Van de Velde

Annual Report 2013

OUR MISSION

To shape the body and mind of women

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

Photography

Kurt Stallaert (Marie Jo)
Frank Uyttenhove (PrimaDonna)
Paul Bellaart (Marie Jo L'Aventure)
Zeb Daemen (PrimaDonna Twist)
Zeb Daemen (PrimaDonna Swim)
Txema Yeste (Andres Sarda)

Form, typesetting, printing and finishing

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bij de hoofdzetel van de onderneming.

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FEEL THE DIFFERENCE
MARIE JO

Message from the Chairman

Businesses do not grow to a set pattern or at a set tempo. And, clearly, there are no guarantees that a well-thought-out strategy, targeted initiatives and hard work will generate positive results and renewed growth every year.

Thanks to a stronger second half, all efforts of the company and its staff resulted for full year 2013 in a minimal turnover growth, though without EBITDA growth.

That does not indicate that the company's strategy is wrong and has to be changed. Our strategy is founded on a concept that has been built on and refined over many decades, one that has been proven to work and generate profits: bringing perfect-fitting, beautiful lingerie to market via the most appropriate distribution channel. Consumers are at the centre of that concept. They must feel good before, during and after the purchase. It is all about a personal experience of product, brand and store.

We must not be arrogant or self-satisfied, but we know that our product gives us a place among the world elite. And that is a claim that only a very select group can make.

But we are very much aware that not everything in our product range fulfils the standards we set ourselves. PrimaDonna is our flagship brand and in 2014 our first-ever PrimaDonna Swim collection was launched to great success. We are absolutely determined to consolidate and intensify this success.

We are making good progress with Marie Jo. The second half of 2013 and the prospects for 2014 confirm that Marie Jo is picking up momentum, becoming more creative, more innovative and successful. We have to reproduce that with Marie Jo L'Aventure. For Andres Sarda, our target is stability in creation at the very highest level.

We have customers that can rightly claim that they offer consumers the best products, the best service and a fantastic shopping experience. Unfortunately, we cannot always say that of some of them. An additional factor is the fairly universal pressure: high costs weigh heavily on the profitability of the retail business. Although expensive, a prime location is essential to get consumers into your shop and a large number of staff is required to be able to offer perfect service.

It is now more than ten years ago that we decided to go into retail ourselves, because even back then we anticipated the strong decline of the distribution form that is our lifeblood. Intimacy in the United States integrated the fitting room into the retail concept when it was formed in 1993. American women had seldom experienced this before and it was an immediate hit. Our acquisition was an important decision and it was the right decision. But by mid 2009, once the novelty had worn off a little, it had become apparent that the right product and the right concept were not enough and that there were serious shortcomings in the experience of individual consumers in store. Over recent years it has become clear that rectifying the situation will not be easy and we still have a long way to go. But we are gradually making progress and we are learning from our experience.

For our European shops, too, it is not only product and fitting room that are important but everything that happens in the shop, every detail is essential. From the moment a consumer enters the shop to the moment she leaves.

And lastly there is brand perception. Strong creation and operational excellence must not result in the importance of this being underestimated.

Marketing is about more than advertising. It is about creating a clear identity for our brands and then conveying it to consumers. Every commercial business, regardless of its size, ultimately follows the same principles as craftsmen and farmers that want to sell their products. What products they bring to market, depends on their own situation and history, what they have learned or what they have been brought up with, what can be made or grown locally. The quality of their product will depend on their own passion and competence. Cheese is not better just because it comes from Normandy; neither is wine because it comes from Bordeaux. It is not enough to simply make the best products. More is needed to be able to consistently sell the largest quantity and command the best price in the long term. Suppliers must constantly study the fit between the market and their product. Whether they are offering their product in the right marketplace. And marketing it in the right way. They must ensure that consumers develop an emotional connection with their product. That is the job of marketing. San Pellegrino, Perrier and Spa are not global leaders because their water is better than what their competitors can offer. It is because they manage to give their brand an individual identity. As a consequence, they have managed to turn a generic product into a luxury product and to create a new luxury water segment. The market for luxury is always demand-driven and in fashion the product obviously plays an essential role. But we ourselves also want our brands to have a clear, immediately recognizable identity. We have managed to achieve that to some degree in some Western European countries. We are convinced that we can do the same in other countries, too. It is a huge opportunity and a fantastic challenge – and there is still a long way to go.

In 2014 we also commemorate the First World War. Both of my grandfathers experienced the horror of that war as regular soldiers in the trenches. One of them came out of it as an invalid after a poison gas attack. The other one formed Van de Velde together with my grandmother. Their goal was to prosper in a peaceful world. A world in which there is mutual respect between people of all social groups and convictions. We still carry their ambitions with us. It is currently the done thing to compare entrepreneurs and their executives to the pre-Enlightenment nobles, who had the power of life and death over their villeins and for whom personal profit and pleasure was paramount. We are not a modern-day version of them; we are no Lords of Wars or Wall Street sharks. Western Europe is still the world's most prosperous region, where the state often controls more than half of the country's financial resources. It is indeed a disgrace that in those circumstances 15% of the population remain in poverty. But just as shameful is that the middle classes, who are always the engine of progress throughout the world, have been trapped in a constant downward spiral of impoverishment in Western Europe. However, it is the state that needs to take a long hard look at itself, not the entrepreneurs. To claim that the rich and the big earners are responsible for the economic erosion is a lie and a form of populism. To claim that taking the rich's money will help eradicate poverty is a lie and a form of populism. The truth is that restricting the possibilities entrepreneurs have to build successful companies and as a result to prosper personally will lead to a fall in general prosperity. That is no lie. That is a certainty.

Entrepreneurs want to be able to work in a climate of freedom, independence and trust. They do not like distrust, constant monitoring and red tape. If they properly fulfil, for all stakeholders, their social function – creating and bringing to market better and better goods and services – they expect recognition and reward.

I do not know any entrepreneurs who begrudge their stakeholders, shareholders, co-workers, customers, suppliers and especially the consumers who buy their products prosperity and wellbeing. Entrepreneurs do not have an ounce of jealousy in them, but a climate of jealousy towards them is now being created. If that is the response to their success, they will draw their own conclusions and seek new shores. Where intelligence, creativity, a zest for work and nerve are recognized and rewarded. Rest assured, we have no concrete plans to seek new shores. But we are very concerned that others will.

In the 16th century, prosperous Flanders experienced an exodus of the very people who created its economic prosperity. The region suffered 400 years of poverty.

Lucas Laureys
Chairman of the Board of Directors


FEEL THE DIFFERENCE
MARIE JO
L'AVENTURE

Activity report

Introduction: ready to move back into growth

We have not yet managed to return to growth after 2011, which was a record year in terms of EBITDA. Both 2012 and 2013 were a disappointment for management. We are very well aware that progress is never linear and that growth lines are only straight in books. But we had not reckoned on a two-year setback. The growth engine started to gear down in the second half of 2011 and this dragged on until the spring of 2013. Happily we have observed an upswing in the second half of 2013, where both EBITDA and turnover losses of the first half of 2013 have completely been recovered. This positive trend will almost certainly carry on into the spring of 2014.

It is important from a psychological point of view that we continue to follow the strategic line and ascertain that we are ready to move back into growth. When there is a hitch, our mindset must be to look at ourselves rather than pointing the finger at circumstances beyond our control, even if, in this case, the European economy was shrinking slightly and the independent retail channel was sluggish.

The story of Van de Velde's growth is divided into three chapters:

- In Wholesale we affirm our goal to remain the best supplier to independent specialty shops worldwide. To this end, we have three brands and a highly supportive channel programme, as well as a great deal of credibility among customers.
- In Retail we want to turn the fitting room into a strong asset, positioned at the high end among consumers in terms of service, product and promise. The Van de Velde brands must also have a market share in excess of 50% in Retail. That is important for consumer experience and for the consolidated cash flow of our retail concept.
- A strong backbone of collection development, supply chain management and talent is needed for both segments. None of the above developments can be achieved without this.

Without doubt, a clear strategic vision is essential to growth. If that vision is correct, growth will be dependent on its proper implementation.

Wholesale is still the bedrock

Wholesale turnover was steady in 2013, with a fall in the first half of the year and growth in the second half.

Van de Velde invests in three complementary lingerie brands:

- PrimaDonna is the biggest, most important brand, oriented to large cup sizes. Retailer and consumer loyalty to PrimaDonna is very high. With that in mind, PrimaDonna is given greater marketing resources and has focused sales teams in three important countries. PrimaDonna has global potential. In 2014 Swim joins PrimaDonna and Twist on the market, under a single umbrella brand, of course.
- Marie Jo is particularly strong in northern Europe. The brand experienced an impressive resurgence in the second half of 2013. This has everything to do with the quality of the collection. There are also very promising signs for the spring of 2014. Marie Jo L'Aventure is having a tough time. Getting this collection growing again remains a challenge.
- Andres Sarda is a brand that needs to grow especially in southern Europe. In the course of 2013 the collection's price positioning was adapted and the collection was given greater focus. The fixed costs in Barcelona were drastically reduced and a number of technical lingerie collection processes were relocated to Schellebelle. The first signs (2014 spring collection) are promising.

Van de Velde is traditionally a leader in the independent specialty retail. In recent years we have further systematized our approach (collection, country markets, programmes) and focused on creating more added value for specialty shops in terms of profitability and sell-out to the consumer (lingerie styling programme, POS vision). In 2014 segmentation, focus and discipline in implementation will take centre stage. We can do even better, go even deeper. Because we are fully convinced that consumers need strong specialty shops and that retailers that invest to improve their service and image keep growing. We have clearly seen that among the winners of the PrimaDonna Award, in which Van de Velde recognizes specialty shops that build their business around the fitting room.

Geographically speaking, the northern European markets were clearly stronger in 2013. Performance in southern Europe (including France) was below average. The English-speaking markets were also disappointing.

Retail must triumph

Strategy

Van de Velde invests in its own retail formula because independent specialty shops continue to lose market share in most countries (Benelux remains an exception) and are not growing fast enough in the emerging markets that interest us (Asia, Middle East). While Van de Velde has consistently gained market share among independent specialty shops in recent years, the investment in its own shops anticipates a scenario in which the decline of specialty shops will increasingly hamper growth in wholesale.

Our retail vision is clear: developing a premium retail brand focused on personal advice and assistance for consumers in the fitting room. This helps consumers understand how the right lingerie improves how they look and gives them more confidence. It is an approach that appeals to a large number of women.

That said, the implementation must be perfect. The quality of shop staff is key, given that they are the ones who form the personal relationships with consumers. The cornerstone of the concept is a 'perfect experience from arrival to departure (door-to-door)'. To spread the news about that perfect consumer experience we count on word of mouth, which has to be encouraged through modern techniques (conversation management).

This vision is the unifying element in all initiatives over the past six years, ranging from the introduction of the lingerie styling concept at around six hundred independent retailers to the acquisitions of Intimacy (in various phases), Donker (Netherlands), Lincherie (Netherlands) and Rigby & Peller (United Kingdom), the joint venture with Private Shop (Hong Kong, China) and the development of our own

Rigby & Peller shops in Germany, Denmark and Spain. The introduction of this concept has proven much more difficult in southern Europe. It has never been introduced in France and has never really caught on in Spain.

The abundance of different retail names looks like fragmentation, but our intention is quite the opposite. We are gradually moving towards a single system, a single training module, a single type of marketing campaign and no more than two names in the long term. Rigby & Peller will be the main international name marketed in all territories, unless consumers in certain countries find the national name much stronger and more appropriate.

Intimacy

We were unable to reverse the decline of Intimacy and generate new growth in 2013, although that was our intention in May 2012. If we are to gain the trust of consumers we need to create a welcoming, engaging environment in the shops and we do not currently do that well enough. It is very clear that we are not quite delivering the perfect consumer journey. With that in mind, in mid 2013 we launched the Consumer Board, an initiative in which over a hundred consumers continually give their views on the concept and suggest improvements. The resulting consumer journey is the central concept in training, work and recruitment. Our culture must be fully focused on the perfect consumer experience.

Intimacy will also concentrate and consolidate in specific regions of the United States. This has led to the closure of the shops in Dallas, Los Angeles and Detroit, and a stronger focus on New York.

Turnover in the second half of the year was clearly better than in the first half of the year, but it remained below par. Intimacy is cash flow positive thanks to the large market share of the Van de Velde brands.

Rigby & Peller UK

After a very tough start in the first quarter of 2013, the business recovered month by month to end the year around where it started. The contribution to EBITDA was larger than in 2012. Local management was strengthened and the perfect consumer journey vision was introduced here too, forming the bedrock of further development. In early 2014 a new shop was opened in Harrogate.

Rigby & Peller Continental

The Rigby & Peller shops, known as Oreia before the 2011/2012 rebranding, experienced strong growth in 2013. While organic growth of 6.5% is respectable, a faster rate can be achieved in the future. There will be a focus on this in existing shops. The franchising concept has not yet caught on in Germany and needs more attention. It is certainly a strategy we wish to retain.

Lincherie

The Donker shops were fully acquired (Van de Velde already held 49.9%) and fully integrated into the Lincherie concept. The Donker head office in the Netherlands was closed and fixed costs reduced to a minimum. Here too, we launched a programme to introduce a culture oriented to lingerie styling and the perfect consumer journey.

Private Shop

Two Private Shops in Hong Kong were rebranded as Rigby & Peller in the course of 2013 and the first two Rigby & Peller shops were opened in Shanghai at the end of the year. The concept needs more time, but after nine months turnover at the first rebranded Rigby & Peller shop in Hong Kong is a lot higher than the historical Private Shop figures. The 2014 figures will provide more information on whether this is sustainable.

Operations

All operational activities continue to be steered from Belgium, while some labour-intensive assembly (stitching) has been relocated to low-cost countries. The distribution of production has changed significantly as a consequence of the turmoil in Tunisia:

– *Production in Tunisia*

Production in Tunisia is operated partly at our own facility and partly through subcontractors. Production at our own facility was seriously disrupted as a result of serious social unrest in the country. The situation led to in-house production falling 12% compared to the previous year, while Tunisia's total share of production fell from 49% to 42%.
The situation in the plant returned to calm in the autumn but political developments in Tunisia are being monitored closely.

– *Production in China*

Production in China through our partner Top Form increased by 22% compared to the previous year, as a result of which China's share in production rose to 52% from 47%.

Top Form managed to limit its losses in 2013 to 3.7 million Hong Kong dollars, compared to a loss of 61.2 million Hong Kong dollars in the previous year. In the first half of the financial year 2014, which runs from 1 July 2013 to 30 June 2014, the loss was turned into a profit of 9.4 million Hong Kong dollars.

– *Production in Sri Lanka*

Part of production was moved to a subcontractor in Sri Lanka. Unfortunately, the quality targets were not met and production was stopped.
New production options will be sought in the course of 2014.

Schellebelle workshop

The workshop in Schellebelle, where around fifty stitchers are employed, plays a major part in the technical development of new collections. In close association with the design department, the workshop studies the technical feasibility of new products, perfects the technical aspects of new products, and makes prototypes and samples. In response to the great difficulty of attracting new stitchers, a successful new recruitment campaign has been launched in Hungary. Eight Hungarian stitchers have been relocated to Belgium in January 2014 to work in the workshop.

Deliveries

The reliability of deliveries is a very important aspect in our relations with customers and has been closely monitored for many years. 86% of the fashion collections were delivered within the agreed term in the spring. In the autumn we achieved 89%. That means we beat our 85% target, although we realize that customers are more demanding than they used to be. With this in mind, the target for 2014 will be raised to 90%.
For the stayer articles we achieved an average score of 95% in 2013. That means that an average of 95% of the 6,240 stayer references was in stock and could be sent to customers within 24 hours.

Investments
Total investments in Belgium were around 3.5 million euros, with 0.9 million euros in intangible assets and 2.6 million euros in tangible assets. The biggest investment in equipment concerned a new packaging line for the Wichelen distribution centre (1.2 million euros).

The decision was also taken to start a comprehensive renovation of the premises in Schellebelle. The plans have been finalized and the building application was made at the start of January. The total budget is 8 million euros, although the investment will be spread over the financial years 2014 and 2015.

Expectations for 2014

Wholesale looks promising in the first half of the year. We see slight growth in lingerie pre-orders (including healthy growth for Andres Sarda), while the figures for PrimaDonna's Swim collection are very strong.

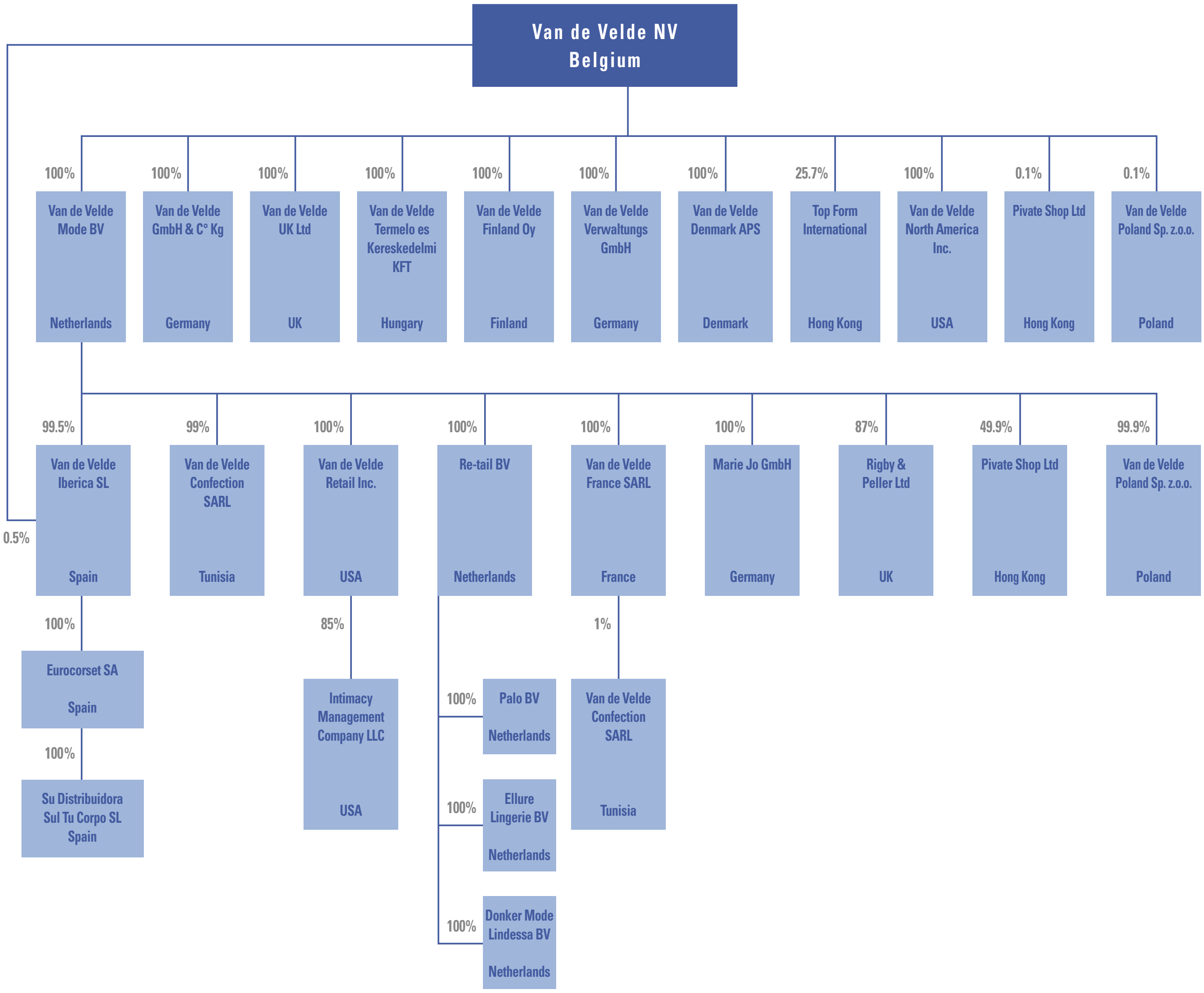
In Retail we are particularly looking forward to expanding Rigby & Peller in the UK, Germany and Asia. In the Netherlands the Lincherie concept will be given a stronger presence on the market within the lingerie styling experience. Full attention is being focused on Intimacy, although it had not moved into growth by late 2013/early 2014.

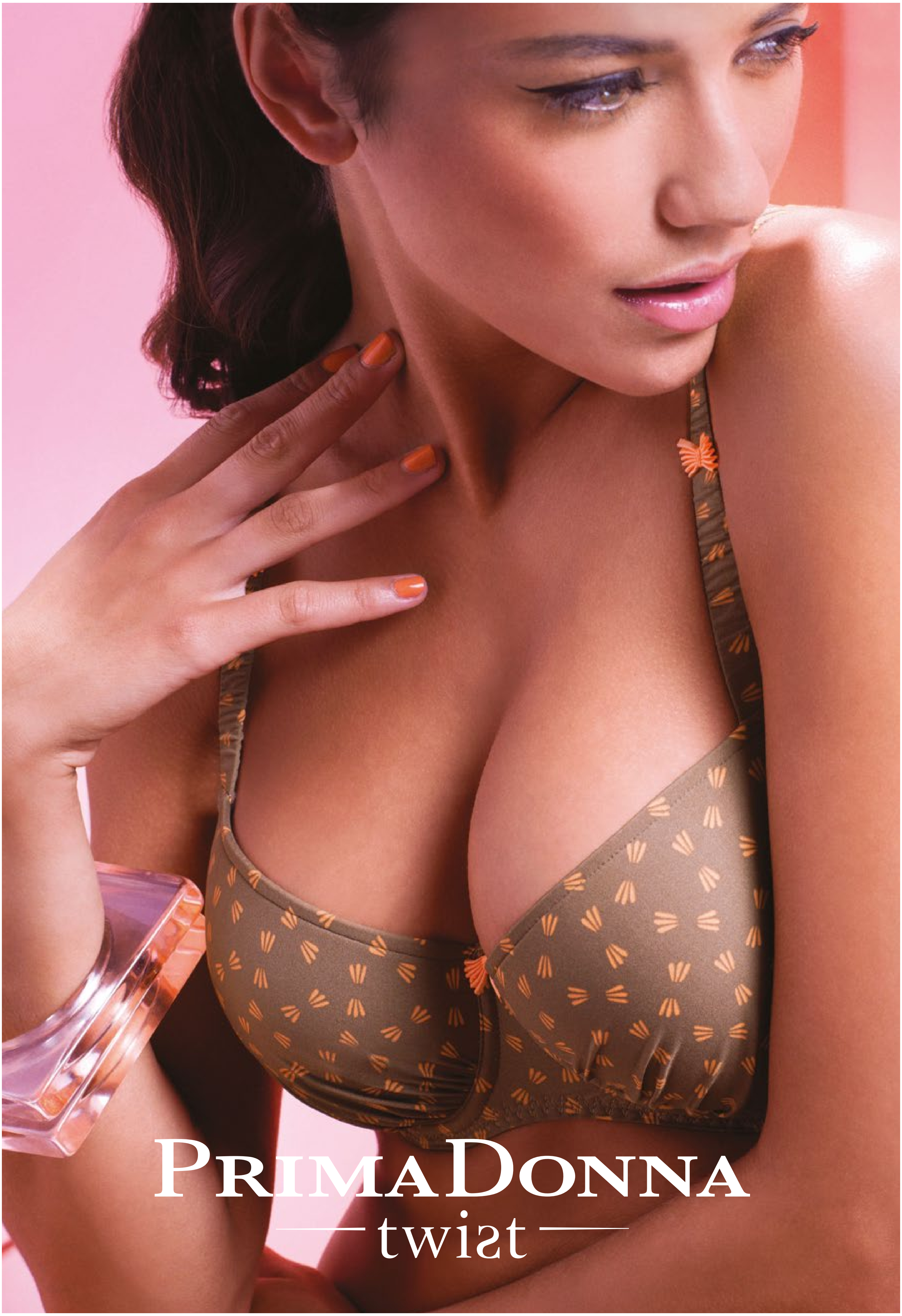

PRIMADONNA

2 | Description of the company and its activities

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

The current Group structure is as follows:




PrimaDonna
twist

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

On 18 February 2014 the Board of Directors of Van de Velde NV approved the Corporate Governance Charter, which is available on the company's website.

The company's family nature is also an important ingredient in good governance. That is because the family has an interest in the company being managed in a professional and transparent way. That is expressed among other things by the presence of experienced family members on the Board of Directors.

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

The Board of Directors

Composition of the Board of Directors

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

- Lucas Laureys NV, always represented by Lucas Laureys, director (tenure expires at the Ordinary General Meeting of 2018);
- Herman Van de Velde NV, always represented by Herman Van de Velde, managing director (tenure expires at the Ordinary General Meeting of 2018);
- Bénédicte Laureys, director (tenure expires at the Ordinary General Meeting of 2018);
- EBVBA 4 F, always represented by Ignace Van Doorselaere, managing director (tenure expires at the Ordinary General Meeting of 2016);
- EBVBA Benoit Graulich, always represented by Benoit Graulich, director (tenure expires at the Ordinary General Meeting of 2016);
- BVBA Dirk Goeminne, always represented by Dirk Goeminne, director (tenure expires at the Ordinary General Meeting of 2017);
- Emetico NV, always represented by Yvan Jansen, director (tenure expires at the Ordinary General Meeting of 2019);
- Mavac BVBA, always represented by Marleen Vaesen, director (tenure expires at the Ordinary General Meeting of 2019).

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

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

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

Lucas Laureys NV chairs the Board of Directors.

Operation and activity report of the Board of Directors

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

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

The Board of Directors has also established the following advisory committees: an Audit Committee, a Nomination and Remuneration Committee and a Strategic Committee.

For a detailed description of the operation and responsibilities of the Board of Directors we refer to the company's Corporate Governance Charter, which is published on the company's website.

In 2013 the Board of Directors met five times. There was an additional meeting of the Board of Directors attended only by the non-executive directors for the purpose of evaluating the interaction between the Board of Directors and the Management Committee. All meetings of the Board of Directors were fully attended, except for one meeting during which EBVBA Benoit Graulich was excused and one meeting during which Mavac BVBA was excused.

Committees within the Board of Directors

(a) Audit Committee

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

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

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

The Audit Committee is composed as follows:

- Lucas Laureys NV, always represented by Lucas Laureys;
- Dirk Goeminne BVBA, always represented by Dirk Goeminne (independent director);
- EBVBA Benoit Graulich, always represented by Benoit Graulich (independent director).

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

The chairman of the Audit Committee is EBVBA Benoit Graulich, always represented by Benoit Graulich.

The Audit Committee meets no fewer than three times a year and as often as considered necessary for its proper operation. In 2013 the Audit Committee met five times. All members attended these meetings.

(b) Strategic Committee

The role of the Strategic Committee is to assist the Board of Directors in establishing the company's strategic direction. Other important strategic themes can be discussed ad hoc, including:

– Mergers and acquisitions;
– Developments at competitors, customers or suppliers that may/will impact the company;
– Important regional developments for the company;
– Technological opportunities and/or threats for the company;
– Budget assessment.

The Strategic Committee is composed as follows:

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

The chairman of the Strategic Committee is Lucas Laureys NV, always represented by Lucas Laureys. Other members of the Board of Directors can be invited to participate in the Strategic Committee on an ad hoc basis.

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

(c) Nomination and Remuneration Committee

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

The Nomination and Remuneration Committee is composed as follows:

– Lucas Laureys NV, always represented by Lucas Laureys;
– EBVBA Benoit Graulich, always represented by Benoit Graulich;
– BVBA Dirk Goeminne, always represented by Dirk Goeminne.

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

The Nomination and Remuneration Committee meets as often as is needed for its proper operation, but never less than two times every year. The Nomination and Remuneration Committee met three times in 2013. All members attended these meetings.

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

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

(d) Management Committee

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

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

The Management Committee is composed as follows:

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

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

The members of the Management Committee are appointed and dismissed by the Board of Directors on the basis of the recommendations of the Nomination and Remuneration Committee. The members of the Management Committee are appointed for an indefinite period, unless the Board of Directors decides otherwise. The ending of the tenure of a member of the Management Committee has no impact on the agreements between the company and the person involved as regards additional duties over and above this tenure.

(e) Daily management

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

(f) Evaluation

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

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

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

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

Remuneration report

1. Introduction
The remuneration report provides transparent information on Van de Velde's remuneration policy for its directors and members of the Management Committee, in accordance with the Belgian Corporate Governance Act of 6 April 2010 and the Belgian Corporate Governance Code. The underlying remuneration report will be submitted for approval to the General Meeting of 30 April 2014 and presented to the works council, in accordance with the provisions of the Act.

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

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

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

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

For his chairmanship, his membership of the Nomination and Remuneration Committee, the Audit Committee and the Strategic Committee, the chairman of the Board of Directors receives annual gross remuneration of 60,000 euro. The other non-executive members receive annual remuneration of 15,000 euro for their membership of the Board of Directors and 2,500 euro for their membership of the Audit and/or Nomination and Remuneration Committee respectively.

The members of the Board of Directors who are also members of the Management Committee receive no remuneration for their membership of the Board of Directors.

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

3. The remuneration of the members of the Management Committee
The level and structure of the remuneration for the members of the Management Committee must be such that qualified and expert professionals can be attracted, retained and motivated, bearing in mind the nature and scope of their individual responsibilities. To this end, an international HR consultant is given the task of proposing the job weighting and the corresponding customary salary package in the relevant market. The compensation is regularly benchmarked on the basis of a relevant sampling of listed companies.

The managing directors make proposals to the Nomination and Remuneration Committee with regard to members' remuneration on an individual basis.

Other principles on which the remuneration policy is based:
- A member of the Management Committee who is also a member of the Board of Directors shall receive no remuneration for being a member of the Board of Directors.
- A member of the Management Committee who is also a managing director shall receive no remuneration for being a managing director.
- An appropriate part of the remuneration package of the members of the Management Committee must be linked to the performance of the company and individual performance, to the extent that the interests of the Management Committee are aligned with the interests of the company and its shareholders.
- If members of the Management Committee are eligible for a bonus based on the performances of the company or its subsidiaries or on personal performance, the remuneration report will state the criteria applied to evaluate the performance against the targets as well as the evaluation period. These details shall be published in such a way that no confidential information is disclosed with regard to the company's strategy.
- In principle, granted shares or other forms of deferred remuneration are not deemed to be acquired and options may not be exercised within three years of their grant date.
- Obligations of the company in the framework of premature exit arrangements will be closely investigated to ensure poor performance is not rewarded.

A variable annual remuneration ("team bonus") is granted to the CEO and the members of the Management Committee, with the exception of Herman Van de Velde NV. This is based on the attainment of annual targets relating to the fiscal year for which the variable remuneration is payable, as set by the Nomination and Remuneration Committee. These targets are based on objective parameters and are closely linked to the results of the Group. Every year, the Nomination and Remuneration Committee evaluates the degree to which the targets[1] have been met and submits this report to the Board of Directors for approval. The maximum amount of this team bonus, not including the CEO, is 37,500 euro per member. For the CEO the maximum amount is 303,000 euro, half of the bonus shall be paid after the closing of the financial year and the other half at the latest by February 15, 2018.

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

There is also an individual bonus scheme for some members of the Management Committee, including the CEO, based on the attainment of individual targets relating to the fiscal year for which the variable remuneration is payable, as set down every year in writing by the Nomination and Remuneration Committee. These targets are based on objective parameters and are closely dependent on the responsibilities of the member in question. The Nomination and Remuneration Committee evaluates the degree to which these individual targets have been attained and submits this report to the Board of Directors for approval. For the CEO, this individual bonus will be paid at the latest by February 15, 2018.

The maximum amount of the individual variable remuneration is 27% of the gross basic remuneration[2], not including one member whose maximum bonus is 45% of the gross basic remuneration. In addition to the variable remuneration system, the Board of Directors retains the discretionary power to grant an additional bonus to the CEO and one or more members of the Management Committee to reward a specific performance or merit, on the proposal of the Nomination and Remuneration Committee.

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

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

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

The total gross remuneration (in 000 euro) (including remunerations received from other companies that form part of the Group) awarded in 2013 to the members of the Management Committee (including Herman Van de Velde NV) and the CEO amounted to:

	Management Committee [3]	**CEO**
Basic remuneration	1,327	506
Variable remuneration	219	223 [4]
Pensions	28	0
Other benefits	30	0

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

Currently, all members of the Management Committee, with the exception of the managing directors and Isabelle Massagé, are employed on the basis of an employment contract, which can be terminated, subject to the notice term calculated in accordance with the applicable labour laws. This notice term can be replaced by a corresponding termination indemnity as the company sees fit. No other termination indemnity is provided for. The employment agreement of Isabelle Massagé can be terminated by the company, with due regard for a notice term or corresponding termination indemnity of 8 months' fixed and variable salary, provided Isabelle Massagé has been employed within the Group for less than 10 years[5]. As from the moment Isabelle Massagé has been employed within the Group for 10 years or more, this notice period will be increased to 12 months. However, in the event of a termination for urgent cause, the contract can be terminated with immediate effect.

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

4. Remuneration policy for coming years

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

5. Share-based payments

The General Meeting of 28 April 2010 approved the 2010 option plan giving the Nomination and Remuneration Committee the power to grant options on the company's shares to the members of the Management Committee for a term of five years. These options are granted at no charge. The exercise price per share of the options is equal to (i) the average closing price of the share in the course of the thirty calendar days prior to the date of the offer or (ii) the closing price of the final trading day preceding the date of the offer, whichever is lowest. An option remains valid for ten years. The company and the option holder may decide by mutual agreement to reduce the terms of validity of the option below ten years but never below five years. The options cannot be exercised before the end of the third calendar year after the year in which they are offered.

2 For some members of the Management Commitee, the maximum is lower.
3 Excluding the CEO, including Herman Van de Velde NV.
4 A part of this bonus (152 thousand euro) will be paid on 15 February 2018 at the latest provided that the agreement with the CEO is still in force.
5 Only the basic salary shall be taken into account for the calculation of any termination indemnity, which shall not exceed 8 or 12 months' basic salary if the employee in question has not satisfied the performance criteria established to determine entitlement to any bonus.

	Options end 2012	Granted and accepted in 2013		Exercised in 2013		Options end 2013
		Number	Exercise price	Number	Exercise price	
EBVBA 4F	10,000	5,000	34.89	0		15,000
Herman Van de Velde NV	10,000	5,000	34.89	0		15,000
Dirk De Vos	5,000	0		0		5,000
Hedwig Schockaert	15,000	0		0		15,000
Stefaan Vandamme	5,000	0		0		5,000
Karlien Vanommeslaeghe	0	0		0		0
Philippe Vertriest	0	0		0		0
	45,000	**10,000**		**0**		**55,000**

In 2013 Herman Van de Velde NV, always represented by Herman Van de Velde and EBVBA 4F, always represented by Ignace Van Doorselaere, were both granted 5,000 options. No unexercised options expired.

Major characteristics of internal control and risk management systems

The Management Committee leads the company within the framework of careful and effective control, which makes it possible to evaluate and manage risks. The Management Committee develops and maintains appropriate internal controls that offer reasonable assurance on the attainment of the goals, the reliability of the financial information, compliance with applicable laws and regulations, and the execution of internal control processes.

The Board of Directors oversees the proper functioning of the control systems through the Audit Committee. The Audit Committee evaluates the effectiveness of the internal control and risk management systems at least once a year. It must ensure that significant risks are properly identified, managed and brought to its attention.

In *monitoring the financial reporting,* the Audit Committee especially evaluates the relevance and coherence of the financial statement standards applied by the company and its Group. This entails an assessment of the accuracy, completeness and consistency of the financial information. The Audit Committee discusses significant financial reporting issues with executive management and the external auditor.

The Board of Directors bears responsibility for analysis and proactive measures and plans with regard to *strategic risks*. The Board of Directors approves the strategy and goals every year. An annual growth plan for the following year is presented to the Board of Directors for approval. The growth plan is monitored systematically during the meetings of the Board of Directors, and may be adapted on the basis of changed prospects.

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

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

For each process, internal controls should be in place guaranteeing, where possible, the proper functioning of this process. The effectiveness of the internal controls that are important for the completeness and correctness of the reported figures is regularly verified by the financial department, on the basis of random sampling. An example is the permanent stock system for raw materials and finished products.

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

Shareholding structure on the balance sheet date

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

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

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

On 28 January 2013 Banque de Luxembourg informed us that the BL Sicav (controlled by Banque de Luxembourg) held 438,000 or 3.29% of the Van de Velde shares as of 10 January 2013. On 2 October 2013 Banque de Luxembourg informed us that as from 24 September 2013 BL Sicav no longer exceeds the statutory threshold of 3%.

Information about specific safeguards

A majority of Van de Velde NV's directors are appointed from the candidates nominated by Van de Velde Holding NV, as long as it directly or indirectly holds no less than 35% of the company's shares.

Miscellanea

Insider trading

The members of the Board of Directors and some employees that may possess important information ('insiders') have signed the protocol preventing abuse of privileged information. This means that anyone wishing to trade in Van de Velde shares must first request the permission of the Compliance Officer.

Insiders are not permitted to trade in securities in the following periods:

(i) The period between the final meeting of the Board of Directors prior to the end of the year and the moment the annual results are announced;
(ii) The period of two months immediately prior to the announcement of the company's half-year results or the period commencing at the time of closure of the half year in question and ending at the time of publication of the half-year results, whichever is shorter.

The Board of Directors can impose a general transaction ban on all insiders in other periods that may be considered to be sensitive.

All other staff at Van de Velde have been notified in writing of the statutory stipulations concerning abuse of insider knowledge.

Transactions between the company and its directors

The company's Corporate Governance Charter, which is published on the company's website, explains the rules applicable to transactions and other contractual links between the company, including its affiliated companies, and its directors and members of the Management Committee that are not covered by the conflict of interests scheme.

Statutory auditor

The General Meeting of 24 April 2013 of Van de Velde NV appointed Ernst & Young Bedrijfsrevisoren BVCBA, Moutstraat 54, 9000 Ghent, represented by Paul Eelen, as the statutory auditor. This appointment runs until the Ordinary General Meeting of 2016.

Regular consultations are held with the statutory auditor, who is also invited to the Audit Committee for the half-year and annual reporting. The statutory auditor has no relationship with Van de Velde that could impact his opinion.

The annual remuneration in 2013 for auditing of the statutory and consolidated financial statements of Van de Velde NV was 49,500 euro (excl. VAT). The total costs for 2013 for the auditing of the annual accounts of all companies of the Van de Velde Group were 187,624 euro (excl. VAT), including the aforementioned 49,500 euro.

In accordance with Article 134 of Belgium's Companies Code, Van de Velde announces that the remuneration given to the statutory auditor for exceptional and special tasks and to the persons with whom the statutory auditor has a professional relationship was 24,999 euro (excl. VAT), all of which was for tax advice and compliance tasks.

Belgian Code on Corporate Governance

Van de Velde NV complied with the principles laid down in the Belgian Code on Corporate Governance.

Conflict of Interests Scheme

In 2013 no conflicts of interests were declared in the Board of Directors within the meaning of Article 523 of Belgium's Companies Code.

Information to shareholders

Share listing

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

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

In line with its series of local indexes, Euronext Brussels maintains a BEL20, BEL Mid and BEL Small index, the components of which are selected on the basis of liquidity and free float market capitalization.

Van de Velde is listed in the BEL Mid index. The weight in this index was 1.45% at the end of 2013. The starting weight as at 18 March 2013 was 1.82%.

Liquidity provider

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

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

General Meeting

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

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

Authorized capital

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

Acquisition of own shares

On 25 April 2012 the Extraordinary General Meeting of Shareholders authorized the Board of Directors to buy or sell its own shares. This authorization is valid for a period of (i) three years as from 21 May 2012 if the acquisition is necessary to avoid a serious threatened disadvantage and (ii) five years as from 25 April 2012 if the Board of Directors, in accordance with Article 620 of Belgium's Companies Code, acquires the legally permitted number of its own shares at a price equal to the price at which they are listed on Euronext Brussels.

In 2013 no own shares were acquired by Van de Velde NV. At the end of 2013 Van de Velde NV has 38,199 own shares in its possession.

The treasury shares owned by Van de Velde NV at the end of 2013 are held with the intention of offering them to the management within the framework of a stock option programme initiated in 2005. See note 13 to the consolidated financial statements for more information.

Dividend Policy

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

- Appropriate payment to shareholders in comparison with other companies listed on Euronext Brussels;
- Retention of sufficient self-financing capacity to respond to attractive investment opportunities;
- Remuneration proportionate to cash flow expectations.

The dividend policy of Van de Velde consists in paying out at least 40% of the consolidated profit, Group share, excluding the result based on the equity method. Furthermore, Van de Velde does not retain excess cash in the organization.

Financial Services

The financial services are provided by ING as main payment agent. This relates to the payment of the redeemable coupons of Van de Velde NV shares.

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

Proposed profit distribution

The dividend on distributable profit will be allocated to the shares with rights that are not suspended. In other words, the treasury shares held for which no profit share is retained are not taken into account to reduce distributable profit. This concerns 38,199 own shares purchased within the framework of the option programme (see above). Reference is made to Article 622 of Belgium's Companies Code.

The number of shares with dividend rights is accordingly reduced from 13,322,480 shares to 13,284,281 shares.

The application of the pay-out percentage (40% of consolidated profit, Group share, excluding result based on the equity method) produces a dividend per share of 0.95 euro.

Van de Velde has the policy of not retaining excess cash in the organization, but distributing it in one way or another to the shareholders. Cash required for operating and investing activities is evaluated on an annual basis. For 2013 this implies that the Board of Directors will propose to the General Meeting the payment of a dividend for the fiscal year 2013 of 2.15 euro per share. After the payment of 25% withholding tax, this represents a net dividend of 1.61 euro per share.

After approval by the General Meeting the dividend will be paid out from 7 May 2014 at branches of ING and Bank Degroof upon presentation of coupon 8.

Financial Calendar

Closing of fiscal year	31 December 2013
Announcement of 2013 turnover figures	8 January 2014
Announcement of annual results	24 February 2014
Publication of annual financial report	21 March 2014
General Meeting of Shareholders	30 April 2014
Publication of first interim statement	30 April 2014
Ex-coupon date	2 May 2014
Record date	6 May 2014
Dividend payment date	7 May 2014
Announcement of H1 2014 turnover figures	7 July 2014
Publication of 2014 half-year results	29 August 2014
Publication of second interim statement	14 November 2014
Closing of fiscal year	31 December 2014

4 | Consolidated key figures 2013

Profit and loss account (in millions of euro)	2013	2012	2011	2010	2009
Operating income	186.8	186.8	184.5	170.5	143.6
Turnover	182.4	181.8	179.8	166.3	140.1
Recurring EBITDA (1)	48.7	48.8	53.8	52.3	44.2
Recurring EBIT (2)	41.1	42.7	49.4	46.3	41.0
Consolidated result before taxes (3)	40.5	38.0	54.3	52.5	37.5
Consolidated result after taxes (3)	31.7	28.0	41.0	39.9	27.2
Profit for the period (4)	31.8	25.6	41.2	40.0	26.6
Operating cash flow (5)	34.8	30.8	46.7	34.9	33.7

(1) EBITDA is earnings before interest, taxes, depreciation and amortization on tangible and intangible assets. The recurring EBITDA for 2009 does not include the non-recurring restructuring costs for Hungary and Eurocorset in the amount of 2.9 million euro. In 2013 the non-recurring restructuring cost for Eurocorset in the amount of 1.7 million euro is not included.
(2) EBIT is earnings before interest and taxes. The recurring EBIT for 2009 and 2013 does not include the non-recurring restructuring costs.
(3) Result of the Group (Group share) before share in the profit / (the loss) of associates (equity method).
(4) Result of the Group (Group share) after share in the profit / (the loss) of associates (equity method).
(5) Operating cash flow is net cash from operating activities.

Balance sheet (in millions of euro)	2013	2012	2011	2010	2009
Fixed assets	100.9	109.4	103.9	89.0	65.6
Current assets	96.3	87.7	96.6	92.9	83.7
Shareholders' equity	173.5	170.0	168.1	153.6	135.7
Balance sheet total	197.2	197.1	200.4	181.9	149.3
Net debt position (1)	-38.9	-31.1	-40.5	-37.8	-40.3
Working capital (2)	42.3	39.0	35.7	38.2	32.1
Capital employed (3)	143.2	148.4	139.6	127.2	97.7

(1) Financial debts less cash and cash equivalents (a negative position refers to a cash position; a positive position refers to a debt position).
(2) Current assets (excluding cash and cash equivalents) less current liabilities (excluding financial debts).
(3) Fixed assets plus working capital.

Financial ratios (in %, except liquidity)	2013	2012	2011	2010	2009
Return on equity (1)	18.5	16.5	25.5	27.6	21.2
Return on capital employed (2)	21.7	19.4	30.7	35.5	27.3
Solvency (3)	88.0	86.3	83.9	84.5	90.9
Liquidity (4)	6.4	5.0	4.7	5.5	7.4

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

Margin analysis and tax rate (in %)	2013	2012	2011	2010	2009
Recurring EBITDA (1)	26.7	26.9	29.9	31.4	31.5
Recurring EBIT (2)	22.5	23.5	27.5	27.9	29.2
Tax rate (3)	24.4	24.2	25.7	26.2	27.3

(1) Recurring EBITDA on turnover.
(2) Recurring EBIT on turnover.
(3) Income taxes on Consolidated result before taxes. In 2010 and 2011 the extraordinary finance gain on the Intimacy business combination was excluded from the consolidated result before taxes. In 2012 the extraordinary finance gain on the Intimacy business combination and the impairment of goodwill and intangible assets with indefinite useful life were excluded from the consolidated result before taxes. In 2013 the extraordinary finance gain on the Intimacy business combination was excluded from the consolidated result before taxes and the reversal of the tax provision is excluded from the income taxes (see note 22).

Stock market data	2013	2012	2011	2010	2009
Average daily volume in pieces	6,885	6,281	5,329	5,472	3,973
Number of shares at year end	13,322,480	13,322,480	13,322,480	13,322,480	13,322,480
Number of traded shares	1,755,685	1,607,998	1,369,623	1,411,725	1,013,229
Velocity	13.2%	12.1%	10.3%	10.6%	7.6%
Turnover (in thousands of euro)	62,165	58,314	50,269	47,212	27,261
(in euro per share)					
Highest price	38.44	42.49	40.97	39.60	31.00
Lowest price	32.01	33.02	32.25	28.51	22.50
Closing price	36.40	34.20	35.33	39.60	29.36
Average price	35.36	36.30	37.47	33.80	26.70

Key figures per share (in euro)	2013	2012	2011	2010	2009
Book value [(1)]	13.0	12.8	12.6	11.5	10.2
Recurring EBITDA [(2)]	3.7	3.7	4.0	3.9	3.3
Profit for the period [(3)]	2.4	1.9	3.1	3.0	2.0
Gross dividend	2.15	2.15	2.15	2.15	1.65
Net dividend	1.61	1.61	1.61	1.61	1.24
Dividend yield [(4)]	4.43%	4.71%	4.56%	4.07%	4.21%

(1) Shareholders' equity / Number of shares at year end.
(2) Recurring EBITDA / Number of shares at year end.
(3) Profit for the period / Number of shares at year end.
(4) Net dividend / Closing price.

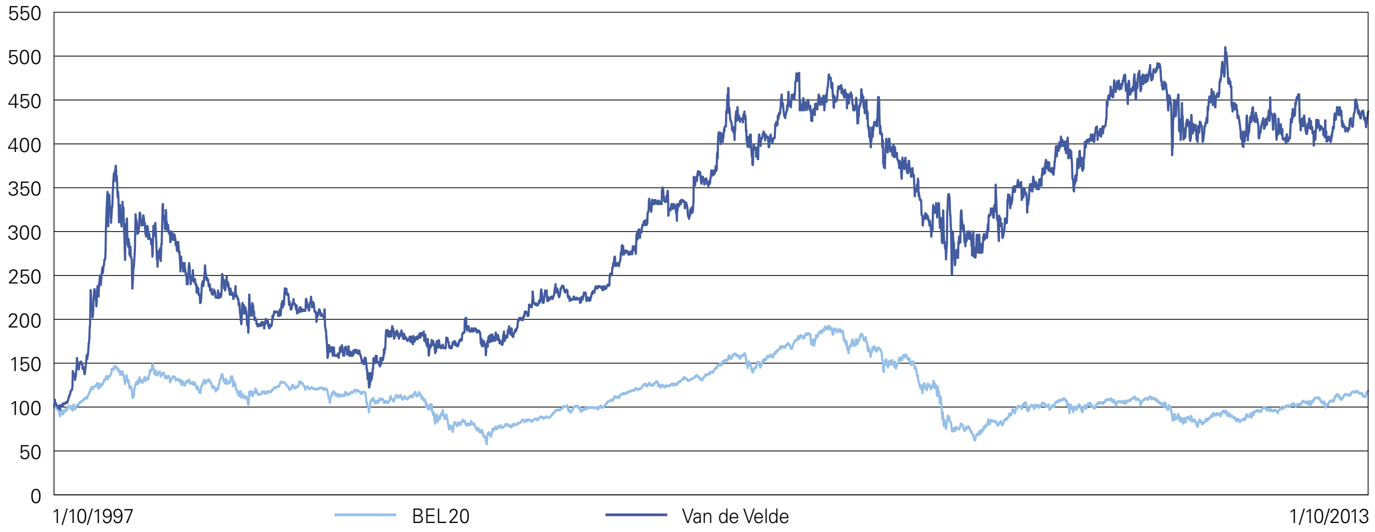
Value determination (in millions of euro)	2013	2012	2011	2010	2009
Book value [(1)]	173.5	170.0	168.1	153.6	135.7
Market capitalization [(2)]	484.9	455.6	470.7	527.6	391.1
Enterprise value (EV) [(3)]	432.2	408.2	414.9	474.7	325.9

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

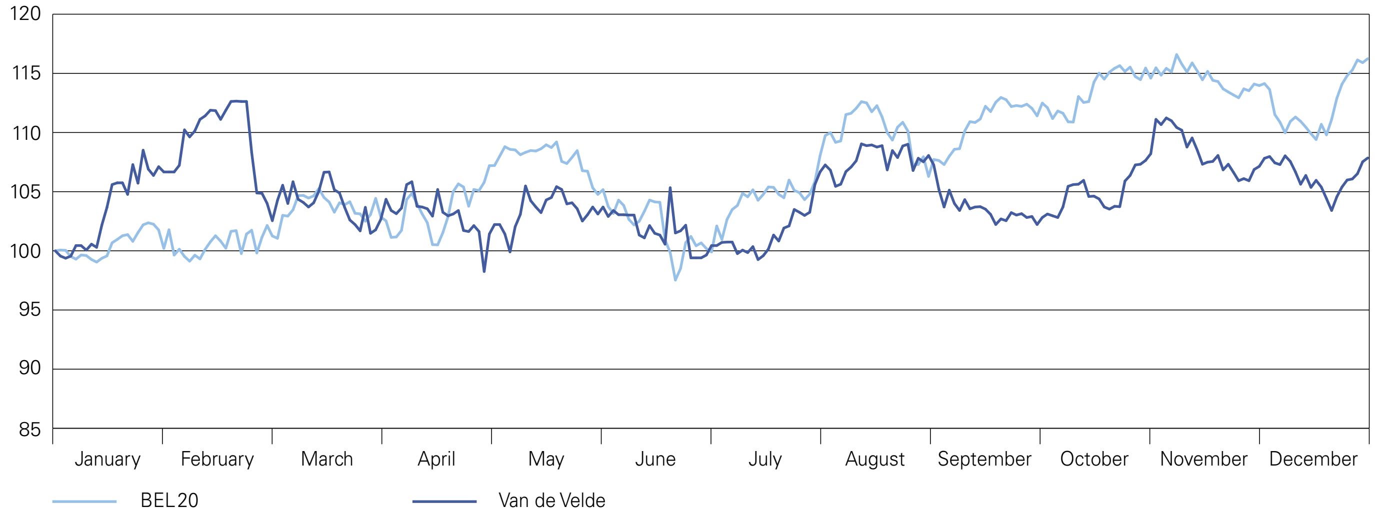
Multiples	2013	2012	2011	2010	2009
EV/Recurring EBITDA [(1)]	8.9	8.4	7.7	9.1	7.4
Price/Profit [(2)]	15.4	18.1	11.5	13.2	14.7
Price/Book value [(3)]	2.8	2.7	2.8	3.4	2.9

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

Van de Velde and BEL 20 stock market price



Stock market price in 2013

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5 | Consolidated financial statements and related notes

Consolidated balance sheet

000 euro	2013	2012	*(Note)*
Assets			
Total fixed assets	**100,853**	**109,382**	
Goodwill	28,210	25,413	3
Intangible assets	26,930	27,364	4
Tangible fixed assets	30,405	32,285	5
Participations (equity method)	13,906	16,296	6
Deferred tax asset	333	0	15
Other fixed assets	1,069	8,024	7
Total current assets	**96,314**	**87,688**	
Inventories	36,377	35,199	9
Trade and other receivables	12,205	13,168	10
Other current assets	8,422	7,583	11
Cash and cash equivalents	39,310	31,738	12
Total assets	**197,167**	**197,070**	
Equity and liabilities			
Shareholders' equity	**173,460**	**169,979**	
Share capital	1,936	1,936	13
Treasury shares	-1,182	-1,336	13
Share premium	743	743	13
Other comprehensive income	-9,502	-9,415	
Retained earnings	181,465	178,051	
Non-controlling interests	**3,976**	**4,615**	**13**
Total non-current liabilities	**4,567**	**4,946**	
Provisions	1,034	1,111	14
Pensions	32	33	21
Other non-current liabilities	2,976	3,462	16
Deferred tax liability	525	340	15
Total current liabilities	**15,164**	**17,530**	
Trade and other payables	14,044	16,124	17
Other current liabilities	852	1,238	18
Income taxes payable	268	168	18
Total equity and liabilities	**197,167**	**197,070**	

Consolidated income statement

000 euro	2013	2012	*(Note)*
Turnover	182,433	181,759	27
Other operating income	4,354	5,047	
Cost of materials	-43,587	-44,481	
Other expenses	-52,807	-52,823	
Personnel expenses	-43,420	-40,689	21
Depreciation and amortization	-7,589	-6,130	4.5
Operating profit	**39,384**	**42,683**	
Impairment of goodwill and intangible assets with indefinite useful life	0	- 8,000	3
Finance income	2,618	5,574	20
Finance costs	-1,513	-2,303	20
Share in result of associates	58	-2,346	6
Profit before taxes	**40,547**	**35,608**	
Income taxes	-9,076	-10,408	22
Profit for the year	**31,471**	**25,200**	
Other comprehensive income			
Currency translation adjustments	-318	-389	
Total other comprehensive income (fully recyclable in the income statement)	**-318**	**-389**	
Total of profit for the period and other comprehensive income	**31,153**	**24,811**	

000 euro	2013	2012	*(Note)*
Profit for the year	**31,471**	**25,200**	
Attributable to the owners of the company	31,763	25,613	
Attributable to non-controlling interests	-292	-413	
Total of profit for the period and other comprehensive income	**31,153**	**24,811**	
Attributable to the owners of the company	31,676	25,340	
Attributable to non-controlling interests	-523	-529	
Basic earnings per share (in euro)	2.39	1.93	23
Diluted earnings per share (in euro)	2.39	1.93	23
Weighted average number of shares	13,283,528	13,288,169	23
Weighted average number of shares for diluted profit per share	13,290,720	13,298,380	23
Proposed dividend per share (in euro)	2.15	2.15	24
Total dividend (in 000 euro)	28,561	28,561	24

Consolidated statement of changes in equity

000 euro Change in equity	Share capital	Share premium	Treasury shares	Retained earnings	Share-based payments	Other compre-hensive income	Equity	Non-controlling interests	Total equity
	Attributable to the shareholders of the parent								
Equity at 01/01/2012	1,936	743	-1,699	175,584	784	-9,214	168,134	8,996	177,130
Profit for the period				25,613			25,613	-413	25,200
Other comprehensive income						-273	-273	-116	-389
Sale of treasury shares for stock options			1,145				1,145		1,145
Purchase of treasury shares			-782				-782		-782
Amortization deferred stock compensation					133		133		133
Granted and accepted stock options				448	-448		0		0
Reserves at Top Form				943		72	1,015		1,015
Dividends				-28,858			-28,858		-28,858
Adjustments to non-controlling interests				3,852			3,852	-3,852	0
Equity at 31/12/2012	1,936	743	-1,336	177,582	469	-9,415	169,979	4,615	174,594
Profit for the period				31,763			31,763	-292	31,471
Other comprehensive income						-97	-97	-231	-328
Sale of treasury shares for stock options			154				154		154
Amortization deferred stock compensation					101		101		101
Granted and accepted stock options				47	-47		0		0
Reserves at Top Form				75		10	85		85
Dividends				-28,525			-28,525		-28,525
Adjustments to non-controlling interests							0	-116	-116
Equity at 31/12/2013	1,936	743	-1,182	180,942	523	-9,502	173,460	3,976	177,436

Consolidated cash flow statement

000 euro	2013	2012
Cash flows from operating activities		
Cash receipts from customers	235,128	229,570
Cash paid to suppliers and employees	-184,826	-181,870
Cash generated from operations	**50,302**	**47,700**
Income taxes paid	-11,419	-12,523
Other taxes paid	-3,796	-4,178
Interest and bank costs paid (note 20)	-242	-196
= Net cash from operating activities	**34,845**	**30,803**
Cash flows from investing activities		
Interest received (note 20)	404	616
Received dividends (note 20)	0	265
Purchase of fixed assets (note 4 and 5)	-5,499	-12,529
Recovery investment in subsidiary [(1)]	7,261	0
Investments in other participating interests (note 17: settlement of liabilities from acquisition of a participation in joint venture)	-1,147	0
Net sale /(purchase) of treasury shares (note 13)	147	304
= Net cash used in investing activities	**1,166**	**-11,344**
Cash flows from financing activities		
Dividends paid (note 24)	-28,651	-28,649
Repayment of long-term borrowings / increase in financial debt	-482	-163
Repayment of short-term borrowings / increase in financial debt	172	0
Net financing of customer growth fund	-24	-15
= Net cash used in financing activities	**-28,985**	**-28,827**
Net increase/(decrease) in cash and cash equivalents	**7,026**	**-9,368**
Cash and cash equivalents at the beginning of the period (note 12)	**31,738**	**41,222**
Exchange rate differences	546	-116
Net increase/(decrease) in cash and cash equivalents	7,026	-9,368
Cash and cash equivalents at the end of the period (note 12)	**39,310**	**31,738**

(1) This relates to the collection of the receivable from the minority shareholders of Intimacy (7,232 thousand euro - see note 7) plus the cash at Re-tail BV upon acquisition of the remaining 50.1% of the shares (29 thousand euro).

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 18 February 2014, subject to approval of the statutory non-consolidated accounts by the shareholders at the Ordinary General Meeting to be held on 30 April 2014. In compliance with Belgian law, the consolidated accounts will be presented for informational purposes to the shareholders of Van de Velde NV at the same meeting. The consolidated financial statements are not subject to amendment, except conforming changes to reflect decisions, if any, of the shareholders with respect to the statutory non-consolidated financial statements affecting the consolidated financial statements.

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

2. Summary of significant accounting policies

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

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

Use of estimates

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

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

The most important application of estimates relates to:

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

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

Employee benefits – share-based payments

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

Fair value measurement of a contingent consideration

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

Gift cards and store credits

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

Change in accounting policies

The accounting policies adopted are consistent with those of the previous fiscal year except for the following new, amended or revised IFRSs and interpretations effective as of 1 January 2013:
- IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities;
- IFRS 13 Fair Value Measurement;
- IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income;
- IAS 12 Income Taxes – Recovery of Tax Assets;
- IAS 19 Employee Benefits (amended);
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine;
- Annual Improvements to IFRS (issued May 2012).

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

Consolidation principles

Subsidiaries

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

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date that control commences until the date that control ceases. They are prepared as of the same reporting date and using the Group accounting policies. Intragroup balances, transactions, income and expenses are eliminated in full.

Associated companies

Associated companies are companies in which Van de Velde NV directly or indirectly has a significant influence. This is assumed to be the case when the Group holds at least 20% of the voting rights attached to the shares. The financial statements of these companies are prepared in accordance with the same accounting policies used for the Group. The consolidated financial statements contain the share of the Group in the result of associated companies in accordance with the equity method from the day that the significant influence is acquired until the day it ends. If the share of the Group in the losses of the associated companies is greater than the carrying amount of the participation, the carrying amount is set at zero and additional losses are recognized only insofar as the Group has assumed additional obligations.

Participations in associated companies are revalued if there are indications of possible impairment or of the disappearance of the reasons for earlier impairments. The participations valued in the balance sheet in accordance with the equity method also include the carrying amount of related goodwill.

Business combinations

Business combinations are accounted for using the purchase method. The cost of a business combination is valued as the total of the fair value on the date of exchange of assets disposed of, issued equity instruments, and obligations entered into or acquired. Identifiable acquired assets, acquired obligations and contingent obligations that are part of a business combination are initially valued at fair value at the acquisition date, regardless of the existence of any minority shareholding.

Costs directly attributable to the business combination are directly recorded in the income statement.

Non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately from the parent's shareholders' equity in the consolidated income statement and in the consolidated balance sheet.

Foreign currencies

Foreign currency transactions

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

Financial statements of foreign activities

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

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

Intangible assets

(1) Research and development

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

(2) Acquired brands

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

(3) Key money

Key money refers to the 'droit au bail' or right to rent the shops in France and is recorded at cost. The value of this right does not decrease in relation to the lease period but changes with the market for this type of commercial right. Therefore the useful life of key money is considered to be indefinite. Key money is reviewed periodically for impairment. During 2012, a rent agreement was entered into in Germany involving key money, amortized over a period of 5.5 years. In 2013, a rent agreement was entered into in Denmark involving key money for which amortization will start in 2014.

(4) Other intangible assets

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

Goodwill

(1) Goodwill

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

(2) Negative goodwill

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

Tangible fixed assets

(1) Initial expenditure

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

(2) Subsequent expenditure

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

(3) Depreciation

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

The depreciation rates used are as follows:

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

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

Impairment of assets

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

(1) Calculation of recoverable amount

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

(2) Reversal of impairment

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

Inventories

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

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

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

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

Trade and other receivables

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

Leasing

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

Derivative financial instruments

Hedges

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

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

Collateralized debt obligations (CDOs)

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

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits. Those cash and cash equivalents are financial assets held to maturity. Interest income is recognized based on the effective interest rate of the asset.

Share capital

(1) Change in capital

When there is an increase or decrease in Van de Velde's share capital, all directly attributable costs relating to that event are deducted from equity and not recognized in profit or loss when incurred.

(2) Dividends

Dividends are recognized as a liability in the period in which they are declared.

Provisions

Provisions are recognized when Van de Velde has a present legal or constructive obligation as a result of past events, it is probable that an outflow will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Employee benefits

(1) Pension plan

The company's obligations to contribute to 'defined contribution' plans are charged to the income statement as incurred.

(2) Share-based payments

The fair value of the share options awarded under the Group's share option plan is established on the grant date, with due consideration for the terms and conditions under which the options are granted and using a valuation technique corresponding to generally accepted valuation methods for establishing the price of financial instruments and with due consideration for all relevant factors and assumptions. The fair value of the share options is recognized as personnel expenses for the period until the beneficiary acquires the option unconditionally (i.e. vesting date).

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except insofar as it relates to items included in other comprehensive income or shareholders' equity. In that case, income tax is included in other comprehensive income or shareholders' equity.

Current tax is the expected tax payable on the taxable income for the year, using applicable tax rates on the balance sheet date, and any adjustments to tax payables with respect to previous years.

For financial reporting purposes, deferred income tax is calculated using the liability method based on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax assets are recognized only insofar as it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been implemented or substantively implemented at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset when a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Trade and other payables

Trade and other payables are stated at cost. Trade payables are non-interest bearing and are normally settled on 30-day terms. Other payables are non-interest bearing and have an average term of six months.

Revenue

(1) Goods sold

In relation to the sale of goods, revenue is recognized when goods have been invoiced and shipped to the buyer. The possible return of goods or non-settlement of invoices is currently not taken into account. Cash discounts granted are recorded in the income statement upon collection of the outstanding balance. These discounts are recorded as a deduction of revenue.

Sales of products to the customers of the Group's retail network are recognized at the point of sale when the transaction is entered into the cash register. Sales are recorded net of sales taxes, value-added taxes, discounts and incentives.

(2) Gift cards and store credits

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

(3) Financial income

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

(4) Government grants

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

Expenses

(1) Interest expenses

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

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

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

New and amended standards and interpretations, effective for fiscal years starting after 1 January 2013

The Group has not early-adopted any standards or interpretations issued but not yet effective as at 31 December 2013.

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

- IIFRS 9 Financial Instruments, effective 1 January 2015;
- IFRS 10 Consolidated Financial Statements, effective 1 January 2014;
- IFRS 11 Joint Arrangements, effective 1 January 2014;
- IFRS 12 Disclosure of Interests in Other Entities, effective 1 January 2014;
- IFRS 10-12 Transition Guidance, effective 1 January 2014;
- IFRS 10, IFRS 12 and IAS 27 Investment Entities, effective 1 January 2014;
- IAS 27 Separate Financial Statements, effective 1 January 2014;
- IAS 28 Investments in Associates and Joint Ventures, effective 1 January 2014;

- IAS 32 Financial Instruments - Presentation: Offsetting Financial Assets and Financial Liabilities, effective 1 January 2014;
- IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets, effective 1 January 2014;
- IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting, effective 1 January 2014;
- IFRIC 21 Levies, effective 1 January 2014.

IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities are applicable in the European Union as from 1 January 2014. The Group assessed the impact as at 31 December 2013 of these new standards issued by the IASB and concludes that the Group will not be exposed to significant changes with respect to its consolidation perimeter and the accounting treatment for current joint ventures and associated entities.

3. Goodwill

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

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

000 euro	Andres Sarda	Intimacy	Rigby & Peller	Re-tail [1]	Total
Carrying value, gross					
At 01/01/2013	**6,357**	**26,189**	**1,749**	**0**	**34,295**
Acquisition through business combinations	0	0	0	2,797	2,797
At 31/12/2013	**6,357**	**26,189**	**1,749**	**2,797**	**37,092**
Impairment and other adjustments					
At 01/01/2013	**6,357**	**2,525**	**0**	**0**	**8,882**
Impairment and other adjustments	0	0	0	0	0
At 31/12/2013	**6,357**	**2,525**	**0**	**0**	**8,882**
At 31/12/2013					
Accumulated acquisitions	6,357	26,189	1,749	2,797	37,092
Accumulated impairment/other adjustments	6,357	2,525	0	0	8,882
Goodwill, net 31/12/2013	**0**	**23,664**	**1,749**	**2,797**	**28,210**

(1) Due to the full consolidation of Re-tail BV since April 2013, goodwill increased by 2,797 thousand euro. The remaining shares of Re-tail BV were acquired at the end of March 2013, bringing the total shareholding from 49.9% to 100%. Re-tail BV is hence no longer included in the participations (equity method). The opening balance sheet of Re-tail BV shows negative net assets of 0.3 million euro, resulting in the recognition of goodwill of 2.8 million euro.

Impairment test

In the fourth quarter of 2013 the Group conducted its annual impairment test for each cash-generating unit. The following intangible assets allocated to each of the cash-generating units were subject to an impairment test in 2013:

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

The difference between the brands with indefinite useful life subject to an impairment test (19,987 thousand euro) and the total amount of brands with indefinite useful life (21,662 thousand euro) relates to the Lincherie brand, which was acquired in 2010.

Result of the impairment test

In 2013 the impairment test showed that the realizable value of all cash-generating units exceeded the carrying value and hence no impairment was required.

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

Further information on the impairment test is provided below.

Methodology applied to the impairment test

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

- A model-based approach determines the realizable value on the basis of the calculated value-in-use, being the present value of the future expected cash flows from these cash-generating units:
  - For the first year in the forecast period (2014), the growth plan as approved by the Board of Directors is used as the basis.
  - For the subsequent years (2015-2017), a cash flow projection is drawn up based on realistic assumptions.
- The discount rate used to calculate the present value of the future expected cash flows is based on the market assessments and is explained below.

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

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

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

Turnover assumptions for the forecast period

For the four cash-generating units, the growth plan as approved by the Board of Directors is the starting point for the first year in the forecast period (2014).

For Andres Sarda, the expected average growth rate during the period 2014-2017 is a double-digit percentage, also due to the low starting point. This takes into account the turnover developments within the Andres Sarda business as well as any synergies as a result of the Andres Sarda acquisition, being a larger customer base for the Van de Velde brands in Spain.

For the planning period (2014-2017) moderate turnover growth on a like-for-like basis has been applied to the cash-generating units Intimacy, Rigby & Peller and Re-tail. For Intimacy and Rigby & Peller, one new store opening per year has been provided for. Fully aligned with the segment reporting, the turnover estimates include the retail turnover realized by the stores as well as the wholesale turnover for the Van de Velde products sold by these retail channels. Furthermore, the turnover forecast for Rigby & Peller takes into account only further developments in the UK market and does not reflect the fact that this brand will be rolled out as Van de Velde's global retail brand (except in the US and the Netherlands).

EBITDA development and EBITDA margins applied to the turnover forecast

A development towards the target EBITDA margin is assumed for Andres Sarda. The improved margin for Andres Sarda should mainly be achieved through turnover growth in the wholesale business and continued penetration of Andres Sarda in Van de Velde's own stores. The cost developments will also be monitored very strictly.

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

Growth rate used to extrapolate cash flows beyond the forecast period

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

Discount rate

The discount rates represent the current market assessment of the risks specific to the Van de Velde Group on the one hand and the cash-generating units on the other. The discount rates are estimated on the basis of the weighted average cost of capital after tax and are in a range between 8.2% and 9.0% for the four cash-generating units. This corresponds to a cost of capital before tax of between 10.2% and 11.5%. The highest rate applies to the cash-generating unit Andres Sarda.

Sensitivity to changes in assumptions

For Andres Sarda and Intimacy, the sensitivity analysis shows that realizing the projected cash flows for the period 2014-2017 is key if the impairment tests are to be passed, which is also reflected in the limited headroom[1] in both cash-generating units. If the projected cash flows are not realized, both cash-generating units will be exposed considerably to an impairment. The extent to which the projected cash flows are realized will be very closely monitored for both cash-generating units.

With regard to the assessment of value-in-use of the Rigby & Peller and Re-tail units, management believes that on the basis of the performed sensitivity analysis no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount. This is also reflected in the substantial headroom in both cash-generating units.

The implications of the key assumptions for the recoverable amount are discussed below.

Turnover assumptions for the forecast period

Management has considered the possibility of lower than forecast turnover growth during the forecast period (2014-2017). A negative deviation from the business plan with regard to Andres Sarda and Intimacy could possibly result in an impairment charge. The same is true if Intimacy does not meet the targets for 2014. Intimacy had not moved into growth by late 2013/early 2014.

EBITDA development and EBITDA margins applied to the turnover forecast

Management has considered the possibility of lower than forecast EBITDA margin on sales. A significant change in the target EBITDA margin at Andres Sarda and Intimacy applied for the extrapolation of expectation could possibly result in an impairment charge.

Growth rate used to extrapolate cash flows beyond the forecast period

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

Discount rates

A change in the weighted average cost of capital to about 10.5% for Intimacy and 11.5% for Andres Sarda could possibly result in an impairment charge.

1 Headroom refers to the difference between the calculated realizable value and the carrying value for a specific cash-generating unit.

4. Intangible assets

000 euro	Total	Brands with finite useful life	Brands with indefinite useful life	Distribution rights and similar rights	Software	Key money
Intangible assets, gross						
At 01/01/2012	33,155	1,138	27,193	0	4,488	336
Investments	5,520	256	0	3,786	1,358	120
Disposals	0	0	0	0	0	0
Exchange adjustments	-14	-5	0	0	-9	0
At 31/12/2012	38,661	1,389	27,193	3,786	5,837	456
Amortization and impairment						
At 01/01/2012	4,229	683	0	0	3,210	336
Amortization	1,537	186	0	757	590	4
Impairment	5,531	0	5,531	0	0	0
Disposals	0	0	0	0	0	0
At 31/12/2012	11,297	869	5,531	757	3,800	340
Intangible assets, net 31/12/2012	27,364	520	21,662	3,029	2,037	116
Intangible assets, gross						
At 01/01/2013	38,661	1,389	27,193	3,786	5,837	456
Acquisitions through business combinations	27	0	0	0	27	0
Investments	1,205	331	0	0	827	47
Disposals	-222	0	0	0	-22	-200
Exchange adjustments	-53	-1	0	-52	0	0
At 31/12/2013	39,618	1,719	27,193	3,734	6,669	303
Amortization and impairment						
At 01/01/2013	11,297	869	5,531	757	3,800	340
Amortization	1,611	218	0	689	682	22
Impairment	0	0	0	0	0	0
Disposals	-220	0	0	0	-20	-200
At 31/12/2013	12,688	1,087	5,531	1,446	4,462	162
Intangible assets, net 31/12/2013	26,930	632	21,662	2,288	2,207	141

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

Brands with indefinite useful life are:

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

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

Distribution rights and similar rights refer to the distribution agreement and the intangible assets that the Group acquired at the start of the Private Shop joint venture with Getz Bros. (Hong Kong) Limited

(‘Getz’) in 2012. The investment for the acquisition of the distribution agreement and the intangible assets is estimated at 5,000 thousand American dollar, 3,000 thousand American dollar of which was settled. The remaining amount of 2,000 thousand American dollar has been recognized as a liability payable to Getz and will be settled dependent on certain milestone criteria being fulfilled. The amortization period is 5 years.

The investment in software in 2013 relates among other things to facilities for management and publication of product information, implementation of software for among other things E-commerce, shop management, upgrades to software for customer relationship management and miscellaneous improvements to ERP software.

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

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

5. Tangible fixed assets

000 euro	Total	Land and buildings	Installations, machinery and equipment	Assets under construction
Tangible fixed assets, gross				
At 01/01/2012	59,636	25,172	32,679	1,785
Investments	10,814	5,352	5,121	341
Acquisitions through business combinations	0	0	0	0
Transfer	0	1,665	0	-1,665
Disposals	-269	0	-269	0
Exchange adjustments	-87	-47	-37	-3
At 31/12/2012	70,094	32,142	37,494	458
Depreciation and impairment				
At 01/01/2012	33,438	12,301	21,137	0
Depreciation	4,593	1,731	2,862	0
Disposals	-249	0	-249	0
Exchange adjustments	0	0	0	0
At 31/12/2012	37,782	14,032	23,750	0
Tangible fixed assets, net				
Tangible fixed assets (without grants)	32,312	18,110	13,744	458
Grants at 31/12/2012	-54	-22	-32	0
Grants utilized in 2012	27	12	15	0
At 31/12/2012	32,285	18,100	13,727	458
Tangible fixed assets, gross				
At 01/01/2013	70,094	32,142	37,494	458
Investments	4,417	1,083	2,476	858
Acquisitions through business combinations	1,520	823	697	0
Transfer	0	370	26	-396
Disposals	-1,700	-1,083	-617	0
Exchange adjustments	-477	-296	-181	0
At 31/12/2013	73,854	33,039	39,895	920
Depreciation and impairment				
At 01/01/2013	37,782	14,032	23,750	0
Depreciation	5,978	2,803	3,175	0
Acquisitions through business combinations	1,361	563	798	0
Disposals	-1,671	-1,083	-588	0
Exchange adjustments	0	0	0	0
At 31/12/2013	43,450	16,315	27,135	0
Tangible fixed assets, net				
Tangible fixed assets (without grants)	30,404	16,724	12,760	920
Grants at 31/12/2013	-24	-10	-14	0
Grants utilized in 2013	25	+10	+15	0
At 31/12/2013	30,405	16,724	12,761	920

The investments in 2013 primarily relate to the new packaging equipment for the distribution center in Wichelen as well as to the opening of new stores and/or store enhancements in the UK, the USA and Denmark.

6. Investments in associates

Investments in associates consist of the following Group interests:

- 50.0% in Private Shop Ltd.;
- 49.9% in Re-tail BV. The Group increased its shareholding in Re-tail BV to 100% at the end of March 2013. From this point in time, Re-tail BV is fully consolidated;
- 25.7% in Top Form International Ltd.

Net carrying amount 000 euro	Re-tail BV	Top Form Ltd.	Private Shop Ltd.	Total
Per 01/01/2013	2,644	11,579	2,073	16,296
Results for the fiscal year	-111	185	-16	58
Reserves	0	75	0	75
Other comprehensive income	0	10	0	10
Change consolidation method	-2,533	0	0	-2,533
Per 31/12/2013	0	11,849	2,057	13,906

Key figures per participation are as follows:

Key figures	Top Form Ltd. HKD 000 (31/12/2013)	Private Shop Ltd. HKD 000 (31/12/2013)
Tangible fixed assets	136,852	3,902
Other fixed assets	65,664	4,564
Current assets	494,696	41,231
Non-current liabilities	17,630	0
Current liabilities	151,516	6,970
Total net assets	528,066	42,727
Turnover	540,448	61,965
Net profit	9,382	-1,153

The figures relating to Top Form International Ltd. in the above table refer to the half-year closing at 31/12/2013 (first half-year fiscal year 2014) and therefore refer to turnover and net profit for a period of six months.

7. Other fixed assets

Other fixed assets consist of the following:

000 euro	2013	2012
Other financial assets	0	266
Security deposits for VAT	252	547
Other security deposits	212	320
Other participating interests	25	25
Receivables on minorities	0	6,277
Prepaid rent expenses	123	172
Borrowings	457	417
Other fixed assets, net	1,069	8,024

The receivables on minorities relate to the acquisition of 35.1% of the shares of Intimacy LLC (transaction dated April 2010) with an advance payment of 13.5 million American dollar. At the end of 2012, the receivable was 8.3 million American dollar (6.3 million euro). The receivable from the selling party (the minority shareholder) of 9.4 million American dollar (7.2 million euro) in total was fully collected during the first half of 2013.

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

8. Grants

Grants for investments in assets

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

000 euro	2013	2012
At 1 January	54	85
Received during the year	0	0
Released to the income statement	25	27
Exchange rate adjustments	5	4
At 31 December	24	54

Other grants
In 2012 an amount of 140 thousand euro was recorded in the income statement as other operating income. This income related to a grant for strategic investments and training support, and subsidies received from Belgium's Agency for Innovation, Science and Technology (IWT). In 2013 no amount was recorded as other operating income related to other grants.

9. Inventories

Inventories by major components are as follows:

000 euro	2013	2012
Finished and merchandise goods	20,778	20,133
Work in progress	9,146	8,341
Raw materials	12,568	12,988
Inventories, gross	**42,492**	**41,462**
Less: allowance for obsolescence	-6,115	-6,263
Inventories, net	**36,377**	**35,199**

The allowance for obsolescence in 2013 relates to finished products (2,739 thousand euro), work in progress (20 thousand euro) and raw materials (3,356 thousand euro). The allowance for obsolescence in 2012 relates to finished products (2,469 thousand euro), work in progress (20 thousand euro) and raw materials (3,774 thousand euro).

The additional write-down on inventories (excluding merchandise goods) amounted to 3,099 thousand euro in 2013, compared with 3,778 thousand euro in 2012. The additional write-down relates to raw materials (1,817 thousand euro in 2013 and 2,356 thousand euro in 2012) and finished products (1,282 thousand euro in 2013 and 1,422 thousand euro in 2012).

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

10. Trade and other receivables

Accounts receivable are as follows:

000 euro	2013	2012
Trade receivables, gross	12,549	13,808
Less: allowance for doubtful debtors	-344	-640
Trade receivables, net	**12,205**	**13,168**

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

In 2013 there was a loss of 171 thousand euro with respect to trade receivables (141 thousand euro in 2012).

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

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

	Total	Neither past due nor impaired	Past due but not impaired		Past due and an impairment has been recorded
000 euro			1-60 days	60-90 days	> 90 days
2013	12,549	8,173	2,792	373	1,211
2012	13,808	7,650	3,359	1,274	1,525

11. Other current assets

Other current assets consist of the following:

000 euro	2013	2012
Prepaid expenses	2,548	3,305
Tax receivables (VAT & corporate income tax)	5,201	3,338
Accrued income	220	554
Sundry	346	137
FX forward contracts (note 19)	107	249
Other current assets, net	8,422	7,583

12. Cash and cash equivalents

Cash and cash equivalents consist of the following:

000 euro	2013	2012
Cash at banks and in hand	16,838	12,147
Marketable securities	22,472	19,591
Cash and cash equivalents	39,310	31,738

Marketable securities consist only of saving accounts and short-term investments at financial institutions.

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

13. Share capital

Authorized and fully paid	2013	2012
Nominative shares	7,497,851	7,497,851
Dematerialized shares	5,823,299	5,822,344
Bearer shares	1,330	2,285
Total number of shares	13,322,480	13,322,480

At 31 December 2013 Van de Velde NV's share capital was 1,936 thousand euro (fully paid), represented by 13,322,480 shares with no nominal value and all with the same rights insofar as they are not treasury shares, whose rights have been suspended or cancelled. The Board of Directors of Van de Velde NV is authorized to raise the subscribed capital one or more times by a total amount of 1,936 thousand euro under the conditions stated in the Articles of Association. This authorization is valid for five years after publication in the annexes to Belgisch Staatsblad/Moniteur belge (21 May 2012).

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

Treasury shares

At the end of 2012 Van de Velde held 43,199 of its own shares with a total value of 1,336 thousand euro.
In accordance with Article 620 of Belgium's Companies Code, the General Meeting of 25 April 2012 gave the Board of Directors the power to acquire the company's own shares. In 2013 no treasury shares were purchased.
Within the framework of the stock option plan a total of 5,000 options were exercised and the same number of treasury shares was made available to the option holders.
At the end of 2013 Van de Velde NV held 38,199 of its own shares with a total value of 1,182 thousand euro. The treasury shares owned by Van de Velde NV at the end of 2013 are held with the intention of offering them to the management within the framework of a stock option programme initiated in 2005.

000 euro	2013	2012
Share capital	1,936	1,936
Treasury shares	-1,182	-1,336
Share premium	743	743

Non-controlling interests

Non-controlling interests include the 15% stake of minority shareholder Nethero Management Company LCC in the equity and net income of Intimacy Management Company LCC and the 13% stake of the Kenton family in the equity and the net income of Rigby & Peller Ltd.

14. Provisions

000 euro	Provisions
At 01/01/2012	906
Arising during the year	607
Utilized	-402
Provisions 31/12/2012	1,111
At 01/01/2013	1,111
Arising during the year	136
Utilized	-213
Provisions 31/12/2013	1,034

At the end of 2012 a provision of 1,111 thousand euro was outstanding in relation to termination fees for sales agents and other planned measures. In 2013, 88 thousand euro of the provision was used (276 thousand euro in 2012) and an additional provision of 136 thousand euro (231 thousand euro in 2012) was recognized. The expected timetable of the corresponding cash outflows depends on the progress and duration of the negotiations with the sales agents.

In 2012 a provision for expenses to be incurred going forward (376 thousand euro) was recorded in relation to the contribution of know-how in Private Shop Ltd. This provision will be used over a period of 3 years; one third of it was used during 2013 (125 thousand euro).

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

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

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

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

15. Deferred taxes

The deferred taxes consist of the following:

000 euro	Captive	Financial instruments	Deferred tax liabilities on fixed assets	Deferred tax assets on assets	Deductible losses	Total
At 01/01/2012	-590	176	-1,103	2,205	0	688
Changes	0	-176	-172	-680	0	-1,028
At 31/12/2012	-590	0	-1,275	1,525	0	-340
At 01/01/2013	-590	0	-1,275	1,525	0	-340
Changes	590	0	-223	-552	333	148
At 31/12/2013	0	0	-1,498	973	333	-192

The net deferred tax liability of 525 thousand euro consists of the following components:

- Upon sale of the captive, an amount of 590 thousand euro was deposited on an escrow account. A deferred tax liability was recognized in the same amount. The escrow account expired in the course of 2013 and the deferred tax liability was reversed.
- In 2012 the treatment of financial instruments (notably FX forwards outstanding at year-end) was harmonized between IFRS and the

statutory accounts (notably at fair value), so there are no longer any temporary differences giving rise to deferred taxes.
- Regarding the deferred tax liabilities on fixed assets, the depreciable amount of an item of property, plant and equipment should be allocated on a straight-line basis over its useful life. In the statutory financial statements, the double declining depreciation method is applied, which is restated for consolidation purposes. The deferred taxes were valued at the theoretical tax rate of 33.99%.
- Deferred tax assets on assets relate to differences between the statutory accounting policies and the accounting policies in accordance with IFRS.

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

16. Other non-current liabilities

Other non-current liabilities consist of the following:

000 euro	2013	2012
Deferred rent and lease incentives	1,520	1,945
Liabilities from acquisition of a participation in joint venture	1,456	1,517
Other non-current liabilities	2,976	3,462

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

The liabilities from acquisition of a participation in joint venture relate to Private Shop Ltd. The amount of 1,456 thousand euro (2,000 thousand American dollar) is a liability payable to Getz for the acquisition of a distribution agreement and intangible assets at the start of the joint venture in 2012. This amount will be settled when certain milestone criteria are fulfilled. The Group is of the opinion that this amount will not be settled until after 2014.

17. Trade and other payables

Trade and other payables consist of the following:

000 euro	2013	2012
Trade payables	4,872	5,539
Payroll, social charges	5,384	6,046
Gift cards and credits issued	779	558
Accrued charges	2,157	1,380
Sundry	393	861
Short-term borrowings	459	602
Liabilities from acquisition of a participation in joint venture	0	1,138
Trade and other payables	14,044	16,124

The current portion of the liability from the acquisition of a participation in Private Shop (see also note 16) was settled in 2013.

18. Other current liabilities and taxes payable

000 euro	2013	2012
Other current liabilities: taxes (VAT payable, local taxes, withholding taxes)	852	1,238
Taxes payable: corporate income taxes	268	168

19. Financial instruments

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

Derivatives that do not qualify for hedge accounting

The company applies FX forward contracts to manage transaction risks. These have a maturity date between 15/01/2014 and 15/12/2014 (maturities at 31 December 2012: between 15/01/2013 and 16/12/2013). 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 -4.6 thousand euro, comprising an unrealized income of 107.4 thousand euro and an unrealized loss of 112.0 thousand euro.

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

000 euro	2013	2012
Derivatives that do not qualify for hedge accounting:		
Other current assets	107.4	249.2
Other current liabilities	-112.0	-74.7

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

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

20. Financial result

The financial result breaks down as follows:

000 euro	2013	2012
Interest income	251	563
Interest costs	-9	-99
Interest result, net	**242**	**464**
Exchange gains	1,480	1,732
Exchange losses	-1,242	-1,842
Exchange result, net	**238**	**-110**
Finance income from business combination with Intimacy	885	2,958
Income from investments (dividends)	0	265
Other financial income	2	53
Other financial costs	-262	-359
Financial result	1,105	3,271

Financial income from business combination with Intimacy refers to the result recognized as a consequence of adjusting the purchase price of 35.1% of the Intimacy shares (transaction dated April 2010) (note 7). In 2012 the receivables on minorities were increased by 2.9 million euro. In 2013 an additional adjustment of 0.9 million euro was recorded. The receivable from the selling party (the minority shareholder) of 9.4 million American dollar (7.2 million euro) in total was fully collected during 2013.

21. Personnel expenses

Personnel expenses are as follows:

000 euro	2013	2012
Wages	11,515	10,444
Salaries	23,671	22,300
Social security contributions	7,324	7,140
Other personnel expenses	910	805
Personnel expenses	43,420	40,689

Workforce at balance sheet date	2013	2012
White collars	609	588
Blue collars	846	976
Total	1,455	1,564

At the moment the Group primarily has pension plans of the ‘defined contribution’ type. The cost of this plan amounted to 623 thousand euro in 2013 (566 thousand euro in 2012). A provision of 32 thousand euro (33 thousand euro in 2012) of the ‘defined benefit’ type remains.

Share-based payments

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

The impact of IFRS 2 on the result of the year 2013 was 101 thousand euro versus 133 thousand euro in 2012.

The option plans for 2005 until 2009 were valued on the basis of the binomial tree structure. The option plans for 2010 until 2013 were valued using the Black-Scholes-Merton model for call options. The following assumptions were used to determine the weighted average fair value at grant date:

	PLAN 2007	2008	PLAN 2009	PLAN 2010	PLAN 2011	PLAN 2012	PLAN 2013
Grant date	02/10/07	28/06/08	28/09/09	01/10/10	28/09/11	24/09/12	11/10/13
Dividend right as of the grant date	no	no	no	no	no	no	no
Contractual term of the options	5-15	5-10	5-10	5-10	5-10	5-10	5-10
Exercise price	35.93	28.38	29.29	34.51	34.00	34.88	34.89
Expected volatility	35.05%	35.05%	35.05%	35.10%	35.00%	35.00%	35.00%
Risk-free interest rate	3.64%-4.07%	4.14%	2.76%-3.59%	2.27%-3.05%	2.48%-2.74%	0.90%-2.06%	1.08%-2.16%
Fair value of the share options (in euro)	6.99	8.66	9.42	12.88	10.41	9.62	10.26

The share option plan has developed as follows:	Option plan 2005 - 2013
Outstanding at 01/01/2012	**96,500**
Exercisable at 01/01/2012	**53,500**
Movements during the year	
Accepted	15,000
Forfeited	0
Exercised	42,500
Expired	0
Outstanding at 31/12/2012	**69,000**
Exercisable at 31/12/2012	**11,000**
Movements during the year	
Accepted	11,000
Forfeited	0
Exercised	5,000
Expired	0
Outstanding at 31/12/2013	**75,000**
Exercisable at 31/12/2013	**36,000**

22. Income taxes

The major components of income tax expense for the years ending 31 December 2013 and 2012 are:

000 euro	2013	2012
Current income tax	**9,224**	**9,380**
Current income tax charge	9,316	9,540
Adjustments in respect of current income tax of previous years	-92	-160
Deferred income tax	**-148**	**1,028**
Relating to the origination and reversal of temporary differences	-148	1,028
Income tax expense reported in the consolidated income statement	**9,076**	**10,408**

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

000 euro	2013	2012
Profit before taxes [1]	**40,489**	**45,954**
Parent's statutory tax rate of 33.99%	13,762	15,620
Higher income tax rates in other countries	113	0
Lower income tax rates in other countries	-3,665	-3,186
Tax effect on finance gain on business combinations	-301	-1,005
Utilization tax losses and unrecognized losses	394	-355
Disallowed expenses	238	215
Notional interest deduction	-571	-693
Reversal tax provision (note 15)	-590	0
Other	-304	-83
Tax impact on Top Form dividend	0	-105
Total income taxes	**9,076**	**10,408**
Effective income tax rate	**22.42%**	**22.65%**

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

23. Earnings per share

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

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

	2013	2012
Profit attributable to shareholders (in 000 euro)	31,763	25,613
Weighted average number of ordinary shares	13,283,528	13,288,169
Dilutive effect of stock options	7,192	10,211
Weighted average number of shares after impact of dilution	13,290,720	13,298,380
Basic earnings per share (euro)	**2.39**	**1.93**
Diluted earnings per share (euro)	**2.39**	**1.93**

In 2012 all stock options granted over the period 2005-2012 were dilutive. In 2013 all stock options granted over the period 2008-2013 were dilutive.

24. Dividends paid and proposed

000 euro	2013	2012
Dividend paid	28,576	28,649
Dividend paid (2.15 euro per share in 2013, 2.15 euro per share in 2012)		
Dividend proposed	28,561	28,561
Dividend proposed (2.15 euro per share for fiscal year 2013, 2.15 euro per share for fiscal year 2012). No dividend rights are attached to treasury shares.		

25. Commitments and contingent liabilities

The Group rents sites for the shops of its own retail network and showrooms to present collections to customers. These rent contracts are operational leases with a contract term of one year or more. Rental expenses in respect of these operating leases amounted to 6,406 thousand euro in 2013 (5,971 thousand euro in 2012).

Future minimum lease payments under operating leases were as follows at 31 December 2013:

000 euro	2013
Within one year	6,590
After one year but not more than five years	20,843
More than five years	9,244
Total	**36,677**

26. Related party disclosures

Full consolidation

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

Name	Address	(%) equity interest 2013	Change on previous year
VAN DE VELDE NV	Lageweg 4 9260 SCHELLEBELLE, Belgium VAT BE0448.746.744	Parent company	
VAN DE VELDE GMBH & Co KG	Blumenstraße 24 40212 DUSSELDORF, Germany	100	0
VAN DE VELDE VERWALTUNGS GMBH	Blumenstraße 24 40212 DUSSELDORF, Germany	100	0
VAN DE VELDE TERMELO ES KERESKEDELMI KFT	Selyem U.4 7100 SZEKSZARD, Hungary	100	0
VAN DE VELDE UK LTD	Mitre House, Aldersgate Street 160 EC1A4DD LONDON, United Kingdom	100	0
VAN DE VELDE MODE BV	Ringbaan West 268 5025 VA TILBURG, Netherlands	100	0
VAN DE VELDE FRANCE SARL	16, Place du General De Gaulle 59000 LILLE, France	100	0
MARIE JO GMBH	Blumenstraße 24 40212 DUSSELDORF, Germany	100	0
VAN DE VELDE IBERICA SL	Calle Santa Eulalia, 5 08012 BARCELONA, Spain	100	0
VAN DE VELDE CONFECTION SARL	Route De Sousse BP 25 4020 KONDAR, Tunisia	100	0
VAN DE VELDE FINLAND OY	Yliopistonkatu 34, 4 krs huone 401 20100 TURKU, Finland	100	0
VAN DE VELDE NORTH AMERICA INC	171 Madison Avenue, Suite 201 NEW YORK, NY 10016, USA	100	0
VAN DE VELDE DENMARK APS	Lejrvejen 8 6330 PADBORG, Denmark	100	0
VAN DE VELDE RETAIL INC	171 Madison Avenue, Suite 201 NEW YORK, NY 10016, USA	100	0
EUROCORSET SA	Calle Santa Eulalia, 5-7-9 08012 BARCELONA, Spain	100	0

Name	Address	(%) equity interest 2013	Change on previous year
SU DISTRIBUIDORA SUL TU CORPO SL	Calle Santa Eulalia, 5-7-9 08012 BARCELONA, Spain	100	0
INTIMACY MANAGEMENT COMPANY LLC	3980 Dekalb Technology Parkway 760 GA 30340 ATLANTA, USA	85	0
RIGBY & PELLER LTD	Unit 5, Portal West Business Centre 6 Portal Way, LONDON W3 6RU, United Kingdom	87	0
VAN DE VELDE POLAND SP ZOO	Ul. Al Wyzwolenia 10 - lok 171 00570 WARSCHAU, Poland	100	0
RE-TAIL BV	Tarwestraat 37 A 2153 GE NIEUW VENNEP, Netherlands	100	50.1%
PALO BV	Corellistraat 27 1077 HB AMSTERDAM, Netherlands	100	50.1%
DONKER MODE/LINDESSA BV	Tarwestraat 37 A 2153 GE NIEUW VENNEP, Netherlands	100	50.1%
ELLURE LINGERIE BV	Tarwestraat 37 A 2153 GE NIEUW VENNEP, Netherlands	100	50.1%

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:

Name	Address	(%) equity interest 2013	Change on previous year
TOP FORM INTERNATIONAL LTD	15/F., Tower A, Manulife Financial Centre, No. 223-231 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong	25.7	0
PRIVATE SHOP LTD	Wyler Centre I, 8th Floor 202-210 Tai Lin Pai Road Kwai Chung, Hong Kong	50	0

Top Form International Ltd ("TFI")

In 2013 transactions between the Group and TFI totalled 9,409 thousand American dollar. On 31 December 2013 the Group had trade payables to TFI in the amount of 714 thousand American dollar. In 2012 transactions between the Group and TFI totalled 8,077 thousand American dollar. On 31 December 2012 the Group had trade payables to TFI in the amount of 489 thousand American dollar.

Private Shop Ltd

In 2013 sales between the Group and Private Shop Ltd totalled 616 thousand euro. On 31 December 2013, the Group had no accounts receivable to Private Shop Ltd. In 2012 sales between the Group and Private Shop Ltd totalled 425 thousand euro. On 31 December 2012, the Group had no accounts receivable to Private Shop Ltd.

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

Relationships with shareholders

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

Relationship with key management personnel

See the remuneration report in chapter 3.

Director remuneration

The remuneration of the directors is as follows. For his chairmanship of the Board of Directors, his membership of the Nomination and Remuneration Committee, the Audit Committee and the Strategic Committee, the chairman of the Board of Directors receives gross remuneration of 60,000 euro. The other non-executive members receive annual remuneration of 15,000 euro for their membership of the Board of Directors and 2,500 euro for their membership of the Audit and/or Nomination and Remuneration Committee respectively. The members of the Board of Directors who are also members of the Management Committee receive no remuneration for their membership of the Board of Directors. The total remuneration for the directors (excluding the managing directors) was 160 thousand euro in 2013 and 142 thousand euro in 2012. The directors have not received any loan or advance from the Group.

Management Committee remuneration

For the year ended 31 December 2013, a total amount of 2,332 thousand euro (2,004 thousand euro in 2012) was awarded to the members of the Management Committee, including the managing directors. See the remuneration report in chapter 3 for more details.

These total amounts include the following components:

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

000 euro	2013	2012
Basic remuneration	1,833	1,681
Variable remuneration	441	905
Group insurance premiums	28	25
Other benefits	30	33
Reversal remuneration provided for during previous four fiscal years	0	-640
Total	2,332	2,004

In addition to these pecuniary advantages, share-based benefits have been granted to the Management Committee through stock option plans. The members of the Management Committee had the opportunity to participate in an employee stock option plan, through which they were granted 5,000 share options in 2013 (idem in 2012). The calculated cost of the options accepted by the Management Committee in 2013 was 103 thousand euro.

27. Segment information

Van de Velde is a single-product business, being the production and sale of luxury lingerie. Van de Velde distinguishes two operating segments: Wholesale and Retail. No segments have been combined.

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

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

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

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

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

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

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

In the following tables, the segmented information is shown for the periods ending on 31 December 2013 and on 31 December 2012:

Segment income statement	**2013**				**2012**			
000 €	**Wholesale**	**Retail**	**Unallocated**	**Total**	**Wholesale**	**Retail**	**Unallocated**	**Total**
Segment revenues	138,941	43,492	0	**182,433**	138,983	42,776	0	**181,759**
Segment costs	-69,387	-38,813	-27,260	**-135,460**	-70,552	-37,290	-25,104	**-132,946**
Depreciation	0	-3,348	-4,241	**-7,589**	0	-2,833	-3,297	**-6,130**
Segment results	69,554	1,331	-31,501	**39,384**	68,431	2,653	-28,401	**42,683**
Net finance profit				**1,105**				**3,271**
Impairment				**0**				**-8,000**
Result from associates				**58**				**-2,346**
Income taxes				**-9,076**				**-10,408**
Non-controlling interests				**-292**				**-413**
Net income				**31,763**				**25,613**

Segment balance sheet	2013			2012		
000 €	Wholesale	Retail	Total	Wholesale	Retail	Total
Segment assets	48,527	60,809	109,336	47,384	59,527	106,911
Unallocated assets			87,831			90,159
Consolidated total assets	48,527	60,809	197,167	47,384	59,527	197,070
Segment liabilities	0	0	0	0	0	0
Unallocated liabilities			197,167			197,070
Consolidated total liabilities	0	0	197,167	0	0	197,070

Capital expenditure	2013				2012			
000 €	Wholesale	Retail	Unallocated	Total	Wholesale	Retail	Unallocated	Total
Tangible fixed assets	0	1,639	2,778	4,417	0	1,965	8,849	10,814
Intangible assets	0	313	892	1,205	0	4,384	1,136	5,520
Depreciation	0	3,348	4,241	7,589	0	2,833	3,297	6,130

Breakdown by region – turnover	2013			2012		
000 €	Eurozone	Elsewhere	Total	Eurozone	Elsewhere	Total
Turnover	113,749	68,684	182,433	108,275	73,484	181,759

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

- Belgium, Germany and the Netherlands for the Eurozone;
- USA for Elsewhere.

Further information about the assets of the company – location (000 €)	Belgium	Elsewhere	Total
Tangible fixed assets	21,160	9,245	30,405
Intangible assets	11,081	15,849	26,930
Inventories	31,286	5,091	36,377

28. Events after balance sheet date

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

29. Business risks with respect to IFRS 7

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

Currency risk

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

The transaction risk is mainly centralized within Van de Velde NV. In 2013 Van de Velde NV invoiced slightly over 25% of sales in currencies other than euro. In addition, a significant proportion of purchases are in foreign currency (e.g. purchases raw materials and subcontractors).

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

Foreign operations increase the translation risk of the Group. Financial instruments are not used to hedge this risk.

The Group performed a sensitivity analysis in 2013 with regard to changes in foreign currencies for the positions EUR/CAD, EUR/USD, EUR/GBP, EUR/DKK and EUR/CHF. The outstanding trade receivables and trade payables of the Group at the balance sheet date have been converted with a sensitivity of 10%. In the event of a 10% rise or fall in the exchange rate, the impact on the financial statements will be presented as follows:

000 euro	+10%	-10%
CAD	58	-58
CHF	35	-35
DKK	13	-13
GBP	57	-57
USD	42	-42
	205	-205

Credit risk

As a consequence of the large diversified customer portfolio, the Group does not have a significant concentration of credit risks. The Group has developed strategies and additional procedures to monitor credit risk at its customers. Sales are generated through more than 5,000 independent retailers and a small number of luxury department stores. No single customer accounts for more than 2.3% of turnover. The insolvency risk is also covered by credit insurance. The part of trade receivables not covered by the credit insurer is considered to be impaired as soon as the due date exceeds 90 days.

Liquidity and cash flow risk

The liquidity and cash flow risk is rather limited thanks to the large operational cash flow and the net cash position (39.3 million euro). Credit lines worth more than 10 million euro are also available.

Risk of interruptions in the supply chain

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

- The IT department has a disaster recovery plan designed to minimize the risk of damage from the failure of the computer infrastructure.
- The risks of interruption in deliveries by a supplier and the possible alternatives have been identified and are regularly monitored. The creditworthiness of suppliers is also monitored.
- As far as possible, the concentration risk from suppliers is managed by sufficient diversification. The ten leading material suppliers account for approximately 60% of purchase costs. The largest supplier accounts for more than 25% of purchase costs, whereas all other suppliers account for less than 10%.
- Assembly capacity is mainly spread over China and several sites in Tunisia.
- From August 2012, the raw materials warehouse and the distribution centre are located at the same site. These warehouses are in separate buildings. Both comply with high safety standards.

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

Risk of overvalued stock

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

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

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

Product risk

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

Compliance and regulatory risks

Van de Velde Group is subject to federal, regional and local laws and regulations in each country in which it operates. Such laws and regulations relate to a wide variety of matters, such as data security, privacy, product liability, health and safety, import and export, occupational accidents, employment practices and the relationship with associates (regarding overtime and work place safety among other things), tax matters, unfair competitive practices and similar regulations, etc.

Compliance with, or changes in, these laws could reduce the revenues and profitability of the Group and could affect its business, financial conditions or the results of operations.

Van de Velde Group has been subject to and may in the future be subject to allegations of violating certain laws and/or regulations. Such allegations or investigations or proceedings may require the Group to devote significant management resources to defending itself against. In the event that such allegations are proven, Van de Velde may be subject to fines, damages awards and other expenses, and its reputation may be harmed.
Van de Velde Group actively strives to ensure compliance with all laws and regulations to which it is subject. A degree of insurance has been taken out to cover some of the above-mentioned risks.

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

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

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

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

Other operational risks

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


ANDRES SARDA
Designed in Barcelona

6 | Statutory auditor's report to the general meeting of shareholders of Van de Velde NV on the consolidated financial statements for the year ended December 31, 2013

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 balance sheet as of 31 December 2013, the consolidated income statement, consolidated statement of realized and unrealized income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended 31 December 2013 and on the notes, and includes the required additional statements.

Report on the consolidated financial statements - Unqualified opinion

We have audited the consolidated financial statements of Van de Velde NV ('the Company') and its subsidiaries (jointly 'the Group') for the year ended 31 December 2013, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, with a balance sheet total of € 197,167 thousand and net income (attributable to the equityholders of the parent) of € 31,763 thousand.

Responsibility of the board of directors for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for the implementation of internal control that it considers necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 International Standards on Auditing (ISA). Those standards require that we comply with the ethical requirements, and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal controls 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. An audit also includes evaluating the appropriateness of accounting policies used, the reasonableness of significant accounting estimates made by the board of directors and the presentation of the consolidated financial statements taken as a whole.

We have obtained from the board of directors and the company's and group officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the consolidated financial statements of the Company for the year ended 31 December 2013 give a true and fair view of the Group's financial position as at 31 December 2013 and of the results of its operations and its cash flows in accordance with the International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

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 directors.

Within the context of our mandate it is our responsibility to report, in all material respects, our findings with respect to certain legal and regulatory obligations. On this basis, we make the following comment which does not modify the scope of our opinion on the financial statements:

– The directors' report on the consolidated financial statements includes the information required by law and is consistent with the consolidated financial statements, and does not contain any inconsistencies with the information that we became aware of during the performance of our mandate.

Gent, 18 February 2014
Ernst & Young Bedrijfsrevisoren bcvba
Statutory auditor
represented by
Paul Eelen
Partner
Ref. 140075

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

Statutory financial statements

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

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

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

Concise balance sheet

000 euro	31/12/2013	31/12/2012
Fixed assets	**37,514**	**41,772**
Intangible fixed assets	5,842	8,494
Tangible fixed assets	16,752	17,696
Financial fixed assets	14,920	15,582
Current assets	**85,437**	**88,240**
Amounts receivable after one year	4,713	7,982
Stocks and orders in production	33,325	30,337
Amounts receivable within one year	18,380	18,746
Financial investments	13,639	17,852
Cash at banks and in hand	13,906	11,008
Accrued income and deferred charges	1,474	2,315
Total assets	122,951	130,012
Shareholders' equity	**66,980**	**77,157**
Issued capital	1,936	1,936
Share premium	743	743
Reserves	64,301	74,478
Provisions, deferred taxes and tax liabilities	**763**	**714**
Provisions for risks and costs	763	714
Liabilities	**55,208**	**52,141**
Amounts payable after one year	0	0
Amounts payable within one year	52,940	49,847
Accrued charges and deferred income	2,268	2,294
Total liabilities	122,951	130,012

Concise income statement

000 euro	31/12/2013	31/12/2012
Operating income	**161,508**	**157,899**
Turnover	154,947	154,427
Changes in stocks unfinished goods and finished goods	2,911	-888
Other operating income	3,650	4,360
Operating costs	**131,383**	**125,614**
Goods for resale, raw materials and consumables	36,502	34,797
Services and other goods	64,342	61,263
Salaries, social charges and pension costs	22,668	22,097
Depreciations	8,224	7,076
Write-downs and provisions	-548	201
Other operating costs	195	180
Operating profit	**30,125**	**32,285**
Financial result	**-2,989**	**-3,298**
Finance income	1,849	3,033
Finance costs	-4,838	-6,331
Profits on ordinary activities before tax	**27,136**	**28,987**
Exceptional result	**36**	**470**
Exceptional income	48	476
Exceptional costs	-12	-6
Pre-tax profit for the fiscal year	**27,172**	**29,457**
Tax on the profit	-8,787	-9,275
Profit for the year	**18,385**	**20,182**

Appropriation account

000 euro	31/12/2013	31/12/2012
Distributable profit	**18,385**	**20,182**
Distributable profit for the fiscal year	18,385	20,182
Transfer from reserves	10,176	8,379
Profit to be distributed	**28,561**	**28,561**

Statutory annual report Van de Velde NV
Fiscal year 1/1/2013 - 31/12/2013

The statutory report is in accordance with article 96 of Belgium's Companies Code.

1. Comments on the financial statements
The financial statements show a balance sheet total of 122,951 thousand euro and a profit after tax for the fiscal year of 18,385 thousand euro.

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

3. Expected developments
We refer readers to Expectations for 2014 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 and the design department investigate new materials, new production technologies, new products and so on.

5. Additional tasks of the statutory auditor
The General Meeting of Shareholders of 24 April 2013 of Van de Velde NV appointed Ernst & Young Bedrijfsrevisoren BVCBA, Moutstraat 54, 9000 Ghent, represented by Paul Eelen, as statutory auditor. The auditor is appointed until the annual meeting of 2016.

The annual remuneration in 2013 for auditing the statutory and consolidated annual accounts of Van de Velde NV was 49,500 euro (excl. VAT). The total costs for 2013 for the auditing of the annual accounts of all companies of the Van de Velde Group was 187,624 euro (excl. VAT), including the 49,500 euro mentioned above.

In accordance with Article 134 of Belgium's Companies Code, Van de Velde announces that the remuneration of the statutory auditor for exceptional and special tasks and to the persons with whom the statutory auditor has a professional relationship was 24,999 euro (excl. VAT), all of which relates to tax advisory and compliance tasks.

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

7. Acquisition of own shares
At the end of 2012 Van de Velde held 43,199 of its own shares with a total value of 1,336 thousand euro.

In accordance with Article 620 of Belgium's Companies Code, the General Meeting of 25 April 2012 gave the Board of Directors the power to acquire the company's own shares. In 2013 no treasury shares were purchased.

Within the framework of the stock option plan a total of 5,000 options were exercised and the same number of treasury shares was made available to the option holders.

At the end of 2013 Van de Velde NV held 38,199 of its own shares with a total value of 1,182 thousand euro. The treasury shares owned by Van de Velde NV at the end of 2013 are held with the intention of offering them to the management within the framework of a stock option programme initiated in 2005.

000 euro	2013	2012
Share capital	1,936	1,936
Treasury shares	-1,182	-1,336
Share premium	743	743

8. Conflict of interests
In 2013 the procedure laid down in Article 523 of Belgium's Companies Code was not applied as no such events occurred in the Board of Directors.

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

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

11. Enumeration, within the framework of Article 34 of Belgium's Royal Decree of 14 November 2007 concerning the obligations of issuers of financial instruments that may be traded on a regulated market.
- 43.73% of the shares of Van de Velde NV are held by the general public. The remainder of the shares are held by Van de Velde Holding NV, which groups the interests of the Laureys and Van de Velde families. Different types of shares do not exist.
- There are no restrictions on the transfer of securities laid down by law or the Articles of Association.
- Holders of securities linked to special control: A majority of Van de Velde NV's directors are appointed from the candidates nominated

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

12. Corporate Governance

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

13. Remuneration Report

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

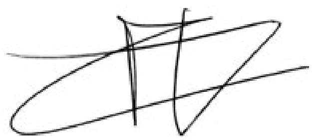
14. Proposed profit distribution

The Board of Directors proposes to the General Meeting of Shareholders payment of a dividend of 2.15 euro per share. After payment of 25% withholding tax, this represents a net dividend of 1.61 euro per share.
After approval by the General Meeting the dividend will be paid out from 7 May 2014 at branches of ING and Bank Degroof upon presentation of coupon 8.

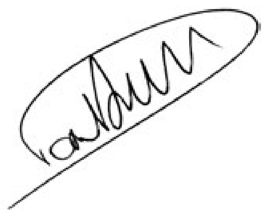
Proposed profit distribution in thousands of euro:

Distributable profit	18,385
Transfer from other reserves	10,176
Gross dividend of 2.15 euro per share on 13,284,281 shares	28,561

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



EBVBA 4F
Represented by
Ignace Van Doorselaere
Managing Director



8 | Statement of responsible persons

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

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

B) The annual report faithfully reflects the developments and the results of Van de Velde and the companies included in the consolidation, as well as providing a description of the main risks and uncertainties it faces.

EBVBA 4F, always represented by
Ignace Van Doorselaere
CEO

Stefaan Vandamme
CFO

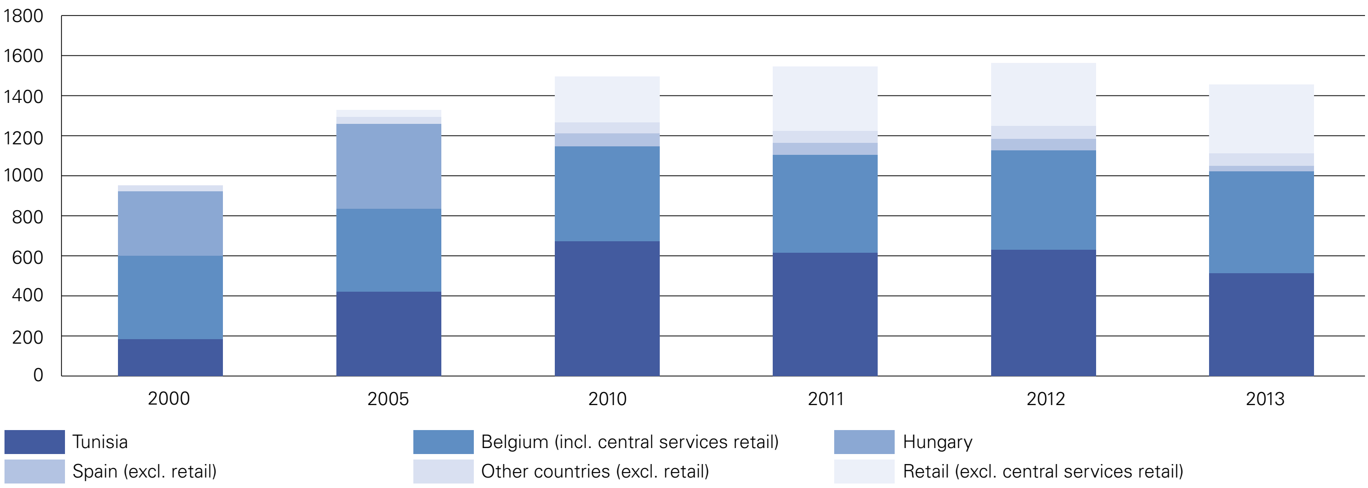
Social report

Headcount (Group)

The total number of employees of Van de Velde group decreased by 7% in 2013 compared with 2012. The decrease is due to a recruitment stop in our production unit in Tunisia (because of the less stable political situation) and restructuring in Spain (Andres Sarda).

On the other hand, the number of employees increased at the head office in Belgium and in our retail division (acquisition of Re-tail BV in the Netherlands).

Headcount	2000	2005	2010	2011	2012	2013
Tunisia	183	420	672	614	631	512
Belgium (incl. central services retail)	417	416	474	490	496	511
Hungary	322	422	0	0	0	0
Spain (excl. retail)	0	1	65	60	56	27
Other countries (excl. retail)	29	35	56	58	65	60
Retail (excl. central services retail)	0	34	227	323	316	345
Total	**951**	**1,328**	**1,494**	**1,545**	**1,564**	**1,455**



GROEI is central to our organization

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

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

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

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

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

In 2013 we continued to roll out GROEI in the organization. On the one hand by expanding the growth conversations (see below), on the other by organizing annual growth sessions in each department. In these growth sessions both managing directors enter into direct dialogue with all employees and together they establish actions to anchor GROEI in our organization.

Growth conversations

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

The purpose of the growth conversations is to encourage more dialogue between line managers and employees with regard to performance, career and teamwork.

Training

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

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

In 2013 we invested further in strengthening our people's management and personal leadership skills. That will ensure that strong (personal) leadership helps drive a strong, growing Van de Velde organization.

Talent

Van de Velde has a great deal of talent in house. We ensure this gets appropriate attention too. Our starting point is that everyone is talented and it is the responsibility of the manager to create an environment in which everyone is able to optimally use and develop her or his talent. It is also the responsibility of each and every employee to use her or his talent in a positive and constructive way and to say which skills she or he would like to develop in the future.
Where possible, we try to promote from within and we always work to assign the right project to the right person. That is our way of making sure we take full advantage of the talents of employees and work on active retention by giving employees challenges that are tailored to them.
In 2013 several employees made a career step via internal promotion or by shifting to another department.

Recruitment and selection

Shortfall occupations

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

Stitchers

The low intake of qualified stitchers threatens the continuity of our stitching department in Schellebelle in the medium term. We took action to stimulate recruitment in various ways in 2013. We partnered with VDAB (the local employment service) to develop an intensive training course for prospective stitchers, including a work placement in our stitching department. We also selected eight stitchers from our former Hungarian production plant to start in our stitching department in Schellebelle at the beginning of 2014.

Communication and team spirit

Staff activity

Van de Velde regularly organizes a special activity for employees and their families. In addition to the annual New Year's drink, we invited our employees and their partners to a 1920s themed staff party. The monthly Van de Velde café offers our employees the opportunity to catch up after working hours. In 2013 we also started the summer holidays with a barbecue in the sun, organized by our staff.

Inside-out

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

Meeting over the company's results and targeted communication

On the day of publication of the annual and interim figures all employees are given the opportunity to attend an information meeting. The aim of this meeting is to clarify Van de Velde's results and ongoing projects. Herman Van de Velde and Ignace Van Doorselaere also made time to provide more insight into the company's future plans and challenges in 'strategic sessions' for small groups of employees.

Health and safety

Fire safety and first aid

A fire drill is held at all sites every year. As well as being an opportunity to test all procedures, these fire drills enable our employees to refresh their knowledge of the fire safety instructions.
The persons responsible for safety and the employees responsible for first aid follow regular courses to brush up and improve their knowledge and skills.

Occupational accidents

In 2013 there were twelve minor occupational accidents at work in Belgium, as well as two accidents on the way to and from work (mainly falls). Although these were mainly very minor incidents, all accidents and near-accidents were thoroughly investigated by the risk prevention advisor. Where necessary, adaptations were made to our risk prevention policy, the use of personal protective equipment (such as safety boots and auditory protection) and employee training (such as lifting).
Safety is an issue that is given daily attention. The risk prevention advisor arranges weekly "safety discussions" with employees to talk about any accidents and near-accidents and focus attention on the specific safety risks in their work.

Healthy body, healthy mind

In 2013 we again offered our employees the opportunity to improve their physical condition together with their colleagues in a number of sports initiatives. The weekly supervised runs continue to be a big success and we taught our employees the basics of self-defence in a second 'start-to-defend' session.

Social commitment

Wetteren CAW reception centre

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

Ethical and social enterprise

The ethical and social commitments of Van de Velde Group are published in the Ethical and Social Charter. This charter can be accessed at www.vandevelde.eu.

These commitments have earned the SA8000 label in Belgium (Wichelen and Schellebelle) since 2003.

SA8000

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

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

Interim audits

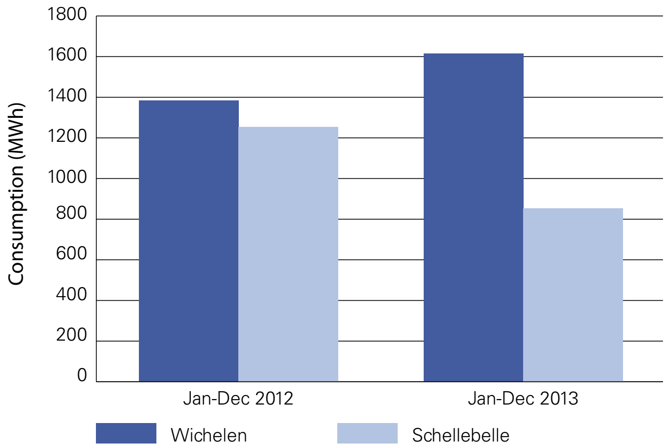
Our certified sites are audited twice a year by independent auditors SGS (www.sgs.be), once in May and once in November.

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

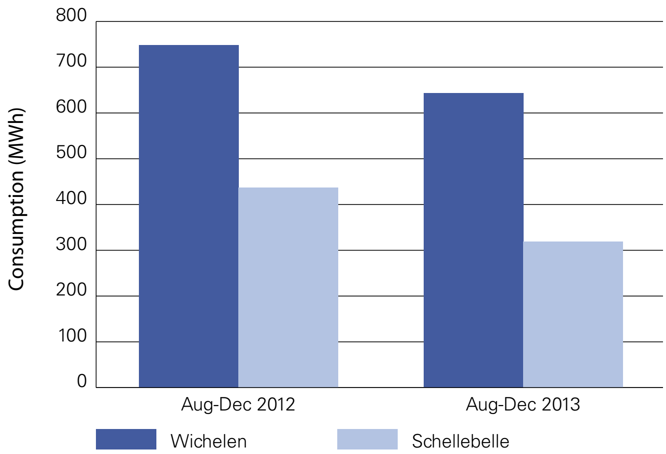
Environmental report

The photovoltaic system was taken into use at Meerbos 24 in Wichelen on 4 February 2013. 702 solar panels are installed on the roof, covering a surface area of almost 3000 m². In 2013, they generated 134.58 MWh, which is equal to a 60.97-ton reduction in carbon emissions.

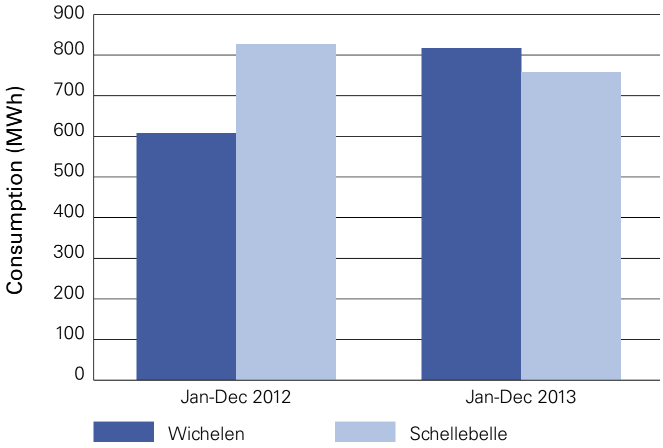
The new building in Wichelen was taken into use on 6 August 2012. Even with the additional building, in 2013 we managed to reduce our electricity consumption by 6.5% compared to 2012 at company level (Schellebelle and Wichelen combined). This reduction is due not only to the solar panels on the roof at Meerbos 24; we have also taken energy-saving measures. These include switching off unnecessary lights and powering down cooling units when they are not needed. Electricity consumption has been reduced in Schellebelle, whereas it has increased in Wichelen due to the relocation of the cutting room and a large part of the storeroom.

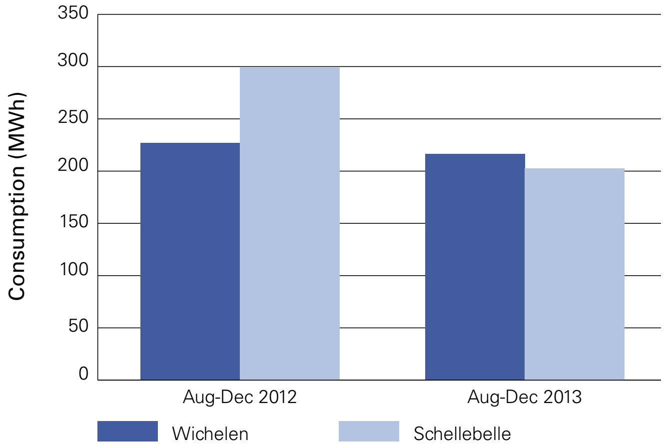


Comparing the period from August to December in 2012 and 2013, there has been a reduction in electricity consumption at company level of almost 19%. This is the period in 2012 during which Meerbos 24 was in use. In Wichelen and Schellebelle we have focused our efforts on switching off unnecessary lights and cooling units.



Gas consumption to heat the buildings rose by almost 10% at company level in 2013 compared to 2012. This is a relatively low rise bearing in mind the need to heat the additional building at Meerbos 24 and the prolonged period of cold at the beginning of 2013. Meerbos 24 is equipped with the best technology available to minimise energy consumption. Every storey has underfloor heating, so we heat at a low temperature using a water pump and the air units are equipped with a heat exchanger to maximise the recovery of emitted heat.





Comparing the period from August to December in 2012 and 2013, there has been a reduction in gas consumption at company level of almost 20.5%. This is the period in 2012 during which Meerbos 24 was already in use. Because the winter set in later in 2013, we switched on the heating boilers later.

In mid 2013 we started a study to optimise the HVAC system at Meerbos 22. The intention is to gain more control over air conditioning and energy consumption through the use of new HVAC technologies and systems. We are working with an experienced engineering office to this end. The implementation and phasing of the work depend on the results of the full study, which will be finished in the first quarter of 2014.

We begin renovation work in Schellebelle in mid 2014, when a lot of attention will be given to low-energy systems that enable us to further reduce our energy consumption in the long run and so also our carbon emissions.

As part of the renovation work in Schellebelle the entire drainage system will be modernised to meet the new standards for a separate sewer system. We will also stockpile some rainwater, for use among other things in the sanitary system, which is also the case at Meerbos 24.

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

Contribution to the Belgian Treasury

The total contributions made to the Belgian Treasury represent 72% of the operating profit of Van de Velde that was generated in Belgium. This operating profit is based on the statutory financial statements and amounted to 30,125 thousand euro at 31 December 2013.

000 euro	Total	Expense for Van de Velde	Withheld by Van de Velde
Social security contribution	4,919	4,919	0
Withholding tax on wages	3,297	0	3,297
Income tax	8,786	8,786	0
Difference between recoverable and deductible VAT	1,099	0	1,099
Withholding taxes	2,674	33	2,641
Property taxes	137	137	0
Provincial and municipal taxes and other federal taxes	54	54	0
Taxes on insurance premiums	60	60	0
Import duties	538	538	0
Total	**21,564**	**14,527**	**7,037**