

## 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**

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Sergi Pons (Sarda by Andrés Sardá)  
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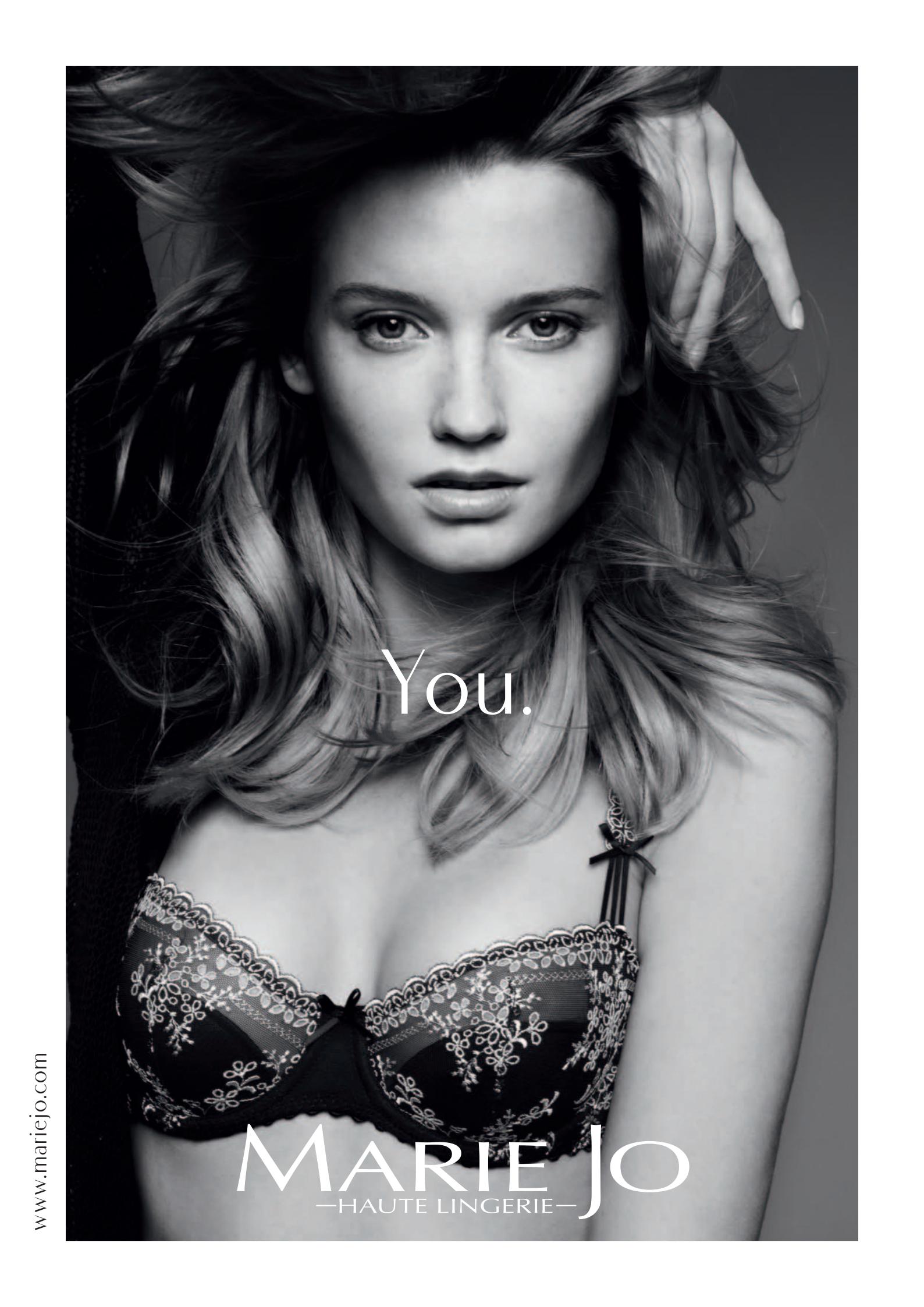
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A black and white photograph of a woman with long, wavy hair, looking directly at the camera with a neutral expression. She is wearing a dark, lace-trimmed bra with a small bow on the shoulder. Her hand is resting against her hair on the right side of the frame.

You.

MARIE JO  
— HAUTE LINGERIE —

# 1. The year 2010

## Message from the Chairman

2010 was Van de Velde's best year ever. Since the IPO in 1997 both turnover and EBITDA have risen more than threefold. EBITDA now exceeds 50 million euro. The proposed dividend also evolved in the same way, from 0.70 euro to 2.15 euro. This wonderful achievement is no guarantee for the future. It is unjust and dangerous to expect or even demand constant growth from a company without the odd stut-ter. Especially in the current climate.

It is reminiscent of *Toujours Plus* by François de Closets, a bestseller from 1982 that has since undeservedly been forgotten. It describes how a society or sections of a society that have acquired a great deal in the past – rightly or wrongly – not only expect this situation to continue but also to acquire more and more. This pressure is then formalized in some way. De Closets says that this always ends in bureaucratic paralysis in the organization and the loss of the prosperity already acquired.

We are now seeing this process in all areas of society on a daily basis. Everyone expects and demands more and wants these expectations and demands formalized in strict rules and regulations. Groups and even entire nations turn in on themselves in the conviction that they are right. However, history teaches us that great prosperity can only thrive in open, cosmopolitan environments where business is given great freedom. Prosperity is created where nations interact. There are numerous examples across the globe, from Antiquity to the European city states Bruges, Venice and Amsterdam, the America of New York and Los Angeles, and today Singapore, Hong Kong and Shanghai. There are just as many examples of societies that simply think of quick wins and turn in on themselves. They avoid taking up new challenges and lose. Would the magnificent Bruges, once the economic center of the world, have been described as "Bruges La Morte" if the key decision makers of that time had taken on the challenge of constructing a canal to the sea?

The world's centre of gravity is moving fundamentally. The 21st century will be the century of the East. The West will not only have to learn to live with that, but should also view it as an invitation and a challenge, and turn it into something positive for us. We have the intellectual and financial resources to do that. Business people know this. They advocate it every day. It would be good if the authorities and politicians had this at the top of their minds every day. Sooner than, than focusing all your efforts on the virtually impossible mission of balancing the concerns of the different sections of the population in a paralysing act of political acrobatics. It is a form of dictatorship in which internal goals are given priority over external goals and every form of daring, bravery, drive and initiative is expertly hamstrung by bureaucratic structures.

The idea of "toujours plus" – always more – is a claim from a certain position of power of the demanding group and the goal is to constantly "acquire" more and more, materially or in the form of privileges. It is a form of short-term thinking that is very dangerous for businesses. They can all too easily fall into the trap of believing that always giving more to the "rights holders" is an essential part of their mission. But that is not the primary mission of businesses. Their mission is the long-term blossoming of ever growing prosperity and wellbeing for everyone involved. First and foremost, the end consumer of the products that businesses market. It also includes employees, shareholders and all other stakeholders.

Getting rich quick is the prerogative of the speculator. But speculation is not a form of business. Simply moving around financial assets is seldom productive and the driving force behind it is often nothing more than a civilized form of plundering. Just as the creation of complex virtual assets is often simply sophisticated deception.

The goal of business is essentially "Always Better". Doing things better enables businesses to do more. And the people involved get more out of it too. It's that simple. When we stop doing it in that order things will go awry and sooner or later we will all end up as poor as churchmice.

The future of the West will be determined by how well we manage to become a society where acquiring knowledge, working, saving and investing are prioritized. There are six billion people on this world of ours. 600 million of them live in prosperity. In our own best interests, we can help to bring prosperity to all people. That means increasing the spread of prosperity tenfold. It will demand huge efforts, great openness and flexibility; sometimes it will be painful and sometimes disappointing. But in the end we will all benefit. And the bonus for everyone – shareholders and employees – who works on this is that the builder always gets more pleasure and satisfaction than those who stand on the sidelines complaining.

Van de Velde has to take things in the right order too: a good product, satisfied customers, enthusiastic employees. The rest will follow. We should think about the women we design and produce our lingerie for, about unequalled service in boutiques, about the inspiration of our employees. If we do that the shareholders will be satisfied – preferably with a record-breaking year every year, but should that occasionally not materialize, their focus should be on ensuring the company continues to do the right things in our real world. A world where women take pleasure in wearing gorgeous lingerie.

Lucas Laureys  
Chairman of the Board of Directors

## Activity report

### Just one year in eternity

We analyze companies at the end of every year. Typically, we review the year just past and look forward to the year to come. Just as people have the good habit at the turn of the year of reflecting on the year ending and of exchanging New Year's wishes, businesses publish financial statements and budgets. Although at Van de Velde we do not like the word 'budget'. We call it a 'growth plan'. That is more inspirational.

It is a strange custom actually. A year is just one in eternity after all. When you build up a company you focus on infinity, not on a budget or a multi-year plan. A 'sustainable business' has nothing to do with the environment or the underprivileged. That is an all too common misconception. Sustainable means being able to remain strong in the long term and doing the right things every day to strengthen that sustainability. Knowing how strong you are, assessing the market and continuing to grow, by trial and error, but always in the right direction. A compass is much more important than a plan. It points you in the right direction, but does not predict every obstacle or gear change. Plans claim to provide precision. People need them because they are comforting. They provide an artificial sense of security. Direction is important. Ambition and energy to proceed in that direction. Flexibility to deviate where necessary, without forgetting which course you are on.

2010 was just one year. All indicators for 2010 showed that Van de Velde was enjoying very good momentum. Turnover growth in excess of our own expectations, the highest EBITDA ever, strong satisfaction and motivation scores among customers and employees, costs under control, industrial operations that coped well with an uncompromising 2009. This brings a risk of self-satisfaction. Fortunately that is not our nature. Arrogance and self-satisfaction are very dangerous viruses in businesses. They kill winning spirit. Ambition and sharpness, with attention for people, but ambition and sharpness! That is the basis of sustainable success. Ambition to grow a business around the fitting room. Ambition to take advantage of our expertise to give women more self-confidence with a combination of the right products and advice. Ambition to grow beyond our current geographical markets. Ambition to further strengthen our commitment to customers, consumers and employees. Businesses are created by strong, focused human energy, which we can also draw on when things go less well. Such times are not beyond the realms of possibility.

A big thank you to all customers and employees. Without their commitment, confidence and critical mind 2010 would not have been possible. We realize that not every year can be as successful as 2010. But we do count on those customers and employees in the future – although that will largely depend on us. That commitment will be necessary. Consumers and governments are carrying a lot of debt in the markets Van de Velde operates in. The financial crisis appears to be over, but the consumer and government debts that have to be paid

back do hamper the future spending power of both. That will continue for many years. Anyone who thinks the next few years will be an easy ride is mistaken. The market remains tough. In the Netherlands the turnover of specialty lingerie boutiques fell by approximately 7%. In France it fell by 2%. The figures are not available in other countries, but the trend was not an upward one. The warning from our customers in most countries is that sales in the autumn of 2010 were not very strong. Consumers remain hesitant.

In 2011 we will have to go at it full tilt again and not simply rely on momentum.

### The fitting room

- A lot of women are frustrated about their body and their breasts. Rightly or wrongly. What's more, this is a high-involvement issue (they find it important). Women want to look good – it improves their self-confidence.
- Lingerie is a very good way of achieving this, provided it is of high quality (in terms of fashion, fit and style) and women are given the best possible advice in the fitting room (the right size, the right style, the appropriate fashion for that specific woman). Those two things go hand in hand.

This is the basis of the Van de Velde business model. Getting every woman back into the fitting room. Van de Velde is focused on the fitting room, on brands that make the difference after proper advice, on training programmes that are able to improve the service level, on market research that understands how women see this, on marketing programmes that underscore both the importance of fitting room service and making the right brand choices. Our livelihood depends on the advancement – throughout the world – of the fitting room culture. We are investing all of our efforts in that direction.

### Turnover 2010

- Organic turnover growth was 7.3% (not including Intimacy or LinCHérie). This was due to a very strong first semester and a more than respectable second semester, against the market trend (see 'customers'). Business increased in all countries. That means strong collections, good deliveries, and good marketing and sales programmes. PrimaDonna was the best in class among the brands. The Sarda brands continued to be the smallest. Difficulty with deliveries affected Sarda turnover.
- We have starting positions in new markets. Agencies in Australia, Serbia and Croatia, a fledgling export business in Israel, good progress in Poland and initial impetus in Turkey. These are currently minor initiatives that are likely to advance slowly, but we do begin with the ambition to develop them into major countries. The speed of our growth will depend on the quality of the customer base and the demand for higher-end products. We need to be patient without being sluggish.

## Retail

Van de Velde continues to attach importance to its own retail formats, but only alongside specialty boutiques. These remain essential. We address consumers with a combination of the two, and it is on both that we should be judged.

- The main advancement was phase 2 in the alliance with Intimacy. Van de Velde increased its shareholding to 85%, acquired a majority in the Board of Directors, reached agreement on guaranteed market share of its brands in the Intimacy stores and handed the operational management to Susan and David Nethero for a set period. Intimacy grew to 13 stores and is gradually securing a national presence in the United States. It was not easy, however. The crisis is not over.
- The brand LinCHérie was acquired in the Netherlands. This retail format unites 41 independent multibrand boutiques under a single flag. It is LinCHérie's mission to constantly offer added value to both consumers (through its boutiques and its offering) and members (through relevant, efficient added value). Van de Velde feels it is its core mission to invest major efforts here.
- In Germany, Oreia (launched in late 2009) was implemented in six stores. Oreia experienced minimal growth (store to store), but after 30% (store to store) growth in turnover over two years it was perhaps time to pause. This allows the underlying processes to be honed. We had however expected slight growth. Barcelona was opened, although we know that the Oreia concept is catching on more in northern European markets.

## Commercial programmes

The Lingerie Styling programme remains important. We want to bring consumers into the fitting room of specialty boutiques more often. That is the main goal of Lingerie Styling.

The sales team worked at full tilt in 2010. There were no vacancies, which kept turnover down somewhat. That was exceptional. All support programmes were implemented properly:

- All brand programmes were on track.
- The perception of PrimaDonna TWIST dovetails better with the main brand PrimaDonna.
- PrimaDonna itself was the brand that experienced strongest growth.
- The Marie Jo YOU campaign was praised by the market.
- INTENSE's ambition was lowered – the brand is too small to be given full attention.
- The consumer database grew strongly.

## Customers

Healthy, dynamic customers are essential to our business. It obviously comes down to consumers, but our business model is mainly founded on a healthy, mutually profitable partnership with specialty boutiques. The greatest challenge we face is keeping the channel attractive for consumers. Every independent retailer brings insight and commitment. Van de Velde adds programmes to support brands and channels, the most important of which is Lingerie Styling.

A number of our customers did cede profitability in 2010 however, especially in northern Europe. In 2009 and 2010 we did begin increasing the profit our customers make on our products. We will add a new dimension to that in 2011.

## Operations

### – Deliveries

We realize that retailers need to have the right products at the right time, which is why we have invested great efforts in recent years improving deliveries to customers. Van de Velde sets very concrete targets to measure delivery reliability. We strive to have at least 95% of stayer references in stock. This target was achieved in 2010. When it comes to the fashion collections we strive to deliver 85% within the agreed term. Unfortunately we just missed this target in 2010. The delays were mainly due to material problems. That is because product quality is our highest priority.

### – Expansion in Tunisia

Around 50% of production is based in Tunisia, partly in-house and partly through subcontractors. Additional investments are being considered to streamline activities in Tunisia. The planned new-build would be a platform to receive the materials and cut fabric sent by the parent company in Belgium and distribute it to the various Tunisian facilities, on the one hand, and collect and prepare finished products for shipment to Belgium, on the other hand.

### – Costs

Van de Velde is traditionally a business that keeps a close eye on costs and is constantly looking to improve the efficiency of its processes. The installation of the Order Storage Retrieval (OSR) system at the Wichelen distribution centre has raised the efficiency and flexibility of the shipment process. The decision was also taken to upgrade the M3 ERP system in 2011. The upgrade will be accompanied by a critical analysis and optimization of the processes.

### – Building plans

Due to constant growth Van de Velde is confronted with a lack of space at the Schellebelle main office. This is especially so in the offices, the raw materials warehouse, the cutting room and customer reception spaces. S&V Management Consultants was asked to study the various expansion options. Based on the study results, the decision was taken to pull down an existing building in Wichelen, currently only used for storage, and to build three-storey premises on the site. The cutting room and raw materials warehouse will be relocated to this new building in Wichelen, which frees up more than enough space in Schellebelle to increase the office and customer reception spaces. The project will probably take two years to complete.

#### *– Top Form*

The results of Top Form (fiscal year 1/7/2009-30/6/2010) were in line with expectations. Turnover fell slightly but profitability recovered. The market remains uncertain however. The shortage on the job market in southern China and the possible revaluation of the Chinese currency will impact costs. Top Form has actually announced a price rise for Van de Velde products. Given the developments in China Top Form is working to build up alternative production capacity in Thailand.

#### **People**

- An employee satisfaction survey was held for the first time. This is a further step towards increasing involvement, which is what we wish to build the business around. People must be willing and able to work to the best of their abilities, with enthusiasm. The goal is of course to build a sustainable, profitable business.
- Far-reaching restructuring took place in Hungary and Spain in 2009. The organization copes well with this.
- Employment rose in Belgium and Tunisia.
- All Belgian employees that cannot earn an individual bonus are rewarded when the business performs well. This resulted in a net bonus of 525 euro per employee.

#### **CDO**

The court case with KBC took place in 2010. This will not happen to us again. We did feel we were treated unjustly. When your banker sells you a product you say has to be equal to a savings or term account, which produces a relatively low return and guarantees high liquidity (i.e. you can enter and exit easily) you feel you are protected from danger. This is based on a combination of common sense and trust. This appeared to be not justified in this case. If discussion falls on deaf ears there is no alternative but to go to court. The stake was 3.4 million euro (with the interests of shareholders in mind) and the principle of keeping your back straight.

## **Outlook 2011**

Anyone who thinks that 2011 will be easy after a very good 2010 is mistaken. Consumer spending power will not grow in western Europe or the United States. We do not expect the growth percentage of 2010 to be repeated. After strong growth the foundations have to be adjusted again ahead of the next phase in offensive sense ('always think attack'):

- The Lingerie Styling programme will be given a new dimension.
- The programmes for the main brands will be given extra financial resources.
- The focus of the sales organization will be adjusted.
- The PrimaDonna offering will be broadened.
- The retail formats (Intimacy in the USA, LinCHérie in the Netherlands, Oreia in Germany) demand attention and resources to support further growth.
- New international markets will continue to be given full attention. We want to gradually shift eastwards.
- Deliveries of Sarda brands will improve significantly.
- There will be a major upgrade of the M3 ERP system.
- A logistics platform may be built in Tunisia.
- The physical space in Schellebelle is too small and in 2011 we will expand in Wichelen to create a bigger, better balanced space for production, logistics and administration in 2012.

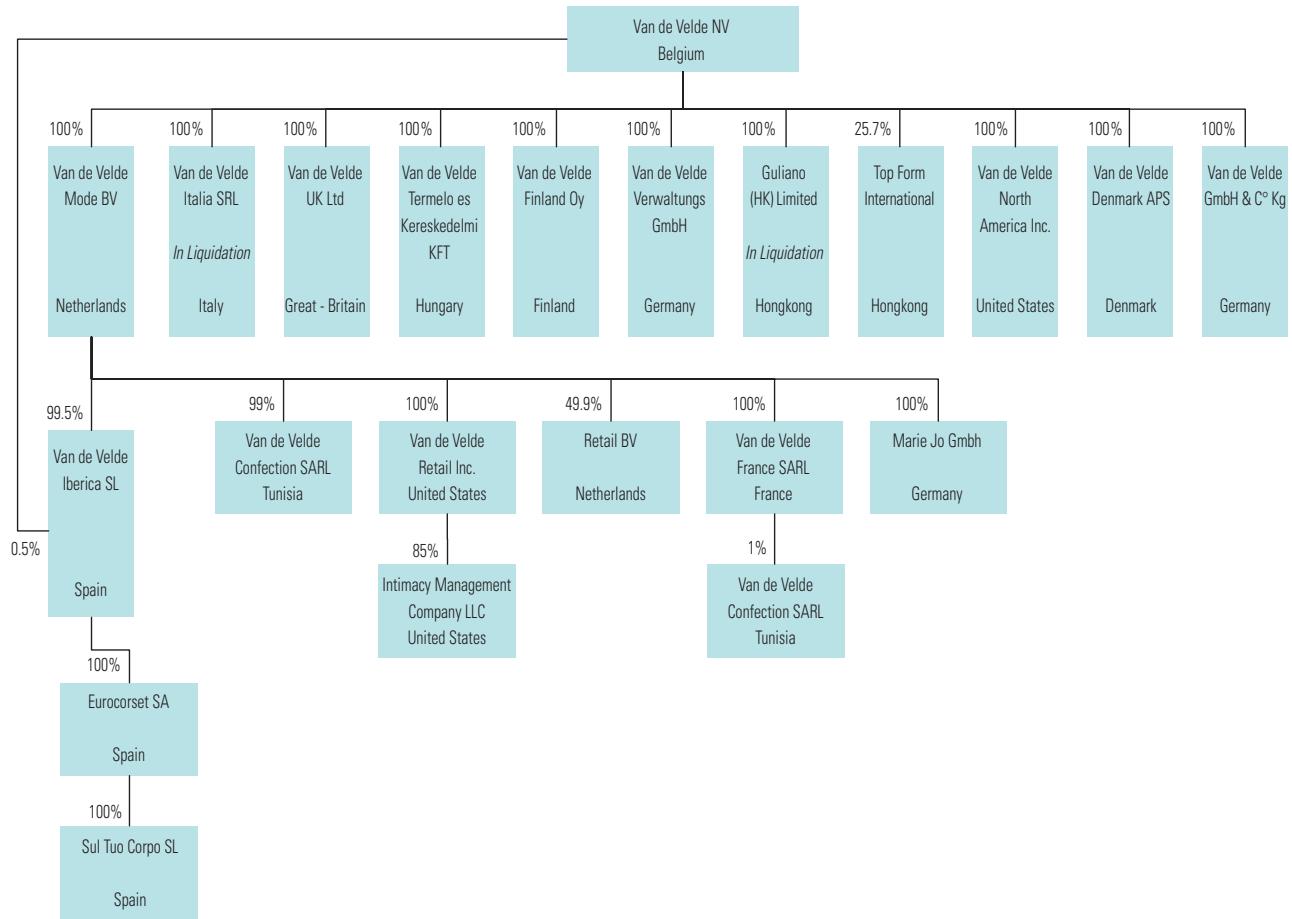
On the other hand, we have to take account of potential rises in costs of our stitching operations and currency risks. The gross margin in 2010 was at a historical high, exceeding our expectations, and is probably not sustainable.

So 2011 will certainly not be a year of standstill. Sustainable means constantly working on improvement with the focus on infinity. You build a business for ever. 2011, too, is just one year in eternity.

## 2. Description of the company and its activities

For a detailed description of the mission, core businesses and history, please visit our website at [www.vandevelde.eu](http://www.vandevelde.eu).

The current group structure is as follows:



On 26 April 2010 the group acquired an additional 35.1% of the shares of Intimacy, which means that the group now holds 85% of the shares. Van de Velde paid 13.5 million American dollar for the additional shares. Price adjustments can be determined at a later stage mainly based on performance metrics for the future. Van de Velde agreed the following with minority shareholders the Netheros:

- Van de Velde acquires a majority vote in the Board of Directors.
- Nethero management will continue to run the company within the parameters set by the board.
- Van de Velde has the possibility to acquire the remaining 15% in the future.

The stake in Top Form International was raised from 23.3% to 25.7% in the second half of 2010. The shares were purchased on the Hong Kong stock exchange at an average unit price of 0.6261 HK dollar per share and have a total investment value of 1.49 million euro. The group now directly holds 275,923,544 shares of Top Form International.

A number of changes were made to simplify the group structure in 2010:

- A merger between the two French companies Van de Velde France SARL and Marie Jo SARL. After the merger operations continued under the name Van de Velde France SARL.
- Guliano (HK) Limited and Van de Velde Italia SRL were put into liquidation. The liquidation of the Italian company was successfully completed in 2011.

# Corporate Governance

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

On 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.

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

## The Board of Directors

### *Composition of the Board of Directors*

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

- Lucas Laureys NV, always represented by Lucas Laureys, director (tenure expires at the ordinary general meeting of 2012);
- Herman Van de Velde NV, always represented by Herman Van de Velde, managing director (tenure expires at the ordinary general meeting of 2012);
- Herman Van de Velde, director (tenure expires at the ordinary general meeting of 2012);
- Bénédicte Laureys, director (tenure expires at the ordinary general meeting of 2012);
- EBVBA 4 F, always represented by Ignace Van Doorselaere, managing director (tenure expires at the ordinary general meeting of 2016);
- Management- en Adviesbureau Marc Hofman V.O.F., always represented by Marc Hofman, director (tenure expires at the ordinary general meeting of 2016);
- EBVBA Benoit Graulich, always represented by Benoit Graulich, director (tenure expires at the ordinary general meeting of 2016);
- BVBA Dirk Goeminne, always represented by Dirk Goeminne, director (tenure expires at the ordinary general meeting of 2011).

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

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

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

Lucas Laureys NV chairs the Board of Directors.

### *Operation and activity report of the Board of Directors*

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

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

The Board of Directors has also established the following advisory committees: an Audit Committee, an Appointments and Remunerations 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 2010 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. Bénédicte Laureys was excused for one Board of Directors. Otherwise, all Boards of Directors were fully attended.

### *Committees within the Board of Directors*

#### (a) Audit Committee

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

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

- the appointment (and dismissal) and remuneration of the statutory auditor;
- the preparation of the quarterly, bi-annual and annual results;
- internal control and risk management;
- external audit.

The Audit Committee is composed as follows:

- Lucas Laureys NV, always represented by Lucas Laureys;
- Management- en Adviesbureau Marc Hofman V.O.F., always represented by Marc Hofman;
- EBVBA Benoit Graulich, always represented by Benoit Graulich, director (independent director).

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

The chairman of the Audit Committee is Management- en Adviesbureau Marc Hofman V.O.F., always represented by Marc Hofman.

The Audit Committee meets no fewer than three times a year and as often as considered necessary for its proper operation. In 2010 the Audit Committee met four 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;
- assessing the budgets.

The Strategic Committee is composed as follows:

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

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

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

**(c) Appointments and Remunerations Committee**

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

The Appointments and Remunerations 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 chair of the Appointments and Remunerations Committee is BVBA Dirk Goeminne, represented by Dirk Goeminne.

The Appointments and Remunerations Committee meets as often as is needed for its proper operation, but never less than two times every year. The Appointments and Remunerations Committee met three times in 2010. All members attended these meetings.

No director attends the meetings of the Appointments and Remunerations 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 the Companies Code, the Board of Directors established a Management Committee on 2 March 2004.

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

The Management Committee is composed as follows:

- Herman Van de Velde NV, always represented by Herman Van de Velde;
- EBVBA 4F, always represented by Ignace Van Doorselaere;
- Stefaan Vandamme, CFO;
- Dirk De Vos, international sales director;
- Karlien Vanommeslaeghe, human resources director;
- Hedwig Schockaert, ICT & supply chain director;
- Philippe Vertriest, brand design 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 Appointments and Remunerations Committee. The members of the Management Committee are appointed for an indefinite period, unless the Board of Directors decides otherwise. The ending of the tenure of a member of the Management Committee has no impact on the agreements between the company and the person involved as regards additional duties over and above this tenure.

**(e) Daily management**

In addition to the Management Committee, Van de Velde's daily management team is composed of two managing directors (Herman Van de Velde NV, always represented by Herman Van de Velde and EBVBA 4F, always represented by Ignace Van Doorselaere). The managing directors are members of the Management Committee.

**(f) Evaluation**

The Board of Directors, led by its chairman, conducts at least every three years an evaluation of its size, composition and performance and the size, composition and performance of its committees, as well as the interaction with the Management Committee. The directors give their full cooperation to the Appointments and Remuneration Committee and any other persons, within or outside of the company, responsible for this evaluation. Based on the findings of the evaluation, the Appointments 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 Appointments and Remuneration Committee evaluates the functioning and performance of the Management Committee annually.

## Remuneration report

### 1. Description of the procedure employed in 2010 for

- (i) the development of a remuneration policy for the non-executive directors and the members of executive management and (ii) the determination of the remuneration level for the non-executive directors and members of executive management.*

The Appointments and Remuneration Committee provides recommendations to the Board of Directors in relation to the remuneration policy and the remuneration level for non-executive directors and the members of executive management. The final decision rests with the Board of Directors.

### 2. Statement on the company's remuneration policy applied in 2010 for the members of executive management.

#### (a) Principles on which the remuneration policy is based

- The level and structure of the remuneration 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.
- If a member of the Management Committee is also a member of the Board of Directors, the remuneration report will state the amount of the remuneration this person receives in that capacity.
- An appropriate part of the remuneration package of the members of the Management Committee must be linked to the performance of the company and the individual performances, to the extent that the interests of the Management Committee are geared to 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 individual performance, the remuneration report will state the criteria for evaluating the performance against the targets as well as the evaluation period. This information will be provided in such a way that it does not disclose any confidential information on the strategy of the company.
- 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 the grant date.
- Obligations of the company in the framework of premature exit arrangements will be closely investigated to avoid rewarding poor performance.
- If a member of the Management Committee is also an executive director, that person's overall remuneration will also comprise the remuneration received in the latter capacity.

#### (b) Relative interest of each component of the remuneration

As already explained above, an appropriate part of the remuneration (collective bonus plans and option scheme) is linked to the company's performance. An individual bonus scheme also applies to some members of executive management.

#### (c) Characteristics of any performance-related bonus in shares, share options or other rights to acquire shares

Van de Velde does not grant any such performance-related bonuses.

#### (d) Major changes to the remuneration policy since the end of the fiscal year

No major changes were made to the remuneration policy after the end of the fiscal year.

### 3. Remuneration of non-executive directors

For her duties as a director Bénédicte Laureys received a fixed gross annual remuneration of 12,000 euro.

For his chairmanship of the Board of Directors, his membership of the Appointments and Remunerations Committee, the Strategic Committee and the Audit Committee Lucas Laureys NV received a fixed annual remuneration of 80,750 euro. For his duties as a director of foreign subsidiaries, Mr Laureys received a total gross annual remuneration of 45,900 euro.

Management- en Adviesbureau Marc Hofman V.O.F. and the independent directors receive a fixed annual payment of 12,000 euro for their duties as a director and 2,500 euro for their duties as a member of the Audit Committee or the Appointments and Remunerations Committee.

The independent and non-executive directors do not receive any performance-related remuneration.

### 4. Members of the Management Committee that are members of the Board of Directors

Besides the CEO, Herman Van de Velde NV, always represented by Herman Van de Velde, is a member of the Board of Directors. They do not receive any remuneration for their membership of the Board of Directors.

### 5. Bonus of members of executive management based on the performance of the company/ individual performance

The members of executive management are entitled to a bonus partly based on the company's performance. The audited annual figures are used as the basis for determining whether the targets have been met. In addition, some members of the Management Committee are eligible for a bonus based on individual targets. The Appointments and Remuneration Committee assesses the degree to which these personal targets have been met. The evaluation period is the fiscal year.

### 6. Remuneration for members of executive management (including the CEO)

The total gross remuneration (including remunerations received from other companies that form part of the group and remunerations received for other tasks and/or tenures) awarded to the members of the Management Committee (including the CEO and Herman Van de Velde NV, who work on a self-employed basis) in 2010 is:

- Fixed part: 1,493,538 euro;
- Variable part: 831,028 euro. Part of this is paid out, part is paid into a collective insurance plan and part is granted by means of deferred payment;
- Share options<sup>1</sup>: 5,000 pieces<sup>2</sup>.

The members of the Management Committee who are also employees also have use of a company car, the total value of which for 2010 is estimated at 12,399 euro. Furthermore, they are the beneficiaries of a collective insurance policy (pension plan), the total value of which for 2010 is estimated at 15,094 euro.

### Major characteristics of internal control and risk management systems

The Audit Committee on the recommendation of the Management Committee creates internal control mechanisms and evaluates these mechanisms at least once per year. It is also expected to ensure that the main risks are properly identified, managed and brought to its attention.

In monitoring the financial reporting process the Audit Committee especially evaluates the relevance and coherence of the financial statements standards applied by the company and its group.

This assessment 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.

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%.

<sup>1</sup> Shares themselves were not granted

<sup>2</sup> The options were granted at no charge. The exercise price per share of the options is equal to the average closing price of the share in the course of the thirty calendar days prior to the date of the offer. 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.

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.

It was announced that Delta Lloyd Asset Management holds 679,433 shares (5.10% of the shares).

### 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 annual results, whichever is shorter.

The Board of Directors also regularly imposes 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 2010 for auditing of the statutory and consolidated financial statements of Van de Velde NV was 45,500 euro (excl. VAT). The total costs for 2010 for the auditing of the annual accounts of all companies of the Van de Velde NV group was 110,489 euro (excl. VAT), including the 45,500 euro mentioned above.

In accordance with Article 134 of the 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 92,753 euro (excl. VAT), of which:

- 2,400 euro for other tasks not part of the legally defined auditing tasks;
- 90,353 euro for tax advice and compliance tasks.

## Belgian Code on Corporate Governance

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

The following provisions were not complied with:

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

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

(ii) **Principle 7.14, Disclosure on an individual basis of the remuneration granted to the CEO**

*“The remuneration report states the amount of the remuneration and other advantages granted directly and indirectly by the company or its subsidiaries to the CEO”*

Given that the CEO is remunerated at market rates and has not been granted an exceptional exit remuneration (notice period is 6 months) or exceptional benefits through options and/or shares, the remuneration report will disclose only on a collective basis the remuneration granted to the CEO (together with the remuneration granted to the other members of the Management Committee).

(iii) **Principle 7.16, Remuneration through options or shares**

*“For the CEO and the other members of executive management, the number and the main characteristics of the shares, share options or other rights to be acquired as granted, exercised or expired in the fiscal year under review are stated in the remuneration report on an individual basis.”*

Contrary to this above, the remuneration report will disclose the shares and share options for the members of the Management Committee (including the CEO) only on a collective basis, given that the company is of the opinion that these rights should not be handled in a different way from the other parts of the remuneration package of the persons involved.

(iv) **Principle 8.8, Submission of proposals to the General Meeting**

*“The level of shareholding for the submission of proposals by a shareholder to the general shareholders' meeting should not exceed 5% of the share capital.”*

As a small listed company, Van de Velde NV has raised this threshold to 10%.

## Conflict of Interests Scheme

In 2010 no conflict of interests were declared in the Board of Directors within the meaning of Article 523 of the Companies Code.

# Information to Shareholders

## Share listing

The shares of Van de Velde have been quoted on the Brussels stock exchange since 1 October 1997.

Since the merger of the Amsterdam, Brussels and Paris exchanges in September 2000, Van de Velde has been quoted on Euronext Brussels, under the abbreviation 'VAN' (MNENO).

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

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

In line with its series of local indexes, Euronext in Brussels maintains a BEL20, BEL Mid and BEL Small index, the components of which are selected on the basis of liquidity and free float market capitalization. Van de Velde is listed in the BEL Mid index. The weight in this index increased slightly from 1.36% in 2009 to 1.59% in 2010.

## Monitoring liquidity

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

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

## General Meeting

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

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

## Authorized capital

The Board of Directors is authorized for a period of five years from the announcement in the annexes to the Belgisch Staatsblad/Moniteur belge (22 May 2008) to raise the subscribed capital by one or more times with a total amount of 1,926,406.25 euro, under the conditions in the articles of association.

## Acquisition of own shares

On 29 April 2009 the Extraordinary General Meeting of Shareholders authorized the Board of Directors to buy or sell its own shares. This authorization is valid from 25 May 2009 for a period of (i) three years if the acquisition is necessary to avoid a serious threatened disadvantage and (ii) five years if the Board of Directors, in accordance with Article 620 of the Companies Code, acquires the legally permitted number of its own shares at a price equal to the price at which they are listed on Euronext.

In 2010, the Board of Directors acquired 13,494 shares at an average price of 29.05 euro by means of a discretionary assignment.

These shares are to be offered to the Management Committee within the framework of a stock option programme initiated in 2005.

See note 14 to the consolidated financial statements for more information.

## Dividend Policy

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

- Appropriate payment to shareholders in comparison with other companies listed on Euronext Brussels;
- Keeping a sufficient self-financing capacity to be prepared for interesting investment opportunities;
- Remuneration proportionate to cash flow expectations.

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

## Financial Services

The financial services are provided by ING as main payment agent. This relates to the payment of the coupons for Van de Velde NV shares with ISIN code BE0003839561 that have expired.

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

## Proposed profit distribution

The dividend on distributable profit will be allocated to the shares with rights that are not suspended. So, taking into account the number of group securities held for which no profit share is retained, distributable profit will not be reduced. This concerns 93,095 own shares purchased within the framework of the option programme (see above). Reference is made to Article 622 of the Companies Code.

The number of shares with dividend rights is accordingly reduced from 13,322,480 shares to 13,229,385 shares.

The application of the pay-out percentage (40% of consolidated profit with the exception of the third party stake) produces a dividend per share of 1.21 euro. Van de Velde has the policy not to retain excess cash in the organization, but to distribute it in one way or another to the shareholders. Cash required for operating and investing activities is evaluated on an annual basis. For 2010 this implies that the Board of Directors will propose to the General Meeting the payment of a dividend for the fiscal year 2010 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 5 May 2011 at branches of Bank Degroof and ING upon presentation of coupon 5.

Financial Calendar	
Closing of financial year	31 December 2010
Announcement of 2010 turnover figures	6 January 2011
Announcement of annual results	18 February 2011
Publication of annual financial report	31 March 2011
General Meeting of Shareholders	27 April 2011
Publication of first interim statement	27 April 2011
Ex-coupon date	2 May 2011
Registration date	4 May 2011
Dividend payment date	5 May 2011
Announcement of H1 2011 turnover figures	8 July 2011
Publication of 2011 half-year results	26 August 2011
Publication of second interim statement	18 November 2011

## Consolidated key figures 2010

Profit and loss account (in millions of euro)	2010	2009	2008	2007	2006
Operating income	170.5	143.6	135.3	132.2	124.2
Turnover	166.3	140.1	133.0	130.3	123.0
Recurring EBITDA <sup>(1)</sup>	52.3	44.2	43.4	44.6	41.6
Recurring EBIT <sup>(2)</sup>	46.3	41.0	40.2	41.7	38.9
Consolidated result before taxes <sup>(3)</sup>	52.5	37.5	40.2	43.8	43.7
Consolidated result after taxes <sup>(3)</sup>	39.9	27.2	28.6	30.7	31.1
Profit for the period <sup>(4)</sup>	40.0	26.6	28.6	31.0	31.1
Operating cash flow <sup>(5)</sup>	34.9	33.7	29.6	32.2	30.6

<sup>(1)</sup> 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.

<sup>(2)</sup> EBIT is earnings before interest and taxes. The recurring EBIT for 2009 does not include the non-recurring restructuring costs.

<sup>(3)</sup> Result of the Group before share in the profit / (the loss) of associates (equity method).

<sup>(4)</sup> Result of the Group after share in the profit / (the loss) of associates (equity method).

<sup>(5)</sup> Operating cash flow is net cash from operating activities. The remark of page 28 has been taken into account for the 2010 and 2009 calculation.

Balance sheet (in millions of euro)	2010	2009	2008	2007	2006
Fixed assets	89.0	65.6	66.1	44.6	48.2
Current assets	92.9	83.7	71.2	86.4	92.7
Shareholders' equity	153.6	135.7	120.9	117.4	126.8
Balance sheet total	181.9	149.3	137.3	131.0	141.0
Net debt position <sup>(1)</sup>	-37.8	-40.3	-22.2	-44.5	-49.2
Working capital <sup>(2)</sup>	38.2	32.1	35.5	32.1	33.3
Capital employed <sup>(3)</sup>	127.2	97.7	101.6	76.8	81.5

<sup>(1)</sup> Financial debts less cash and cash equivalents (a negative position points to a cash position, a positive position refers to a debt position).

<sup>(2)</sup> Current assets (excluding cash and cash equivalents) less current liabilities (excluding financial debts).

<sup>(3)</sup> Fixed assets plus working capital.

Financial ratios (in %, except liquidity)	2010	2009	2008	2007	2006
Return on equity <sup>(1)</sup>	27.6	21.2	24.0	25.2	24.3
Return on capital employed <sup>(2)</sup>	35.5	27.3	32.0	38.8	35.5
Solvency <sup>(3)</sup>	84.5	90.9	88.1	89.6	90.0
Liquidity <sup>(4)</sup>	5.5	7.4	5.4	8.9	9.1

<sup>(1)</sup> Consolidated result after taxes / Average of equity at end of fiscal year and previous fiscal year.

<sup>(2)</sup> Consolidated result after taxes / Average of capital employed at end of fiscal year and previous fiscal year.

<sup>(3)</sup> Equity / Balance sheet total.

<sup>(4)</sup> Current assets / Current liabilities.

Margin analysis and tax rate (in %)	2010	2009	2008	2007	2006
Recurring EBITDA <sup>(1)</sup>	31.4	31.5	32.6	34.2	33.8
Recurring EBIT <sup>(2)</sup>	27.9	29.2	30.2	32.0	31.6
Tax rate <sup>(3)</sup>	26.2	27.3	29.0	29.8	29.0

<sup>(1)</sup> Recurring EBITDA on turnover.

<sup>(2)</sup> Recurring EBIT on turnover.

<sup>(3)</sup> Income taxes on consolidated result before taxes. In 2010 the extraordinary finance gain on the business combination of Intimacy has been excluded from the consolidated result before taxes.



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Stock market data	2010	2009	2008	2007	2006
Average daily volume in pieces	5,472	3,973	5,905	8,781	5,706
Number of shares at year end	13,322,480	13,322,480	13,556,710	13,556,710	13,556,710
Number of traded shares	1,411,725	1,013,229	1,511,681	2,239,046	1,455,157
Velocity	10.6%	7.6%	11.2%	16.5%	10.7%
Turnover (in thousands of euro)	47,212	27,261	42,230	81,420	100,480
(in euro per share)					
Highest price	39.60	31.00	37.75	40.10	40.00
Lowest price	28.51	22.50	20.30	31.96	30.60
Closing price	39.60	29.36	24.00	37.75	39.30
Average price	33.80	26.70	28.59	37.15	35.10
Key figures per share (in euro)	2010	2009	2008	2007	2006
Book value <sup>(1)</sup>	11.5	10.2	8.9	8.7	9.4
Recurring EBITDA <sup>(2)</sup>	3.9	3.3	3.2	3.3	3.1
Profit for the period <sup>(3)</sup>	3.0	2.0	2.1	2.3	2.3
Gross dividend	2.15	1.65	0.90	0.90	1.80
Net dividend	1.61	1.24	0.68	0.68	1.35
Dividend yield <sup>(4)</sup>	4.07%	4.21%	2.81%	1.79%	3.44%

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

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

<sup>(3)</sup> Profit for the period / Number of shares at year end.

<sup>(4)</sup> Net dividend / Closing price.

Value determination (in millions of euro)	2010	2009	2008	2007	2006
Book value <sup>(1)</sup>	153.6	135.7	120.9	117.4	126.8
Market capitalization <sup>(2)</sup>	527.6	391.1	325.4	511.8	532.8
Enterprise value (EV) <sup>(3)</sup>	474.7	325.9	277.1	442.6	456.4
<sup>(1)</sup> Shareholder's equity.	<sup>(2)</sup> Number of shares at 31 December multiplied by the closing price.	<sup>(3)</sup> Enterprise value is equal to market capitalization plus net debt position less participations.			
Multiples	2010	2009	2008	2007	2006
EV/Recurring EBITDA <sup>(1)</sup>	9.1	7.4	6.4	9.9	11.0
Price/Profit <sup>(2)</sup>	13.2	14.7	11.4	16.5	17.2
Price/Book value <sup>(3)</sup>	3.4	2.9	2.7	4.4	4.2

<sup>(1)</sup> Enterprise value / Recurring EBITDA.

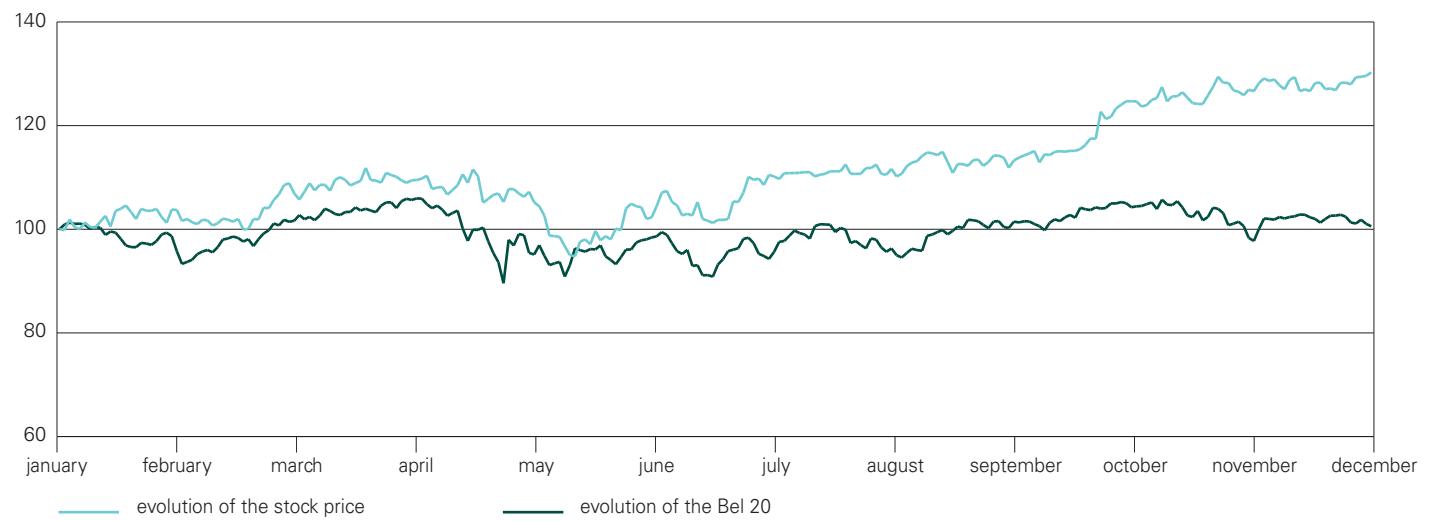
<sup>(2)</sup> Closing price / Profit for the period.

<sup>(3)</sup> Market capitalization / Book value.

Evolution of stock market price Van de Velde and BEL20



Evolution of stock market price in 2010



### *3. Consolidated financial statements and related notes*

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## Consolidated balance sheet

000 euro	2010	2009	(Note)
<b>Assets</b>			
Total fixed assets	89,023	65,634	
Goodwill	28,658	2,469	4
Intangible assets	22,159	12,630	5
Tangible fixed assets	20,726	19,040	6
Participations (equity method)	15,125	25,017	7
Deferred tax asset	1,227	3,920	16
Other fixed assets	1,128	2,558	8
Current assets	92,885	83,680	
Inventories	32,814	25,859	10
Trade and other receivables	14,222	13,338	11
Other current assets	7,602	4,122	12
Cash and cash equivalents	38,247	40,361	13
<b>Total assets</b>	<b>181,908</b>	<b>149,314</b>	
<b>Equity and liabilities</b>			
Shareholders' equity	153,643	135,732	
Share capital	1,936	1,936	14
Treasury shares	-2,506	-2,625	14
Share premium	743	743	
Other comprehensive income	-9,792	-9,271	
Retained earnings	163,262	144,949	
Non-controlling interests	8,089	0	14
<b>Total non-current liabilities</b>	<b>3,286</b>	<b>2,334</b>	
Provisions	519	724	15
Pensions	36	33	
Deferred tax liabilities	0	1,577	16
Other non-current liabilities	2,731	0	17
<b>Total current liabilities</b>	<b>16,890</b>	<b>11,248</b>	
Trade and other payables	16,436	10,721	18
Other current liabilities	431	311	19
Income taxes payable	23	216	19
<b>Total equity and liabilities</b>	<b>181,908</b>	<b>149,314</b>	

## Consolidated income statement

000 euro	2010	2009	(Note)
Turnover	166,301	140,149	28
Other operating income	4,157	3,489	
Cost of materials	-38,946	-34,687	
Other expenses	-44,437	-35,114	
Personnel expenses	-34,767	-32,501	22
Depreciation and amortization	-5,993	-3,822	5, 6
<b>Operating profit</b>	<b>46,315</b>	<b>37,514</b>	
Finance income	8,980	2,067	21
Finance costs	-2,780	-2,120	21
Share in profit of associates	53	-649	7
<b>Profit before taxes</b>	<b>52,568</b>	<b>36,812</b>	
Income taxes	-12,631	-10,216	23
<b>Profit for the year</b>	<b>39,937</b>	<b>26,596</b>	

### Other comprehensive income

Currency translation adjustments	-308	-371
Net movement on cash flow hedges	0	213
<b>Total other comprehensive income</b>	<b>-308</b>	<b>-158</b>

<b>Total of profit for the period and other comprehensive income</b>	<b>39,629</b>	<b>26,438</b>
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000 euro	2010	2009	(Note)
<b>Profit for the year</b>	<b>39,937</b>	<b>26,596</b>	
Attributable to the owners of the company	40,006	26,596	
Attributable to non-controlling interests	-69	0	
<b>Total of profit for the period and other comprehensive income</b>	<b>39,629</b>	<b>26,438</b>	
Attributable to the owners of the company	39,698	26,438	
Attributable to non-controlling interests	-69	0	
Basic earnings per share (in euro)	3.03	1.99	24
Diluted earnings per share (in euro)	3.02	1.99	24
Weighted average number of shares	13,222,080	13,383,425	24
Weighted average number of shares for diluted profit per share	13,241,421	13,386,616	24
Proposed dividend per share (in euro)	2.15	1.65	25
Total dividend (in 000 euro)	28,443	21,818	25

## Consolidated statement of changes in equity

Attributable to the shareholders of the parent										
000 euro	Share capital	Share premium	Treasury shares	Retained earnings	Share-based payments	Other comprehensive income	Equity	Non-controlling interests	Total equity	
Change in equity										
Equity at 01/01/2009	1,936	743	-8,718	135,895	141	-9,113	120,884	-	120,884	
<i>Profit for the period</i>				26,596			26,596		26,596	
<i>Other comprehensive income</i>						-158	-158		-158	
<i>Treasury shares</i>		6,093	-6,133				-40		-40	
<i>Amortization deferred stock compensation</i>				352			352		352	
<i>Granted and accepted stock options</i>				435			435		435	
<i>Deferred stock compensation</i>					-435		-435		-435	
<i>Dividends</i>			-11,902				-11,902		-11,902	
Equity at 31/12/2009	1,936	743	-2,625	144,456	493	-9,271	135,732	-	135,732	
<i>Profit for the period</i>				40,006			40,006	-69	39,937	
<i>Other comprehensive income</i>						-521	-521	-63	-584	
<i>Treasury shares</i>		-412					-412		-412	
<i>Sale of treasury shares for stock options</i>		531					531		531	
<i>Amortization deferred stock compensation</i>				244			244		244	
<i>Granted and accepted stock options</i>			-163	121			-42		-42	
<i>Deferred stock compensation</i>					-77		-77		-77	
<i>Dividends</i>			-21,818				-21,818		-21,818	
<i>Non-controlling interests on business combinations</i>							8,221		8,221	
Equity at 31/12/2010	1,936	743	-2,506	162,481	781	-9,792	153,643	8,089	161,732	

## Consolidated cash flow statement

000 euro	2010	2009
<b>Cash flows from operating activities</b>		
Cash receipts from customers	208,582	189,071
Cash paid to suppliers and employees	-152,364	-130,080
<b>Cash generated from operations</b>	<b>56,218</b>	<b>58,991</b>
Income taxes paid	-15,844	-12,466
Other taxes paid	-5,379	-12,378
Interest and bank costs paid	-130	-224
Gains (+) / losses (-) on disposal of assets	-2	-214
<b>= Net cash from operating activities <sup>(1)</sup></b>	<b>34,863</b>	<b>33,709</b>
<b>Cash flows from investing activities</b>		
Interest received (note 21)	454	537
Received dividends (note 21)	980	548
Proceeds from sale of equipment	14	304
Purchase of fixed assets (notes 5 and 6)	-5,943	-5,726
Investments in associates	-1,492	0
Net sale /(purchase) of treasury shares (note 14)	154	-40
Investments in subsidiary, net of cash acquired	-10,165	0
<b>= Net cash used in investing activities</b>	<b>-15,998</b>	<b>-4,377</b>
<b>Cash flows from financing activities</b>		
Dividends paid	-21,550	-11,667
Repayment of long-term borrowings	-88	-156
Net financing of customer growth fund	-645	-562
<b>= Net cash used in financing activities <sup>(1)</sup></b>	<b>-22,283</b>	<b>-12,385</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>-3,418</b>	<b>16,947</b>
<b>Cash and cash equivalents at the beginning of the period (Note 13)</b>	<b>40,361</b>	<b>22,483</b>
Exchange rate differences	1,304	931
Net increase/(decrease) in cash and cash equivalents	-3,418	16,947
<b>Cash and cash equivalents at the end of the period (Note 13)</b>	<b>38,247</b>	<b>40,361</b>

<sup>(1)</sup> For the period 2009 a reclassification from the cash from operating activities to the cash from financing activities has been recorded as the withholding taxes on dividends are recorded as part of the dividends paid. Hence, the cash from operating activities is 942 thousand euro higher in 2009.

A full-page photograph of a woman in a blue lingerie set (bustier and briefs) and a sheer pink shawl. She is in a dynamic pose, with one leg bent and one hand on her hip. She is wearing a purple bracelet on her right wrist.

PrimaDonna

# twist

[www.primadonnatwist.eu](http://www.primadonnatwist.eu)

# *Notes to the financial statements*

## **1. General information**

The Van de Velde Group designs, develops, manufactures and markets fashionable luxury lingerie together with its subsidiaries. The company is a limited liability company, with its shares listed on Euronext Brussels. The company's main office is located in Wichelen, Belgium.

The consolidated financial statements were authorized for issue by the Board of Directors on 16 February 2011 subject to approval of the statutory non-consolidated accounts by the shareholders at the Ordinary General Meeting to be held on 27 April 2011. In compliance with Belgian law, the consolidated accounts will be presented for informational purposes to the shareholders of Van de Velde at the same meeting. The consolidated financial statements are not subject to amendment except conforming changes to reflect decisions, if any, of the shareholders with respect to the statutory non-consolidated financial statements affecting the consolidated financial statements.

## 2. Summary of significant accounting policies

The accompanying consolidated financial statements have been prepared in compliance with "International Financial Reporting Standards (IFRS)", as adopted for use in the European Union on 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 which the Group may undertake, actual results may differ from those estimates.

The most important application of estimates relates to:

#### ***Impairment of intangible fixed assets with indefinite useful life (including goodwill)***

Intangible fixed assets with indefinite useful life, including goodwill in relation to business combinations, are subject to an annual impairment test. This test requires an estimation of the value-in-use of these assets. The estimate of the value-in-use requires an estimate of the expected future cash flows related to these assets and the choice of an appropriate discount rate to determine the present value of these cash flows. For the estimate of the future cash flows, management must make a number of assumptions and estimates, such as expectations with regard to growth in revenues, development of profit margin and operating costs, period and amount of investments, development of working capital, growth percentages for the long term and the choice of a discount rate that takes into account the specific risks. More details are given in note 4.

#### ***Employee benefits – share-based payments***

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

### **Change in accounting policies**

Following the first consolidation of Intimacy, the Group's accounting policies have been elaborated to

reflect the specific accounting policies that apply to the retail business.

The accounting policies adopted are consistent with those of the previous financial year except for the following new, amended or revised IFRSs and interpretations that have been adopted after 31 December 2009 and which have an impact on the consolidated financial statements. We specifically refer to business combinations in this respect.

The Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2010:

- IFRS 1 First-time Adoption of International Financial Reporting Standards (Revised), effective from 1 January 2010;
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional exemptions for first-time appliers effective from 1 January 2010;
- IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Arrangements, effective 1 January 2010;
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended), effective 1 July 2009;
- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items, effective 1 July 2009;
- IFRIC 12 Service Concession Arrangements, effective 1 April 2009;
- IFRIC 15 Agreements for the Construction of Real Estate, effective 1 January 2010;
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation, effective 1 July 2009;
- IFRIC 17 Distributions on Non-cash Assets to Owners, effective 1 November 2009;
- IFRIC 18 Transfers of Assets from Customers, effective 1 November 2009;
- Improvements to IFRSs (Issued May 2008), effective 1 January 2010;
- Improvements to IFRSs (Issued April 2009), effective 1 January 2010.

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or the performance of the Group, its impact is described below:

*IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)*

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) are applicable to business combinations with acquisition date on or after the fiscal year beginning on 1 July 2009.

IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) will affect future business combinations or loss of control of subsidiaries and transactions with non-controlling interests.

## **Consolidation principles**

### **Subsidiaries**

A subsidiary is an entity that Van de Velde NV directly or indirectly controls and has the power to decide over its 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 by 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 holds a significant influence and which are not subsidiaries or joint ventures. 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 joint control or 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 the Group has assumed additional obligations.

Participations in associated companies are revalued if there are indications of a possible impairment or of the disappearance of the reasons for earlier impairments. The participations valued in accordance with the equity method in the balance sheet 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, 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 that is not held by the Group and are presented separately in the consolidated income statement and in the consolidated balance sheet, separately from the parent shareholders' equity.

### **Foreign currencies**

#### ***Foreign currency transactions***

The reporting currency of the Group is the euro. Foreign currency transactions are recorded at the exchange rate at 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 shall be recognized in the income statement.

### **Intangible assets**

#### ***(1) Research and development***

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

### ***(2) Acquired brands***

Brands acquired as part of business combinations are deemed to be intangible assets with an indefinite useful life. These are measured at the value established as part of the allocation of fair value of the identifiable assets, obligations and contingent obligations on the acquisition date, less accumulated impairment losses. These brands are not amortized, but are tested annually for impairment (for more details, see note 4). The correctness of classification as intangible assets with indefinite useful life is also evaluated.

### ***(3) Key Money***

Key money refers to the 'droit au bail' or right to rent the shops in France and is recorded at cost. The value of this right does not decrease in relation to the lease period but changes with the market for this type of commercial right. Therefore the useful life of key money is considered to be indefinite. Key money is reviewed periodically for impairment.

### ***(4) Other intangible assets***

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

## **Goodwill**

### ***(1) Goodwill***

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that the asset might be impaired. Goodwill is expressed in the currency of the subsidiary to which it relates and is translated to euro using the year-end exchange rate.

Goodwill is recorded at cost less accumulated impairment losses.

### ***(2) Negative goodwill***

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

## **Tangible fixed assets**

### ***(1) Initial expenditure***

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

### ***(2) Subsequent expenditure***

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

### ***(3) Depreciation***

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

The depreciation rates used are as follows:

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

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

### **Impairment of assets**

The carrying amount of Van de Velde's fixed assets, other than deferred tax assets, financial assets and assets arising from employee benefits 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, merchandise and finished goods are valued at the lower of cost or net realizable value. Cost of inventories comprises all purchase costs, conversion costs and other costs incurred in bringing the inventories to their present location and present condition.

Purchasing costs include:

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

Conversion costs include:

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

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

## **Trade and other receivables**

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

## **Leasing**

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

## **Derivative financial instruments**

### *Hedges*

Van de Velde applies derivative financial instruments only in order to reduce the exposure in 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.

However, the group makes one exception with respect to the above. This exception relates to the hedging with derivatives in 2009 of a fixed commitment / forecast transaction. The hedge of this fixed commitment / forecast transaction is a cash flow hedge whereby changes in fair value are recognized in shareholders' equity. If the cash flow hedge of a fixed commitment or a forecast transaction leads to the recognition of a non-financial asset or a non-financial liability, at the moment the asset or liability is recognized the gain or loss on the derivative financial instrument recognized in the shareholders' equity at an earlier date will be included in the initial valuation of the asset or liability.

### *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.

## **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 pension plans are charged to the income statement as incurred.

### ***(2) Share-based payment***

The fair value of the share options awarded under the group 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 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.

Sales of products to the Group's retail customers 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 that do not expire to its customers when merchandise is returned. 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 historical redemption pattern. Management has determined that redemption would be remote after a period of 2 years. Breakage income is recognized as part of net sales.

### ***(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 way of a reduced depreciation charge.

## **Expenses**

### ***(1) Interest expenses***

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

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

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

**New and amended standards and interpretations, effective for financial years starting after 1 January 2010**

The Group does not early-adopt any standards or interpretations that have been issued but are not yet effective as at 31 December 2010. The Group assesses that the impact of adoption of these new or revised standards and interpretations will not have a significant impact on the financial statements of the financial year in which these are to be adopted.

The following standards were issued but not yet applicable on the date of publication of the Group's financial statements:

- IFRS 1 First-time adoption of IFRS – Limited exemptions for comparative IFRS 7 disclosures for First-time Adopters, effective 1 July 2010;
- IFRS 9 Financial Instruments, effective 1 January 2013;
- IAS 24 Related Party Disclosures (Revised), effective 1 January 2011;
- IAS 32 Financial Instruments: Presentation – Classification of Rights Issues, effective 1 February 2010;
- IFRIC 14 Prepayments of a Minimum Funding Requirement, effective 1 January 2011;
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, effective 1 July 2010;
- Improvements to IFRSs (Issued May 2010), effective 1 January 2011.

### 3. Business combinations

On 26 April 2010 Van de Velde acquired 35.1% of the shares of Intimacy Management Company LLC ('Intimacy'). Van de Velde had already held 49.9% of the shares of Intimacy since March 2007. The chain is headed by Susan and David Nethero, who held 50.1% of the shares until 26 April 2010. Intimacy's origins and positioning are rooted in a personal fitting room experience that enhances women's self-confidence through lingerie fitting and styling.

Van de Velde paid 13.5 million American dollar to acquire the 35.1% stake. The price of the shares may be adjusted at a later date, in the first place based on future performance.

Prior to the acquisition of the controlling interest, the stake in Intimacy was recognized in the consolidated accounts in accordance with the equity method. Over the first four months of fiscal year 2010, Intimacy's contribution in accordance with the equity method was 45 thousand euro.

As from the end of April 2010 Intimacy is fully recognized via full consolidation in Van de Velde's consolidated accounts. For the recognition of the business combination in the consolidated accounts, the 15% non-controlling interest in Intimacy is recognized at fair value.

The fair value of the identified assets and liabilities of Intimacy at 30 April 2010 is as follows:

	Fair value recognized on acquisition (in \$ 000)	Fair value recognized on acquisition (in € 000)
<b>Assets</b>	<b>19,031</b>	<b>14,385</b>
Intangible fixed assets	10,381	7,847
Tangible fixed assets	4,673	3,533
Other fixed assets	579	437
Inventories	2,806	2,121
Trade and other receivables	404	305
Cash and cash equivalents	49	37
Other current assets	139	105
<b>Liabilities</b>	<b>6,134</b>	<b>4,636</b>
Long-term liabilities	2,226	1,683
Deferred rent and lease incentives	1,233	932
Current liabilities	871	658
Trade payables	896	677
Other current liabilities	908	686
<b>Total of identifiable net assets at fair value</b>	<b>12,897</b>	<b>9,749</b>
Non-controlling interest at fair value	(10,876)	(8,221)
Goodwill arising on acquisition	35,783	27,048
Realized exchange result on cash flow hedge (10 million American dollar) – this result is deducted from goodwill	0	(633)
Goodwill arising on acquisition and after taking into account realized exchange result	35,783	26,416
<b>Estimated fair value 85% Intimacy</b>	<b>37,804</b>	<b>27,944</b>

The cash outflow on acquisition is as follows:

000 euro	
Consideration paid (at realized exchange rates)	9,409
Translation differences and exchange results	793
Net cash acquired of the subsidiary	-37
<b>Net cash outflow (according to the cash flow statement)</b>	<b>10,165</b>

The estimated value of the 85% controlling interest comprises the following components:

- Revaluation of the 49.9% stake at estimated fair value on acquisition. This results in a value of 22,193 thousand American dollar and means that a financial profit of 5,718 thousand American dollar was realized on the carrying amount of this 49.9%. This non-recurring profit was recognized in the consolidated income statement under 'Finance income'.
- The estimated total acquisition price of 35.1% of the shares, i.e. 15,611 thousand American dollar. Of this, 13,500 thousand American dollar was paid at the time of the acquisition of the controlling interest on 26 April 2010. The difference is recognized as a non-current liability on the consolidated balance sheet.

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

- Valuation in accordance with the relief-from-royalty method applying a royalty percentage for retail business at market conditions.
- The royalty is applied to the estimated turnover growth for the nine existing stores on acquisition.
- The future value takes account of a growth rate of 1%.
- A 12.4% asset-specific discount rate is established.
- Given growth by opening new stores is not included in the valuation of the brand, all of this growth is part of goodwill.

The fair values used to revalue the 49.9% interest, to determine the estimated price for 35.1% and to value the 15% non-controlling interest are based on an estimate of the future growth of a number of performance indicators.

The goodwill of 35,783 thousand American dollar primarily represents future synergies with Van de Velde and other business-critical assets, which cannot, however, be valued separately as intangible assets for IFRS purposes and with due consideration for the specific characteristics of the retail business, such as customer list, new store openings, knowhow of Intimacy employees, etc.

Converted to euro, the goodwill is reduced by 633 thousand euro with reference to a cash flow hedge specifically entered into to hedge part of the acquisition price (10 million American dollar).

The controlling interest in Intimacy will be held by a US corporation within the Van de Velde Group. The above components will accordingly be revalued at closing rates on every balance sheet date and revaluation results recognized as other comprehensive income in shareholders' equity.

Based on a full consolidation, Intimacy's contribution to the consolidated profit over the period is 3,689 thousand euro, comprising the following components:

- The negative contribution to the operating profit equals 655 thousand euro. Intimacy generated an operating profit before depreciation and amortization (EBITDA) of 745 thousand euro in the period May-December 2010. However, after consolidation and elimination of intercompany profits on stocks, this contribution was reduced to 486 thousand euro. After depreciation and amortization the negative contribution was 655 thousand euro.
- Exceptional financial profit on revaluation of 49.9% (4,344 thousand euro).

Intimacy generated an operating profit before depreciation and amortization (EBITDA) of 1.4 million American dollar and revenues amounting to 35.5 million American dollar in 2010. These figures do not take into account any elimination of intercompany profits

## 4. Goodwill

000 euro	
Goodwill, Gross	
At 01/01/2010	6,357
Acquisitions through business combinations	26,416
Exchange adjustments	-227
At 31/12/2010	32,546
 Impairment and other adjustments	
At 01/01/2010	-3,888
Adjustments	0
At 31/12/2010	-3,888
 Goodwill, net 31/12/2010	28,658
 At 31/12/2010	
Goodwill, gross	32,546
Accumulated impairment/adjustments	-3,888
 Goodwill, net 31/12/2010	28,658

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

### *Impairment test*

In the fourth quarter of 2010 the group conducted an impairment test on the following intangible fixed assets:

- Intangible fixed assets as part of the acquisition of Eurocorset (goodwill of 2,469 thousand euro) and the purchase of the Andrés Sardá brand (11,000 thousand euro).
- Intangible fixed assets acquired through control over Intimacy Management Company LLC ('Intimacy'), consisting of goodwill and the Intimacy brand for a total value of 46,164 thousand American dollar (34,624 thousand euro at closing rate).

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

This calculation shows that, taking into account the assumptions used, the present value of the expected future cash flows for these intangible fixed assets is higher than the carrying value and the carrying value is therefore retained. The carrying value of the intangible assets (including goodwill) for the Andrés Sardá business and Intimacy business amount to respectively 13,469 thousand euro and 46,164 thousand American dollar (34,624 thousand euro at closing rate).

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

The discount rate used to determine the present value of the expected future cash flows is a discount rate based on the weighted average cost of capital. The weighted average cost of capital has been determined taking into account the specific characteristics of each cash generating unit, starting from a reference rate of 8.7%.

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

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

## 5. Intangible assets

000 euro	Total	Brands with limited useful life	Brands with indefinite useful life	Software	Key money
<b>Intangible assets, gross</b>					
At 01/01/2009	14,987	508	11,000	3,054	425
Investments	611	314	0	286	11
Disposals	-134	0	0	-34	-100
At 31/12/2009	15,464	822	11,000	3,306	336
<b>Amortization and impairment</b>					
At 01/01/2009	2,347	407	0	1,935	5
Amortization	620	47	0	477	96
Disposals	-133	0	0	-43	-90
At 31/12/2009	2,834	454	0	2,369	11
<b>Intangible assets, net 31/12/2009</b>	<b>12,630</b>	<b>368</b>	<b>11,000</b>	<b>937</b>	<b>325</b>
<b>Intangible assets, gross</b>					
At 01/01/2010	15,464	822	11,000	3,306	336
Acquisitions through business combinations	7,897	0	7,847	50	0
Investments	2,299	145	1,675	479	0
Exchange adjustments	-63	0	-63	0	0
At 31/12/2010	25,597	967	20,459	3,835	336
<b>Amortization and impairment</b>					
At 01/01/2010	2,834	454	0	2,369	11
Amortization	604	102	0	407	95
At 31/12/2010	3,438	556	0	2,776	106
<b>Intangible assets, net 31/12/2010</b>	<b>22,159</b>	<b>411</b>	<b>20,459</b>	<b>1,059</b>	<b>230</b>

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

The Andrés Sardá brand acquired in 2008 has an indefinite useful life. The Andrés Sardá brand was deemed to be a brand with an indefinite useful life because the group considers this brand to be a full-fledged addition to its existing brand portfolio. Following the Intimacy business combination in 2010, the fair value of the Intimacy brand and concept has been determined at 7,847 thousand euro or 10,381 thousand American dollar (see note 3).

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

In 2006 key moneys were tested for impairment as mentioned in our accounting policies and no impairment was recognized. The recoverable amount was confirmed by an expert. At the end of 2010 an impairment loss has been recorded following specific market indications.

## 6. Tangible fixed assets

000 euro	Total	Land & buildings	Production machinery and equipment
<b>Tangible fixed assets, gross</b>			
At 01/01/2009	41,250	18,034	23,216
Investments	5,104	1,626	3,478
Disposals	-2,519	-1,226	-1,293
At 31/12/2009	43,835	18,434	25,401
<b>Depreciation and impairment</b>			
At 01/01/2009	23,780	7,517	16,263
Depreciation	3,200	1,334	1,866
Exchange adjustments	196	82	114
Disposals	-2,476	-1,226	-1,250
At 31/12/2009	24,700	7,707	16,993
<b>Tangible fixed assets, net</b>			
Tangible fixed assets (without grants)	19,135	10,727	8,408
Grants at 31/12/2009	-147	-60	-87
Grants utilized in 2009	52	21	31
<b>At 31/12/2009</b>	<b>19,040</b>	<b>10,688</b>	<b>8,352</b>
<b>Tangible fixed assets, gross</b>			
At 01/01/2010	43,835	18,434	25,401
Investments	4,019	1,581	2,438
Acquisitions through business combinations	3,484	2,811	673
Disposals	-404	0	-404
Exchange adjustments	-27	-22	-5
At 31/12/2010	50,907	22,804	28,103
<b>Depreciation and impairment</b>			
At 01/01/2010	24,700	7,707	16,993
Depreciation	5,388	3,261	2,127
Exchange adjustments	293	110	183
Disposals	-285	0	-285
At 31/12/2010	30,096	11,078	19,018
<b>Tangible fixed assets, net</b>			
Tangible fixed assets (without grants)	20,811	11,726	9,085
Grants at 31/12/2010	-114	-47	-67
Grants utilized in 2010	29	12	17
<b>At 31/12/2010</b>	<b>20,726</b>	<b>11,691</b>	<b>9,035</b>

## 7. Investments in associates

In 2007 Van de Velde acquired 49.9% of the shares of Intimacy for 10,742 thousand euro. On 26 April 2010 the Group increased its stake in Intimacy by 35.1%. The group owns 85% of the shares (see note 3).

In the second half of the year the Group purchased additional shares of Top Form for a total amount of 1,492 thousand euro and has now a stake of 25.7% in the share capital.

In November 2008 the group took a 49.9% stake in Retail BV for 3,050 thousand euro.

Net carrying amount (000 euro)	Intimacy	Retail BV	Top Form	Total
At 01/01/2010	11,392	2,980	10,645	25,017
Acquisition	0	0	1,492	1,492
Results for the financial year	45	-115	1,106	1,036
Dividends	0	0	-983	-983
Change consolidation method	-11,437	0	0	-11,437
At 31/12/2010	0	2,865	12,260	15,125

The Top Form International figures in the table are from 30 June 2010. This is due to the fact that the publication of our annual results could potentially be seen as a disclosure of privileged information and due to the fact that the information was unavailable on 31 December.

Key figures	Retail BV	Top Form
	000 euro (31/12/2010)	HKD 000 (30/06/2010)
Tangible fixed assets	768	139,224
Other fixed assets	14	10,377
Current assets	1,538	722,484
Non-current liabilities	521	14,532
Current liabilities	556	283,005
Total net assets	1,243	574,548
Turnover	6,322	1,342,480
Net profit	-231	53,684

## 8. Other fixed assets

Other fixed assets consist of the following:

000 euro	2010	2009
Security deposits for VAT	445	474
Other security deposits	195	130
Prepaid rent	157	0
Borrowings	331	1,954
<b>Other fixed assets, net</b>	<b>1,128</b>	<b>2,558</b>

The declining trend of other fixed assets is caused by the full consolidation of Intimacy. Loans to Intimacy are no longer recorded as a receivable but eliminated through consolidation.

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

Other fixed assets in 2009 contained a deferred tax assets of 3,920 thousand euro that has been recorded on the face of the balance sheet in 2010 (note 16).

## 9. Grants

Grants that compensate the company for the cost of an asset are recognized in the income statement as revenue on a systematic basis over the useful life of the asset.

000 euro	2010	2009
<b>At 1 January</b>	<b>147</b>	<b>207</b>
Received during the year	0	0
Released to the income statement	29	52
Exchange rate adjustments	4	8
<b>At 31 December</b>	<b>114</b>	<b>147</b>

## 10. Inventories

Inventories by major components are as follows:

000 euro	2010	2009
Finished goods	17,226	14,151
Work in progress	8,222	7,186
Raw materials	15,070	12,678
<b>Inventories, gross</b>	<b>40,518</b>	<b>34,015</b>
Less: Allowance for obsolescence	-7,704	-8,156
<b>Inventories, net</b>	<b>32,814</b>	<b>25,859</b>

The allowance for obsolescence in 2010 relates to finished products (3,509 thousand euro), work in progress (20 thousand euro) and raw materials (4,175 thousand euro). The allowance for obsolescence in 2009 relates to finished products (4,222 thousand euro), work in progress (20 thousand euro) and raw materials (3,914 thousand euro).

The additional write-down on inventories amounts to 3,848 thousand euro in 2010, compared to 3,184 thousand euro in 2009.

## 11. Trade and other receivables

Accounts receivable are as follows:

000 euro	2010	2009
Trade receivables, gross	15,124	14,628
Less: allowance for doubtful debtors	-902	-1,290
<b>Trade receivables, net</b>	<b>14,222</b>	<b>13,338</b>

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

In 2010 there was a loss of 176 thousand euro with respect to trade receivables (185 thousand euro in 2009).

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

000 euro	Neither past due nor impaired	Past due and an impairment has been recorded		
		1-60 days	60-90 days	> 90 days
2010	15,124	9,110	3,672	554
2009	14,628	8,593	2,960	568

## 12. Other current assets

Other current assets consist of the following:

000 euro	2010	2009
Prepaid expenses	1,623	1,452
Tax receivables (VAT & corporate income tax)	5,548	1,843
Accrued income	128	106
Sundry	227	400
Exchange rate result on FX forward contracts	76	321
<b>Other current assets, net</b>	<b>7,602</b>	<b>4,122</b>

## 13. Cash and cash equivalents

Cash and cash equivalents consist of the following:

000 euro	2010	2009
Cash at banks and in hand	14,650	7,437
Marketable securities	23,597	32,924
<b>Cash and cash equivalents</b>	<b>38,247</b>	<b>40,361</b>

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

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

## 14. Share capital

Authorized and fully paid	2010	2009
Nominative shares	7,497,841	7,497,841
Dematerialized shares	5,703,454	5,663,009
Bearer shares	121,185	161,630
<b>Total number of shares</b>	<b>13,322,480</b>	<b>13,322,480</b>

At 31 December 2010 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 of which rights have been suspended or destroyed. The Board of Directors of Van de Velde NV is authorized to raise the subscribed capital by one or more times with a total amount of 1,926 thousand euro under the conditions stated in the articles of association. This authorization is valid for five years after the publication in the annexes to the Belgisch Staatsblad/Moniteur belge (22 May 2008).

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

### Treasury shares

At the end of 2008 Van de Velde NV held 331,730 of its own shares with a total value of 8,718 thousand euro. The Extraordinary General Meeting of 29 April 2009 decided to destroy 234,230 treasury shares with a corresponding value of 6,133 thousand euro.

In accordance with Article 620 of the Companies Code, the General Meeting of 29 April 2009 gave the Board of Directors the power to acquire the company's own shares. In 2009 a total number of 2,101 treasury shares have been purchased for a total amount of 61 thousand euro.

In 2010 a total of 13,494 of the company's own shares were purchased with a total value of 392 thousand euro. In the framework of the stock option plan a total of 20,000 options have been exercised. In order to honour its obligation in respect of these exercises, Van de Velde used 20,000 treasury shares in 2010. At the end of 2010 Van de Velde NV held 93,095 of its own shares with a total value of 2,506 thousand euro.

000 euro	2010	2009
Share capital	1,936	1,936
Treasury shares	-2,506	-2,625
Share premium	743	743

### Non-controlling interests

Non-controlling interests include the 15% stake of the minority shareholder Nethero Management Company LCC in the equity and net income of Intimacy Management Company LCC.

## 15. Provisions

000 euro	Provision for agents
At 01/01/2009	874
Arising during the year	76
Utilized	-226
<b>Provisions 31/12/2009</b>	<b>724</b>
At 01/01/2010	724
Arising during the year	83
Utilized	-288
<b>Provisions 31/12/2010</b>	<b>519</b>

In 2008 a provision of 874 thousand euro was recognized in relation to the termination fee for our sales agents. 226 thousand euro of this was used in 2009. An additional termination fee of 76 thousand euro was recognized in 2009. In 2010, 288 thousand euro of the provision was used and an additional provision of 83 thousand euro was recognized. The expected timetable of the corresponding cash outflow depends on the progress and duration of the negotiations with the sales agents.

## 16. Deferred taxes

The net deferred tax asset consists of the following:

000 euro	Captive	Financial instruments	Deferred tax liabilities on fixed assets		Deferred tax assets on assets		CDO	Total
			Sundry			on assets		
At 01/01/2009	-590	-451	-1,081	-29	0	0	0	-2,151
Changes	0	500	45	29	-376	408	408	607
Adjustments on business combinations	0	0	0	0	3,888	0	0	3,888
<b>At 31/12/2009</b>	<b>-590</b>	<b>49</b>	<b>-1,036</b>	<b>0</b>	<b>3,512</b>	<b>408</b>	<b>408</b>	<b>2,343</b>
At 01/01/2010	-590	49	-1,036	0	3,512	408	408	2,343
Changes	0	80	-17	0	-1,179	0	0	-1,116
<b>At 31/12/2010</b>	<b>-590</b>	<b>129</b>	<b>-1,053</b>	<b>0</b>	<b>2,333</b>	<b>408</b>	<b>408</b>	<b>1,227</b>

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

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

Deferred tax liabilities on fixed assets: the depreciable amount of an item of property, plant and equipment should be allocated on a systematic basis over its useful life. In the statutory financial statements we use the double declining depreciation method, which is restated. The deferred taxes were valued at the effective tax rate of 33.99%.

Deferred tax assets on assets relate to differences between the statutory accounting policies and the accounting policies in accordance with IFRS.

Collateralized debt obligations are valued at fair value with value changes recognized through profit and loss. In 2009 the fair value of the CDOs was reduced to 0 euro through profit and loss. A deferred tax asset has been recorded on the difference between the accounting value and the value for tax purposes.

## 17. Other non-current liabilities

Other non-current liabilities consist of the following:

000 euro	2010
Deferred rent and lease incentives	1,148
Liabilities from business combinations (note 3)	1,583
<b>Other non-current liabilities</b>	<b>2,731</b>

## 18. Trade and other payables

Trade and other payables consist of the following:

000 euro	2010	2009
Trade payables	6,461	3,840
Payroll, social charges	6,062	4,958
Gift cards and credits issued	400	0
Accrued charges	2,244	1,450
Sundry	803	385
Short-term borrowings	466	88
<b>Trade and other payables</b>	<b>16,436</b>	<b>10,721</b>

## 19. Other current liabilities and taxes payable

000 euro	2010	2009
<b>Other current liabilities: Taxes</b>		
(VAT payable, local taxes, withholding taxes)	431	311
<b>Taxes payable: corporate income tax</b>	<b>23</b>	<b>216</b>

## 20. Financial instruments

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

### Derivatives which do not qualify for hedge accounting

The company applies FX forward contracts to manage transaction risks. These have a maturity date from 17/01/2011 to 15/12/2011 (maturities at 31 December 2009: from 15/01/2010 to 16/12/2010). 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 -411.9 thousand euro, comprising an unrealized income of 62.9 thousand euro and an unrealized loss of 474.8 thousand euro. A net deferred tax liability was recognized for both unrealized results.

### Cash flow hedges

On 31 December 2009 the Group had a number of forward contracts to hedge the exchange rate risk on an expected future transaction. These forward contracts were assessed as being highly effective and an unrealized income of 213 thousand euro was recognized through other comprehensive income. No deferred tax liability was established for this unrealized income. On 31 December 2010 the Group did not have any contracts for cash flow hedging. The gain of 633 thousand euro that was realized in 2010 has been recorded as a deduction of goodwill (see note 3).

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

000 euro	2010	2009
<b>Derivatives that do not qualify for hedge accounting:</b>		
Other current assets	62.9	94.1
Other current liabilities	-474.8	-271.2
<b>Cash flow hedges:</b>		
Other current assets	-	213.2
Other current liabilities	-	-

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

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

## 21. Financial result

The financial result breaks down as follows:

000 euro	2010	2009
Interest income	437	587
Interest costs	-16	-64
<b>Interest result, net</b>	<b>421</b>	<b>523</b>
Exchange gains	3,180	932
Exchange losses	-2,556	-659
<b>Exchange result, net</b>	<b>624</b>	<b>273</b>
Finance gain from business combinations	4,344	0
Impairment of CDOs	0	-1,200
Income from investments (dividends)	983	548
Other financial costs	-172	-197
<b>Financial result</b>	<b>6,200</b>	<b>-53</b>

Following the remeasurement to fair value of the 49.9% participation in Intimacy, an extraordinary finance gain of 4,344 thousand euro has been realized (note 3).

## 22. Personnel expenses

Personnel expenses are as follows:

000 euro	2010	2009
Wages	10,252	10,711
Salaries	17,919	13,543
Social security contributions	5,559	5,791
Other personnel expenses	1,037	2,456
<b>Personnel expenses</b>	<b>34,767</b>	<b>32,501</b>
<hr/>		
<b>Workforce at balance sheet date (FTE)</b>	<b>2010</b>	<b>2009</b>
White collars	483	285
Blue collars	1,011	960
<b>Total</b>	<b>1,494</b>	<b>1,245</b>

At the moment the Group primarily has pension plans of the 'defined contribution' type. The cost of this plan amounts to 423 thousand euro in 2010 (402 thousand euro in 2009). There is a provision of 36 thousand euro (33 thousand euro in 2009) of the 'defined benefit' type.

### Share based payments

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

The impact of IFRS 2 on the result of 2010 was 244 thousand euro versus 352 thousand euro in 2009.

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

	PLAN 2005	PLAN 2006	PLAN 2007	2008	PLAN 2008	PLAN 2009	PLAN 2010
Grant date	05/10/2005	25/09/2006	02/10/2007	28/06/2008	13/10/2008	28/09/2009	1/10/2010
Dividend right as of the grant date	no	no	no	no	no	no	no
Contractual term of the options	5-15	5-15	5-15	5-10	5-10	5-10	5-10
Exercise price	28.33	34.00	35.93	28.38	23.89	29.29	34.51
Expected volatility	35.05%	35.05%	35.05%	35.05%	38.06%	35.05%	35.10%
Risk-free interest rate	3.01% 3.88%	3.46% 3.97%	3.64% 4.07%	4.14%	4.51%	2.76% 3.59%	2.27% 3.05%
Fair value of the share options (in euro)	7.45	7.28	6.99	8.66	11.26	9.42	12.88

**The share option plan has developed as follows:** Option plan 2005 - 2010

Outstanding at 01/01/2009	103,500
Exercisable at 01/01/2009	32,500

**Movements during the year**

Accepted	30,000
Forfeited	0
Exercised	0
Expired	0

Outstanding at 31/12/2009	133,500
Exercisable at 31/12/2009	32,500

**Movements during the year**

Accepted	6,000
Forfeited	0
Exercised	20,000
Expired	0

Outstanding at 31/12/2010	119,500
Exercisable at 31/12/2010	32,500

## 23. Income taxes

The major components of income tax expense for the years ending 31 December 2010 and 2009 are:

000 euro	2010	2009
<b>Current income tax</b>	<b>11,515</b>	<b>10,823</b>
Current income tax charge	11,603	10,871
Adjustments in respect of current income tax of previous years	-88	-48
<b>Deferred income tax</b>	<b>1,116</b>	<b>-607</b>
Relating to the origination and reversal of temporary differences	1,116	-607
<b>Income tax expense reported in the consolidated income statement</b>	<b>12,631</b>	<b>10,216</b>

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

000 euro	2010	2009
Profit before taxes <sup>(1)</sup>	52,515	37,461
Parent's statutory tax rate of 33.99%	17,850	12,733
Higher income tax rates in other countries	12	4
Lower income tax rates in other countries	-3,286	-2,649
Tax effect on finance gain on business combinations	-1,476	0
Utilization fiscal losses and unrecognized losses	705	1,022
Disallowable expenses	181	161
Notional interest deduction	-927	-1,102
Other	-110	224
Tax impact on Top Form dividend	-318	-177
<b>Total income taxes</b>	<b>12,631</b>	<b>10,216</b>
<b>Effective income tax rate</b>	<b>24%</b>	<b>27%</b>

<sup>(1)</sup> Profit before taxes excluding the share in the profit of associates.

## 24. Earnings per share

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

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

	2010	2009
Profit attributable to shareholders (in 000 euro)	40,006	26,596
Weighted average number of ordinary shares	13,222,080	13,383,425
Dilutive effect of stock options	19,341	3,191
Weighted average number of shares after impact of dilution	13,241,421	13,386,616
<b>Basic earnings per share (euro)</b>	<b>3.03</b>	<b>1.99</b>
<b>Diluted earnings per share (euro)</b>	<b>3.02</b>	<b>1.99</b>

The stock options granted in 2005, 2006, 2007 and 2009 had an anti-dilutive effect in 2009 and hence were not included in the calculation of diluted earnings per shares. In 2010 all stock options granted over the period 2005-2010 were dilutive, with the exception of the options granted in 2006 and 2007.

## 25. Dividends paid and proposed

000 euro	2010	2009
Dividend paid	21,550	11,667
Dividend paid (1.65 euro per share in 2010, 0.90 euro per share in 2009)		
Dividend proposed	28,443	21,818

Dividend proposed (2.15 euro per share for fiscal year 2010, 1.65 euro per share for fiscal year 2009). Treasury shares have no dividend rights.

## 26. Commitments and contingent liabilities

The Group rents sites for the shops of its own retail network and showrooms for demonstration to customers. These rent contracts are operational leases with a contract term of one year or more. Rental expenses in respect of these operating leases amounted to 3,237 thousand euro in 2010.

Future minimum rentals payable under operating leases were as follows at 31 December 2010:

000 euro	2010
Within one year	3,538
After one year but not more than five years	13,666
More than five years	10,566
<b>Total</b>	<b>27,769</b>

## 27. Related party disclosures

### Full consolidation

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

Name	Address	(%) equity interest 2010	Change on previous year
VAN DE VELDE NV	Lageweg 4 9260 SCHELLEBELLE BTW 448.746.744	Parent company	
VAN DE VELDE FRANCE S.A.R.L.	16, Place du General De Gaulle 59800 LILLE, France	0	-100%
VAN DE VELDE GMBH & Co. KG	Theresienstrasse 6-8 80333 MUNCHEN, Germany	100	0
VAN DE VELDE GEBROEDERS VERWALTUNGS GmbH	Theresienstrasse 6-8 80333 MUNCHEN, Germany	100	0
VAN DE VELDE TERMELO ES KERESKEDELMI Kft	Selyem U.4 7100 SZEKSZARD, Hungary	100	0
VAN DE VELDE UK LTD	Mitre House Aldersgate Street 160 EC1A4DD LONDON United Kingdom	100	0
VAN DE VELDE MODE BV	Ringbaan West 268 5026 VA TILBURG, the Netherlands	100	0
MARIE JO SARL (name changed into VAN DE VELDE FRANCE SARL)	16, Place du General De Gaulle 59800 LILLE, France	100	0
MARIE JO GMBH	Theresienstrasse 6-8 80333 MUNCHEN, Germany	100	0
GULIANO HK LIMITED	193, Prince Edward Road West KOWLOON, Hong Kong	100	0
VAN DE VELDE ITALY SRL	Via San Vito 7 20123 MILANO, Italy	100	0
VAN DE VELDE IBERICA	Santa Eulalia, 5 08012 BARCELONA, Spain	100	0
VAN DE VELDE CONFECTION	Route De Sousse BP 25 4020 KONDAR, Tunisia	100	0
VAN DE VELDE FINLAND OY	Töölönkatu 30A 00260 HELSINKI, Finland	100	0

VAN DE VELDE NORTH AMERICA	171 Madison Avenue , Suite 201 NEWYORK, NY 10016 United Stated of America	100	0
VAN DE VELDE DENMARK APS	Lejrvejen 8 6330 PADBORG, Denemark	100	0
VAN DE VELDE RETAIL INC	171 Madison Avenue, Suite 201 NEWYORK, NY 10016 United States of America	100	0
EUROCORSET, S.A.	Santa Eulalia, 5-7-9 08012 BARCELONA, Spain	100	0
SU DISTRIBUIDORA SULTU CORPO, S.L.	Santa Eulalia, 5-7-9 08012 BARCELONA, Spain	100	0
INTIMACY MANAGEMENT COMPANY LLC	3980 Dekalb Technology Parkway 760 GA 30340 ATLANTA, United States of America	85	35.1%

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 2010	Change on previous year
TOP FORM INTERNATIONAL	15/F, Tower A, Manulife Financial Centre, No. 223-231 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong	25.7	2.4%
RETAIL BV	The Netherlands	49.9	0

#### ***Top Form International***

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

In 2010 transactions between the Group and TFI totalled 7,337 thousand American dollar. On 31 December 2010 the Group had trade payables to TFI for an amount of 901 thousand American dollar. In 2009 transactions between the Group and TFI totalled 5,772 thousand American dollar. On 31 December 2009 the Group had trade payables to TFI for an amount of 157 thousand American dollar.

#### **Relationships with shareholders**

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

## **Relationship with key management personnel**

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

### ***Compensation Directors***

Compensation of the directors is as follows: an annual fixed compensation of 18,000 euro for the Chairman of the Board of Directors and of 12,000 euro for the other members of the Board of Directors, with the exception of the managing directors. All members of the Board of Directors, with the exception of the managing directors, have the right to an attendance fee of 2,500 euro per seat on the Appointment- and Remuneration Committee, the Strategic Committee and the Audit Committee. For the mandates as director in the foreign subsidiaries the directors receive a compensation that has been fixed in advance. The total remuneration for the directors (excluding the managing directors) amounts to 185 thousand euro in 2010 and 219 thousand euro in 2009. The directors have not received any loan or advance from the Group.

### ***Compensation Management Committee***

For the year ended 31 December 2010, a total amount of 2,352 thousand euro (2,171 thousand in 2009) was paid in aggregate to the members of the Management Committee, managing directors included.

These total amounts of key management compensation include the following components:

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

000 euro	2010	2009
Basic remuneration	1,494	1,445
Variable remuneration	831	699
Group insurance premiums	15	15
Other benefits	12	12
<b>Total</b>	<b>2,352</b>	<b>2,171</b>

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 to an employee stock option plan whereby they were granted 5,000 share options in 2010 and 30,000 share options in 2009.

## 28. Segment information

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

The segment information is presented for the periods closed on 31/12/2010 and 31/12/2009 in the following table:

### Segment information

#### GEOGRAPHICAL SEGMENT

(by customer location)

000 euro	2010	2010	2010	2009	2009	2009
	Eurozone	Elsewhere	Total	Eurozone	Elsewhere	Total

#### Segment income statement

Segment revenues	111,747	54,554	166,301	106,836	33,313	140,149
Sales between segments						
<b>Total revenue</b>	<b>111,747</b>	<b>54,554</b>	<b>166,301</b>	<b>106,836</b>	<b>33,313</b>	<b>140,149</b>
Results by segment	43,090	17,616	60,706	38,063	13,310	51,373
Unallocated results				-14,391		-13,859
Net finance profit			6,200			-53
Income from associates			53			-649
Income taxes			-12,631			-10,216
Profit attributable to non-controlling interests			-69			0
Profit attributable to the owners of the company			40,006			26,596

#### Segment balance sheet

Segment assets	59,778	30,143	89,921	55,259	15,608	70,867
Unallocated assets			91,987			78,447
<b>Consolidated total assets</b>	<b>59,840</b>	<b>30,143</b>	<b>181,908</b>	<b>55,259</b>	<b>15,608</b>	<b>149,314</b>
Segment liabilities	10,716	5,720	16,436	8,180	2,541	10,721
Unallocated liabilities			165,472			138,593
<b>Consolidated total liabilities</b>	<b>10,716</b>	<b>5,720</b>	<b>181,908</b>	<b>8,180</b>	<b>2,541</b>	<b>149,314</b>

#### Other segment information

	2010	2010	2010	2009	2009	2009
Capital expenditure	Eurozone	Elsewhere	Total	Eurozone	Elsewhere	Total
Tangible fixed assets	1,986	5,517	7,503	3,894	1,210	5,104
Intangible fixed assets	2,275	7,921	10,196	466	145	611
Depreciations	3,032	2,961	5,993	2,916	906	3,822

#### Additional information about the assets of company by location

000 euro	2010 BE	2010 Non-BE	2010 Total	2009 BE	2009 Non-BE	2009 Total
Tangible fixed assets	12,794	7,932	20,726	13,953	5,087	19,040
Intangible fixed assets	12,408	9,751	22,159	12,296	334	12,630
Inventories	29,451	3,363	32,814	25,054	805	25,859

## 29. Events after balance sheet date

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

## 30. Business risks with respect to IFRS 7

Besides the strategic risks that are 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. More than 25% of sales are generated in foreign currency, primarily CAD, CHF, DKK, GBP, NOK, SEK and USD.

The Group is aware that exchange rate risks cannot always be fully hedged. The permitted financial products for hedging currency risks are forward contracts. Such risks are managed at parent company-level.

Where possible, currency risks are managed by compensating transactions in the same currency or by fixing exchange rates through forward contracts.

Currency risks as a consequence of fixed commitments or expected future transactions not related to purchases or sales can be hedged through specific cash flow hedges, based on forward contracts.

The financial impact is explained in note 20.

The Group performed a sensitivity analysis for changes in foreign currencies for the positions EUR/USD, EUR/GBP, EUR/DKK and EUR/CHF.

The outstanding receivables and payables at balance sheet date have been converted with a sensitivity of 10%. In the event of an increase or decrease in the exchange rate of 10%, the impact on the financial statements is to be presented as follows:

000 euro	+10%	-10%
CHF	-30	30
DKK	47	-47
GBP	63	-63
USD	16	-16
	<b>96</b>	<b>-96</b>

### Credit risk

As a consequence of the large diversified customer portfolio, the Group does not have to deal with a significant concentration of credit risks. The Group has developed strategies and additional procedures to monitor credit risk at its customers. Sales are generated through more than 4,000 independent retailers and a small number of luxury department stores. No single customer accounts for more than 2.5% of turnover.

The insolvency risk is also covered by a 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 important operational cash flow and the net cash position (37.8 million euro). Credit lines worth 30 million euro are also available.

### **Risk of interruptions in the supply chain**

Business risk as a consequence of an interruption is covered by an insurance. Adequate measures have been taken in consultation with insurers to minimize this risk.

A disaster recovery plan has been drawn up to limit the risk of damage pursuant to a breakdown of the computer infrastructure.

The risks of an interruption in the deliveries by a supplier and the possible alternatives are identified and regularly monitored. The creditworthiness of suppliers is also monitored.

The ten leading material suppliers account for approximately 60% of purchase costs. The largest supplier accounts for more than 20% of purchase costs, whereas all other suppliers account for less than 10%.

Assembly capacity is spread over different sites in Tunisia, Romania and China.

The warehouse for finished products and the distribution centre are managed from a different location than the raw materials warehouse and the main office. Both sites are regularly inspected by the fire insurer.

### **Risk of overvalued stock**

The value of finished products for which sales are declining are partly impaired at the end of the season or during the following season. These finished products are written off in the subsequent year.

If there is no further need for additional production, the related raw materials are impaired completely.

### **Product risk**

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



**ANDRES SARDA**

## 4. *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, 2010*

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, 2010, 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, 2010, 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 € 181,908 thousands and the consolidated statement of income shows a profit for the year, share of the Group, of € 40,006 thousands.

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

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Responsibility of the statutory auditor*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the legal requirements and the auditing standards applicable in Belgium, as issued by the Institute of Registered Auditors (*Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren*). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. We have evaluated the appropriateness of accounting policies used, the reasonableness of significant accounting estimates made by the Group and the presentation of the consolidated financial statements, taken as a whole. Finally, we have obtained from the board of directors and the Group's officials the explanations and information necessary for executing our audit procedures. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Opinion*

In our opinion, the consolidated financial statements for the year ended December 31, 2010 give a true and fair view of the Group's financial position as at December 31, 2010 and of the results of its operations and its cash flows in accordance with IFRS as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

**Additional comments**

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

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

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

Gent, February 16, 2011

Ernst & Young Reviseurs d'Entreprises SCCRL

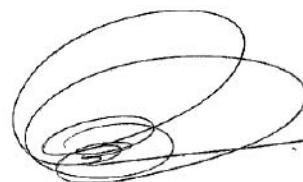
Statutory auditor

Represented by

Jan De Luyck

Partner

Ref: 11JDU0043





**SARDA**  
ANDRES SARDA

## 5. Concise version of the statutory financial statements

### Van de Velde NV

The annual report and the financial statements of Van de Velde NV and the report of the statutory auditor have been filed with the National Bank of Belgium. A free copy of the full text is available from the registered office.

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

#### Concise balance sheet

000 euro	31/12/2010	31/12/2009
<b>Fixed assets</b>	<b>54,266</b>	<b>59,307</b>
Intangible fixed assets	12,011	15,198
Tangible fixed assets	9,696	10,905
Financial fixed assets	32,559	33,204
<b>Current assets</b>	<b>93,577</b>	<b>86,406</b>
Amounts receivable after one year	3,871	2,604
Stocks and orders in production	29,451	26,355
Amounts receivable within one year	19,813	14,738
Financial investments	26,104	14,241
Cash at banks and in hand	12,966	27,267
Accrued income and deferred charges	1,372	1,201
<b>Total assets</b>	<b>147,843</b>	<b>145,713</b>
<b>Shareholders' equity</b>	<b>96,618</b>	<b>99,071</b>
Issued capital	1,936	1,936
Share premium	743	743
Reserves	93,939	96,392
<b>Provisions, deferred taxes and tax liabilities</b>	<b>519</b>	<b>725</b>
Provisions for risks and costs	519	725
<b>Debts</b>	<b>50,706</b>	<b>45,917</b>
Amounts payable after one year	95	102
Amounts payable within one year	48,300	44,136
Accrued income and deferred charges	2,311	1,679
<b>Total liabilities</b>	<b>147,843</b>	<b>145,713</b>

## Concise income statement

000 euro	31/12/2010	31/12/2009
<b>Operating income</b>	<b>159,884</b>	<b>138,202</b>
Turnover	152,664	136,988
Changes in stocks unfinished goods and finished goods	3,631	-1,393
Other operating income	3,589	2,607
<b>Operating costs</b>	<b>123,846</b>	<b>106,118</b>
Goods for resale, raw materials and consumables	36,375	32,693
Services and other goods	59,119	51,028
Salaries, social charges and pension costs	19,745	18,421
Depreciations	5,912	4,831
Write-downs and provisions	2,518	-989
Other operating costs	177	134
<b>Operating profit</b>	<b>36,038</b>	<b>32,084</b>
<b>Financial result</b>	<b>1,271</b>	<b>3,081</b>
Finance income	7,219	7,938
Finance costs	-5,948	-4,857
<b>Profits on ordinary activities before tax</b>	<b>37,309</b>	<b>35,165</b>
<b>Exceptional result</b>	<b>-2</b>	<b>29</b>
Exceptional income	21	29
Exceptional costs	-23	0
<b>Pre-tax profit for the financial year</b>	<b>37,307</b>	<b>35,194</b>
Tax on the profit	-11,318	-10,209
<b>Profit for the year</b>	<b>25,989</b>	<b>24,985</b>

## Appropriation account

000 euro	31/12/2010	31/12/2009
<b>Distributable profit</b>	<b>25,989</b>	<b>24,985</b>
Distributable profit for the financial year	25,989	24,985
<b>Profit or loss to be allocated</b>	<b>0</b>	<b>3,167</b>
To the legal reserve	0	0
To the other reserves	0	3,167
Transfer from reserves	2,454	0
<b>Profit to be distributed</b>	<b>28,443</b>	<b>21,818</b>

# Valuation rules for the statutory financial statements as of 31/12/2010

## ***1. Formation expenses***

Formation expenses are immediately charged to the result.

## ***2. Intangible fixed assets***

The intangible fixed assets are recognized at actual cost and depreciated on a straight-line basis at 20%.

## ***3. Tangible fixed assets***

All tangible fixed assets are valued at actual cost, incl. additional costs, less depreciations.

All depreciations except for vehicles are calculated using the double declining method. The first year investments are immediately depreciated for a full year.

Industrial buildings	5%
Commercial buildings	3.03%
Insulation of buildings	10%
Sewing machines	12.5%
Electronic installations, machines & equipment	20%
Other installations/plants, machines & equipment	10%
Electronic office equipment	20%
Other office equipment	10%
Vehicles	20%

## ***4. Financial fixed assets***

The participating interest is valued at actual cost or investment value in accordance with the historic exchange rate.

An impairment is recognized if a sustained loss of value is established, justified by circumstances, profitability or prospects (Art. 66 § 2 Royal Decree 30 January 2001). Write-offs cannot be maintained if they are higher at the end of the financial year than as stipulated in accordance with the current assessment (Art. 49 Royal Decree 30 January 2001).

Amounts receivable and guarantees are recognized at nominal value.

## ***5. Inventories***

Raw materials and other materials are valued at actual cost, calculated according to the standard price method.

Manufactured products (unfinished and finished products) are valued at production price, which also includes indirect production costs. Additional depreciations are applied to take into account the development in the market value of the stock.

## ***6. Amounts receivable/payable after one year and within one year, financial investments and liquid assets***

Amounts receivable/payable after one year and within one year, and financial investments and liquid assets are valued at nominal value. Amounts receivable/payable, financial investments and liquid assets in foreign currencies are valued at the closing exchange rate on the last working day of the financial year, as published by the European Central Bank. Negative conversion differences are included in the financial costs. Positive conversion differences are recognized under accrued income and deferred charges in liabilities.

Impairments are applied to amounts receivable if their collection on the due date is uncertain.

***7. Investment grants and deferred taxes***

Investment grants are valued at nominal value after deducting deferred taxes. They are gradually recognized in other financial income.

***8. Provisions for risks and costs***

All provisions for risks and costs are valued at nominal value. They are only maintained if they are required according to a current estimate of the risks and costs for which they were provided.

***9. Debts***

Debts are valued at nominal value on the balance date.

# Statutory annual report Van de Velde NV

## Financial year 1/1/2010 - 31/12/2010

### 1. Comments on the financial statements

The financial statements show a balance sheet total of 147,843 thousand euro and a profit after tax for the financial year of 25,989 thousand euro.

### 2. Important events after year end

There were no important events after year end.

### 3. Expected developments

We refer readers to Outlook 2011 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, and 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 2010 for auditing the statutory and consolidated annual accounts of Van de Velde NV was 45,500 euro (excl. VAT). The total costs for 2010 for the auditing of the annual accounts of all companies of the Van de Velde NV Group was 110,489 euro (excl. VAT), including the 45,500 euro mentioned above.

In accordance with Article 134 of the 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 92,753 euro (excl. VAT), of which:

- 2,400 euro for other tasks not part of the legal auditing tasks;
- 90,353 euro for tax advisory and compliance tasks.

### 6. Description of risks and uncertainties

The following risks at group-level were examined and where necessary hedging positions 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.

### 7. Acquisition of own shares

At the end of 2009 Van de Velde NV held 99,601 of its own shares with a total value of 2,646 thousand euro. The recognized value was 21 thousand euro lower because of time differences between purchase and administrative processing.

In accordance with Article 620 of the Companies Code, the General Meeting of 29 April 2009 gave the Board of Directors the power to acquire the company's own shares.

During 2010 a total of 13,494 of the company's own shares were purchased with a total value of 392 thousand euro. In the framework of the stock option plan a total of 20,000 options have been exercised. In order to honour its obligation in respect of these exercises, Van de Velde used 20,000 treasury shares in 2010. At the end of 2010 Van de Velde NV held 93,095 of its own shares with a total value of 2,506 thousand euro.

000 euro	2010	2009
Share capital	1,936	1,936
Treasury shares	-2,506	-2,625
Share premium	743	743

## 8. Conflict of interests

In 2010 the procedure laid down in Article 523 of the 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 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. Enumeration, within the framework of Article 34 of the 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 the announcement in the annexes to the Belgisch Staatsblad/Moniteur belge (22 May 2008), to raise the subscribed capital by one or more times with a total amount of 1,926,406.25 euro, under the conditions 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.

## 11. Proposed profit distribution

The Board of Directors proposes to the General Meeting of Shareholders payment of a dividend of 2.15 euro per share.

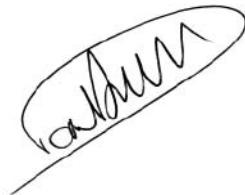
After payment of 25% withholding tax, this represents a net dividend of 1.61 euro per share. After approval by the General Meeting the dividend will be paid out from 5 May 2011 at branches of ING and Bank Degroof upon presentation of coupon 5.

Proposed profit distribution in thousands of euro  
Results for the fiscal year

Distributable profit	25,989
Transfer from other reserves	2,454
Gross dividend of 2.15 euro per share	
on 13,229,385 shares	28,443

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

*EBVBA 4F*  
Represented by Ignace Van Doorselaere  
Managing Director

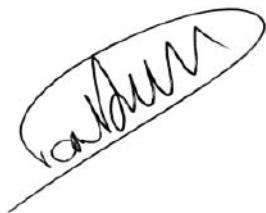


## 6. Statement of the Responsible Persons

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 4 F, always represented  
by Ignace Van Doorselaere  
CEO



Stefaan Vandamme  
CFO



We have  
discovered  
something  
incredible:  
all women  
are different



oreia  
Lingerie Styling  
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# 7. Social and environmental report

## 2010 social report

### Workforce in figures

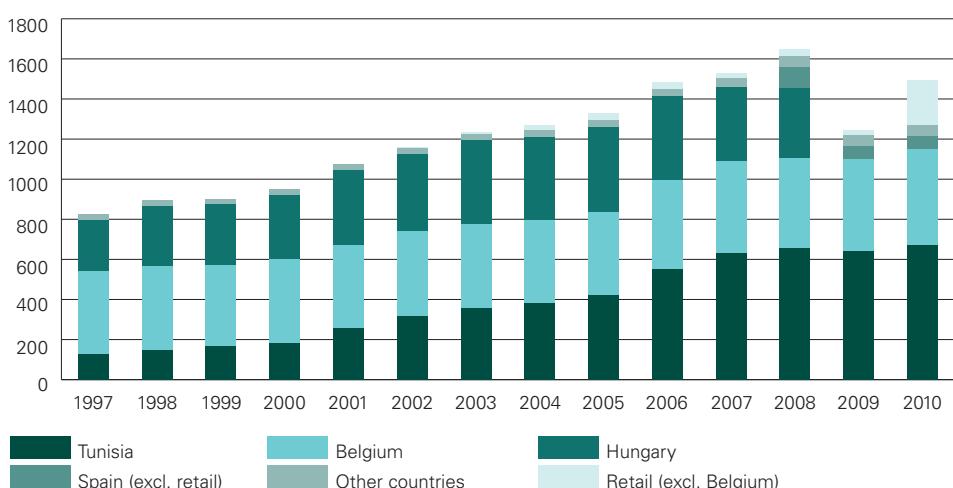
#### *Growth in the total number of employees*

The total number of employees of Van de Velde Group increased in 2010. Employment grew in Retail through the acquisition of Intimacy (United States).

In addition, employment increased in the production plant in Tunisia and at the main office in Belgium, where primarily the number of production employees increased.

Headcount	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Tunisia	125	146	165	183	259	318	359	380	420	553	631	658	643	672
Belgium	414	420	407	417	411	421	416	414	416	443	458	448	456	474
Hungary	259	301	300	322	376	385	420	417	422	415	368	347		
Spain (excl. retail)										1	1	3	108	67
Other countries	27	26	29	29	28	30	28	30	35	38	43	51	53	56
Retail (excl. Belgium)							7	14	25	34	32	27	37	25
	825	893	901	951	1074	1161	1237	1266	1328	1482	1530	1649	1244	1494

#### Evolution workforce Group Van de Velde



### Employee satisfaction survey

In June 2010 Van de Velde held its first ever satisfaction survey among employees in association with Zebrazone. A questionnaire was used to assess general job satisfaction and satisfaction on more specific aspects and their impact on employee involvement and performance. In total 91% of Van de Velde employees (international, not including Intimacy and Van de Velde Tunisia) provided information on their satisfaction and involvement.

After a thorough analysis of the organization as a whole and at department level, the conclusion was that Van de Velde has satisfied involved employees. They are satisfied with their job, the company and their working conditions, and they arrive at work motivated, committed and with pleasure. Occasional weak points were also exposed and both general and departmental action plans were drawn up to rectify them. Over the next few years the main focus will be on developing career policy and improving internal communication/information.

This project was not a one-off. Van de Velde's intention is to conduct another survey in two to three years. This will show whether the action plans have achieved their goal and whether other aspects of the situation have been maintained or even improved. Although the study produced positive results, it is now about maintaining those results and, of course, there is always room for improvement!

Intimacy has the tradition of holding an annual employee survey. The 2010 survey showed that most employees are very satisfied about their job and the training they are given. Most of the points that could be improved are in clear internal communication and action was recently taken in this area.

### **Annual interviews**

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

The decision was taken to invite all production employees in Belgium to an annual interview commencing in 2011.

### **Training**

The annual interview is an important means of identifying the need for training among employees. The main training needs are acquiring technical know-how, strengthening communication and management skills, and learning foreign languages - in response to globalization.

Training methods are also sought that best fit the needs of the employee and the goals of the training.

#### *New employees are mainly trained on the job.*

Employees can count on the guidance and permanent availability of their line manager, a mentor (colleague) and the human resources department.

Bearing in mind the outstanding quality of the products, it is important that new employees acquire a high level of technical competence.

Employee training is crucial at Intimacy too. It is the job of the shop manager to coach and train employees on the work floor on a daily basis. A number of tools have been developed to achieve this.

Both internal trainers who share their knowledge with colleagues and specialized external trainers are used to impart *industry-specific know-how*.

The approach depends on the need in the case of communication and management skills. We work in the form of internal group trainings led by a specialist and in the form of individual coaching.

### **Shortfall occupations**

The supply of employees trained in ready-to-wear clothing manufacturing technologies remains limited on the job market and does not meet our company's demand. It remains difficult to attract suitable candidates for jobs as cutting room employees, pattern-makers/model-makers and stitchers, among others.

Successful in-house training programmes have now been organized to train motivated candidates to work as specialists in the production of ready-to-wear clothing.

## **Communication and team spirit**

### ***Annual staff activity***

Every year, Van de Velde organizes a special activity for its employees and their families. One year there is a party for employees and their partners, the next an event that the whole family can take part in. It is an ideal opportunity for colleagues to meet each other and each other's families outside the work environment. In September 2010 we took almost 700 employees and their family to Disneyland Paris.

### ***Inside-out***

Our in-house magazine Inside-out keeps employees informed about new developments with respect to the collections, the company and people. It is published twice a year.

### ***Meeting over the company's results every six months***

On the day of publication of the annual and interim figures all employees are given the opportunity to attend an information meeting to clarify Van de Velde' results and ongoing projects.

## **Health and safety**

### ***Fire safety and first aid***

Fire practice is held every year at all sites. As well as an opportunity to test all procedures, these fire practices 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 refresh and expand their knowledge and skills.

### ***Occupational accidents***

In 2010 there were twenty minor occupational accidents at work in Belgium, as well as five accidents on the way to and from work (mainly falls). No accidents were reported at the other sites.

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).

A special awareness campaign was also held in the cutting room with regard to auditory protection. This resulted in personalized auditory protection for thirty or so employees.

## **Social commitment**

### ***Regional women's project***

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

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

### ***Pink Ribbon***

As in 2009, employees and customers gave up their end-of-year gift in 2010. The budget 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 (sheltered workshop)***

The partnership with Trianval, a sheltered workshop in Wetteren, was expanded in 2010. At peak times a permanent Trianval team works on our premises under supervision. The team is mainly supporting the 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.

These commitments have earned the SA8000 label in Belgium (Wichelen and Schellebelle). The certificate was renewed for three years in 2009.

Our certified sites are audited twice a year by independent auditors SGS ([www.sgs.be](http://www.sgs.be)).

Among other things, the SA8000 label ([www.sa-intl.org](http://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 certification bodies.

SA8000 certification is not without obligation for the company. The whole company and all employees are closely involved in the audits and must observe the principles. On the other hand, the award is a commitment to the future. All business aspects covered by the SA8000 label are subject to discussions in the Management Committee. Under the conditions of the award of the label, the company is obliged to regularly look at itself in the mirror and systematically evaluate and fine-tune staff policy, health and safety policy and the monitoring of suppliers.

Label holders are subject to two social audits per year.

The full version of the Ethical and Social Charter is available at [www.vandevelde.eu](http://www.vandevelde.eu).

## **Environmental report**

The photovoltaic system was taken into use at the new-build site in Wichelen on 22 December 2009. The system was made fully operational in 2010, producing 82,630 kWh. Most of that – 94% or 77,927 kWh – was consumed locally onsite. The remainder was injected to the network.

A detailed study of the heating system at the Schellebelle site was conducted in association with Electrabel in 2010. The original goal was to make adjustments to optimize the heating and significantly reduce energy consumption based on the results of the study as early as the summer of 2010. A range of potential improvements were identified during the study phase, which meant it took more time to obtain full insight into what work needed to be done. As a consequence, the adjustments had to be rescheduled for summer 2011.

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

The environmental permits held for the Schellebelle site were issued on 25 January 1996 for twenty years. The one for Wichelen was issued on 1 July 1997 for the old part of the site and on 29 October 2010 for the new-build. The two permits are linked and expire on 1 July 2017. Both sites are deemed to be class 2 sites.