Van de Velde

Annual Report 2012

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
Kurt Stallaert (Marie Jo)
Frank Uyttenhove (PrimaDonna)
Marc De Groot (Marie Jo L'Aventure)
Zeb Daemen (PrimaDonna Twist)
Sergi Pons (Andres Sarda)

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MARIE JO

1 | The year 2012

Message from the Chairman

There is no guarantee that a well thought-out strategy will generate growth; there is no guarantee that targeted initiatives will succeed; there is no guarantee that hard work will be rewarded with success.

Those are things we have always known, but we are now experiencing them first hand for the first time since the 1970s.

At Van de Velde we have always understood that we can lose what we have gained. We have never forgotten that, while we are market leaders now, we were once underdogs. Or that staying at the top demands at least as much energy, commitment and fight as getting there in the first place.

When society's macroeconomic position is weakened, it is a problem for business and business has to find a solution. But that cannot be used as an excuse for standing still or going backwards. Incidentally, a declining economy is not why companies fail. Sometimes it is due to mismanagement, but typically it is because they have not properly addressed changing production factors or market conditions.

With regard to production factors: in the 19th and 20th centuries machines and robots largely replaced manual labour. There has long been a belief in the textile industry that such modernization would prevent the exodus to low-wage countries. The same thing was believed in the car industry.

The diminishing share of labour, increasing capital intensity and the importance of technological knowhow would keep the jobs here, it was claimed. As though capital and knowhow cannot be acquired and accumulated in the emerging economies. As though low-wage countries would remain low-wage countries with poor, untrained populations. The populations of prosperous countries appear to have very poor memories when it comes to their own history.

But that is not all, because markets are moving too. Some countries become mature, others grow. Western Europe is no longer the biggest market for textiles, cars and many other products. Why should companies continue to produce where the market is shrinking if it is growing and production is more cost-efficient in other regions and local production helps increase local prosperity? The employees in our regions do not lack training, knowhow or motivation. But in the rest of the world, too, increasingly education is becoming generally accessible and people have the opportunity to show personal initiative, for which they are duly rewarded. In the internet age information can be shared superfast. "There is no longer anywhere to hide."

The market situation is changing continually and at ever-greater speed. Existing products are rendered obsolete by technological advancements and are replaced by others that do the same thing much more efficiently and often more cheaply. The inability to adapt, sometimes an impossibility, is the main reason why companies quickly decline or even go out of business. One very striking example from 2012 was Kodak.

Forms of distribution change. Independent retailers are being driven out of the large city centres. Online commerce is growing very fast.

Culture. People want to belong to something. Yesterday's trend can be on the wane today and totally outmoded tomorrow.

Being able to deal with all these factors both proactively and reactively is an essential part of competent entrepreneurship. It is not enough for today's entrepreneurs to work in a carefully considered, competent way. They also need to take more risks. It is an illusion to believe that productive corporate policy is the same as waiting until you have all the information and knowledge needed to deal with the problems facing the company. Anyone who does that will always be hopelessly late. It is not only a question of "no sweat no glory" but also of "no guts no glory".

But that is not all. In the West there is a platform for new prophets, who tell us that we will create a better society, with fewer conflicts and tensions, if we abandon our individual drive to always improve and be the best. They claim that we all have to strive for mediocrity and abandon the desire to stick our neck out. And that the government should play a more active role in that. When they type their nonsense on their laptop, do they realize that laptop would not have existed if the engineers that designed it had set mediocrity as the standard? Do they truly believe that all those drugs we now have against innumerable diseases would have been discovered if we had embraced the pursuit of mediocrity?

Our prosperity has been built up over the past 400 years because our culture has made it a priority to create conditions in which individuals are able to excel and are rewarded for doing so. And because, at the same time, our culture has asserted that this must benefit everyone. And that everyone must have the chance to excel.

Still other prophets claim that we have to renounce globalization and restore our traditional community. However, elementary history teaches us that the prosperous nations of the past have always been cosmopolitan melting pots of cultures and peoples. And that nations that tightly cling to their own culture ultimately only experience poverty and oppression.

Pluralism, cosmopolitism, broad-based access to opportunities, reward for performance and results are the corner stones of our prosperity.

That is why Van de Velde must be a symbol of the modern world: farsighted, gutsy, with lots of space for excellent people and an open view of the world. This is our best hope of growth and a strong future.

Lucas Laureys
Chairman of the Board of Directors

Activity report

Introduction: no compromise

We read the newspapers in Schellebelle. We are aware of the clouds gathering over the West, affecting and somewhat paralysing both households and governments. We realise that the accumulated debt casts a shadow over consumers. A lack of perspective leads to lower spending. There is trepidation that economic growth in western Europe will slow (or even go into reverse) for a couple of years. Fear is not good for economic growth. Offering good prospects to consumers and shareholders certainly is.

We are not happy about the fact that our turnover has risen by 1% (including the acquisition of Rigby & Peller, without which it would have fallen). We must not use the economic situation in Europe as an excuse. When you climb a hill on a bike your first concern is your own physical condition and the state of your bike, rather than the gradient or the weather. The question is not "When will we get a favourable following wind?". It is "What does Van de Velde have to do to deal with the conditions and move forward?".

There are two ways to look at 2012. Either you can see it as a year in which we posted our highest ever turnover and our third highest ever EBITDA. Or you can see it as a year in which EBITDA was down compared with 2011. The latter is the right way to see things. Although growth never rises in a straight line, the aim must always be to perform better year on year. The Management Board and Board of Directors may never use the macro-economic conditions as an excuse. They must anticipate them with the right vision, people and actions. We did not manage to do that well enough in 2012. We must look at ourselves and continue to refuse to compromise.

Wholesale 2012: a varying picture

PrimaDonna (including Twist) grew in 2012. Marie Jo (including Marie Jo L'Aventure) did not. Neither did Andres Sarda. We have to start by looking at the quality of our collection and our marketing. All other parameters (sales team, customer mix, deliveries, macro-economy, …) were the same for all brands. Marie Jo, Marie Jo L'Aventure and Andres Sarda must do better in 2013. Marketing resources were enhanced in 2012, especially for PrimaDonna and Marie Jo, with a focus on the Benelux. Andres Sarda made a considerable advance in 2011 compared with the previous year, but could not sustain that growth in 2012. The great importance of Spain (where PrimaDonna and Marie Jo both lost ground too) for Andres Sarda certainly played a role in this. The brand has not achieved the targets set at the time of acquisition and its value will therefore be partially impaired. That does not affect our belief in the future of Andres Sarda as a brand.

Geographically, the northwestern part of the world seemed to be in better shape than the southeast. Germany, northern Europe (including the UK) and North America (USA and Canada) performed well. Belgium, the Netherlands and everything to the south on the other hand slipped back to a greater or lesser degree. In Poland we changed the setup by switching from an agent to our own sales team.

After four consecutive years of growth the 'Lingerie Styling' programme stagnated. Improvements will be made in 2013. The general decline of specialty shops continued, accelerated by the crisis. Footfall was down. The specialty shops also invested too little in sales and marketing. Turnover in the channel fell by 4% in the Netherlands and France. No precise figures are available for other countries, but there was most probably a fall there too. There is every indication that Van de Velde has gained market share in specialty shops in recent years, but we are far from sure that is the case in 2012.

Wholesale remains far and away the most important group department measured in turnover and cash flow. It deserves our focus in terms of people and resources. The attention the media gives to retail does not detract from the efforts of wholesale. We pursue every inch of growth there.

Retail 2012: still a way to go

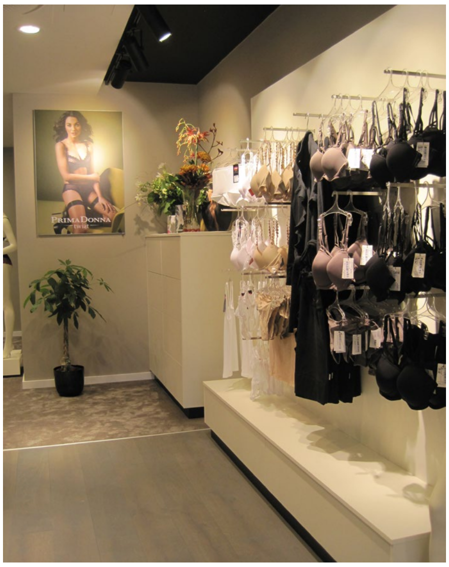
Van de Velde is convinced that specialty shops that invest to become 'the best fitting room in the world' deserve a place on the market, worldwide. This is based on a real consumer need. The condition is that these shops consistently position themselves in the high-end segment. A strong brand, good service, product knowledge, insight into the psychology of women, a range of high-quality brands. That mix must never be compromised. It is our wish – together with the specialty shop – to convince women of the necessity of good fitting room service. For those women, that is an investment in their figure, their sensuality and their self-confidence. The underlying concept goes by the name 'Lingerie Styling'.

The acquisition of Rigby & Peller (UK) in 2011 was the final piece in the retail strategy based on 'Lingerie Styling' that was first launched in 2007. Rigby & Peller not only invented the concept, it also managed to put it into practice in a credible and coherent way in London. However, after 2009, Rigby & Peller was faced with a more challenging environment, especially due to expansion. In August 2011 we moved Rigby & Peller back into growth. A loss-making shop was closed at the end of 2011. At the beginning of 2012 minor changes were made to all shops, in-shop productivity was improved by more efficient staffing, marketing efforts were increased, scorecards were introduced and two new shops were opened. Van de Velde's market share rose from 38% to 50%. Local management is strong.

All German and Spanish Oreia shops were converted to Rigby & Peller in the course of 2012. The initial results in Germany are promising but there is still a long way to go. Spain is hard to judge due to the economic conditions. Some hills cannot be climbed even on the best bike.

Intimacy has been a disappointment. Since August 2009 we have seen a slight like-for-like fall, although overall this was compensated by the opening of new shops. The decline has dogged us for three years now. We are convinced that a coherent premium mix can help build a long-term relationship with US consumers too. We must be able to bring the mix that Rigby & Peller markets in London to the United States. That will take time, not least because of the size of the country. In the United States every city is a separate territory, and intense efforts are required in the people selection and training, marketing and logistics. It will take more time to straighten out Intimacy than we originally thought. Happily, the market share of the Van de Velde brands exceeded 50%. The acquisition price of the final 35.1% of the company (from 49.9% to 85%) was linked to performance, which was below par. As a result, Van de Velde will be reimbursed a very large part of the 13.5 million American dollar advance.

In the Netherlands the Lincherie chain was transformed into a hard franchise, centred on the 'Lingerie Styling' concept. Some twenty or so entrepreneurs were members by late 2012/early 2013. In Hong Kong and China 2012 was the first year of the joint venture with Getz. The standard of service to consumers will be gradually improved here too. 'Lingerie Styling' will obviously have to be adapted to suit the local culture. That demands patience and strong will. Creating a fitting room culture on the product and service concept will demand a great deal of training. You cannot construct a premium image unless all the details are in harmony. Without any wrong notes. The first Private Shop was converted to Rigby & Peller at the end of 2012.



Operations

– *Production in Tunisia*

Around half of the production activities are based in Tunisia, under our own management (640 employees) and through subcontracts.

The political upheaval in Tunisia has no impact on operating activities, but the situation is nevertheless closely monitored. Production remained at the same level as the previous year, but a scheduled expansion investment was postponed for the second time.

– *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.

As a result of snowballing costs in southern China, Top Form and Van de Velde are looking for new production options in the region.

Top Form is experiencing a tough time. For the financial year 2012, which runs from 1 July 2011 to 30 June 2012, it announced a loss of 61.2 million Hong Kong dollar and a 16% fall in turnover. These poor results were caused by a large fall in turnover of the most important US customer, the closure of a plant in Shenzhen (cost 22 million Hong Kong dollar), start-up costs of a new plant in Cambodia and an operational setback in a plant in Thailand.

– *Deliveries*

The reliability of deliveries is a very important aspect in our relations with customers and has been closely monitored for many years. We achieved just 83% reliability for the spring fashion collections (below our 85% target), but reliability rose perceptibly in the autumn, when 90% of the collections were delivered within the agreed term.

The average score for the stayers collection was 95% in 2012, which means that, on average, 95% of the 5,700 references were in stock and could be sent to customers within 24 hours.

– *Investments*

The new premises in Wichelen were taken into use in July 2012. The three-storey building with underground car park has a total floor area of 3,000 m^2. The cutting room and the raw materials stores were relocated efficiently and without any impact on deliveries, for which the responsible departments deserve a compliment.

People

A worldwide cultural programme was created with GROWTH as the core theme. We chose the word GROWTH because it reflects our developmental ambitions, but the programme also encompasses our key values – Game & Drive, Respect, Opportunity & Entrepreneurial Spirit, Efficiency and International. Van de Velde is committed to these values, which employees are strongly encouraged to adopt too. The goal is to build the company around passionate people. The strength of a company comes from within and it is our job to find the right people that can generate good results in the long term and strengthen the foundations on which the company is built.

SA 8000

Van de Velde was first awarded SA 8000 social accountability certification in 2003. The certificate is renewable every three years. After an intensive external audit, Van de Velde was awarded SA 8000 certification for the fourth time in succession in 2012.

Outlook 2013: “a farmer’s work is never done”

There is only one way to tackle the crisis: ‘think attack’. Work harder in terms of collection, marketing, innovation, sales force, shop formulas, geographic expansion and people. The results are difficult to predict. Unfortunately, the macro-economic situation in Europe – where we have the bulk of our business operations – is likely to remain tough.

Wholesale turnover in the first six months is likely to remain stable. The efforts invested in PrimaDonna in 2012 will continue, but they will be intensified. A new campaign is scheduled for Marie Jo and Marie Jo L’Aventure in the second half of 2013. Marketing resources will be increased significantly for both brands; the marketing budget for Andres Sarda will virtually double compared with 2012. It is very important that Andres Sarda builds on the growth begun in 2010 in a consistent way.

By definition, retail is hard to predict. The biggest challenge ensuing from the 2012 figures is turning the fall in like-for-like sales of Intimacy into growth. 2013 must be a year of consolidation for Rigby & Peller UK; by building on the foundations that have already been laid we can achieve further growth and expansion. We expect Rigby & Peller to be popular with German consumers. In any event, two major shop openings are expected to have an impact. Cologne opened at the end of 2012, while Munich is scheduled to open in the spring. The formula is now franchisable. We have developed the systems in the Netherlands that can also work successfully in Germany. Hong Kong and China must be judged in the long term. Laying the right foundations (positioning, content) is much more important than growth in 2013. That will come later. We are in a hurry, so we need to take our time.

In 2013 the E-commerce site Rigby & Peller has had for ten years in the UK will be exported to Germany, albeit based on a new technological and logistical platform. This is also a learning curve.

In 2014 a limited swimwear collection will be marketed under the PrimaDonna Twist brand. It will be presented to the sales force in 2013.

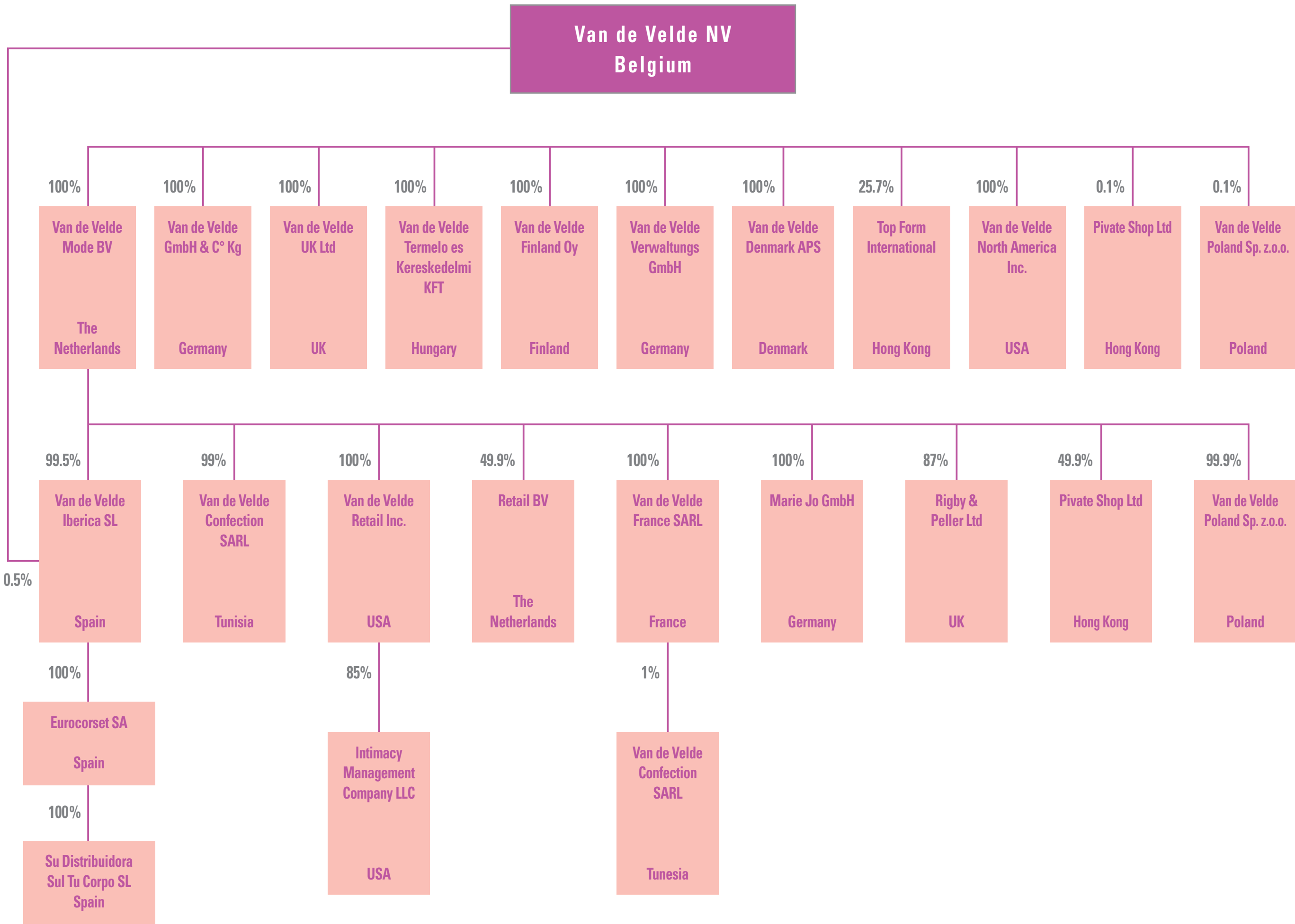
As always, 2013 is a year like any other; another layer in the long-term construction of a company. We will certainly work hard to grow turnover and EBITDA. The economic conditions are not in our favour, but we cannot change that. As always, we will not delay or suspend any initiative just so we can achieve our targets in 2013. The long and short term are inextricably linked and must be mutually reinforcing.


ANDRES SARDA
Designed in Barcelona

2 | Description of the company and its activities

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

The current Group structure is as follows:




PRIMADONNA
twist

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 2018);
- Herman Van de Velde NV, always represented by Herman Van de Velde, managing director (tenure expires at the Ordinary General Meeting of 2018);
- Bénédicte Laureys, director (tenure expires at the Ordinary General Meeting of 2018);
- EBVBA 4 F, always represented by Ignace Van Doorselaere, managing director (tenure expires at the Ordinary General Meeting of 2016);
- 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);
- Emetico NV, always represented by Yvan Jansen, director nominated by means of co-optation[1] (tenure expires at the Ordinary General Meeting of 2013);
- Mavac BVBA, always represented by Marleen Vaesen, director nominated by means of co-optation[2] (tenure expires at the Ordinary General Meeting of 2013).

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

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

Lucas Laureys NV, Bénédicte Laureys, Mavac BVBA and Herman Van de Velde NV represent Van de Velde Holding NV, the majority shareholder of Van de Velde NV. The first three 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 2012 the Board of Directors met six 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. 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.

1 Nominated as of 11 December 2012 by means of co-optation to replace Fyberco NV as independent director (always represented by Yvan Jansen), who resigned as director as of the same date.

2 Nominated as of 23 August 2012 by means of co-optation to replace Herman Van de Velde, who resigned as director as of the same date.

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 EBVBA Benoit Graulich, always represented by Benoit Graulich.

The Audit Committee meets no fewer than three times a year and as often as considered necessary for its proper operation. In 2012 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. Other members of the Board of Directors can be invited to participate in the Strategic Committee on an ad hoc basis.

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

(c) Nomination and Remuneration Committee

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

The Nomination and Remuneration Committee is composed as follows:
- Lucas Laureys NV, always represented by Lucas Laureys;
- EBVBA Benoit Graulich, always represented by Benoit Graulich;
- BVBA Dirk Goeminne, always represented by Dirk Goeminne.

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

The Nomination and Remuneration Committee meets as often as is needed for its proper operation, but never less than two times every year. The Nomination and Remuneration Committee met eight times in 2012. All members attended these meetings.

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

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

(d) Management Committee

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

The Management Committee meets on average every three weeks and is responsible for managing the company. It exercises the managerial powers that the Board of Directors has delegated to the Management Committee.

The Management Committee is composed as follows:
- Herman Van de Velde NV, always represented by Herman Van de Velde;
- EBVBA 4F, always represented by Ignace Van Doorselaere;
- Stefaan Vandamme, CFO;
- Isabelle Massagé, international sales director;
- Karlien Vanommeslaeghe, human resources director;
- Hedwig Schockaert, ICT & supply chain director;
- Philippe Vertriest, business development director;
- Dirk De Vos, international retail director.

As of 1 September 2012 Isabelle Massagé was appointed a member of the Management Committee as international sales director. Isabelle Massagé assumed this position from Dirk De Vos, who was appointed international retail director.

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

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

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

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

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

Remuneration report

1. Introduction

The remuneration report provides transparent information on Van de Velde's remuneration policy for its directors and members of the Management Committee, in accordance with the Belgian Corporate Governance Act of 6 April 2010 and the Belgian Corporate Governance Code. The underlying remuneration report will be submitted for approval to the General Meeting of 24 April 2013 and presented to the works council, in accordance with the provisions of the Act.

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

2. Remuneration of the directors

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

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

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

For his chairmanship, his membership of the Nomination and Remuneration Committee, the Audit Committee and the Strategic Committee, the chairman of the Board of Directors receives annual gross remuneration of 60,000 euro. The other non-executive members receive annual remuneration of 15,000 euro for their membership of the Board of Directors and 2,500 euro for their membership of the Audit and/or Nomination and Remuneration Committee respectively.
The members of the Board of Directors who are also members of the Management Committee receive no remuneration for their membership of the Board of Directors.

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

3. The remuneration of the members of the Management Committee

The level and structure of the remuneration for the members of the Management Committee must be such that qualified and expert professionals can be attracted, retained and motivated, bearing in mind the nature and scope of their individual responsibilities. To this end, an international HR consultant is given the task of proposing the job weighting and the corresponding customary salary package in the relevant market. The compensation is regularly benchmarked on the basis of a relevant sampling of listed companies.
The managing 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 on 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 of their grant date.
- Obligations of the company in the framework of premature exit arrangements will be closely investigated to ensure poor performance is not rewarded.

A variable annual remuneration ("team bonus") is granted to the CEO and the members of the Management Committee, with the exception of Herman Van de Velde NV. 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[3] have been met and submits this report to the Board of Directors for approval. The maximum amount of this team bonus, not including the CEO, is 37,500 euro per member. For the CEO the maximum amount is 177,453 euro.

3 In respect of the targets related to the results of the Group, the audited accounts are used as a basis to determine whether these targets have been reached.

There is also an individual bonus scheme for some members of the Management Committee, 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 is 27% of the gross basic remuneration, not including the two members who are entitled to claim a loyalty bonus (see below) and the one member whose maximum bonus is 45% 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[4], although the actual payment only occurs if they still work for the company on a date established in advance. In addition to the variable remuneration system, the Board of Directors retains the discretionary power to grant an additional bonus to the CEO and one or more members of the Management Committee to reward a specific performance or merit, on the proposal of the Nomination and Remuneration Committee.

There are no special agreements or systems that entitle the company to claim back variable remuneration that has been paid out if it has been granted erroneously on the basis of data that subsequently proves to be incorrect. In such cases, the company will invoke the possibilities found in common law.

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

Plans in which members of the Management Committee are compensated in shares, share options or any other rights to acquire shares are subject to prior shareholder approval at the annual General Meeting. The approval relates to the plan itself and not to the individual grant of share-based benefits under the plan. In principle, shares are not permanently acquired and options are not exercisable within less than three years.

The total gross remuneration (in 000 euro) (including remunerations received from other companies that form part of the Group) awarded in 2012 to the members of the Management Committee (including Herman Van de Velde NV) and the CEO amounted to:

	Management Committee [5]	**CEO**
Basic remuneration	1,218	463
Variable remuneration	840 [6, 7]	65
Pensions	25	0
Other benefits	33	0
Reversal of remuneration provided for during the 4 previous fiscal years	[640] [6]	

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

Currently, all members of the Management Committee, with the exception of the managing directors and Isabelle Massagé, are employed on the basis of an employment contract, which can be terminated, subject to the notice term calculated in accordance with the applicable labour laws. This notice term can be replaced by a corresponding termination indemnity as the company sees fit. No other termination indemnity is provided for. The employment agreement of Isabelle Massagé can be terminated by the company, with due regard for a notice term or corresponding termination indemnity of 8 months' fixed and variable salary, provided Isabelle Massagé has been employed within the Group for less than 10 years[8]. As from the moment Isabelle Massagé has been employed within the Group for 10 years or more, this notice period will be increased to 12 months. However, in the event of a termination for urgent cause, the contract can be terminated with immediate effect.

The members of the Management Committee who work through a management company – the managing directors – are employed on

4 Each year the Nomination and Remuneration Committee assesses the extent to which the targets have been met and this assessment is presented to the Board of Directors for approval. The targets related to the loyalty bonus are also based on objective parameters. For the CEO there are the results of the Group and individual responsibilities. For the other member the only objective parameter is individual responsibilities. The audited accounts are used as a basis to determine whether the targets related to the results of the Group have been met.

5 Excluding the CEO, including the remuneration paid to Antony Verbaeys over the period 1 January 2012 to 16 April 2012 and the remuneration of Isabelle Massagé over the period 1 September 2012 to 31 December 2012.

6 Part of this variable remuneration (640,000 euro) was provided for in the fiscal years 2008-2011, because it relates 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 occurs only if the employee in question still works for the company on a date established in advance. These amounts provided for were also included in the variable remuneration awarded, as set out in the annual reports for 2008-2011. In 2012 the employee in question took on a new position within the Group. As a result he was no longer entitled to this loyalty bonus. However, the company wanted to reward the employee for his performance and to maintain the right conditions for a good working relationship in the future. This alternative remuneration of 462,781.95 euro is included in the reported variable remuneration.

7 This variable remuneration also includes a termination indemnity paid to a member of the Management Committee by a subsidiary as compensation for the termination of the employment agreement between the subsidiary and the member of the Management Committee in question. The member of the Management Committee in question continues to be employed by the Group, but no longer by the subsidiary, so this indemnity is not regarded as a termination indemnity but (solely for the purpose of this report) is included in the variable remuneration.

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

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

In 2012 one member of the Management Committee received – after approval by the Board of Directors – a termination indemnity of 11 months' basic plus variable remuneration, calculated in accordance with the Claeys formula. The member in question is no longer employed by the Group.

4. Remuneration policy for coming years

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

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 2012 Hedwig Schockaert and EBVBA 4F, permanently represented by Ignace Van Doorselaere, were both granted 5,000 options. No unexercised options expired.

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

	Options end 2011	Granted and accepted in 2012		Exercised in 2012		Options end 2012
		Number	Exercise price	Number	Exercise price	
EBVBA 4F	10,000	5,000	34.88	5,000	23.89	10,000
Herman Van de Velde NV	20,000	0		10,000	23.89 and 35.93	10,000
Dirk De Vos	10,000	0		5,000	23.89	5,000
Hedwig Schockaert	15,000	5,000	34.88	5,000	23.89	15,000
Stefaan Vandamme	10,000	0		5,000	23.89	5,000
Karlien Vanommeslaeghe	5,000	0		5,000	23.89	0
Philippe Vertriest	2,500	0		2,500	28.33	0
	72,500	**10,000**		**37,500**		**45,000**

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 are important for the completeness and correctness of the reported figures is regularly verified by the financial department, on the basis of random sampling. An example is the permanent stock system for raw materials and finished products.

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

Shareholding structure on the balance sheet date

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

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

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

On 10 January 2012 Delta Lloyd NV no longer met the statutory threshold of 3%. On 28 January 2013 Banque de Luxembourg informed us that the BL Sicav (controlled by Banque de Luxembourg) held 438,000 or 3.29% of the Van de Velde shares as of 10 January 2013.

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 2012 for auditing of the statutory and consolidated financial statements of Van de Velde NV was 45,500 euro (excl. VAT). The total costs for 2012 for the auditing of the annual accounts of all companies of the Van de Velde Group were 130,956 euro (excl. VAT), including the aforementioned 45,500 euro.

In accordance with Article 134 of Belgium's Companies Code, Van de Velde announces that the remuneration given to the statutory auditor for exceptional and special tasks and to the persons with whom the statutory auditor has a professional relationship was 19,278 euro (excl. VAT), all of which was for tax advice and compliance tasks.

Belgian Code on Corporate Governance

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

The following provision is not complied with:

(i) Principle 5.2/4, The majority of the members of the Audit Committee should be independent.
"The Audit Committee is composed as follows:
- Lucas Laureys NV, always represented by Lucas Laureys (non-executive director);
- Management- en Adviesbureau Marc Hofman V.O.F., always represented by Marc Hofman (non-executive director);
- EBVBA Benoit Graulich, always represented by Benoit Graulich, independent director.

Management- en Adviesbureau Marc Hofman V.O.F., always represented by Marc Hofman, was originally appointed as independent director. Because he has been a director for more than 12 years he can no longer be considered to be independent under the Code. However, in practice he still takes an independent position. As a result the Board of Directors does not see any immediate need to change the composition of the Audit Committee."

Conflict of Interests Scheme

In 2012 no conflicts of interests were declared in the Board of Directors within the meaning of Article 523 of Belgium's Companies Code.

Information to shareholders

Share listing

The shares of Van de Velde have been quoted on the Brussels stock exchange, currently NYSE Euronext Brussels, since 1 October 1997, under the abbreviation 'VAN' (MNENO).
Van de Velde's shares can be traded using the ISIN code BE 0003839561.

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

In line with its series of local indexes, NYSE Euronext Brussels maintains a BEL20, BEL Mid and BEL Small index, the components of which are selected on the basis of liquidity and free float market capitalization. Van de Velde is listed in the BEL Mid index. The weight in this index is 1.89% in 2012.

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 NYSE Euronext Brussels can be guaranteed.

General Meeting

The General Meeting of Shareholders is held at the seat of the company at 5 pm on the last Wednesday of April. If this day is an official holiday the meeting is held on the next working day.

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

Authorized capital

The Board of Directors is authorized for a period of five years from the announcement in the annexes to Belgisch Staatsblad/Moniteur belge (21 May 2012) to raise the subscribed capital one or more times by a total amount of 1,936,173.73 euro, under the conditions stated in the Articles of Association.

Acquisition of own shares

On 25 April 2012 the Extraordinary General Meeting of Shareholders authorized the Board of Directors to buy or sell its own shares. This authorization is valid for a period of (i) three years as from 21 May 2012 if the acquisition is necessary to avoid a serious threatened disadvantage and (ii) five years as from 25 April 2012 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 NYSE Euronext Brussels.

In 2012 22,604 own shares were acquired by Van de Velde NV. At the end of 2012 Van de Velde NV has 43,199 own shares in its possession.

The treasury shares owned by Van de Velde NV at the end of 2012 are held with the intention of offering them to the management within the framework of a stock option programme initiated in 2005. See note 13 to the consolidated financial statements for more information.

Dividend Policy

Van de Velde's objective is to pay out a stable and gradually increasing annual dividend. In doing so, it takes the following factors into consideration:

- Appropriate payment to shareholders in comparison with other companies listed on NYSE Euronext Brussels;
- Retention of 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 result 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 redeemable coupons of Van de Velde NV shares.

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. In other words, the treasury shares held for which no profit share is retained are not taken into account to reduce distributable profit. This concerns 43,199 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 13,279,281 shares.

The application of the pay-out percentage (40% of consolidated profit, Group share, excluding result based on the equity method) produces a dividend per share of 0.84 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 2012 this implies that the Board of Directors will propose to the General Meeting the payment of a dividend for the fiscal year 2012 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 2013 at branches of ING and Bank Degroof upon presentation of coupon 7.

Financial Calendar

Closing of fiscal year	31 December 2012
Announcement of 2012 turnover figures	7 January 2013
Announcement of annual results	25 February 2013
Publication of annual financial report	21 March 2013
General Meeting of Shareholders	24 April 2013
Publication of first interim statement	24 April 2013
Ex-coupon date	2 May 2013
Record date	6 May 2013
Dividend payment date	7 May 2013
Announcement of H1 2013 turnover figures	4 July 2013
Publication of 2013 half-year results	30 August 2013
Publication of second interim statement	15 November 2013
Closing of fiscal year	31 December 2013

Notice to the shareholders

As of 31 December 2012, 2,285 Van de Velde NV bearer shares were in circulation. Bearer securities must be converted to nominative securities or dematerialized securities by 31 December 2013. 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 2012

Profit and loss account (in millions of euro)	2012	2011	2010	2009	2008
Operating income	186.8	184.5	170.5	143.6	135.3
Turnover	181.8	179.8	166.3	140.1	133.0
Recurring EBITDA (1)	48.8	53.8	52.3	44.2	43.4
Recurring EBIT (2)	42.7	49.4	46.3	41.0	40.2
Consolidated result before taxes (3)	38.0	54.3	52.5	37.5	40.2
Consolidated result after taxes (3)	28.0	41.0	39.9	27.2	28.6
Profit for the period (4)	25.6	41.2	40.0	26.6	28.6
Operating cash flow (5)	30.8	46.7	34.9	33.7	29.6

(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)	2012	2011	2010	2009	2008
Fixed assets	109.4	103.9	89.0	65.6	66.1
Current assets	87.7	96.6	92.9	83.7	71.2
Shareholders' equity	170.0	168.1	153.6	135.7	120.9
Balance sheet total	197.1	200.4	181.9	149.3	137.3
Net debt position (1)	-31.1	-40.5	-37.8	-40.3	-22.2
Working capital (2)	39.0	35.7	38.2	32.1	35.5
Capital employed (3)	148.4	139.6	127.2	97.7	101.6

(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)	2012	2011	2010	2009	2008
Return on equity (1)	16.5	25.5	27.6	21.2	24.0
Return on capital employed (2)	19.4	30.7	35.5	27.3	32.0
Solvency (3)	86.3	83.9	84.5	90.9	88.1
Liquidity (4)	5.0	4.7	5.5	7.4	5.4

(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 %)	2012	2011	2010	2009	2008
Recurring EBITDA (1)	26.9	29.9	31.4	31.5	32.6
Recurring EBIT (2)	23.5	27.5	27.9	29.2	30.2
Tax rate (3)	24.2	25.7	26.2	27.3	29.0

(1) Recurring EBITDA on turnover.
(2) Recurring EBIT on turnover.
(3) Income taxes on Consolidated result before taxes. In 2010 and 2011 the extraordinary finance gain on the Intimacy business combination was excluded from the consolidated result before taxes. In 2012 the extraordinary finance gain on the Intimacy business combination and the impairment of goodwill and intangible assets with indefinite useful life were excluded from the consolidated result before taxes.

Stock market data	2012	2011	2010	2009	2008
Average daily volume in pieces	6,281	5,329	5,472	3,973	5,905
Number of shares at year end	13,322,480	13,322,480	13,322,480	13,322,480	13,556,710
Number of traded shares	1,607,998	1,369,623	1,411,725	1,013,229	1,511,681
Velocity	12.1%	10.3%	10.6%	7.6%	11.2%
Turnover (in thousands of euro)	58,314	50,269	47,212	27,261	42,230
(in euro per share)					
Highest price	42.49	40.97	39.60	31.00	37.75
Lowest price	33.02	32.25	28.51	22.50	20.30
Closing price	34.20	35.33	39.60	29.36	24.00
Average price	36.30	37.47	33.80	26.70	28.59

Key figures per share (in euro)	2012	2011	2010	2009	2008
Book value (1)	12.8	12.6	11.5	10.2	8.9
Recurring EBITDA (2)	3.7	4.0	3.9	3.3	3.2
Profit for the period (3)	1.9	3.1	3.0	2.0	2.1
Gross dividend	2.15	2.15	2.15	1.65	0.90
Net dividend	1.61	1.61	1.61	1.24	0.68
Dividend yield (4)	4.71%	4.56%	4.07%	4.21%	2.81%

(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.

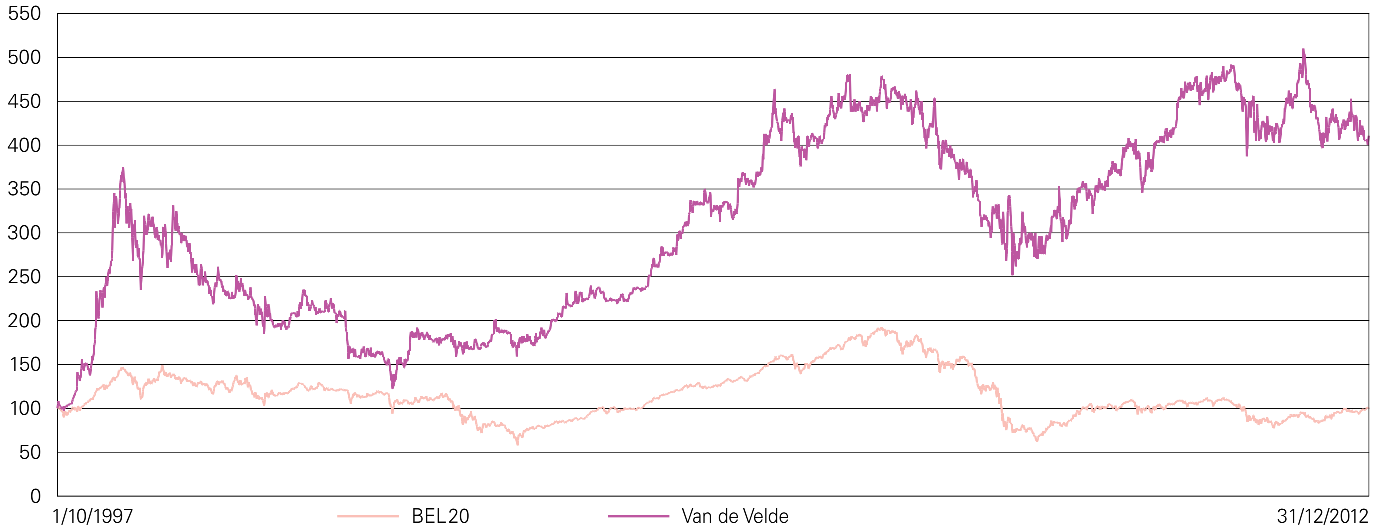
Value determination (in millions of euro)	2012	2011	2010	2009	2008
Book value (1)	170.0	168.1	153.6	135.7	120.9
Market capitalization (2)	455.6	470.7	527.6	391.1	325.4
Enterprise value (EV) (3)	408.2	414.9	474.7	325.9	277.1

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

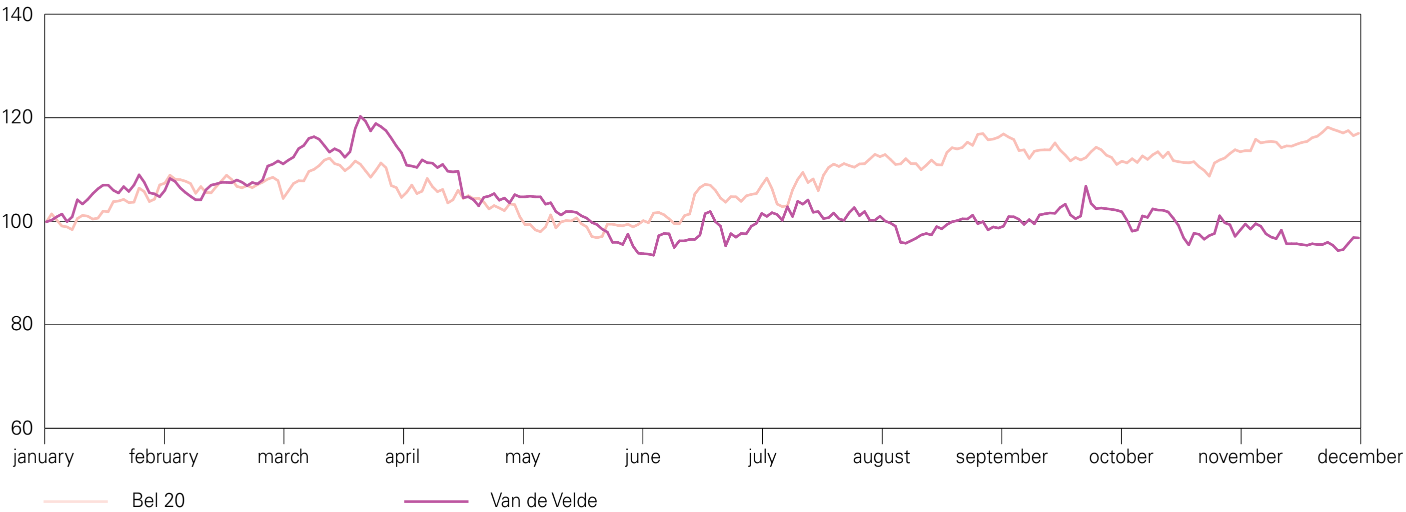
Multiples	2012	2011	2010	2009	2008
EV/Recurring EBITDA (1)	8.4	7.7	9.1	7.4	6.4
Price/Profit (2)	18.1	11.5	13.2	14.7	11.4
Price/Book value (3)	2.7	2.8	3.4	2.9	2.7

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

Van de Velde and BEL 20 stock market price



Stock market price in 2012

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5 | Consolidated financial statements and related notes

Consolidated balance sheet

000 euro	2012	2011	*(Note)*
Assets			
Total fixed assets	**109,382**	**103,881**	
Goodwill	25,413	27,882	3
Intangible assets	27,364	28,927	4
Tangible fixed assets	32,285	26,142	5
Participations (equity method)	16,296	15,367	6
Deferred tax asset	0	688	15
Other fixed assets	8,024	4,875	7
Total current assets	**87,688**	**96,568**	
Inventories	35,199	34,178	9
Trade and other receivables	13,168	13,797	10
Other current assets	7,583	7,371	11
Cash and cash equivalents	31,738	41,222	12
Total assets	**197,070**	**200,449**	
Equity and liabilities			
Shareholders' equity	**169,979**	**168,134**	
Share capital	1,936	1,936	13
Treasury shares	-1,336	-1,699	13
Share premium	743	743	13
Other comprehensive income	-9,415	-9,214	
Retained earnings	178,051	176,368	
Non-controlling interests	**4,615**	**8,996**	**13**
Total non-current liabilities	**4,946**	**2,884**	
Provisions	1,111	906	14
Pensions	33	34	21
Other non-current liabilities	3,462	1,944	16
Deferred tax liability	340	0	15
Total current liabilities	**17,530**	**20,435**	
Trade and other payables	16,124	17,985	17
Other current liabilities	1,238	845	18
Income taxes payable	168	1,605	18
Total equity and liabilities	**197,070**	**200,449**	

Consolidated income statement

000 euro	2012	2011	(Note)
Turnover	181,759	179,846	27
Other operating income	5,047	4,684	
Cost of materials	-44,481	-44,589	
Other expenses	-52,823	-47,638	
Personnel expenses	-40,689	-38,519	21
Depreciation and amortization	-6,130	-4,340	4,5
Operating profit	**42,683**	**49,444**	
Impairment of goodwill and intangible assets with indefinite useful life	-8,000	0	3
Finance income	5,574	7,655	20
Finance costs	-2,303	-2,846	20
Share in result of associates	-2,346	243	6
Profit before taxes	**35,608**	**54,496**	
Income taxes	-10,408	-13,425	22
Profit for the year	**25,200**	**41,071**	
Other comprehensive income			
Currency translation adjustments	-389	848	
Total other comprehensive income	**-389**	**848**	
Total of profit for the period and other comprehensive income	**24,811**	**41,919**	

000 euro	2012	2011	(Note)
Profit for the year	**25,200**	**41,071**	
Attributable to the owners of the company	25,613	41,201	
Attributable to non-controlling interests	-413	-130	
Total of profit for the period and other comprehensive income	**24,811**	**41,919**	
Attributable to the owners of the company	25,340	41,779	
Attributable to non-controlling interests	-529	140	
Basic earnings per share (in euro)	1.93	3.11	23
Diluted earnings per share (in euro)	1.93	3.10	23
Weighted average number of shares	13,288,169	13,254,015	23
Weighted average number of shares for diluted profit per share	13,298,380	13,277,110	23
Proposed dividend per share (in euro)	2.15	2.15	24
Total dividend (in 000 euro)	28,550	28,596	24

Consolidated statement of changes in equity

	Attributable to the shareholders of the parent								
000 euro **Change in equity**	**Share capital**	**Share premium**	**Treasury shares**	**Retained earnings**	**Share-based payments**	**Other compre-hensive income**	**Equity**	**Non-control-ling interests**	**Total equity**
Equity at 01/01/2011	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
Profit for the period				25,613			25,613	-413	25,200
Other comprehensive income						-273	-273	-116	-389
Sale of treasury shares for stock options			1,145				1,145		1,145
Purchase of treasury shares			-782				-782		-782
Amortization deferred stock compensation					133		133		133
Granted and accepted stock options				448	-304		144		144
Deferred stock compensation					-144		-144		-144
Reserves at Top Form				943		72	1,015		1,015
Dividends				-28,858			-28,858		-28,858
Adjustments to non-controlling interests				3,852			3,852	-3,852	0
Equity at 31/12/2012	1,936	743	-1,336	177,582	469	-9,415	169,979	4,615	174,594

Consolidated cash flow statement

000 euro	2012	2011
Cash flows from operating activities		
Cash receipts from customers	229,570	230,993
Cash paid to suppliers and employees	-181,870	-172,543
Cash generated from operations	**47,700**	**58,450**
Income taxes paid	-12,523	-6,920
Other taxes paid	-4,178	-4,558
Interest and bank costs paid (note 20)	-196	-232
= Net cash from operating activities	**30,803**	**46,740**
Cash flows from investing activities		
Interest received (note 20)	616	620
Received dividends (note 20)	265	1,009
Proceeds from sale of equipment	0	53
Purchase of fixed assets (note 4 and 5)	-12,529	-7,997
Investments in other participating interests (note 6 and 11)	0	-3,040
Net sale /(purchase) of treasury shares (note 13)	304	807
Investments in subsidiary, net of cash acquired	0	-9,139
= Net cash used in investing activities	**-11,344**	**-17,685**
Cash flows from financing activities		
Dividends paid (note 24)	-28,649	-28,505
Repayment of long-term borrowings	-163	84
Net financing of customer growth fund	-15	-163
Reimbursement CDO	0	2,000
= Net cash used in financing activities	**-28,827**	**-26,584**
Net increase/(decrease) in cash and cash equivalents	**-9,368**	**2,471**
Cash and cash equivalents at the beginning of the period (note 12)	**41,222**	**38,247**
Exchange rate differences	-116	504
Net increase/(decrease) in cash and cash equivalents	-9,368	2,471
Cash and cash equivalents at the end of the period (note 12)	**31,738**	**41,222**

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 NYSE 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 19 February 2013, subject to approval of the statutory non-consolidated accounts by the shareholders at the Ordinary General Meeting to be held on 24 April 2013. In compliance with Belgian law, the consolidated accounts will be presented for informational purposes to the shareholders of Van de Velde NV at the same meeting. The consolidated financial statements are not subject to amendment, except conforming changes to reflect decisions, if any, of the shareholders with respect to the statutory non-consolidated financial statements affecting the consolidated financial statements.

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

2. Summary of significant accounting policies

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

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

Use of estimates

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

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

The most important application of estimates relates to:

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

Employee benefits – share-based payments
The Group values the costs of the share option programmes on the basis of the fair value of the instruments on the grant date. The estimate of the fair value of the share-based payments requires a valuation depending on the terms and conditions of the grant. The valuation model also requires input data, such as the expected life of the option, the volatility and the dividend yield. The assumptions and the model used to estimate the fair value for share-based payments are explained in note 21.

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

Gift cards and store credits
Unused gift cards and store credits are recognized in profit and loss after a period of 2 years based on estimated percentages. The redemption patterns are based on historical data of the last five years and are reviewed annually.

Change in accounting policies

The accounting policies adopted are consistent with those of the previous fiscal year except for the following new, amended or revised IFRSs and interpretations that were adopted after 31 December 2011 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 2012:

- IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets;
- IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters;

– IFRS 7 Financial Instruments: Disclosures (Amendment) – Enhanced Derecognition Disclosure Requirements.

The first adoption of these changes did not have an impact on the annual accounts of the Group.

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

Financial statements of foreign activities

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

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

Intangible assets

(1) Research and development

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

(2) Acquired brands

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

(3) Key Money

Key money refers to the 'droit au bail' or right to rent the shops in France 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. During 2012, a rent agreement was entered into in Germany involving key money, amortized over a period of 5.5 years.

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

Goodwill

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

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

Tangible fixed assets

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

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

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

The depreciation rates used are as follows:

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

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

Impairment of assets

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

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

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

Inventories

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

Purchasing costs include:

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

Conversion costs include:

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

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

Trade and other receivables

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

Leasing

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

Derivative financial instruments

Hedges

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

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

Collateralized debt obligations (CDOs)

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

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits. 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 transaction is entered into the cash register. Sales are recorded net of sales taxes, value-added taxes, discounts and incentives.

(2) Gift cards and store credits

The Group's retail network sells gift cards and issues credits to its customers when merchandise is returned. The cards and credits do either not expire or have an expiry date in 24 months. The Group recognizes sales from gift cards when they are redeemed by the customer and when the likelihood of the gift cards and credits being redeemed by the customer is remote (breakage). The company determines breakage income on unused gift cards and store credits based on the historical redemption pattern. Management has determined that redemption would be remote after a period of 2 years. Breakage income is recognized as part of turnover.

(3) Financial income

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

(4) Government grants

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

Expenses

(1) Interest expenses

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

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

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

New and amended standards and interpretations, effective for fiscal years starting after 1 January 2012

The Group has not early-adopted any standards or interpretations issued but not yet effective as at 31 December 2012.

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 fiscal year in which these are to be adopted:

- IFRS 1 Government Loans – Amendments to IFRS 1. These amendments require first-time adopters to apply the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to IFRS, effective 1 January 2013;
- IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7. These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements), effective 1 January 2013;
- IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32. These amendments clarify the meaning of "currently has a legally enforceable right to set-off", effective 1 January 2014.

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

- IFRS 9 Financial Instruments: Classification and Measurement. IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39, effective 1 January 2015;
- IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements. IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements, effective 1 January 2014;
- IFRS 11 Joint Arrangements. IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Venturers, effective 1 January 2014;
- IFRS 12 Disclosure of Interests in Other Entities. IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28, effective 1 January 2014;
- IFRS 13 Fair Value Measurement. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted, effective 1 January 2013;
- IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1. The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI), effective 1 July 2012;
- IAS 19 Employee Benefits (Revised). The IASB has issued numerous amendments to IAS 19. These range from fundamental changes, such as removing the corridor mechanism and the concept of expected returns on plan assets, to simple clarifications and re-wording, effective 1 January 2013;
- IAS 28 Investments in Associates and Joint Ventures (as revised in 2011). As a consequence of the new IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates, effective 1 January 2014.

The following new or revised standards and interpretations will not have an impact on the Group:

- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine;
- Annual improvements (May 2012), effective 1 January 2013:
  - IFRS 1 First-time Adoption of International Financial Reporting Standards;
  - IAS 1 Presentation of Financial Statements;
  - IAS 16 Property Plant and Equipment;
  - IAS 32 Financial Instruments, Presentation;
  - IAS 34 Interim Financial Reporting.

3. Goodwill

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

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

000 euro	Andres Sarda	Intimacy	Rigby & Peller	Total
Carrying value, gross				
01/01/2012	6,357	26,189	1,749	34,295
Acquisitions through business combinations	0	0	0	0
31/12/2012	6,357	26,189	1,749	34,295
Impairment and other adjustments				
01/01/2012	3,888	2,525	0	6,413
Impairment and other adjustments	2,469	0	0	2,469
31/12/2012	6,357	2,525	0	8,882
Goodwill, net 31/12/2012	0	23,664	1,749	25,413
At 31/12/2012				
Accumulated acquisitions	6,357	26,189	1,749	34,295
Accumulated impairment/other adjustments	6,357	2,525	0	8,882
Goodwill, net 31/12/2012	**0**	**23,664**	**1,749**	**25,413**

Impairment test

In the fourth quarter of 2012 the Group conducted its annual impairment test for each cash-generating unit. The following intangible assets allocated to each of the cash-generating units were subject to an impairment test in 2012:

000 euro	Andres Sarda	Intimacy	Rigby & Peller	Total
Goodwill, net 01/01/2012	2,469	23,664	1,749	27,882
Brands with indefinite useful life, net 01/01/2012	11,000	7,784	6,734	25,518
Total intangible assets, net 01/01/2012	**13,469**	**31,448**	**8,483**	**53,400**

Result of the impairment test

In 2012 the impairment test resulted in the recognition of impairment charges of 8 million euro. This amount is fully related to the cash-generating unit Andres Sarda. The goodwill balance was fully impaired for an amount of 2,469 thousand euro and as a consequence the carrying value of the goodwill for this cash-generating unit was reduced to zero. The balance of 5,531 thousand euro was written off from the brand with indefinite useful life.

Andres Sarda has been hit by the financial crisis in southern Europe, given that Spain is its home market. Van de Velde continues to believe strongly in this brand's long-term growth potential, for which additional marketing investments will be made in 2013. The low point of 2010 is clearly behind us and all turnover figures since then have been higher than this low point. However, the development of turnover and the EBITDA contribution in 2012 and 2013 continue to be below expectations. This also has a negative impact on the forecasts for the subsequent years.

For Intimacy and Rigby & Peller, the impairment test demonstrates that the realizable value of the cash-generating unit exceeds the carrying value and hence no impairment is required.

In 2011 no impairment charges were recorded on goodwill or related intangible assets.

Further information on the impairment test is provided below.

Methodology applied to the impairment test

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

- A model-based approach determines the realizable value on the basis of the calculated value-in-use, being the present value of the future expected cash flows from these cash-generating units:
  - For the first year in the forecast period (2013), the growth plan as approved by the Board of Directors is used as the basis.
  - For the subsequent years (2014-2016), a cash flow projection is drawn up based on realistic assumptions.
- The discount rate used to calculate the present value of the future expected cash flows is based on the market assessments and is explained below.

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

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

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

Turnover assumptions for the forecast period

The growth plan as approved by the Board of Directors is the starting point for the first year in the forecast period (2013).

For the subsequent years (2014-2016) a conservative turnover growth has been applied to the cash-generating units Intimacy and Rigby & Peller. Fully aligned with the segment reporting, the turnover estimates include the retail turnover realized by the stores as well as the wholesale turnover for the Van de Velde products sold by these retail channels. Furthermore, the turnover forecast for Rigby & Peller takes into account only further developments in the UK market and does not reflect the fact that this brand will be rolled out as Van de Velde's global retail brand (except in the US and the Netherlands).

For Andres Sarda on the other hand, the expected average growth rate during the period 2014-2016 is a double-digit percentage, also due to the low starting point. This takes into account the turnover developments within the Andres Sarda business as well as any synergies as a result of the Andres Sarda acquisition, being a larger customer base for the Van de Velde brands in Spain.

EBITDA development and EBITDA margins applied to the turnover forecast

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

A development towards the target EBITDA margin is also assumed for Andres Sarda. The improved margin for Andres Sarda should mainly be achieved through turnover growth in the wholesale business (higher penetration at the existing customers as well as an increase in the average customer spend) and continued penetration of Andres Sarda in Van de Velde's own stores. The cost developments will also be monitored very strictly.

Growth rate used to extrapolate cash flows beyond the forecast period

The long-term percentage applied to extrapolate cash flows beyond the forecast period is assessed in line with the expected inflation for all cash-generating units (2%).

Discount rate

The discount rates represent the current market assessment of the risks specific to the Van de Velde Group on the one hand and the cash-generating units on the other. The discount rates are estimated on the basis of the weighted average cost of capital after tax and are in a range between 9.0% and 9.9% for the three cash-generating units. This corresponds to a cost of capital before tax of between 11.7% and 12.1%. The highest rate applies to the cash-generating unit 'Andres Sarda'.

Sensitivity to changes in assumptions

As an impairment charge is recognized for Andres Sarda in fiscal year 2012, no further sensitivity analysis has been performed for this specific cash-generating unit. Any adverse change in any of the above key assumptions would result in a further impairment loss.

With regard to the assessment of value-in-use of the Rigby & Peller unit, management believes that on the basis of the performed sensitivity analysis no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

For the Intimacy unit, only an important change in a combination of key assumptions could lead to an impairment charge. However, if the fall in turnover recognized for 2012 continues into 2013, it could also give rise to an impairment charge. The implications of the key assumptions for the recoverable amount are discussed below.

Turnover assumptions for the forecast period

Management has considered the possibility of lower than forecast turnover growth during the forecast period. For Intimacy, no impairment charge would result from zero turnover growth over the period 2013 to 2016 without any changes to the growth rate assumed to extrapolate cash flows beyond the forecast period.

EBITDA development and EBITDA margins applied to the turnover forecast

Management has considered the possibility of lower than forecast EBITDA margin on sales. No impairment charge would result from a material change in the target EBITDA margin at Intimacy applied for the extrapolation of expectation.

Growth rate used to extrapolate cash flows beyond the forecast period

No impairment charge would result from only a decrease in the growth rate used to extrapolate cash flows beyond the forecast period (to zero).

Discount rates

A change in the weighted average cost of capital by 2% at Intimacy could possibly result in an impairment charge.

4. Intangible assets

000 euro	Total	Brands with finite useful life	Brands with indefinite useful life	Distribution rights and similar rights	Software	Key money
Intangible assets, gross						
At 01/01/2011	**25,597**	**967**	**20,459**	**0**	**3,835**	**336**
Acquisitions through business combinations	6,734	0	6,734	0	0	0
Investments	907	171	0	0	736	0
Disposals	-91	0	0	0	-91	0
Exchange adjustments	8	0	0	0	8	0
At 31/12/2011	**33,155**	**1,138**	**27,193**	**0**	**4,488**	**336**
Amortization and impairment						
At 01/01/2011	**3,438**	**556**	**0**	**0**	**2,776**	**106**
Amortization	811	127	0	0	454	230
Disposals	-20	0	0	0	-20	0
At 31/12/2011	**4,229**	**683**	**0**	**0**	**3,210**	**336**
Intangible assets, net 31/12/2011	**28,927**	**455**	**27,193**	**0**	**1,278**	**0**
Intangible assets, gross						
At 01/01/2012	**33,155**	**1,138**	**27,193**	**0**	**4,488**	**336**
Acquisitions through business combinations	0	0	0	0	0	0
Investments	5,520	256	0	3,786	1,358	120
Disposals	0	0	0	0	0	0
Exchange adjustments	-14	-5	0	0	-9	0
At 31/12/2012	**38,661**	**1,389**	**27,193**	**3,786**	**5,837**	**456**
Amortization and impairment						
At 01/01/2012	**4,229**	**683**	**0**	**0**	**3,210**	**336**
Amortization	1,537	186	0	757	590	4
Impairment	5,531	0	5,531	0	0	0
Disposals	0	0	0	0	0	0
At 31/12/2012	**11,297**	**869**	**5,531**	**757**	**3,800**	**340**
Intangible assets, net 31/12/2012	**27,364**	**520**	**21,662**	**3,029**	**2,037**	**116**

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

Brands with indefinite useful life are:

– The Andres Sarda brand acquired in 2008. In 2012, an impairment charge of 5,531 thousand euro was recognized on this brand. See note 3 for more details.
– The 'Intimacy' brand and concept acquired in 2010, the fair value of which was determined as part of a business combination.
– The 'Rigby & Peller' brand and concept acquired in 2011, the fair value of which was determined as part of a business combination.

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

Distribution rights and similar rights refer to the distribution agreement and the intangible assets that the Group acquired at the start of the Private Shop joint venture with Getz Bros. (Hong Kong) Limited ('Getz'). The investment for the acquisition of the distribution agreement and the intangible assets is estimated at 5,000 thousand American dollar, 1,500 thousand American dollar of which was settled in early 2012. The remaining amount of 3,500 thousand American dollar has been recognized as a liability payable to Getz and will be settled dependent on certain milestone criteria being fulfilled. The amortization period is 5 years. The investment in distribution rights and similar rights for 3,786 thousand euro does not have a cash flow impact in 2012 as the partial payment was in transit at year-end 2011 (note 11) and the remaining amount is recorded against future liabilities (note 16 and 17).

The investment in software in 2012 relates among other things to facilities for publication of product information, implementation of software for E-commerce, customs warehousing, shop management and steering of cutting machines, among other things.

Key money relates to two stores in France and one store in Germany. Following specific market indications, the key money for the French stores was fully written off in 2011.

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

5. Tangible fixed assets

000 euro	Total	Land and buildings	Installations, machinery and equipment	Assets under construction
Tangible fixed assets, gross				
At 01/01/2011	**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
At 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**
Tangible fixed assets, gross				
At 01/01/2012	**59,636**	**25,172**	**32,679**	**1,785**
Investments	10,814	5,352	5,121	341
Acquisitions through business combinations	0	0	0	0
Transfer	0	1,665	0	-1,665
Disposals	-269	0	-269	0
Exchange adjustments	-87	-47	-37	-3
At 31/12/2012	**70,094**	**32,142**	**37,494**	**458**
Depreciation and impairment				
At 01/01/2012	**33,438**	**12,301**	**21,137**	**0**
Depreciation	4,593	1,731	2,862	0
Disposals	-249	0	-249	0
Exchange adjustments	0	0	0	0
At 31/12/2012	**37,782**	**14,032**	**23,750**	**0**
Tangible fixed assets, net				
Tangible fixed assets (without grants)	**32,312**	**18,110**	**13,744**	**458**
Grants at 31/12/2012	-54	-22	-32	0
Grants utilized in 2012	27	12	15	0
At 31/12/2012	**32,285**	**18,100**	**13,727**	**458**

The investments in 2012 primarily relate to the new build in Wichelen (building, installation and equipment) as well as to the opening of new stores in the UK, Spain and Germany.

6. Investments in associates

Investments in associates consist of the following Group interests:

- 50.0% in Private Shop Ltd. The Private Shop joint venture has been operational since 3 January 2012. On 3 January the Group contributed 2.5 million American dollar in cash to Private Shop Ltd. (note 11) as well as knowhow to the value of 500 thousand American dollar. This investment of 3 million American dollar (2,260 thousand euro) is included as under acquisitions in the table below;
- 49.9% in Retail BV;
- 25.7% in Top Form International Ltd.

Net carrying amount 000 euro	Retail BV	Top Form Ltd.	Private Shop Ltd.	Total
At 01/01/2012	**2,792**	**12,575**	**0**	**15,367**
Acquisitions	0	0	2,260	2,260
Results for the fiscal year	-148	-2,011	-187	-2,346
Reserves	0	1,015	0	1,015
At 31/12/2012	**2,644**	**11,579**	**2,073**	**16,296**

Key figures per participation are as follows:

Key figures	Retail BV 000 euro (31/12/2012)	Top Form Ltd. HKD 000 (31/12/2012)	Private Shop Ltd. HKD 000 (31/12/2012)
Tangible fixed assets	301	144,197	3,339
Other fixed assets	30	60,770	4,332
Current assets	1,484	464,502	40,572
Non-current liabilities	365	17,661	0
Current liabilities	669	136,961	5,190
Total net assets	781	514,847	43,053
Turnover	5,016	547,759	60,253
Net profit	-295	-3,303	-3,748

Contrary to previous fiscal years, the figures of Top Form International Ltd. are no longer recognized with a 6-month delay. The announcement of half-year and annual results by Top Form International Ltd. takes place before the announcement by the Van de Velde Group. The figures in the above table refer to the half-year closing at 31/12/2012 (first half-year fiscal year 2013) and therefore refer to turnover and net profit for a period of 6 months.

7. Other fixed assets

Other fixed assets consist of the following:

000 euro	2012	2011
Other financial assets	266	0
Security deposits for VAT	547	547
Other security deposits	320	203
Other participating interests	25	25
Receivables on minorities	6,277	3,453
Prepaid rent expenses	172	200
Borrowings	417	447
Other fixed assets, net	**8,024**	**4,875**

The receivables on minorities relate to the acquisition of 35.1% of the shares of Intimacy LLC (transaction dated April 2010) with an advance payment of 13.5 million American dollar. The final amount will be determined during the first quarter of 2013. A receivable of 8.3 million American dollar (6.3 million euro) is recorded, based on a best estimate at balance sheet date.

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

8. Grants

Grants for investments in assets

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

	2012	2011
At 1 January	**85**	**114**
Received during the year	0	0
Released to the income statement	27	28
Exchange rate adjustments	4	1
At 31 December	**54**	**85**

Other grants

In 2011 Van de Velde was awarded a grant for strategic investments and training totalling 227 thousand euro. 50% of this amount was received in 2011 and the amount of 114 thousand euro is recorded in the 2012 income statement as the Group assesses that all criteria have 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 2012 an amount of 26 thousand euro was received (219 thousand euro in 2011) and recognized in the income statement as other operating income. The grant is received based on progress reports and may be considered as vested.

9. Inventories

Inventories by major components are as follows:

000 euro	2012	2011
Finished and merchandise goods	20,133	20,178
Work in progress	8,341	7,072
Raw materials	12,988	13,052
Inventories, gross	**41,462**	**40,302**
Less: Allowance for obsolescence	-6,263	-6,124
Inventories, net	**35,199**	**34,178**

The allowance for obsolescence in 2012 relates to finished products (2,469 thousand euro), work in progress (20 thousand euro) and raw materials (3,774 thousand euro). The allowance for obsolescence in 2011 related to finished products (2,542 thousand euro), work in progress (20 thousand euro) and raw materials (3,562 thousand euro).

The additional write-down on inventories amounted to 3,778 thousand euro in 2012, compared with 3,344 thousand euro in 2011. The additional write-down relates to raw materials (2,356 thousand euro in 2012 and 2,024 thousand euro in 2011) and finished products (1,422 thousand euro in 2012 and 1,320 thousand euro in 2011).

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

10. Trade and other receivables

Accounts receivable are as follows:

000 euro	2012	2011
Trade receivables, gross	13,808	14,545
Less: allowance for doubtful debtors	-640	-748
Trade receivables, net	**13,168**	**13,797**

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 2012 there was a loss of 141 thousand euro with respect to trade receivables (178 thousand euro in 2011).

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

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

	Total	Neither past due nor impaired	Past due but not impaired		Past due and an impairment has been recorded
000 euro			1-60 days	60-90 days	> 90 days
2012	13,808	7,650	3,359	1,274	1,525
2011	14,545	8,278	4,206	668	1,393

11. Other current assets

Other current assets consist of the following:

000 euro	2012	2011
Prepaid expenses	3,305	2,613
Tax receivables (VAT & corporate income tax)	3,338	1,146
Prepayments on participations	0	3,015
Accrued income	554	356
Sundry	137	193
Exchange rate result on FX forwards contracts	249	48
Other current assets, net	7,583	7,371

The prepayments on participations at the end of 2011 represent the cash that was made available for the joint venture investment in Private Shop Ltd., which was established on 3 January 2012. After the establishment in 2012, the amount is allocated to investments in associates on the one hand (note 6) and distribution rights and similar rights on the other hand (note 4).

12. Cash and cash equivalents

Cash and cash equivalents consist of the following:

000 euro	2012	2011
Cash at banks and in hand	12,147	12,620
Marketable securities	19,591	28,602
Cash and cash equivalents	31,738	41,222

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

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

13. Share capital

Authorized and fully paid	2012	2011
Nominative shares	7,497,851	7,497,876
Dematerialized shares	5,822,344	5,736,154
Bearer shares	2,285	88,450
Total number of shares	13,322,480	13,322,480

At 31 December 2012 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 one or more times by a total amount of 1,936 thousand euro under the conditions stated in the Articles of Association. This authorization is valid for five years after publication in the annexes to Belgisch Staatsblad/Moniteur belge (21 May 2012).

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

Treasury shares

At the end of 2011 Van de Velde held 63,095 of its own shares with a total value of 1,699 thousand euro.
In accordance with Article 620 of the Companies Code, the General Meeting of 25 April 2012 gave the Board of Directors the power to acquire the company's own shares. In 2012 a total number of 22,604 treasury shares were purchased for a total amount of 782 thousand euro.
Within the framework of the stock option plan a total of 42,500 options were exercised and the same number of treasury shares was made available to the option holders.
At the end of 2012 Van de Velde NV held 43,199 of its own shares with a total value of 1,336 thousand euro. The treasury shares owned by Van de Velde NV at the end of 2012 are held with the intention of offering them to the management within the framework of a stock option programme initiated in 2005.

000 euro	2012	2011
Share capital	1,936	1,936
Treasury shares	-1,336	-1,699
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 and the 13% stake of the Kenton family in the equity and the net income of Rigby & Peller Ltd.

14. Provisions

000 euro	Provisions
At 01/01/2011	519
Arising during the year	595
Utilized	-208
Provisions 31/12/2011	**906**
At 01/01/2012	906
Arising during the year	607
Utilized	-402
Provisions 31/12/2012	**1,111**

At the end of 2011 a provision of 906 thousand euro was outstanding in relation to termination fees for sales agents and other planned measures. In 2012, 276 thousand euro of the provision was used (208 thousand euro in 2011) and an additional provision of 231 thousand euro (595 thousand euro in 2011) was recognized. The expected timetable of the corresponding cash outflows depends on the progress and duration of the negotiations with the sales agents.

In relation to the contribution of knowhow in Private Shop Ltd. valued at 500 thousand American dollar (note 6), a provision has been recorded for expenses to be incurred going forward of 376 thousand euro. This provision will be used over a period of 3 years, one third of it was used during 2012 (126 thousand euro).

15. Deferred taxes

The net deferred tax liability consists of the following:

000 euro	Captive	Financial instruments	Deferred tax liabilities on fixed assets	Deferred tax assets on assets	CDO	Total
At 01/01/2011	-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**
At 01/01/2012	-590	176	-1,103	2,205	0	688
Changes	0	-176	-172	-680	0	-1,028
At 31/12/2012	**-590**	**0**	**-1,275**	**1,525**	**0**	**-340**

The net deferred tax liability of 340 thousand euro consists of the following components:

- Upon sale of the captive, an amount of 590 thousand euro was deposited on an escrow account. A deferred tax liability was recognized in the same amount.
- In 2012 the treatment of financial instruments (notably FX forwards outstanding at year-end) was harmonized between IFRS and the statutory accounts (notably at fair value), so there are no longer any temporary differences giving rise to deferred taxes.
- Regarding the deferred tax liabilities on fixed assets, the depreciable amount of an item of property, plant and equipment should be allocated on a straight-line basis over its useful life. In the statutory financial statements, the double declining depreciation method is applied, which is restated for consolidation purposes. The deferred taxes were valued at the theoretical tax rate of 33.99%.
- Deferred tax assets on assets relate to differences between the statutory accounting policies and the accounting policies in accordance with IFRS.
- Upon full repayment of one of the two CDOs in 2011, the deferred tax asset on the difference between the accounting value and the value for tax purposes should no longer be maintained.

16. Other non-current liabilities

Other non-current liabilities consist of the following:

000 euro	2012	2011
Deferred rent and lease incentives	1,945	1,944
Liabilities from acquisition of a participation in joint venture (note 4)	1,517	0
Other non-current liabilities	**3,462**	**1,944**

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

The liabilities from acquisition of a participation in joint venture relate to Private Shop Ltd. At the start of the joint venture, Van de Velde acquired intangible assets to the value of 5,000 thousand American dollar (note 4), 1,500 thousand American dollar of which was settled in early 2012. The remaining amount of 3,500 thousand American dollar was recognized as a liability payable to Getz and will be settled when certain milestone criteria are fulfilled. Based on our best assessment, 1,500 thousand American dollar (1,138 thousand euro) will be paid in 2013 and is therefore booked as a current liability (note 17). The Group is of the opinion that the remaining 2,000 thousand American dollar (1,517 thousand euro) will not be settled until after 2013.

17. Trade and other payables

Trade and other payables consist of the following:

000 euro	2012	2011
Trade payables	5,539	6,840
Payroll, social charges	6,046	6,727
Gift cards and credits issued	558	524
Accrued charges	1,380	2,160
Sundry	861	852
Grants (note 8)	0	114
Short-term borrowings	602	768
Liabilities from acquisition of a participation in joint venture (note 16)	1,138	0
Trade and other payables	**16,124**	**17,985**

18. Other current liabilities and taxes payable

000 euro	2012	2011
Other current liabilities: Taxes (VAT payable, local taxes, withholding taxes)	1,238	845
Taxes payable: corporate income taxes	168	1,605

19. Financial instruments

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

Derivatives that do not qualify for hedge accounting

The company applies FX forward contracts to manage transaction risks. These have a maturity date between 15/01/2013 and 16/12/2013 (maturities at 31 December 2011: between 16/01/2012 and 17/12/2012). 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 174.5 thousand euro, comprising an unrealized income of 249.2 thousand euro and an unrealized loss of -74.7 thousand euro.

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

000 euro	2012	2011
Derivatives that do not qualify for hedge accounting:		
Other current assets	249.2	35.2
Other current liabilities	-74.7	-586.6

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

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

20. Financial result

The financial result breaks down as follows:

000 euro	2012	2011
Interest income	563	723
Interest costs	-99	-99
Interest result, net	**464**	**624**
Exchange gains	1,732	1,835
Exchange losses	-1,842	-2,524
Exchange result, net	**-110**	**-689**
Finance income from business combination with Intimacy	2,958	1,933
Reversal impairment of CDO	0	2,000
Income from investments (dividends)	265	1,009
Other financial income	53	155
Other financial costs	-359	-223
Financial result	3,271	4,809

Financial income from business combination with Intimacy refers to the result recognized as a consequence of adjusting the purchase price of 35.1% of the Intimacy shares (transaction dated April 2010) (note 7). In 2012 the receivables on minorities were increased by 2.9 million euro.

21. Personnel expenses

Personnel expenses are as follows:

000 euro	2012	2011
Wages	10,444	10,066
Salaries	22,300	21,152
Social security contributions	7,140	6,389
Other personnel expenses	805	912
Personnel expenses	40,689	38,519

Workforce at balance sheet date	2012	2011
White collars	610	602
Blue collars	954	943
Total	1,564	1,545

At the moment the Group primarily has pension plans of the 'defined contribution' type. The cost of this plan amounted to 566 thousand euro in 2012 (687 thousand euro in 2011). A provision of 33 thousand euro (34 thousand euro in 2011) of the 'defined benefit' type remains.

Share-based payments

The Group applies IFRS 2 Share-based payments since 2008. The fair value of the options on the grant date is recognized for the period until the beneficiary acquires the option unconditionally in accordance with the gradual acquisition method. For options accepted before 2008, 212 thousand euro was included under retained earnings.

The impact of IFRS 2 on the result of the year 2012 was 133 thousand euro versus 224 thousand euro in 2011.

The option plans for 2005 until 2009 were valued on the basis of the binomial tree structure. The option plans for 2010 until 2012 were valued using the Black-Scholes-Merton Model for call options. The following assumptions were used to determine the weighted average fair value at grant date:

	PLAN 2007	2008	PLAN 2009	PLAN 2010	PLAN 2011	PLAN 2012
Grant date	02/10/07	28/06/08	28/09/09	01/10/10	28/09/11	24/09/12
Dividend right as of the grant date	no	no	no	no	no	no
Contractual term of the options	5-15	5-10	5-10	5-10	5-10	5-10
Exercise price	35.93	28.38	29.29	34.51	34.00	34.88
Expected volatility	35.05%	35.05%	35.05%	35.10%	35.00%	35.00%
Risk-free interest rate	3.64%- 4.07%	4.14%	2.76%- 3.59%	2.27%- 3.05%	2.48% - 2.74%	0.90%- 2.06%
Fair value of the share options (in euro)	6.99	8.66	9.42	12.88	10.41	9.62

The share option plan has developed as follows:	Option plan 2005 - 2012
Outstanding at 01/01/2011	**119,500**
Exercisable at 01/01/2011	**42,500**
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**
Movements during the year	
Accepted	15,000
Forfeited	0
Exercised	42,500
Expired	0
Outstanding at 31/12/2012	**69,000**
Exercisable at 31/12/2012	**11,000**

22. Income taxes

The major components of income tax expense for the years ending 31 December 2012 and 2011 are:

000 euro	2012	2011
Current income tax	**9,380**	**12,886**
Current income tax charge	9,540	12,841
Adjustments in respect of current income tax of previous years	-160	45
Deferred income tax	**1,028**	**539**
Relating to the origination and reversal of temporary differences	1,028	539
Income tax expense reported in the consolidated income statement	**10,408**	**13,425**

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

000 euro	2012	2011
Profit before taxes [1]	**45,954**	**54,253**
Parent's statutory tax rate of 33.99%	15,620	18,441
Higher income tax rates in other countries	0	51
Lower income tax rates in other countries	-3,186	-3,180
Tax effect on finance gain on business combinations	-1,005	-657
Utilization tax losses and unrecognized losses	-355	-95
Disallowed expenses	215	197
Notional interest deduction	-693	-782
Other	-83	-224
Tax impact on Top Form dividend	-105	-325
Total income taxes	**10,408**	**13,425**
Effective income tax rate	**22.65%**	**24.75%**

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

23. Earnings per share

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

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

	2012	2011
Profit attributable to shareholders (in 000 euro)	25,613	41,201
Weighted average number of ordinary shares	13,288,169	13,254,015
Dilutive effect of stock options	10,211	23,095
Weighted average number of shares after impact of dilution	13,298,380	13,277,110
Basic earnings per share (euro)	**1.93**	**3.11**
Diluted earnings per share (euro)	**1.93**	**3.10**

In 2011 all stock options granted over the period 2005-2011 were dilutive. In 2012 all stock options granted over the period 2005-2012 were dilutive.

24. Dividends paid and proposed

000 euro	2012	2011
Dividend paid	28,649	28,505
Dividend paid (2.15 euro per share in 2012, 2.15 euro per share in 2011)		
Dividend proposed	28,550	28,596
Dividend proposed (2.15 euro per share for fiscal year 2012, 2.15 euro per share for fiscal year 2011). No dividend rights are attached to treasury shares.		

25. Commitments and contingent liabilities

The Group rents sites for the shops of its own retail network and showrooms for presenting collections to customers. These rent contracts are operational leases with a contract term of one year or more. Rental expenses in respect of these operating leases amounted to 5,971 thousand in 2012 (4,448 thousand euro in 2011).

Future minimum lease payments under operating leases were as follows at 31 December 2012:

000 euro	2012
Within one year	6,006
After one year but not more than five years	20,700
More than five years	9,764
Total	**36,470**

26. Related party disclosures

Full consolidation

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

Name	Address	(%) equity interest 2012	Change on previous year
VAN DE VELDE NV	Lageweg 4 9260 SCHELLEBELLE, Belgium VAT BE 0448.746.744	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 EC1A 4DD LONDON United Kingdom	100	0
VAN DE VELDE MODE BV	Ringbaan West 268 5025 VA TILBURG, 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
VAN DE VELDE IBERICA SL	Calle Santa Eulalia, 5 08012 BARCELONA, Spain	100	0
VAN DE VELDE CONFECTION SARL	Route De Sousse BP 25 4020 KONDAR, Tunisia	100	0
VAN DE VELDE FINLAND OY	Yliopistonkatu 34, 4 krs huone 401 20100 TURKU, Finland	100	0
VAN DE VELDE NORTH AMERICA INC	171 Madison Avenue, Suite 201 NEW YORK, NY 10016, USA	100	0
VAN DE VELDE DENMARK APS	Lejrvejen 8 6330 PADBORG, Denmark	100	0
VAN DE VELDE RETAIL INC	171 Madison Avenue, Suite 201 NEW YORK, NY 10016, USA	100	0
EUROCORSET SA	Calle Santa Eulalia, 5-7-9 08012 BARCELONA, Spain	100	0

Name	Address	(%) equity interest 2012	Change on previous year
SU DISTRIBUIDORA SUL TU CORPO, S.L.	Calle Santa Eulalia, 5-7-9 08012 BARCELONA, Spain	100	0
INTIMACY MANAGEMENT COMPANY LLC	3980 Dekalb Technology Parkway 760 GA 30340 ATLANTA, USA	85	0
RIGBY & PELLER LTD	Unit 5, Portal West Business Centre 6 Portal Way, LONDEN W3 6RU, United Kingdom	87	0
VAN DE VELDE POLAND SP ZOO	Ul. Al Wyzwolenia 10 - lok 171 00570 WARSCHAU, Poland	100	100%

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

Companies to which the equity method is applied

The equity method is applied to the following companies:

Equity method	Address	(%) equity interest 2012	Change on previous year
TOP FORM INTERNATIONAL LTD	15/F., Tower A, Manulife Financial Centre, No. 223-231 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong	25.7	0
RETAIL BV	Netherlands	49.9	0
PRIVATE SHOP LTD	Wyler Centre I, 8th Floor 202-210 Tai Lin Pai Road Kwai Chung, Hong Kong	50	50%

Top Form International Ltd ("TFI")

In 2012 transactions between the Group and TFI totalled 8,077 thousand American dollar. On 31 December 2012 the Group had trade payables to TFI in the amount of 489 thousand American dollar. 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.

Private Shop Ltd

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 Ltd as well as knowhow to a value of 0.5 million American dollar in exchange for 50% of the shares of Private Shop Ltd.

In 2012 sales between the Group and Private Shop Ltd totalled 425 thousand euro. On 31 December 2012, the Group had no accounts receivable to Private Shop Ltd.

On 3 January 2012, the Group also paid 1.5 million American dollar to Getz and acquired a distribution agreement and a number of intangible assets in relation to Private Shop. On 31 December 2012, the Group has a debt to Getz of 3.5 million American dollar. This amount will be paid to Getz as certain milestone criteria are achieved.

Relationships with shareholders

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

Relationship with key management personnel

See the remuneration report in chapter 3.

Director Remuneration

The remuneration of the directors is as follows. For his chairmanship of the Board of Directors, his membership of the Nomination and Remuneration Committee, the Audit Committee and the Strategic Committee, the chairman of the Board of Directors receives gross remuneration of 60,000 euro. The other non-executive members receive annual remuneration of 15,000 euro for their membership of the Board of Directors and 2,500 euro for their membership of the Audit and/or Nomination and Remuneration Committee respectively. The members of the Board of Directors who are also members of the Management Committee receive no remuneration for their membership of the Board of Directors. The total remuneration for the directors (excluding the managing directors) amounts to 142 thousand euro in 2012 and 118 thousand euro in 2011. The directors have not received any loan or advance from the Group.

Management Committee Remuneration

For the year ended 31 December 2012, a total amount of 2,644 thousand euro (2,075 thousand euro in 2011) was awarded to the members of the Management Committee, including the managing directors. Of this amount, 640 thousand euro was provided for during the four previous fiscal years. See the remuneration report in chapter 3 for more details.

These total amounts include the following components:

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

000 euro	2012	2011
Basic remuneration	1,681	1,579
Variable remuneration	905	460
Group insurance premiums	25	23
Other benefits	33	13
Reversal remuneration provided for during previous four fiscal years	(640)	0
Total	**2,004**	**2,075**

In addition to these pecuniary advantages, share-based benefits have been granted to the Management Committee through stock option plans. The members of the Management Committee had the opportunity to participate in an employee stock option plan, through which they were granted 5,000 share options in 2012 (idem in 2011).

27. Segment information

Van de Velde is a single-product business, being the production and sale of luxury lingerie. In the past Van de Velde distinguished two segments: Eurozone and Elsewhere. Van de Velde decided to change the segment reporting as of January 2012 after recent investments in its own retail channel. These investments concern both organic initiatives (opening of new stores in Germany and Spain) and acquisitions (Lincherie and Intimacy in 2010, Rigby & Peller and Private Shop in 2011). With this in mind, the Group has geared its segment reporting to this new corporate structure, resulting in two operating segments: Wholesale and Retail. No segments were combined.

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

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

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

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

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

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

To facilitate comparison with 2011, the 2012 figures are also included in accordance with their former segmentation.

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

In the following tables, the segmented information is shown for the periods ending on 31 December 2012 (Wholesale and Retail segments on the one hand and Eurozone and Elsewhere on the other) and on 31 December 2011 (Eurozone and Elsewhere):

Segment Income Statement	2012				2012				2011			
000 €	Whole-sale	Retail	Unallo-cated	Total	Euro-Zone	Else-where	Unallo-cated	Total	Euro-zone	Else-where	Unallo-cated	Total
Segment revenues	138,983	42,776	0	**181,759**	108,275	73,484	0	**181,759**	112,421	67,425	0	**179,846**
Segment costs	-70,552	-37,290	-25,104	**-132,946**	-64,400	-53,457	-15,089	**-132,946**	-61,274	-48,876	-15,912	**-126,062**
Depreciation	0	-2,833	-3,297	**-6,130**	-3,690	-2,440	0	**-6,130**	-3,173	-1,167	0	**-4,340**
Segment results	68,431	2,653	-28,401	**42,683**	40,185	17,587	-15,089	**42,683**	47,974	17,382	-15,912	**49,444**
Net finance profit				**3,271**				**3,271**				**4,809**
Impairment				**-8,000**				**-8,000**				**0**
Result from associates				**-2,346**				**-2,346**				**243**
Income taxes				**-10,408**				**-10,408**				**-13,425**
Non-controlling interest				**-413**				**-413**				**-130**
Net income				**25,613**				**25,613**				**41,201**

Segment Balance Sheet		2012			2012			2011	
000 €	Whole-sale	Retail	Total	Eurozone	Else-where	Total	Eurozone	Else-where	Total
Segment assets	47,384	59,527	**106,911**	55,264	52,752	**108,016**	64,037	39,007	**103,044**
Unallocated assets			**90,159**			**89,054**			**97,405**
Consolidated total assets	**47,384**	**59,527**	**197,070**	**55,264**	**52,752**	**197,070**	**64,037**	**39,007**	**200,449**
Segment liabilities	0	0	**0**	7,325	8,799	**16,124**	11,484	6,501	**17,985**
Unallocated liabilities			**197,070**			**180,946**			**182,464**
Consolidated total liabilities	**0**	**0**	**197,070**	**7,325**	**8,799**	**197,070**	**11,484**	**6,501**	**200,449**

Capital expenditure		2012				2012			2011	
000 €	Whole-sale	Retail	Unallo-cated	Total	Eurozone	Else-where	Total	Eurozone	Else-where	Total
Tangible fixed assets	0	1,965	8,849	**10,814**	6,515	4,299	**10,814**	5,722	3,188	**8,910**
Intangible assets	0	4,384	1,136	**5,520**	3,322	2,198	**5,520**	858	6,783	**7,641**
Depreciation	0	2,833	3,297	**6,130**	3,690	2,440	**6,130**	3,173	1,167	**4,340**

Breakdown by region - turnover		2012			2011	
000 €	Eurozone	Elsewhere	Totaal	Eurozone	Niet-Eurozone	Total
Turnover	108,275	73,484	**181,759**	112,421	67,425	**179,846**

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

Further information about the assets of the company - location (000 €)	Eurozone	Elsewhere	Total
Tangible fixed assets	23,961	8,324	**32,285**
Intangible assets	12,703	14,661	**27,364**
Inventories	30,070	5,129	**35,199**

Around 94% of the assets in the Eurozone are located in Belgium.

28. Events after balance sheet date

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

29. Business risks with respect to IFRS 7

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

Currency risk

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

The transaction risk is mainly centralized within Van de Velde NV. In 2012 Van de Velde NV invoiced slightly over 25% of sales in currencies other than euro. In addition, a significant proportion of purchases are in foreign currency (e.g. purchases raw materials and subcontractors).

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

Recent investments in foreign companies increase the translation risk of the Group. This is the case with respect to Intimacy and Rigby & Peller. Financial instruments are not used to hedge this risk.

The Group performed a sensitivity analysis in 2012 with regard to changes in foreign currencies for the positions EUR/CAD, EUR/USD, EUR/GBP, EUR/DKK and EUR/CHF. The outstanding trade receivables and trade payables of the Group at the balance sheet date have been converted with a sensitivity of 10%. In the event of a 10% rise or fall in the exchange rate, the impact on the financial statements will be presented as follows:

000 euro	+10%	-10%
CAD	75	-75
CHF	10	-10
DKK	71	-71
GBP	66	-66
USD	23	-23
	245	**-245**

Credit risk

As a consequence of the large diversified customer portfolio, the Group does not have a significant concentration of credit risks. The Group has developed strategies and additional procedures to monitor credit risk at its customers. Sales are generated through more than 5,000 independent retailers and a small number of luxury department stores. No single customer accounts for more than 2.1% 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 (31.1 million euro). Credit lines worth more than 10 million euro are also available.

Risk of interruptions in the supply chain

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

- The IT department has a disaster recovery plan designed to minimize the risk of damage from the failure of the computer infrastructure.
- 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.
- As far as 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 25% of purchase costs, whereas all other suppliers account for less than 10%.
- Assembly capacity is mainly spread over China and several sites in Tunisia.
- From August 2012, the raw materials warehouse and the distribution centre are located at the same site. These warehouses are in separate buildings. Both comply with high safety standards.

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

Risk of overvalued stock

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

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

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

Product risk

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

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.


MARIE JO
L'AVENTURE

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, 2012

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, 2012, 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, 2012, 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 € 197,070 thousand and the consolidated statement of income shows a profit for the year, share of the Group, of € 25,613 thousand.

Responsibility of the board of directors

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 International Standards on Auditing (ISA). 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, 2012 give a true and fair view of the Group's financial position as at December 31, 2012 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.

As part of our assignment , it is our responsibility to verify the compliance with certain statutory and regulatory obligations. On this basis, we make 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.

Ghent, February 19, 2013
Ernst & Young Bedrijfsrevisoren BVCBA
Statutory auditor
Represented by
Jan De Luyck
Partner
Ref: 12JDU0048

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

Statutory financial statements

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

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

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

Concise balance sheet

000 euro	31/12/2012	31/12/2011
Fixed assets	**41,772**	**42,433**
Intangible fixed assets	8,494	8,961
Tangible fixed assets	17,696	12,853
Financial fixed assets	15,582	20,619
Current assets	**88,240**	**97,063**
Amounts receivable after one year	7,982	4,006
Stocks and orders in production	30,337	31,264
Amounts receivable within one year	18,746	18,247
Financial investments	17,852	30,301
Cash at banks and in hand	11,008	11,033
Accrued income and deferred charges	2,315	2,212
Total assets	**130,012**	**139,496**
Shareholders' equity	**77,168**	**85,536**
Issued capital	1,936	1,936
Share premium	743	743
Reserves	74,489	82,857
Provisions, deferred taxes and tax liabilities	**714**	**519**
Provisions for risks and costs	714	519
Liabilities	**52,130**	**53,441**
Amounts payable after one year	0	0
Amounts payable within one year	49,836	50,916
Accrued charges and deferred income	2,294	2,525
Total liabilities	**130,012**	**139,496**

Concise income statement

000 euro	31/12/2012	31/12/2011
Operating income	**157,899**	**162,843**
Turnover	154,427	155,638
Changes in stocks unfinished goods and finished goods	-888	3,424
Other operating income	4,360	3,781
Operating costs	**125,614**	**121,987**
Goods for resale, raw materials and consumables	34,797	35,777
Services and other goods	61,263	58,486
Salaries, social charges and pension costs	22,097	21,126
Depreciations	7,076	6,008
Write-downs and provisions	201	373
Other operating costs	180	217
Operating profit	**32,285**	**40,856**
Financial result	**-3,298**	**-1,380**
Finance income	3,033	4,725
Finance costs	-6,331	-6,105
Profits on ordinary activities before tax	**28,987**	**39,476**
Exceptional result	**470**	**-9,128**
Exceptional income	476	2,016
Exceptional costs	-6	-11,144
Pre-tax profit for the fiscal year	**29,457**	**30,348**
Tax on the profit	-9,275	-12,769
Profit for the year	**20,182**	**17,579**

Appropriation account

000 euro	31/12/2012	31/12/2011
Distributable profit	**20,182**	**17,579**
Distributable profit for the fiscal year	20,182	17,579
Transfer from reserves	8,368	11,017
Profit to be distributed	**28,550**	**28,596**

Statutory annual report Van de Velde NV
Fiscal year 1/1/2012 - 31/12/2012

The statutory report is in accordance with article 96 of the Companies Code.

1. Comments on the financial statements
The financial statements show a balance sheet total of 130,012 thousand euro and a profit after tax for the fiscal year of 20,182 thousand euro.

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

3. Expected developments
We refer readers to Outlook 2013 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 2012 for auditing the statutory and consolidated annual accounts of Van de Velde NV was 45,500 euro (excl. VAT). The total costs for 2012 for the auditing of the annual accounts of all companies of the Van de Velde Group was 130,956 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 19,278 euro (excl. VAT), all of which relates to tax advisory and compliance tasks.

6. Description of risks and uncertainties
The following risks at Group-level were examined and where necessary coverage or preventive measures 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 2011 Van de Velde held 63,095 of its own shares with a total value of 1,699 thousand euro.

In accordance with Article 620 of the Companies Code, the General Meeting of 25 April 2012 gave the Board of Directors the power to acquire the company's own shares. In 2012 a total number of 22,604 treasury shares were purchased for a total amount of 782 thousand euro.

Within the framework of the stock option plan a total of 42,500 options were exercised and the same number of treasury shares was made available to the option holders.

At the end of 2012 Van de Velde NV held 43,199 of its own shares with a total value of 1,336 thousand euro. The treasury shares owned by Van de Velde NV at the end of 2012 are held with the intention of offering them to the management within the framework of a stock option programme initiated in 2005.

000 euro	2012	2011
Share capital	1,936	1,936
Treasury shares	-1,336	-1,699
Share premium	743	743

8. Conflict of interests
In 2012 the procedure laid down in Article 523 of Belgium's Companies Code was not applied as no such events occurred in the Board of Directors.

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

10. Branches
On 19 July 2011 Van de Velde formed a branch in Sweden (organization number 516407-5078), named "Van de Velde NV Belgium Filial Sweden".

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

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

12. Corporate Governance

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

13. Remuneration Report

The remuneration report provides transparent information on Van de Velde's reward policy for its directors and members of the Management Committee, in accordance with the Belgian Corporate Governance Act of 6 April 2010 and the Belgian Corporate Governance Code. Please see chapter 3 (Corporate Governance).

14. Proposed profit distribution

The Board of Directors proposes to the General Meeting of Shareholders payment of a dividend of 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 2013 at branches of ING and Bank Degroof upon presentation of coupon 7.

Proposed profit distribution in thousands of euro:

Distributable profit	20,182
Transfer from other reserves	8,368
Gross dividend of 2.15 euro per share on 13,279,281 shares	28,550

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

EBVBA 4F
Represented by
Ignace Van Doorselaere
Managing Director


ANDRES SARDA
Designed in Barcelona

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*


MARIE JO

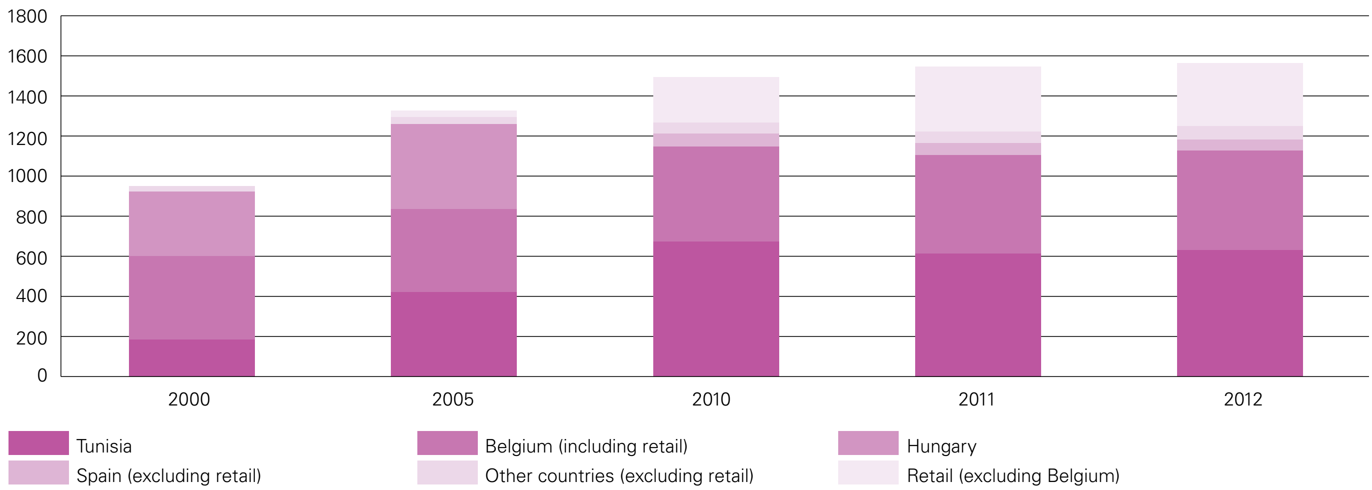
9 | Employment, environment and contribution to the Belgian Treasury

Social report 2012

Headcount (Group)

The total number of employees of Van de Velde Group rose slightly in 2012 (1.2%) compared with 2011.

Headcount	2000	2005	2010	2011	2012
Tunisia	183	420	672	614	631
Belgium (including retail)	417	416	474	490	496
Hungary	322	422			
Spain (excluding retail)		1	65	60	56
Other countries (excluding retail)	29	35	56	58	65
Retail (excluding Belgium)		34	227	323	316
Total	**951**	**1,328**	**1,494**	**1,545**	**1,564**



GROWTH is central to our organization

A worldwide cultural programme was created in 2012 with GROWTH as the core theme.
As an employer with a clear business vision, every day we pursue GROWTH for our employees. GROWTH is central to our identity and personal development.

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

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

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

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

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

Growth interviews

In 2012 our office employees' annual appraisal and performance interviews with their line manager were transformed into growth interviews, which have been designed completely in line with our GROWTH philosophy. A Van de Velde employee combines excellent results on the job (performance) and the right attitude (GROWTH values). A Van de Velde line manager supports, coaches and guides her or his direct reports to make this possible. The line manager appraises the employee, giving feedback and guidance where necessary.
The purpose of the growth interviews is to encourage more dialogue between line managers and employees with regard to performance, career and teamwork.

This approach will be rolled out to production staff and the foreign subsidiaries in the coming years.

Training

The growth 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 knowhow and training that strengthens communication and management skills. Specific on-the-job group trainings are held for a number of employee groups, each in accordance with the training method that best meets the needs of the employee and the overall learning goals.

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

In 2012 we invested in strengthening our people's management and personal leadership skills. That will ensure that strong (personal) leadership helps drive a strong, growing Van de Velde organization.

Talent

Van de Velde has a great deal of talent in house. We ensure this gets appropriate attention too. Our starting point is that everyone is talented and it is the responsibility of the manager to create an environment in which everyone is able to optimally use and develop her or his talent. It is also the responsibility of each and every employee to use her or his talent in a positive and constructive way and to say which skills she or he would like to develop in the future.
Where possible, we try to promote from within and we always work to assign the right project to the right person. That is our way of making sure we take full advantage of the talents of employees and work on active retention by giving employees challenges that are tailored to them.

Recruitment and selection

Shortfall occupations

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 specific technical jobs, such as pattern-makers/model-makers, stitchers and cutters. 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 internal and external candidates to become off-the-peg clothing specialists.

Recruitment tool and website

A new IT application was implemented in 2012 to optimize the selection process and vacancy management. At the same time, the Van de Velde jobsite (www.workingatvandevelde.eu) was revamped and brought up to date.

Social dialogue

2012 was the year of the social elections. They occurred without problems or complaints. After the social elections, all seats are filled in the works council and the committee for prevention and protection at work.

Communication and team spirit

Annual staff activity

Every year, Van de Velde organizes a special activity for its employees and their families. This year's event was a sunny day out in Kluisbergen for our employees and their family.

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 this meeting is to clarify Van de Velde's results and ongoing projects. Extra communication events were scheduled in the course of 2012 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 2012 there were sixteen 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).

The new build project in Wichelen and the subsequent relocation were completed safely and without incident.

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

Healthy body, healthy mind
In 2012 we again offered our employees the opportunity to improve their physical condition together with their colleagues in a number of sports initiatives. We organized another 'start-to-run' training course and helped our employees learn the basics of self-defence in a 'start-to-defend' session. Cycle enthusiasts could also enjoy a 'track cycling' initiation.

Social commitment

Wetteren CAW reception centre
Van de Velde shows its commitment to supporting a regional women's project with financial assistance for the CAW reception centre in Wetteren. The centre is open to anyone with questions and problems, be they of a material, psychological, interpersonal or purely practical nature.

Pink Ribbon
As in recent years, employees and customers gave up their end-of-year gift. The money normally set aside for this was donated to Pink Ribbon, an organization 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 2012. 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 Organization, the Universal Declaration of Human Rights and the UN Convention on the Rights of the Child. The standard was drawn up in consultation between NGOs, collective industrial organizations, industry and labelling bodies. Label holders are subject to two social audits per year.
SA8000 certification is not without obligation for the company. The whole company and all employees are closely involved in the audits and must observe the principles. On the other hand, the award is a commitment to the future. All business aspects covered by the SA8000 label are subject to discussions in the Management Committee. Under the conditions of award of the label, the company is obliged to regularly look itself in the mirror and systematically evaluate and fine-tune staff policy, health and safety policy and the monitoring of suppliers.

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

Recertification
The current SA8000 certificate was renewed for three years in 2012 after we successfully came through an intensive recertification audit.

Environmental report

The new building in Wichelen was taken into use on 6 August 2012. These new Van de Velde premises house the cutting room, the rolls storeroom and the incoming raw materials inspection unit.

A suction system was installed in the cutting room to convey production waste via ducts to the compactors. The system was designed in such a way that textile waste and paper are directed to separate containers. These are the largest waste flows Van de Velde generates in the cutting room when cutting fabric. There is a small quantity of plastic foil waste, which is sorted and picked up separately, as is PMD waste (plastic bottles, metal packaging and drinking cartons).

The new build at Meerbos 24 in Wichelen is fully equipped with a photovoltaic system. The roof, which measures almost 3000 m² accommodates 702 solar panels, which are expected to generate around 120 MWh of energy annually. Like the solar panels on the neighbouring building they will generate 100 kW peak. That energy will be largely used to meet onsite energy needs. Energy will be fed into the national grid only when there are no operations (weekends and holidays).

Investments have been made into the best technology on the market to minimize energy consumption and carbon emissions in the new building.
Every storey is equipped with underfloor heating, which ensures the heat is spread evenly across the whole floor space. That means we can set the thermostat lower. The water for this floor heating is heated or cooled by a heat pump. A natural gas boiler is used to generate additional heat only in exceptional cases. This ensures lower energy consumption and lower emissions of combustion gases. In summer the heat pump is used for underfloor cooling, which improves comfort and cuts energy consumption compared with traditional cooling units. Balanced ventilation with heat recovery is used in the building, which minimizes heat loss.

Just like the other Van de Velde premises, Meerbos 24 has a class 2 environmental permit. The current environmental permit for the premises at Lageweg 4 in Schellebelle is valid until January 2016, while the one for the premises at Meerbos 22 in Wichelen is valid until July 2017.

Contribution to the Belgian Treasury

The total contributions made to the Belgian Treasury represent 69% of the operating profit of Van de Velde that was generated in Belgium. This operation profit is based on the statutory financial statements and amounts to 32,285 thousand euro at 31 December 2012.

000 euro	Total	Expense for Van de Velde	Withheld by Van de Velde
Social security contribution	4,987	4,987	0
Withholding tax on wages	3,521	0	3,521
Income tax	9,273	9,273	0
Difference between recoverable and deductible VAT	1,359	0	1,359
Withholding taxes	2,587	42	2,545
Property taxes	135	135	0
Provincial and municipal taxes and other federal taxes	46	46	0
Taxes on insurance premiums	45	45	0
Import duties	447	447	0
Total	**22,400**	**14,975**	**7,425**