Van de Velde

Annual report 2018

OUR MISSION

Shaping the bodies and minds 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
Petrovsky & Ramone (Marie Jo)
Jeroen Mantel and Frances Tulk Hart (PrimaDonna)
Jonas Bresnan (Andres Sarda)

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Deze jaarbrochure is eveneens beschikbaar in het Nederlands,
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Contact
For clarification on the information contained in this annual report please contact:
Nico Van den Meersschaut
Finance Manager
Tel.: (09) 365 21 00
Fax: (09) 365 21 70

Editor
Van de Velde NV
Lageweg 4
9260 Wichelen
Tel.: (09) 365 21 00
Fax: (09) 365 21 70
VAT number: BE0448 746 744
Company number RPR 0448 746 744
Dendermonde
website: www.vandevelde.eu

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* These chapters of the Board of Director's report are consistent with the Consolidated Financial Statements and have been prepared in accordance with article 119 of Belgium's Companies Code.


PrimaDonna

1 | The year 2018

Message from the Chairman

At the turn of the year I decided to visit a number of customers to listen to what's on their minds and so keep my finger on the pulse. All of the visits were uplifting, instructive and occasionally confrontational. First and foremost, I was pleasantly surprised by how enthusiastic these customers were about our products, brand strategy, marketing and service. Unfortunately, however, I found that there is a lot of uncertainty and a lack of clarity about our digital strategy. Many unanswered questions remain. On my visits I clearly came to understand that we have to improve our communication to our customers.

Everybody realises that the commercial environment has been profoundly changed by Internet and every trader and supplier must adapt its strategy to this new environment. Our company must not miss the digital train, but we must act along with and for the benefit of our customers, the lingerie boutiques. I am willing to admit that in our approach we have given too little attention to our retailer-customers. We want to adjust this policy and Marleen Vaesen, together with the Board of Directors, has the challenge of developing a digital strategy that places the retailer at the centre of things again.

We have a great deal of confidence in Marleen Vaesen. She is a hard-headed woman, pragmatic but firm, visible and approachable for the employees. She will lead the company in an uncomplicated way and return to the simple but successful recipes of the past. She will emphasise the company's core competencies, that is offering beautiful, creative lingerie of impeccable quality that fits perfectly, supported by a clear brand strategy.

I would also like to thank our employees for their hard work. They, too, are experiencing a turbulent period and have faced a multitude of projects. In the coming months we will bring peace to the organisation, set priorities and focus on a select number of projects.

Lastly, I would also like to thank our shareholders, who, in spite of the share price trend, continue to have confidence in our company.

Herman Van de Velde
Chairman of the Board of Directors


PrimaDonna
twist

Activity report

2018 a year of challenges. For the fiscal year of 2018 the reported turnover of Van de Velde decreased by 1.8% from 209.0 million euro to 205.2 million euro. At constant exchange rates, this amounts to a decrease of 0.8%. At wholesale, a decrease in lingerie was largely compensated by growth in our swim collection by the strong start of Marie Jo Swim. Taking the negative exchange rate effect into account on the one hand and the positive effect of higher deliveries of the spring/summer collection, the reported turnover for wholesale decreased by 1.6%. Taking the negative exchange rate effect and the effect of closure of onerous shops into account, reported turnover for retail increased by 0.3%. This is due to growth in Europe (+5.1) and a limited decline in the US (-3.0%).

Our brands

PrimaDonna, Celebrating Curves since 1865

For the second successive year, PrimaDonna was named *"Best Selling European Boutique Brand"*. This award, presented by Intima magazine at the Paris Salon International de la Lingerie, is based on the results of a survey among 350 independent European retailers in the United Kingdom, Spain, Italy, France and Germany assessing the collections, sizing, fit, quality and sale and after-sale service of various premium lingerie companies.

PrimaDonna was also named "Best Selling Swimwear Brand in Spain" in the PrimaDonna Swim category; this is great recognition for a brand that was launched just three short years ago.

These awards confirm PrimaDonna's success. A success characterised by an unrivalled fit in the large cup sizes combined with fashion, colour and femininity. The brand reaches an ever bigger target group, gaining a strong foothold in the market. One of PrimaDonna's greatest assets is the loyal customer base. Once a woman has experienced the PrimaDonna fit and quality, she becomes a loyal customer. This generates growth opportunities, which we will capitalise on over the next few years by increasing awareness of our brand.

In 2018 we enlarged the PrimaDonna lingerie collection with an extra luxury line positioned just a little above the existing luxury line in terms of look and feel and of price. Alongside bras and briefs, the collection also includes luxury accessories. The introduction was a success and offers many opportunities for the expansion of this segment.

Continued growth is targeted for the PrimaDonna Twist collection. The introduction of the *Never out of Stock* programme strengthens the solid basis for turnover. Launched in 2010, PrimaDonna Twist is a relatively young brand whose customer base we built up over the initial years with successful fashion collections. The following step is designing a basic collection.

Both *Swim* and *Sport* are regular lines in the PrimaDonna collection that complement the total look of the brand. Consumers often get to know the brand and the lingerie collections through these categories.

Marie Jo, Created for Living and Loving

Marie Jo focuses on modern trend-conscious women who value design, quality and fit. For years the brand has marketed a wide range of refined lingerie for every moment and every occasion: elegant and exciting, timeless and new, beautiful and feminine, but also comfortable due to the reliable fit. The Marie Jo and Marie Jo L'Aventure ranges offer everything from highly luxurious, romantic and seductive to casual chic, always based on the same values: quality, craftsmanship and authentic design.

We launched the first Marie Jo Swim collection on the market in 2018. It was an immediate success with good resales. Loyal lingerie fans snapped up the new bikinis and swimsuits, but they also caught the imagination of new consumers. It looks like the Marie Jo Swim collection will boost the growth and awareness of the Marie Jo brand.

Andres Sarda, Designed in Barcelona

Sales of Andres Sarda increased. Distribution was diversified further and the awareness campaigns intensified in digital channels. The unique combination of catwalk fashion, a superior fit, the Mediterranean soul and the wow factor attracted fashion-conscious consumers around the world.

The brand renewed the partnership with El Corte Inglés, the leading department store in Spain, with promising results.

Rigby & Peller Düsseldorf

The brand is now available online in six countries and expansion into new markets is planned in the near future. The first pop-up store was opened in Ibiza, a completely in-house operation. The Ibiza pop-up was the first opportunity for international consumers to see the brand. There were other pop-up events in London, Amsterdam and Tokyo, in association with retail partners. The two shows at the biannual Madrid Fashion Week were transformed into 'See now, buy now" events, with collections in store, stimulating impulse shopping. They surprised and astonished the press, fashion bloggers and VIPs, which generated a big return on investment in terms of media coverage. Andres Sarda continues to invest in brand familiarity and distribution in regions where high-end lingerie and swimwear are most dynamic.

Pop-upstore Ibiza (ES)

Marketing

Building on the results of the 2017 market study, the marketing investments in 2018 were focused on increasing awareness of the PrimaDonna and Marie Jo brands in existing markets and growth markets.

We supplemented the high-quality collaboration with media partners that are a good fit with our brands with digital and influencer campaigns. This way of working enables us to gather direct feedback from consumers and integrate it into subsequent campaigns. In every campaign we try to get to know our target group better: trendy consumers looking for a beautiful, high-quality contemporary product that also offers a perfect fit and comfort.

We optimised the marketing mix to increase awareness of and engagement with our brands. This approach is paying dividends. We are reaching more consumers, which immediately drives up the return on our marketing investment.

The launch of Marie Jo Swim was supported by a 360-degree marketing campaign to maximise brand awareness and immediately stimulate sales. The sponsorship of Curvy Supermodel in the Netherlands improved the awareness of and engagement with PrimaDonna among a young audience.

Sales

Fitting room channel/wholesale – Business-to-business

2018 was a challenging year for the traditional bricks and mortar boutiques. Fewer visitors to high streets and lower resales in the last quarter of 2017 resulted in overstock at boutiques. This had an impact on subsequent orders in the first quarter of 2018 and the pre-orders for the autumn/winter season.

Modern consumers want an omnichannel approach in which the retail partner's fitting room in town centres remains important. To set this up, we worked on partnerships with the retail partners. This was given a lot of attention in 2018, especially in terms of increasing the number of visits and improving sales in boutiques.


Curvy Supermodel TV Show (NL)

In-boutique sales of our PrimaDonna range were positive, particularly due to the good autumn/winter collection figures and the orders for the new summer/spring collection. That said, we expect a continued fall in the number of doors in the traditional market. We continue to support growth in this channel, while also addressing new markets and channels. In 2018 we focused on department stores. Magasin du Nord (Denmark) named us 'Partner of the Year 2018'.

Retail channel – Business-to-consumer

In spite of the generally disappointing retail climate in the year under review, Van de Velde retail turnover and profitability both grew in 2018. The sustained operational focus on the in-store KPIs (conversion and average ticket price) ensured our stores were able to offset the falling number of visitors in the bricks and mortar channel.

Closing loss-making stores alongside the larger share in the sale of Van de Velde brands had a positive impact on profitability. In 2018 the turnover with franchise partners in the Netherlands continued to grow and the online channel also grew substantially again, especially in the Netherlands and Germany. This resulted in a larger share of total retail sales.

Continental Europe

2018 was a very good year in the Netherlands, with growth in all channels: Van de Velde-owned stores, franchise and online. The successful launch of the Marie Jo Swim collection and the visibility of our brands in the Curvy Supermodel contest had a positive impact on our results.

In Germany, both turnover and profitability increased. Turnover growth was driven by like-for-like growth in our own stores and strong online growth. Profitability increased with the closure and sublease of the loss-making store in Munich.

United Kingdom

After an especially successful 2017, 2018 was a tough year for stores and online. 2018 is considered to be the worst year in retail in the United Kingdom, with 80,000 jobs shed and more than 4,000 shops closed. Our retail portfolio remained profitable, however. Highlights were the Andres Sarda pop-up events in May and December and participation in the 'Conde Nast Bridal Show', which ensured Rigby & Peller remained top of mind among our consumers.

United States

Attracting customers into stores continues to be the biggest challenge facing retail in the United States market. The persistent fall in footfall was partly offset by an intense focus on the in-store KPIs and the positioning of stores as the go-to destination for Van de Velde brands in general and PrimaDonna in particular. Sustained cost management, the rise in the share of Van de Velde brands in sales and the annual impact of the San Diego store closure enabled us to reduce losses and improve profitability.

Asia, including Dubai

Private Shop posted mixed results. Although consumer spending was negatively impacted by the trade war between the United States and China, the Private Shop stores were able to post a positive like-for-like trend in terms of both turnover and profitability. Nevertheless, the total result was negatively impacted by the closure of loss-making stores.

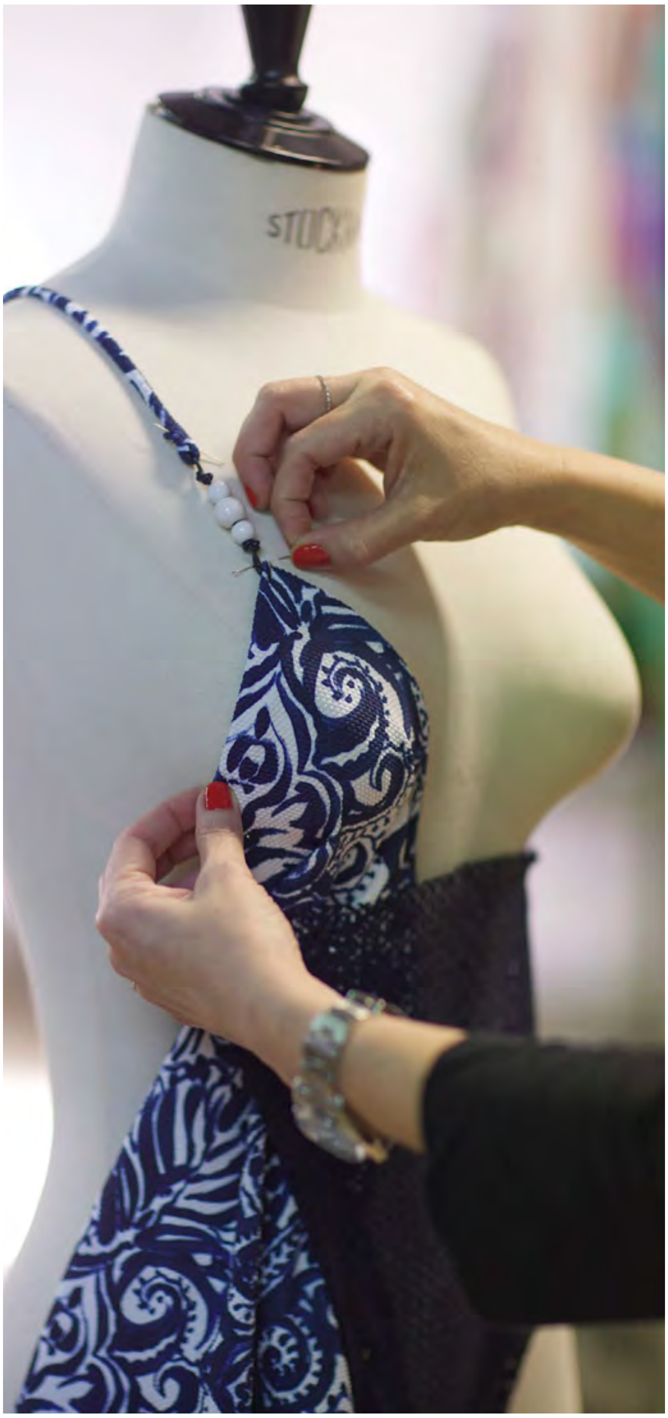
eCommerce digital channel

Building on the preparations in 2017, our digital journey really got underway in 2018. We launched two brand sites (www.primadonna.com and www.mariejo.com) on an all-new platform. The support of our new digital teams at head office and in Eindhoven also led to the growth of the existing retail sites.

This new digital talent was recruited to support our eCommerce ambitions. This made it possible to launch new brand sites for PrimaDonna and Marie Jo in 2018. In September Belgium, the Netherlands, France, Germany and the United Kingdom were rolled out. The United States followed in December. These brand sites are built on a scalable platform that will be used in 2019 for the launch of an all-new B2B site for the retail partners and to upgrade the Andres Sarda sites and our Rigby & Peller and Lincherie store sites.

Our development and marketing teams joined forces in 2018 to maximise the performance and user-friendliness of our campaigns and the new sites. They also began the second phase of developments on the brand sites: the omnichannel functions. These are completely focused on providing a best-in-class seamless service to our customers through both online and offline channels. The first function, a store locator, went live in September.

Conde nast Bridal Show (UK)



Value Chain

We aim to maximise customer value in our value chain by delivering quality products on time in the most efficient way.

The quality of our product is prioritised; this is our most important criterion for decisions that affect the value chain. This is done in association with our raw materials suppliers, the stitching studios and other stakeholders. An improvement programme was launched to transform quality control (QC) at selected suppliers into quality assurance (QA). As a result, we can take material of guaranteed quality straight into stock.

Best ever delivery performance

We achieved our best ever delivery performance in 2018. A greater focus on the process and management of the distribution centre ensured that the delivery schedule was adhered to. To better respond to the questions of customers, in good consultation with the works council and the unions, additional adjustments to the shift system were approved in 2018. The best ever delivery performance was also the result of the continued optimisation of sales and operational planning (S&OP). This clear management within the value chain now has a fully developed process in which supply, demand and capacity are constantly optimised across the various departments.

Process simplification

The implementation of the lean idea and the simplification of our processes were central in 2018. Lowering complexity in the value chain and increasing transparency are key to the ceaseless drive to market a wide, attractive lingerie range in a constant and cost-efficient way.

With that in mind, we gave a large proportion of our workforce training in lean techniques, continual improvement and leadership. The management is in end-to-end processes with process owners and performance indicators. Start-the-day meetings are held in the various teams with a focus on follow-up and transparency, so that any necessary adjustments can be made immediately. This continues in 2019 as we work to guarantee delivery reliability season after season.

All production steps, save pure stitching (assembly), are done in Belgium. Investments were made in extra capacity in the cutting room to safeguard flexibility over the coming years. Assembly is consolidated in two regions: Asia and Tunisia. In Asia we partner with Top Form, working out of its sites in China and Thailand. In Tunisia we have our own site and work with two suppliers. Both offer good value for money.

For 2019 we see the continued development of partnerships with our most important suppliers and subcontractors as key to the further improvement of our supply chain.

Rigby & Peller US (PrimaDonna store focus)

IT & Data

IT systems and data are essential factors in getting to know our customers better, so that we can tailor our products and services to their needs and wants as well as possible. To achieve this, we developed IT target architecture in 2018 that fits tightly with our omnichannel corporate strategy. Changes to the current IT landscape are always in compliance with our target architecture.

In 2018 we began to upgrade our main ERP system with efficient new hardware and we launched a new version of our software. Finance was the first to benefit from this. Its processes were expanded and standardised. In 2019 we will improve the primary Supply Chain processes.

We also implemented Microsoft Office 365, which facilitates collaboration and communication, both in-house and externally.

A new version of CEGID, the system for our retail channel, was rolled out in stores.

The GDPR project was also completed on time. Employees in all echelons of the organisation were given appropriate training.

As in 2017, in 2018 we passed the IT audit conducted by our house accountant. A small number of points were identified, which we will tackle in 2019.

24/7 availability has become the norm. We have set up our systems and underlying IT organisation to deliver this.

From a governance point of view, the IT department reports on the activities of the various projects and departments on a monthly basis. This was begun in 2018 and will be expanded in 2019. Our ambition is to provide insight into the monthly IT costs of each department so that line management can take action when needed. IT management and the management of the various business departments hold alignment meetings twice a month.

Cyber attacks are increasingly prevalent. To protect ourselves, in 2018 we launched security management and awareness programmes. We will continue them at an intensive clip over the next few years.

Data and reports have improved substantially now that we use Microsoft Azure and Power BI. Relevant data is harvested from a range of systems and collated in a data lake, available as cloud software in Azure for reports and analyses. A selection of data science projects was run.

Innovation

Continual innovation is essential if we are to remain competitive. Our innovation is mainly focused on creating the ultimate personalised consumer experience. In the innovation programme we build prototypes and MVPs (minimal viable products) to test concepts and business models and develop them in iterations. In doing so, we emphasise three domains:

- The fitting room of the future: porting the bricks and mortar fitting room to an online and mobile experience as part of an omnichannel approach.
- The product of the future: examining how we can apply new technologies to achieve an even more personal style and fit.
- The design and production process of the future: harnessing 3D technologies to achieve end-to-end digitalisation of new production techniques and business models.

In 2018 we integrated the 3D mirror into our retail channel and tested it at our wholesale customers. Together with Macty, we developed a complete-the-look demo using artificial intelligence to provide the ultimate personalised customer experience.

Lastly, we look back on a successful end-to-end '18 Days' project testing an alternative value chain. We also took part in Supernova with the lingerie boutique of the future. This enabled us to test all innovations in a customer environment. It was a great success.

Engagement, people and culture

In the rollout of our strategic plan we focused on recruiting digital profiles in 2018. It is our conviction that this gives us the flexibility we need to meet the needs of our customers and end consumers.

2018 was also marked by the implementation of GDPR, which was a time-consuming process, especially in the first half of the year. In association with the Legal department, we held an online GDPR course for everyone in the organisation, with an interactive refresher course at the end of 2018.

As an organisation, it is important to us to create a working environment in which employees feel supported and can develop fully, so they can get the best out of themselves. With that in mind, in 2018 we continue to focus on making Van de Velde a great place to work. To gain insight into the concerns of our employees, in the year under review we introduced 'VDV Engage', a short weekly survey of employee engagement in our organisation.

Lastly, as part of the continued development of our eCommerce, a new labour regulation was developed for our distribution department and a number of ancillary services. This will be introduced at the beginning of 2019. It is our conviction that this will contribute to the continued growth of our company.

Outlook in 2019

"Growth by focusing on retail partners and brands" is how we want to reinforce the foundations of our company in 2019. Van de Velde is all about designing and manufacturing fashionable lingerie of high quality. We bring this to consumers through strong brands and strong retail partners.
Our aim is to focus on five strategic priorities to generate growth in 2019:

1. *Being the preferred partner of our retail partners*
   Retail partners are the cornerstone of our business. They are our primary bridge to consumers. The added value of the styling and fitting service they offer to consumers ensures our lingerie is presented in the best possible way and worn with pleasure, and that women feel good. Therefore in 2019 our focus will be on them.

2. *Making our brands even stronger*
   Our brands PrimaDonna, Marie Jo and Andres Sarda have great reputations among consumers. It is important that we continue to strengthen their brand essence and individual personality and offer comfortable fashionable lingerie that fits perfectly in order to bolster our business and drive its growth in the long term.

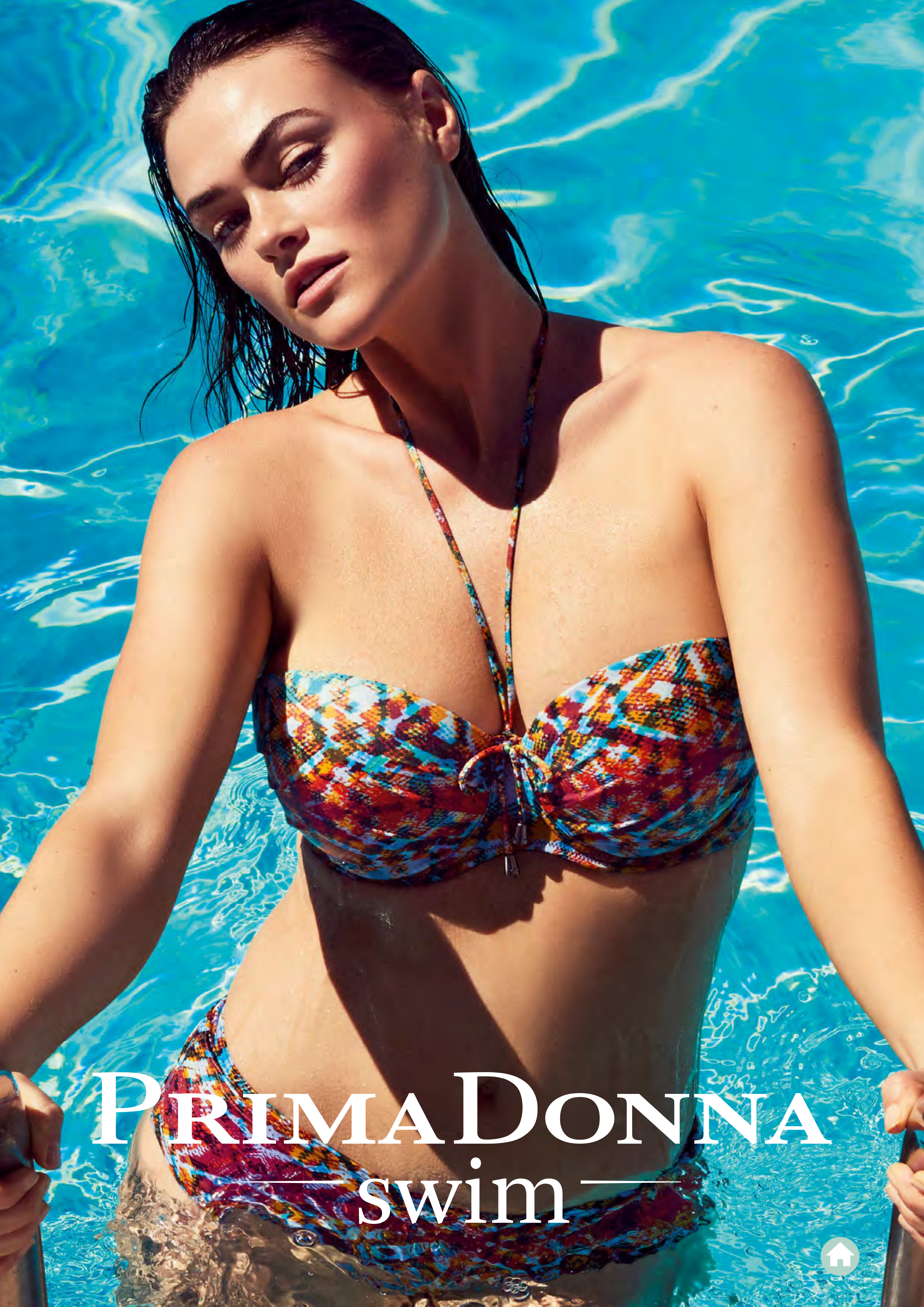
3. *Making our IT future-proof*
   A modern, state-of-the-art IT system is an essential component in the construction of an efficient, customer-oriented, innovative organisation. That's why we will continue to invest in improving and simplifying our primary IT processes in 2019, in line with the target architecture designed in 2018.

4. *Refining the omnipresence business model*
   The digital world is evolving fast and we want to be part of that. We have launched an omnichannel approach in which we aim to enable more consumers to enjoy the PrimaDonna, Marie Jo and Andres Sarda experience. We want to build on this approach in 2019 to create a shopping experience at our retail partners centred on styling and fitting. This will ensure that online and offline segue seamlessly.

5. *Creating a performance-driven organisation*
   Investments are needed, but ultimately it's our employees that make a difference. Their motivation and engagement ensure our ability to achieve our goals. To this end, we want to clearly set out everyone's responsibilities and promote a cost-aware approach.

It is our conviction that these five strategic priorities will strengthen the foundations of our company to support steady long-term growth.

Marleen Vaesen
CEO
with thanks to all employees


PrimaDonna
swim


PrimaDonna
sport

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 Group structure as at 31 December 2018 is as follows:

In this annual report, all those entities together are referred to as the Group.


MARIE JO

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 17 February 2017 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. The family has an interest in the company being managed in a professional and transparent way, which 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:

- Herman Van de Velde NV, always represented by Herman Van de Velde, chairman (tenure expires at the Ordinary General Meeting of 2021);
- Lucas Laureys, director (tenure expires at the Ordinary General Meeting of 2019);
- Bénédicte Laureys, director (tenure expires at the Ordinary General Meeting of 2021);
- Positron BVBA, always represented by Erwin Van Laethem (tenure expires 11 February 2019);
- EBVBA Benoit Graulich, always represented by Benoit Graulich, director (tenure expires at the Ordinary General Meeting of 2019);
- BVBA Dirk Goeminne, always represented by Dirk Goeminne, director (tenure expires at the Ordinary General Meeting of 2020);
- Emetico NV, always represented by Yvan Jansen, director (tenure expires at the Ordinary General Meeting of 2019);
- Mavac BVBA, always represented by Marleen Vaesen, managing director (tenure expires at the Ordinary General Meeting of 2019);
- Veronique Laureys, director (tenure expires at the Ordinary General Meeting of 2020);
- Phillip Vandervoort, director (tenure expires at the Ordinary General Meeting of 2020).

  - Herman Van de Velde NV, always represented by *Herman Van de Velde* (m, 1954°), chairman and director;
    After Herman obtained his degree in economics (KULeuven) and a postgraduate degree in development economics (UCL), he moved to Conakry, Guinea to work for Unido (United Nations Industrial Development Organization). In 1981 he joined the family firm founded by his grandfather. He was a member of the Board of Directors of Lotus Bakeries for twelve years and chairman of Etion, a platform for entrepreneurs, for seven years. He currently sits on the board of Brabantia, Alsico, Vigo, Artevelde University College and Volksvermogen. He is also chairman of IVOC (the institute for training and development in the clothing industry) and Vlajo (the organisation for young Flemish companies).

- *Lucas Laureys* (m, 1945°), director;
  Lucas Laureys has a licentiate in economics (University of Ghent) and obtained a master's degree in business administration at Vlerick Business School and KUL. In 1971 he joined the family firm founded by his grandfather. More than 30 years he has been active as co-managing director and CEO with responsibilities in strategy, sales and marketing. He has also sat in various boards of directors, including those of Delta Lloyd Bank and Omega Pharma. At Omega Pharma he has been chairman for several years.

- *Bénédicte Laureys* (f, 1969°), director;
  Benedicte Laureys obtained a professional bachelor's degree in secondary education economics at University College Leuven. Before her appointment as director at Van de Velde, in 2006, she followed a course at Guberna, the institute for administrators. She has 25 years' experience in the lingerie business. She is currently director and managing director of Ambo Holding NV and Vogue BVBA. She also has a seat on the Board of Directors of Rigby & Peller US/UK, Private Shop and ADX Neurosciences NV.

- Positron BVBA, represented by *Erwin Van Laethem* (m, 1964°), director;
  Erwin is a civil engineer (electrical engineering) with an MBA in marketing and an executive master's degree in modern finance and risk. He held various international executive positions at Shell and was CEO of Essent (Netherlands). He was CEO of Van de Velde from the end of 2016 to the end of 2018.

- EBVBA Benoit Graulich, represented by *Benoit Graulich* (m, 1965°), independent director;
  Benoit has qualifications in law, taxation and business administration. He is currently managing partner at Bencis Capital Partners BV and a member of various boards of directors, including Lotus Bakeries.

- Emetico NV, represented by *Yvan Jansen* (m, 1963°), independent director;
  Yvan has a licentiate in law (KUL) and a master's degree in economics (UCL), as well as an MBA from Chicago Booth. Yvan Jansen is managing partner at A.T. Kearney in Brussels. He was previously a partner in private equity and senior partner & managing director at The Boston Consulting Group.

- BVBA Dirk Goeminne, represented by *Dirk Goeminne* (m, 1955°), independent director;
  Dirk Goeminne studied applied economics and commercial engineering and is currently chairman of the Board of Directors of Ter Beke, Wereldhave and JBC.

- Mavac BVBA, represented by *Marleen Vaesen* (f, 1959°), managing director;
  Marleen has a background in economics and supplemented her training with management courses at prestigious universities, including Harvard. She has built up a career at Procter & Gamble, Sara Lee and was CEO at Greenyard for five years. Marleen was appointed CEO of Van de Velde at the end of December 2018.

- *Veronique Laureys* (f, 1979°), director;
  Veronique has a background in economics. She has more than ten years' experience in the lingerie business and is director and managing director of Ambo Holding NV and Vogue BVBA. In 2017 she was appointed to the Board of Directors of Van de Velde.

- *Phillip Vandervoort* (m, 1961°), director;
  Phillip is an electromechanical engineer and completed an Executive Program at Stanford University. He has been appointed Chairman of the Supervisory Board of the IT Channel Company, he is also a member of the Board of Directors and Audit Committee of P&V Verzekeringen and Independent Board Member of Eurovision Services SA.

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, Bénédicte Laureys, Veronique Laureys, Phillip Vandervoort and Herman Van de Velde NV represent Van de Velde Holding NV, the majority shareholder of Van de Velde NV, and are non-executive directors.

Mavac BVBA is managing director. Positron BVBA was managing director up to 12 December 2018.

In accordance with the Act of 28 July 2011[1], at least one third of the members of the Board of Directors are the opposite sex to the other members.

Herman Van de Velde NV chairs the Board of Directors.

The company secretary is Nathalie De Kerpel, legal counsel.

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.

(1) This Act aims to ensure that there is gender balance in board of directors.

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

In 2018 the Board of Directors met six 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. Emetico NV and Lucas Laureys were excused from one board meeting. Postiron BVBA and Mavac BVBA did not participate in one board meeting as they were involved parties. Otherwise, all board meetings were fully attended.

Committees within the Board of Directors

(a) Audit Committee

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

The Audit Committee advises the Board of Directors on the following:
- Appointment (and dismissal) and remuneration of the statutory auditor;
- Preparation of bi-annual and annual results;
- Internal control and risk management;
- External audit.

The Audit Committee is composed as follows:
- Lucas Laureys;
- BVBA Dirk Goeminne, 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 four times a year and as often as considered necessary for its proper operation. In 2018 the Audit Committee met five times. All Audit Committees were fully attended.

(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;
- Mavac BVBA, always represented by Marleen Vaesen;
- Herman Van de Velde NV, always represented by Herman Van de Velde.

The chairman of the Strategic Committee is Herman Van de Velde. 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:

– Herman Van de Velde NV, always represented by Herman Van de Velde;
– 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 fewer than two times every year. The Nomination and Remuneration Committee met three times in 2018. 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. In function of the agenda points, the key persons of the company are invited to the meeting of the Management Committee.

The Management Committee is composed as follows:

– Mavac BVBA, always represented by Marleen Vaesen, CEO;
– Hedwig Schockaert, ICT & supply chain director;
– Fenix BVBA, always represented by Bruce Humphreys, people & organization director.

During 2018 / beginning of 2019 the following persons left the Management Committee:

– Karlien Vanommeslaeghe, people & organization director, as of 31 October 2018;
– Positron BVBA, always represented by Erwin Van Laetem, CEO, as of 29 January 2019;
– Bart Rabaey Consulting VOF, always represented by Bart Rabaey, CFO, as of 1 December 2018;
– YWMA BVBA, always represented by Yan Aerts, global retail director, as of 1 March 2019.

- Marleen (f, 1959°)
  Marleen has a background in economics and supplemented her training with management courses at prestigious universities, including Harvard. She has built up a career at Procter & Gamble, Sara Lee and was CEO at Greenyard for five years. Marleen was appointed CEO of Van de Velde at the end of December 2018.
- Erwin (m, 1964°)
  Erwin is a civil engineer (electrical engineering) with an MBA in marketing and an executive master's degree in modern finance and risk. He held various international executive positions at Shell and was CEO of Essent (Netherlands). He was CEO of Van de Velde from November 2016 to December 2018.
- Bart (m, 1977°)
  Bart has various qualifications, including a master's degree in business administration. After 15 years in financial consultancy and investments, he joined Van de Velde as CFO at the end of May 2016. Bart left the Management Committee on 1 December 2018.
- Karlien (f, 1967°)
  Karlien obtained a master's degree in multilingual business communication and a master's degree in psychology and has more than 25 years' experience in human resources. On 1 November 2018 she was succeeded as people & organization director by Fenix BVBA, permanently represented by Bruce Humphreys, (m, 1956°)[(2)]. Bruce has a master's degree in law and a lot of experience gained in various HR and legal positions.
- Hedwig (m, 1960°)
  With his background as an industrial engineer and 30 years' experience in supply chain management, Hedwig is an expert in the field. He began his career more than thirty years ago at Van de Velde and has been a member of the Management Committee for more than 10 years.
- Yan (m, 1960°)
  Yan obtained a master's degree in law and a qualification in Philosophy. After holding several positions in the textile industry, in September 2016 he was appointed international retail director at Van de Velde. Yan left the Management Committee on 1 March 2019.

The chairman of the Management Committee (CEO) is Mavac BVBA, always represented by Marleen Vaesen.

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.

(2) Fenix BVBA has also been appointed member of the Management Committee as of 26 February 2019.

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 in regard to additional duties over and above this tenure.

(e) Daily management
In addition to the Management Committee, Van de Velde's daily management is in the hands of Mavac BVBA, always represented by Marleen Vaesen, managing director.

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

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

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

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

Remuneration report

1. Introduction

The remuneration report provides transparent information on Van de Velde's remuneration policy for its directors and members of the Management Committee, in accordance with the Belgian Corporate Governance Act of 6 April 2010 and the Belgian Corporate Governance Code. The underlying remuneration report will be submitted for approval to the General Meeting of 24 April 2019 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[3]. 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.

As from 1 January 2016 Herman Van de Velde NV, permanently represented by Herman Van de Velde, was appointed as chairman. Herman Van de Velde NV receives an annual gross remuneration of 25,000 euro for its chairmanship, his membership of the Nomination and Remuneration Committee and the Strategic Committee. 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. BVBA Dirk Goeminne and EBVBA Benoit Graulich are members of both the Nomination and Remuneration Committee and Audit Committee, and therefore receive total annual remuneration of 20,000 euro. Lucas Laureys is a member of the Audit Committee and receives annual remuneration of 17,500 euro.

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.

(3) Audit Committee and Nomination and Remuneration Committee.

The managing director makes 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 individual 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 some members of the Management Committee. 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[4] 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.

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. This individual variable remuneration may not exceed 37.5% of the annual gross salary[5] (with exception for the CEO).

(4) 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.
(5) For some members of the Management Committee, the maximum is lower.

For the CEO the maximum annual bonus (individual and team bonus combined) is 55% of the annual gross salary. Provided that the CEO is still working for Van de Velde on 31 December 2020, the CEO is also entitled to a bonus of up to 20% of the basic salary earned during 2019 and 2020. This long-term bonus is based on the increase in equity value of the company.[6]

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.

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 fewer than three years.

The total gross remuneration (in 000 euro) (including remunerations received from other companies that form part of the Group) awarded in 2018 to the members of the Management Committee and the CEO were as follows:

	Management Committee (7)	**CEO**
Basic remuneration	795 (8)	603 (9)
Variable remuneration	74	100 (10)
Pensions/disability/guaranteed income	12	0
Other benefits	11	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

(6) For the previous CEO (Positron BVBA) the maximum team bonus was 300.000 euro and the maximum individual bonus was 150.000 euro. Related to his individual bonus, 2/3 of the total earned bonus was paid after the closure of the fiscal year. 1/3 of this bonus is payable as follows, provided the CEO would still be working for Van de Velde at the time of the scheduled payment:
- 33% of this 1/3: in February of the second year after the fiscal year to which the bonus relates;
- 33% of this 1/3: in February of the third year after the fiscal year to which the bonus relates;
- 33% of this 1/3: in February of the fourth year after the fiscal year to which the bonus relates.

(7) Excluding the CEO. If remunerated through an employment contract, the social security charges paid by the employer are not included. If remunerated through a management agreement, the total cost of company is included.
(8) Departure holiday pay is included in the figures.
(9) The figures display the cost for the company.
(10) The figures display the cost for the company.

to a company car with fuel card as per the company car policy, meal vouchers, a group insurance (pension plan including a disability and decease coverage) and hospitalization insurance.

Currently, one member of the Management Committee is 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. However, in the event of a termination for urgent cause, the contract can be terminated with immediate effect.

The CEO and the other member of the Management Committee are engaged on an independent basis. The notice period in the management agreements is no more than six months.

During 2018, after approval of the Board of Directors, a termination indemnity in the amount of 149,692 euro was granted to Karlien Vanommeslaeghe. This termination indemnity is calculated on the basis of legal notice period, with some of this notice period being converted into a termination indemnity. In addition, in February 2019, after approval of the board of directors, a termination indemnity in the amount of 214.600 euro was granted to Positron BVBA (Erwin Van Laethem). This termination indemnity is calculated on the basis of a notice period provided for in the management agreement (six months) with some of this notice period being converted into a termination indemnity.

4. Remuneration policy for coming years

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

5. Share-based payments

The General Meeting of 29 April 2015 approved the 2015 option plan giving the Nomination and Remuneration Committee the power to grant options on the company's shares to the members of the Management Committee for a term of five years. These options are granted at no charge. The exercise price per share of the options is equal to (i) the average closing price of the share in the course of the thirty calendar days prior to the date of the offer or (ii) the closing price of the final trading day preceding the date of the offer, whichever is lowest. An option remains valid for ten years. The company and the option holder may decide by mutual agreement to reduce the terms of validity of the option below ten years but never below five years. The options cannot be exercised before the end of the third calendar year after the year in which they are offered.

In 2018 no options were granted to the members of the Management Committee and 3,500 options were exercised by ex-members of the Management Committee. During 2018 and at beginning of 2019. 20,000 options were forfeited.

	Options end 2017	Granted and accepted in 2018	Forfeited in 2018	Exercised in 2018		Options end 2018
		Number	Number	Number	Exercise price	
EBVBA 4F[1]	3,500	0	0	3,500	37.85	0
Herman Van de Velde NV	5,000	0	0	0		5,000
Hedwig Schockaert	15,000	0	0	0		15,000
YWMA BVBA	10,000	0	0	0		10,000
Positron BVBA	10,000	0	10,000	0		0
Bart Rabaey Consulting VOF	10,000	0	10,000	0		0
	53,500	**0**	**20,000**	**3,500**		**30,000**

[1] EBVBA 4F, permanently represented by Ignace Van Doorselaere, CEO up to 31 October 2016.

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, 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 number of actions are taken to manage the risks. The financial department is responsible for monitoring and reporting these. The Management Committee bears the responsibility for analysis, proactive measures and plans with regard to operational risks.

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 through 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.

With respect to risk management, we also refer to note 30 on 'Business risks with respect to IFRS 7'.

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.

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.

During 2018 no such transactions or other contractual links occurred.

Statutory auditor

The General Meeting of 27 April 2016 of Van de Velde NV appointed Ernst & Young Bedrijfsrevisoren BVCBA, Pauline Van Pottelsberghelaan 12, 9051 Ghent, represented by Paul Eelen, as the statutory auditor. This appointment runs until the Ordinary General Meeting of 2019.

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 2018 for auditing of the statutory and consolidated financial statements of Van de Velde NV was 59,823 euro (excl. VAT). The total costs for 2018 for the auditing of the annual accounts of all companies of the Van de Velde Group were 181,796 euro (excl. VAT), including the aforementioned 59,823 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 50,370 euro (excl. VAT), all of which was for tax advice and compliance tasks.

Belgian Code on Corporate Governance

Van de Velde NV complies with the majority of the principles laid down in the Belgian Code on Corporate Governance. The Code was not complied with in one case, however, due to the character of the company and the importance of the proper functioning of its bodies and employees. During 2018 there were no deviations from the Code.

Conflict of Interests Scheme

In 2018, the procedure set down in Article 523 of Belgium's Company Code was applied once. This concerned the appointment of the director Mavac BVBA as chairman of the Executive Committee.

The content of the minutes of the relevant decision are given below, indicating the reason for the conflict of interest as well as the nature of the decision, the accountability and the financial consequences.

"Mavac BVBA, permanently represented by Marleen Vaesen, has announced in advance that there is a conflict of interest within the meaning of article 523 of Belgium's Company Code regarding the aforementioned agenda items and will therefore not participate in this deliberation. She points out that this decision is due to an interest of a proprietary nature, in view of the appointment of Mavac BVBA as the remunerated chairman of the Executive Committee.

In accordance with the relevant legal provisions, the following is included in the minutes of the Board of Directors:

- the nature of the decision;
- the property consequences of the decision;
- the justification for the decision.

a) *Nature of the decision*

The decision concerns the appointment of Mavac BVBA as managing director and chairman and member of the Executive Committee.

b) *Proprietary consequences of the decision*

The remuneration granted to Mavac BVBA as chairman and member of the Executive Committee is the following:

- A fixed annual fee of 592,000 excl. VAT;
- Annual variable remuneration of up to 55% of the basic remuneration;
- A long-term bonus of up to 20% of the basic remuneration, linked to the realized growth of the equity value of the company.

c) *Justification of the decision*

The Board of Directors is of the opinion that this remuneration is in line with the market and ensures the engagement of the CEO in the success and further growth and development of the company.

The Board of Directors therefore decides to appoint Mavac BVBA as managing director and chairman and member of the Executive Committee, both effective as of 12 December 2018. The aforementioned remuneration is approved for its membership and chairmanship of the Executive Committee."

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 on the spot market (continuous market) of 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 Small index. The weight in this index was 7.83% at the end of 2018.

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 (unless another place is mentioned in the convocation) 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 (18 May 2017) 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 26 April 2017 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 18 May 2017 if the acquisition is necessary to avoid a serious threatened disadvantage and (ii) five years as from 26 April 2017 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 2018 15,500 of its own shares were acquired by Van de Velde NV. At the end of 2018 Van de Velde NV has 11,000 of its own shares in its possession.

The treasury shares owned by Van de Velde NV 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.

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 11,000 treasury 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 to 13,311,480 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 0.80 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 2018 this implies that the Board of Directors will propose to the General Meeting the payment of a gross dividend for the fiscal year 2018 of 1.03 euro per share. After the payment of withholding tax, this represents a net dividend of 0.721 euro per share.

After approval by the General Meeting of Shareholders, the final dividend[11] of 1.03085 euro per share (net dividend of 0.7216 euro per share) will be paid out as from 6 May 2019.

Financial Calendar

Closing of fiscal year 2018	31 December 2018
Announcement of 2018 turnover figures	10 January 2019
Announcement of annual results 2018	27 February 2019
Publication of annual financial report 2018	22 March 2019
General Meeting of Shareholders	24 April 2019
Ex-coupon date	2 May 2019
Record date	3 May 2019
Dividend payment date	6 May 2019
Publication of 2019 half-year results	30 August 2019
Closing of fiscal year 2019	31 December 2019

(11) Provided that the number of own shares remains unchanged, namely 11,000.

4 | Consolidated key figures 2018

Profit and loss account (in millions of euro)	2018	2017	2016	2015	2014
Operating income	210.2	214.7	211.9	214.5	203.3
Turnover	205.2	209.0	206.6	209.0	198.4
Turnover on a comparable basis (1)	203.0	205.6	206.8	206.7	195.6
EBITDA (2)	37.2	55.7	61.9	61.9	57.7
EBITDA on a comparable basis (3)	35.8	53.5	62.0	60.4	55.9
EBIT (4)	30.2	48.0	53.6	53.7	49.5
Consolidated result before taxes (5)	30.2	47.7	53.3	54.0	18.8
Consolidated result after taxes (5)	26.6	34.2	34.0	40.6	2.5
Profit for the period (6)	25.5	33.9	33.6	41.0	2.5
Operating cash flow (7)	17.5	35.0	45.1	50.3	45.9

(1) Turnover on a comparable basis is turnover excluding early deliveries, to enable seasons to be compared.
(2) EBITDA is earnings before interest, taxes, depreciation and amortization on tangible and intangible assets.
(3) EBITDA on a comparable basis is EBITDA excluding the impact of early deliveries, to enable seasons to be compared.
(4) EBIT is earnings before interest and taxes.
(5) Result of the Group (Group share) before share in the profit / (the loss) of associates (equity method). An impairment of 31.4 million euro was recognized in 2014.
(6) Result of the Group (Group share) after share in the profit / (the loss) of associates (equity method).
(7) Operating cash flow is net cash from operating activities.

Balance sheet (in millions of euro)	2018	2017	2016	2015	2014
Fixed assets	75.3	69.7	71.9	70.8	68.0
Current assets	92.3	89.1	84.8	90.9	91.9
Shareholders' equity	133.4	121.8	116.6	129.2	134.0
Balance sheet total	167.6	158.8	156.7	161.7	159.9
Net debt position (1)	-15.2	-21.5	-18.0	-27.8	-34.2
Working capital (2)	47.9	36.1	32.2	35.9	37.2
Capital employed (3)	123.2	105.8	104.1	106.8	105.2

(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)	2018	2017	2016	2015	2014
Return on equity (1)	20.9	29.8	27.7	30.9	1.6
Return on capital employed (2)	23.3	32.2	32.3	38.4	2.0
Solvency (3)	79.6	76.7	74.4	79.9	83.8
Liquidity (4)	3.2	2.8	2.4	3.3	4.5

(1) Consolidated result after taxes / Average of equity at end of fiscal year and previous fiscal year. In case impairment in 2014 is not taken into account, the return on equity is 22.0%.
(2) Consolidated result after taxes / Average of capital employed at end of fiscal year and previous fiscal year. In case impairment in 2014 is not taken into account, the return on capital employed is 27.3%.
(3) Equity / Balance sheet total.
(4) Current assets / Current liabilities.

Margin analysis and tax rate (in %)	2018	2017	2016	2015	2014
EBITDA (1)	18.1	26.6	30.0	29.6	29.1
EBITDA on a comparable basis (2)	17.6	26.0	30.0	29.3	28.6
EBIT (3)	14.7	23.0	26.0	25.7	25.0
Tax rate (4)	11.9	28.6	36.4	24.5	32.6

(1) EBITDA on turnover.
(2) EBITDA on a comparable basis on turnover on a comparable basis.
(3) EBIT on turnover.
(4) Income taxes on Consolidated result before taxes (excluding equity method). For 2014 the impairment is not taken into account.

Stock market data	2018	2017	2016	2015	2014
Average daily volume in pieces	6,664	9,947	9,304	8,503	6,226
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	1,699,350	2,536,410	2,391,245	2,176,758	1,587,689
Velocity	12.8%	19.0%	17.9%	16.3%	11.9%
Turnover (in thousands of euro)	54,187	129,190	143,456	115,242	60,210
(in euro per share)					
Highest price	46.25	66.30	68.20	62.75	39.62
Lowest price	21.65	41.70	52.63	38.80	35.81
Closing price	25.60	44.45	66.16	62.75	38.94
Average price	31.83	50.35	62.18	53.58	38.16

Key figures per share (in euro)	2018	2017	2016	2015	2014
Book value (1)	10.0	9.1	8.8	9.7	10.1
EBITDA (2)	2.8	4.2	4.6	4.6	4.3
EBITDA on a comparable basis (3)	2.7	4.0	4.7	4.5	4.2
Profit for the period (4)	1.9	2.5	2.5	3.1	0.2
Gross dividend (5)	1.03	1.03	3.50	3.50	3.50
Net dividend (5)	0.72	0.72	2.49	2.58	2.63
Dividend yield (6)	2.82%	1.62%	3.76%	4.11%	6.74%
Pay-out percenage (7)	52%	40%	137%	115%	138%

(1) Shareholders' equity / Number of shares at year end.
(2) EBITDA / Number of shares at year end.
(3) EBITDA on a comparable basis / Number of shares at year end.
(4) Profit for the period / Number of shares at year end. In case impairment of 2014 is not taken into account, profit for the period per share is 2.5.
(5) Gross dividend, as will be proposed by the Board of Directors to the General Meeting of Shareholders, is 1.03 euro per share. The net dividend is 0.721 euro per share.
(6) Net dividend / Closing price.
(7) Pay-out percentage of the consolidated profit, Group share, excluding result based on the equity method and excluding impairment.

Value determination (in millions of euro)	2018	2017	2016	2015	2014
Book value (1)	133.4	121.8	116.6	129.2	134.0
Market capitalization (2)	341.1	592.2	881.4	836.0	518.8
Enterprise value (EV) (3)	313.1	556.4	849.3	793.6	469.9

(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	2018	2017	2016	2015	2014
EV/EBITDA (1)	8.4	10.0	13.7	12.8	8.1
EV/EBITDA on a comparable basis (2)	8.7	10.4	13.7	13.1	8.4
Price/Profit (3)	13.4	17.5	26.4	20.4	213.2
Price/Book value (4)	2.6	4.9	7.6	6.5	3.9

(1) Enterprise value / EBITDA.
(2) Enterprise value / EBITDA on a comparable basis.
(3) Closing price / Profit for the period. If impairment in 2014 is not taken into account, the price/profit multiple is 15.3.
(4) Market capitalization / Book value.

Van de Velde and BEL20 stock market price

Stock market price in 2018

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5 | Consolidated financial statements and related notes

Consolidated balance sheet

000 euro	2018	2017	*(Note)*
Assets			
Total fixed assets	**75,301**	**69,698**	
Goodwill	4,546	4,546	3
Intangible assets	23,113	13,908	4
Tangible fixed assets	33,627	35,750	5
Participations (equity method)	12,757	14,293	6
Deferred tax asset	0	0	17
Other fixed assets	1,258	1,201	7
Total current assets	**92,272**	**89,100**	
Inventories	46,703	41,983	9
Trade receivables	17,922	19,314	10
Other current assets	11,917	5,960	11
Cash and cash equivalents	15,730	21,843	12
Total assets	**167,573**	**158,798**	
Equity and liabilities			
Shareholders' equity	**133,382**	**121,808**	
Share capital	1,936	1,936	13
Treasury shares	-427	0	13
Share premium	743	743	13
Other comprehensive income	-8,821	-8,418	
Retained earnings	139,951	127,547	
Non-controlling interests [1]	**0**	**458**	
Grants	**304**	**152**	8
Total non-current liabilities	**4,769**	**4,881**	
Provisions	390	609	14
Pensions	1,061	771	15
Other non-current liabilities	2,694	2,758	16
Deferred tax liability	624	743	17
Total current liabilities	**29,118**	**31,499**	
Trade and other payables	26,079	20,026	18
Other current liabilities	1,936	1,552	19
Income taxes payable	1,103	9,921	19
Total equity and liabilities	**167,573**	**158,798**	

(1) Due to the acquisition of 100% equity interest of Rigby & Peller Ltd. non-controlling interest is no longer valid.

Consolidated income statement

000 euro	2018	2017	(Note)
Turnover	**205,153**	**208,987**	28
Other operating income	5,001	5,673	
Cost of materials	-41,584	-45,428	
Other expenses [1]	-80,370	-69,570	
Personnel expenses	-50,965	-43,983	22
Depreciation and amortization	-6,996	-7,706	4,5
Operating profit	**30,239**	**47,973**	
Finance income	3,282	4,397	21
Finance costs	-3,291	-4,641	21
Share in result of associates	-1,105	-267	6
Profit before taxes	**29,125**	**47,462**	
Income taxes	-3,592	-13,642	23
Profit for the year	**25,533**	**33,820**	
Other comprehensive income			
Currency translation adjustments related to Group entities and non-controlling interests	-130	-213	
Currency translation adjustments related to participations (equity method)	-136	263	6
Total other comprehensive income (fully recyclable in the income statement)	**-266**	**50**	
Remeasurement gains/(losses) on defined benefit plans	-137	0	15
Total other comprehensive income (not recyclable in the income statement)	**-137**	**0**	15
Total of profit for the period and other comprehensive income	**25,130**	**33,870**	

000 euro	2018	2017	(Note)
Profit for the year	**25,533**	**33,820**	
Attributable to the owners of the company	25,533	33,947	24
Attributable to non-controlling interests	0	-127	
Total of profit for the period and other comprehensive income	**25,130**	**33,870**	
Attributable to the owners of the company	25,130	34,021	
Attributable to non-controlling interests	0	-151	
Basic earnings per share (in euro)	1.92	2.52	24
Diluted earnings per share (in euro)	1.92	2.52	24
Weighted average number of shares	13,313,890	13,468,577	24
Weighted average number of shares for diluted profit per share	13,313,890	13,472,996	24
Proposed dividend per share (in euro)	1.03	1.03	25
Total dividend (in 000 euro)	**13,722**	**13,722**	25

(1) The increase is mainly situated in ICT costs, digital and human resources.

Consolidated statement of changes in equity

000 euro Change in equity	Share capital	Treasury shares	Share premium	Other compre-hensive income	Other reserves	Retained earnings	Share-based pay-ments	Equity	Non-control-ling interests	Total equity
	Attributable to the shareholders of the parent									
Equity at 31/12/2016	1,936	0	743	-8,492	-293	122,470	256	116,620	609	117,229
Profit for the period						33,947		33,947	-127	33,820
Other comprehensive income				-189				-189	-24	-213
Sale of treasury shares for stock options		614						614		614
Purchase of treasury shares		-614						-614		-614
Amortization deferred stock compensation							185	185		185
Granted and accepted stock options						131	-131	0		0
Reserves at Top Form				263		-375		-112		-112
Dividends						-28,643		-28,643		-28,643
Equity at 31/12/2017	1,936	0	743	-8,418	-293	127,530	310	121,808	458	122,266
Profit for the period						25,533		25,533		25,533
Other comprehensive income				-267				-267		-267
Sale of treasury shares for stock options		175						175		175
Purchase of treasury shares		-602						-602		-602
Amortization deferred stock compensation							137	137		137
Granted and accepted stock options						45	-45	0		0
Other reserves						458		458	-458	0
Reserves at Top Form				-136				-136		-136
Dividends						-13,724		-13,724		-13,724
Equity at 31/12/2018	1,936	-427	743	-8,821	-293	139,842	402	133,382	0	133,382

Consolidated cash flow statement

000 euro	2018	2017	*(Note)*
Cash flows from operating activities			
Cash receipts from customers	263,367	263,549	
Cash paid to suppliers and employees	-220,968	-201,190	
Cash generated from operations	**42,399**	**62,359**	
Income taxes paid	-16,842	-19,747	
Other taxes paid	-7,675	-7,283	
Interest and bank costs paid	-359	-326	21
= Net cash from operating activities	**17,523**	**35,003**	
Cash flows from investing activities			
Interest received	7	35	21
Received dividends	596	632	6
Purchase of fixed assets	-12,917	-4,846	4,5
Investment / Recovery investment in subsidiary	0	0	
Investments in other participating interests	0	-828	6,7
Sale of treasury shares for stock options	170	384	13
Purchase of treasury shares	-602	-614	13
= Net cash used in investing activities	**-12,746**	**-5,237**	
Cash flows from financing activities			
Dividends paid	-13,722	-28,643	25
Repayment of long-term borrowings / increase in financial debt	0	0	
Repayment of short-term borrowings / increase in financial debt	158	-194	
Net financing of customer growth fund	-6	62	
= Net cash used in financing activities	**-13,570**	**-28,775**	12
Net increase/(decrease) in cash and cash equivalents	**-8,793**	**991**	
Cash and cash equivalents at the beginning of the period	**21,843**	**18,538**	12
Exchange rate differences	2,680	2,314	
Net increase/(decrease) in cash and cash equivalents	-8,793	991	
Cash and cash equivalents at the end of the period	**15,730**	**21,843**	12

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 26 February 2019, subject to approval of the statutory non-consolidated accounts by the shareholders at the Ordinary General Meeting to be held on 24 April 2019. 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 confirming 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 various components as prescribed by article 119 are split 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 22.

Employee benefits – pensions
The costs of the defined pension plans and other long-term employee benefits and the cash value of the pension liability are determined by actuarial calculations. To this end, various assumptions are used that could differ from the actual developments in the future.
As a consequence of the complexity of the actuarial calculations and the long-term character of the liabilities, the employee liabilities are highly sensitive to changes in the assumptions. The main actuarial assumptions and the sensitivity analysis are included in note 15.

Fair value measurement of a contingent consideration – business combinations
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. For gift cards and store credits without expiry date, the redemption patterns are based on historical data of the last five years.

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 2018:

– Amendments to IFRS 2 Share-based Payment – Classification and Measurement of Share-based Payment Transactions
– Amendments to IFRS 4 Insurance Contracts – Applying IFRS 9 Financial instruments with IFRS 4 Insurance Contracts
– IFRS 9 Financial Instruments
– Amendments to IFRS 9 Financial Instruments – Prepayment Features with Negative Compensation
– IFRS 15 Revenue from Contracts with Customers, including amendments to IFRS 15: Effective date of IFRS 15 and Clarifications to IFRS 15 Revenue from Contracts with Customers
– Amendments to IAS 40 Investment Property – Transfers of Investment Property
– IFRIC 22 Foreign Currency Transactions and Advance Considerations
– Annual Improvements Cycle - 2014-2016

These changes did not have an impact on the annual consolidated accounts of the Group.

Consolidation principles

Subsidiaries

Van de Velde NV has direct or indirect control over an entity if and only if it has all the following:

– Power over the investee;
– Exposure, or rights, to variable returns from its involvement with the investee; and
– The ability to use its power over the investee to affect the amount of the investor's returns.

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 the average exchange rates of that currency over the past 12 months. 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 Germany, Denmark, the Netherlands and Spain, and is recorded at cost. German key money (related to a rent agreement of 2012) is amortized over a period of 5.5 years. Danish key money (related to a rent agreement entered into in 2013) was impaired in 2014. Spanish key money (related to rent agreement entered into in 2014) is amortized over the term of the rent agreement. Dutch key money (related to a rent agreement entered into in 2016) is amortized over a period of 10 years.

(4) Other intangible assets

Other intangible assets (software and online platform) acquired by Van de Velde are recognized at cost (purchase price plus all directly attributable costs) less accumulated amortization and accumulated impairment losses. Expenses for the registration of trade names and designs are recorded as brands with finite useful life to the extent that this relates to new registrations in the country of registration. Other expenditure on internally generated goodwill and brands are recognized in the income statement when incurred. The useful life of intangible assets other than acquired brands and key money is considered to be finite. Amortization begins when the intangible asset is available using the straight-line method. The useful life of intangible assets with a finite life is generally estimated at five years. Other intangible assets include acquired distribution rights and similar rights, which are amortized over a period of 5 years. The rules of IAS38 are met at the moment of activation of other intangible assets.

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 and intangible fixed assets with indefinite useful life 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. The valuation method for the stocks is the weighted average.

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.

IFRS 9 Financial instruments replaces IAS 39 Financial instruments: Recognition and valuation for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the processing of financial instruments: classification and valuation; exceptional decrease in value; and hedge accounting. The application of IFRS 9 had no material impact on the Group.

(a) Classification and valuation

Under IFRS 9, debt instruments are subsequently valued at fair value through profit or loss (FVTPL), amortized cost or fair value with recognition of value adjustments to unrealized results (FVTOCI). The classification is based on two criteria: the business model of the Group for the management of the assets; and whether the contractual cash flows of the instruments represent 'principal and interest payments only' on the outstanding principal.

The Group's business model has been assessed from the date of first application, 1 January 2018, and has subsequently been applied retroactively to the financial assets that have not been removed from the balance sheet before 1 January 2018. The assessment of whether contractual cash flows from debt instruments consist solely of principal and interest is made on the basis of the facts and circumstances at the first recognition of the assets.

The requirements regarding classification and measurement of IFRS 9 did not have a significant effect on the Group. The Group continues to value all financial assets previously valued at fair value under IAS 39 as such.

The Group has not designated financial obligations as FVTPL. There are no changes in the classification and valuation of the Group's financial liabilities.

(b) Impairment

The application of IFRS 9 has fundamentally changed the accounting treatment of impairment losses on the Group's financial assets by replacing the IAS 39 approach to the incurred losses with a forward looking approach to expected credit losses (ECL).

The application of IFRS 9 has no significant impact on the Group.

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.

The Group purposefully chooses to apply IAS 39 and not IFRS 9 for hedge accounting.

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits. 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

Van de Velde has group insurance plans for its Belgian employees and group insurance plans for its employees elsewhere. Under IAS 19 all pension plans are recognized as defined contribution plans or defined pension plans. A defined contribution plan is a pension plan in which a company pays fixed contributions to a separate company and has no legal or actual obligation to pay further contributions if the pension fund has inadequate assets to pay the benefits related to the years of service in the current or previous periods to all employees. A defined pension plan is a pension plan that is not a defined contribution plan.

The pension plans in foreign countries are defined contribution plans. The costs connected with these are recognized through profit and loss when incurred.

The Belgian pension plans were previously recognized as defined contribution plans. However, this classification has been changed in response to a clarification of the Belgian Act of 18 December 2015, which means that the Belgian pension plans will be recognized as defined pension plans from now on. The first actuarial calculation was made on 30 June 2016 and since then an annual update calculation is made as of 31 December in accordance with the principles of IAS 19 set out below. The company recognized the obligation ensuing from the first valuation against other comprehensive income, given that this is deemed to be a change in assumptions.

A liability was recognized in the balance sheet with regard to the Belgian pension schemes equal to the sum of the cash value of the gross liabilities on account of defined pension entitlements (including the tax due on contributions relating to pension costs) as at the balance sheet date, less the market value of the fund investments. An independent actuary made an actuarial calculation of this gross liability for the first time on 30 June 2016 using the projected unit credit method. This type of valuation will be repeated on an annual basis in the future.

The interest expense is calculated by applying a discount rate to the asset or the liability of the defined pension entitlements. This interest expense is recognized through profit and loss. In establishing an appropriate discount rate, the company bases itself on the interest rates applicable to high-grade corporate bonds in cash, which correspond to the currency in which the liability is expected to be paid in accordance with the expected duration of the defined pension liability.

Revaluations, including actuarial gains and losses and the return on fund investments (excluding net interest expense), are recognized in other comprehensive income when they occur. Revaluations must not be reclassified to profit and loss in later periods.

Past service pension cost is recognized through profit and loss when the plan is changed or when the related restructuring or termination benefits become payable by the company, whichever occurs first.

(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 carry-forward 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 from contracts with customers

IFRS 15 provides a five-step model for the administrative processing of revenue from contracts with customers. Under IFRS 15, revenue is recognized in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group applies this standard as of 1 January 2018 using the full retroactive method.

(1) Goods sold

The two biggest revenue streams of the Group are revenue from wholesale and revenue from retail. Within these revenue streams, it is usually expected that the sale of the goods represents the only performance obligation. Furthermore, the revenue is recognized when the control over the article is transferred to the customer, usually upon delivery of the goods.

Allowed discounts for cash payments are charged to the profit and loss account at the moment of the collection of the claim. This discount is included as a reduction in turnover.

Sales of products to the retail shops of the Group are recorded when settled at the cash register. The sale is recorded in revenue excluding taxes on sales and value added taxes, and includes discounts and commercial promotions.

(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 either do not expire or have an expiry date in 24 months. In line with IFRS16, 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 two 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 2018

The Group has not early-adopted any standards or interpretations issued but not yet effective as at 31 December 2018.

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

- Amendments to IFRS 3 Business Combinations – Definition of a business, effective 1 January 2020
- Amendments to IFRS 9 Financial Instruments – Prepayment Features with Negative Compensation, effective 1 January 2019
- IFRS 16 Leases, effective 1 January 2019
- IFRS 17 Insurance Contracts, effective 1 January 2021
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of material, effective 1 January 2020
- Amendments to IAS 19 Employee Benefits – Plan Amendments, Curtailment or Settlement, effective 1 January 2019
- Amendments to IAS 28 Investments in Associates and Joint Ventures – Long-term Interests on Associates and Joint Ventures, effective 1 January 2019
- IFRIC 23 Uncertainty over Income Tax Treatments, effective 1 January 2019
- Annual Improvements Cycle – 2015-2017, effective 1 January 2019

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determination of whether an agreement contains a lease agreement, SIC-15 Operational leases – Incentives and SIC- 27 Evaluation of the economic reality of transactions in the legal form of a lease agreement. IFRS 16 sets out the principles for recognition, valuation, presentation and disclosure of leases and requires lessees to process all leases, under one model, on the balance sheet. This treatment is similar to the accounting for financial leases under IAS 17. The new standard is effective for annual periods beginning on or after 1 January 2019. The Group has decided not to apply the standard early and will adopt the modified retroactive approach which will be applied at the transition date.

IFRS 16 requires that all leases and the associated contractual rights and obligations are recognized on the balance sheet. The Group chooses to use the exemptions proposed by the standard for lease contracts for which the lease term ends within 12 months after the date of first application, and lease contracts for which the underlying asset has a low value. The Group opts to apply the standard to contracts that were previously identified as leases under IAS 17 and IFRIC 4. The Group will therefore not apply the standard to contracts that were previously not identified as leases under IAS 17 and IFRIC 4.

In 2018, the Group carried out a first detailed analysis of IFRS 16. In the context of this analysis, all lease agreements in the Group have been identified. Various agreements were selected and analyzed using the criteria of IFRS 16. Our analysis of 2018 shows that the impact of IFRS16 on our rental charges will fluctuate between 6.3 and 7.0 million euros. In addition, an asset will be booked that fluctuates between 23 to 24 million euros.

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 01/01/2018	**6,357**	**26,189**	**1,749**	**2,797**	**37,092**
Acquisition through business combinations	0	0	0	0	0
At 31/12/2018	**6,357**	**26,189**	**1,749**	**2,797**	**37,092**
Impairment and other adjustments					
At 01/01/2018	**6,357**	**26,189**	**0**	**0**	**32,546**
Impairment and other adjustments	0	0	0	0	0
At 31/12/2018	**6,357**	**26,189**	**0**	**0**	**32,546**
At 31/12/2018					
Accumulated acquisitions	6,357	26,189	1,749	2,797	37,092
Accumulated impairment/other adjustments	6,357	26,189	0	0	32,546
Goodwill, net 31/12/2018	**0**	**0**	**1,749**	**2,797**	**4,546**

(1) Re-tail refers to the former Donker stores and online store in the Netherlands, which subsequently became Lincherie stores.

The carrying value of brands with indefinite useful life (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 01/01/2018	**11,000**	**7,784**	**6,734**	**0**	**25,518**
Acquisition through business combinations	0	0	0	0	0
At 31/12/2018	**11,000**	**7,784**	**6,734**	**0**	**25,518**
Impairment and other adjustments					
At 01/01/2018	**5,531**	**7,784**	**0**	**0**	**13,315**
Impairment and other adjustments	0	0	0	0	0
At 31/12/2018	**5,531**	**7,784**	**0**	**0**	**13,315**
At 31/12/2018					
Accumulated acquisitions	11,000	7,784	6,734	0	25,518
Accumulated impairment/other adjustments	5,531	7,784	0	0	13,315
Brand names with indefinite useful life, net 31/12/2018	**5,469**	**0**	**6,734**	**0**	**12,203**

(1) Re-tail refers to the former Donker stores and online store in the Netherlands, which subsequently became Lincherie stores.

Impairment test

In the fourth quarter of every year, the Group conducts 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 2018:

000 euro	Andres Sarda	Intimacy	Rigby & Peller	Re-tail	Total
Goodwill	0	0	1,749	2,797	4,546
Brands with indefinite useful life	5,469	0	6,734	0	12,203
Total intangible assets	**5,469**	**0**	**8,483**	**2,797**	**16,749**

Result of the impairment test

In 2018 the impairment test showed that the realizable value for all cash-generating units (Andres Sarda, Rigby & Peller and Re-tail) exceeded the carrying value and hence no impairment was required.

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 (2019), the growth plan as approved by the Board of Directors is used as the basis.
  - For the subsequent years (2020-2022), 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[1] 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 three 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 (2019).

For Andres Sarda, the expected average growth rate during the period 2019-2022 is a double-digit percentage, also due to the low starting point.

For the planning period (2019-2022) moderate turnover growth on a like-for-like basis has been applied to the cash-generating units Rigby & Peller and Re-tail.

Fully aligned with the segment reporting, the turnover estimates for the cash-generating units Rigby & Peller and Re-tail 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 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 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 (1%).

(1) Operating profit before deduction of depreciation and amortization.

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 for the three cash-generating units in a range between 7.2% and 7.9%. This corresponds to a cost of capital before tax of between 9.2% and 10.1%.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use of the Andres Sarda, 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 reasonable headroom(1) in the three cash-generating units. The tested sensitivities related to:

- The possibility of lower than forecast turnover growth during the forecast period (2019-2022);
- The possibility of lower than forecast EBITDA margin on sales;
- A decrease in the growth rate (15% instead of 20%) used to extrapolate cash flows beyond the forecast period;
- An increase in the weighted average cost of capital of average 7% to 12%.

(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 01/01/2017	41,684	3,808	25,518	3,734	8,307	317
Investments	485	144	0	0	341	0
Disposals	0	0	0	0	0	0
Other adjustments	0	0	0	0	0	0
Exchange adjustments	-4	-4	0	0	0	0
At 31/12/2017	42,165	3,948	25,518	3,734	8,648	317
Amortization and impairment						
At 01/01/2017	26,547	2,894	13,315	3,447	6,735	156
Amortization	1,713	769	0	229	678	37
Impairment	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Exchange adjustments	-3	-1	0	0	-2	0
At 31/12/2017	28,257	3,662	13,315	3,676	7,411	193
Intangible assets, net 31/12/2017	13,908	286	12,203	58	1,237	124
Intangible assets, gross						
At 01/01/2018	42,165	3,948	25,518	3,734	8,648	317
Investments	10,596	208	0	0	10,388	0
Disposals	0	0	0	0	0	0
Other adjustments	0	0	0	0	0	0
Exchange adjustments	0	0	0	0	0	0
At 31/12/2018	52,761	4,156	25,518	3,734	19,036	317
Amortization and impairment						
At 01/01/2018	28,257	3,662	13,315	3,676	7,411	193
Amortization	797	189	0	58	526	24
Impairment	600	0	0	0	600	0
Disposals	0	0	0	0	0	0
Exchange adjustments	-6	-3	0	0	-3	0
At 31/12/2018	29,648	3,848	13,315	3,734	8,534	217
Intangible assets, net 31/12/2018	23,113	308	12,203	0	10,502	100

The expenses of brands with a finite useful life relates among other things to 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 (7,784 thousand euro) is fully written off in 2014.
- 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 US dollar, 3,000 thousand US dollar of which was settled. The remaining amount of 2,000 thousand US 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 2018 relates, among other things, to the implementation of software for eCommerce, exchange of information and online collaboration, integration of applications and miscellaneous improvements to ERP software.

Key money relates to stores in Germany, Denmark, Spain and the Netherlands.

Expenditure on research activities undertaken to acquire new scientific or technical knowledge and understanding, is recognized as expense when incurred. Expenditure on research activities linked to the Vlajo project are currently recognized as assets under construction (see tangible fixed assets).

5. Tangible fixed assets

000 euro	Total	Land and buildings	Installations, machinery and equipment	Assets under construction
Tangible fixed assets, gross				
At 01/01/2017	92,282	43,809	48,461	12
Investments	4,968	1,128	2,941	899
Transfer	0	0	0	0
Disposals	-1,889	-784	-1,105	0
Exchange adjustments	-1,825	-1,003	-822	0
At 31/12/2017	93,536	43,150	49,475	911
Depreciation and impairment				
At 01/01/2017	55,076	21,342	33,734	0
Depreciation	5,993	2,232	3,761	0
Disposals	-1,762	-759	-1,003	0
Exchange adjustments	-1,521	-756	-765	0
At 31/12/2017	57,786	22,059	35,727	0
Tangible fixed assets, net				
Tangible fixed assets (without grants)	35,750	21,091	13,748	911
Grants at 31/12/2017	0	0	0	0
Grants utilized in 2017	0	0	0	0
At 31/12/2017	35,750	21,091	13,748	911
Tangible fixed assets, gross				
At 01/01/2018	93,536	43,150	49,475	911
Investments	3,639	432	3,055	152
Transfer	0	-36	49	-13
Disposals	-565	-132	-388	-45
Exchange adjustments	-268	-137	-131	0
At 31/12/2018	96,342	43,277	52,060	1,005
Depreciation and impairment				
At 01/01/2018	57,786	22,059	35,727	0
Depreciation	5,599	2,001	3,598	0
Disposals	-464	-132	-332	0
Exchange adjustments	-206	-96	-110	0
At 31/12/2018	62,715	23,832	38,883	0
Tangible fixed assets, net				
Tangible fixed assets (without grants)	33,627	19,445	13,177	1,005
Grants at 31/12/2018	0	0	0	0
Grants utilized in 2018	0	0	0	0
At 31/12/2018	33,627	19,445	13,177	1,005

In 2018, investments primarily relate to the costs of ICT hardware, improvements to the heating system in Schellebelle, a new cutting machine in Wichelen and furniture.

6. Investments in associates

Investments in associates consist of the following Group interests:

- 50.0% in Private Shop Ltd;
- 25.7% in Top Form International Ltd.

Net carrying amount (000 euro)	Top Form Ltd.	Private Shop Ltd.	Total
At 01/01/2017	13.132	1.056	14.188
Results for the fiscal year	225	-492	-267
Reserves	-369	0	-369
Capital increase	0	478	478
Other comprehensive income (1)	263	0	263
At 31/12/2017	13,251	1,042	14,293
At 01/01/2018	13,251	1,042	14,293
Results for the fiscal year	-511	-293	-804 (2)
Dividend received	-596	0	-596
Other comprehensive income (1)	-136	0	-136
At 31/12/2018	12,008	749	12,757

(1) Before intercompany eliminations.
(2) Additional to the result of the year, an impairment of 300 thousand euro for Noyon was made (see note 7).

Key figures per participation are as follows:

Key figures	Top Form Ltd. HKD 000 (31/12/2018)	Private Shop Ltd. HKD 000 (31/12/2018)
Tangible fixed assets	122,845	917
Other fixed assets	116,273	1,028
Current assets	496,433	18,434
Non-current liabilities	23,071	143
Current liabilities	188,285	9,107
Total net assets	524,195	11,272
Turnover	606,696	44,363
Net result	-11,705	-6,021

The figures relating to Top Form International Ltd. in the table above refer to the closing at 31 December 2018 (first half of fiscal year 2018) and so the revenue and net result of a six-month period.

7. Other fixed assets

Other fixed assets consist of the following:

000 euro	2018	2017
Security deposits for VAT	217	217
Other security deposits	886	497
Other participating interests	75	375
Prepaid rent expenses	34	30
Borrowings	46	82
Other fixed assets, net	1,258	1,201

Prepaid rent expenses are recorded in the income statement on a straight-line basis over the lease term. The decrease in other participating interests comprises the impairment of the 20% participation of Van de Velde in SAS Noyon Dentelle for 300 thousand euro through result based on equity method.

8. Grants

In 2018 an amount of 304 thousand euro was recorded as grant. This grant was received in 2017 and 2018 from Vlajo (the organisation for young Flemish companies) as a result of a current research and development project.

9. Inventories

Inventories by major components are as follows:

000 euro	2018	2017
Finished and merchandise goods	26,090	22,706
Work in progress	12,160	11,468
Raw materials	12,727	13,172
Inventories, gross	**50,977**	**47,346**
Less: Allowance for obsolescence	-4,274	-5,363
Inventories, net	**46,703**	**41,983**

The allowance for obsolescence in 2018 relates to finished products (2,787 thousand euro) and raw materials (1,487 thousand euro). The allowance for obsolescence in 2017 relates to finished products (2,126 thousand euro) and raw materials (3,237 thousand euro).

The additional write-down on inventories amounted to 4,498 thousand euro in 2018, compared with 3,137 thousand euro in 2017. The additional write-down relates to raw materials (1,655 thousand euro in 2018 and 1,867 thousand euro in 2017) and finished products (2,843 thousand euro in 2018 and 1,270 thousand euro in 2017).

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	2018	2017
Trade receivables, gross	18,634	19,795
Less: allowance for doubtful debtors	-712	-481
Trade receivables, net	**17,922**	**19,314**

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 2018 there was a loss of 211 thousand euro with respect to trade receivables (245 thousand euro in 2017).

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
2018	18,634	13,769	3,220	542	1,103
2017	19,795	12,438	5,412	993	952

11. Other current assets

Other current assets consist of the following:

000 euro	2018	2017
Prepaid expenses [1]	3,914	4,104
Tax receivables (VAT & corporate income tax) [2]	7,815	1,674
FX forward contracts (note 20)	188	182
Other current assets, net	**11,917**	**5,960**

(1) The prepaid expenses primarily relate to publicity and marketing costs for the next seasons as well as prepaid maintenance costs.
(2) Mainly related to innovation-related tax breaks.

12. Cash and cash equivalents

Cash and cash equivalents consist of the following:

000 euro	2018	2017
Cash at banks and in hand	15,730	21,843
Marketable securities	0	0
Cash and cash equivalents	**15,730**	**21,843**

Currently, there are no marketable securities that 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	2018	2017
Nominative shares	7,592,233	7,577,833
Dematerialized shares	5,730,247	5,744,647
Total number of shares	**13,322,480**	**13,322,480**

At 31 December 2018 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 (18 May 2017).

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 2017 Van de Velde NV held no treasury shares.

In accordance with Article 620 of Belgium's Companies Code, the Extraordinary General Meeting of Shareholders of 26 April 2017 gave the Board of Directors the power to acquire the company's own shares. In 2018 15,500 treasury shares were purchased to meet the commitments regarding the exercise of stock options in 2018.

Within the framework of the stock option plan a total of 4,500 options were exercised and the same number of treasury shares was made available to the option holders. An additional 20,000 options were forfeited.

At the end of 2018, Van de Velde NV held 11,000 treasury shares totalling 427 thousand euro. The treasury shares held by Van de Velde NV at the end of 2018 will be offered to management under an option programme that has been running since 2005.

000 euro	2018	2017
Share capital	1,936	1,936
Treasury shares	-427	0
Share premium	743	743

14. Provisions

000 euro	Provisions
At 01/01/2017	893
Arising during the year	0
Utilized	0
Reversal	-284
Provisions 31/12/2017	**609**
At 01/01/2018	609
Arising during the year	0
Utilized	0
Reversal	-219
Provisions 31/12/2018	**390**

At the end of 2017 a provision of 609 thousand euro was outstanding in relation to termination fees for sales agents and other planned measures. In 2018, the provision was not used and a reversal of the provision of 219 thousand euro was booked. The expected timetable of the corresponding cash outflows depends on the progress and duration of the negotiations with the sales agents.

15. Pensions

Van de Velde has five defined pension plans in Belgium. These plans are clarified on a cumulative basis, as they are situated in the same geographical location and have the same attributes and risk characteristics.

As well as the Belgian pension plans, the company also has pension plans for its staff in foreign countries. These pension plans are defined contribution plans. The cost recognized in the current period with regard to these contributions is 27 thousand euro (23 thousand euro in 2017).

The pension plan in Belgium is subject to Belgian legislation and is a group insurance plan with guaranteed return (Tak 21). From fiscal year 2016 the pension plan will be recognized as a defined pension plan, as a consequence of a clarification of Belgian law. The first actuarial valuation occurred on 30 June 2016. The resulting liability was recognized in the interim financial statements against other comprehensive income, as it is considered to be a change in assumptions. A second actuarial valuation occurred on 31 December 2016. On 31 December 2018 a fourth actuarial valuation occurred.

The pension plan in Belgium is financed. If the fund investments are lower than the minimum guarantee set by law the employer must pay an additional contribution into the plan.

The changes to the defined pension entitlements liability and market value of fund investment on 31 December 2018 are as follows:

	At 01/01/2018	Pension cost allocated to realised income	Return	Gain/(loss) as a consequence of changes to calculation method allocated to other comprehensive income	Employer contribution	Benefits paid	At 31/12/2018
Defined pension entitlement liability	-7,705	-717	-146	-60	0	99	-8,529
Market value of the fund investments	6,957	0	137	-123	623	-99	7,495
Net liability in the balance sheet	**-748**	**-717**	**-9**	**-183**	**623**	**0**	**-1,034**

The investments primarily relate to qualifying insurance policies[1] (99.9% of all investments). The expected contribution by the employer for the year ending 31 December 2019 is 722 thousand euro.

The main actuarial assumptions used in the valuation of the pension plans are shown in the table below:

Annual pay rises (excluding inflation)	1%
Annual inflation	2%
Annual discount rate	1.95%
Retirement age in years	65
Total number of members	1,136
Average age in years	42
Estimated duration in years	18.3

The expected duration of the non-discounted pension payments is broken down in the table below:

	Expected benefits
Within 12 months (fiscal year ending 31 December 2019)	45
Between 2 and 5 years	849
Between 5 and 10 years	1,525
Total expected benefits	2,419

The cash value of pension liabilities depends on a number of factors that are determined actuarially on the basis of a number of assumptions. The assumptions that are used when calculating the net pension costs (income) include the discount rate. Changes in the assumptions impact the carrying value of the pension liabilities.

Van de Velde determines the appropriate discount rate at the end of each year. This is the interest rate that must be applied to determine the cash value of the estimated future cash flows required to meet the pension liabilities. When determining the appropriate discount rate Van de Velde uses the interest rate of high-value corporate bonds expressed in the currency in which the pensions will be paid out and with a duration comparable to the duration of the corresponding pension liabilities.

Other important assumptions for pension liabilities, such as expected annual growth rate of salaries and benefits, are partly based on current market conditions.

(1) This concerns the individual contracts of the affiliates for which the insurer guarantees a certain return on the reserves up to the end date.

The table below shows the effect of the discount rate on the defined pension entitlement liability:

	Valuation trend -0.5%	Original	Valuation trend +0.5%
Discount rate	1.45%	1.95%	2.45%
Defined pension entitlement liability	9,281	8,529	7,854
Market value of the fund investments	8,125	7,495	6,928

The table below shows the effect of the withdrawals from the plan on the defined pension entitlement liability:

	Original	Sensitivity
Withdrawal from the plan	Employer table	0.00%
Defined pension entitlement liability	8,529	9,109

The sensitivity analysis in the above tables is determined on the basis of a method that shows the impact on the liability due to the defined pension entitlements as a consequence of reasonable changes to significant assumptions occurring at the end of the period. This analysis is based on a change to a significant assumption that keeps all other assumptions constant. The sensitivity analysis may not be representative of actual changes in the defined pension entitlement liability because it is unlikely that changes to the assumptions could occur in isolation.

16. Other non-current liabilities

Other non-current liabilities consist of the following:

000 euro	2018	2017
Deferred rent and lease incentives	864	928
Liabilities from acquisition of a participation in joint venture	1,830	1,830
Other non-current liabilities	2,694	2,758

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 1,830 thousand euro (2,000 thousand US 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 2018.

17. Deferred taxes

The deferred taxes consist of the following:

000 euro	Deferred tax liabilities on fixed assets	Deferred tax assets on assets / liabilities	Total
At 01/01/2017	1,865	-1,513	352
Changes	365	26	391
At 31/12/2017	**2,230**	**-1,487**	**743**
At 01/01/2018	2,230	-1,487	743
Changes	51	-170	-119
At 31/12/2018	**2,281**	**-1,657**	**624**

The net deferred tax liability of 624 thousand euro consists of the following components:

– 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 25%.

18. Trade and other payables

Trade and other payables consist of the following:

000 euro	2018	2017
Trade payables (1)	11,794	8,807
Payroll, social charges	5,899	5,043
Gift cards and credits issued	528	631
Accrued charges (2)	7,307	4,946
Fx forward contracts (note 19)	36	237
Short-term borrowings	515	362
Trade and other payables	**26,079**	**20,026**

(1) Increase due to the cost structure of 2018.
(2) In addition to the accrued bonuses to employees and directors as well as discounts to customers, accrued charges also includes the cost of external employees.

19. Other current liabilities and taxes payable

000 euro	2018	2017
Other current liabilities: taxes (VAT payable, local taxes, withholding taxes)	1,936	1,552
Taxes payable: corporate income taxes	1,103	9,921

The decrease in current liabilities and taxes payable in 2018 mainly relates to the payable corporate income taxes.

20. Financial instruments

With the exception of the financial instruments included below, the fair value of all other financial assets and liabilities (including cash and trade receivables) approximates the carrying amount.

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 14/01/2019 and 16/12/2019 (maturities at 31 December 2017: between 16/01/2018 and 15/12/2018). 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 2018 the fair value of these FX forward contracts was 152 thousand euro, comprising an unrealized income of 188 thousand euro and an unrealized loss of 36 thousand euro.

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

000 euro	2018	2017
Derivatives that do not qualify for hedge accounting:		
Other current assets	188	182
Other current liabilities	-36	-237
Real value	**152**	**-55**

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.

21. Financial result

The financial result breaks down as follows:

000 euro	2018	2017
Interest income	16	33
Interest costs	-14	-31
Interest result, net	**2**	**2**
Exchange gains	3,254	3,388
Exchange losses	-2,529	-3,910
Exchange result, net	**725**	**-522**
Income from investments (dividends)	0	958
Other financial income	12	18
Other financial costs	-748	-700
Financial result	**-9**	**-244**

22. Personnel expenses

Personnel expenses are as follows:

000 euro	2018	2017
Wages	8,421	8,433
Salaries	32,581	26,514
Social security contributions	8,226	8,102
Other personnel expenses	1,737	934
Personnel expenses	**50,965**	**43,983**

Workforce at balance sheet date	2018	2017
White collars	704	621
Blue collars	944	910
Total	**1,648**	**1,531**

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.

The impact of IFRS 2 on the result of the year 2018 was 137 thousand euro versus 185 thousand euro in 2017.

The option plans 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 2014	PLAN 2015	PLAN 2016	PLAN 2017	PLAN 2018
Award date [1]	13/10/14	12/10/15	29/9/16	03/10/17	n/a
Dividend right as of the grant date	no	no	no	no	n/a
Contractual term of the options	5-10	5-10	5-10	5-10	n/a
Exercise price	37.85	55.87	63,02	45.13	n/a
Expected volatility	35.00%	35.00%	35.00%	35.00%	n/a
Risk-free interest rate	0.33 - 1.01%	0.07%	-0.269% - 0.242%	-0.143% - 0.398%	n/a
Fair value of the share options (in euro)	9.97	14.45	16.40	11,23	n/a

(1) The exchange of property will take place on the 60th day after the award date and is called the grant date.

The share option plan has changed as follows:

Number of shares and options	Option plan 2005 - 2018
Outstanding at 01/01/2017	**47,500**
Exercisable at 01/01/2017	**0**
Movements during the year	
Accepted	30,000
Forfeited	0
Exercised	11,000
Expired	0
Outstanding at 31/12/2017	**66,500**
Exercisable at 31/12/2017	**0**
Movements during the year	
Accepted	0
Forfeited	20,000
Exercised	4,500
Expired	0
Outstanding at 31/12/2018	**42,000**
Exercisable at 31/12/2018	**10,000**

23. Income taxes

The major components of income tax expense for the years ending 31 December 2018 and 2017 are:

000 euro	2018	2017
Current income tax	**3,666**	**13,618**
Current income tax charge	3,666	13,618
Adjustments in respect of current income tax of previous years	0	0
Deferred income tax	**-74**	**24**
Relating to the origination and reversal of temporary differences	-74	24
Income tax expense reported in the consolidated income statement	**3,592**	**13,642**

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	2018	2017
Profit before taxes (1)	**30,230**	**47,729**
Parent's statutory tax rate (2)	8,942	16,223
Higher income tax rates in other countries	0	0
Lower income tax rates in other countries	-1,825	-2,811
Utilization tax losses and unrecognized losses	708	-349
Disallowed expenses	446	317
Notional interest deduction	0	-27
Other (3)	-4,679	147
Dividend received reduction ('DBI')	0	142
Total income taxes	**3,592**	**13,642**
Effective income tax rate	**11.88%**	**28.6%**

(1) Profit before taxes excluding the share in the result of associates and impairment charges.
(2) For financial year 2018, the legal tax rate of the head office was 29.58%, compared with 33.99% for financial year 2017.
(3) In 2018 primarily concerning innovation deduction.

The fall in the effective tax rate in 2018 is primarily explained as follows:

- Higher share of the taxable profit in Tunisia in 2018.
- In 2018 a tax stimulus was received in the form of an innovation deduction for the years 2017 and 2018.
- We estimate the normalized tax rate at around 20% for the coming years.

24. Earnings per share

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

	2018	2017
Profit attributable to shareholders (in 000 euro)	25,533	33,947
Weighted average number of ordinary shares	13,313,890	13,468,577
Dilutive effect of stock options	0	4,419
Weighted average number of shares after impact of dilution	13,313,890	13,472,996
Basic earnings per share (euro)	**1.92**	**2.52**
Diluted earnings per share (euro)	**1.92**	**2.52**

In 2017, all stock options granted over the period 2013-2017 were dilutive, with the exception of the options granted in 2015 and 2016. In 2018, none of the stock options granted over the period 2014-2018 were dilutive.

25. Dividends paid and proposed

000 euro	2018	2017
Dividend paid	13,722	28,643

Dividend paid:
- in 2018:
  - 1,03085 euro per share for fiscal year 2017.
- in 2017:
  - 2.15 euro per share for fiscal year 2016.

000 euro	2018	2017
Dividend proposed	13,722	13,722

Dividend proposed:
- 1.03 [1] euro per share for fiscal year 2018.
- No dividend rights are attached to treasury shares.

(1) Higher compared to the pay-out ratio of 40%, namely 52% of the consolidated profit, Group share, excluding the result based on the equity method.

26. 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 6,436 thousand euro in 2018 (6,317 thousand euro in 2017).

Future minimum lease payments under operating leases were as follows at 31 December 2018 and 2017:

000 euro	2018	2017
Within one year	6,154	6,047
After one year but not more than five years	14,253	16,635
More than five years	4,058	5,894
Total	**24,465**	**28,576**

27. Related party disclosures

Full consolidation

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

Name	Address	(%) Equity interest 2018	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	Cannon Place, 78 Cannon Street, EC4N 6AF LONDEN, United Kingdom	100	0
VAN DE VELDE FRANCE SARL (1)	16, Place du General De Gaulle 59000 LILLE, France	0	100
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 NY 10016, NEW YORK, United States of America	100	0
VAN DE VELDE DENMARK APS	Lejrvejen 8 6330 PADBORG, Denmark	100	0
VAN DE VELDE RETAIL INC	171 Madison Avenue, Suite 201 NY 10016, NEW YORK, United States of America	100	0
INTIMACY MANAGEMENT COMPANY LLC	171 Madison Avenue, Suite 201 NY 10016, NEW YORK, United States of America	100	0

(1) The liquidation of Van de Velde France SARL was closed on 15 December 2017, but the legal formalities where finalized early 2018. As from July 2017 the activities have been transferred to the Branch Van de Velde NV Succursale France.

Name	Address	(%) Equity interest 2018	Change on previous year
RIGBY & PELLER LTD	Second Floor, 37 North Row W1K 6DH, LONDEN United Kingdom	100	13
VAN DE VELDE NEDERLAND BV	Beethovenstraat 28 1077 JH AMSTERDAM, Netherlands	100	0
@MYHOME LINGERIE STYLING GMBH	Hanauer Landstraße, 291B 60314 FRANKFURT AM MAIN, Germany	100	100
VAN DE VELDE HONG KONG LTD	21/F Edinburgh Tower, The Landmark 15 Queen's Road, Central, Hong Kong	100	100

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

Companies to which the equity method is applied

The equity method is applied to the following companies:

Name	Address	(%) Equity interest 2018	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 2018 transactions between the Group and TFI totalled 11,735 thousand US dollar. On 31 December 2018 the Group had trade payables to TFI in the amount of 95 thousand US dollar. In 2017 transactions between the Group and TFI totalled 11,700 thousand US dollar. On 31 December 2017 the Group had trade payables to TFI in the amount of 8 thousand US dollar.

Private Shop Ltd

In 2018 sales between the Group and Private Shop Ltd totalled 700 thousand euro. On 31 December 2018, the Group had accounts receivable to Private Shop Ltd in the amount of 20 thousand euro. In 2017 sales between the Group and Private Shop Ltd totalled 697 thousand euro. On 31 December 2017, the Group had accounts receivable to Private Shop Ltd in the amount of 25 thousand euro.

Related to the acquisition of a distribution agreement and a number of intangible assets in relation to Private Shop Ltd, the Group had a debt to Getz of 2.0 million US dollar as per 31 December 2018. 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

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 (Herman Van de Velde NV) received an annual gross remuneration of 25,000 euro. The other non-executive members (excluding the managing director) receive annual remuneration of 15,000 euro for their membership of the Board of Directors. All members of the Board of Directors (excluding the managing director) receive 2,500 euro for their membership of the Audit and/or Nomination and Remuneration Committee respectively. The total remuneration for the directors (excluding the managing director) was 157.5 thousand euro in 2018 and 127.5 thousand euro in 2017. The directors have not received any loan or advance from the Group.

Management Committee Remuneration

For the year ended 31 December 2018, a total amount of 1,595 thousand euro (2,161 thousand euro in 2017) was awarded to the members of the Management Committee, including the managing director. 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	2018	2017
Basic remuneration	1,398	1,694
Variable remuneration	174	427
Group insurance premiums	12	23
Other benefits	11	17
Total	**1,595**	**2,161**

In addition to these cash benefits, no share-based benefits were granted to the members of the management committee through the share option plan in 2018. In 2017 the members of the management committee had the opportunity to participate in a share option plan by which they were granted 5,000 options. No calculated costs are linked to the options accepted by the members of the management committee in 2017.

28. 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 made 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 2018 and on 31 December 2017:

Segment Income Statement	2018				2017			
000 euro	Wholesale	Retail	Unallocated	Total	Wholesale	Retail	Unallocated	Total
Segment revenues	167,490	37,663	0	**205,153**	171,426	37,561	0	**208,987**
Segment costs	-89,125	-36,106	-42,687	**-167,918**	-86,796	-33,369	-33,143	**-153,308**
Depreciation	0	-969	-6,027	**-6,996**	0	-2,257	-5,449	**-7,706**
Segment results	78,365	588	-48,714	**30,239**	84,630	1,935	-38,592	**47,973**
Net finance profit				**-9**				**-244**
Impairment				**0**				**0**
Result from associates				**-1,105**				**-267**
Income taxes				**-3,592**				**-13,642**
Non-controlling interest				**0**				**-127**
Net income				**25,533**				**33,947**

Segment Balance Sheet	2018			2017		
000 euro	Wholesale	Retail	Total	Wholesale	Retail	Total
Segment assets	65,118	20,315	**85,433**	61,922	21,194	**83,116**
Unallocated assets			**82,140**			**75,682**
Consolidated total assets	65,118	20,315	**167,573**	61,922	21,194	**158,798**
Segment liabilities	0	0	**0**	0	0	**0**
Unallocated liabilities			**167,573**			**158,798**
Consolidated total liabilities	0	0	**167,573**	0	0	**158,798**

Capital expenditure	2018				2017			
000 euro	Wholesale	Retail	Unallocated	Total	Wholesale	Retail	Unallocated	Total
Tangible fixed assets	0	431	3,208	**3,639**	0	1,525	3,443	**4,968**
Intangible assets	0	0	10,596	**10,596**	0	7	478	**485**
Depreciation	0	969	6,027	**6,996**	0	2,257	5,449	**7,706**

Breakdown by region – turnover	2018			2017		
000 euro	Eurozone	Elsewhere	Total	Eurozone	Elsewhere	Total
Turnover	141,555	63,598	**205,153**	142,320	66,667	**208,987**

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

Further information about the assets of the company – location (000 euro)	Belgium	Elsewhere	Total
Tangible fixed assets	28,811	4,816	**33,627**
Intangible assets	16,238	6,875	**23,113**
Inventories	41,841	4,862	**46,703**

29. Events after balance sheet date

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

30. Business risks with respect to IFRS 7

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

Currency risk

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

In terms of currency risk, between 30% and 35% of Group turnover is generated in currencies other than the euro. In addition, a significant proportion of purchases and expenses are in foreign currency (e.g. purchases raw materials and subcontractors as well as local expenses within the retail network).

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 2018 with regard to changes in foreign currencies for the positions EUR/GBP, EUR/CAD, EUR/DKK, EUR/CHF, EUR/NOK and EUR/USD. 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%
GBP	74	-74
CAD	65	-65
DKK	25	-25
CHF	114	-114
NOK	44	-44
USD	82	-82
	404	-404

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 and to limit credit risk at its customers. Wholesale sales are generated through around 5,000 independent retailers and a small number of luxury department stores. No single customer accounts for more than 2.0% of the annual turnover of the Group.

Furthermore, the insolvency risk is covered by credit insurance. In line with IFRS 9, the Group must recognize expected credit losses on all its trade receivables over a period of 12 months or over the remaining term. Further analysis shows that the application of the simplified approach to all trade receivables has no significant impact.

With respect to eCommerce activities, the credit risk is limited by using country-specific payment methods and an external partner is cooperated with monitoring the creditworthiness of potential eCommerce customers.

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 (15.7 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. Investments are also made to limit the risk of failure of the computer infrastructure.
- The risks of interruption in deliveries by a supplier and the possible alternatives (if available) 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 57% of purchase costs of material. The largest supplier accounts for 22% of purchase costs, whereas all other suppliers account for less than 17%.
- Assembly capacity is mainly spread over China, several sites in Tunisia and Thailand.
- 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.
- Transparent chain management has been organized in which the need for provisions and/or possible interruptions are proactively identified and action can be taken.

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 about 50,000 stock references, more than 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. In the event that such allegations are proven, Van de Velde may be subject to significant 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.

Other operational risks

The Group is also faced with other operational risks which (if possible) are monitored and for which (if available) correcting actions are taken.

Brexit

To determine the possible impact of Brexit and roll out the appropriate responses, a team was composed in which all involved departments (in both Belgium and the United Kingdom) are represented. A number of examples of the points to be addressed:

- Depending on the content of Brexit, extra costs may be generated (such as duties and transport costs)
- The appropriate steps have been taken in association with the haulers and customs to safeguard the continuity of supplies to the United Kingdom.


MARIE JO

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 31 December 2018

As required by law and the Company's articles of association, we report to you as statutory auditor of Van de Velde NV (the "Company") and its subsidiaries (together the "Group"). This report includes our opinion on the consolidated balance sheet as at 31 December 2018, the consolidated income statement and overview of other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flows statement for the year ended 31 December 2018 and the disclosures (all elements together the "Consolidated Financial Statements") as well as our report on other legal and regulatory requirements. These two reports are considered one report and are inseparable.

We have been appointed as statutory auditor by the shareholders' meeting of 26 April 2016, in accordance with the proposition by the Board of Directors following recommendation of the Audit Committee and following recommendation of the workers' council. Our mandate expires at the shareholders' meeting that will deliberate on the consolidated financial statements for the year ending 31 December 2018. We performed the audit of the consolidated financial statements of the Group during 21 consecutive years.

Report on the audit of the Consolidated Financial Statements

Unqualified opinion

We have audited the consolidated financial statements of Van de Velde NV, that comprise of consolidated balance sheet on 31 December 2018, the consolidated income statement and overview of other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flows statement of the year and the disclosures, which show a consolidated balance sheet total of € 167.572.968 and of which the consolidated income statement shows a profit for the year of € 25.532.644.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated net equity and financial position as at 31 December 2018, and of its consolidated results for the year then ended, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") and with applicable legal and regulatory requirements in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the Consolidated Financial Statements" section of our report.

We have complied with all ethical requirements that are relevant to our audit of the consolidated financial statements in Belgium, including those with respect to independence.

We have obtained from the Board of Directors and the officials of the company the explanations and information necessary for the performance of our audit and we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current reporting period.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and consequently we do not provide a separate opinion on these matters.

Valuation of goodwill and brands with an indefinite life

Description of the key audit matter

As a consequence of different acquisitions in the past, the Group has acquired goodwill and brands with an indefinite life. The book value of goodwill and brands with an indefinite life as at 31 December 2018 amounts to respectively € 4.5 million and € 12.2 million (of which € 8.5 million related to Rigby & Peller, € 2.8 million related to Re-tail BV and € 5.4 million related to Andres Sarda). The book value of goodwill and brands together represent 10 % of the consolidated balance sheet total.

In accordance with IFRS, the Group is required to annually test for impairments on goodwill and brands with an indefinite life.

The valuation of goodwill and brands with an indefinite life is significant for our audit because the valuation process is complex and is strongly influenced by management's expectations of expected growth, in particular of revenues and Earnings Before Interest Depreciation and Amortization ("EBITDA") and other assumptions (growth rate, discount rate ('WACC') and tax rate).

The valuation of goodwill and brands with an indefinite life of the Group, is described in notes 3 and 4 of the consolidated financial statements.

Summary of the procedures performed

- We have analyzed the Group's impairment test model including the significant underlying assumptions (revenue growth, EBITDA percentage on revenue, long term growth rate beyond the projection period, discount rate), and we have verified the definition of the cash generating units according to IFRS;
- We made an assessment of the historical accuracy of management's judgements, and compared the expected revenue growth, EBITDA percentage on revenue, for all cash generating units with the Group's business plan as adopted and approved by the Board of Directors;
- We used a valuation expert in our firm to assess the methodology, clerical accuracy, long term growth rate and discount rate by comparison to market information, past performance, the Group's cost of capital and relevant risk factors.
- We assessed the sensitivity analyses prepared by management to understand the impact of reasonable changes in the key assumptions;
- We considered additional impairment triggers by reading board minutes, and holding regular discussions with management.
- We assessed the adequacy of notes 3 and 4 of the consolidated financial statements.

Inventory Valuation

Description of the key audit matter

The total inventory value of the group amounts to € 46,7 million, net of allowances for € 4.3 million for inventory items that are considered obsolete, amounts to 27,87 % of the consolidated balance sheet total. Inventory consists of raw materials, work in progress, finished goods and merchandise goods. The Group values inventory at the lower of cost or net realizable value. The allowance for obsolete inventory is calculated based on the ageing and the expected turnover of the inventory. The allowance for obsolete inventory is significant for our audit because of the magnitude of the amount, and due to the uncertainties related to management's judgment regarding turnover as well as the applied allowance percentages. The valuation of inventories is described in note 9 of consolidated financial statements.

Summary of the procedures performed

Our audit procedures included, among others, the following:

- We have discussed the applied turnover expectations with management, and reconciled these with the underlying documents of management and the Board of Directors;
- We have tested the accuracy of the applied ageing data of inventory by means of a sample test of inventory items;
- We have discussed the applied allowance percentages with management and reconciled to historical data;
- We have evaluated the historical accuracy of management's judgments by comparing the past judgements with the actual turnover;
- We have performed an analytical evaluation of the allowances for obsolescence per product group;
- We have checked the completeness and adequacy of note 9 of the consolidated financial statements.

Responsibilities of the Board of Directors for the preparation of the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and with applicable legal and regulatory requirements in Belgium and for such internal controls relevant to the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of consolidated financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, and provide, if applicable, information on matters impacting going concern, The Board of Directors should prepare the financial statements using the going concern basis of accounting, unless the Board of Directors either intends to liquidate the company or to cease business operations, or has no realistic alternative but to do so.

Our responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement, whether due to fraud or error, and to express an opinion on these consolidated financial statements based on our audit. Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and we maintain professional skepticism throughout the audit. We also perform the following tasks:

- identification and assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, the planning and execution of audit procedures to respond to these risks and obtain audit evidence which is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatements resulting from fraud is higher than when such misstatements result from errors, since fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining insight in the system of internal controls that are relevant for the audit and with the objective to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluating the selected and applied accounting policies, and evaluating the reasonability of the accounting estimates and related disclosures made by the Board of Directors as well as the underlying information given by the Board of Directors;
- conclude on the appropriateness of the Board of Directors' use of the going-concern basis of accounting, and based on the audit evidence obtained, whether or not a material uncertainty exists related to events or conditions that may cast significant doubt on the company's or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the company to cease to continue as a going-concern;
- evaluating the overall presentation, structure and content of the consolidated financial statements, and evaluating whether the consolidated financial statements reflect a true and fair view of the underlying transactions and events.

We communicate with the Audit Committee within the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the audits of the subsidiaries. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities.

We provide the Audit Committee within the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee within the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report, unless the law or regulations prohibit this.

Report on other legal and regulatory requirements

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and the content of the Board of Directors' report on the consolidated financial statements.

Responsibilities of the auditor

In the context of our mandate and in accordance with the additional standard to the ISAs applicable in Belgium, it is our responsibility to verify, in all material respects, the Board of Directors' report on the consolidated financial statements, the non-financial information attached to the Board of Directors' report, as well as to report on these matters.

Aspects relating to Board of Directors' report

In our opinion, after carrying out specific procedures on the Board of Directors' report, the Board of Directors' report is consistent with the consolidated financial statements and has been in prepared accordance with article 119 of the Belgian Company Code.

In the context of our audit of the consolidated financial statements, we are also responsible to consider whether, based on the information that we became aware of during the performance of our audit, the Board of Directors' report and other information included in the annual report being:

– Chapter 4: Consolidated key figures (page 26 to 29)
– Chapter 7: Concise version of the statutory financial statements and the statutory annual report of Van De Velde NV (page 71 to 74)

contain any material inconsistencies or contains information that is inaccurate or otherwise misleading. In light of the work performed, there are no material inconsistencies to be reported. In addition, we do not provide reasonable assurance regarding the Board of Directors' report.

The non–financial information required by article 119, § 2, of the Belgian Company Code has been included in the Board of Directors' report on the consolidated financial statements. The company has prepared this non-financial information based on Global Reporting Initiative. However, we do not comment on whether this non-financial information has been prepared, in all material respects, in accordance with Global Reporting Initiative. We do not express any form of reasonable assurance regarding the individual elements included in this non-financial information.

Independence matters

Our audit firm and our network have not performed any services that are not compatible with the audit of the consolidated financial statements and have remained independent of the company during the course of our mandate.

The fees related to additional services which are compatible with the audit of the consolidated financial statements as referred to in article 134 of the Belgian Company Code were duly itemized and valued in the notes to the consolidated financial statements.

Other communications

- This report is consistent with our supplementary declaration to the Audit Committee as specified in article 11 of the regulation (EU) nr. 537/2014.

Ghent, 27 February 2019

Ernst & Young Bedrijfsrevisoren BCVBA
Statutory auditor
Represented by
Paul Eelen
*Partner**

* Acting on behalf of a BVBA/SPRL


ANDRES SARDA
Designed in Barcelona

7 | Concise version of the statutory financial statements and the statutory annual report 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	31/12/2018	31/12/2017
Fixed assets	**119,407**	**113,204**
Intangible fixed assets	13,827	2,852
Tangible fixed assets	23,159	24,594
Financial fixed assets	82,421	85,758
Current assets	**95,546**	**87,320**
Amounts receivable after one year	2,438	2,562
Stocks and orders in production	44,768	39,768
Amounts receivable within one year	32,478	23,686
Financial investments	0	0
Cash at banks and in hand	12,930	18,564
Accrued income and deferred charges	2,932	2,740
Total assets	**214,953**	**200,524**
Shareholders' equity	**151,936**	**137,347**
Issued capital	1,936	1,936
Share premium	743	743
Reserves	148,953	134,516
Grants	304	152
Provisions, deferred taxes and tax liabilities	**390**	**373**
Provisions for risks and costs	390	373
Liabilities	**62,627**	**62,804**
Amounts payable after one year	0	0
Amounts payable within one year	58,321	58,356
Accrued charges and deferred income	4,306	4,448
Total liabilities	**214,953**	**200,524**

Concise income statement

000 euro	31/12/2018	31/12/2017
Operating income	**199,474**	**204,030**
Turnover	190,727	197,350
Changes in stocks unfinished goods and finished goods	3,988	558
Other operating income	4,759	6,122
Operating costs	**176,032**	**161,181**
Goods for resale, raw materials and consumables	41,020	40,886
Services and other goods	99,219	85,462
Salaries, social charges and pension costs	31,001	27,610
Depreciations	5,434	6,223
Write-downs and provisions	-946	734
Other operating costs	304	266
Operating profit	**23,442**	**42,849**
Financial result	**5,072**	**2,796**
Finance income	13,546	10,492
Finance costs	-8,474	-7,696
Profits on ordinary activities before tax	**28,514**	**45,645**
Exceptional result1	**0**	**613**
Exceptional income	0	5,730
Exceptional costs	0	-5,117
Pre-tax profit for the fiscal year	**28,514**	**46,258**
Tax on the profit	-354	-11,332
Profit for the year	**28,160**	**34,926**

(1) Under the new accounting law, exceptional result is no longer presented separately but rather is part of the other items.

Appropriation account

000 euro	31/12/2018	31/12/2017
Distributable profit	**28,160**	**34,926**
Distributable profit for the fiscal year	28,160	34,926
Addition to reserves	14,438	21,204
Transfer from reserves	0	0
Profit to be distributed	**13,722**	**13,722**

Statutory annual report Van de Velde NV
Fiscal year 1/1/2018 - 31/12/2018

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 214,953 thousand euro and a profit after tax for the fiscal year of 28,160 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 'Prospects' in chapter 1, 'The year 2018'.

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, new sales-supporting techniques and so on.

5. Additional tasks of the statutory auditor

The General Meeting of Shareholders of 27 April 2016 of Van de Velde NV appointed Ernst & Young Bedrijfsrevisoren BVCBA, Pauline Van Pottelsberghelaan 12, 9051 Ghent, represented by Paul Eelen, as statutory auditor. The auditor is appointed until the annual meeting of 2019.

The annual remuneration in 2018 for auditing the statutory and consolidated annual accounts of Van de Velde NV was 59,823 euro (excl. VAT). The total costs for 2018 for the auditing of the annual accounts of all companies of the Van de Velde Group was 181,796 euro (excl. VAT), including the 59,823 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 50,370 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 possible 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;
- Brexit.

7. Acquisition of own shares

At the end of 2017 Van de Velde NV held no treasury shares.

In accordance with Article 620 of Belgium's Companies Code, the Extraordinary Meeting of Shareholders of 30 April 2014 gave the Board of Directors the power to acquire the company's own shares. In 2018 15,500 treasury shares were purchased.

Within the framework of the stock option plan a total of 4,500 options were exercised and the same number of treasury shares was made available to the option holders. At the end of 2018 / beginning of 2019 20,000 options were forfeited.

At the end of 2018 Van de Velde NV held 11,000 treasury shares.

000 euro	2018	2017
Share capital	1,936	1,936
Treasury shares	427	0
Share premium	743	743

8. Conflict of interests

In 2018 there was a conflict of interest within the meaning of article 523 Companies Code. For more details, see the Conflicts of Interest Scheme section in chapter 3 "Corporate Governance".

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". On 1 July 2017 Van de Velde formed a branch in France (organization number 831 118 146), named "Van de Velde NV Succursale France".

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 (18 May 2017), 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 17 February 2017 and the Belgian Corporate Governance Code. Please see chapter 3 (Corporate Governance).

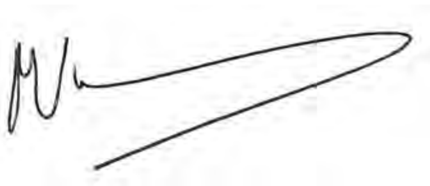
14. Proposed profit distribution

The Board of Directors proposes to the General Meeting of Shareholders payment of a gross dividend of 1.03 euro per share. After payment of withholding tax, this represents a net dividend of 0.721 euro per share. After approval by the General Meeting of Shareholders the final dividend of 1.03 euro per share (net dividend of 0.721 euro per share) will be paid out as from 6 May 2019.

Proposed profit distribution in thousands of euro:

Distributable profit	28,160
Transfer from reserves	14,438
Gross dividend of 1.03 euro per share on 13,322,480 shares	13,722
– Of this amount, 1.03 euro per share as final dividend	13,722

Mavac BVBA,
always represented by
Marleen Vaesen
Managing Director



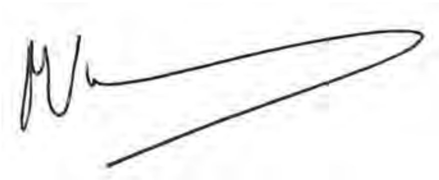
8 | Statement of responsible persons

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

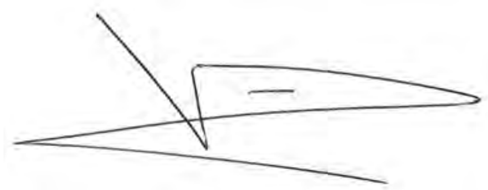
A) The financial statements, which have been prepared in compliance with the applicable standards, faithfully reflect the equity, the financial situation and the results of Van de Velde and the companies included in the consolidation.

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.

Mavac BVBA,
always represented by
Marleen Vaesen
CEO



Nico Van den Meersschaut
Finance Manager




ANDRES SARDA
Designed in Barcelona

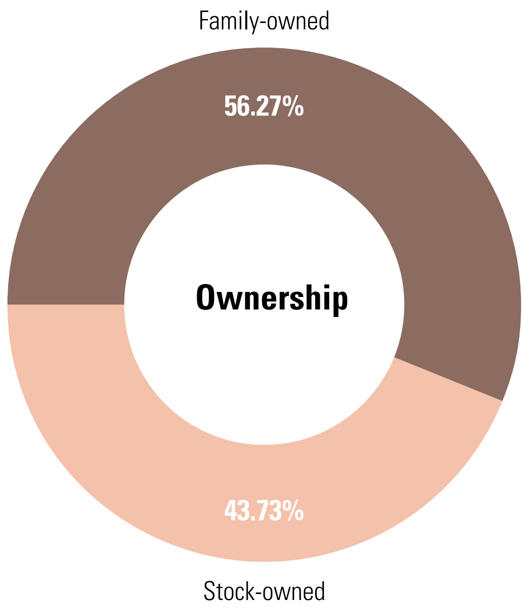
Non-financial reporting: sustainability report

1. About Van de Velde

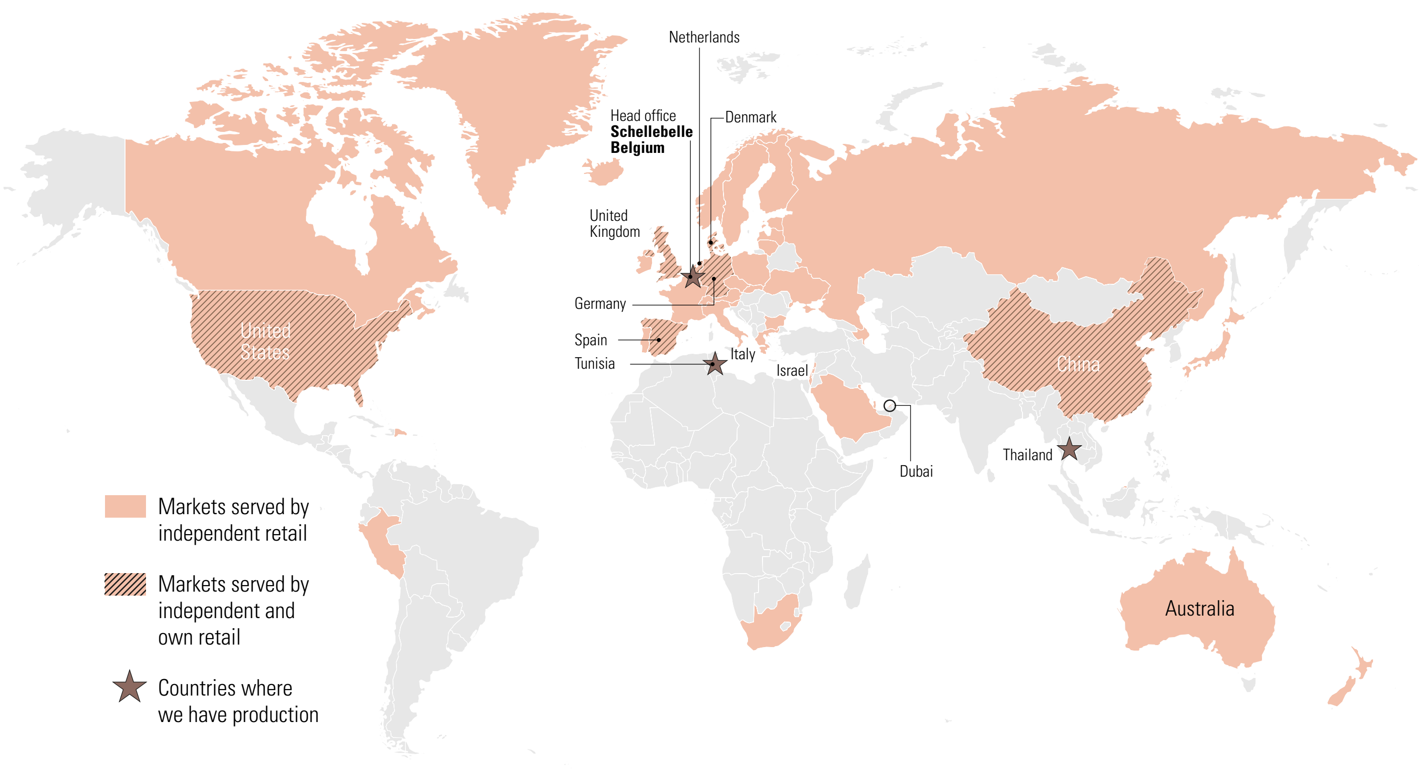
Van de Velde NV is active in the development, manufacture and sale of lingerie and swimwear, specially designed for women. From our head office in Schellebelle (Belgium) we serve consumers worldwide, with our main market being Europe. Our lingerie is sold in specialist boutiques, our own stores, department stores and online.

As a company, we have strong, deep roots in society. That is reflected in our shareholding structure: 56.27% of shares are held by the family, with a minority 43.73% free to trade. As a result, we are well able to shape and structure sustainability, based on the philosophy that short-term profit must never be at the expense of long-term goals and the continuity of the company and the society we operate in.

See chapter 3 for more information about our governance structure.

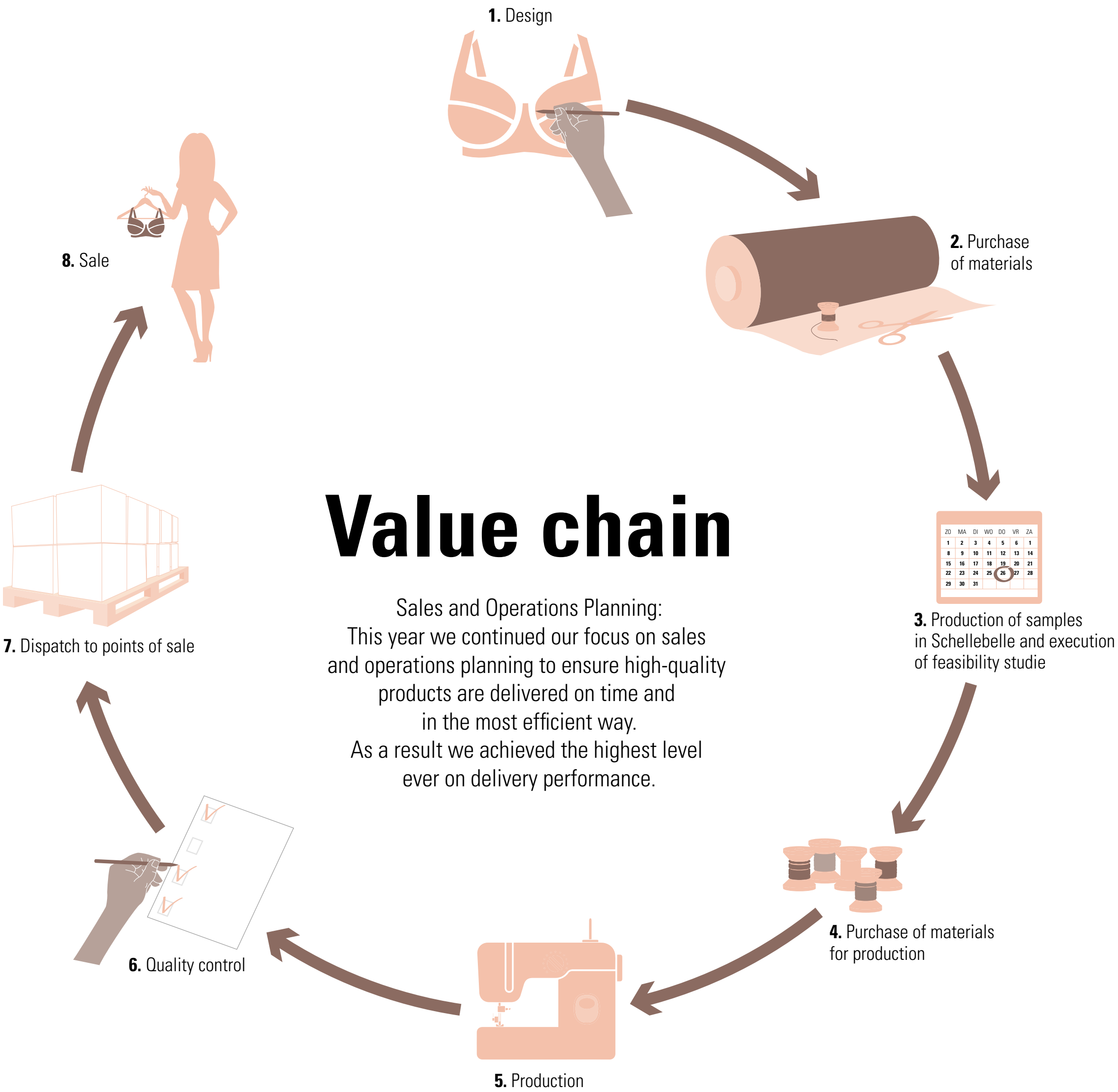


Markets and countries where we have our own retail and production

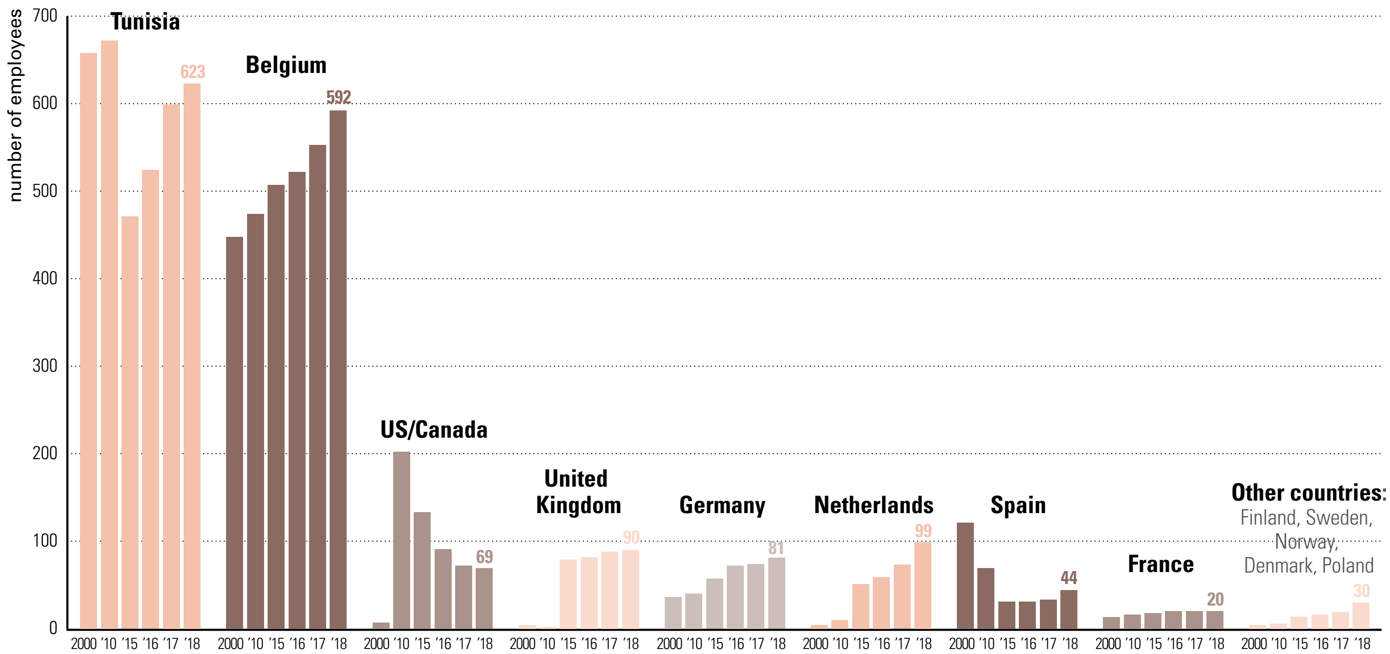


Value chain

Last year we made various improvements and changes to the organization of our supply chain. We developed a strong focus on Lean methodology, so that improvements can be adapted widely and quickly.
Together with our suppliers we worked on quality assurance methods, which allows us to detect and solve possible quality issues early in the production process.



Number of employees per country



Major risks

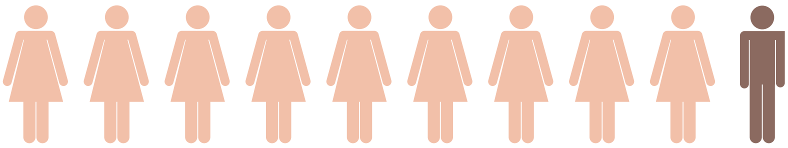
The risks that could have a financial impact on Van de Velde are discussed in chapter 5, note 30 of the financial report. In this report we focus on the non-financial risks that are of material importance for our stakeholders.

Apparel is an industry sensitive to social wrongs, such as forced child labour, unsafe working conditions and unfair pay conditions. At Van de Velde we do what we can to prevent these wrongs in our production and treat all our employees with fairness and respect. The systems and agreements that help ensure this are explained in this report.

The legal risks connected with unfair competitive practices and the privacy of customer data are also briefly discussed, explaining how Van de Velde properly addresses these risks.

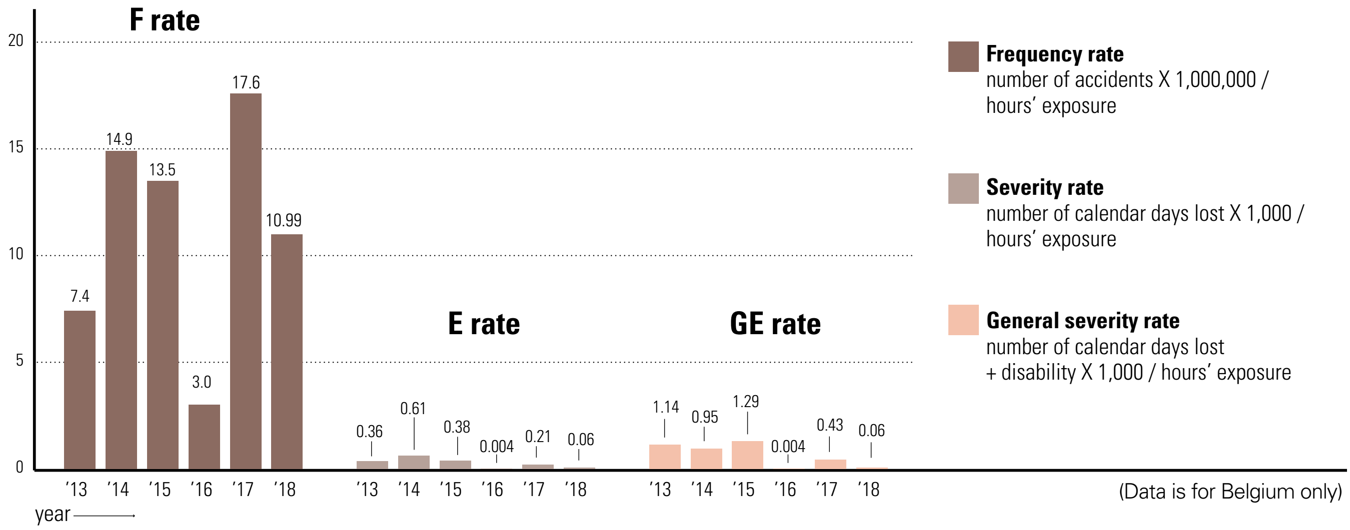
Lastly, we discuss the risks related to society and environmental impact. Bearing in mind that the consumption of energy and the generation of waste are unavoidable in lingerie production, every year we look for alternative solutions to cut energy consumption and increase the ratio of recyclable to non-recyclable waste. We also briefly explain how we avoid the use of harmful chemicals in production. These and other steps that we take at Van de Velde to achieve our goal of being an environmentally friendly company are the subject of the last section.

In 2018 Van de Velde employed **1,648** people



90%
Female employees

10%
Male employees



(Data is for Belgium only)

Accidents

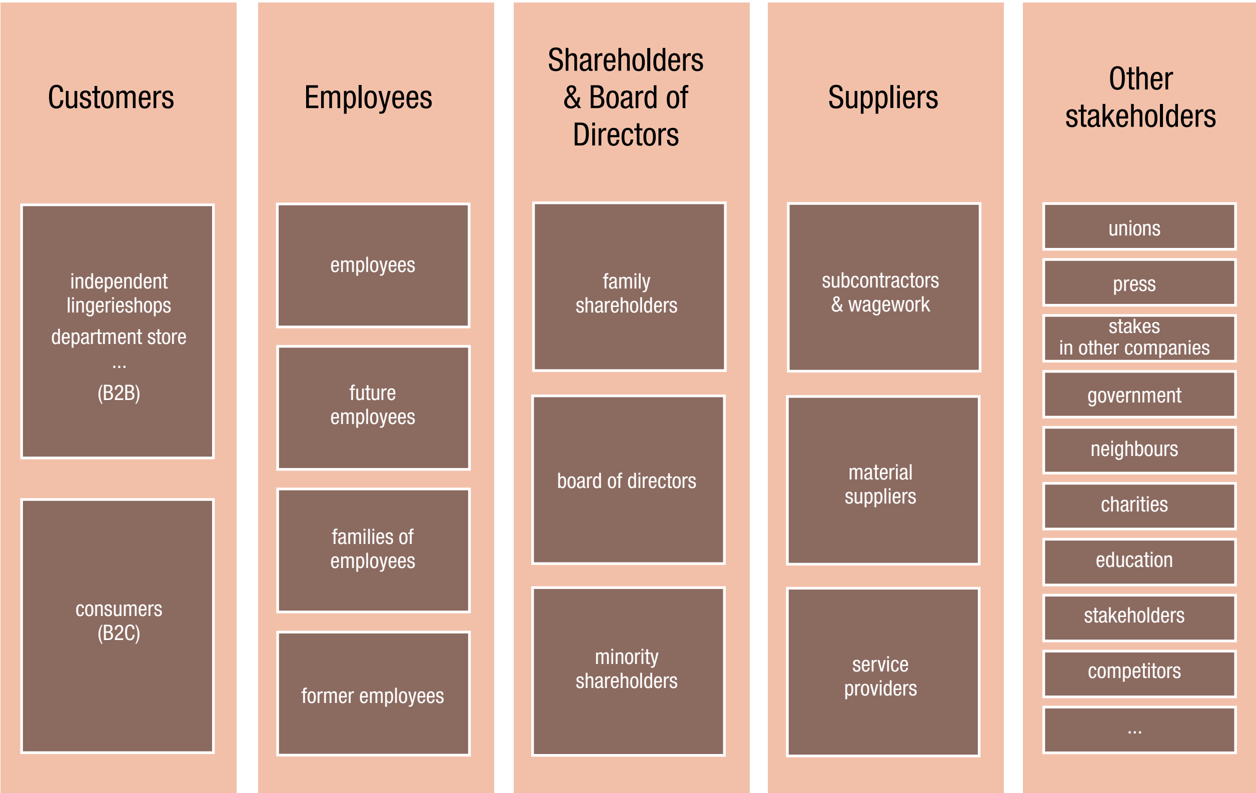
The slight improvement in 2018, with the severity rate down to 0.06 and a frequency rate of 10.99, is mainly due to the continued implementation of the safety culture in the various departments.

Resources were made available to raise awareness by means of explanation, follow-up and the appointment of safety agents in the department. The weekly start-the-day meetings, together with the enlargement of the basis of the responsibility, ensure that we can continue to move from a reactive approach to a preventive approach.

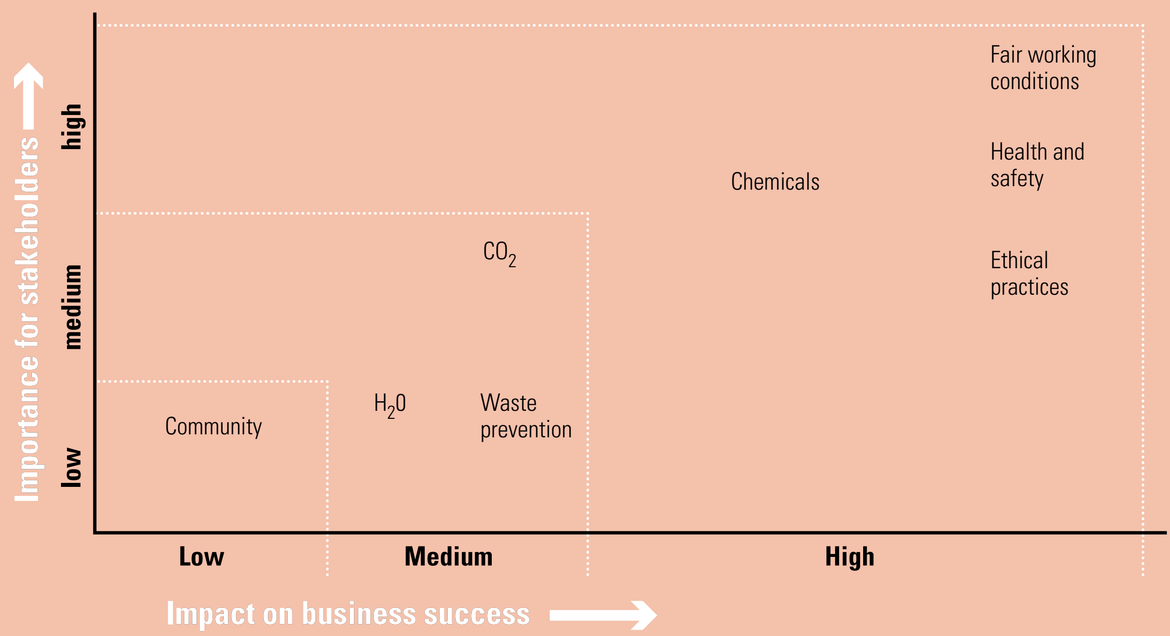
(Data is for Belgium only)

Van de Velde and our stakeholders

As an international company, Van de Velde NV has various stakeholders, all of which are associated with us in different ways. Stakeholders differ in terms of their nature, the strength of their connection and the influence they have on Van de Velde.
Together they constitute the sphere of influence within which we work. Here, we are guided by our business and ethical principles. In 2018, further steps were taken, based on the understandings gained in 2017. When comparing what external stakeholders find important and the material issues for the success of Van de Velde, it became clear that 'fair working conditions', 'health and safety' and 'ethical business' are priorities. These are therefore important concerns for management and employees.

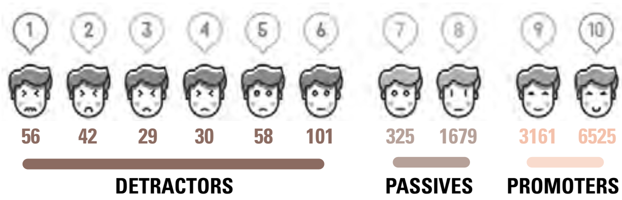


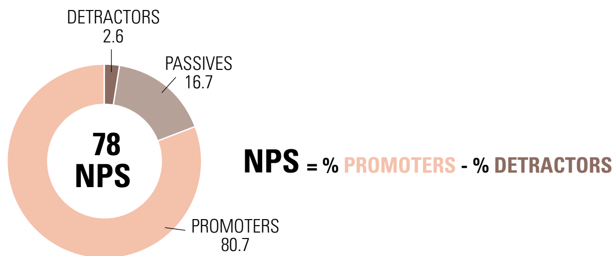
Stakeholder issues



To deepen those insights into the priorities of stakeholders, in 2017 we held roundtable conferences and supplier days. As well as these stakeholder gatherings, we also measure employee satisfaction. Those interests are identified through social media (Facebook communities) as well as regular meetings with the union, which enables us to take them fully into account.

Customer satisfaction and loyalty is visualised through the Net Promoter Score (NPS). The higher the score, the more satisfied and loyal customers and users are. In our most recent survey for Marie Jo, our NPS was 78.





For shareholders we work on long-term value creation. We regularly communicate with them. The annual General Meeting is held on the last Wednesday of April. The press and analysts meetings are held two times per year after the publication of the interim and annual figures.

In the spotlight: our suppliers

In 2017, we turned the spotlight on suppliers as an important stakeholder group. This directly concerns the European clothing industry, as Van de Velde continues to source 82% of raw materials for lingerie and swimwear from Europe. Together, we understand the need to preserve and protect European creativity, high quality and technical knowhow. Our 16 suppliers who took part in the roundtable discussions in 2017, unanimously prioritized a sound chemicals policy and a complete ban on child labour in 2018.

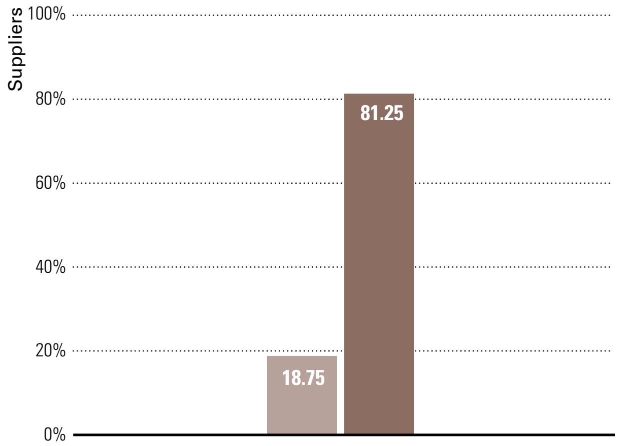
There is also a high degree of consensus on the importance of other social ethical and community issues.

What our suppliers value as important

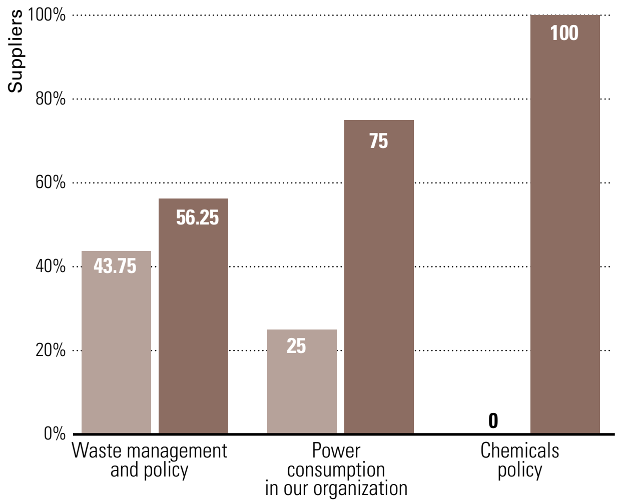
(data: 2017)

Not very important
Important
Very important

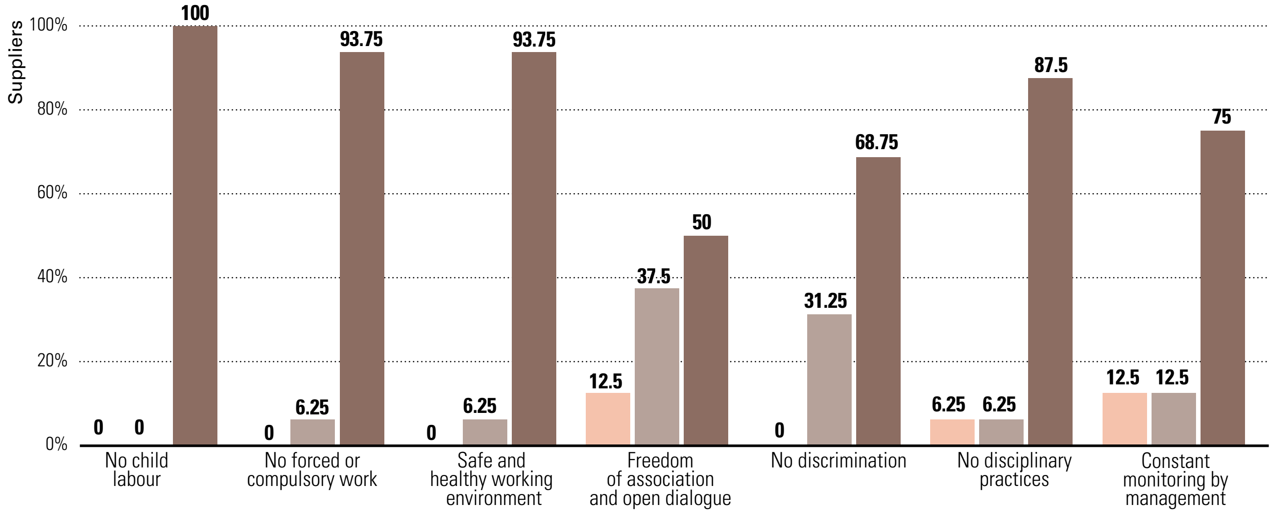
Economic performance



Environment



Ethics



Van de Velde is a member of the following organizations:

Kamer van Koophandel

2. Economic impact

A company like Van de Velde is economically significant. That status takes on many dimensions. Some of them are seen directly in financial statements, payrolls and tax payments. But the impact goes well beyond the financial. Van de Velde is economically significant and that means that we can contribute to shaping the moral climate.

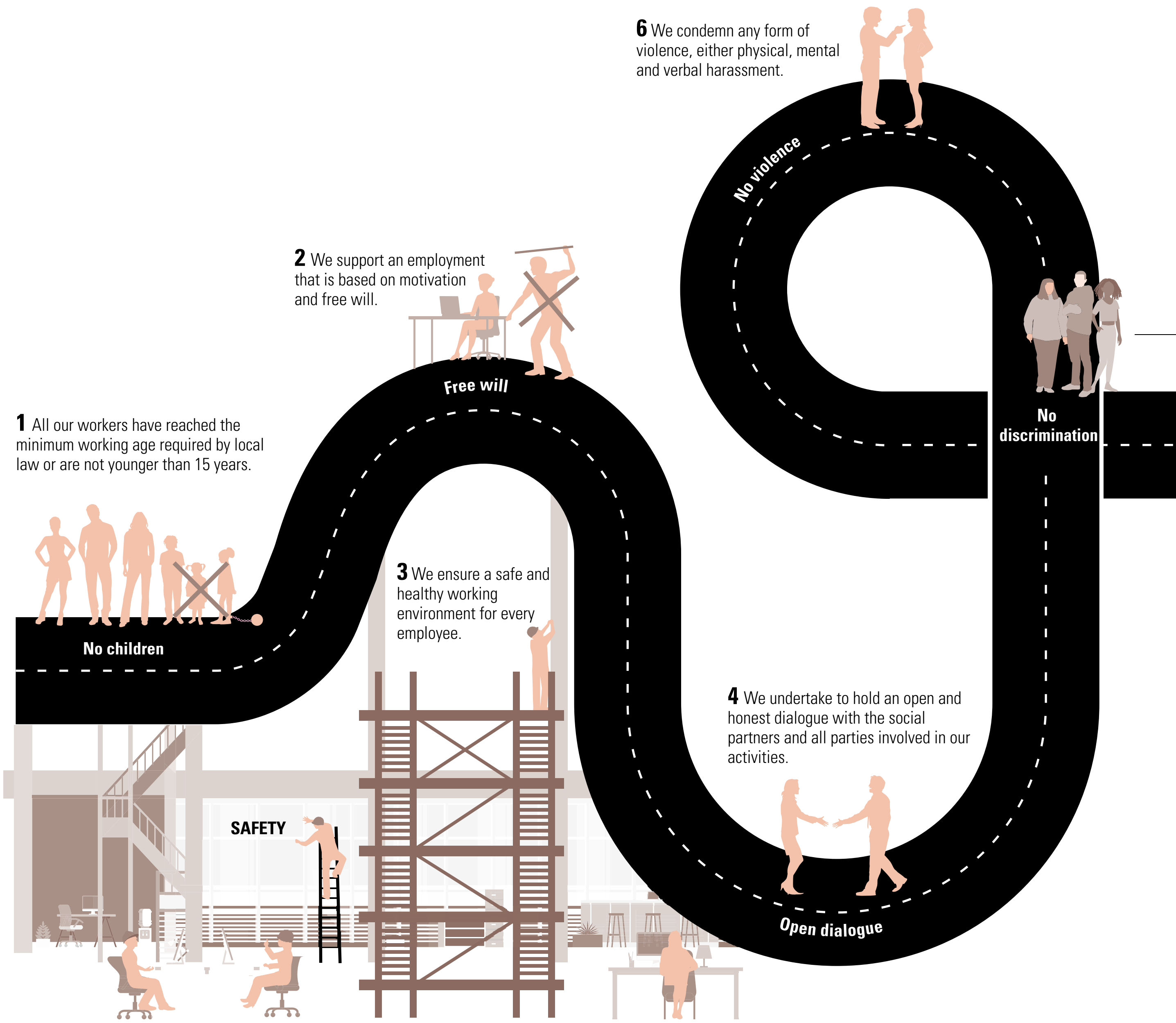
It is important for us to avoid any form of corruption. In 2018 we trained our employees in the United States and the United Kingdom and we intend to extend this to Europe. To reflect this, we updated our employee code of conduct, which we strictly impose. As of early 2018, our anti-corruption policy is also included in the supplier manual.

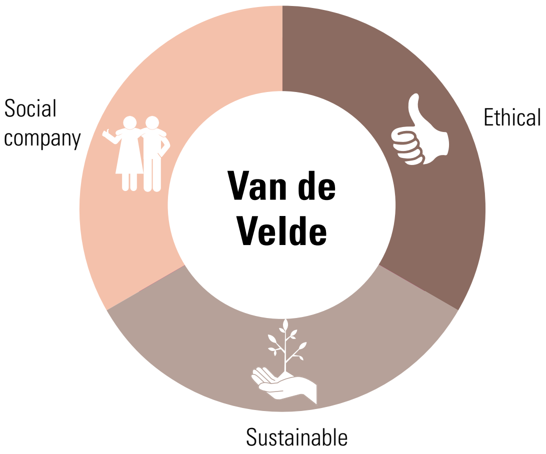
A second important concern is compliance with the letter and the spirit of competition law. This law makes price-setting agreements illegal, as they harm healthy competition and the interests of consumers. Van de Velde NV follows a protocol and holds established e-learning training to make commercial staff, sales representatives and agents with assigned responsibilities aware of the rules on this subject. That helps us avoid criminal liability or substantial civil liability due to breaches of competition law.

3. Social impact

Van de Velde is a company that takes its social responsibilities seriously. We realize that our products and how we manufacture them have an impact on people's lives. The lives of individuals – be they employees, suppliers or customers – and the life of the communities in which we operate. We do not take that responsibility for people, plant and communities lightly. We understand that we have many commitments.

Van de Velde is active in the clothing industry, which is sensitive to phenomena that do not fit our vision of corporate social responsibility. We also manufacture in low-wage countries. Van de Velde wants to rectify existing wrongs and prevent new wrongs from arising, for ourselves but also for the industry as a whole. We are an ethical, sustainable and social company. We work to avoid any negative social impact and maximize our positive contribution.





We occupy an important place in the production chain. As a result, we have additional responsibilities with regard to the social impact of our partners and suppliers.

Van de Velde has taken significant steps in this regard, but we are not yet where we want to be. There is always room for improvement. With that in mind, Van de Velde continues to invest company resources – time, money and people – to achieve our social objectives.

Van de Velde and SA 8000

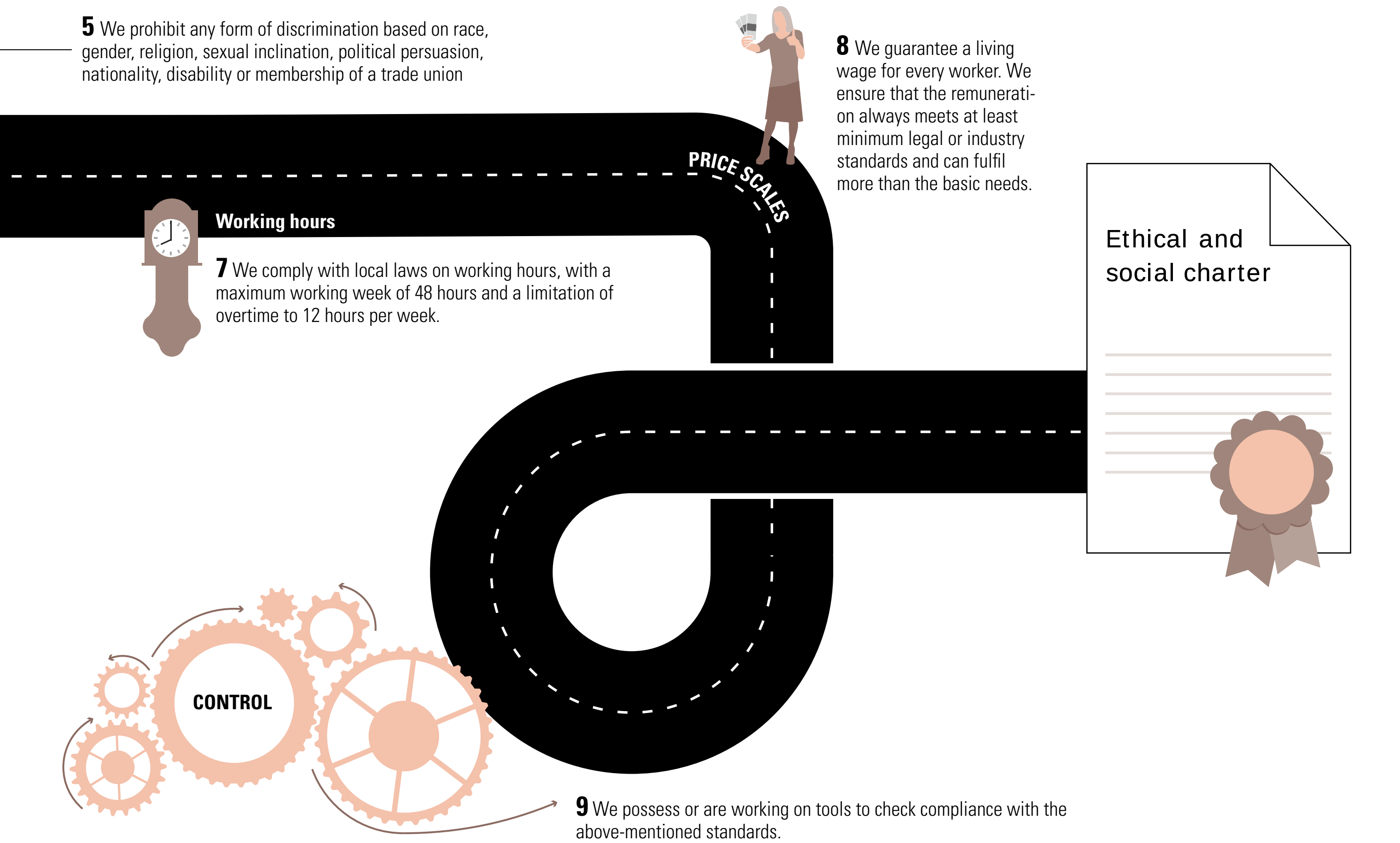
Since 2003, Van de Velde's Wichelen and Schellebelle sites in Belgium have been SA 8000-certified. SA 8000 certification was established in consultation with NGOs, collective industrial organizations, industry organizations and certification bodies. It is founded on ILO standards, the Universal Declaration of Human Rights and the UN Convention on the Rights of the Child. In 2016, Van de Velde Tunisia obtained the SMETA/ETI quality mark.

Management and Audits

Van de Velde is inspected two times per year by independent inspector SGS. The SA 8000:2014 standard was introduced as the inspection criterion in May 2017. These independent SA 8000 audits verify whether the working conditions throughout the value chain (from raw material, via production to the finished product delivered to the customer) are complied with, adjusted where needed and monitored. The inspectors speak with people throughout the company, not just management.

That does not mean that management does not take full responsibility and give full attention to this. All parts of SA 8000 certification are recurring agenda items for Van de Velde management. As well as external audits, we also hold regular internal audits. Our current SA 8000 certificate was issued in 2015. At Van de Velde, we have set ourselves the goal of renewing this certificate in the first quarter of 2019.

In 2018 a psychosocial risk analysis was conducted. Action will be taken in 2019 based on the results.



Almost 90% of our employees are female. These are the women who make our products for other women, in countries where employee rights are still not a matter of course. This demands additional efforts from Van de Velde, as set down in our Ethical and Social Charter.

Together, we make Van de Velde products. Our employees are entitled to a safe workplace in which they are able to work without avoidable dangers, discrimination and prejudice. New employees are given two weeks' training in which the entire organization is clearly presented, along with the values we stand for.

Van de Velde, a respectful employer

1 Diversity and individual freedom: making no distinction between people.

2 No tolerance of behaviour that may be construed as discriminatory or intimidatory.

3 Right to a safe workplace.

Van de Velde is committed to diversity and individual freedom.

New employees follow a full two-week onboarding program, which includes a comprehensive guided tour covering all the steps in the production process. They are given an active role in the distribution centre and attend an information session with all heads of key departments. The values and the general culture of the company are also explained.

Van de Velde conducts open and clear dialogue with all social partners (unions, governments) and all other stakeholders. With that in mind, Van de Velde supports the right to freely form a union and the right to collective negotiation.

All our employees are entitled to join or establish a union and to associate in such a way that collective negotiations are possible. They can do this without fear of repercussions of any kind.

Marco, designer PrimaDonna Twist.

Elected representatives

The representatives of our employees deserve special attention. Van de Velde is fully committed to enabling them to do their jobs properly. They have access to the employees in the workplace and are protected from negative consequences.

Discrimination, intimidation and retribution are prohibited. Where the freedom to form a union is limited by law, Van de Velde's employees are free to associate and elect their own representatives.

Zara, designer Marie Jo L'Aventure. **Pictures by Wouter van Vooren**

The chain responsibility of Van de Velde

As a premium supplier of lingerie, we share responsibility for social values during production. At Van de Velde, we are committed to ensuring that our own facilities and those of subcontractors and raw material suppliers comply with the requirements of our own Ethical and Social Charter and are independently inspected. This is the case at 100% of our raw material suppliers.

- Suppliers and subcontractors must submit an independent audit this year, be that SA 8000, BSCI, WRAP, FWF or SMETA/ETI. If no such audit is submitted, Van de Velde will conduct its own audit based on the principles of the Ethical and Social Charter.
- Potential suppliers and subcontractors will only be used after an audit or the submission of an independent audit report.
- Raw materials suppliers must subscribe to the nine principles in the Charter and SA 8000. They do so by signing the supplier contract of which it is an integral part. Van de Velde implements management routines that ensure compliance with these principles.
- The Charter has already been implemented in contracts for the United States.
- The Charter is part of the raw material supplier contracts for Europe and the United Kingdom.

Our Ethical and Social Charter is published on our website at www.vandevelde.eu.

OUR PEOPLE

From the top left clockwise:
Kenneth, warehouse employee - Beatrijs, seamstress - Wouter, credit manager - Stefanie, sales representative - Evy, cooperating teamleader

Photos by Wouter van Vooren

Child labour and young adults

The fashion industry is susceptible to child labour. Van de Velde works hard to prevent this and allow children to go to school and grow up freely. We are also strongly committed to fulfilling our chain responsibilities, especially here. At Van de Velde, we do everything within our power to prevent the use of child labour.

Raw materials suppliers and subcontractors sign our Ethical and Social Charter (or are covered by the SA 8000 certification), which expressly prohibits this practice. Van de Velde communicates its expectations in this domain in a clear and unambiguous way.

Generally speaking, Van de Velde never exposes children to unsafe situations in or around the workplace.

- Van de Velde does not use children under the age of 15 or the minimum legal age;
- Van de Velde does not use children of school age. An exception is summer jobs that comply with local laws and customs;

Young adults (under 18) are permitted to work at Van de Velde, but are protected by additional safeguards:

- If they are of school age, they are only permitted to work outside of school hours;
- Van de Velde ensures that young adults go to school and encourages them to complete their education;
- They do not work nights;
- They do not work longer than eight hours at a time.

Forced labour

Unfortunately, forced labour is a reality in the fashion industry. Van de Velde rejects any form of forced labour. For Van de Velde, labour in captivity is unacceptable. In this, we are guided by ILO Convention 29. Labour is always a consequence of the worker's personal motivation and free will. Victims of human trafficking do not work for us or our partners. All our suppliers and subcontractors sign our terms and conditions, which contain an undertaking to this effect.

Anti-corruption and competition law

It is important for us to avoid any form of corruption. In 2018 we trained our employees in the United States and the United Kingdom and we intend to extend this to Europe. To reflect this, we updated our employee code of conduct, which we strictly impose. As of early 2018, our anti-corruption policy is also included in the supplier manual.

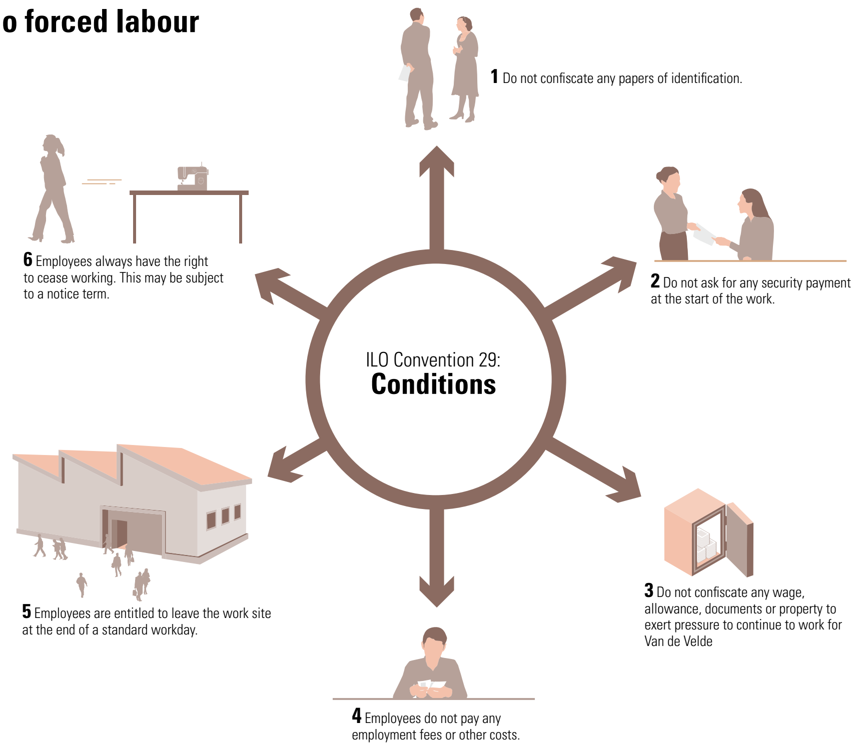
A second important concern is compliance with the letter and the spirit of competition law. This law makes price-setting agreements illegal, as they harm healthy competition and the interests of consumers. Van de Velde NV follows a protocol and holds established e-learning training to make commercial staff, sales representatives and agents with assigned responsibilities aware of the rules on this subject. That helps us avoid criminal liability or substantial civil liability due to breaches of competition law.

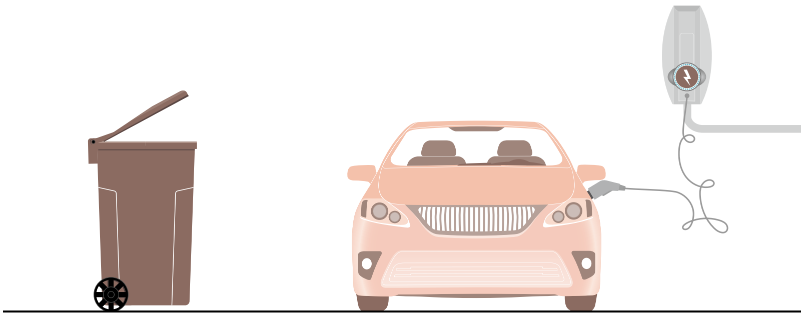
Continuous training of the employees

As we have tightened up the code of conduct, we have also intensified training for employees. To prepare for the social balance sheet, all training hours in Belgium are registered. In 2017, 477 employees followed 15,672 hours of (formal and informal) training in total. The preparations are still ongoing for the 2018 social balance sheet. In 2018, we focused on developing the sales team internationally. 74 sales persons across 12 countries were given training on the commercial framework, sales process management and personal leadership, each over 24 hours. The 30-person customer service department received 16 hours of training on the commercial framework.

A GDPR continuous awareness course was held in 2018, with online modules and other initiatives, such as a privacy Quiz. An online anti-competition module was also introduced.

No forced labour





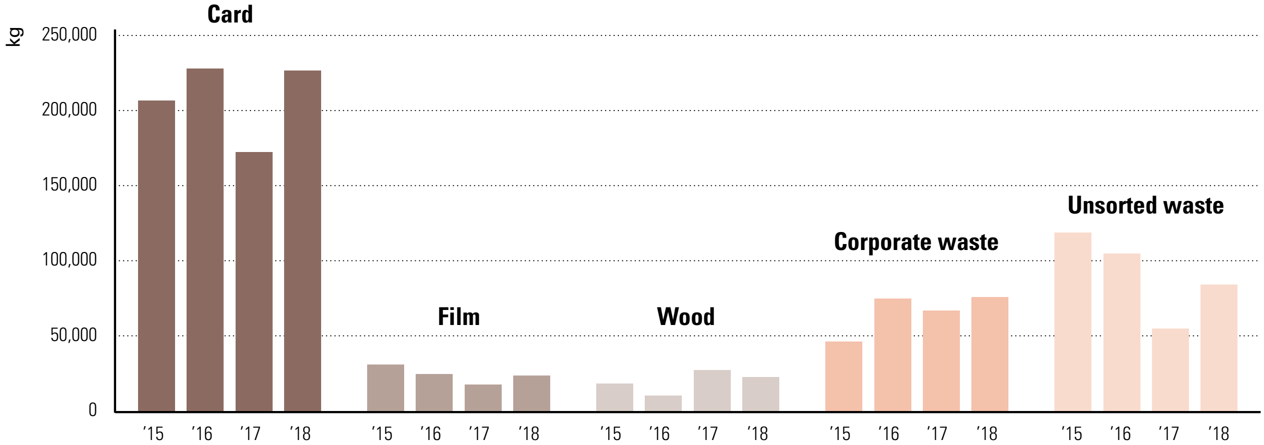
4. Environmental impact

Natural resources are consumed in lingerie production. Van de Velde manufactures clothing that is worn against the skin and so must not contain any harmful chemicals. That protection is necessary for both those who make the clothing and those who wear it. At Van de Velde we make serious efforts to minimize our environmental impact. Awareness of how valuable and fragile the world is has spread across the globe in recent years. That goes for us too.

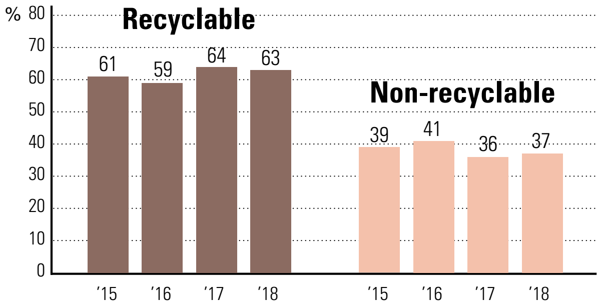
We assume our responsibilities in lingerie production. We drive down waste and endeavour to consume power and other raw materials as efficiently and ecologically as possible.
Production and related operations generate an environmental impact. With that in mind, we take a broad-based approach to examining ways to work efficiently with power and raw materials. We look at the whole chain, as well as constantly looking for ways to drive down consumption at our own offices.
CSR (Corporate Social Responsibility) strives systematically for economic (Profit), social (People) and environment (Planet) improvement. Waste, energy and transport are important themes.
We continue to increase the share of recyclable waste and reduce the share of unusable unsorted waste. However in 2018 we saw an increase in total waste, which is mainly the consequence of an increase in recyclable packaging material (60%). The other 40% is due to increased production waste in Wichelen and building work in Schellebelle.
On average, our energy consumption is the same or slightly higher than in 2017. The peaks in 2018 are due to the weather, higher gas consumption in the cold winter months (not least February) and higher electricity consumption as a consequence of the hot summer, when the air-conditioning was on full power. The advantage of the sunny summer is the increased revenue from our solar panels.
In 2018 a number of energy-saving measures were implemented, such as compliant isolation of the stitching room roof (1000m^2), the addition of the remaining HVAC systems to the digital platform, lighting in the new offices (equipped with an intelligent controlling system to maximise savings) and the launch of maintenance optimization for the various systems (efficient maintenance automatically leads to lower consumption and fewer repairs.)

Lastly, separate power meters will be installed in each department to increase awareness and sense of responsibility with regard to consumption.

Changes in waste types

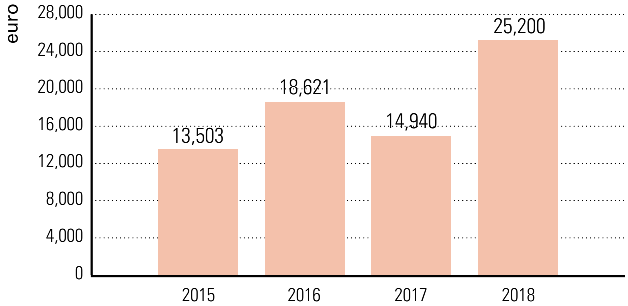


Waste

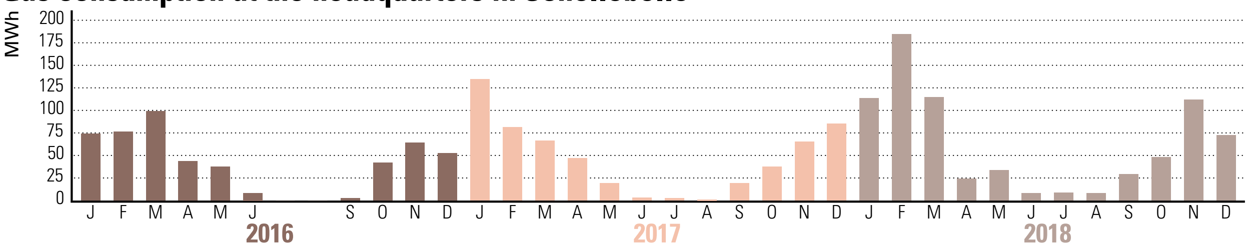


Energy

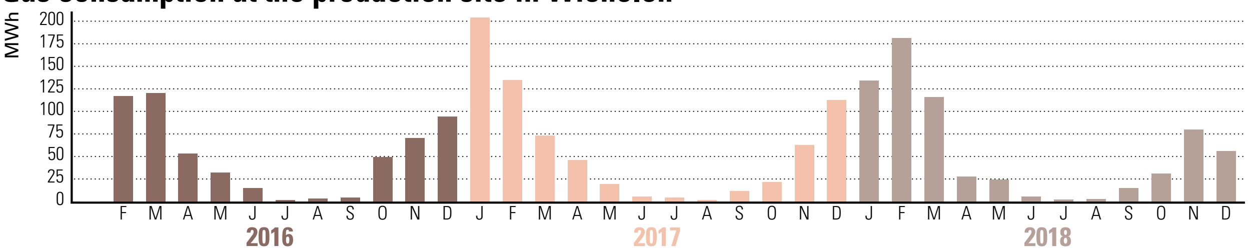
Solar panel savings



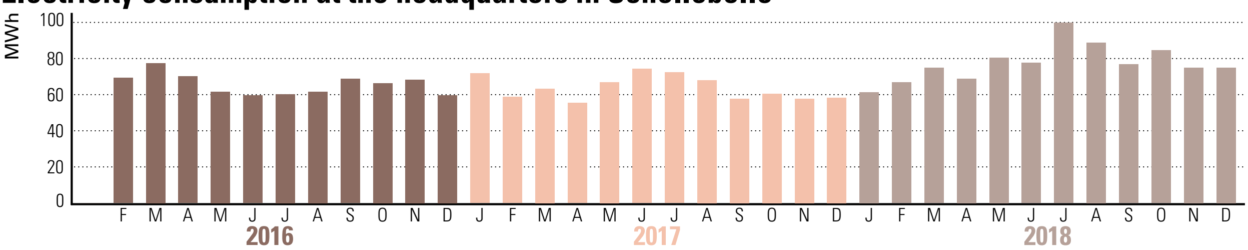
Gas consumption at the headquarters in Schellebelle



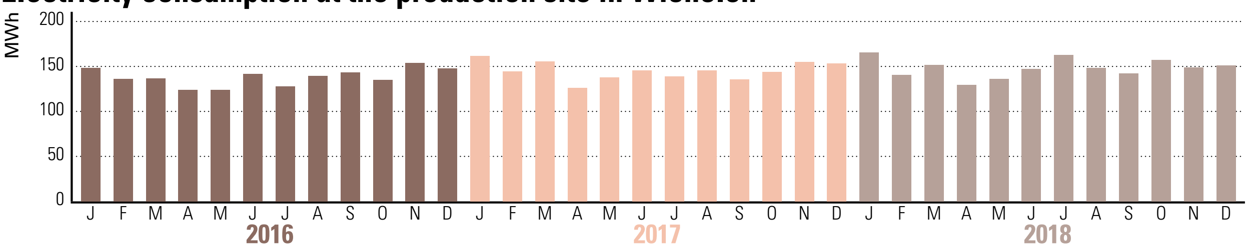
Gas consumption at the production site in Wichelen



Electricity consumption at the headquarters in Schellebelle



Electricity consumption at the production site in Wichelen



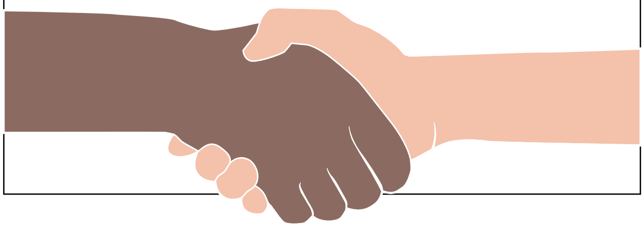
Making our contribution

Clockwise from top left:
1. Solar panels on the roof in Wichelen.
2. Sorting waste.
3. Electric car battery charging station for employees and visitors.
4. Press that sucks up production waste according to type (paper and textile).
5. Electric car battery charging station for employees and visitors.
6. Colleagues reducing their ecological footprint by taking the bike on their daily commute.

Van de Velde and improving chain sustainability

Van de Velde only works with new suppliers that have been screened for the use of chemicals. All suppliers must meet the following requirements:

- Valid Oeko-Tex certification;
- Signed REACH documents;
- Signed SA 8000 statement (using our own template) and/or comparable social certification;
- Signed anti-corruption statement together with any code of conduct they may have;
- Fully completed Supplier Sheets with regard to the creation in our software, Supplier Qualification Questionnaire, and a current corporate profile, including financial statement.



REACH

Van de Velde must comply with European Union laws and regulations. REACH is a European Union regulation on the Registration, Evaluation, Authorisation and Restriction of Chemicals that protects European consumers. The main goal of this regulation is to provide greater clarity on the use of chemicals. All companies operating in the European Union have an obligation to comply with this regulation by identifying and managing all related risks

Ökotex

Every Van de Velde supplier provides a guarantee that all materials meet all Oeko-Tex 100 requirements in full. This independent hallmark gives consumers peace of mind that the clothing contains no harmful chemicals or metals. If suppliers fail to meet all these requirements in full, Van de Velde will immediately end the working relationship. All our products and accessories must be in full compliance with this standard at all times.

CONFIDENCE IN TEXTILES
Tested for harmful substances
according to Oeko-Tex Standard 100
No 0902006 Centexbel

Customer privacy

There were no breaches of customer privacy in 2018. Van de Velde has taken the appropriate measures to implement the GDPR legislation.

About this report

This sustainability report concerns Van de Velde NV and its consolidated participating interests. A full list of the relevant entities is given in note 27 of chapter 5. The GRI standard (core version) was used as a basis for this annual report, which covers the calendar year 2018. To provide insight, we have selected the main stakeholders and KPIs. We have endeavoured to honour all reporting principles (completeness, stakeholder inclusiveness, materiality and sustainability context) in developing the materiality of the discussed issues.

Clearly, we endeavour to indicate where and how we gain insight into and give weight to the interests of our stakeholders. The survey we held among our suppliers is a good example of that.

If you have any questions about the sustainability efforts of Van de Velde or this report, please contact us at **sustainability@vandevelde.eu.**

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ANDRES SARDA
Designed in Barcelona