, 5 08012 BARCELONA, Spain	100	0
VAN DE VELDE CONFECTION	Route De Sousse BP 25 4020 KONDAR, Tunisia	100	0
VAN DE VELDE FINLAND OY	Töölönkatu 30A 00260 HELSINKI, Finland	100	0
VAN DE VELDE NORTH AMERICA	171 Madison Avenue, Suite 201 NEW YORK, NY 10016, United Stated of America	100	0
VAN DE VELDE DENMARK APS	Lejrvejen 8 6330 PADBORG, Denmark	100	0

Name	Address	(%) equity interest 2011	Change on previous year
VAN DE VELDE RETAIL INC	171 Madison Avenue, Suite 201 NEW YORK, NY 10016 United States of America	100	0
EUROCORSET, S.A.	Santa Eulalia, 5-7-9 08012 BARCELONA, Spain	100	0
SU DISTRIBUIDORA SUL TU CORPO, S.L.	Santa Eulalia, 5-7-9 08012 BARCELONA, Spai	100	0
INTIMACY MANAGEMENT COMPANY LLC	3980 Dekalb Technology Parkway 760 GA 30340 ATLANTA, United States of America	85	0
RIGBY & PELLER LTD	Unit 5, Portal West Business Centre 6 Portal Way, LONDEN W3 6RU, Verenigd Koninkrijk	87	87%

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:

Equity method	Address	(%) equity interest 2011	Change on previous year
TOP FORM INTERNATIONAL	15/F., Tower A, Manulife Financial Centre, No. 223-231 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong	25,7	0
RETAIL BV	The Netherlands	49,9	0

Top Form International

The Group increased its participation in Top Form International ('TFI') to 25.7% in 2010.

In 2011 transactions between the Group and TFI totalled 7,681 thousand American dollar. On 31 December 2011 the Group had trade payables to TFI in the amount of 314 thousand American dollar. In 2010 transactions between the Group and TFI totalled 7,337 thousand American dollar. On 31 December 2010 the Group had trade payables to TFI in the amount of 901 thousand American dollar.

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

We refer to the remuneration report in the Corporate Governance section.

Director Remuneration

Compensation of the directors is as follows: an annual fixed compensation of 60,000 euro to the Chairman of the Board of Directors and of 12,000 euro to the other members of the Board of Directors, with the exception of the managing directors. All members of the Board of Directors, with the exception of the managing directors, have the right to an attendance fee of 2,500 euro per seat on the Nomination and Remuneration Committee and the Audit Committee. The total remuneration for the directors (excluding the managing directors) amounts to 118 thousand euro in 2011 and 185 thousand euro in 2010. The directors have not received any loan or advance from the Group.

Management Committee Remuneration

For the year ended 31 December 2011, a total amount of 2,075 thousand euro (2,352 thousand euro in 2010) was paid to the members of the Management Committee, managing directors included.

These total amounts include the following components:

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

000 euro	2011	2010
Basic remuneration	1,579	1,494
Variable remuneration	460	831
Group insurance premiums	23	15
Other benefits	13	12
Total	**2,075**	**2,352**

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, whereby they were granted 5,000 share options in 2011 and 5,000 share options in 2010.

28. Segment information

Van de Velde is a single product enterprise that distinguishes two segments: euro zone and elsewhere. The primary segmentation basis is therefore the geographical segment by customer. Van de Velde operates in a single reporting business segment, i.e. the production and sale of luxury lingerie. Van de Velde has no transactions with a single customer worth more than 10% of the total sales.

The segment information is presented for the periods closed on 31/12/2011 and 31/12/2010 in the following table:

GEOGRAPHICAL SEGMENT (by customer location) **000 euro**	**2011** **Euro zone**	**2011** **Elsewhere**	**2011** **Total**	**2010** **Euro zone**	**2010** **Elsewhere**	**2010** **Total**
Segment income statement						
Segment revenues	112,421	67,425	179,846	111,747	54,554	166,301
Sales between segments						
Total revenue	112,421	67,425	179,846	111,747	54,554	166,301
Results by segment	47,974	17,382	65,356	43,090	17,616	60,706
Unallocated results			-15,912			-14,391
Net finance profit			4,809			6,200
Income from associates			243			53
Income taxes			-13,425			-12,631
Profit attributable to non-controlling interests			130			-69
Profit attributable to the owners of the company			41,201			40,006
Segment balance sheet						
Segment assets	64,037	39,007	103,044	59,778	30,143	89,921
Unallocated assets			97,405			91,987
Consolidated total assets	64,037	39,007	200,449	59,840	30,143	181,908
Segment liabilities	11,484	6,501	17,985	10,716	5,720	16,436
Unallocated liabilities			182,464			165,472
Consolidated total liabilities	11,484	6,501	200,449	10,716	5,720	181,908

Other segment information **Capital expenditure (000 euro)**	**2011** **Euro zone**	**2011** **Elsewhere**	**2011** **Total**	**2010** **Euro zone**	**2010** **Elsewhere**	**2010** **Total**
Tangible fixed assets	5,722	3,188	8,910	1,986	5,517	7,503
Intangible fixed assets	858	6,783	7,641	2,275	7,921	10,196
Depreciations	3,173	1,167	4,340	3,032	2,961	5,993

Other information about the location of the assets of the Group **000 euro**	**2011** **BE**	**2011** **Non - BE**	**2011** **Total**	**2010** **BE**	**2010** **Non - BE**	**2010** **Total**
Tangible fixed assets	16,100	10,042	26,142	12,794	7,932	20,726
Intangible fixed assets	12,643	16,284	28,927	12,408	9,751	22,159
Inventories	29,352	4,826	34,178	29,451	3,363	32,814

29. Events after balance sheet date

Private Shop

On 24 November 2011, Van de Velde announced that it had concluded a Joint Venture with Getz Bros. (Hong Kong) Ltd. ('Getz') to run and further develop Private Shop in Hong Kong, Macau and China. Private Shop is the leading multi-brand lingerie retail chain in Hong Kong, Macau and China, offering premium and fashionable European and American brands.

The strategic intent is to expand the business across Hong Kong, Macau and China, with a clear positioning on 'Lingerie Styling' while maintaining a multi-brand offering. 'Lingerie Styling' is a retail concept of Van de Velde that provides quality advice and service in the fitting room. The Van de Velde brands will be launched in Hong Kong, Macau and China through the Private Shop retail network.

Daily management of the Joint Venture will be carried out by Getz, which has the majority in the Board of Directors. The strategic course and market shares of Van de Velde brands have been clearly agreed.

The total investment for Van de Velde is around 7.5 million American dollar, dependent on certain milestone criteria being achieved, for which Van de Velde acquires 50% of the shares of the Joint Venture, a number of intangible assets and a distribution agreement for its brands in the Joint Venture.

The Joint Venture has been operational since 3 January 2012. On 3 January Van de Velde NV contributed 2.5 million American dollar cash to Private Shop Limited (Joint Venture) as well as knowhow to a value of 0.5 million American dollar, in exchange for 50% of the shares of Private Shop Limited. Furthermore, Van de Velde paid 1.5 million American dollar to Getz and acquired a number of intangible assets in relation to Private Shop.

Top Form Profit warning

On 12 January 2012, Top Form published a profit warning related to the interim results for the six months ended 31 December 2011 (first half year of Top Form's financial year 2012). Top Form expects a loss for the period 1/7/2011-31/12/2011 compared to a profit for the corresponding period ended 31 December 2010. This loss is mainly attributable to lower than anticipated sales due to weaker market sentiment. The audited interim results were announced on 23/2/2012 and the loss amounted to 9,688 thousand Hong Kong Dollar. The share of Van de Velde in the loss is estimated at 345 thousand euro.

30. Business risks with respect to IFRS 7

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

Currency risk

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

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

Where possible, currency risks are managed by compensating 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.

Recent investments in foreign companies increase the translation risk of the Group. This is the case for Intimacy and Rigby & Peller. This risk is not hedged through financial instruments.

The Group performed a sensitivity analysis in 2011 with regard to changes in foreign currencies for the positions EUR/CAD, EUR/USD, EUR/GBP, EUR/DKK and EUR/CHF. The outstanding receivables and payables at the balance sheet date have been converted with a sensitivity of 10%. In the event of an increase or decrease of 10% in the exchange rate, the impact on the financial statements will be presented as follows:

000 euro	+10%	-10%
CAD	72	-72
CHF	52	-52
DKK	55	-55
GBP	69	-69
USD	-39	39
	209	**-209**

Credit risk

As a consequence of the large diversified customer portfolio, the Group does not have to deal with 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 2.2% 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 (41 million euro). Credit lines worth 30 million euro are also available.

Risk of interruptions in the supply chain

In several areas, adequate measures have been taken 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.
- The risks of interruption in deliveries by a supplier and the possible alternatives have been identified and are regularly monitored. The creditworthiness of suppliers is also monitored.
- To the extent possible, the concentration risk from suppliers is managed by sufficient diversification. The ten leading material suppliers account for approximately 60% of purchase costs. The largest supplier accounts for more than 20% of purchase costs, whereas all other suppliers account for less than 10%.
- The assembly capacity is spread over China and several sites in Tunisia.
- The finished products warehouse is currently at a different location to the raw materials warehouse. However, from mid-2012 this will no longer be the case as the raw materials warehouse will be on the same site as the distribution centre. This warehouse will be in a separate building that complies with very 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 being taken with regard to raw materials and finished products. Raw materials are ordered and production launched before we have full insight into the orders. To the extent 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 partly impaired 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 impaired completely.

Product risk

Sales are spread over 25,000 stock references, 9,500 to 10,000 of which are changed every year. Therefore, sales do not depend on the success of any one model.

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.


PrimaDonna

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, 2011

Free translation of the Dutch/French original

In accordance with the legal requirements, we report to you on the performance of our mandate of statutory auditor. This report contains our opinion on the consolidated financial statements as well as the required additional comments.

Unqualified opinion on the consolidated financial statements

We have audited the consolidated financial statements of Van de Velde NV and its subsidiaries (collectively referred to as 'the Group') for the year ended December 31, 2011, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated balance sheet as at December 31, 2011, and the consolidated statements of income, changes in equity and cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of 200,449 thousand euro and the consolidated statement of income shows a profit for the year, share of the Group, of 41,201 thousand euro.

Responsibility of the board of directors for the preparation and fair presentation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements 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 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 the legal requirements and the auditing standards applicable in Belgium, as issued by the Institute of Registered Auditors (Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements 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. We have evaluated the appropriateness of accounting policies used, the reasonableness of significant accounting estimates made by the Group and the presentation of the consolidated financial statements, taken as a whole. Finally, we have obtained from the board of directors and the Group's officials the explanations and information necessary for executing our audit procedures. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2011 give a true and fair view of the Group's financial position as at December 31, 2011 and of the results of its operations and its cash flows in accordance with IFRS as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

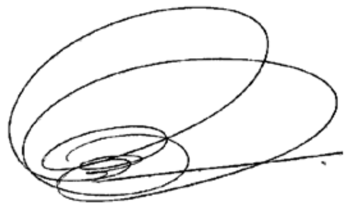
Additional comments

The preparation and the assessment of the information that should be included in the directors' report on the consolidated financial statements are the responsibility of the board of directors.

Our responsibility is to include in our report the following additional comments, which do not modify the scope of our opinion on the consolidated financial statements:

– The directors' report on the consolidated financial statements deals with the information required by law and is consistent with the consolidated financial statements. We are, however, unable to comment on the description of the principal risks and uncertainties which the entities included in the consolidation are facing, and on their financial situation, their foreseeable evolution or the significant influence of certain facts on their future development. We can nevertheless confirm that the matters disclosed do not present any obvious inconsistencies with the information that we became aware of during the performance of our mandate.

Gent, February 15, 2012
Ernst & Young Reviseurs d'Entreprises SCCRL
Statutory auditor
Represented by
Jan De Luyck
Partner
Ref: 12JDU0048




MARIE JO
L'AVENTURE

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 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	31/12/2011	31/12/2010
Fixed assets	**42,433**	**54,266**
Intangible fixed assets	8,961	12,011
Tangible fixed assets	12,853	9,696
Financial fixed assets	20,619	32,559
Current assets	**97,063**	**93,577**
Amounts receivable after one year	4,006	3,871
Stocks and orders in production	31,264	29,451
Amounts receivable within one year	18,247	19,813
Financial investments	30,301	26,104
Cash at banks and in hand	11,033	12,966
Accrued income and deferred charges	2,212	1,372
Total assets	**139,496**	**147,843**
Shareholders' equity	**85,624**	**96,554**
Issued capital	1,936	1,936
Share premium	743	743
Reserves	82,945	93,875
Provisions, deferred taxes and tax liabilities	**519**	**519**
Provisions for risks and costs	519	519
Liabilities	**53,353**	**50,770**
Amounts payable after one year	0	95
Amounts payable within one year	50,828	48,364
Accrued charges and deferred income	2,525	2,311
Total liabilities	**139,496**	**147,843**

Concise income statement

000 euro	31/12/2011	31/12/2010
Operating income	**162,843**	**159,884**
Turnover	155,638	152,664
Changes in stocks unfinished goods and finished goods	3,424	3,631
Other operating income	3,781	3,589
Operating costs	**121,987**	**123,846**
Goods for resale, raw materials and consumables	35,777	36,375
Services and other goods	58,486	59,119
Salaries, social charges and pension costs	21,126	19,745
Depreciations	6,008	5,912
Write-downs and provisions	373	2,518
Other operating costs	217	177
Operating profit	**40,856**	**36,038**
Financial result	**-1,380**	**1,271**
Finance income	4,725	7,219
Finance costs	-6,105	-5,948
Profits on ordinary activities before tax	**39,476**	**37,309**
Exceptional result	**-9,128**	**-2**
Exceptional income	2,016	21
Exceptional costs	-11,144	-23
Pre-tax profit for the financial year	**30,348**	**37,307**
Tax on the profit	-12,769	-11,318
Profit for the year	**17,579**	**25,989**

Appropriation account

000 euro	31/12/2011	31/12/2010
Distributable profit	**17,579**	**25,989**
Distributable profit for the financial year	17,579	25,989
Transfer from reserves	10,929	2,519
Profit to be distributed	**28,508**	**28,508**

Statutory annual report Van de Velde NV
Financial year 1/1/2011 - 31/12/2011

1. Comments on the financial statements
The financial statements show a balance sheet total of 139,496 thousand euro and a profit after tax for the financial year of 17,579 thousand euro.

2. Important events after balance sheet date
On 24 November 2011, Van de Velde announced that it had concluded a Joint Venture with Getz Bros. (Hong Kong) Ltd. ('Getz') to run and further develop Private Shop in Hong Kong, Macau and China. The total investment for Van de Velde is around 7.5 million American dollar, dependent on certain milestone criteria being achieved, for which Van de Velde acquires 50% of the shares of the Joint Venture, a number of intangible assets and a distribution agreement for its brands in the Joint Venture. The Joint Venture has been operational since 3 January 2012. On 3 January Van de Velde NV contributed 2.5 million American dollar cash to Private Shop Limited (Joint Venture) as well as know-how for a value of 0.5 million American dollar, in exchange for 50% of the shares of Private Shop Limited. Furthermore, Van de Velde paid 1.5 million American dollar to Getz and acquired a number of intangible assets in relation to Private Shop

On 12 January 2012, Top Form published a profit warning related to the interim results for the six months ended 31 December 2011 (first half year of Top Form's financial year 2012). Top Form expects a loss for the period 1/7/2011-31/12/2011 compared to a profit for the corresponding period ended 31 December 2010. This loss is mainly attributable to lower than anticipated sales due to weaker market sentiment. The audited interim results were announced on 23/2/2012 and the loss amounted to 9,688 thousand Hong Kong dollar. The share of Van de Velde in the loss is estimated at 345 thousand euro.

3. Expected developments
We refer readers to Outlook 2012 in the Activity Report section.

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 investigates new materials, new production technologies, new products and so on.

5. Additional tasks of the statutory auditor
The General Meeting of Shareholders of 28 April 2010 of Van de Velde NV appointed Ernst & Young Bedrijfsrevisoren BVCBA, Moutstraat 54, 9000 Ghent, represented by Jan De Luyck, as statutory auditor. The auditor is appointed until the annual meeting of 2013.

The annual remuneration in 2011 for auditing the statutory and consolidated annual accounts of Van de Velde NV was 45,500 euro (excl. VAT). The total costs for 2011 for the auditing of the annual accounts of all companies of the Van de Velde Group was 74,497 euro (excl. VAT), including the 45,500 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 53,920 euro (excl. VAT), of which:
- 2,600 euro for other auditing tasks;
- 51,320 euro for tax advisory and compliance tasks.

6. Description of risks and uncertainties
The following risks at group-level were examined and where necessary coverage or preventive measures taken:
- Currency risk;
- Credit risk;
- Liquidity and cash flow risk;
- Risk of interruptions in the supply chain;
- Risk of overvalued stock;
- Product risk;
- Other operational risks.

7. Acquisition of own shares
At the end of 2009 Van de Velde NV held 99,601 of its own shares to a total value of 2,625 thousand euro.

In accordance with Article 620 of Belgium's Companies Code, the General Meeting of 29 April 2009 gave the Board of Directors the power to acquire the company's own shares. In 2010 a total number of 13,494 treasury shares were purchased in a total amount of 392 thousand euro. Within the framework of the stock option plan a total of 20,000 options have been exercised and the same number of treasury shares was made available to the option holders.

Within the framework of the stock option plan, a total of 30,000 options have been exercised. In order to honour its obligation in respect of these exercises, Van de Velde used 30,000 treasury shares in 2011. At the end of 2011 Van de Velde NV held 63,095 of its own shares with a total value of 1,699 thousand euro.

000 euro	2011	2010
Share capital	1.936	1.936
Treasury shares	-1.699	-2.506
Share premium	743	743

8. Conflict of interests
In 2011 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 (22 May 2008), to raise the subscribed capital by one or more times for a total amount of 1,926,406.25 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. We refer you to the good governance statement in the Annual Report.

14. Proposed profit distribution

The Board of Directors proposes to the General Meeting of Shareholders payment of a dividend of 2.15 euro per share. After payment of 25% withholding tax, this represents a net dividend of 1.61 euro per share. After approval by the General Meeting the dividend will be paid out from 7 May 2012 at branches of ING and Bank Degroof upon presentation of coupon 6.

Proposed profit distribution in thousands of euro:

Distributable profit	17,579
Transfer from other reserves	10,929
Gross dividend of 2,15 euro per share on 13.259.385 shares	28,508

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

EBVBA 4F
Represented by
Ignace Van Doorselaere
Managing Director

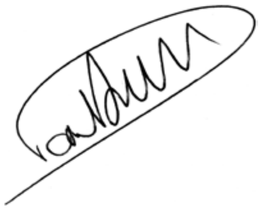
8 | Statement of responsible persons

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

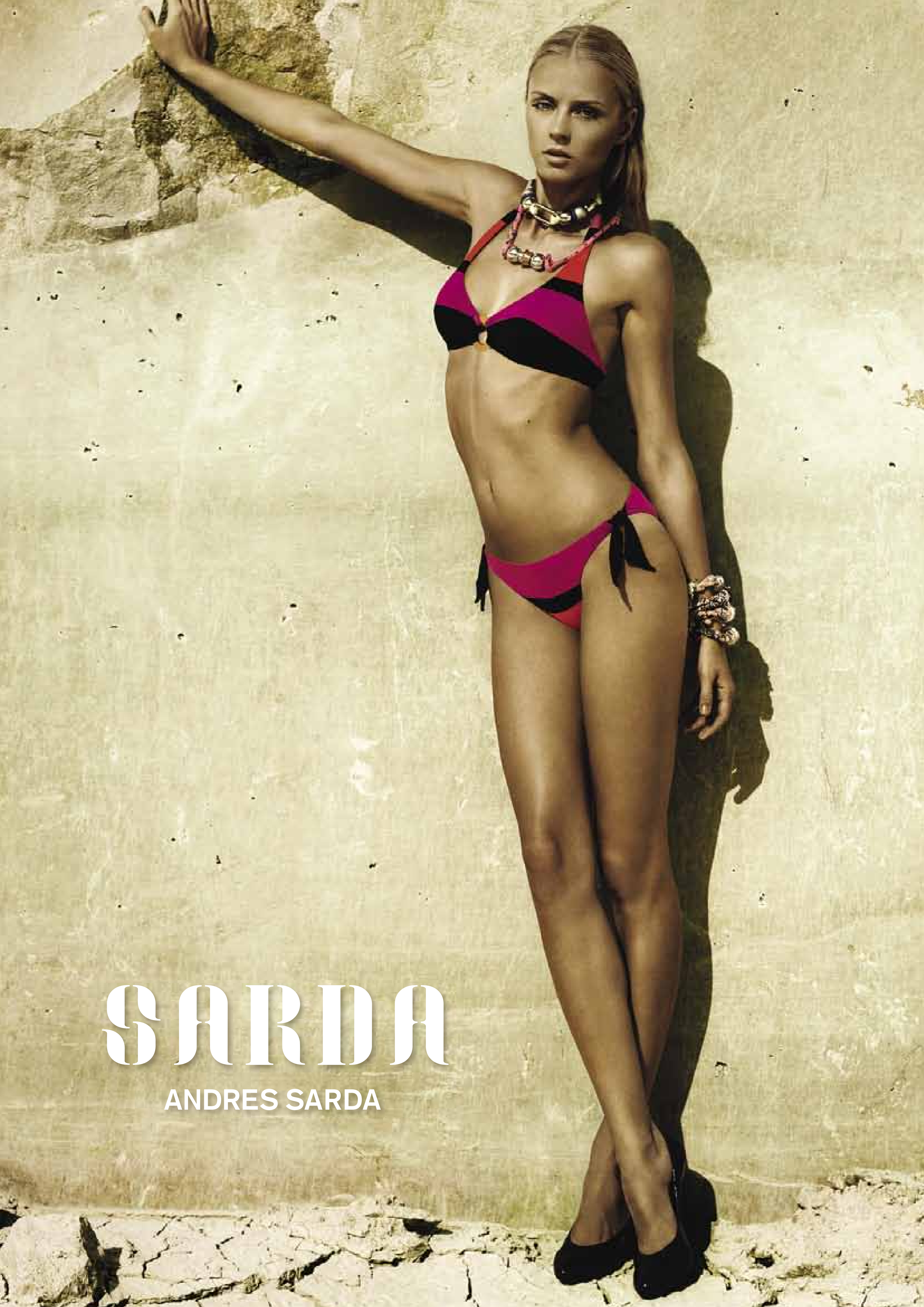
A) The financial statements, which have been prepared in compliance with the applicable standards, faithfully reflect the equity, the financial situation and the results of Van de Velde and the companies included in the consolidation.

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


SARDA
ANDRES SARDA

9 | Employment, environment and contribution to the Belgian Treasury

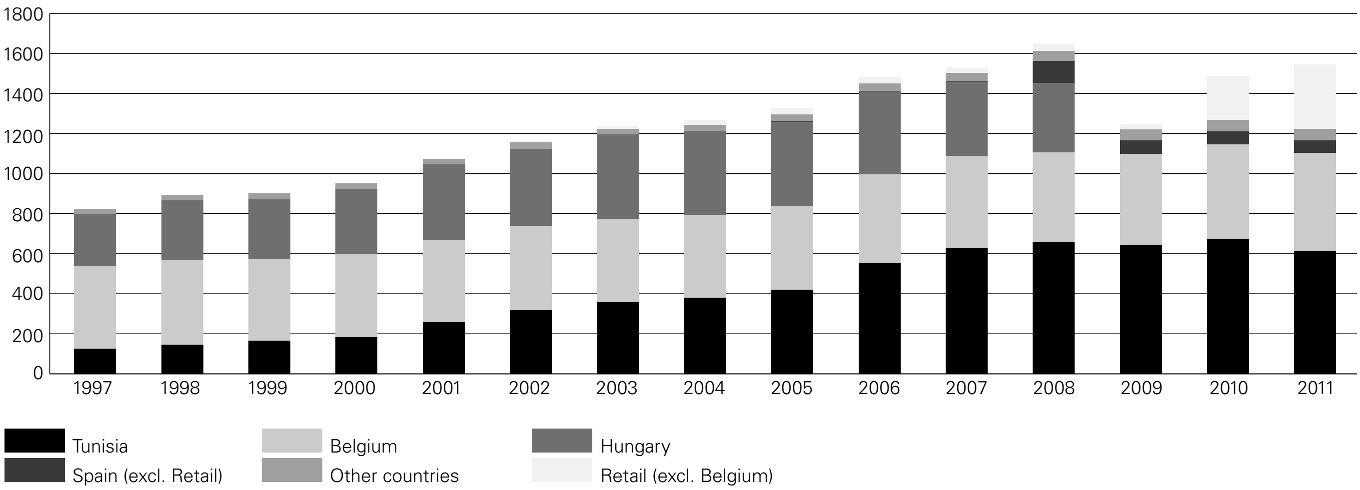
Social report 2011

Growth in the total number of employees

The total number of employees of Van de Velde Group increased by 3.3% in 2011. As in previous years, the number of employees at the main office in Belgium rose, as the number of production employees in particular increased. Employment with Retail also grew due to the acquisition of Rigby & Peller (UK). Employment fell at the production plant in Tunisia, on the other hand.

Headcount	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Tunisia	125	146	165	183	259	318	359	380	420	553	631	658	643	672	614
Belgium	414	420	407	417	411	421	416	414	416	443	458	448	456	474	490
Hungary	259	301	300	322	376	385	420	417	422	415	368	347			
Spain (excl. Retail)									1	1	3	108	67	65	60
Other countries	27	26	29	29	28	30	28	30	35	38	43	51	53	56	58
Retail (excl. Belgium)						7	14	25	34	32	27	37	25	221	323
	825	893	901	951	1,074	1,161	1,237	1,266	1,328	1,482	1,530	1,649	1,244	1,488	1,545

Evolution workforce Van de Velde Group



Employee satisfaction survey

The results of the 2010 employee satisfaction survey (see 2010 annual report) were used as input for communication and career policy action plans and projects. For the first time we held annual performance interviews with all production employees, we focussed on improving the work organisation of the production departments, we made additional investments in training and we developed an ambitious culture and leadership programme.
These actions will be discussed below.

Annual interviews

All office workers have an interview with their line manager at the end of the year. The interview is used to discuss and evaluate the competencies and performance of the employee over the year. A personal development plan (POP) is also drawn up with the employee, comprising the employee's personal goals for the year to come.

In 2011 we held annual performance interviews with all production employees / blue collar employees in Belgium for the first time. As well as a general evaluation of the employee's performance by the line manager, this is an opportunity to address the employee's expectations and questions. This is a way to encourage dialogue and open communication with this target group, too. Concrete agreements are also made with respect to the future (comparable with the POP). Both line managers and employees have found these interviews to be useful and open. Our aim is to hold these interviews every two years.

In the future we also want to discuss attitude and demeanour in more concrete terms during the annual interviews. We believe that as well as providing employees with tips and guidance with regard to results and performance a dialogue also needs to be started on a number of basic attitudes we believe have to be adopted to protect the future growth of the organisation.

Training
The annual performance interview 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 know-how 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 helped to settle into the organisation by a mentor, who is always available during the first six weeks of employment and possibly longer. Initiatives are also taken to enable production employees to settle into their work environment and the organisation as a whole as quickly and smoothly as possible.

In 2012 the training will focus on leading others and personal leadership. An external expert will work with our managers and employees for eight full weeks with the aim of strengthening the culture and leadership qualities. That will ensure that strong leadership is available to drive a strong growing Van de Velde organisation.

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 their talent. It is also the responsibility of each and every employee to use his or her talent in a positive and constructive way.
Where possible we try to promote from within and to assign the right project to the right person. That is our way of ensuring that we take full advantage of the talents of employees and work on active retention by giving employees challenges that are tailored to them.

New work organisation projects for blue-collar workers
There are a number of ongoing work organisation projects for blue-collar workers within the Quality Control department. Our goal is to introduce a new way of working and managing within the more production-oriented departments. We want to gradually enhance the leadership role of the team leaders and introduce work in teams where it is expedient. This is all expected to encourage greater efficiency and teamwork on the work floor.

In 2012 we also want to bring the variable remuneration for blue-collar staff in line with this new work organisation.

Shortfall occupations at Van de Velde
The supply of employees trained in ready-to-wear clothing technologies remains limited on the job market and does not meet our company's demand. It remains difficult to attract suitable candidates for jobs as cutters, pattern-makers/model-makers and stitchers, among others. We continue to invest in building good relationships and networking with a number of colleges as well as investing in high-grade in-house programmes to train motivated in-house staff and external candidates to become off-the-peg clothing specialists.

Communication and team spirit
Annual staff activity
Every year, Van de Velde organizes a special activity for its employees and their families. In 2011 we hosted a staff party for employees and their partners.

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.

Meeting over 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 which is to clarify Van de Velde's results and ongoing projects. Extra communication events were scheduled in the course of 2011 around a number of innovation initiatives at Van de Velde. Herman Van de Velde and Ignace Van Doorselaere also made time to provide more insight into the company's future plans and challenges in 'strategic sessions' for small groups of employees.

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 2011 there were twelve minor occupational accidents at work in Belgium, as well as six accidents on the way to and from work (mainly 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).
More attention needs to be given to safety on a daily basis. The risk prevention advisor arranges weekly "safety discussions" with employees to talk about any accidents and near-accidents with employees and give attention to the specific safety risks in their work.

Social commitment

Regional women's project

Van de Velde's commitment to supporting a regional women's project was put into practice in 2006 with the opening of a child-raising centre in Wetteren, in partnership with the regional General Wellbeing Centre (CAW).

After an assessment, the decision was taken to transform the child-raising centre into a CAW reception centre in the course of 2011, providing a place that welcomes everyone with questions and problems of a material, psychological, interpersonal or purely practical nature.

Pink Ribbon

Employees and customers gave up their end-of-year gift in 2011 for the third consecutive year. The budget was donated to Pink Ribbon, an organisation that works to reduce the number of people who develop breast cancer, promote early diagnosis and improve care for patients and their families and friends.

Close cooperation with Trianval (social enterprise)

The partnership with Trianval, a social enterprise in Wetteren, was expanded in 2011. At peak times a permanent Trianval team works on our premises under supervision. The team is primarily used to support lingerie-packing activities.

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.vandevelde.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 Organisation, 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 organisations, 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 the 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 by independent auditors SGS (www.sgs.be), once in May and once in December.

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.

The May audit led to one minor comment being made with regard to safety signage. Appropriate measures were taken to ensure that the December audit was concluded without any comments.

Recertification

The current SA8000 certificate was renewed for three years in 2009. It is set to expire at the end of 2012, at which time it will be renewed by means of a recertification audit.

Environmental report

The photovoltaic system was taken into use at the new-build site in Wichelen on 22 December 2009. In 2011 the system produced 88 MWh of electricity, which is 6% more than the previous year, due to more hours of sunlight. Over 94% of all that energy was consumed locally, with just 4.7 MWh being exported to the national grid. This significantly limits the site energy cost, which has led to the decision to equip the new Wichelen site with a similar system.

The heating system in Schellebelle was given a thorough overhaul in mid 2011. The old oil-fired system, which worked on a primary thermal oil system, was replaced by a gas burner with a primary hot water circuit. This reduces system consumption (pumps, burners and so on) and the new system will also enable more efficient control of the various secondary circuits in phase two of the project, which will be implemented when the Schellebelle premises are renovated.

The environmental impact with regard to waste flows at both sites remains limited, as the primary production process is cutting textile. This does not produce any special air or water pollution, although waste is produced in the form of textile and packaging waste. As much of this waste as possible is offered for recycling through separate collection of paper and cardboard, plastic bags, textile waste and PMD waste (plastic bottles, metal packaging and drinking cartons). Textile waste is the only waste flow for which no recycling circuit exists, so it has to be incinerated to produce heat. No additional chemicals are used in raw materials processing.

The environmental permit held for the Schellebelle site was issued for twenty years on 25 January 1996. The one for Wichelen was issued on 1 July 1997 for the old part of the site and on 29 October 2010 for the new-build. The two permits are linked and expire on 1 July 2017. Both sites are deemed to be class 2 sites. An application will be filed for a new environmental permit for the expansion in Wichelen, as the cutting room is to relocate to the new site.

Contribution to the Belgian Treasury

The total contributions made to the Belgian Treasury represent 66% of the operating profit of Van de Velde that was generated in Belgium. This operating profit is based on the statutory financial statements and amounts to 40,856 thousand euro at 31 December 2011.

000 euro	Total	Expense for Van de Velde	Withheld by Van de Velde
Social security contribution	4,351	4,351	0
Withholding tax on wages	3,135	0	3,135
Income tax	12,731	12,731	0
Difference between recoverable and deductible VAT	3,352	0	3,352
Withholding taxes	2,567	38	2,529
Property taxes	135	135	0
Provincial and municipal taxes and other federal taxes	88	88	0
Taxes on insurance premiums	55	52	3
Import duties	531	531	0
Total	**26,944**	**17,925**	**9,019**