Van de Velde

Annual report 2019

100 YEARS

OUR MISSION

Shaping the bodies and minds of women

Van de Velde

27 March 2020

Appendix to Annual report 2019

We refer to our press release of 18 March 2020, in which Van de Velde indicated that, in view of the uncertainty surrounding the Corona virus, the Board of Directors will propose to the General Meeting of Shareholders not to pay a dividend for the time being.

This means that the Board of Directors will propose to the General Meeting of Shareholders to transfer the full result for the 2019 financial year to the section 'Accumulated profits' and the references to the dividend proposal of the 2019 annual report w will be cancelled. This applies, for example, to the ‘Proposed profit distribution’ as stated on page 24 and 76 of the Annual report and note 25. The other references to the dividend proposal for the 2019 financial year are also cancelled.

Thanks in advance for your understandings,

Karel Verlinde CommV
always represented by
Karel Verlinde
CFO

Mavac BV
always represented by
Marleen Vaesen
CEO

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)
Martina Bjorn and Frances Tulk-Hart (PrimaDonna)
Jonas Bresnan (Andres Sarda)

Printing and finishing

L.capitan
www.lcapitan.be

Deze jaarbrochure is eveneens beschikbaar in het Nederlands,
bij de hoofdzetel van de onderneming.

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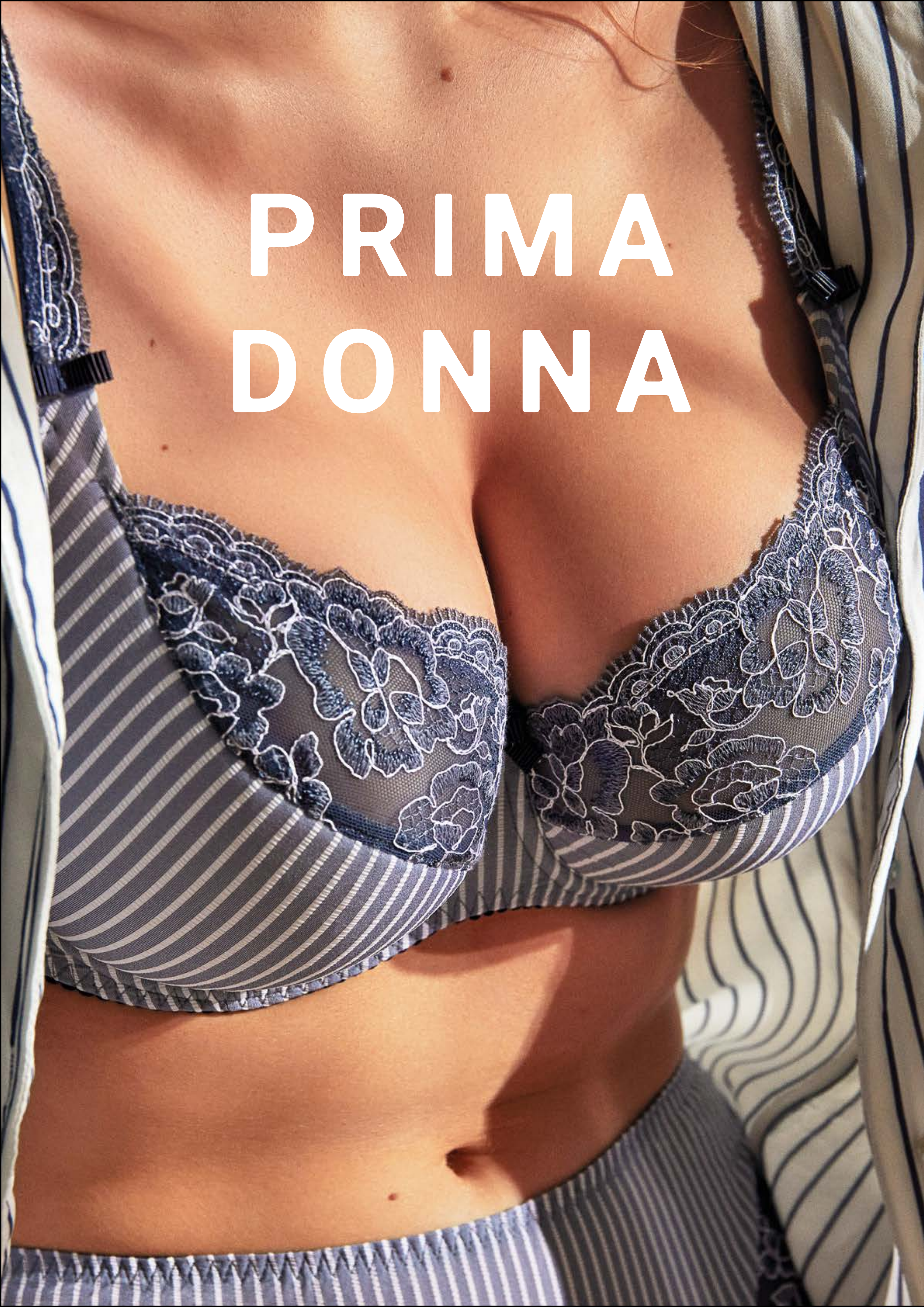
* These chapters of the Board of Director's report are consistent with the Consolidated Financial Statements and have been prepared in accordance with article 3:32 of Belgium's Code of Companies and Associations.


PRIMA
DONNA

1 | The year 2019

Message from the Chairman

Last year we celebrated the 100th anniversary of our company. That's a milestone to think about. This milestone marks a border between the past and the future. 100 years sounds like a huge amount of time, but if we connect it to our own lives then it's not that long yet. As a child, I have known my grandparents, the founders of this company, very well and I have tremendous respect for them. They had the courage and guts to start something new, to take the risk. They were the real entrepreneurs and without them we wouldn't be here today.

The second generation allowed the company to grow successfully through hard work, craftsmanship and a passionate sense of quality. In the third generation the company evolved into a professionally run, listed fashion company.

The success of our company (and if you exist for 100 years you can talk about success) is closely linked to the unique relationships we have developed with our stakeholders. Our relationships are firmly based on trust and respect. Confidence in the employees that they will assume the responsibilities they have been given without excessive management control. The trust our customers place in the quality and creativity of our products and the partnerships with our suppliers. And, of course, the trust and long-term vision of the family shareholder has also been an important factor in the company's stability and success.

Our unique culture is and remains a family culture. No paternalism in the sense of: "we know what is good for our people". No, it is a culture of professionalism combined with a warm environment where, just like in a family, it is pleasant. It is a home that offers you security and a place where you can be yourself. A place of knowing and recognizing but also of daring and trust. A place where we dare to speak and act, a place that gives us confidence but also challenges us. A place where people come to work with pleasure and eagerness. That is our sincere ambition, which of course we do not always live up to but which we do pursue.

Preserving such a family culture is more difficult if you as a family are no longer or much less operationally involved and no longer walk around the company day-to-day. After all, a culture is not described but lived. It is therefore an important role for management to show that culture in their daily behavior and in their contact with the employees. I would also like to take this moment to thank Marleen, who exudes this culture and who is developing a management team that we as a family and as shareholders have a lot of confidence in.

And finally, a celebration for our 100th anniversary should not be a nostalgic reflection on the past. We need to look forward and remain ambitious. In these turbulent times, we have to re-invent ourselves a little bit and pick up the entrepreneurial spirit of our grandparents again.

Herman Van de Velde
Chairman of the Board of Directors


PRIMA
DONNA
TWIST

Activity report

Draft: brand and innovation

Design: Marie Jo

Marie Jo focuses on modern trend-conscious women who value gorgeous designs, comfort and the perfect fit. The brand has many loyal fans. While the refined style and contemporary look catch the eye, the outstanding fit is Marie Jo's intrinsic strength. In 2019, Marie Jo won the Freundin Perfect Piece Award in recognition of this spellbinding combination of brand qualities.

We made the range even more compelling in 2019 with an eye on growth and clear positioning. The season collections include refined and elegant sets for every day, alongside seductive and festive looks for special occasions. The Marie Jo icons were also given a makeover: the limited edition Avero celebrating Van de Velde's centenary was a successful example.

The brand focuses on growth, not only by continuously reimagining the fashion collections, but also by updating the never-out-of-stock lines. The pipeline in 2019 also included new projects for these basic lines, which play a key role in the fitting room in illustrating the brand's impeccable comfort and perfect fit.

Design: PrimaDonna

The successful expansion of PrimaDonna continued in 2019. 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.

Continued work was done on PrimaDonna's extra luxury line, first launched in 2018. Two exclusive editions were released to mark Van de Velde's 100th anniversary, each to great success. Sub-collection PrimaDonna Twist, which is primarily oriented to a younger target group, launched its own capsule collection: PrimaDonna X Myla Dalbesio. This lifestyle collection of innovative products appealed to a much younger audience.

The PrimaDonna Swim line stays a stronghold its own, complementing the total look of the brand. New products were also added to PrimaDonna Sport, which was launched to great success in 2017. In 2020 PrimaDonna Sport became an official partner of the BOIC. The brand will design lingerie for Team Belgium's female athletes at the 2020 Tokyo Olympics.

In 2019 PrimaDonna was presented with Intima France's Bestselling European Brand Award for the second time in three years.

Andres Sarda, Designed in Barcelona

The unique combination of catwalk fashion, a superior fit, the Mediterranean aura and the wow-factor continues to set Andres Sarda apart from competition.

Andres Sarda online sales were successfully driven by the brand's own site in several countries. The effect of awareness campaigns and improved performance marketing contributed to this result. Andres Sarda strengthened the partnership with El Corte Inglés, the leading department store in Spain, with the opening of three new doors. The pop-up activities were put on hold temporarily in order to understand the long term impact and will resume in the near future.

The biannual shows at the Madrid Fashion Week were again proof of Andres Sarda's creativity and generated a high volume of media coverage. Andres Sarda continues to invest in brand awareness and distribution in regions where high-end lingerie and swimwear are most dynamic.

Innovation

Continuous innovation is essential if we are to remain competitive. The innovations department prepares R&D projects for successful implementation in the company.

We focus on three domains:

- The fitting room of the future: as well as the physical fitting room, we give consumers a high-quality personal service experience in our digital channels.
- The product of the future: we deliver new and revamped lingerie concepts tailored to the needs of both existing customers (customer lifetime value) and new customers.
- The design and production process of the future: new digital design and production technologies shorten our time to market and deliver greater consistency and quality.

Various successful research projects were finalised in 2019 and we prepared their high-impact implementation in 2020. The 'Digital Lingerie Styling' research project was supported by VLAIO [(1)], resulting in a prototype digital personal fitting room. We were able to draw on our expertise in 3D technology to accelerate the implementation of an important part of the supply chain (cup moulding) in our production workshop.

(1) Flanders Innovation & Entrepreneurship

Marketing

We operate in an ever more global market in which consumers have access to more and more information. In 2019, we focused on building a clearer, more distinctive brand identity for Marie Jo and PrimaDonna. We want our brand identity to continue to reflect our rich past and our extensive know-how. But we also want to ensure our brands remain relevant in today's fast-changing world.

In 2019 we opted to maintain our marketing investments in print and digital in our core markets, always with our most recognisable institutional campaign visuals. We took the first steps towards attracting consumers to our brands with relevant storytelling. A prime example is the successful PrimaDonna capsule collection fronted by curvaceous top model and body positivity influencer Myla Dalbesio, which enabled us to inspire PrimaDonna women and help them feel good about themselves. As a global brand, we also created locally relevant content. For example, we are proud of our productive collaboration with Belgian radio presenter Siska Schoeters and actor Ella Leyers. Both projects are early examples of storytelling, a concept we plan to return to in 2020 for both Marie Jo and PrimaDonna.

Furthermore, the 100th anniversary of Van de Velde in December 2019 was the perfect opportunity to tell the story of PrimaDonna and Marie Jo from the perspective of *'100 years of craftsmanship and design. Our tribute to women.'* The media, PR and digital campaigns marking this special anniversary have gained a lot of editorial coverage at the end of 2019 and we expect more coverage in the first half of 2020.

Our tactic of deploying the marketing mix to generate constant media pressure and an extra layer of content was a success. We were able to enhance brand familiarity and engagement and so reach more consumers.

Sales

Wholesale

Traditional independent lingerie boutiques continue to face challenging conditions. High street footfall is decreasing, leading to closures. However, independent lingerie retailers remain our most important sales channel, as they support our fitting room philosophy. With that in mind, we continue to focus on strengthening ties with our retail partners and ensuring we deliver high-quality service to them. That's the only way to ensure they can offer the same high-quality service to their own customers.

Department stores also wish to optimise the consumer experience, so our relationship with them continues to evolve. This is a positive trend, helped by the broad-based presentation of our brands and supported by sales staff.

In 2019 there was more proof that consumers are finding their way to online platforms, as e-tailers posted growth again.

Digital

Our online sales increased in 2019 and we laid the foundations for our optichannel vision. At Van de Velde we put consumers at the centre of everything we do. We want to help them in their quest for the perfect fit. They can do so both online and offline, depending on the individual consumer and when she prefers to shop. With that in mind, we want to bring these channels closer together.

We have already taken the first steps to make the fitting room experience more accessible on our Rigby & Peller and Lincherie retail websites. The click-and-collect service means that consumers can choose their preferred products in the right size for pick-up from their most convenient Rigby & Peller or Lincherie boutique. This gives them the opportunity to fit their lingerie and benefit from the professional advice of our stylists. We're also bringing the benefits of the virtual world to our boutiques. If a consumer is unable to find her size in store, our tablet-assisted sales allow her to choose from an endless aisle.

We have also taken the first steps in that direction on our brand websites. Consumers can opt for an immediate purchase or find the nearest lingerie retailer. The fitting room expertise offered by our retail partners is just a few clicks away.

Strengthened by the insights and learnings we have acquired, we want to continue to roll out this optichannel vision going forward.

Retail

Reflecting the general market trend in physical retail, our own stores and the franchise stores had a challenging 2019. The slowdown in traffic and the corresponding shift to our online retail channel put pressure on the turnover and profitability of both retail formats.

The shift from recreational traffic to shoppers that specifically come for the fitting room experience and with the intention to buy has increased the conversion rate and the average ticket price, which has partly offset the slowdown in footfall at the physical stores.

Targeted campaigns in relation to relocations, the closure of lossmaking stores, focus on selling the Van de Velde brands and improved efficiency have all had a positive impact on profitability.

Continental Europe:

The Lincherie concept on the Dutch market reported the best results in the portfolio. It is striking that the owned and operated stores in the Amsterdam region - which have focused efforts on the fitting room experience and the Van de Velde range - have performed better on a like-for-like basis.

It was a tough year for Germany. We were faced with lower footfall in physical retail, limited familiarity with the Rigby & Peller name and a more perceptible shift from brick and mortar to online retail.

United Kingdom:

The uncertainty caused by Brexit cast a shadow over the UK retail landscape throughout the year. Despite a reduction in turnover, we were able to protect the results of the Rigby & Peller portfolio with efficiency-raising measures and the relocation of our Cambridge store.

United States:

Van de Velde experienced a challenging year in the United States as well, particularly online. Compliancy issues with the new privacy law forced us to terminate the loyalty programme and reroute the online retail shop to the brand websites. But despite the loss of turnover, sustained efficiency improvements, higher sales of Van de Velde brands and the closure of a loss-making store enabled us to have a positive impact in the physical retail channel.

Asia:

The joint venture with Private Shop in Hong Kong was terminated in 2019. Private Shop will continue as an independent retail partner under the wings of the financially strong Getz Group.

Value Chain

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

Focus on quality:
2019 was a year of very few returns due to quality issues. The quality of our product remains a first priority and the most important guideline for decisions that affect the value chain. This is done in cooperation with our raw materials suppliers, the stitching studios and other stakeholders. Our improvement program, which was launched in 2018 to transform quality control (QC) at selected suppliers into quality assurance (QA), delivered tangible results in 2019. Today, material with a guaranteed quality is directly taken into our stock.

Guaranteed deliveries:
We achieved our best ever delivery performance in 2018. That trend was continued in 2019, as we were able to further improve the performance. This was the result of focus on the process, an adjustment of the shift system, improved flexibility at the various departments in Wichelen and the continued optimisation of Sales and Operations Planning (S&OP).

Process simplification:
We continued to roll out the lean philosophy and process improvements in 2019. The performance indicators are assessed on a weekly basis. Start-the-day meetings are held in the various teams with a focus on follow-up, proactivity and transparency. This means that any necessary adjustments can be made immediately. After a complete redesign of the forecast-to-stock process, we are now able to base our delivery promises to customers on the status of individual products, which greatly improves transparency for customers and the ability to be proactive. By closely monitoring the performance indicators in this new process, we were also able to reduce our stock levels.

Internal deliveries:
All production steps, apart from stitching (assemblage) and die cutting, are done in Belgium. There is more than enough capacity in the cutting room to guarantee flexibility over the coming years. Assembly is consolidated in two regions: Asia and Tunisia. In Asia we partner with Top Form, working from sites in China and Thailand. In Tunisia we have our own site and work with two subcontractors. In 2019 efforts were also invested in the quality assurance of finished articles, instead of quality control. As a result, the effectiveness of quality checks in Tunisia was substantially increased.

In 2019 we laid strong foundations for the continued development of partnerships with our most important suppliers and subcontractors in the form of a supplier handbook with contract. This is a key component in the enhancement of our supplier relationship management. It will help us to face the challenges, caused by the evolutions in Europe's textile industry.

IT, Digital Development and Data

For the introduction of our brand websites in 2018 we created a digital team to work closely with our IT and data department to achieve our digital goals.

Our optichannel vision remains key here and that demands a clear target architecture across the individual teams. We continued to develop this target architecture in 2019, always with the goal of providing our customers with optimal services and products. Understanding the needs of our customers and ensuring we can meet them in a more personalised way, together with the retail partner, is our key next step to be taken in 2020.

In 2019 we upgraded our ERP system to a more recent version, while also working on standardising and optimising our processes. Our primary focus in 2019 was on the supply chain processes. We activated a host of new standard functions in the ERP package and will tackle other functional domains in 2020.

In 2019 we developed and activated a new digital B2B platform. The platform was positively received by our retail partners. In 2020 we will add to the platform, so we can inform and support our retail partners in a digitally efficient and accessible way.

As in 2018, in 2019 we passed the IT audit conducted by our house accountant. We successfully addressed the majority of points raised in 2018. We will tackle the small number of outstanding points in 2020.

In terms of IT infrastructure, over the coming year we will continue to focus on scalability, flexibility and security. We will continue the process of centralising certain infrastructure components, such as replacing components that are no longer supported.

In 2019 we took important strides in the construction of our data lake, centralising all data at a single location, so it can be used for reports and analyses through power BI. In the year under review we focused on the sales and financial data. In 2020 we will expand our data lake with supply chain and consumer data.

Engagement, People and Culture

2019 was all about 'creating a performance-driven organisation'.

Investments and good cost control are needed for the growth of our organisation, but ultimately it's our employees that make a difference. It's their drive (passion) and engagement that allow us to achieve our goals. We ensure that everyone's responsibilities are clearly defined and a cost-conscious approach to business economics is developed with our finance department.

In the rollout of this strategic plan during 2019 we focused on creating clarity on the organisational structure, roles and responsibilities. New management board members were brought in to strengthen the existing structures and build strong and stable foundations for the future.

The values – which strengthen the culture of the company – were also redefined in 2019:

- **We are driven by Passion** – Our hearts beat for our products and the women who wear them
- **We breathe Quality** – We aim for excellence in our products, our work and our service, without compromises
- **We focus on our Consumers and Customers** – We understand, meet and exceed our consumers' and customers' needs and expectations
- **We act Entrepreneurial** – We look for solutions, we strive to excel, we always learn, with focus on results
- **We Connect to Cooperate** – We work together in trust & with respect, both internally and externally
- **We are Authentic** – We are reliable, honest and pragmatic in everything we do

We also began revising the organisation's job classification/wage scale to ensure remuneration policy remains in line with the market. The job descriptions at a number of departments have already been analysed. This process will be continued in 2020 to bring clarity for all employees on their roles and responsibilities.

The demand for more clarity was also addressed by implementing and updating a number of policies, such as teleworking guidelines, the company car policy and the travel and entertainment policy. The training and development guidelines were drawn up with the aim of implementing them in 2020.

The demand for personal development was also addressed in 2019. The new development plan for Van de Velde employees is the basis of our performance management system. We opted for a hybrid system with two formal meetings between manager and employee, alongside more informal finger-on-the-pulse talks. Open, transparent communication in a relationship of trust and respect is central to this. In the formal interviews, the employee's three-year training plan and goals are set and the past year's performance is assessed in terms of goals and skills, among other things. The employees are also assessed on how well they live the corporate values, as set out above. At Van de Velde what you have achieved is not the only thing that's important. How you achieve it is just as key.

As an organisation, it's very important to us to create a working environment in which employees feel they are listened to and can get the best out of themselves. To this end, at the end of 2018 we launched VDV-Engage, a brief weekly survey of employee engagement. The 2019 assessment – after VDV-Engage's first year – taught us that employees are proud of the products we put onto the market and are positive about their working relationships with colleagues and managers. The points we need to work on at company level are: further clarification of the mission and vision of the organisation, the lack of feedback and recognition, and the lack of clarity on growth perspectives.

These points and the projects in the 2020 HR Radar will undoubtedly contribute to the sustained development of the performance-driven Van de Velde organisation.

Outlook

The strategic vision for 2020 is as follows: a return to growth with a stronger brand offering and better service to the retail partners. This vision builds upon our unique sales proposition: *"Creating branded fashionable lingerie of superior quality in a wide range of sizes & styles, convincing consumers in the fitting room together with our retail partners"*.

Van de Velde is all about designing and manufacturing fashionable brand lingerie of high quality that we offer to consumers in a wide range of styles and sizes. The moment of truth comes in the fitting room, where consumers fully appreciate our lingerie as soon as they try it on.

The strategic plan for 2020/2021 covers three key domains: strengthening the core of the business, accelerating growth and the enablers to put these strategic plans into practice.

Strengthening the core of the business

- Encouraging consumer-centricity:
  We want to strengthen our product portfolio with the right brand architecture. This ensures that the broad needs of different consumers are correctly met.

- Being the preferred partner of our retail partners:
  Retail partners, specialised lingerie boutiques, are the cornerstone of our business. So in 2020 our focus will be on them. They are our primary bridge to consumers. The added value of the styling and fitting service we offer to consumers ensures our lingerie is presented in the best possible way and worn with pleasure, and that women feel good.

Accelerating growth

- Implementing our optichannel strategy:
  We want to offer consumers the best fitting room service. That being so, we want to attract them to the fitting room, while also selling our products in various channels and communicating consistently. We want to build on this approach in 2020 so that online and offline strengthen each other. We want to create a shopping experience at our retail partners based on styling and fitting.

  We want to develop our existing digital B2B platform to strengthen our relationship with our retail partner. At the same time, we are putting our whole range online, so that all consumers are able to shop how they want.

- Creating further growth in selected markets and channels:
  We want to accelerate growth by focusing on Germany, a market that offers Van de Velde potential for growth. We also want to focus on our own retail stores with most potential, with the aim of improving profitability.

Enablers to put these strategic plans into practice

- Efficient processes with a flexible, nimble supply chain and a continued focus on raising efficiency and deploying our IT systems to the maximum.

- We will also continue to strengthen our organisation. Ultimately it's our employees that make a difference. Their motivation and engagement fellow us able to achieve our goals. To this end, we want to clearly set out everyone's responsibilities and invest in developing and motivating our talent.

It is our conviction that this strategic vision will drive Van de Velde's return to growth in the future.

Marleen Vaesen, CEO
With thanks to all employees

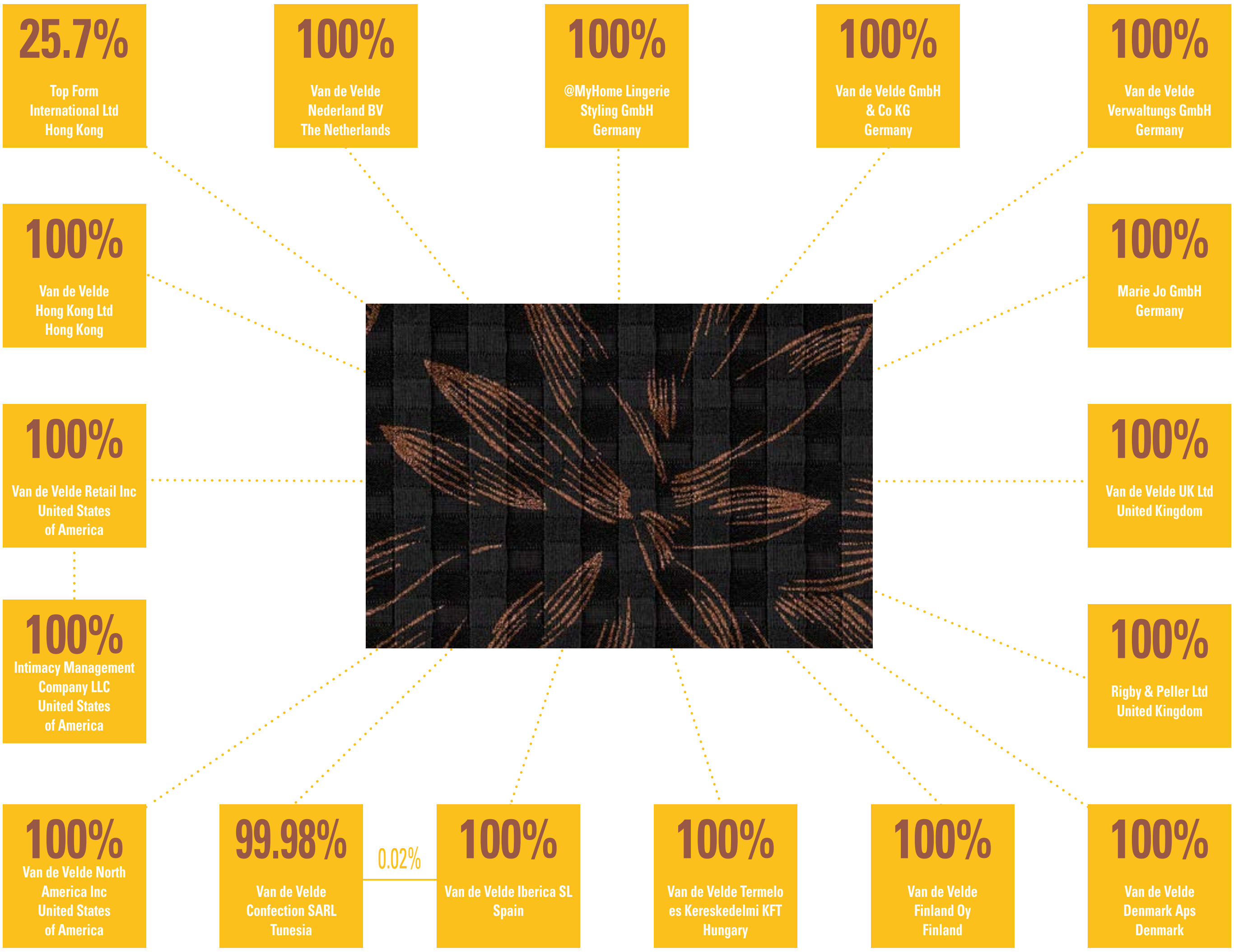

PRIMA
DONNA


PRIMA
DONNA
TEAM
BELGIUM

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 2019 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 2022);
- Bénédicte Laureys, director (tenure expires at the Ordinary General Meeting of 2021);
- BV Benoit Graulich, always represented by Benoit Graulich, director (tenure expires at the Ordinary General Meeting of 2020);
- BV 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 2022);
- Mavac BV, always represented by Marleen Vaesen, managing director (tenure expires at the Ordinary General Meeting of 2022);
- Veronique Laureys, director (tenure expires at the Ordinary General Meeting of 2020);
- Phillip Vandervoort, director (resigned as from December 31, 2019)
- Valseba BV, always represented by Isabelle Maes, director (tenure expires at the Ordinary General Meeting of 2022).

    - 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 BV. She also has a seat on the Board of Directors of Rigby & Peller US/UK and ADX Neurosciences NV.

- BV Benoit Graulich, represented by *Benoit Graulich* (m, 1965°), 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 partner at Kearney and head of the Belgium branch. He was previously a partner in private equity and senior partner & managing director at The Boston Consulting Group.

- BV 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. He also sits on various boards of directors, including Wereldhave.

- Mavac BV, 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 and 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 BV. In 2017 she was appointed to the Board of Directors of Van de Velde.

- *Phillip Vandervoort* (m, 1961°), director;
  Phillip studied electromechanical engineering. He is president of the Board of Directors of Scarlet and Tango. He is also member of the Board of Directors of Awing and Eurovision Services SA.

- Valseba BV, represented by *Isabelle Maes* (f, 1974°), independent director;
  Isabelle Maes studied commercial engineering. Now CEO of Lotus Bakeries Natural Foods, previously she was CFO of Lotus Bakeries and of Barry Callebaut Belgium and Senior Auditor at PWC.

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

Valseba BV, BV Dirk Goeminne and Emetico NV are considered to be independent directors.

Lucas Laureys, Bénédicte Laureys, Veronique Laureys, Phillip Vandervoort, BV Benoit Graulich 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 BV is managing director.

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 of 7 May 1999, 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. With a view to ensure continuity in its management and facilitating a smooth and adequate implementation of the provisions of the New Companies Code of 23 March 2019 (New WVV) in its management model at the appropriate time, Van de Velde NV decided to make use of the special transitional arrangement for the entry into force of the New WVV and to retain for the moment its Management Committee within the meaning of Article 524bis of the Company Law Code of 7 May 1999 (also after 1 January 2020, until the next amendments to the articles of association whereby the New WVV becomes applicable).

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

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

In 2019 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. Valseba BV, Dirk Goeminne BV and Phillip Vandervoort were excused from one board meeting. 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;
- BV Dirk Goeminne, always represented by Dirk Goeminne (independent director);
- BV Benoit Graulich, always represented by Benoit Graulich;
- Valseba BV, always represented by Isabelle Maes (independent director).

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

The chairman of the Audit Committee is Valseba BV, always represented by Isabelle Maes.

The Audit Committee meets no fewer than four times a year and as often as considered necessary for its proper operation. In 2019 the Audit Committee met four 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;

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

- Technological opportunities and/or threats for the company;
- Budget assessment.

The Strategic Committee is composed as follows:
- Lucas Laureys;
- Mavac BV, 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;
- Emetico NV, always represented by Yvan Jansen;
- BV Dirk Goeminne, always represented by Dirk Goeminne.

The chairman of the Nomination and Remuneration Committee is BV 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 four times in 2019. 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 of 7 May 1999, 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 BV, always represented by Marleen Vaesen, CEO;
- Karel Verlinde CommV, always represented by Karel Verlinde, CFO (since April 2019);
- Fenix BV, always represented by Bruce Humphreys, people & organization director.

During 2019 the following persons left the Management Committee:
- Positron BV, always represented by Erwin Van Laetem, CEO, as of 29 January 2019;
- YWMA BV, always represented by Yan Aerts, global retail director, as of 1 March 2019;
- Hedwig Schockaert, supply chain director, as of April 24, 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.
- Bruce (m, 1956°)
  Bruce has a master's degree in law and a lot of experience gained in various HR and legal positions.
- Karel (m, 1982°)
  Karel obtained a master's degree in economics at the University of Ghent and Maynooth University of Ireland. He has built up a career with IGI Corporation and Brady Corporation. In 2017 he was appointed group controller and in 2018 CFO of IVC Group, a division of Mohawk Industries.

The chairman of the Management Committee (CEO) is Mavac BV, 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. 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 BV, 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 29 April 2020 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[2]. 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. BV Dirk Goeminne is a member of both the Nomination and Remuneration Committee and Audit Committee, and therefore receives a total annual remuneration of 20,000 euro. Lucas Laureys, Valseba BV and BV Benoit Graulich are a member of the Audit Committee and receive an annual remuneration of 17,500 euro. The same goes for Emetico NV, who is a member of the Nomination and Remuneration Committee.

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

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

3. The remuneration of the members of the Management Committee

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

The managing 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.

(2) Audit Committee and Nomination and Remuneration Committee.

– 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 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 partially based on objective parameters and are closely linked to the results of the Group and partially on individual objectives which are closely dependent on the responsibilities of the member in question. Every year, the Nomination and Remuneration Committee evaluates the degree to which the targets[3] have been met and submits this report to the Board of Directors for approval. The maximum amount of this team bonus, not including the CEO, is 37.5% of the annual gross salary.

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.

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.

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

The total gross remuneration (in 000 euro) (including remunerations received from other companies that form part of the Group) awarded in 2019 to the members of the Management Committee and the CEO were as follows:

	Management Committee [4]	**CEO**
Basic remuneration	519 [5]	592 [6]
Variable remuneration	55	250 [7]
Pensions/disability/guaranteed income	2	0
Other benefits	1	0

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

Up until April 2019, one member of the Management Committee was employed on the basis of an employment contract. This employee is still employed by Van de Velde but is no longer part of the Management Management Committee. The notice term can be replaced by a corresponding termination indemnity as the company sees fit. 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 three months.

In February 2019, after approval of the Board of Directors, a termination indemnity in the amount of 214,600 euro was granted to Positron BV (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.

(4) 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.
(5) Departure holiday pay is included in the figures.
(6) The figures display the cost for the company.
(7) The figures display the cost for the company.

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 2019, 15,000 options were granted to the members of the Management Committee and no options were exercised.

	Options end 2018	Granted and accepted in 2019	Exercised in 2019		Options end 2019
		Number	Number	Exercise Price	
Herman Van de Velde NV	5,000	0	N/A	N/A	5,000
Hedwig Schockaert	15,000	5,000	N/A	N/A	20,000
YWMA BV	10,000	0	N/A	N/A	10,000
Karel Verlinde CommV	0	5,000	N/A	N/A	5,000
Mavac BV	0	5,000	N/A	N/A	5,000
	30,000	**15,000**	**N/A**	**N/A**	**45,000**

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 2019 no such transactions or other contractual links occurred.

Statutory auditor

The General Meeting of 24 April 2019 of Van de Velde NV appointed EY Bedrijfsrevisoren BV, Pauline Van Pottelsberghelaan 12, 9051 Ghent, represented by Francis Boelens, as the statutory auditor. This appointment runs until the Ordinary General Meeting of 2022.

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 2019 for auditing of the statutory and consolidated financial statements of Van de Velde NV was 65,000 euro (excl. VAT). The total costs for 2019 for the auditing of the annual accounts of all companies of the Van de Velde Group were 138,996 euro (excl. VAT), including the aforementioned 65,000 euro.

In accordance with Article 3:65 of Belgium's Code of Companies and Associations, 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 63,102 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. During 2019 there were no deviations from the Code. During 2020 the Corporate Governance Charter will be adapted to the new Belgian Corporate Governance Code, which was published by the Corporate Governance Committee on May 9, 2019.

Conflict of Interests Scheme

In 2019, there was no conflict of interest in the sense of Article 7:96 of the Belgian Company's Code within the Board of Directors.

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 8.87% at the end of 2019.

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 (3 January 2020) 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 December 11, 2019 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 January 3, 2020 if the acquisition is necessary to avoid a serious threatened disadvantage and (ii) five years as from December 11, 2019 if the Board of Directors, in accordance with Article 7:215 of Belgium's Code of Companies and Associations, 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 2019 non of its own shares were acquired by Van de Velde NV and at the end of 2019 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 yearly 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 7:217 of Belgium's Code of Companies and Associations.

The number of shares with dividend rights is accordingly reduced by 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 0.69 euro.

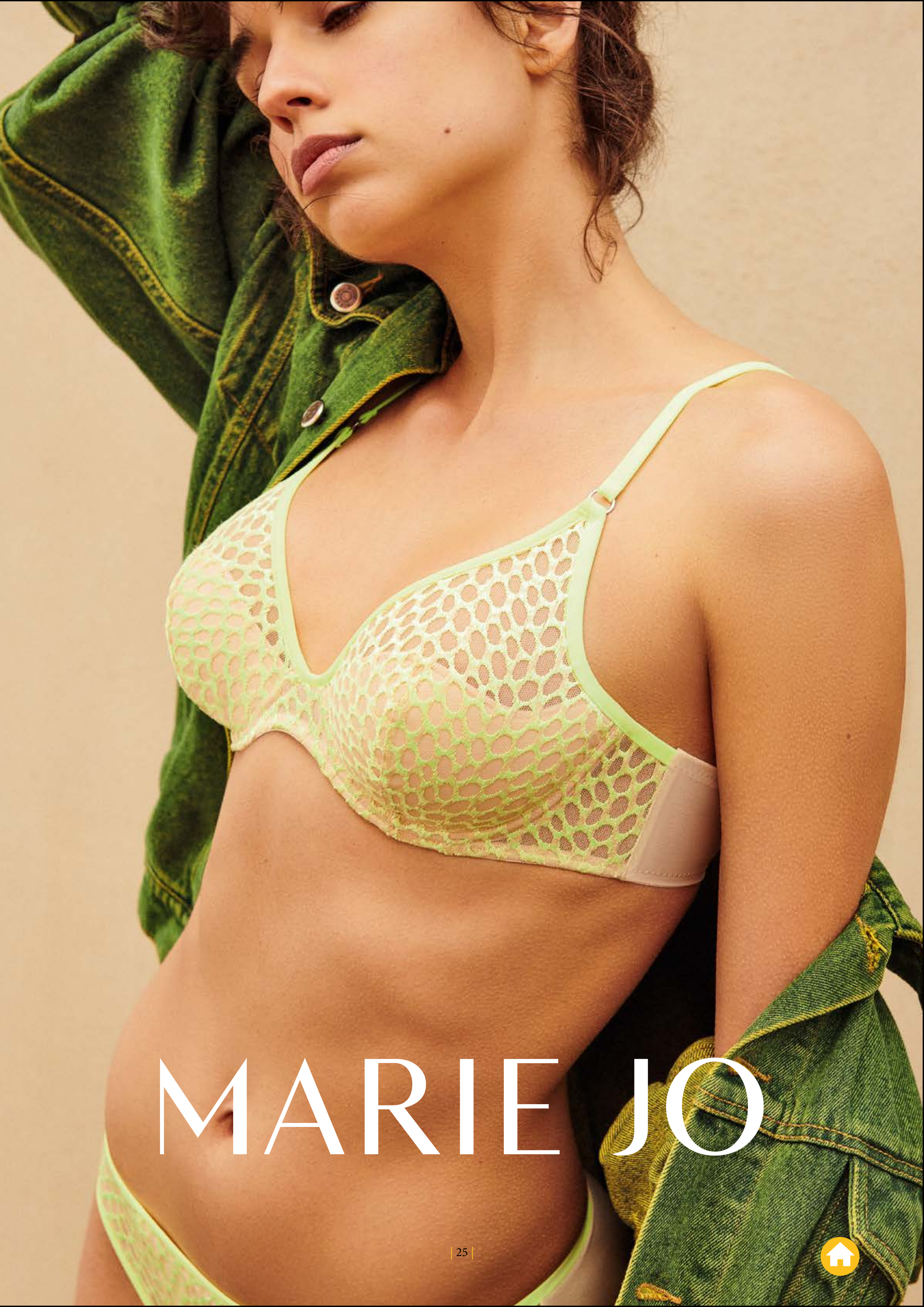
Van de Velde has the policy of not retaining excess cash in the organization but distributing it in one way or another to the shareholders. Cash required for operating and investing activities is evaluated on an annual basis. For 2019 this implies that the Board of Directors will propose to the General Meeting the payment of a gross dividend for the fiscal year 2019 of 1.03 euro per share. After the payment of withholding tax, this represents a net dividend of 0.72 euro per share.

After approval by the General Meeting of Shareholders, the final dividend[8] of 1.03 euro per share (net dividend of 0.72 euro per share) will be paid out as from 6 May 2020.

Financial Calendar

Closing of fiscal year 2019	31 December 2019
Announcement of annual results 2019	27 February 2020
Publication of annual financial report 2019	27 March 2020
General Meeting of Shareholders	29 April 2020
Ex-coupon date	4 May 2020
Record date	5 May 2020
Dividend payment date	6 May 2020
Publication of 2020 half-year results	31 August 2020
Closing of fiscal year 2020	31 December 2020

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


MARIE JO

4 | Consolidated key figures 2019

Profit and loss account (in millions of euro)	2019	2019 Excl. IFRS16	2018	2017	2016	2015
Operating income	200.3	200.3	210.2	214.7	211.9	214.5
Turnover	195.5	195.5	205.2	209.0	206.6	209.0
Turnover on a comparable basis (1)	196.6	196.6	203.0	205.6	206.8	206.7
EBITDA (2)	47.6	40.9	37.2	55.7	61.9	61.9
EBITDA on a comparable basis (3)	48.6	41.9	35.8	53.5	62.0	60.4
EBIT (4)	32.9	32.0	30.2	48.0	53.6	53.7
Consolidated result before taxes (5)	29.5	29.5	30.2	47.7	53.3	54.0
Consolidated result after taxes (5)	23.1	23.1	26.6	34.2	34.0	40.6
Profit for the period (6)	21.2	21.2	25.5	33.9	33.6	41.0
Operating cash flow (7)	51.8	45.1	17.5	35.0	45.1	50.3

(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).
(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. From fiscal year 2019 we apply the indirect method instead of the direct method to calculate cash flow. Under the indirect method, operating cash flow in 2018 would have been 21.4.

Balance sheet (in millions of euro)	2019	2019 Excl. IFRS16	2018	2017	2016	2015
Fixed assets	93.0	70.4	75.3	69.7	71.9	70.8
Current assets	104.7	104.8	92.3	89.1	84.8	90.9
Shareholders' equity	143.8	143.8	133.4	121.8	116.6	129.2
Balance sheet total	197.7	175.2	167.6	158.8	156.7	161.7
Net debt position (1)	-41.4	-41.4	-15.2	-21.5	-18.0	-27.8
Working capital (2)	31.2	35.5	47.9	36.1	32.2	35.9
Capital employed (3)	124.2	105.9	123.2	105.8	104.1	106.8

(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)	2019	2019 Excl. IFRS16	2018	2017	2016	2015
Return on equity (1)	16.7	16.6	20.9	29.8	27.7	30.9
Return on capital employed (2)	18.7	20.1	23.3	32.2	32.3	38.4
Solvency (3)	72.7	82.1	79.6	76.7	74.4	79.9
Liquidity (4)	3.3	3.8	3.2	2.8	2.4	3.3

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

Margin analysis and tax rate (in %)	2019	2019 Excl. IFRS16	2018	2017	2016	2015
EBITDA (1)	24.4	20.9	18.1	26.6	30.0	29.6
EBITDA on a comparable basis (2)	24.7	21.3	17.6	26.0	30.0	29.3
EBIT (3)	16.8	16.4	14.7	23.0	26.0	25.7
Tax rate (4)	21.7	21.7	11.9	28.6	36.4	24.5

(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).

Stock market data	2019	2018	2017	2016	2015
Average daily volume in pieces	4,968	6,664	9,947	9,304	8,503
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	1,266,845	1,699,350	2,536,410	2,391,245	2,176,758
Velocity	9.5%	12.8%	19.0%	17.9%	16.3%
Turnover (in thousands of euro)	33,550	54,187	129,190	143,456	115,242
(in euro per share)					
Highest price	32.65	46.25	66.30	68.20	62.75
Lowest price	22.55	21.65	41.70	52.63	38.80
Closing price	29.90	25.60	44.45	66.16	62.75
Average price	26.47	31.83	50.35	62.18	53.58

Key figures per share (in euro)	2019	2019 Excl. IFRS16	2018	2017	2016	2015
Book value [1]	10.8	10.8	10.0	9.1	8.8	9.7
EBITDA [2]	3.6	3.1	2.8	4.2	4.6	4.6
EBITDA on a comparable basis [3]	3.6	3.1	2.7	4.0	4.7	4.5
Profit for the period [4]	1.6	1.6	1.9	2.5	2.5	3.1
Gross dividend [5]	1.03	1.03	1.03	1.03	3.50	3.50
Net dividend [5]	0.72	0.72	0.72	0.72	2.49	2.58
Dividend yield [6]	2.41%	2.41%	2.82%	1.62%	3.76%	4.11%
Pay-out percenage [7]	59%	59%	52%	40%	137%	115%

(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,
(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)	2019	2019 Excl. IFRS16	2018	2017	2016	2015
Book value [1]	143.8	143.8	133.4	121.8	116.6	129.2
Market capitalization [2]	398.3	398.3	341.1	592.2	881.4	836.0
Enterprise value (EV) [3]	345.3	345.3	313.1	556.4	849.3	793.6

(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	2019	2019 Excl. IFRS16	2018	2017	2016	2015
EV/EBITDA [1]	7.2	8.4	8.4	10.0	13.7	12.8
EV/EBITDA on a comparable basis [2]	7.1	8.2	8.7	10.4	13.7	13.1
Price/Profit [3]	18.8	18.8	13.4	17.5	26.4	20.4
Price/Book value [4]	2.8	2.8	2.6	4.9	7.6	6.5

(1) Enterprise value / EBITDA.
(2) Enterprise value / EBITDA on a comparable basis.
(3) Closing price / Profit for the period.
(4) Market capitalization / Book value.

Van de Velde and BEL20 stock market price

Stock market price in 2019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5 | Consolidated financial statements and related notes

Consolidated balance sheet

000 euro	2019	2018	*(Note)*
Assets			
Total fixed assets	**92,992**	**75,301**	
Goodwill	4,546	4,546	3
Intangible assets	23,940	23,113	4
Tangible fixed assets	29,111	33,627	5
Right-of-use assets	22,560	0	26
Participations (equity method)	11,631	12,757	6
Other fixed assets	1,204	1,258	7
Total current assets	**104,752**	**92,272**	
Inventories	36,946	46,703	9
Trade receivables	15,498	17,922	10
Other current assets	10,875	11,917	11
Cash and cash equivalents	41,433	15,730	12
Total assets	**197,744**	**167,573**	
Equity and liabilities			
Shareholders' equity	**143,831**	**133,382**	
Share capital	1,936	1,936	13
Treasury shares	-427	-427	13
Share premium	743	743	13
Other comprehensive income	-6,823	-8,821	
Retained earnings	148,402	139,951	
Non-controlling interests	**0**	**0**	**13**
Grants	**380**	**304**	**8**
Total non-current liabilities	**21,415**	**4,769**	
Provisions	411	390	14
Provision lease liability	785	0	26
Pensions	1,612	1,061	15
Other non-current liabilities	662	2,694	16
Lease liability	17,480	0	26
Deferred tax liability	465	624	17
Total current liabilities	**32,118**	**29,118**	
Trade and other payables	21,508	26,079	18
Lease liability	5,073	0	26
Other current liabilities	3,004	1,936	19
Income taxes payable	2,533	1,103	19
Total equity and liabilities	**197,744**	**167,573**	

Consolidated income statement

000 euro	2019 incl. IFRS16	IFRS16	2019 excl. IFRS16	2018	(Note)
Turnover	195,535		195,535	205,153	28
Other operating income	4,752		4,752	5,001	
Cost of materials	-42,798		-42,798	-41,584	
Other expenses	-61,133	6,708	-67,841	-80,370	
Personnel expenses	-48,711		-48,711	-50,965	22
Depreciation and amortization	-14,769	-5,828	-8,941	-6,996	4, 5, 26
Operating profit	**32,876**	**880**	**31,996**	**30,239**	
Finance income	1,851	62	1,789	3,282	21, 26
Finance costs	-5,252	-925	-4,327	-3,291	21, 26
Share in result of associates	-1,867		-1,867	-1,105	6
Profit before taxes	**27,608**	**17**	**27,591**	**29,125**	
Income taxes	-6,393		-6,393	-3,592	23
Profit for the year	**21,215**	**17**	**21,198**	**25,533**	
Other comprehensive income					
Currency translation adjustments related to Group entities and non-controlling interests	1,851	4	1,847	-130	
Currency translation adjustments related to participations (equity method)	147		147	-136	6
Total other comprehensive income (fully recyclable in the income statement)	**1,998**	**4**	**1,994**	**-266**	
Remeasurement gains/(losses) on defined benefit plans	-322		-322	-137	15
Total other comprehensive income (not recyclable in the income statement)	**-322**		**-322**	**-137**	
Total of profit for the period and other comprehensive income	**22,891**	**21**	**22,870**	**25,130**	

000 euro	2019 incl. IFRS16	IFRS16	2019 excl. IFRS16	2018	(Note)
Profit for the year	**21,215**	**17**	**21,198**	**25,533**	
Attributable to the owners of the company	21,215	17	21,198	25,533	
Attributable to non-controlling interests	0		0	0	
Total of profit for the period and other comprehensive income	**22,891**	**21**	**22,870**	**25,130**	
Attributable to the owners of the company	22,891	21	22,870	25,130	
Attributable to non-controlling interests	0		0	0	
Basic earnings per share (in euro)	1.59		1.59	1.92	24
Diluted earnings per share (in euro)	1.59		1.59	1.92	24
Weighted average number of shares	13,311,480		13,311,480	13,313,890	24
Weighted average number of shares for diluted profit per share	13,311,553		13,311,553	13,313,890	24
Proposed dividend per share (in euro)	1.03		1.03	1.03	25
Total dividend (in 000 euro)	**13,722**		**13,722**	**13,722**	**25**

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 31/12/2017	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
Profit for the period						21,215		21,215		21,215
Other comprehensive income				1,849				1,849		1,849
Sale of treasury shares for stock options										
Purchase of treasury shares										
Amortization deferred stock compensation							131	131		131
Granted and accepted stock options										
Other reserves					-322			-322		-322
Reserves at Top Form				147	1,151			1,298		1,298
Dividends						-13,722		-13,722		-13,722
Equity at 31/12/2019	1,936	-427	743	-6,825	536	147,335	533	143,831	0	143,831

Consolidated cash flow statement [1]

000 euro	2019	2018	(Note)
Operating activities			
Profit before tax	27,608	29,125	
Depreciation and amortization of (in)tangible assets	14,769	6,995	4, 5, 26
Net valuation allowance current assets	1,460	260	9, 10
Provisions	-566	-181	
Share of profit of an associate and a joint venture	1,867	1,701	
Loss / (gain) on sale of subsidiaries, associates and assets held for sale	222	0	21
Financial profit	-1,851	-3,282	21
Financial costs	5,029	3,024	21
Other non cash-items	192	1	
Gross cash flow provided by operating activities	**48,730**	**37,643**	
Decrease / (Increase) in inventories	7,979	-4,751	9
Decrease / (Increase) in trade accounts receivable	2,636	1,160	10
Decrease / (Increase) in other assets	-572	-1,620	
Increase / (Decrease) in trade accounts payable	-2,096	2,987	18
Increase / (Decrease) in other liabilities	-1,587	3,835	16, 18
Change in operating working capital	**6,360**	**1,611**	
Income taxes paid	-3,516	-17,215	
Other financial income and charges received / (paid)	232	-669	
Net cash flow provided by operating activities	**51,806**	**21,370**	
Investment activities			
(In)tangible assets - acquisitions	-5,446	-14,137	4, 5
Disposal of fixed assets	298	62	
Net cash flow used in investing activities	**-5,148**	**-14,075**	
Net cash flow before financing activities	**46,658**	**7,295**	
Financing activities			
Dividends paid	-13,722	-13,722	25
Dividends received	0	596	6
Sale of treasury shares for stock options	0	170	13
Purchase of treasury shares	0	-602	13
Reimbursement of lease liabilities	-6,707	0	26
Proceeds / (Reimbursement) of short-term borrowings	-516	153	18
Net cash flow used in financing activities	**-20,945**	**-13,405**	
Net change in cash and cash equivalents	**25,713**	**-6,110**	
Cash and cash equivalents on January 1	15,730	21,843	12
Effect of exchange rate fluctuations	-10	-3	
Cash and cash equivalents on 31 December	41,433	15,730	12
Net change in cash and cash equivalents	**25,713**	**-6,110**	

(1) It has been decided to no longer apply the direct method from 2019, but to switch to the indirect method as it is common practice in the market.

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 27 February 2020, subject to approval of the statutory non-consolidated accounts by the shareholders at the Ordinary General Meeting to be held on 29 April 2020. 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 3:32 of Belgium's Code of Companies and Associations. The various components as prescribed by article 3:32 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.

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 2019:

- Amendments to IFRS 9 Financial Instruments – Prepayment Features with Negative Compensation
- IFRS 16 Leases
- Amendments to IAS 19 Employee Benefits – Plan Amendments, Curtailment or Settlement
- Amendments to IAS 28 Investments in Associates and Joint Ventures – Long-term Interests on Associates and Joint Ventures
- IFRIC 23 Uncertainty over Income Tax Treatments
- Annual Improvements Cycle – 2015-2017

With exception of IFRS 16 leases, the above changes did not have an impact on the annual consolidated results of the Group.

Impact of IFRS 16 Lease agreements

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize all leases on the balance sheet. This recognition is similar as the recognition of financial leases under IAS 17.

The Group has applied IFRS 16 in accordance with the amended retroactive method of first application, with the date of first application being 1 January 2019. The new accounting standard means that all leases and the associated contractual rights and obligations are recognized on the balance sheet. Under the new standard, an asset (the right to use the leased property) and a financial obligation to pay rent are included. The Group has applied the changed retroactive approach, which means that the comparative figures for 2018 have not been adjusted.

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 or for leases with a short duration (less than 12 months), and lease contracts for which the underlying asset has a low value (or less than 5,000 EUR per item). The Group chooses to apply the standard to contracts that were previously identified as leases under IAS 17 and IFRIC 4. Therefore, the Group will not apply the standard to contracts that were not previously identified as leases under IAS 17 and IFRIC 4.

Contracts not related to an identifiable asset fall outside the scope as well as variable rental obligations according to turnover.

The standard mainly affects the accounting for the operational lease obligations of the Group. For the remaining lease term, the responsible usage rights and lease obligations amount to 24,512 thousand euros. In determining the present value of these lease obligations, a weighted average discount rate of 3.65% was used.

Explanation of the effect of IFRS 16 on the balance sheet 000 euro	01.01.2019
Assets	
Right of use assets	24,512
Total effect assets	**24,512**
Liabilities	
Provision for lease obligation	785
Long-term lease obligations	19,142
Short-term lease obligations	4,585
Total effect Liabilities	**24,512**

Reconciliation of lease obligations as a result of IFRS 16 000 euro	
Future minimum rent to be paid for the operating leases at 31 December 2018	**24,465**
Weighted average discount rate on January 1, 2019	3.65%
Discounted operating lease obligations as of January 1, 2019	**22,257**
Decreased with:	
Liabilities related to short-term leases	-832
Increased with:	
Obligations at the end of the contract	785
Impact extension options	2,385
Difference in definition IAS 17 - IFRS 16	-83
Obligations additionally recognized on the basis of the initial application of IFRS 16 from January 1, 2019	**24,512**

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) 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 three to five years. Other intangible assets include acquired distribution rights and similar rights, which are amortized over a period of five 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	15-25 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 first-in, first-out (FIFO) method.

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

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

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

Trade and other receivables

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

(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. Trade receivables and other financial assets are held to collect contractual cash flows and lead to cash flows that represent only payments of principal and interest. These are classified and valued as debt instruments at amortized cost as explained in the 'Revenue from contracts with customers' section.

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

IFRS 9 requires the Group to recognize a provision for expected credit losses (ECLs) for all debt instruments that are not held at fair value through profit or loss and contract assets. ECLs are based on the difference between the contractual cash flow that follows from the contract and all cash flows that the Group expects to receive, discounted on the basis of the effective interest rate. For trade receivables, the Group uses the simplified application for the calculation of the ECLs whereby an impairment is recognized on the basis of historical credit losses.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases (<12 months) and leases of low-value assets (<5,000 EUR). The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets is valued at the initial value of the obligation, increases with the lease payments on or before the start of the lease, decreases with the lease benefits, increases with the initial direct costs of the lessee and increases with the estimate of the costs for restoring the asset to its original condition. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Plant and machinery — maximum 10 years
- Motor vehicles — maximum 5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section(s) Impairment of non-financial assets.

ii) Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

To determine the current value of the lease payments, the group will discount future lease payments at the incremental interest rate on the start date (i.e. the interest that the lessee would pay if he took out a loan with the bank for a similar asset over a similar duration). If the discount rate is implicitly included in the lease, this rate will be applied. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The Group also applies the exemption for leases for which the underlying assets have a low value (value below 5,000 EUR). Lease obligations relating to an unidentifiable asset are also disregarded. Aforementioned lease payments are recognized as expense on a straight-line basis over the lease term.

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 has made a deliberate decision 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 is repeated on an annual basis.

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 in the physical and digital stores are recorded when the sale is settled. 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 IFRS15, 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 unused giftcards and credits are included in the profit and loss account in accordance with internally determined percentages. This breakage represents the estimate of the management whose probability of use by the customer is estimated to be minimal.

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.

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 after year end 2019

The Group has not early-adopted any standards or interpretations issued but not yet effective as at 31 December 2019.

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 References to the Conceptual Framework in IFRS Standards, effective 1 January 2020
- Amendments to IFRS 3 Business Combinations – Definition of a business, effective 1 January 2020
- Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures – Interest Rate Benchmark Reform
- Amendments to IAS 39 Financial Instruments: Recognition and measurement and IFRS 7 Financial Instruments: Disclosures – Interest Rate Benchmark Reform
- 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

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 01/01/2019	6,357	26,189	1,749	2,797	37,092
Acquisition through business combinations	0	0	0	0	0
At 31/12/2019	6,357	26,189	1,749	2,797	37,092
Impairment and other adjustments					
At 01/01/2019	6,357	26,189	0	0	32,546
Impairment and other adjustments	0	0	0	0	0
At 31/12/2019	6,357	26,189	0	0	32,546
At 31/12/2019					
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 31/12/2019	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 01/01/2019	11,000	7,784	6,734	0	25,518
Acquisition through business combinations	0	0	0	0	0
At 31/12/2019	11,000	7,784	6,734	0	25,518
Impairment and other adjustments					
At 01/01/2019	5,531	7,784	0	0	13,315
Impairment and other adjustments	0	0	0	0	0
At 31/12/2019	5,531	7,784	0	0	13,315
At 31/12/2019					
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 31/12/2019	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 2019:

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 2019 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 two year in the forecast period (2020-2021), the growth plan as approved by the Board of Directors is used as the basis.
  - For the subsequent years (2022-2023), 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 two years in the forecast period (2020-2021).

For Adres Sarda a limited sales growth is expected for the period 2022-2023.

For the planning period (2020-2023) 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 (2%).

(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 7.4% and 7.7%. This corresponds to a cost of capital before tax of between 9.5% and 9.9%.

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 change in any of the above key assumptions would currently cause the carrying value of the unit to materially exceed its recoverable amount. This is also reflected in the headroom(1) in the three cash-generating units. The tested sensitivities related to:

- The possibility of lower than forecast turnover (from 5% to 0%) growth during the forecast period (2020-2023);
- The possibility of lower than forecast EBITDA (from 20% to 12%) margin on sales;
- A decrease in the long-term percentage (from 2% to 1%) 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 01/01/2018	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
Intangible assets, gross						
At 01/01/2019	52,761	4,156	25,518	3,734	19,036	317
Investments	1,168	333	0	0	835	0
Disposals	0	0	0	0	0	0
Other adjustments	3,252	0	0	0	3,252	0
Exchange adjustments	27	27	0	0	0	0
At 31/12/2019	57,208	4,516	25,518	3,374	23,123	317
Amortization and impairment						
At 01/01/2019	29,648	3,848	13,315	3,734	8,534	217
Amortization	3,620	617	0	0	2,988	15
Impairment	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Exchange adjustments	0	0	0	0	0	0
At 31/12/2019	33,268	4,465	13,315	3,734	11,522	232
Intangible assets, net 31/12/2019	23,940	51	12,203	0	11,601	85

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.

The investment in software in 2019 concerns the upgrade of our ERP system to a more recent version. At the same time, we also took this opportunity to standardize and optimize our processes. A new digital B2B platform was also developed and successfully launched.

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 VLAIO 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 01/01/2018	**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 31/12/2018	33,627	19,445	13,177	1,005
Tangible fixed assets, gross				
At 01/01/2019	**96,342**	**43,277**	**52,060**	**1,005**
Investments	4,133	510	1,017	2,606
Transfer	-3,252	0	0	-3,252
Disposals	-1,560	0	-1,560	0
Exchange adjustments	108	30	78	0
At 31/12/2019	**95,771**	**43,817**	**51,595**	**359**
Depreciation and impairment				
At 01/01/2019	**62,715**	**23,832**	**38,883**	**0**
Depreciation	5,321	1,253	4,068	0
Disposals	-1,376	0	-1,376	0
Exchange adjustments	0	0	0	0
At 31/12/2019	**66,660**	**25,085**	**41,575**	**0**
Tangible fixed assets, net 31/12/2019	29,111	18,732	10,020	359

The investments under assets in the course of construction in 2019 concern the upgrade of our ERP system and a new digital B2B platform. These were transferred to intangible fixed assets when they were taken into use. The other investments in tangible fixed assets primarily concern various investments in the improvement and maintenance of buildings and materials.

6. Investments in associates

Investments in associates consist of the following Group interests:

- 50.0% in Private Shop Ltd; the joint venture with Private Shop in Hong Kong was terminated in 2019. Private Shop will continue as an independent retail partner under the wing of the financially strong Getz Group.
- 25.7% in Top Form International Ltd.

Net carrying amount 000 euro	Top Form Ltd.	Private Shop Ltd.	Total
At 01/01/2018	13,251	1,042	14,293
Results for the fiscal year	-511	-293	-804
Dividend received	-596	0	-596
Other comprehensive income (1)	-136	0	-136
At 31/12/2018	12,008	749	12,757
At 01/01/2019	12,008	749	12,757
Results for the fiscal year	-1,786	-81	-1,867
Dividend received	0	0	0
Unrealized results	1,409	0	1,409
Realized results	0	-668	-668
At 31/12/2019	11,631	0	11,631

Key figures per participation are as follows:

Key figures	Top Form Ltd. HKD 000 (31/12/2019)
Tangible fixed assets	182,741
Other fixed assets	172,466
Right of use assets	33,425
Current assets	491,164
Non-current liabilities	61,008
Current liabilities	259,244
Lease liabilities	33,334
Total net assets	526,210
Turnover	644,620
Net result	-14,623

The figures relating to Top Form International Ltd, in the table above refer to the closing at 31 December 2019 (first half of fiscal year 2019) 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	2019	2018
Security deposits for VAT	217	217
Other security deposits	832	886
Other participating interests	75	75
Prepaid rent expenses	31	34
Borrowings	49	46
Other fixed assets, net	1,204	1,258

8. Grants

In 2019 an amount of 380 thousand euro was recorded as grant. This grant was received in 2017, 2018 and 2019 from VLAIO (Flanders Innovation & Entrepreneurship) as a result of a current research and development project.

9. Inventories

Inventories by major components are as follows:

000 euro	2019	2018
Finished and merchandise goods	23,590	26,090
Work in progress	8,974	12,160
Raw materials	10,733	12,727
Inventories, gross	**43,297**	**50,977**
Less: Allowance for obsolescence	-6,351	-4,274
Inventories, net	**36,946**	**46,703**

The allowance for obsolescence in 2019 relates to finished products (3,470 thousand euro) and raw materials (2,880 thousand euro). 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 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	2019	2018
Trade receivables, gross	15,999	18,634
Less: allowance for doubtful debtors	-501	-712
Trade receivables, net	**15,498**	**17,922**

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 2019 there was a loss of 541 thousand euro with respect to trade receivables (211 thousand euro in 2018).

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
2019	15,999	12,360	2,392	493	754
2018	18,634	13,769	3,220	542	1,103

11. Other current assets

Other current assets consist of the following:

000 euro	2019	2018
Prepaid expenses [1]	4,322	3,914
Tax receivables (VAT & corporate income tax) [2]	6,426	7,815
FX forward contracts (note 20)	127	188
Other current assets, net	**10,875**	**11,917**

(1) The prepaid expenses primarily relate to publicity and marketing costs for the next seasons as well as prepaid maintenance costs.
(2) Mainly in 2018 related to innovation-related tax breaks.

12. Cash and cash equivalents

Cash and cash equivalents consist of the following:

000 euro	2019	2018
Cash at banks and in hand	41,433	15,730
Marketable securities	0	0
Cash and cash equivalents	**41,433**	**15,730**

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	2019	2018
Nominative shares	7,619,988	7,592,233
Dematerialized shares	5,702,492	5,730,247
Total number of shares	**13,322,480**	**13,322,480**

At 31 December 2019 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 (3 January 2020).

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 2018 Van de Velde NV held 11,000 treasury shares.

In accordance with Article 7:217 of Belgium's Code of Companies and Associations, the Extraordinary General Meeting of Shareholders of 11 December 2019 gave the Board of Directors the power to acquire the company's own shares. In 2019 no treasury shares were purchased.

Within the framework of the stock option plan no optian were exercised in 2019.

At the end of 2019, 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 2019 will be offered to management under an option programme that has been running since 2005.

000 euro	2019	2018
Share capital	1,936	1,936
Treasury shares	-427	-427
Share premium	743	743

14. Provisions

000 euro	Provisions
At 01/01/2018	**609**
Arising during the year	0
Utilized	0
Reversal	-219
Provisions 31/12/2018	**390**
At 01/01/2019	**390**
Arising during the year	183
Utilized	-70
Reversal	-92
Provisions 31/12/2019	**411**

At the end of 2018 a provision of 390 thousand euro was outstanding, mainly in relation to termination fees for sales agents and other planned measures. In 2019, 70 thousand euro of that provision was used and a reversal of 92 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. In 2019, an additional provision of 182 thousand euro was also created for the settlement of the termination agreement with Private Shop.

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. In 2019, the provision amounts 26 thousand euro (27 thousand euro in 2018).

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. Since then, an annual actuarial valuation has occurred on 31 December. In 2019 the provision amount is 1,586 thousand euro (1,034 thousand euro in 2018).

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 2019 are as follows:

	At 01/01/2019	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 31/12/2019
Defined pension entitlement liability	-8,529	-832	-165	-1,197	0	143	-10,580
Market value of the fund investments	7,495	0	154	766	722	-143	8,994
Net liability in the balance sheet	**-1,034**	**-832**	**-11**	**-431**	**722**	**0**	**-1,586**

The investments primarily relate to qualifying insurance policies (99.9% of all investments). The expected contribution by the employer for the year ending 31 December 2020 is 721 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	1.90%
Annual discount rate	1.00%
Retirement age in years	65
Total number of members	1,113
Average age in years	42.83
Estimated duration in years	17.79

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 2020)	579
Between 2 and 5 years	318
Between 5 and 10 years	1,917
Total expected benefits	2,814

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.

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	0.50%	1.00%	1.50%
Defined pension entitlement liability	11,314	10,392	9,568
Market value of the fund investments	9,745	8,991	8,315

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	10,392	11,136

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	2019	2018
Deferred rent and lease incentives	662	864
Liabilities from acquisition of a participation in joint venture	0	1,830
Other non-current liabilities	662	2,694

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 is included in the calculation as a consequence of the termination of the agreement with Getz.

17. Deferred taxes

The deferred taxes, valued at the theoretical tax rate of 25%, consist of the following:

000 euro	Deferred tax liabilities on fixed assets	Deferred tax assets on assets / liabilities	Total
At 01/01/2018	2,230	-1,487	743
Changes	51	-170	-119
At 31/12/2018	2,281	-1,657	624
At 01/01/2019	2,281	-1,657	624
Changes	-461	302	-159
At 31/12/2019	1,820	-1,355	465

The net deferred tax liability of 465 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.

18. Trade and other payables

Trade and other payables consist of the following:

000 euro	2019	2018
Trade payables (1)	9,699	11,794
Payroll, social charges	5,298	5,899
Gift cards and credits issued	382	528
Accrued charges (2)	4,417	7,307
Deferred income	1,220	0
Fx forward contracts (note 20)	492	36
Short-term borrowings	0	515
Trade and other payables	21,508	26,079

(1) Increase due to the cost structure of 2019.

(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	2019	2018
Other current liabilities: taxes (VAT payable, local taxes, withholding taxes)	3,004	1,936
Taxes payable: corporate income taxes	2,533	1,103

The decrease in current liabilities and taxes payable in 2019 mainly relates to the payable corporate income taxes. The rise in corporate income taxes is primarily due to a revision after the liquidation of our French group entity.

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 21/01/2020 and 21/12/2020 (maturities at 31 December 2018: between 14/01/2019 and 16/12/2019). 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 2019 the fair value of these FX forward contracts was -365 thousand euro, comprising an unrealized income of 127 thousand euro and an unrealized loss of 492 thousand euro.

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

000 euro	2019	2018
Derivatives that do not qualify for hedge accounting:		
Other current assets	127	188
Other current liabilities	-492	-36
Real value	**-365**	**152**

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	2019	2018
Interest income	30	16
Interest costs	-19	-14
Interest result, net	**11**	**2**
Exchange gains	1,758	3,254
Exchange losses	-3,789	-2,529
Exchange result due to IFRS16	62	0
Exchange result, net	**-1,969**	**725**
Income from investments (dividends)	0	0
Other financial income	1	12
Other financial costs	-519	-748
Other financial costs due to IFRS16	-925	0
Financial result	**-3,401**	**-9**

22. Personnel expenses

Personnel expenses are as follows:

000 euro	2019	2018
Wages	8,555	8,421
Salaries	30,791	32,581
Social security contributions	8,463	8,226
Other personnel expenses	902	1,737
Personnel expenses	**48,711**	**50,965**

Workforce at balance sheet date	2019	2018
White collars	629	704
Blue collars	959	944
Total	**1,588**	**1,648**

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 2019 was 131 thousand euro versus 137 thousand euro in 2018.

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 2015	PLAN 2016	PLAN 2017	PLAN 2018	PLAN 2019
Award date [1]	12/10/15	29/9/16	03/10/17	n/a	15/10/19
Dividend right as of the grant date	no	no	no	n/a	no
Contractual term of the options	5-10	5-10	5-10	n/a	7-10
Exercise price	55.87	63.02	45.13	n/a	23.36
Expected volatility	35.00%	35.00%	35.00%	n/a	35.00%
Risk-free interest rate	0.07%	-0.269% -0.242%	-0.143% -0.398%	n/a	-0.234% -0.415%
Fair value of the share options (in euro)	14.45	16.40	11.23	n/a	7.67

(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 - 2019
Outstanding at 01/01/2018	**66,500**
Exercisable at 01/01/2018	**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**
Movements during the year	
Accepted	20,000
Forfeited	0
Exercised	0
Expired	0
Outstanding at 31/12/2019	**62,000**
Exercisable at 31/12/2019	**11,000**

23. Income taxes

The major components of income tax expense for the years ending 31 December 2019 and 2018 are:

000 euro	2019	2018
Current income tax	**6,553**	**3,666**
Current income tax charge	6,553	3,666
Adjustments in respect of current income tax of previous years	0	0
Deferred income tax	**-160**	**-74**
Relating to the origination and reversal of temporary differences	-160	-74
Income tax expense reported in the consolidated income statement	**6,393**	**3,592**

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	2019	2018
Profit before taxes [(1)]	**29,475**	**30,230**
Parent's statutory tax rate of 29.58% [(2)]	8,719	8,942
Higher income tax rates in other countries	0	0
Lower income tax rates in other countries	-929	-1,825
Utilization tax losses and unrecognized losses	-319	708
Disallowed expenses	249	446
Notional interest deduction	0	0
Other [(3)]	-1,327	-4,679
Total income taxes	**6,393**	**3,592**
Effective income tax rate	**21.70%**	**11.88%**

(1) Profit before taxes excluding the share in the result of associates and impairment charges.
(2) For fiscal year 2019 and 2018, the legal tax rate of the head office was 29.58%.
(3) In 2019 and 2018 primarily concerning innovation deduction.

The rise in the effective tax rate in 2019 can be primarily explained as follows:

- In 2018 a tax break was granted in the form of an innovation deduction for the years 2017 and 2018.
- In 2019 this tax break only applies to fiscal year 2019.

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).

	2019	2018
Profit attributable to shareholders (in 000 euro)	21,215	25,533
Weighted average number of ordinary shares	13,311,480	13,313,890
Dilutive effect of stock options	73	0
Weighted average number of shares after impact of dilution	13,311,553	13,313,890
Basic earnings per share (euro)	**1.59**	**1.92**
Diluted earnings per share (euro)	**1.59**	**1.92**

In 2018, none of the stock options granted over the period 2014-2018 were dilutive.
In 2019 the options granted over the period 2019 were also dilutive.

25. Dividends paid and proposed

000 euro	2019	2018
Dividend paid	13,722	13,722
Dividend paid: – in 2019: - 1.03 euro per share for fiscal year 2018. – in 2018: - 1.03 euro per share for fiscal year 2017.		
Dividend proposed	13,722	13,722
Dividend proposed: – 1.03 [(1)] euro per share for fiscal year 2019. – No dividend rights are attached to treasury shares.		

(1) Higher compared to the pay-out ratio of 40%, namely 59% of the consolidated profit, Group share, excluding the result based on the equity method.

26. Leases

The Group has lease contracts for various assets such as vehicles and buildings used in its activities. The Group depreciates these assets on a straight-line basis over the shorter of the following periods: lease term in the contract or estimated useful life of the assets, with a maximum of 5 years for cars and a maximum of 10 years for buildings.

There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Group also has certain leases of assets with short lease terms and leases of assets with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases. Contracts that do not relate to an identifiable asset also fall outside the scope as well as the variable rental obligations according to turnover.

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

000 euro	Total	Right-of-use on rental agreements for buildings	Right-of-use on rental agreements for passenger vehicles
Right-of-use assets, gross			
At 01/01/2019	**24,512**	**23,665**	**847**
Additions	3,759	1,882	1,877
Other adjustments	117	117	0
Exchange rate effects	0	0	0
At 31/12/2019	**28,388**	**25,664**	**2,724**
Depreciation and impairment			
At 01/01/2019	**0**	**0**	**0**
Depreciations recorded	5,824	5,265	559
Impairment	0	0	0
Other adjustments	4	4	0
Exchange rate effects	0	0	0
At 31/12/2019	**5,828**	**5,269**	**559**
Right-of-use assets, net 31/12/2019	**22,560**	**20,395**	**2,165**

The following passive items are associated with the user rights; 785 thousand euros with regard to the provision for bringing back to their original condition, 17,480 thousand euros with regard to the long-term obligation and 4,274 thousand euros with regard to the short-term obligation.

000 euro	2019
Depreciation expense of right-of-use assets	-5,828
Interest expense on lease liabilities	-925
Exchange rate differences on lease obligations	62
Rental expense relating to short-term leases (included in 'other expenses')	708
Rental expense relating to leases of low-value assets (included in 'other expenses')	35
Rental expense not identifiable active	524
Reclass rent previous years	-995
Other (indexation, reclass, exchange rate)	200

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 2019	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
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
RIGBY & PELLER LTD	Second Floor, 37 North Row W1K 6DH, LONDEN United Kingdom	100	0

Name	Address	(%) equity interest 2019	Change on previous year
VAN DE VELDE NEDERLAND BV	Beethovenstraat 28 1077 JH AMSTERDAM, Netherlands	100	0
@MYHOME LINGERIE STYLING GMBH (1)	Hanauer Landstraße, 291B 60314 FRANKFURT AM MAIN, Germany	100	0
VAN DE VELDE HONG KONG LTD	21/F Edinburgh Tower, The Landmark 15 Queen's Road, Central, Hong Kong	100	0

(1) In liquidation

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 2019	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	0	-50

Top Form International Ltd ("TFI")

In 2019 transactions between the Group and TFI totalled 10,532 thousand US dollar. On 31 December 2019 the Group had trade payables to TFI in the amount of 114 thousand US dollar. 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.

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 160.0 thousand euro in 2019 and 157.5 thousand euro in 2018. The directors have not received any loan or advance from the Group.

Management Committee Remuneration

For the year ended 31 December 2019, a total amount of 1,419 thousand euro (1,595 thousand euro in 2018) 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	2019	2018
Basic remuneration	1,111	1,398
Variable remuneration	305	174
Group insurance premiums	2	12
Other benefits	1	11
Total	**1,419**	**1,595**

In addition to these cash benefits, share-based benefits were granted to the members of the management committee through the share option plan. In 2019 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 2019. In 2018, no share-based payments were granted to the members of the Management Committee through share option plans.

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), eCommerce through brand sites and stores linked to our wholesale brands; retail refers to business through our own retail network (stores, franchisees and eCommerce through retail sites). The type of customer determines whether the customer is allocated to Wholesale or Retail. The integrated margin in the retail segment is shown 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. The allocation between wholesale and retail has been optimized in 2019, which resulted in a decrease of unallocated costs. For comparable purpose we have adjusted the 2018 figures.

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 2019 and on 31 December 2018.

Segment Income Statement	2019				2018			
000 euro	Wholesale	Retail	Unallocated	Total	Wholesale	Retail	Unallocated	Total
Segment revenues	160,355	35,180	0	**195,535**	167,490	37,663	0	**205,153**
Segment costs	-86,180	-34,564	-27,146	**-147,890**	-92,036	-36,106	-39,776	**-167,918**
Depreciation	0	-1,084	-13,685	**-14,769**	0	-969	-6,027	**-6,996**
Segment results	74,175	-468	-40,831	**32,876**	75,454	588	-45,803	**30,239**
Net finance profit				**-3,401**				**-9**
Impairment				**0**				**0**
Result from associates				**-1,867**				**-1,105**
Income taxes				**-6,393**				**-3,592**
Non-controlling interest				**0**				**0**
Net income				**21,215**				**25,533**

Segment Balance Sheet	2019			2018		
000 euro	Wholesale	Retail	Total	Wholesale	Retail	Total
Segment assets	53,168	19,446	**72,614**	65,118	20,315	**85,433**
Unallocated assets			**125,130**			**82,140**
Consolidated total assets	53,168	19,446	**197,744**	65,118	20,315	**167,573**
Segment liabilities	0	0	**0**	0	0	**0**
Unallocated liabilities			**197,744**			**167,573**
Consolidated total liabilities	0	0	**197,744**	0	0	**167,573**

Capital expenditure	2019				2018			
000 euro	Wholesale	Retail	Unallocated	Total	Wholesale	Retail	Unallocated	Total
Tangible fixed assets	0	362	3,771	**4,133**	0	431	3,208	**3,639**
Intangible assets	0	0	1,168	**1,168**	0	0	10,596	**10,596**
Right-of-use assets	0	0	3,759	**3,759**	0	0	0	**0**
Depreciation	0	1,084	13,685	**14,769**	0	969	6,027	**6,996**

Breakdown by region – turnover	2019			2018		
000 euro	Eurozone	Elsewhere	Total	Eurozone	Elsewhere	Total
Turnover	134,576	60,959	**195,535**	141,555	63,598	**205,153**

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	25,008	4,103	**29,111**
Intangible assets	17,734	6,206	**23,940**
Right-of-use assets	1,289	21,271	**22,560**
Inventories	32,250	4,696	**36,946**

29. Events after balance sheet date

The outbreak of the Covid-19 virus in early 2020 and the results of the measures taken to contain the virus, could impact our financial performance of 2020 and the measurement of certain assets and liabilities. At present, production and supply chain remain at normal level. We have limited visibility on the potential impact on our markets in coming weeks and months. Management and the Board of Directors are closely follow up the situation and will take additional measures if required.

30. Business risks with respect to IFRS 7

Besides the general strategic risks 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 2019 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	58	-58
CAD	64	-64
DKK	1	-1
CHF	52	-52
NOK	33	-33
USD	70	-70
	278	**-278**

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 3,600 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. Under 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.

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 (41.4 million euro). Credit lines worth more than 10 million euro are also available. The Group has no borrowings with dixed repayments.

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 55% of purchase costs of material. The largest supplier accounts for 21% of purchase costs, whereas all other suppliers account for less than 7%.
- Assembly capacity is mainly spread over Tunisia, China 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.

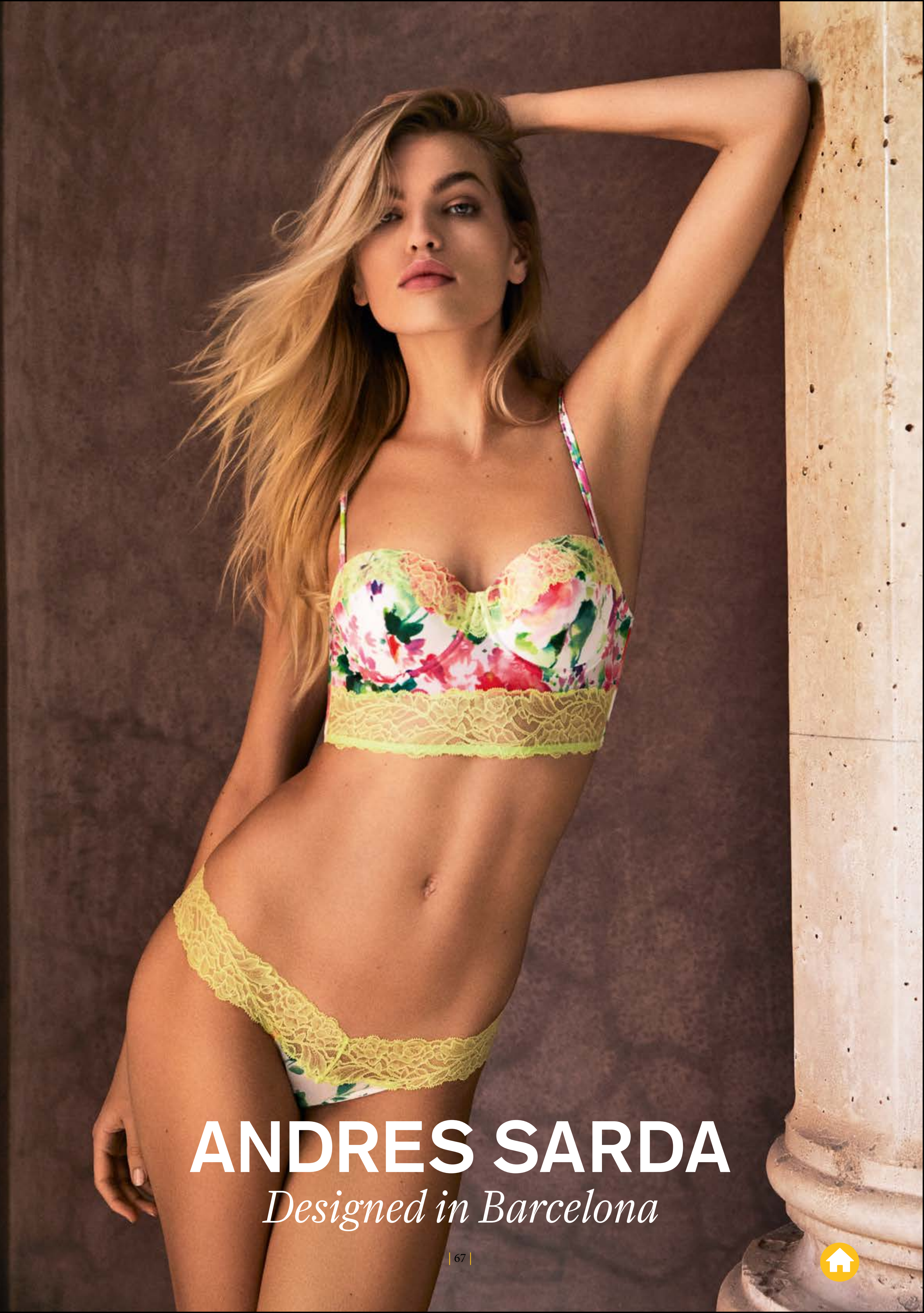
Compliance with, or changes in, these laws could reduce the revenues and profitability of the Group and could affect its business, financial conditions or the results of operations.

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.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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 2019

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 2019, 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 2019 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 24 April 2019, 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 2021. We performed the audit of the Consolidated Financial Statements of the Group during 22 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 the consolidated balance sheet on 31 December 2019, 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 € 197.743.635 and of which the consolidated income statement shows a profit for the year of € 21.214.698.

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 2019, 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 carrying value of goodwill and brands with an indefinite life as at 31 December 2019 amounts to respectively € 4.5 million and € 12.2 million. The carrying value of goodwill and brands together represent 8 % 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) of the identified cash flow generating units.

The valuation of goodwill and brands with an indefinite life of the Group, is described in note 3 of the Consolidated Financial Statements.

Summary of the procedures performed

Our audit procedures included, among others, the following:

- 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 have evaluated management's assumptions, and compared with 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, the Group's cost of capital and relevant risk factors.
- We verified 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 and the audit committee.
- 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 € 36,9 million and amounts to 18,66 % of the consolidated balance sheet total. This inventory value already takes into account an allowance of € 6.4 million for inventory items that are considered obsolete. 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 analyzed the calculation for the allowance for obsolete inventory and verified that the calculation was applied consistently;
- 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 analyzed based on the actual sales of impaired inventory in the past year;
- We have compared the evolution of the allowance of the inventory year over year relative to, on the one hand, the types of inventory items (raw materials versus finished product) and on the other hand relative to the fashion sensitivity of the items (stayers versus specific summer – winter collections);
- 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 prepared in accordance with article 3:32 of the Code of companies and associations. (former 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 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 3:32, § 2, of the Code of companies and associations has been included in the Board of Directors' report on the Consolidated Financial Statements. The Company has prepared this non-financial information based on undefined. However, we do not comment on whether this non-financial information has been prepared, in all material respects, in accordance with undefined. 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 3:65 of the Code of companies and associations 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.

Gent, 20 March 2020

EY Bedrijfsrevisoren BV
Statutory auditor
Represented by
Francis Boelens
*Partner**

*Acting on behalf of a BV/SRL

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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 3:17 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	31/12/2019	31/12/2018
Fixed assets	**106,277**	**119,407**
Intangible fixed assets	14,673	13,827
Tangible fixed assets	18,820	23,159
Financial fixed assets	72,784	82,421
Current assets	**104,420**	**95,546**
Amounts receivable after one year	2,701	2,438
Stocks and orders in production	34,909	44,768
Amounts receivable within one year	26,673	32,478
Financial investments	428	0
Cash at banks and in hand	36,575	12,930
Accrued income and deferred charges	3,134	2,932
Total assets	**210,697**	**214,953**
Shareholders' equity	**151,443**	**151,936**
Issued capital	1,936	1,936
Share premium	743	743
Reserves	148,384	148,953
Grants	380	304
Provisions, deferred taxes and tax liabilities	**228**	**390**
Provisions for risks and costs	228	390
Liabilities	**59,026**	**62,627**
Amounts payable after one year	0	0
Amounts payable within one year	58,535	58,321
Accrued charges and deferred income	491	4,306
Total liabilities	**210,697**	**214,953**

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Concise income statement

000 euro	31/12/2019	31/12/2018
Operating income	**180,758**	**199,474**
Turnover	181,485	190,727
Changes in stocks unfinished goods and finished goods	-5,121	3,988
Other operating income	4,329	4,759
Non recurring operating income	65	0
Operating costs	**161,006**	**176,032**
Goods for resale, raw materials and consumables	31,666	41,020
Services and other goods	88,242	99,219
Salaries, social charges and pension costs	30,990	31,001
Depreciations	8,262	5,434
Write-downs and provisions	1,539	-946
Other operating costs	302	304
Non recurring operating costs	5	0
Operating profit	**19,752**	**23,442**
Financial result	**-3,055**	**5,072**
Finance income	13,232	13,546
Finance costs	-16,287	-8,474
Pre-tax profit for the fiscal year	**16,697**	**28,514**
Tax on the profit	-3,544	-354
Profit for the year	**13,153**	**28,160**

Appropriation account

000 euro	31/12/2019	31/12/2018
Distributable profit	**13,153**	**28,160**
Distributable profit for the fiscal year	13,153	28,160
Addition to reserves	0	14,438
Transfer from reserves	-569	0
Profit to be distributed	**13,722**	**13,722**

Statutory annual report Van de Velde NV
Fiscal year 1/1/2019 - 31/12/2019

The statutory report is in accordance with article 3:6 of Belgium's Code of Companies and Associations.

1. Comments on the financial statements

The financial statements show a balance sheet total of 210,697 thousand euro and a profit after tax for the fiscal year of 13,153 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 2019'.

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 24 April 2019 of Van de Velde NV appointed EY Bedrijfsrevisoren BV, Pauline Van Pottelsberghelaan 12, 9051 Ghent, represented by Francis Boelens, as statutory auditor. The auditor is appointed until the annual meeting of 2022.

The annual remuneration in 2019 for auditing the statutory and consolidated annual accounts of Van de Velde NV was 65,000 euro (excl. VAT). The total costs for 2019 for the auditing of the annual accounts of all companies of the Van de Velde Group was 138,996 euro (excluding VAT and including the 65,000 euro mentioned above).

In accordance with Article 3:65 of Belgium's Code of Companies and Associations. 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 63,102 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.

7. Acquisition of own shares

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

In accordance with Article 7:215 of Belgium's Code of Companies and Associations, the Extraordinary Meeting of Shareholders of 11 December 2019 gave the Board of Directors the power to acquire the company's own shares. In 2019 no treasury shares were purchased. Within the framework of the stock option plan no options were exercised in 2019.

At the end of 2019 Van de Velde NV held 11,000 treasury shares.

000 euro	2019	2018
Share capital	1,936	1,936
Treasury shares	427	427
Share premium	743	743

8. Conflict of interests

In 2019 no conflict of interest occurred within the meaning of article 7:96 of Belgium's Code of Companies and Associations.

9. Valseba BV, always represented by Isabelle Maes, was first appointed at the annual meeting of 2019 and, as independent director within the meaning of article 7:94 of Belgium's Code of Companies and Associations, is a member of the Audit Committee. Isabelle is a qualified commercial engineer. She is CEO of Lotus Bakeries Natural Foods. She was previously CFO at Lotus Bakeries and Barry Callebaut Belgium, and Senior Auditor at PWC.

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 (3 January 2020), 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 0.72 euro per share. After approval by the General Meeting of Shareholders the final dividend of 1.03 euro per share (net dividend of 0.72 euro per share) will be paid out as from 6 May 2020.

Proposed profit distribution in thousands of euro:

Distributable profit	13,153
Transfer from reserves	-569
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 BV,
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 provid-ing a description of the main risks and uncertainties it faces.

Mavac BV,
always represented by
Marleen Vaesen
CEO

Karel Verlinde CommV,
always represented by
Karel Verlinde
CFO

100 YEARS

craftsmanship & design
our tribute to women.

Unique fashion show for 100 years Van de Velde









9 | Sustainabiliy report

Table of contents

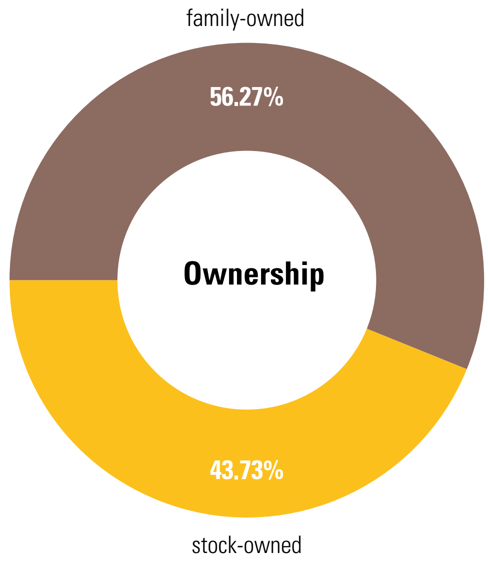
General introduction

About Van de Velde

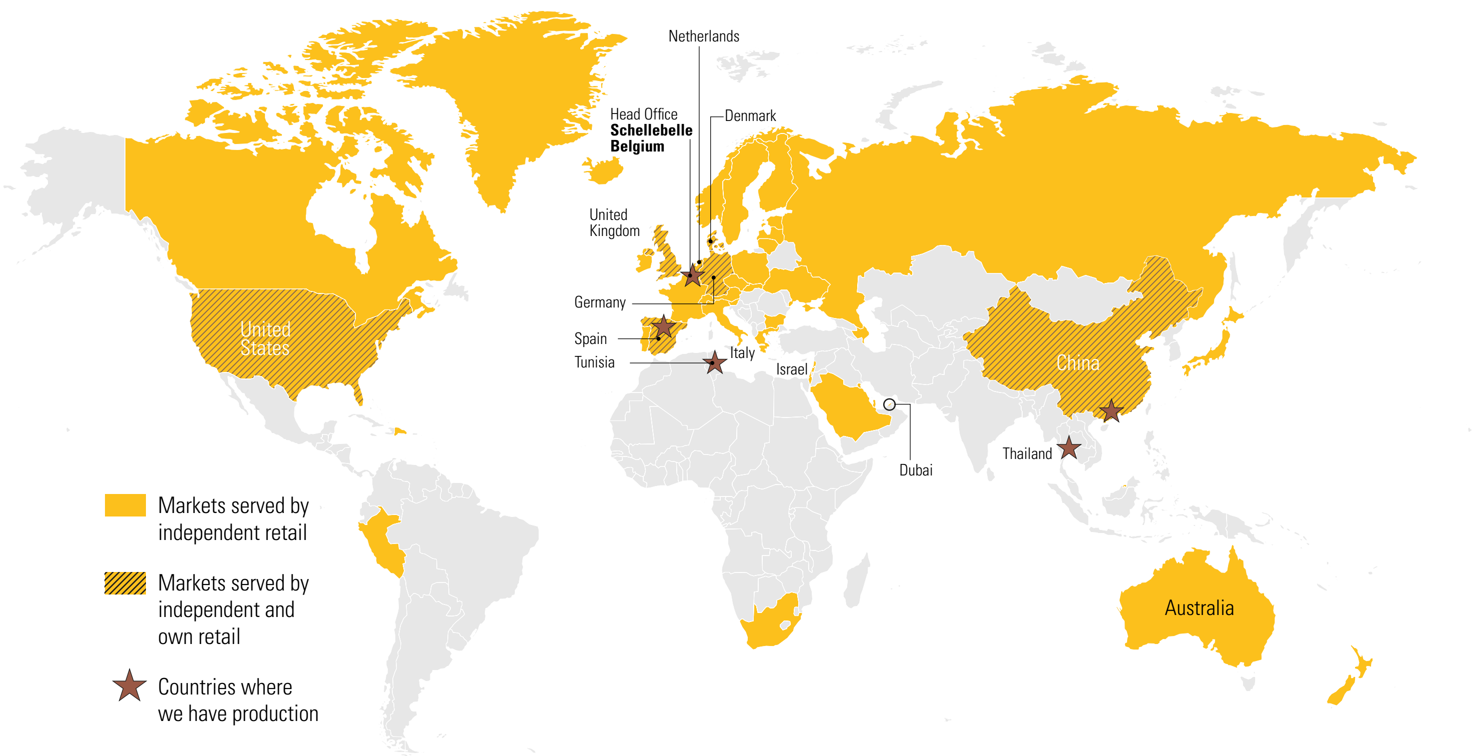
Van de Velde nv develops, produces and markets lingerie and swimwear for women. From our head office in Schellebelle (Belgium), we serve consumers across the globe, with our main markets mainly being in Europe. Our lingerie is sold in specialised boutiques, our own retail stores, department stores and online. *[GRI 102-1/2/3/4]*

Van de Velde nv began as a family business and a hundred years later, that continues to be reflected in our shareholder mix: 56.27 percent of shares is held by the family, with a minority of 43.73 percent available on the open market. This is one of the reasons why we are able to make sustainability an established value at the company – short-term profit must not be prioritised over the long-term goals and continuity of the company and its environment. *[GRI 102-5/6]*

Ownership (shareholders)



Markets and countries where we have our own retail and production



About the sustainability report

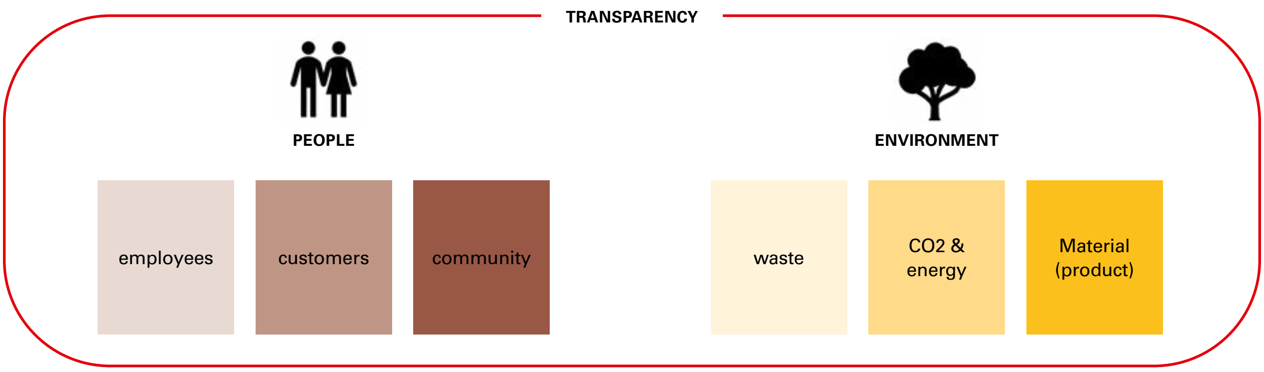
For more than one hundred years, Van de Velde has manufactured high-quality lingerie with the same mission: *shaping the bodies and minds of women*. Our aim is to stay relevant for consumers today and tomorrow. We do so by developing a vision on sustainable fashion that goes well beyond simply achieving financial targets. We are committed to doing business in a way that respects the environment and engages with society, and in doing so creates positive added value for our customers, employees and other stakeholders.

In 2019 Van de Velde took its environmental and social engagement efforts to the next level, with the launch of '*FORWARD by Van de Velde*'. In this project we identify concrete sustainability goals and develop company-wide initiatives that lead to positive social and ecological action.

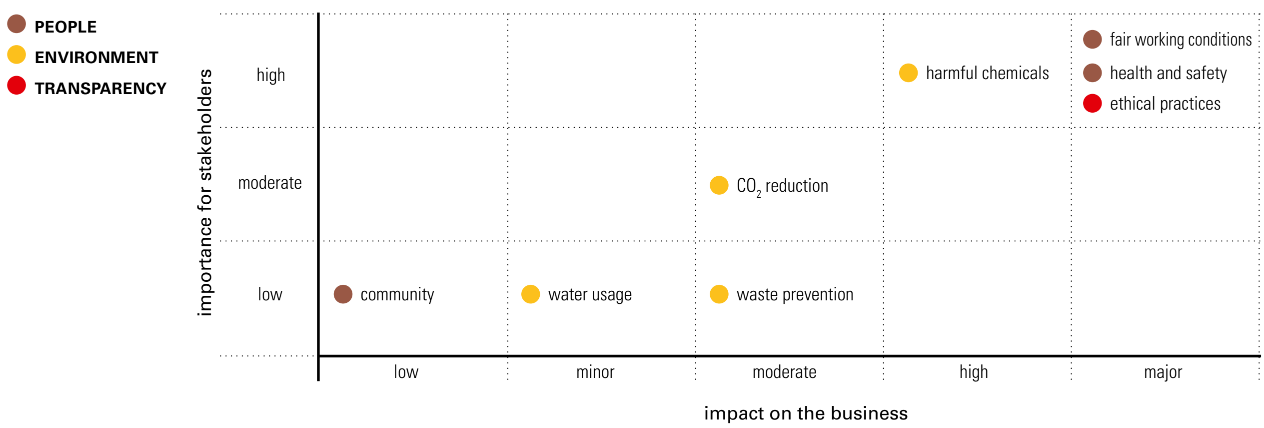
We encourage employees to actively participate and take responsibility, with the hope that this will inspire other stakeholders. We will use *'FORWARD by Van de Velde'* as a platform to spread information on our achievements in these domains and the challenges we face. We pursue continual improvement by testing, innovating, learning and adapting where needed.

'FORWARD by Van de Velde' focuses on the domains that are most relevant to our company, as determined by the materiality index. That enables us to have the greatest impact on the Van de Velde community and the environment we all live and work in. All initiatives taken in these domains will support the values of the company. For more information about this, see the activity report above.

The sustainability strategy



Materiality Index



Our people

We are fully conscious of the fact that the activities of our company also bring responsibility for the livelihoods of a great many people. We are not simply responsible for Van de Velde employees; our responsibility extends to the employees of our subcontractors and suppliers around the world.

The health and wellbeing of all Van de Velde employees is key to sustainable growth. Because we believe that when employees are happy in their job it will have a positive impact on the quality of their work and their environment. With this in mind, we promote a high level of wellbeing at work, pursue a healthy work-life balance and launch initiatives to help us be a fantastic place to work. We guarantee honest working conditions for everyone involved in the creation of our beautiful products and believe that diversity is an important driver of success. We therefore encourage the professional development of men and women at every level of the company.

We are proud that we have been SA8000-accredited since 2003. This corporate social responsibility certificate is recognised all over the world. As well as following the SA8000 standard, we also have our own Social and Ethics Charter. Based on the principles of the SA8000 standard, this charter represents a responsible way of doing business, with respect for the quality of the work, the wellbeing and identity of each and every employee of Van de Velde, our subcontractors and our suppliers.

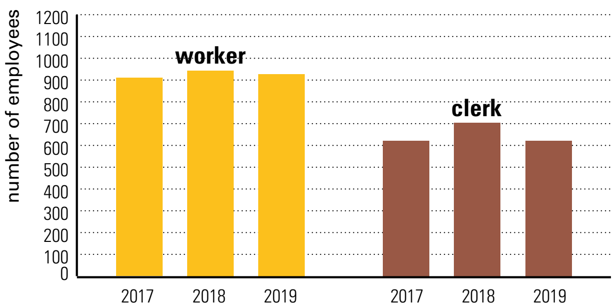
The charter is signed and respected by every production unit, every supplier and all our employees. It is a code of conduct that supports valuable long-term relationships with our suppliers. Over the coming years, we are committed to developing ways to monitor our performance here in order to provide greater transparency about our progress.

Our employees

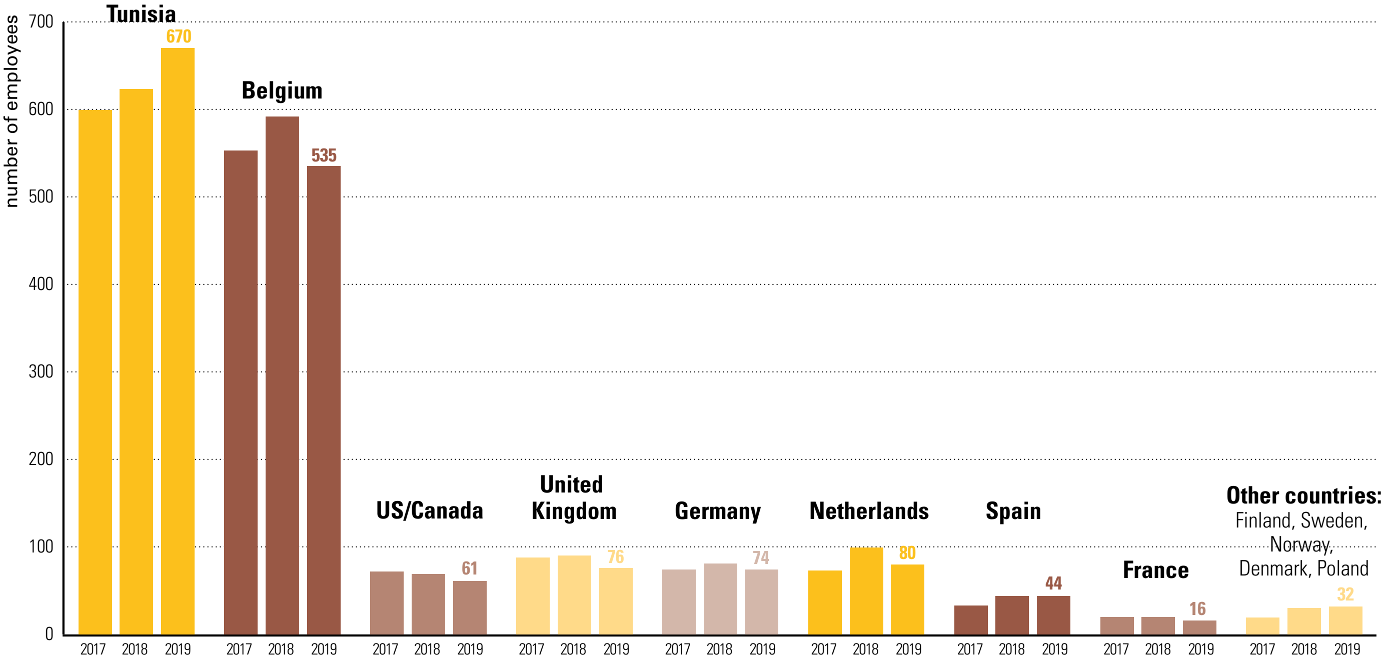
Who are our employees?

Van de Velde nv employs people around the globe *[GRI 102-8]*. Van de Velde not only makes products for women, these products are also largely made by women.

Total number of employees (per status) (2017-2018-2019)

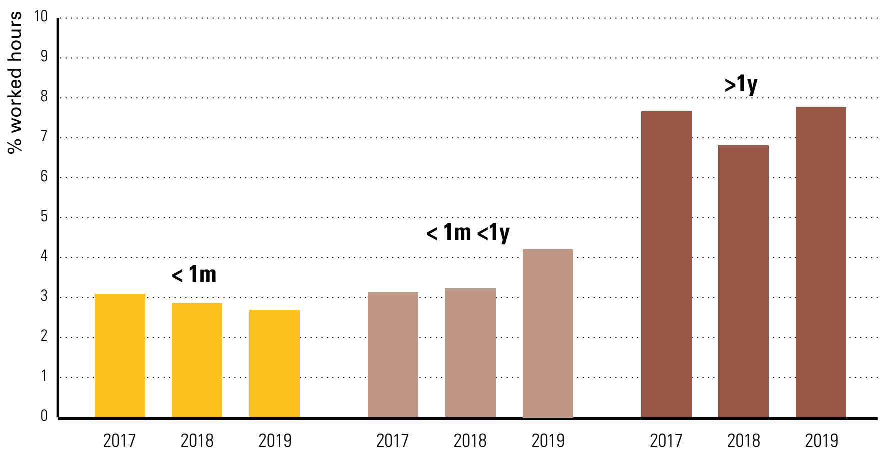


Number of employees per country (2017-2018-2019)



Van de Velde assumes its responsibilities for all employees, regardless of their status or location. This responsibility is formalised in the Social and Ethics Charter and goes much further than preventing a negative social impact. In addition to these minimum goals, Van de Velde also runs many other campaigns to maximise wellbeing on the work floor and drive continuous development. For example, in 2019 we introduced the possibility of working from home, which offers our employees more flexibility. We monitor absenteeism as measures of how well we are doing this.

Absenteeism Van de Velde NV



SA8000 and Social and Ethics Charter

Van de Velde in Belgium – at the locations in Wichelen and Schellebelle – has been SA8000 certified since 2003. The SA8000 standard was established in consultation with NGOs, collective industrial organisations, the industry associations and certifying bodies. It is based on the ILO standards, the Universal Declaration of Human Rights and the UN Convention on the Rights of the Child. This certification proves that we safeguard the rights and wellbeing of our employees. Van de Velde established its own Social and Ethics Charter, based on the same principles as the SA8000 standard, to safeguard the rights and wellbeing of the people who work in our supply chain. We ask all our subcontractors and raw material suppliers to confirm that they comply with its principles by signing it.

You can download our Social and Ethics Charter from our website at www.vandevelde.eu.

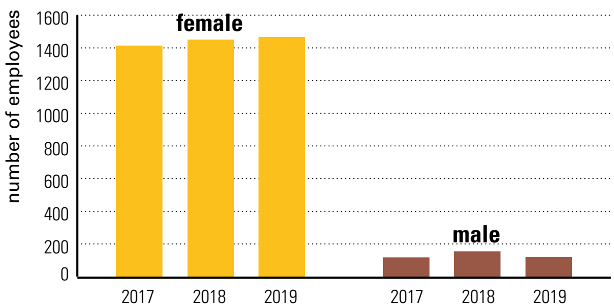
The nine principles of the Charter

Principle 1: No discrimination

- *Gender diversity*

Almost nine in ten Van de Velde employees are women. These women make our products for other women in countries where employee rights are not always self-evident. Van de Velde ensures that people are not discriminated against on the basis of their gender. That also goes for age, religion or any other factor that can be the basis of discrimination.

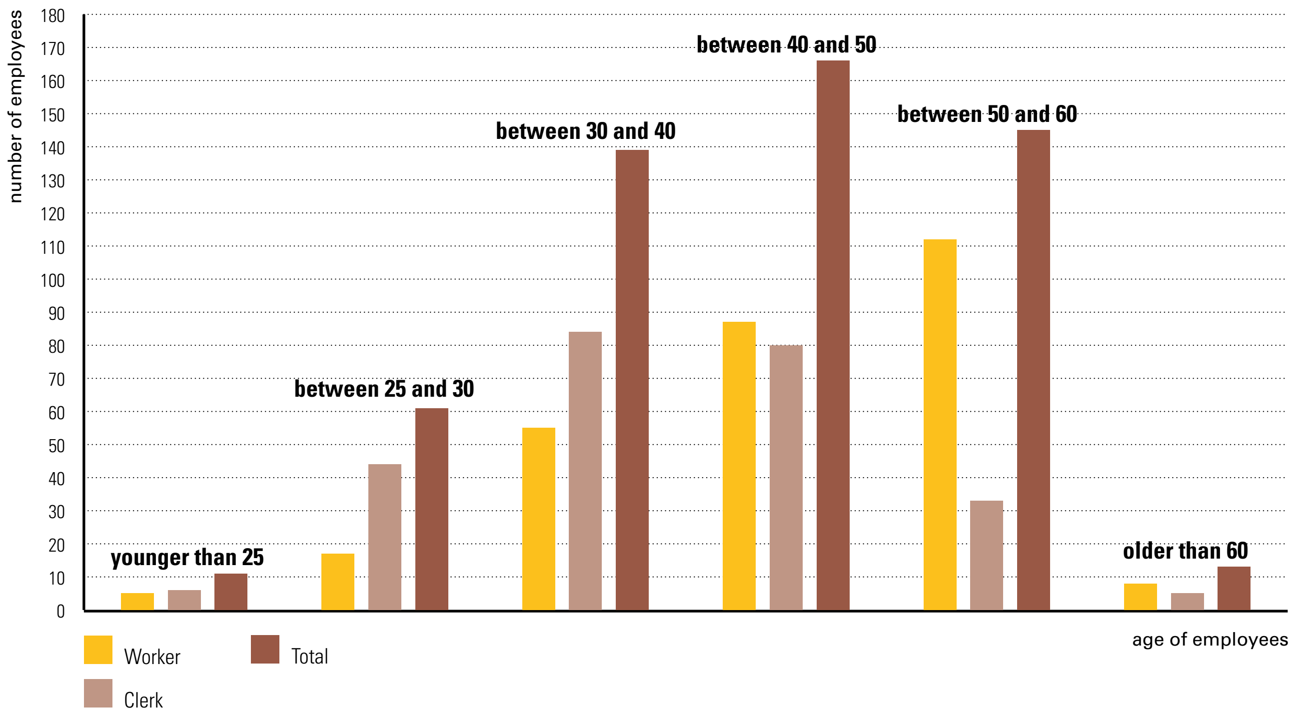
Male versus female employees



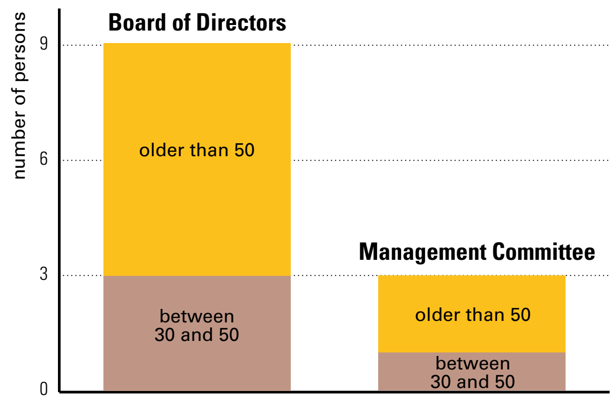
We also have a strong female representation on the Board of Directors (44%) and the Management Committee (33%). The goal in both bodies is that each gender has at least 33% representation, which is currently the case. Our goal is to maintain this going forward.

- Age diversity

Age pyramid: Belgian employees



Age pyramid: Board of Directors and Management Committee



Principle 2: No child labour

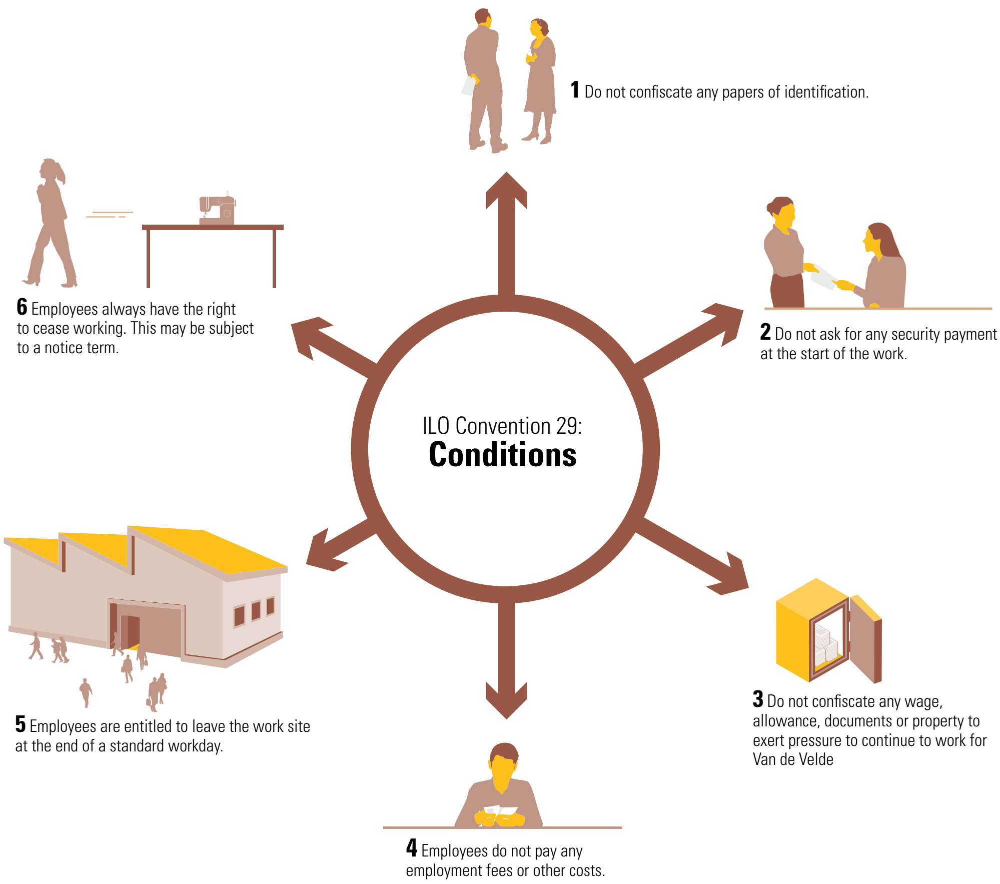
In general terms, Van de Velde does not expose children to unsafe situations at or around the workplace. The following basic principles apply at our own sites:

- Van de Velde does not employ children aged under 15 or the minimum legal age;
- Van de Velde does not employ children of school age. This does not include summer jobs that comply with local laws and customs.
- Young adults (aged under 18) can work at Van de Velde but they are protected by additional regulations:
  - Children of school age are only permitted to work outside school hours.
  - Van de Velde sees to it that young adults on the payroll go to school and encourages them to complete their education.
  - They do not work during the night.
  - They do not work more than eight hours.

Van de Velde clearly takes its chain responsibility for preventing child labour. Some of our subcontractors and raw material suppliers are active in countries where child labour is a known risk factor. By signing the Social and Ethics Charter, suppliers and subcontractors confirm they do not employ children. We check compliance during company audits.

Principle 3: No forced labour

It is our conviction that the wellbeing of our employees has a positive impact on the quality of our products. Forced labour is contrary to the philosophy of Van de Velde. We follow ILO Convention 29 to ensure that there is no forced labour anywhere in our production chain. All our suppliers and subcontractors mark their agreement with this by signing our terms and conditions.



Principle 4: Health and safety

We guarantee a safe and healthy work environment and invest efforts to ensure the general wellbeing of each and every employee. The internal prevention and protection at work service gives advice on the organisation of the workplace, the work post, environmental factors, the use of tools, equipment and hygiene.

Principle 5: No disciplinary measures

We condemn all forms of violence, be they physical, mental or verbal.

Internal prevention advisors establish Van de Velde's prevention policy with regard to safety, health, ergonomics, hygiene, making the workplaces more attractive, stress and psychosocial strain. Safety agents and wellbeing coaches at the various departments act as a sensor for the internal service.

Confidants are also available at Van de Velde in the event of interpersonal grievances at work. They inform, listen, advise and help employees to find a solution to problematical situations. They can call upon the internal service and HR in the quest for reconciliation. An external service can also be called in as needed.

Principle 6: Respect for maximum working hours

We respect the maximum working hours limits and pursue a good work-life balance. The maximum working hours are laid down by relevant local laws. Overtime is limited. It must be voluntary and infrequent.

Principle 7: A guaranteed liveable wage

We guarantee each and every employee a liveable wage. We ensure wages comply with the applicable pay scales and that employees can do more than simply meeting their most basic needs.

Principle 8: Open dialogue with social partners

All our employees have a right to join or form a union and the right to organise in such a way that effective collective negotiations are possible. They can do so without fear of repercussions in any form.

The representatives of our employees deserve special attention. Van de Velde is fully committed to enabling them to carry out their representative tasks well. They have access to employees at the workplace and are able to work without fear of negative consequences.

Discrimination, intimidation and retribution are prohibited. If the freedom of trade unions is limited by law, the employees of Van de Velde are free to organise and choose their own representatives.

Principle 9: Monitoring

We ensure the constant monitoring of the aforementioned principles by management to be certain they are complied with by internal and external stakeholders.

Compliance with the Charter

For our own employees

The Social Performance Team monitors compliance with the SA8000 standard at our sites in Belgium. As well as revealing any violations of the charter, the purpose of this management system of structured internal audits is to lay the foundations for continual improvement. Van de Velde is also audited twice a year by an independent inspector, SGS. Since May 2018 that is done against the SA8000:2014 standard. The 2019 audit resulted in the renewal of our certificate. The independent SA8000 audits check that the working conditions are respected, adapted and monitored throughout the value chain (from raw material by way of production to finished product delivered to the customer). The inspectors talk with people all over our company, not just management.[GRI 102-11/56]

For employees at our contractors in Tunisia, China and Thailand

Our main contractors are located in Tunisia, China and Thailand.

Van de Velde Tunisia earned SMETA accreditation in 2016. SMETA (Sedex Members Ethical Trade Audit) is based on four pillars. The first two, labour and health & safety, are taken from the Ethical Trade Initiative (ETI) basic code and are similar to the SA8000 standard.

1. Labour is a free choice
2. The freedom to organise and the right to collective labour agreements are respected
3. Working conditions are safe and hygienic
4. Child labour is prohibited
5. Legal minimum wages are respected
6. Legally set working hours are respected
7. No form of discrimination whatsoever is tolerated
8. Employment is on a regular basis
9. Employees are not treated harshly or inhumanely

Companies that wish to obtain SMETA accreditation must also meet additional requirements with regard to the environment and business ethics.

Our own Tunisian plant and the subcontractor we work with in Tunisia are both audited annually by an independent body (SGS) to ensure they comply with the SMETA principles.

Van de Velde carries out its own audit of subcontractors that are unable to present an external audit report to check that our Social and Ethics Charter is being complied with. Van de Velde managers visit the facilities several times a year to conduct regular compliance checks. We also help our subcontractors to draw up action plans to ensure continual improvement. In doing so, we endeavour to convince our subcontractors to apply for independent certification (SA8000, SMETA or WRAP).

For employees at our raw materials suppliers

The first pillar of our sustainability vision includes everyone involved in the creation of our products. This includes our own employees, the employees of subcontractors and the employees of our raw materials suppliers. We therefore thoroughly screen each raw materials supplier before adding them to the admitted supplier list. As well as company data and technical product details, the screening also covers corporate social responsibility.

With regard to working conditions, Van de Velde expects its raw materials suppliers to comply with our Social and Ethics Charter and be subject to independent inspection. This is the case for all raw materials suppliers *[GRI 102-12; GRI 414]*. By agreeing with the Social and Ethics Charter, the supplier undertakes to:

- Comply with the nine principles of the Charter and demand the same of its own suppliers
- Take part in the monitoring activities required by Van de Velde
- In the event of noncompliance, investigate the underlying reason and set up a corrective plan
- Notify Van de Velde immediately in full of relevant business relations with other suppliers and subcontractors

The supplier is added to the admitted supplier list when it formally accepts these conditions. Van de Velde subsequently implemented management routines to check whether these principles are followed. A fixed check of compliance with the Charter is conducted during every supplier visit. In 2019 Van de Velde conducted 23 of these checks and did not identify a single risk with regard to the Social and Ethics Charter. If any noncompliance is identified, Van de Velde will provide support to draw up and implement the corrective action plan. This was the case in 2018, when one of our raw materials suppliers was found to be noncompliant. The supplier was monitored closely to ensure the corrective plan was properly implemented with two extra audits. As a result, the supplier was found to be fully compliant in 2019.

For 2020-2025, Van de Velde aims to draw up a structured audit plan for all suppliers. The frequency of audits will be based on the risk factor of the individual suppliers.

OUR PEOPLE

From the top left clockwise:
Martine, Jonathan & Nancy,
Evelien, Els and Els

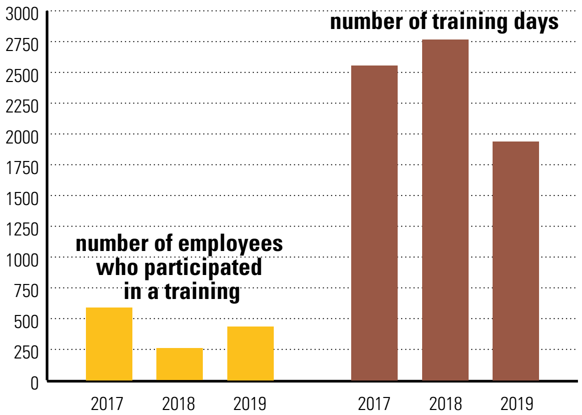
Training and Development

The SA8000 standard and the Social and Ethics Charter form the bedrock of our social policy. However, the principles in the Charter are also supplemented with additional initiatives. Among other things we give our employees the chance to work on fulfilling their potential on the work floor.

There's a full week's training programme for new employees with an in-depth tour of the organization, presenting the various steps in our production process in detail. This enables starters to actively take part in the production process and also includes information sessions at the various departments. The values and general corporate culture are also presented in detail. These were given extra attention in 2019. Both were revised in the course of the year and this process will continue in 2020.

We continue to invest in the continual development of our employees. In 2019, the standard for each employee was 2.1 training days. Each employee can follow individual training – sometimes in association with our industry partner IVOC – or sign up for a company-wide training. For example, the 2019 corporate training calendar included a multi-day Excel course. Compulsory trainings are also organised throughout the year. In 2019 this included anti-money laundering training in the second half of the year.

Number of trainings (employees and hours) – available for Belgian employees *[GRI 404-1]*



Annick and Kathleen

Wellbeing and Safety

To safeguard wellbeing at work, we clearly have to ensure optimal safety on the work floor and healthy, pleasant working conditions. We pursue an active policy devoted to both the physical aspects (prevention of occupational accidents) and the mental aspects of wellbeing (psycho-social analysis).

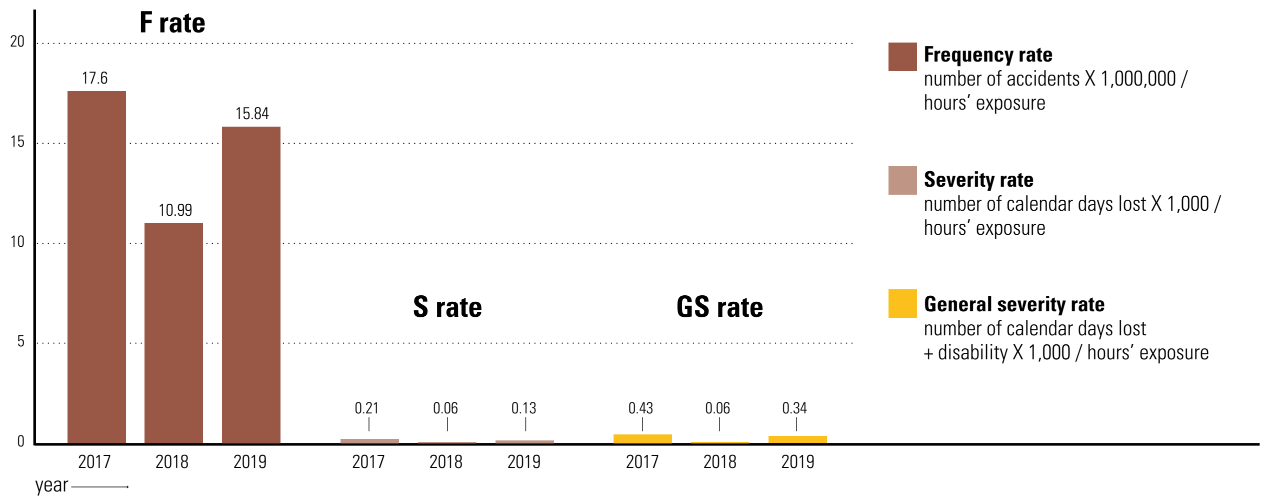
Occupational accidents

Preventing occupational accidents is a continual improvement process. The safety agents and wellbeing coaches in the departments are the first point of contact for reporting possible risks.

Compared to 2018, we notice a slight increase in both the severity of occupational accidents and the frequency.

Our investment in a prevention policy extends back several years. In 2019 we began investigating ergonomics. An ergonomics study was conducted in the cutting department. Based on the results, tasks can be allocated according to ergonomic load and the work of individual employees can be adapted. We will extend this study to other departments in 2020.

Occupational accidents



Mental wellbeing

We have both reactive and preventive action items for mental wellbeing too.

Confidants and wellbeing coaches are available to listen to concerns on the work floor. In 2020 we are committed to doubling the number of confidants, so that employees can always find someone to confide in. Continual training is also scheduled for safety agents and wellbeing coaches.

A preventive mental wellbeing project was also launched, with a psychosocial risk analysis in the company. The study results have now been announced and a list of priorities has been drawn up. We are working with an external partner for this.

Anti-corruption

Van de Velde is committed to preventing any type of bribery and corruption. An internal anti-corruption policy and whistleblowing procedure was implemented in 2019. These apply to all Van de Velde group employees. All employees and freelances are invited to report possible cases of corruption and bribery in a confidential internal procedure. No reports were received in 2019. We have no knowledge of incidents of corruption either.

Online anti-corruption training was followed by 74% of white-collar employees in Belgium and abroad. More office-based employees will follow the training in 2020.

An anti-corruption policy was also introduced for our business partners. It is an integral part of our supplier handbook and contract package.

Communication & Engagement

We have already described the efforts Van de Velde has made to create a pleasant environment for its employees to work in. We want to continue to grow and remain relevant in this. Good communication with our employees is key to that. We endeavour to keep our employees informed about developments in the organisation through our ‘communication room’ platform. And we also hold weekly Intuo satisfaction surveys to measure employee satisfaction. Respondents always have the chance to add more detailed comments. Based on the experiences from 2019, we will optimise the Intuo tool in 2020 to improve the usability of the information for Van de Velde.

2019 was Van de Velde’s centenary year. We celebrated with a host of festivities. The highlights were the PiKANT! exhibition and the final party. We took advantage of our hundredth anniversary to strengthen the engagement of our employees. The same went for our ties with other stakeholders, such as customers and suppliers. We produced a 100 years of Van de Velde magazine for internal and external distribution and an attractive anniversary video.

Joke

Suppliers and subcontractors

The relationship with your suppliers is an important criterion for evaluating the success of your business enterprise. Plus, Van de Velde bears part of the responsibility for the impact of the supply chain on the two components of its sustainability strategy, people and planet. So by tightening our ties with our suppliers we can drive our success and the success of our suppliers, and achieve positive change in the supply chain.

Van de Velde believes in sustainable long-term relationships and the benefits of close partnerships. With this in mind, in 2019 we updated the supplier handbook and supplier contract, with due consideration for the various aspects of the relationships with our suppliers. *[GRI 102-10]*

Supplier screening procedure

Van de Velde only works with suppliers that fulfil the principles of our sustainability vision. Every prospective supplier undergoes thorough screening, with due attention for general company details and the corporate social responsibility policy.

As we have already stated, agreement with our Social and Ethics Charter is a non-negotiable condition that Van de Velde suppliers must fulfil. Suppliers must also be able to present an OEKO-TEX® certificate and the Certificate of Country of Origin. Suppliers must sign the following documents to show that they accept them:

- Reach declaration
- Anti-corruption (agreement with Van de Velde's declaration)
- SA8000 (independent audit report or agreement with the Van de Velde Charter)

[GRI 102-42]

Van de Velde only accepts suppliers if no flags are raised in a risk assessment of the general and technical corporate details and the aforementioned conditions are met in full.

Procurement and supplier partnerships

The new supplier handbook was finalised and rolled out to our suppliers in 2019. It sets down clear guidelines as to the expectations and obligations, in line with our aim of improved transparency. *[GRI 204]*

Our aim is to reduce the number of raw materials suppliers we work with in 2020-2025. That will enable us to deepen our relationship with the suppliers we select and give both parties more peace of mind as to continuity.

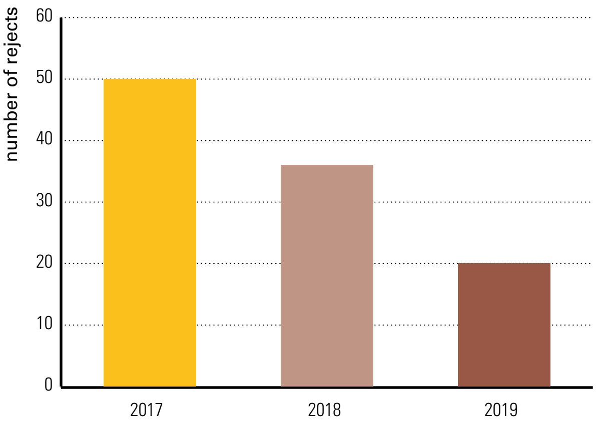
The quality processes are described in detail in the new supplier handbook. To safeguard quality, Van de Velde conducts strict quality checks on all inbound goods. One of the aims in intensifying the relationship with suppliers is to work with them on a first-time right situation.

In recent years, Van de Velde has worked hard to introduce the LEAN method in its processes. We endeavour to transmit this method to our suppliers by working on a partnership based on mutual trust and knowledge of each other's processes. *[GRI 102-43]*

CASE STUDY: LEVEAUX

To intensify these relationships, over the past two years we selected six suppliers for a trial ahead of the update of the supplier handbook. The focus is on quality improvement and assurance at suppliers, which will enable us to transform quality control (QC) at selected suppliers into quality assurance (QA) with regard to incoming deliveries at Van de Velde. The actions we take together with suppliers ensure we can be sure of the quality of what they deliver, so we can conduct random checks rather than inspecting each lot in detail. We trust that suppliers deliver the quality Van de Velde demands. One of our lace suppliers, Leveaux, was one of the six suppliers selected. And we have been able to achieve some great results with them. Leveaux has a better handle on the quality of the raw material they receive, based among other things on test reports that can be requested from their suppliers. We also helped Leveaux to set up a lab for testing delivered materials. These actions together led to a drastic reduction in the quantity of rejected goods.

Number of rejects Leveaux



We now work this way with many more suppliers. Leveaux was one of the trailblazers.

Gina

Customers

Consumers

Our customers are the focal point of our organisation. Van de Velde cherishes its unique all-female clientele. We are proud of providing these women with high-quality lingerie in any phase of their life.

We have a strong belief in inclusiveness, which drives us to make lingerie that fits perfectly whatever the size and stature. And specially for our retail partners we also created the Lingerie Styling programme, a tool that enables them to find the perfect fit for their customers.

We support women with specific needs with specially designed products, such as the breast-feeding bra and the prosthesis pocket.

Quality labels

We guarantee the safety of all our products for customers by requiring all our suppliers to comply with the REACH & OEKO-TEX® standards. This provides peace of mind that the products do not contain harmful chemicals or allergens.

GDPR

There were no breaches of customer privacy in 2019. Van de Velde has taken the steps needed to comply with GDPR and ensure continuous vigilance. In the latter case, with regular GDPR posts. *[GRI 418-1]*

Chantal, Rita and Anja

Peer-Jan, Kenneth and Tom

Various stakeholders

Charity

Van de Velde nv is a family firm with strong local roots and an intense awareness of its social responsibilities. For this reason, we support projects and charities that aim to improve the lives of women and children, often in our immediate vicinity. Van de Velde also encourages its own employees to take actions to support these types of projects, so that we can all give something back to society.

An example is our annual Christmas market in support of Music For Life. As a result, this year we were delighted to raise a record amount for Pink Ribbon, which works in the fight against breast cancer, and NASCI, an organisation that supports mothers in difficult situations.

Van de Velde also takes part in the 'social investment fund', helping support promising social entrepreneurs, particularly those working to improve the job market opportunities of less privileged groups.

Industry organisations

As well as assuming its responsibility in the communities where our employees and customers live, Van de Velde is also highly active in professional circles. We are a member of numerous organisations, which are a source of information but also a chance to share our own knowhow and experience.

Van de Velde is a member of the following organizations:

FSMA

CENTEXBEL

etion

voka Kamer van Koophandel

Creamoda

Fedelin

VIL Empowering Logistics

Tania and Deborah

The environment

It is obvious to Van de Velde that care for people is inextricably linked to care for their environment. Our products are designed to retain their high quality for a long time and in the production process we invest efforts to reduce their environmental impact. Van de Velde has a rich tradition of craftsmanship and pursues the highest quality. We are not in the fast fashion business; our products are designed to be worn for a long time. The long product lifecycle is one of our assets in the lively climate debate.

However, to drive down the ecological impact of our products even further we actively monitor developments in material science and look for alternative materials with a lower ecological footprint. We believe we can significantly reduce our impact by switching to more sustainable alternatives, provided they meet our quality demands, which continue to be a priority.

In our supply chain, we set the goal of reducing waste in every step of production and distribution, and in our day-to-day activities. This covers a host of action items, including production (post-industrial) waste, single-use plastics and production packaging. We have made the drastic reduction of the amount of waste one of our top priorities in 2020 and have scheduled a number of actions in the short term to make progress on this.

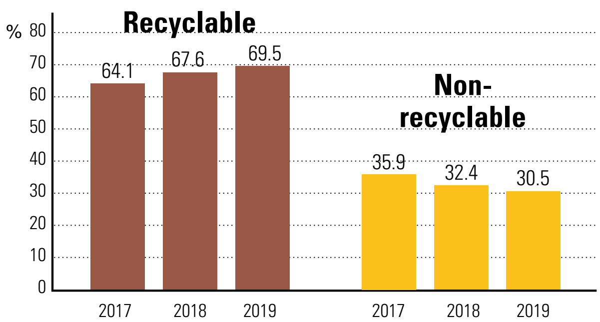
Van de Velde targets the efficient consumption of water and energy at all our sites. We have been able to make a lot of inroads in the past with adapted insultation, solar panels, tailored light and temperature regulation and noise reduction. This year we plan to raise awareness among our employees, which will able us to reduce consumption.

As a company we want to guarantee our customers that our products can be manufactured in a reliable, clean and sustainable supply chain. To do so, we make very deliberate decisions about where we buy our materials, where we manufacture our products and how we distribute them. The "FORWARD by Van de Velde" strategy will help us critically assess these decisions and develop new ideas, in order for us to move towards a sustainable future.

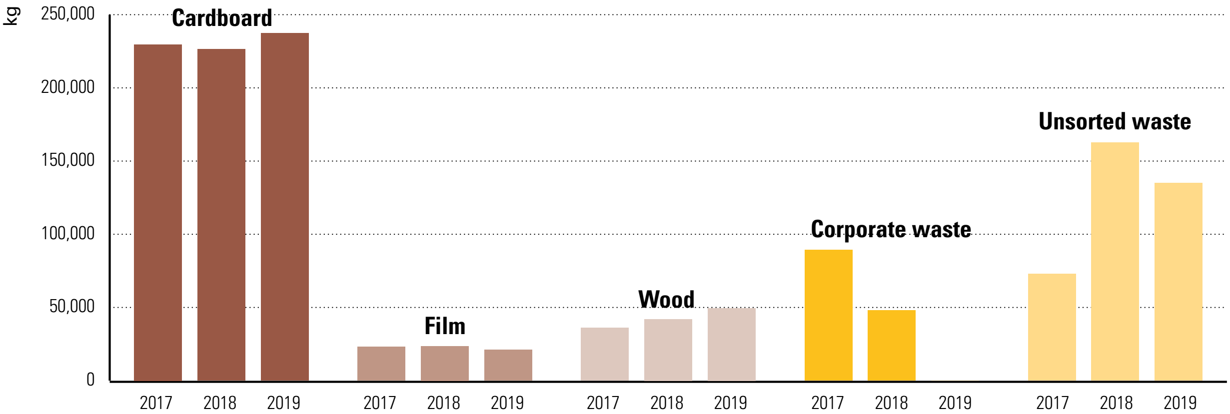
Waste

In 2019 the total quantity of waste fell substantially and the share of recyclable waste increased once again. The greater part of the waste is connected with packaging and offcuts in the cutting room. We will clearly focus on this in the future. We work to limit the environmental impact of the waste that we do produce by separating it out into different types of materials. *[GRI 306-2]*

Recyclable versus non-recyclable waste



Change in types of waste



In 2020-2025 we will pursue the continued implementation of the zero-waste policy at our offices in Schellebelle to drive down the total quantity of waste even further. By eliminating plastic packaging from our transport chain we will cut the share of non-recyclable waste again. The environmental impact of the recyclable waste will be reduced by switching to recycled paper and cardboard where possible.

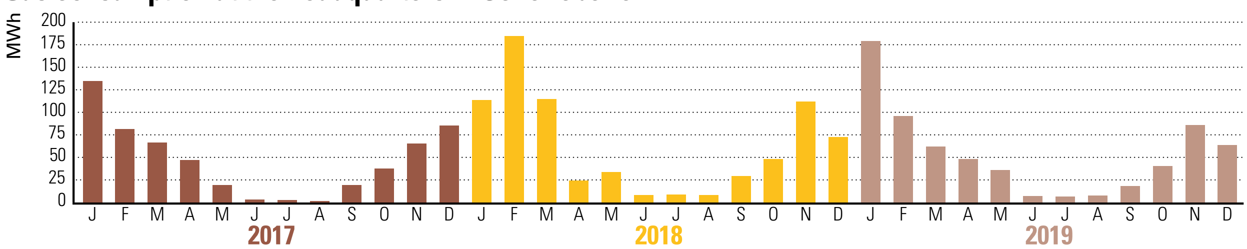
Energy

Energy is used throughout production and we can only have an indirect impact on the early stages of the supply chain through our relationship with our suppliers. However, where possible, we very consciously endeavour to reduce energy consumption and use more sustainable forms of energy.

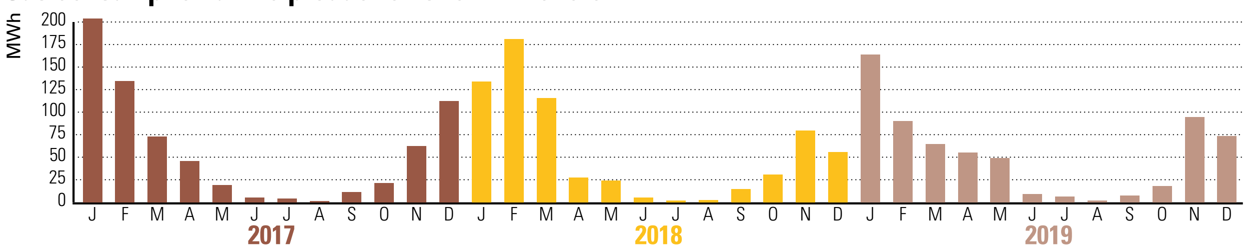
The measures taken in 2018 and the detection of standby power consumption on the Schellebelle site in 2019 are having an impact. In Schellebelle we have reduced both gas and electricity consumption by 14%. At our production site we have observed a small reduction in gas consumption (2%) and electricity consumption (6%) compared with 2018. *[GRI 302-1]*

The insulation of the roofs in Wichelen and the switch to LED lighting will be finalised in 2020, which will enable us to continue the downward trend.

Gas consumption at the headquarters in Schellebelle



Gas consumption at the production site in Wichelen

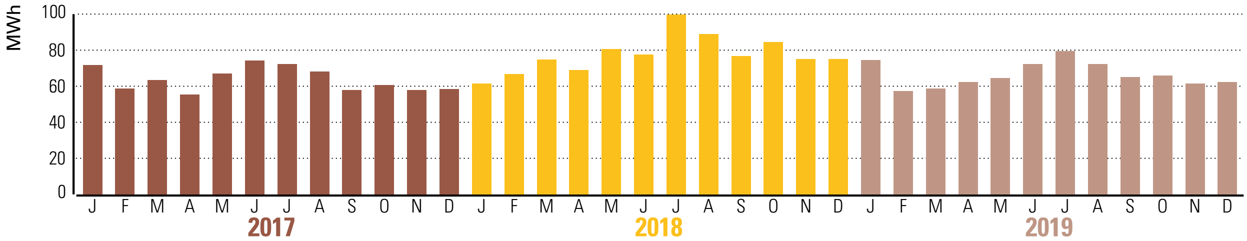


Making our contribution

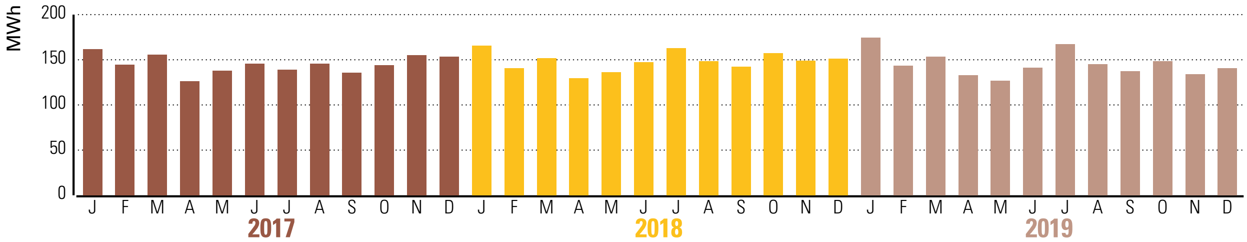
Clockwise from top left:
1. Solar panels on the roof in Wichelen.
2. Sorting waste.
3. Electric car battery charging station for employees and visitors.
4. Press that sucks up production waste according to type (paper and textile).
5. Electric car battery charging station for employees and visitors

al footprint by
ute.

Electricity consumption at the headquarters in Schellebelle



Electricity consumption at the production site in Wichelen



The solar panels on the roof of the production site ensure that part of our energy comes from renewable sources.

In the future, we continue to look for investments to increase the share of renewable energy.

Materials in our products

Van de Velde products are known for their excellent fit and quality. Our products last for years, without loss of quality. That is something we can guarantee because of our stringent, intensive development process. Each material is thoroughly inspected and the products are extensively tested. The high quality prevents the creation of a disposable culture with regard to our products.

The materials we use to manufacture our lingerie and swimwear are almost exclusively synthetic. That means that their manufacturing process does have a certain environmental impact. With this in mind, in 2020 we launched a systematic programme to replace materials with more sustainable alternatives.

About this report

The subject of this sustainability report is van de Velde and its consolidated associates. A full list of entities is provided in note 27 of chapter 5 of the annual report. This annual report, this time regarding 2019, is based on the GRI standard (core version). To provide insight, we selected the main stakeholders and KPIs. We have endeavoured to honour all reporting principles (completeness, stakeholder inclusiveness, materiality and sustainability context) when developing the materiality of the issues under discussion.

Please email **sustainability@vandevelde.eu** with any queries you may have about this sustainability report or the actions Van de Velde takes as part of 'Forward by Van de Velde'.

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