Van de Velde

# FINANCIAL REPORT
# ON CONSOLIDATED RESULTS
# FOR FIRST HALF YEAR 2011

REGULATED INFORMATION

## CONSOLIDATED INCOME STATEMENT

| (in 000 €) | 30.06.2011 incl. Intimacy | 30.06.2011 excl. Intimacy | 30.06.2010 incl. Intimacy | 30.06.2010 excl. Intimacy |
|---|---|---|---|---|
| Turnover | 97,852 | 86,213 | 83,403 | 79,007 |
| Other operating income | 2,548 | 2,548 | 2,002 | 2,002 |
| Cost of materials | -22,711 | -18,272 | -18,758 | -17,275 |
| Other expenses | -24,673 | -20,916 | -21,917 | -20,272 |
| Personnel expenses | -19,060 | -15,967 | -16,258 | -15,161 |
| Depreciation and amortisation | -2,117 | -1,766 | -1,789 | -1,671 |
| **Operating profit** | **31,839** | **31,840** | **26,683** | **26,630** |
| | | | | |
| Finance income | 1,909 | 1,939 | 7,177 | 2,810 |
| Finance costs | -1,480 | -1,478 | -1,213 | -1,213 |
| | | | | |
| Share of profit of associates | 695 | 695 | 325 | 325 |
| | | | | |
| **Profit before taxes** | **32,963** | **32,996** | **32,972** | **28,552** |
| Income taxes | -8,328 | -8,317 | -7,662 | -7,662 |
| **Profit for the period** | **24,635** | **24,679** | **25,310** | **20,890** |
| | | | | |
| Attributable to the owners of the company | 24,611 | 24,679 | 25,268 | 20,890 |
| Attributable to non-controlling interests | 24 | 0 | 42 | 0 |
| | | | | |
| Currency translation adjustments | 61 | | 1,756 | |
| Net movement on cash flow hedges | 0 | | 0 | |
| **Total other comprehensive income** | **61** | | **1,756** | |
| | | | | |
| **Total of profit for the period and other comprehensive income** | **24,696** | | **27,066** | |
| | | | | |
| Basic earnings per share (in euro) | 1.86 | 1.86 | 1.91 | 1.58 |
| Diluted earnings per share (in euro) | 1.85 | 1.86 | 1.91 | 1.58 |

The consolidated income statement is reported 'excluding Intimacy' and 'including Intimacy'. The figures 'excluding Intimacy' are only provided to facilitate comparison with 2010.

'Excluding Intimacy' means that the operating results of Intimacy as well as the intercompany eliminations are not included. 'Including Intimacy' means that Intimacy is included based on the full consolidation method at 85% (in 2010 this concerned the last 2 months of the half-year).

### *TURNOVER GROWTH FIRST HALF-YEAR 2011*

Turnover grew in the first half-year 2011 by 9% (from €79.0m to €86.2m). In June 2011 more of the autumn/winter collection (the collection for the second half of the year) was delivered than was the case the previous year. On a comparable basis with 2010, turnover growth was approximately 7%. These figures are excluding the retail turnover of Intimacy.

Turnover growth was primarily due to a rise in volume. There was fairly generalised growth, but clearly not in Northern Europe and Greece. Otherwise, there was a positive price and exchange rate effect of approximately 2% in total.

With retail turnover of Intimacy included, turnover rose by 17% (from €83.4m to €97.9m). Only two months of Intimacy were included in the first half of 2010.

The retail turnover of Intimacy for the first half of 2011 was $20.6m. This is a rise of 20% compared with the same period the year before, mainly thanks to the opening of new stores. Intimacy experienced a tough spring. The general economic conditions are tough in the United States.

Oreia continued to grow in Germany. On a store-to-store basis (5 stores), Oreia grew by 12.5% in Germany.

### *GROSS MARGIN AND STABLE COSTS*

The gross margin (excluding Intimacy) was higher in the first half of 2011 than in the first half of 2010. This was primarily due to efficiency improvements (including lower stitching costs and write-downs) and to the positive price and exchange rate effect.

Fixed costs remained relatively stable, as did all cost factors that promote growth (marketing, sales programmes, prospecting new zones).

### *STRONG EBITDA AND PROFIT GROWTH*

EBITDA (excluding Intimacy) rose by 19% along with turnover growth of 9%. However, if turnover growth is pegged at 7% (see above) the rise in EBITDA for the first half of 2011 was 14%.

Excluding Intimacy, net profit rose by 18% (11% on a comparable basis). Including Intimacy, net profit rose by 18% (not taking into account the non-recurring financial result from the Intimacy participation in 2010).

### *MINORITY PARTICIPATIONS AND FINANCIAL CHARGES*

The contribution of Top Form was €1,077k, of which €382k was recognised as dividend and €695k as profit based on the equity method.

The financial result was lower than it was the year before. The financial result in 2010 also included a non-recurring profit relating to the revaluation of the Intimacy participation (€4,367k).

## CONSOLIDATED BALANCE SHEET

| (in 000 €) | 30.06.2011 | 31.12.2010 |
|---|---|---|
| **Total fixed assets** | **87,300** | **89,023** |
| Goodwill | 26,133 | 28,658 |
| Intangible assets | 21,580 | 22,159 |
| Tangible fixed assets | 20,698 | 20,726 |
| Participations (equity method) | 15,820 | 15,125 |
| Deferred tax assets | 641 | 1,227 |
| Other fixed assets | 2,428 | 1,128 |
| **Current assets** | **89,822** | **92,885** |
| Inventories | 31,643 | 32,814 |
| Trade and other receivables | 22,430 | 14,222 |
| Other current assets | 6,959 | 7,602 |
| Cash and cash equivalents | 28,790 | 38,247 |
| **Total assets** | **177,122** | **181,908** |
| | | |
| **Shareholders' equity** | **150,894** | **153,643** |
| Share capital | 1,936 | 1,936 |
| Treasury shares | -1,699 | -2,506 |
| Share premium | 743 | 743 |
| Other comprehensive income | -9,731 | -9,792 |
| Retained earnings | 159,645 | 163,262 |
| **Non-controlling interest** | **7,468** | **8,089** |
| **Total non-current liabilities** | **2,193** | **3,286** |
| Provisions | 809 | 519 |
| Pensions | 36 | 36 |
| Deferred tax liabilities | 0 | 0 |
| Other borrowings | 1,348 | 2,731 |
| **Total current liabilities** | **16,567** | **16,890** |
| Trade and other payables | 15,704 | 16,436 |
| Other current liabilities | 814 | 431 |
| Income taxes payable | 49 | 23 |
| **Total equity and liabilities** | **177,122** | **181,908** |

### *FIXED ASSETS*

The fixed assets fell by 1.9% compared with the end of 2010 for the following reasons:

- Revision of the goodwill as a result of the business combination with Intimacy. Within the framework of this business combination, outstanding balances between Van de Velde and the shareholders have been reassessed. This results at 30/06/2011 in a reduction of the goodwill by $3.4m.
- The rise in other fixed assets is connected with the fall in goodwill.
- The fixed assets at Intimacy were consolidated at a lower exchange rate for USD than at the end of 2010.
- Deferred tax assets were lower.

### *CURRENT ASSETS*

The current assets fell by 3.3% for the following reasons:

- Fall in inventories.
- Rise in trade receivables due to the cyclic character of the sales.
- The fall in other current assets is connected with a time difference with regard to tax.
- A substantial fall in the cash position, to a large degree explained by the paying out of a higher dividend and the advance payment of corporate income tax.

### *SHAREHOLDERS' EQUITY*

- Shareholders’ equity accounts for 85% of total equity and obligations.
- The fall in shareholders’ equity is solely due to the paying out of the higher dividend in the first half of 2011.

### *NON-CONTROLLING INTEREST*

- The fall in the non-controlling interest is mainly due to the lower exchange rate for USD at which the non-controlling interest is consolidated.

### *NON-CURRENT AND CURRENT LIABILITIES*

- The fall in the other borrowings should be linked to the fall in the goodwill as referred to above.
- The fall in the trade and other payables is mainly connected with a lower outstanding balance of trade payables than at the end of 2010.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to the shareholders of the parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| (in 000 €) | Share capital | Share premium | Treasury shares | Retained earnings | Share-based payments | Other comprehensive income | Equity | Non-controlling interests | Total equity |
| | | | | | | | | | |
| **Equity at 31.12.2009** | **1,936** | **743** | **-2,625** | **144,456** | **493** | **-9,271** | **135,732** | **0** | **135,732** |
| Non-controlling interests on business combinations | | | | | | | | **8,221** | **8,221** |
| Profit for the period | | | | 25,268 | | | **25,268** | **42** | **25,310** |
| Other comprehensive income | | | | | | 1,756 | **1,756** | **677** | **2,433** |
| Treasury shares | | | -412 | | | | **-412** | | **-412** |
| Sale of treasury shares for stock options | | | 132 | | | | **132** | | **132** |
| Amortisation deferred stock compensation | | | | | 176 | | **176** | | **176** |
| Granted and accepted stock options | | | | | 259 | | **259** | | **259** |
| Deferred stock compensation | | | | | -259 | | **-259** | | **-259** |
| Dividends | | | | -21,840 | | | **-21,840** | | **-21,840** |
| **Equity at 30.06.2010** | **1,936** | **743** | **-2,905** | **147,884** | **669** | **-7,515** | **140,812** | **8,940** | **149,752** |

| | Attributable to the shareholders of the parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| (in 000 €) | Share capital | Share premium | Treasury shares | Retained earnings | Share-based payments | Other comprehensive income | Equity | Non-controlling interests | Total equity |
| | | | | | | | | | |
| **Equity at 31.12.2010** | **1,936** | **743** | **-2,506** | **162,481** | **781** | **-9,792** | **153,643** | **8,089** | **161,732** |
| Profit for the period | | | | 24,611 | | | **24,611** | **24** | **24,635** |
| Other comprehensive income | | | | | | 61 | **61** | **-645** | **-584** |
| Treasury shares | | | | | | | **0** | | **0** |
| Sale of treasury shares for stock options | | | 807 | | | | **807** | | **807** |
| Amortisation deferred stock compensation | | | | | 126 | | **126** | | **126** |
| Granted and accepted stock options | | | | 221 | -221 | | **0** | | **0** |
| Deferred stock compensation | | | | | | | **0** | | **0** |
| Dividends | | | | -28,354 | | | **-28,354** | | **-28,354** |
| **Equity at 30.06.2011** | **1,936** | **743** | **-1,699** | **158,959** | **686** | **-9,731** | **150,894** | **7,468** | **158,362** |

The main changes are stated above in the notes to the balance sheet.

## CONSOLIDATED STATEMENT OF CASH FLOWS

| (in 000 €) | 30.06.2011 | 30.06.2010 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Cash receipts from customers | 101,607 | 83,192 |
| Cash paid to suppliers and employees | -72,149 | -58,425 |
| **Cash generated from operations** | **29,458** | **24,767** |
| Income taxes paid | -7,070 | -337 |
| Other taxes paid | -2,108 | -3,268 |
| Interest and bank costs paid | -88 | -85 |
| **Net cash from operating activities** | **20,192** | **21,077** |
| **Cash flows from investing activities** | | |
| Interests received | 325 | 265 |
| Received dividends | 392 | 353 |
| Proceeds from sale of equipment | 33 | 2 |
| Purchase of fixed assets | -2,636 | -3,138 |
| Net sale / (purchase) of treasury shares | 963 | -280 |
| Investments in subsidiary, net of cash acquired | 0 | -10,165 |
| **Net cash used in investing activities** | **-923** | **-12,963** |
| **Cash flows from financing activities** | | |
| Dividends paid | -28,427 | -21,481 |
| Repayment of long-term borrowings / increase in financial debt | -92 | -127 |
| Financing of customer growth fund | -147 | -556 |
| **Net cash used in financing activities** | **-28,666** | **-22,164** |
| | | |
| **Net increase / (decrease) in cash and cash equivalents** | **-9,397** | **-14,050** |
| | | |
| **Cash and cash equivalents at beginning of period** | **38,247** | **40,361** |
| **Exchange rate differences** | **-60** | **756** |
| **Net increase / (decrease) in cash and cash equivalents** | **-9,397** | **-14,050** |
| **Cash and cash equivalents at end of period** | **28,790** | **27,067** |

## SEGMENT INFORMATION

Van de Velde is a single product business and distinguishes two segments: eurozone and elsewhere. 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 turnover.

The segment information is shown for the period closed on 30 June 2011 and 30 June 2010 in the following tables:

| Segment Income Statement | | | | | | |
|---|---|---|---|---|---|---|
| (in 000 €) | 2011 | | | 2010 | | |
| | Eurozone | Elsewhere | Total | Eurozone | Elsewhere | Total |
| Segment revenues | 64,463 | 33,389 | **97,852** | 60,406 | 22,997 | **83,403** |
| Results by segment | 28,846 | 10,159 | **39,005** | 25,623 | 8,269 | **33,892** |
| Unallocated results | | | **-7,166** | | | **-7,209** |
| Net finance profit | | | **429** | | | **5,964** |
| Income from associates | | | **695** | | | **325** |
| Income taxes | | | **-8,328** | | | **-7,662** |
| Non-controlling interests | | | **-24** | | | **-42** |
| Net income | | | **24,611** | | | **25,268** |

| Segment Balance Sheet | | | | | | |
|---|---|---|---|---|---|---|
| (in 000 €) | 2011 | | | 2010 | | |
| | Eurozone | Elsewhere | Total | Eurozone | Elsewhere | Total |
| Segment assets | 62,928 | 33,423 | 96,351 | 63,274 | 34,508 | 97,782 |
| Unallocated assets | | | 80,771 | | | 79,330 |
| **Consolidated total assets** | **62,928** | **33,423** | **177,122** | **63,274** | **34,508** | **177,112** |
| Segment liabilities | 10,389 | 5,315 | 15,704 | 10,186 | 5,202 | 15,388 |
| Unallocated liabilities | | | 161,418 | | | 161,724 |
| **Consolidated total liabilities** | **10,389** | **5,315** | **177,122** | **10,186** | **5,202** | **177,112** |

| Other segment information | | | | | | |
|---|---|---|---|---|---|---|
| (in 000 €) | 2011 | | | 2010 | | |
| | Eurozone | Elsewhere | Total | Eurozone | Elsewhere | Total |
| **Capital expenditure** | | | | | | |
| Tangible fixed assets | 1,469 | 454 | **1,923** | 770 | 4,552 | **5,322** |
| Intangible assets | 408 | 126 | **534** | 1,796 | 8,577 | **10,373** |
| Depreciation | 1,617 | 500 | **2,117** | 1,342 | 447 | **1,789** |

| Further information about the assets of the company - location | | | |
|---|---|---|---|
| **(in 000 €)** | **BE** | **Outside BE** | **Total** |
| Tangible fixed assets | 13,107 | 7,591 | **20,698** |
| Intangible fixed assets | 12,690 | 8,890 | **21,580** |
| Inventories | 28,372 | 3,271 | **31,643** |

## PROSPECTS

Van de Velde expects the autumn to be tougher. The economic developments in Europe and North America do not stimulate consumer confidence.

Excluding Intimacy, the expectation is that turnover growth for the whole year will be 2% to 3%. This percentage will be highly dependent (as always) on the follow-up orders in the second half of the year. EBITDA is expected to grow on an annual basis at the same rate as turnover.

For Intimacy, we expect annual turnover of about $40m and EBITDA higher than $1.6m.

From August Rigby & Peller will be included in the consolidated figures (based on the full consolidation method at 87%). The impact of this enlargement in the consolidation will be explained in the annual figures.

Oreia and LinCHérie are developing well. A new Oreia store will open in the centre of Berlin and the partnership with the LinCHérie independent retailers is going very well.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

This interim consolidated financial information was prepared in compliance with the applicable international standard for interim consolidated financial information, IAS 34.

Intimacy has been included in the consolidation since May 2010. Intimacy is fully consolidated with recognition of a non-controlling interest.

The same accounting policies and calculation methods were used as in the consolidated financial statements at 31 December 2010.

The General Meeting of 27 April 2011 approved the dividend as proposed by the Board of Directors (€2.15/share). The allocated dividend was €28,508k, which was almost entirely paid out at 30 June 2011.

As of the date of this interim financial report there was one important event after the balance sheet date. This was the acquisition of 87% of the shares in Rigby & Peller, which was announced in the press release of 16 August 2011. Rigby & Peller will be included in the consolidated figures based on the full consolidation method at 87% from August.

In addition to risks described in the above notes, the material risks and uncertainties with regard to the rest of 2011 were primarily the same as described on pages 65-66 (’Business risks under IFRS 7’) of the 2010 annual report.

In the first half of 2011, there were no material transactions with associated companies other than those described in this report or within the normal course of events.

## DECLARATION OF THE RESPONSIBLE PERSONS

The undersigned declare that:

- The financial overviews in this report, 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.

- The interim financial report faithfully reflects the development, the results and the position of Van de Velde and the companies included in the consolidation, as well as providing a description of the main risks and uncertainties Van de Velde has to deal with.

Schellebelle, 23 August 2011

| | |
|---|---|
| Ignace Van Doorselaere | Stefaan Vandamme |
| Chief Executive Officer | Chief Financial Officer |

## REPORT OF THE STATUTORY AUDITOR ON THE HALF YEAR INFORMATION

**Report of the statutory auditor to the shareholders of Van de Velde NV on the review of the interim condensed consolidated financial statements as of 30 June 2011 and for the six months then ended**

**Introduction**
We have reviewed the accompanying interim condensed consolidated balance sheet of Van de Velde NV (the "Company") as at 30 June 2011 and the related interim condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard *IAS 34 Interim Financial Reporting* ("IAS 34") as adopted for use in the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

**Scope of Review**
We conducted our review ("revue limitée/beperkt nazicht" as defined by the "Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren") in accordance with the recommendation of the "Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren" applicable to review engagements. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the auditing standards of the "Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren" and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as adopted for use in the European Union.

Ghent, 23 August 2011

Ernst & Young Reviseurs d'Entreprises SCC
Statutory auditor
represented by

Jan De Luyck
Partner

## CONTACTS

For more information, please contact:

Van de Velde NV – Lageweg 4 – 9260 Schellebelle – 09 365 21 00

www.vandevelde.eu

Ignace Van Doorselaere
Chief Executive Officer

Stefaan Vandamme
Chief Financial Officer

## FINANCIAL CALENDAR

18.11.2011
Second interim statement 2011

31.12.2011
End of fiscal year 2011

05.01.2012
Announcement of turnover for 2011

17.02.2012
Announcement of results for 2011

25.04.2012
Ordinary General Meeting
First interim statement 2012

## VAN DE VELDE

Van de Velde NV is a leading player in the luxury and fashionable women's lingerie sector. Van de Velde is convinced of a long-term strategy based on developing and expanding brands around the Lingerie Styling concept (fit, style and fashion), especially in Europe and North America.