OUR MISSION

To shape the body and mind of women

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

Photography

Jan Welters (Marie Jo)
Frank Uyttenhove (PrimaDonna)
Yves Smal (Marie Jo L'Aventure)
Frank Uyttenhove (PrimaDonna Twist)
Ferrater Studio (Andrés Sardá)
Sergi Pons (Sarda by Andrés Sardá)
Diego Franssens (Oreia Lingerie Styling)
Ellen Adam (Marie Jo Intense)

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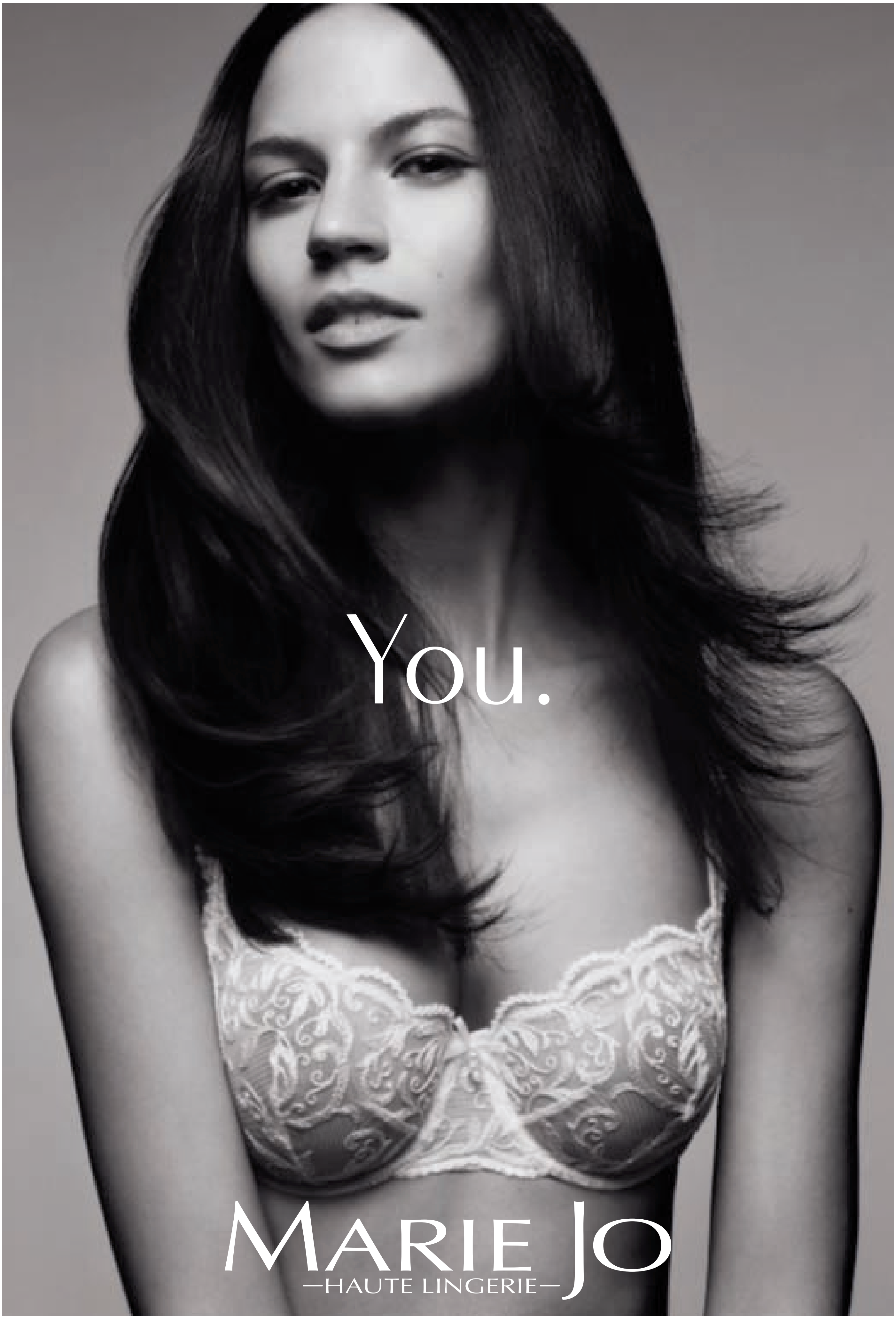
Table of contents



www.mariejo.com

1. *The Year 2009*

Message from the Chairman

Focus and commitment. In 2009, Van de Velde focused on both more than ever. The company and all its employees have very consistently focused on implementing the strategy we believe in. The foundation of this policy is that quality always rises to the surface, perhaps more readily in bad times than in good. In tough periods customers and consumers become more critical and attentive. But high quality alone is not enough. Innovation and creativity are indispensable too. The blend of quality and innovation quickly brought to market produces winners in every industry. It leads to companies increasing their turnover, increasing their market share and increasing their margins and profits. This is exactly what Van de Velde achieved in 2009.

The financial and economic crisis has been thoroughly discussed and described throughout the world. Economic, sociological, ideological and political studies have been published ad infinitum. Conferences have been held, analyses conducted, remedies proposed and future developments forecast. And they have been commented upon in every segment of the media.

But has this year not demonstrated once again that keenness of strategy and decisiveness of companies are more important than blaming circumstances?

In the activity report, you will read that 2009 was not a year without difficulties, challenges and tough decisions for Van de Velde. The closure of the Hungarian site and the restructuring of Sardá are the most conspicuous examples. But we also saw a return on the efforts invested prior to 2009. Our boldness is paying dividends. The design department has been successfully restructured and the efficiency of the sales organisation is rising all the time, demonstrated among other things by the results in Germany. Lingerie Styling is making constant inroads. The retail concept is showing the first signs of profitability. In the United States, Intimacy continues to grow. Faithful to our vision we are doggedly working to secure the success of Sardá.

Van de Velde is not interested in being an unremarkable also-ran. Our goal is to be the best: by constantly refining, improving and perfecting both our products and our working methods. We are convinced that this is not only in the interest of all our stakeholders (customers, consumers and shareholders), but that it will ultimately also be a source of value and satisfaction for our employees in their career.

There is a tendency in our society to level everything down and to suspect everything and everyone that dares to stick out. Nevertheless, the prosperity and wellbeing of all can only be achieved when everyone – regardless of their job – commits to doing better today and tomorrow than they did yesterday.

Lucas Laureys
Chairman of the Board of Directors

Activity report 2009

If we had forecast Van de Velde's 2009 turnover and EBITDA exactly one year ago, we would have been well short of what we ultimately achieved. Life continues to be unpredictable, but companies want to make plans despite this. Fortunately, we continue to be a company in which the commitment of human energy is not determined by budgets, but primarily by the belief in the strategy we have drawn up and the passion of implementation.

All employees of Van de Velde deserve our sincere thanks and congratulations. They have enabled the company to grow further in tough economic conditions. That demands teamwork.

We would also like to thank our customers for the confidence they have shown in us. Despite difficult circumstances, they have placed greater focus on Van de Velde brands – which almost always helps create customer loyalty and generate a significant share of their profit.

Turnover and programmes

Turnover grew in almost every country with the exception of Northern Europe. That can be no coincidence. The collections were strong, deliveries good, the sales programmes well applied, the marketing campaigns on target and the service as a whole to customers and consumers was what it should be. We are delighted. In fashion, you have to earn your turnover every year and we will work on that again in 2010, although there are no guarantees. You can do everything else right, but if the collections or deliveries are below par the rest is irrelevant.

Around 600 customers have joined the *Lingerie Styling* programme and on average they outperform the other customers by quite some way. Giving special attention to consumers and presenting a distinctive approach seem to work. The goal has to be to have Lingerie Styling strike a cord with consumers. Additional efforts are needed.

New markets are being explored at a fast rate. In 2009 we deployed a number of 'strategic explorers' that seek out new markets for Van de Velde worldwide. We certainly do not intend to plant a flag everywhere. Spreading yourself too thin is dangerous, after all. We strive to remain discerning and to make the right choices. We cannot expect turnover to be boosted too much by this in the short term, but we want to continue to invest in the long term, even in times of crisis.

Reorganisations

In 2009 Van de Velde implemented a number of important measures to improve efficiency.

- The closure of the stitching operations in Szekszard and the redistribution of capacity to Tunisia and Top Form will lead to a reduction in variable stitching costs in 2010. That is the hard reality for more than 300 employees in Hungary. Van de Velde wishes to express respect and recognition for all Hungarian employees who have done their best for the company over the past 17 years.
- The Andrés Sardá logistics centre was closed in Badalona. A number of administrative services were also rationalised in Barcelona.

Last year we stated that social certification could not be allowed to stand in the way of necessary decisions. In a culture of performance ethics, performance has priority, although you want to perpetuate it fairly and honestly. Within that culture we have to be consistent and keep every aspect of the company's competitive position strong. Pity is not a good basis for business.

Investments

The Wichelen distribution centre was enlarged. An additional 2500 sq m were added. There was also an investment in an ingenious lift system, which will increase the capacity and efficiency in Wichelen. The total investment (construction and lift system) was 3.7 million euro.

Top Form

In spite of the economic crisis, Top Form was able to largely protect its turnover and margin in the fiscal year 2009 (1 July 2008–30 June 2009). Top Form recognised exceptional costs in the fiscal year 2009 relating to the hiving off of brand activity and the costs of an abandoned acquisition. That ultimately resulted in a net loss.
Van de Velde supports the decision and is confident that it will bring Top Form back into profit. This move towards profitability was confirmed in the half-year figures (1 July 2009–31 December 2009). Top Form continues to be free of debt.

Intimacy

Van de Velde initially (2007) purchased 49.9% of the shares of Intimacy. From the very beginning we have said that we would not be satisfied with a minority share in the long run and that the path to a majority share had already been mapped out. Intimacy's growth is therefore very important to Van de Velde.

- The market share of the Van de Velde brands at Intimacy increased from 26% in 2007 to 35.5% in 2009.
- At the end of 2009 Intimacy had nine stores (two in New York and one each in Atlanta, Chicago, Boston, Miami, Houston, Dallas and San Diego), which together generated annual turnover of 28 million dollars. The goal is to turn Intimacy into a 20- to 25-store business. The growth schedule is right on track. Four new stores are set to open in 2010.
- Intimacy's EBITDA increased significantly in 2009, in spite of the crisis.

Oreia Lingerie Styling

– Our own Marie Jo Boutiques closed out the year with store-to-store turnover growth of 10%. Growth is better in Germany than it is in France. The five German boutiques are profitable; the two in France are not.

– In November 2009 the first Oreia Lingerie Styling store (Oreia for short) opened its doors. It is a converted Marie Jo Boutique in Dortmund. This concept is fully focused on excelling in Lingerie Styling. More conversions will follow in 2010. It is also our intention to open completely new stores.

Andrés Sardá

– Andrés Sardá is having a tougher time than we expected. We continue to believe in the long-term strategy, which is based on the following elements:

  – Collection:
    - Creating a luxury benchmark in lingerie and swimwear
    - Two brands – Andrés Sardá and Sardá by Andrés Sardá rather than the earlier three
    - Greater focus in the collection, which used to be very fragmented (too many references)
    - Born and bred in Barcelona, where the design heart must continue to beat
    - Good gross margin
    - Gradually increasing the range of sizes and improving the fit

  – Sales focus:
    - First and foremost, totally dedicated representatives who eat, drink and sleep the brand
    - Breaking with customers which represent a high credit risk or have insufficient potential for profitability

  – Efficiency:
    - Optimising the entire supply chain and all administrative processes, without disadvantages for the customers.

– Van de Velde has opted for the short, sharp shock. A lot of changes have been implemented in the Sardá organisation in a short space of time (collection, brands, sales force, cost cutting). The company appears to be less adaptable than first thought and Sardá did not live up to expectations at all in 2009.

– Rather than forecasting when growth can be expected, we prefer to continue in the conviction that Andrés Sardá and Sardá are the brands that will strengthen our brand portfolio.

Prospects for 2010

– It is unrealistic to expect 2010 to be an easy year from an economic point of view. On Van de Velde's core markets (Europe and North America) the signs of economic recovery are weak (Western Europe, United States) or nonexistent (Spain, United Kingdom). The many rationalisations and high state debts can only have a negative impact on consumer confidence and purchasing power. Excessive optimism would be inappropriate. On the other hand, we do see that customers that set their stall out and invest in their business continue to grow. So, even in less easy times, we remain confident – justifiably so – about speciality retail. Optimism and entrepreneurship remain the best remedy against any type of economic headwind.

– Despite the economic circumstances, all known indicators fill Van de Velde with confidence for 2010.

  – We expect to see growth in turnover of the traditional Van de Velde brands in the first six months of the year to be in line with the organic growth rhythm of 2009. The initial (early) indicators for the autumn point in the same direction.

  – The new 'Oreia' store concept was successfully piloted in Germany at the end of 2009 and can now be rolled out further. It will have a relatively limited impact in 2010.

  – Intimacy continues to experience good growth despite tough economic conditions in the United States and growth plans remain intact for 2010.

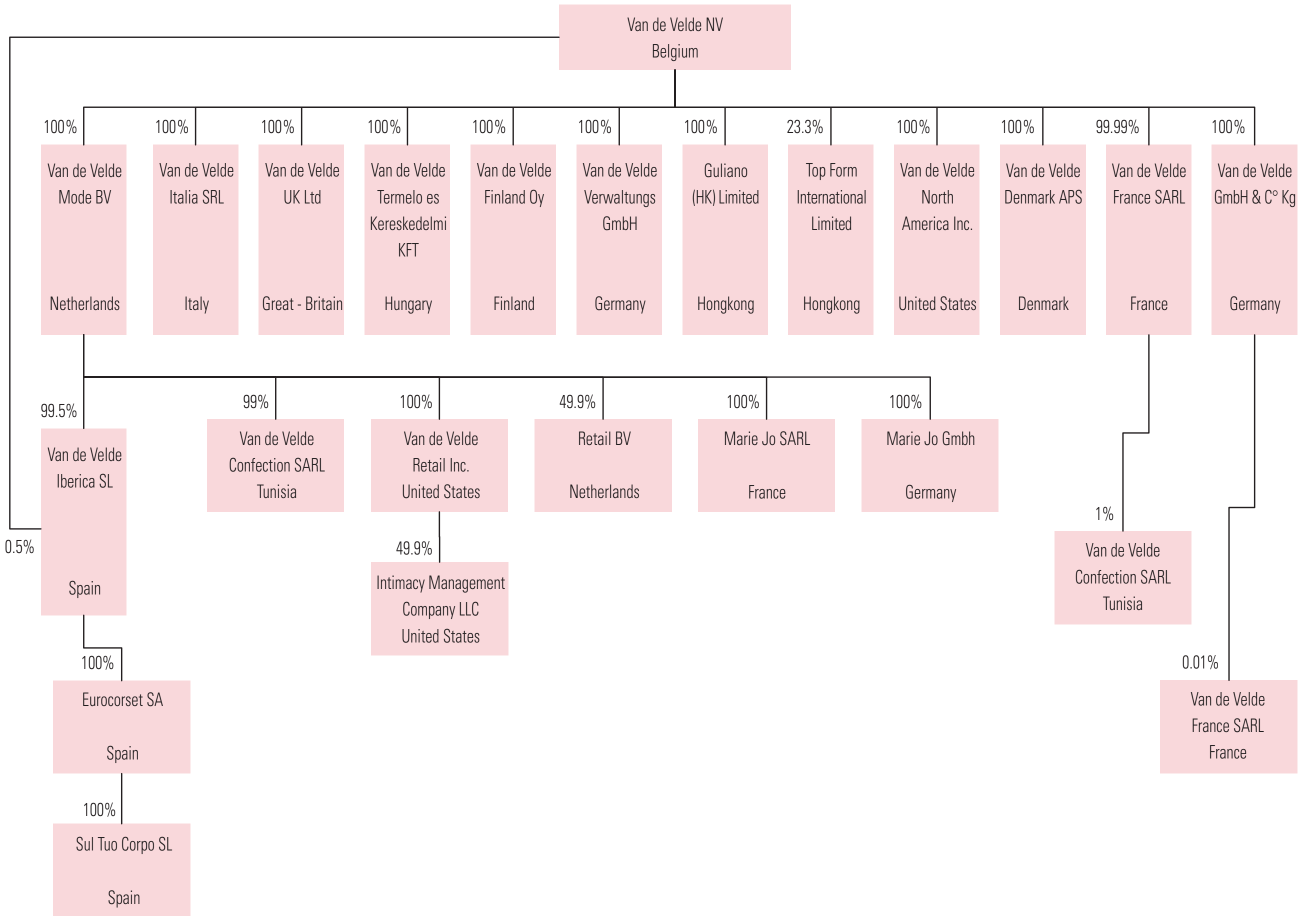
  – Necessary cost optimisations were implemented in 2009 and have not curbed growth in any way. Those cost optimisations will positively drive EBITDA and profit in 2010.

  – Sardá experiences a very tough spring but the indicators for autumn point to growth versus the second half of 2009. Sardá found it tougher than expected, but there are clear signs of a turnaround in the second half of 2010.

2. *Description of the company and its activities*

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

The current group structure is as follows:



This group structure did not change in 2009.

Corporate Governance

Van de Velde is a family stock-listed company and as such it gives special attention to gearing its operations and organisation to the provisions of the Corporate Governance Code, which was introduced for listed companies on 9 December 2004.

On 15 December 2009 the Board of Directors of Van de Velde NV approved the Corporate Governance Charter, which is available on the company's website. In this Corporate Governance Charter Van de Velde NV summarises the deviations from the Corporate Governance Code, which are mainly dictated by the company's family nature.

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

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

The Board of Directors

Composition of the Board of Directors

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

– Lucas Laureys NV, always represented by Lucas Laureys, director (tenure expires at the ordinary general meeting of 2012)
– Herman Van de Velde NV, always represented by Herman Van de Velde, managing director (tenure expires at the ordinary general meeting of 2012)
– Herman Van de Velde, director (tenure expires at the ordinary general meeting of 2012)
– Bénédicte Laureys, director (tenure expires at the ordinary general meeting of 2012)
– EBVBA 4 F, always represented by Ignace Van Doorselaere, managing director (tenure expires at the ordinary general meeting of 2010)
– Management- en Adviesbureau Marc Hofman v.o.f., always represented by Marc Hofman, director (tenure expires at the ordinary general meeting of 2010)
– EBVBA Benoit Graulich, always represented by Benoit Graulich, director (tenure expires at the ordinary general meeting of 2010)
– BVBA Dirk Goeminne, always represented by Dirk Goeminne, director (tenure expires at the ordinary general meeting of 2011).

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

Management- en Adviesbureau Marc Hofman v.o.f., EBVBA Benoit Graulich and BVBA Dirk Goeminne are deemed to be independent directors.

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

Lucas Laureys NV chairs the Board of Directors.

Operation and activity report of the Board of Directors

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

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

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

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

In 2009 the Board of Directors met seven times. There was an additional Board of Directors attended only by the non-executive directors for the purpose of evaluating the interaction between the Board of Directors and the Management Committee. Management- en Adviesbureau Marc Hofman v.o.f., and the EBVBA Benoit Graulich were excused from one meeting of the Board of Directors. Otherwise, all Boards of Directors were fully attended.

Committees within the Board of Directors

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

The Audit Committee advises the Board of Directors on the following:
– The appointment (and dismissal) and remuneration of the statutory auditor
– The preparation of the quarterly, biannual and annual results
– Internal monitoring and risk management
– The external audit.

The Audit Committee is composed as follows:
– Lucas Laureys NV, always represented by Lucas Laureys
– Management en Adviesbureau Marc Hofman v.o.f., always represented by Marc Hofman (independent director)
– EBVBA Benoit Graulich, always represented by Benoit Graulich (independent director).

The chairman of the Audit Committee is Management en Adviesbureau Marc Hofman v.o.f., always represented by Marc Hofman.

The Audit Committee meets no fewer than three times a year and as often as considered necessary for its proper operation. In 2009 the Audit Committee met five times. All members attended these meetings.

(b) Strategic Committee
The role of the Strategic Committee is to assist the Board of Directors in establishing the company's strategic direction.

Other important strategic themes can be discussed ad hoc, including:
– Mergers and acquisitions
– Developments at competitors, customers or suppliers that may/will impact the company
– Important regional developments for the company
– Technological opportunities and/or threats for the company
– Assessing the budgets.

The Strategic Committee is composed as follows:
– Lucas Laureys NV, always represented by Lucas Laureys
– EBVBA 4F, always represented by Ignace Van Doorselaere
– NV Herman Van de Velde, always represented by Herman Van de Velde.

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

The Strategic Committee meets no fewer than two times a year and as often as considered necessary for its proper operation. The Strategic Committee met twice in 2009. All members attended these meetings.

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

The Appointments and Remunerations Committee is composed as follows:
– NV Lucas Laureys, always represented by Lucas Laureys
– EBVBA Benoit Graulich, always represented by Benoit Graulich
– BVBA Dirk Goeminne, always represented by Dirk Goeminne.

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

The Appointments and Remunerations Committee meets as often as is needed for its proper operation, but never less than two times a year.

No director attends the meetings of the Appointments and Remunerations Committee in which his or her own remuneration is discussed and must not be involved in any decision concerning his or her remuneration.

The Appointments and Remunerations Committee met four times in 2009. All members attended these meetings.

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

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

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

The Management Committee is composed as follows:
- NV Herman Van de Velde, always represented by Herman Van de Velde
- EBVBA 4F, always represented by Ignace Van Doorselaere
- Stefaan Vandamme, CFO
- Dirk De Vos, international sales director
- Karlien Vanommeslaeghe, human resources director
- Hedwig Schockaert, ICT & supply chain manager
- Philippe Vertriest, brand design director.

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

The members of the Management Committee are appointed and dismissed by the Board of Directors on the basis of the recommendations of the Appointments and Remunerations Committee. The members of the Management Committee are appointed for an indefinite period, unless the Board of Directors decides otherwise. The ending of the tenure of a member of the Management Committee has no impact on the agreements between the company and the person involved 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 team is composed of two managing directors (Herman Van de Velde NV, always represented by Herman Van de Velde and EBVBA 4F, always represented by Ignace Van Doorselaere). The managing directors are members of the Management Committee.

(f) Evaluation

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

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

The CEO together with the Appointments and Remunerations Committee evaluates the functioning and performance of the Management Committee annually.

Remuneration report

1. Description of the procedure employed in 2009 for (i) the development of a remuneration policy for the non-executive directors and the members of executive management and (ii) the determination of the remuneration level for the non-executive directors and members of executive management

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

2. Statement on the company's remuneration policy as applied in 2009 for the members of executive management

(a) Principles on which the remuneration policy is based

– The level and structure of the remuneration of the Management Committee must be such that qualified and expert professionals can be attracted, retained and motivated, bearing in mind the nature and scope of their individual responsibilities.
– If a member of the Management Committee is also a member of the Board of Directors, the remuneration report will state the amount of the remuneration this person receives in that capacity.
– An appropriate part of the remuneration package of the members of the Management Committee must be linked to the performance of the company and the individual performances, to the extent that the interests of the Management Committee are geared to the interests of the company and its shareholders.
– If members of the Management Committee are eligible for a bonus based on the performances of the company or its subsidiaries, the remuneration report will state the criteria for evaluating the performance against the targets as well as the evaluation period. This information will be provided in such a way that it does not disclose any confidential information on the strategy of the company.
– In principle, granted shares or other forms of deferred remuneration are not deemed to be vested and options may not be exercised within three years of their grant.
– Obligations of the company in the framework of premature exit arrangements will be closely investigated to avoid rewarding poor performance.
– If a member of the Management Committee is also an executive director, that person's overall remuneration will also comprise the remuneration received in the latter capacity.

(b) Relative importance of each component of the remuneration

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

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

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

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

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

3. Remuneration of non-executive directors

For her duties as a director Bénédicte Laureys receives a fixed gross annual remuneration of 12,000 euro.
For his chairmanship of the Board of Directors, his membership of the Appointments and Remunerations Committee, the Strategic Committee and the Audit Committee Lucas Laureys NV received a fixed gross annual remuneration of 100,000 euro. For his duties as a director of foreign subsidiaries, Mr Laureys received a total gross annual remuneration of 61,200 euro.

The independent directors receive a fixed annual payment of 12,000 euro for their duties as a director and 2,500 euro for their duties as a member of the Audit Committee or the Appointments and Remunerations Committee.

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

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

5. Bonuses for members of executive management based on the performance of the company

The members of executive management claim a bonus partly based on the company's performance. The audited annual figures are used as the basis for determining whether the targets have been met. The evaluation period is the fiscal year.

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

The total gross remuneration (including remunerations received from other companies that form part of the group and remunerations received for other tasks and/or tenures) awarded to the members of the Management Committee (including the CEO and Herman Van de Velde NV, who work on a self-employed basis) in 2009 is:

– Fixed part: 1,444,819 euro
– Variable part: 699,170 euro, partly paid out, partly paid into a collective insurance plan and part is granted by means of deferred payment
– Share options: 30,000 options[1].

1 The options were granted at no charge. The exercise price per share of the options is equal to the closing price on the day of trading prior to the date of the offer.
An option remains valid for ten years. The company and the option holder may decide by mutual agreement to reduce the terms of validity of the option below ten years but never below five years. The options cannot be exercised before the end of the third calendar year after the year in which they are offered.

The members of the Management Committee who are equally employees enjoy the use of a company car, the total value of which for 2009 is estimated at 12,124 euro. Furthermore, they are the beneficiaries of a collective insurance policy (pension plan), the total value of which for 2009 is estimated at 14,756 euro.

Major characteristics of internal audit and risk management systems

The Audit Committee, on the recommendation of the Management Committee, establishes internal control mechanisms and evaluates these mechanisms at least once per year. It is also expected to ensure that the main risks are properly identified, managed and brought to its attention. Additional information is provided in the company's Corporate Governance Charter as published on the website.

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 of two months immediately prior to the announcement of the company's annual results or the period commencing at the time of closing of the financial year in question and ending at the time of publication of the annual results, whichever is shorter

(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 closing 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 also regularly imposes a general transaction ban on all insiders in other periods that may be considered to be sensitive.

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

Transactions between the company and its directors

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

Statutory auditor

The General Meeting on 25 April 2007 of Van de Velde NV appointed Ernst & Young Bedrijfsrevisoren BVCBA, Moutstraat 54, 9000 Ghent, represented by Jan De Luyck, as the statutory auditor.
This appointment runs until the ordinary general meeting of 2010.

The annual remuneration in 2009 for auditing the statutory and consolidated annual accounts of Van de Velde NV was 45,500 euro (excl. VAT). The total costs for 2009 for the auditing of the annual accounts of all companies of the Van de Velde NV group was 130,919 euro (excl. VAT), including the 45,500 euro mentioned above.

In accordance with Article 134 of the Companies Code, Van de Velde announces that the remuneration given to the statutory auditor for exceptional and special tasks and to the persons with whom the statutory auditor has a professional relationship was 108,082 euro (excl. VAT), of which:

- 69,024 euro for other tasks not part of the legally defined auditing tasks
- 39,058 euro for tax advisory tasks.

Belgian Code on Corporate Governance

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

The following provisions were not complied with:

(i) Principle 2.4/1.2, Annexe A Independence criteria
"have served no more than three consecutive terms as non-executive director on the Board of Directors"
In view of the fact that, except for the latest appointments dd. 26 May 2004 and 25 April 2007 (an appointment for a period of three years), an independent director is always appointed for a term of one year, the company deviates from this principle.

(ii) Principle 7.14 Disclosure on an individual basis of the remuneration granted to the CEO
"The remuneration report states the amount of the remuneration and other benefits allocated directly and indirectly by the company or its subsidiaries to the CEO"
Given that the CEO is remunerated at market rates and has not been granted an exceptional exit remuneration (notice period is 6 months) or exceptional benefits through options and/or shares, the remuneration report will disclose only on a collective basis the remuneration granted to the CEO (together with the remuneration granted to the other members of the Management Committee).

(iv) Principle 7.16, Remuneration through options or shares
"For the CEO and the other members of executive management, the number and the main characteristics of the shares, share options or other rights to be acquired as granted, exercised or expired in the fiscal year under review will be disclosed in the remuneration report on an individual basis."
Contrary to this above, the remuneration report will disclose the shares and share options for the members of the Management Committee (including the CEO) only on a collective basis, given that the company is of the opinion that these rights should not

be handled in a different way from the other parts of the remuneration package of the persons involved.

(v) Principle 8.8 Submission of proposals to the General Meeting
'The level of shareholding for the submission of proposals by a shareholder to the general shareholders' meeting should not exceed 5% of the share capital.'
As a small listed company, Van de Velde NV has raised this threshold to 10%.

Conflict of Interests Scheme

In 2009 the procedure laid down in Article 523 of the Companies Code was applied once. This concerned the extension of the exercise period of the granted options in the context of Belgium's Economic Recovery Act of 27 March 2009.

The contents of the minutes relating to the decisions in question reproduced below explain the reason for the conflict of interests, the nature of the decision, the justification and the financial consequences.

"Interests of the directors

EBVBA 4F, always represented by Ignace Van Doorselaere, Herman Van de Velde and Herman Van de Velde NV, always represented by Herman Van de Velde, state, prior to the deliberation and the decision on the order of the day of the Board of Directors, that they have a direct or indirect conflict of interest of a propriety nature in the above point on the agenda, because EBVBA 4F and Herman Van de Velde NV are option holders.

The Board of Directors noted the declarations of Herman Van de Velde and EBVBA 4F, who left the meeting and did not participate in the deliberations in order to allow the Board of Directors to arrive at a decision.

In accordance with the relevant statutory provisions, these minutes of the Board of Directors include:

– The nature of the decision
– The justification for the decision and
– The propriety consequences of the decision.

Nature of the decision

In the context of the Economic Recovery act of 27 March 2009 a new legal arrangement was included allowing the extension of the exercise period of option plans in certain circumstances on a tax neutral basis for a period of five years. The eligible options are those accepted between 1 January 2003 and 31 August 2008 (see minutes of the Appointments and Remunerations Committee in annexe).

The conditions of this tax-neutral extension are:

- *The extension applies only to options with a tax value of no more than 100,000 euro (this concerns a whole package of plans the same beneficiary has subscribed to at the same company).*
- *The beneficiary must agree to this extension before 30 June 2009.*
- *The administration must be served with this agreement before 31 July 2009.*

Propriety consequences of the decision

The propriety consequence for the company is the longer period of refinancing for the company of the purchased shares to hedge the options.

Justification for the decision

The Board of Directors was of the opinion that this sale of shares was in the interests of the company. The purpose of the option scheme is:

- *to incentivise the option holders in the long term because they can make a major contribution to the success and growth of the company*
- *to ensure the long-term cooperation and efforts of the option holders in the development and success of the company.*

The extension of the exercise period of the options, which is tax-neutral for the option holder, contributes to the achievement of these objectives.

Deliberations and decisions

The Board of Directors unanimously approved the proposal of the Appointments and Remunerations Committee of 3 June 2009 to extend the accepted options as stated in annexe."

Information to Shareholders

Share listing

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

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

Van de Velde's shares can be traded using the ISIN code BE 0003839561 in trading group A1.

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

In line with its series of local indexes, in Brussels Euronext maintains a BEL20, BEL Mid and BEL Small index, the components of which are selected on the basis of liquidity and free float market capitalisation.
In 2009 the Van de Velde share was listed in the BEL Mid index.
The weight in this index fell slightly from 1.54% in 2008 to 1.36% in 2009.

Monitoring liquidity

Van de Velde concluded a liquidity agreement with Bank Degroof in July 2002.
A liquidity monitor guarantees the constant presence of bid and offer prices at which investors can conduct transactions and sets a permanent maximum spread between purchase and selling price of 5%.
This allows the increase in share velocity, the reduction of the spreads between bid and offer prices. Major price fluctuations can be avoided on small traded volumes and the listing on the continuous segment of Euronext/NYSE Brussels can be guaranteed.

Subscribed capital

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

Known shareholders

Within the framework of Belgium's Transparency Act of 2 May 2007 shareholdings must be made public in accordance with the thresholds provided for by the articles of association.
A transparency statement is required if any of the following thresholds is exceeded:

- 3%
- 5%
- Multiples of 5%.

Van de Velde Holding holds 7,496,250 (56.27%) shares, through the Achillea and Vesta foundations as well as Hestia Holding NV and Ambo Holding NV. Vesta and Hestia Holding NV represent the interests of the Van de Velde family. Achillea and Ambo Holding NV represent the interests of the Laureys family.

A majority of Van de Velde'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.

The following shareholding was disclosed:
Delta Lloyd Asset Management: 545,978 shares or 4.10%.

The proportion of freely tradable shares (free float) represents 43.73% of the total number of shares.

General Meeting

The General Meeting is held at the seat of the company on the last Wednesday of April at 5 pm. 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 demands so and must be convened whenever the shareholders representing one fifth of the capital demand it.

Authorised capital

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

Acquisition of own shares

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

In 2009, the Board of Directors acquired 2,101 shares at an average price of 29.10 euro by means of a discretionary assignment.

These shares are to be offered to the management within the framework of an option programme initiated in 2005.

See note 11 to the consolidated financial statements for more information.

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

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

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

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

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

Proposed profit distribution
The dividend on distributable profit will be allocated to the shares with rights that are not suspended. So, taking into account the number of group securities held for which no profit share is retained, distributable profit will not be reduced. This concerns 99,601 own shares purchased within the framework of the option programme (see above). Reference is made to Article 622 of the Companies Code.

The number of shares with dividend rights was accordingly reduced from 13,322,480 to 13,222,879.

The application of the payment percentage (40% of consolidated profit with the exception of the third party stake) produces a dividend per share of 0.82 euro.
The Board of Directors will propose to the General Meeting payment of a dividend for the fiscal year 2009 of 1.65 euro per share.
After the payment of 25% tax, this represents a net dividend of 1.2375 euro per share.

After approval by the General Meeting the dividend will be paid out from 6 May 2010 at branches of Bank Degroof and ING upon presentation of coupon 4.

Financial Calendar	
Closing of financial year	31 December 2009
Announcement of 2009 turnover figures	7 January 2010
Announcement of annual results	25 February 2010
Publication of annual financial report	31 March 2010
General Meeting of Shareholders	28 April 2010
Publication of first interim statement	28 April 2010
Ex-coupon date	3 May 2010
Registration date	5 May 2010
First dividend payment date	6 May 2010
Announcement of H1 2010 turnover figures	9 July 2010
Publication of 2010 biannual results	27 August 2010
Publication of second interim statement	19 November 2010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Consolidated key figures 2009[2]

Profit and loss account (in millions of euro)	2009	2008	2007	2006	2005
Operating income	143.6	135.3	132.2	124.2	112.8
Turnover	140.1	133.0	130.3	123.0	111.9
Recurring EBITDA (1)	44.2	43.4	44.6	41.6	38.1
Recurring EBIT (2)	41.0	40.2	41.7	38.9	35.7
Consolidated result before tax (3)	37.5	40.2	43.8	43.7	35.8
Consolidated result after tax (3)	27.2	28.6	30.7	31.1	25.4
Profit for the period (4)	26.6	28.6	31.0	31.1	42.4
Operating cash flow (5)	32.8	29.6	32.2	30.6	15.2

(1) EBITDA is earnings before interest, taxes, depreciation and amortisation. The recurring EBITDA for 2009 does not include the non-recurring restructuring costs for Hungary and Eurocorset in the amount of 2.9 million euro.

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

(3) Before share in the profit / (the loss) of associates (equity method) and result with regard to the restructuring of Guliano / Top Form (2005).

(4) After share in the profit / (the loss) of associates (equity method) and result with regard to the restructuring of Guliano / Top Form (2005).

(5) Operating cash flow is net cash from operating activities.

Balance sheet (in millions of euro)	2009	2008	2007	2006	2005
Fixed assets	65.6	66.1	44.6	48.2	58.3
Current assets	83.7	71.2	86.4	92.7	83.7
Shareholders' equity	135.7	120.9	117.4	126.8	128.4
Balance sheet total	149.3	137.3	131.0	141.0	142.0
Net debt position (1)	-40.3	-22.2	-44.5	-49.2	-38.9
Working capital (2)	32.1	35.5	32.1	33.3	35.3
Capital employed (3)	97.7	101.6	76.8	81.5	93.6

(1) Financial debts less cash and cash equivalents (a negative position points 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.

2 We note that a number of definitions of key figures have been adjusted compared with previous years. Where relevant, figures are according to IFRS.

Financial ratio's (in%, except liquidity)	2009	2008	2007	2006	2005
Return on equity [(1)]	21.2	24.0	25.2	24.3	21.9
Return on capital employed [(2)]	27.3	32.0	38.8	35.5	34.5
Solvency [(3)]	90.9	88.1	89.6	90.0	90.4
Liquidity [(4)]	7.4	5.4	8.9	9.1	8.9

(1) Consolidated result after tax / Average of equity at end of fiscal year and previous fiscal year.

(2) Consolidated result after tax / 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 %)	2009	2008	2007	2006	2005
Recurring EBITDA [(1)]	31.5	32.6	34.2	33.8	34.1
Recurring EBIT [(2)]	29.2	30.2	32.0	31.6	31.9
Tax rate [(3)]	27.3	29.0	29.8	29.0	29.2

(1) Recurring EBITDA on turnover.

(2) Recurring EBIT on turnover.

(3) Income tax on consolidated result before tax.


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Stock market data	2009	2008	2007	2006	2005
Average daily volume in pieces	3,973	5,905	8,781	5,706	2,455
Number of shares at year's end	13,322,480	13,556,710	13,556,710	13,556,710	2,711,342
Number of traded shares	1,013,229	1,511,681	2,239,046	1,455,157	630,828
Velocity	7.6%	11.2%	16.5%	10.7%	23.3%
Turnover (in thousands of euro)	27,261	42,230	81,420	100,480	87,810
(in euro per share)					
Highest price	31.00	37.75	40.10	40.00	156.00
Lowest price	22.50	20.30	31.96	30.60	114.40
Closing price	29.36	24.00	37.75	39.30	153.80
Average price	26.70	28.59	37.15	35.10	139.40

Key figures per share (1) (in euro)	2009	2008	2007	2006	2005
Book value (2)	10.2	8.9	8.7	9.4	9.5
Recurring EBITDA (3)	3.3	3.2	3.3	3.1	2.8
Profit for the period (4)	2.0	2.1	2.3	2.3	3.1
Gross dividend	1.65	0.90	0.90	1.80	6.70
Net dividend	1.24	0.68	0.68	1.35	5.03
Dividend yield (5)	4.21%	2.81%	1.79%	3.44%	3.27%

(1) In order to improve comparability, the key figures per share for 2005 have been converted to the new number of shares.
(2) Shareholders' equity / Number of shares at year's end.
(3) Recurring EBITDA / Number of shares at year's end.
(4) Profit for the period / Number of shares at year's end.
(5) Net dividend / Closing price.

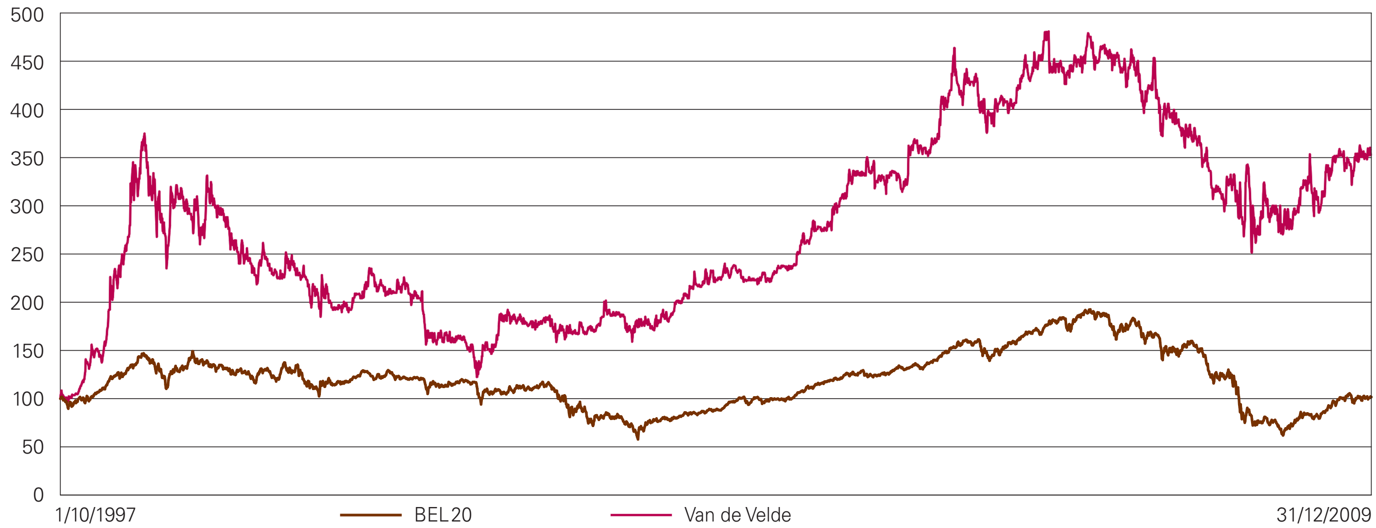
Value determination (in millions of euro)	2009	2008	2007	2006	2005
Book value (1)	135.7	120.9	117.4	126.8	128.4
Market capitalisation (2)	391.1	325.4	511.8	532.8	417.0
Enterprise value (EV) (3)	325.9	277.1	442.6	456.4	340.7

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

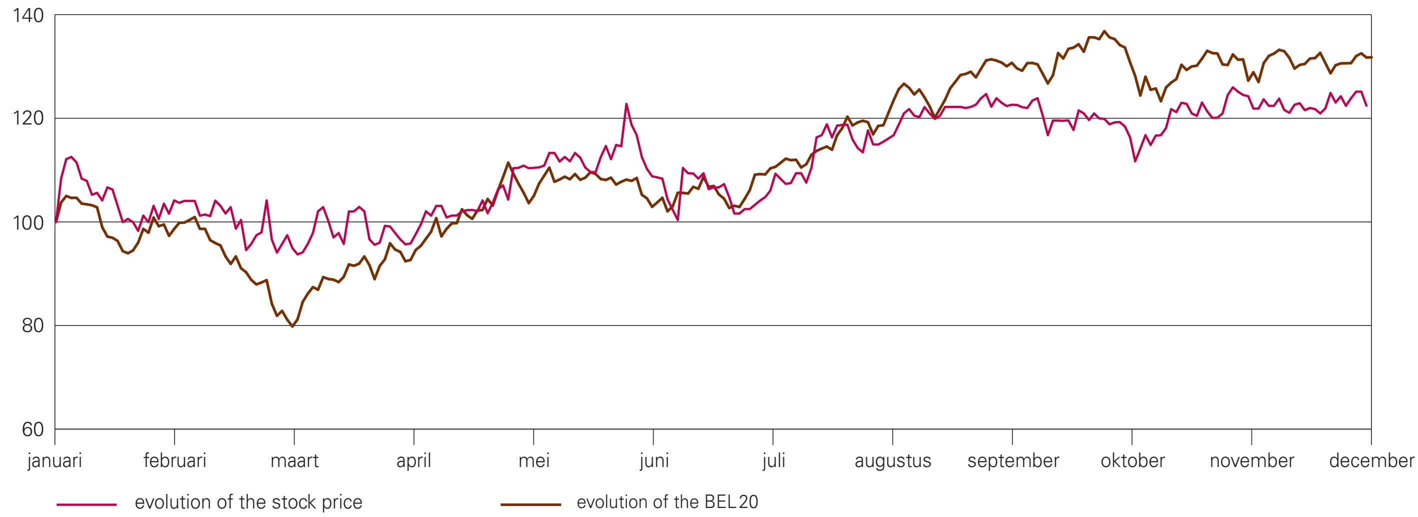
Multiples	2009	2008	2007	2006	2005
EV/Recurring EBITDA (1)	7.4	6.4	9.9	11.0	8.9
Price/profit (2)	14.7	11.4	16.5	17.2	9.8
Price/book value (3)	2.9	2.7	4.4	4.2	3.2

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

Evolution of stock market price Van de Velde and BEL20



Evolution of stock market price in 2009



Consolidated annual accounts at 31/12/2009

Van de Velde NV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3. *Consolidated annual accounts at 31/12/2009*

Consolidated balance sheet

000 euro	2009	2008	(Note)
Total fixed assets	**65,634**	**66,094**	
Goodwill	2,469	6,357	7
Tangible fixed assets	19,040	17,317	6
Intangible fixed assets	12,630	12,640	8 a.
Participations (equity method)	25,017	26,061	8 b.
Other fixed assets	6,478	3,719	9
Current assets	**83,680**	**71,173**	
Inventories	25,859	28,919	4
Trade and other receivables	13,338	15,374	3
Other current assets	4,122	4,397	5
Cash and cash equivalents	40,361	22,483	2
Total assets	**149,314**	**137,267**	

Consolidated balance sheet

000 euro	2009	2008	(Note)
Shareholders' equity	**135,732**	**120,884**	
Share capital	1,936	1,936	11
Treasury shares	- 2,625	-8,718	11
Share premium	743	743	11
Other comprehensive income	-9,271	-9,113	
Retained earnings	144,949	136,036	
Total non-current liabilities	**2,334**	**3,219**	
Provisions	724	874	12
Pensions	33	35	17
Deferred tax liabilities	1,577	2,151	13
Other borrowings	0	159	
Total current liabilities	**11,248**	**13,164**	
Trade and other payables	10,721	11,636	14a
Other current liabilities	311	867	14b
Income taxes payable	216	661	14b
Total equity and liabilities	**149,314**	**137,267**	

Consolidated income statement

000 euro	2009	2008	*(Note)*
Turnover	140,149	133,030	22
Other operating income	3,489	2,296	22
Cost of materials	-34,687	-31,735	22
Other expenses	-35,114	-32,867	22
Personnel expenses	-32,501	-27,344	17
Depreciation and amortisation	-3,822	-3,186	6, 8
Operating profit	**37,514**	**40,194**	
Finance income	2,067	6,139	16
Finance costs	-2,120	-6,085	16
Share of profit of associates	**-649**	**71**	8b
Profit before taxes	**36,812**	**40,319**	
Income taxes	-10,216	-11,692	18
Profit for the year	**26,596**	**28,627**	
Other comprehensive income			
Currency translation adjustments	-371	-283	
Net movement on cash flow hedges	213	0	
Total other comprehensive income	**-158**	**-283**	
Basic earnings per share (in euro)	1.99	2.13	20
Diluted earnings per share (in euro)	1.99	2.13	20
Weighted average number of shares	13,383,425	13,456,124	20
Weighted average number of shares for diluted profit per share	13,386,616	13,456,999	20
Proposed dividend per share (in euro)	1.65	0.90	20
Total dividend (in 000 euro)	21,818	11,902	20

Consolidated statement of changes in equity

000 euro Change in equity	Share capital	Share premium	Treasury shares	Retained earnings	Share-based payments	Other comprehensive income	Total
Equity at 01/01/2008	1,936	743	-936	124,473	0	-8,830	117,386
Profit for the period				28,627			28,627
Revaluation reserves Top Form shares				-4,885			-4,885
Other comprehensive income						-283	-283
Treasury shares			-7,782				-7,782
Amortization deferred stock compensation					141		141
Granted and accepted stock options					774		774
Deferred stock compensation					-774		-774
Equity dividends				-12,320			-12,320
Equity at 31/12/2008	1,936	743	-8,718	135,895	141	-9,113	120,884
Equity at 01/01/2009	1,936	743	-8,718	135,895	141	-9,113	120,884
Profit for the period				26,596			26,596
Revaluation reserves Top Form shares				0			0
Other comprehensive income						-158	-158
Treasury shares			6,093	-6,133			-40
Amortization deferred stock compensation					352		352
Granted and accepted stock options					435		435
Deferred stock compensation					-435		-435
Equity dividends				-11,902			-11,902
Equity at 31/12/2009	1,936	743	-2,625	144,456	493	-9,271	135,732

Consolidated statement of cash flows

000 euro	2009	2008
Cash flows from operating activities		
Cash receipts from customers	189,071	170,550
Cash paid to suppliers and employees	-130,080	-117,469
Cash generated from operations	58,991	53,081
Income taxes paid	-12,466	-12,385
Other taxes paid	-13,320	-10,793
Interest and bank costs paid	-224	-343
Gains (+) / losses (-) on disposal of assets	-214	0
=Net cash from operating activities	32,767	29,560
Cash flows from investing activities		
Interests received	537	1,337
Received dividends (note 16)	548	215
Proceeds from sale of equipment	304	174
Purchase of fixed assets (notes 6 and 8)	-5,726	-2,580
Investments in associates	0	-6,483
Purchase of treasury shares (note 11)	-40	-7,782
Investments in subsidiary, net of cash acquired	0	-15,380
Sale of consolidated companies, net of cash disposed of	0	-590
= Net cash used in investing activities	-4,377	-31,089
Cash flows from financing activities		
Dividends paid	-10,725	-11,039
Repayment of long-term borrowings	-156	-4,253
Financing of customer growth fund	-562	-1,280
Reclassification of CDOs to other fixed assets	0	-3,450
= Net cash used in financing activities	-11,443	-20,022
Net increase in cash and cash equivalents	16,947	-21,551
Cash and cash equivalents at beginning of period (note 2)	22,483	44,508
Exchange rate differences	931	-474
Cash and cash equivalents at end of period (note 2)	40,361	22,483


ANDRES SARDA

1. Summary of the most important accounting policies

The Van de Velde group, listed on the Brussels Stock Exchange, designs, develops, manufactures and markets fashionable luxury lingerie together with its subsidiaries.

The company's main office is located in Wichelen, Belgium.

General

The accompanying consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS), as adopted for use in the EU on the balance sheet date. The accounting policies differ in some areas from those previously used under Belgian accounting law.
The financial statements were authorised for publication by the Board of Directors on 24 February 2010.

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

Use of estimates

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

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

The most important application of estimates relates to:

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

Intangible fixed assets with indefinite useful life, including goodwill in relation to business combinations, are checked annually for impairment. This test requires an estimate 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 8a.

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 17.

Change in accounting policies

The accounting policies are in accordance with those applied in previous fiscal years.
The group has made a few additions to the accounting policies. We refer to the section on Cash flow hedges in this regard.
A number of accounting policies are no longer applicable and have therefore been removed. This applies only to Available-for-sale financial assets.

Consolidation principles

Subsidiaries

A subsidiary is an entity that Van de Velde NV directly or indirectly controls and has the power to decide over its financial and operating policies so as to obtain benefits from its activities.
The financial statements of subsidiaries are included in the consolidated financial statements of the group from the date that control commences until the date that control ceases. They are prepared as of the same reporting date and by using the group accounting policies. Intragroup balances, transactions, income and expenses are eliminated in full.

Associated companies

Associated companies are companies in which Van de Velde NV directly or indirectly holds a significant influence and which are not subsidiaries or joint ventures. This is assumed to be the case when the group holds at least 20% of the voting rights attached to the shares. The financial statements of these companies are drawn up in accordance with the same accounting policies used for the group.
The consolidated financial statements contain the share of the group in the result of associated companies in accordance with the equity method from the day that the joint control or the significant influence is acquired until the day it ends. If the share of the group in the losses of the associated companies is greater than the carrying amount of the participation, the carrying amount is set at zero and additional losses are recognised only insofar the group has assumed additional obligations.
Unrealised income from transactions with associated companies is eliminated in the amount of the stake of the group against the participation in the associated company.
Participations in associated companies are revalued if there are indications of a possible impairment or of the disappearance of the reasons for earlier impairments.
The participations valued in accordance with the equity method in the balance sheet also include the carrying amount of related goodwill.

Business combinations

The acquisition method is used to process the business combination. The cost of a business combination is valued as the total of the fair value on the date of exchange of assets disposed of, issued equity instruments, obligations entered into or acquired plus any costs directly attributable to the business combination. 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 minorety shareholding.

Foreign currencies

(1) Foreign currency transactions

The reporting currency of the group is the euro. Foreign currency transactions are recognised 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 recognised 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.

(2) Financial statements of foreign activities

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

Intangible assets

(1) Research and development

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

(2) Acquired brands

Brands acquired as part of the acquisition of companies 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, taking into account the accumulated impairment losses. These brands are not amortized, but are tested annually for impairment (for more details, see note 8a). The correctness of classification as intangible assets with indefinite useful life is also evaluated.

(3) Key Money

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

(4) Other intangible assets

Other intangible assets acquired by Van de Velde are recognised at cost (purchase price plus all directly attributable costs) less accumulated amortisation and accumulated impairment losses. Expenditure on internally generated goodwill and brands is recognised in the income statement when incurred. The useful life of intangible assets other than brands and key money is considered to be finite. Amortisation begins when the intangible asset is available using the straight-line method. The useful life of intangible assets with a finite life is generally estimated at five years.

Goodwill

(1) Goodwill

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

Goodwill is tested annually for impairment (for more details, see note 8a) or more frequently if events or changes in circumstances indicate that the asset might be impaired. Goodwill is expressed in the currency of the subsidiary to which it relates and is translated to euro using the year-end exchange rate.

Goodwill is recognised at cost less accumulated amortisation and 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 recognise any negative difference through profit or loss.

Tangble fixed assets

(1) Initial expenditure
Tangible fixed assets are recognised 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 expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. Otherwise, it is recognised in profit or loss when incurred.

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

The depreciation rates used are as follows:

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

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

Impairment of assets

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

(1) Calculation of recoverable amount
The realisable value of an asset is the greater of its fair value less sales costs and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax 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
An impairment loss in respect of goodwill is not reversed. In respect of 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 amortisation, if no impairment loss had been recognised.

Inventories
Merchandise and finished goods are valued at the lower of cost or net realisable value. Cost of inventories comprises all purchase costs, conversion costs and other costs incurred in bringing the inventories to their present location and present condition.

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

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

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

Trade and other receivables
Trade receivables are recognised at cost less impairment losses. If there is objective evidence that an impairment loss has been incurred on trade receivables, the impairment loss recognised 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.

Derivative financial instruments

Hedges

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

Derivative financial instruments are initially measured at fair value. Although they provide effective economic hedges, they do not qualify for hedge accounting under the specific requirements in IAS 39 (Financial Instruments: Recognition and Measurement). As a result, at reporting date, all derivatives are measured at fair value with changes in fair value recognised 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 regular purchases and sales of financial assets are recognised on the settlement date.

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

Collateralised debt obligations (CDOs)

Investments in collateralised debt obligations (CDOs) are measured at fair value with recognition of changes in value through profit and loss. Fair value is based on market value at the balance sheet date. CDOs are recognised in the balance sheet as other fixed assets.

However, in the fiscal year 2009 the decision was taken to impair CDOs completely, regardless of the reported fair value.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits. Those cash and cash equivalents are financial assets held to maturity. Interest income is recognised 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 authorised capital, all directly attributable costs relating to that event are deducted from equity and not recognised in profit or loss when incurred.

(2) Dividends

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

Provisions

Provisions are recognised 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 pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Employee benefits

(1) Pension plan

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

(2) Share-based payment

The fair value of the share options awarded under the group share option plan is established on the grant date, with due consideration for the terms and conditions under which the options are granted and using a valuation technique corresponding to generally accepted valuation methods for establishing the price of financial instruments and with due consideration for all relevant factors and assumptions. The fair value of the share options is recognised 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 recognised in the income statement except insofar it relates to items included in other comprehensive income or shareholders' equity. In that case income tax is included in other comprehensive income or shareholders' equity.

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

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

Deferred income tax assets are recognised 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 utilised.

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 realised or the liability is settled, based on tax rates (and tax laws) that have been implemented or substantively implemented at the balance sheet date.

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

Trade and other payables

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

Revenue

(1) Goods sold

In relation to the sale of goods, revenue is recognised when goods have been invoiced and shipped to the buyer. The possible return of goods or non-settlement of invoices is currently not taken into account.

(2) Financial income

Financial income comprises dividend income and interest income. Royalties and dividends arising from the use by others of the company's resources are recognised 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 recognised in the income statement on the date that the dividend is declared.

Interest income is recognised based on the effective interest rate of the asset.

(3) Government grants

A government grant is recognised 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 recognised 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 recognised as income over the life of a depreciable asset by way of a reduced depreciation charge.

Expenses

(1) Interest expenses

All interest and other costs incurred in connection with borrowings and finance lease liabilities are recognised 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 capitalisation. If the development expenditure meets the criteria, it will be capitalised.

New and amended standards and interpretations applicable until year end 2009

IFRS 1 *First–time Adoption of International Financial Reporting Standards* and IAS 27 *Consolidated and Separate Financial Statements* – Costs of an investment in subsidiaries, jointly controlled entities and associates (Amendments).
These amendments become effective for periods beginning on or after 1 January 2009.

IFRS 2 *Share–Based Payment – Vesting Conditions and Cancellations* (Amendments)
In January 2008 the IASB published an amendment to IFRS 2 that clarifies the definition of a vesting condition and prescribes the method for recognising the cancellation of an award. This amendment became effective for fiscal years beginning on or after 1 January 2009.

IFRS 8 *Operating Segments*
In November 2006 the IASB published IFRS 8, which becomes effective for fiscal years beginning on or after 1 January 2009. IFRS 8 replaces IAS 14 *Reporting Financial Information by Segment*.

IAS 1 *Presentation of Financial Statements* (Revised)
The IASB published the revised version of IAS 1 *Presentation of Financial Statements* in September 2007, which becomes effective for fiscal years beginning on or after 1 January 2009. The standard distinguishes between changes to equity for owners and non-owners. Therefore, the consolidated statement of changes in equity will contain only details of transactions with owners, with all changes in equity with respect to non-owners being recognised on one line. In addition, the standard introduces an overview of generated and non-generated profits, which includes all profits and losses in the income statement, together with all other items relating to recognised profit and loss, either in a single overview or in two linked overviews.

IAS 23 *Borrowing Costs* (Revised)
The IASB published the amendments to IAS 23 in March 2007. The amended IAS 23 requires activation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The amended IAS 23 becomes effective for fiscal years beginning on or after 1 January 2009.

IAS 32 *Financial instruments: Presentation* and IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments)*
These amendments become effective for fiscal years beginning on or after 1 January 2009 and have limited application, by which puttable *financial instruments* may only be classified as equity provided they fulfil a number of specific criteria.

Improvements to IFRS standards
In May 2008 the IASB published its first omnibus of changes to standards, primarily to eliminate inconsistencies and clarify formulations. There are separate transitional conditions for each standard.

IFRS 3 *Business Combinations* (Revised) and IAS 27 *Consolidated and Separate Financial Statements* (Revised)
The IASB published the revised standard for business combinations in January 2008. It becomes effective for fiscal years beginning on or after 1 July 2009. The standard introduces changes to how business combinations are recognised. These amendments will have an impact on recognised goodwill, reported results during an acquisition period and results to be reported in the future.

IAS 39 *Financial instruments: Recognition and Measurement – Qualifying hedges (Amendment)*
These amendments become effective for periods beginning on or after 1 July 2009.

IFRIC 13 *Customer Loyalty Programmes*
The IFRIC published IFRIC 13 in June 2007. This interpretation requires loyalty award credits to be recognised as a separate part of the transaction in which they are granted. This amendment becomes effective for fiscal years beginning on or after 1 July 2008.

IFRIC 15 *Agreements for the Construction of Real Estate*
The IFRIC published IFRIC 15 in July 2008. This amendment becomes effective for fiscal years beginning on or after 1 January 2009. They clarify when and how revenues and related costs of the sale of a real estate property must be recognised if the developer has reached agreement before completion of the property.

IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*
The IFRIC published IFRIC 16 in July 2008. This interpretation provides guidelines for recognising the hedge of a net investment. This amendment becomes prospectively effective for fiscal years beginning on or after 1 October 2008.

New and amended standards and interpretations applicable after year end 2009

The group did not early-adopt any standards or interpretations that have been adopted for use in the European Union but are not yet effective as at 31 December 2009. The group assesses that the impact of adoption of these new or revised standards and interpretations will not have a significant impact on the financial statements.

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

- IFRS 1 First-time Adoption of International Financial Reporting Standards (Revised), effective from 1 January 2010
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional exemptions for first-time appliers effective from 1 January 2010
- IFRS 2 Share-Based Payments – settled in cash, share-based transactions in a group, effective from 1 January 2010
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Revised), effective from 1 July 2009
- IFRS 9 Financial instruments, effective from 1 January 2013
- IAS 24 Related Party Disclosures (Revised), effective from 1 January 2011
- IAS 32 Financial instruments: Presentation – Classification of rights issues, effective from 1 February 2010
- IAS 39 Financial instruments: Recognition and Measurement – Qualifying hedges, effective from 1 July 2009
- IFRIC 12 – Service Concession Arrangements, effective from 29 March 2009
- IFRIC 15 Agreements for the Construction of Real Estate, effective from 1 January 2010
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation, effective from 1 July 2009
- IFRIC 17 Distributions of Non-cash Assets to Owners, effective from 1 November 2009
- IFRIC 18 Transfers of Assets from Customers, applicable to transactions after 1 July 2009
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, effective from 1 July 2010
- Improvements to IFRS (published April 2009), various effective dates.

2. Cash and cash equivalents

Cash and cash equivalents consist of the following:

000 euro	2009	2008
Cash at banks and in hand	7,437	9,702
Marketable securities	32,924	12,781
Cash and cash equivalents	40,361	22,483

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

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

3. Trade and other receivables

Accounts receivable are as follows:

000 euro	2009	2008
Trade receivables, gross	14,628	16,564
Less: allowance for doubtful debtors	-1,290	-1,190
Trade receivables, net	**13,338**	**15,374**

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

In 2009 there was a loss of 185,000 euro with respect to trade receivables (457,000 euro in 2008).

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

	Total	For which no impairment has been recorded and which are not overdue	Of which are overdue, but for which no impairment has been recorded		Of which are overdue and an impairment has been recorded
000 euro			1-60 days	60-90 days	> 90 days
2009	14,628	8,593	2,960	568	2,507
2008	16,564	9,509	3,445	796	2,814

4. Inventories

Inventories by major classification are as follows:

000 euro	2009	2008
Finished goods	14,151	16,981
Work in progress	7,186	7,740
Raw materials	12,678	13,788
Inventories, gross	**34,015**	**38,509**
Less: Allowance for obsolescence	-8,156	-9,590
Inventories, net	**25,859**	**28,919**

The allowance for obsolescence in 2009 relates to finished product (4,222), work in progress (20) and raw materials (3,914). The allowance for obsolescence in 2008 related to finished product (4,614), work in progress (20) and raw materials (4,956).

The additional write-down on inventories amounts to 3,184,000 euro in 2009, compared to 3,850,000 euro in 2008.

5. Other current assets

Other current assets consist of the following:

000 euro	2009	2008
Prepaid expenses	1,452	1,526
Tax receivables (VAT & corporate income tax)	1,843	634
Accrued income	106	446
Sundry	400	269
Exchange rate result on FX forward contracts	321	1,522
Other current assets, net	**4,122**	**4,397**

6. Tangible fixed assets

000 euro	Total	Land & buildings	Production machinery and equipment
Tangible fixed assets, gross			
At 01/01/2008	39,131	16,957	22,174
Investments	1,940	307	1,633
Related to acquisition of subsidiary	823	784	39
Disposals	-644	-14	-630
At 31/12/2008	41,250	18,034	23,216
Depreciation and impairment			
At 01/01/2008	21,639	6,719	14,920
Depreciation	2,714	766	1,948
Exchange adjustments	66	46	20
Disposals	-639	-14	-625
At 31/12/2008	23,780	7,517	16,263
Tangible fixed assets, net			
Tangible fixed assets (without grants)	17,470	10,517	6,953
Grants at 31/12/2008	-207	-85	-122
Grants utilised in 2008	54	22	32
At 31/12/2008	17,317	10,454	6,863
Tangible fixed assets, gross			
At 01/01/2009	41,250	18,034	23,216
Investments	5,104	1,626	3,478
Disposals	-2,519	-1,226	-1,293
At 31/12/2009	43,835	18,434	25,401
Depreciation and impairment			
At 01/01/2009	23,780	7,517	16,263
Depreciation	3,200	1,334	1,866
Exchange adjustments	196	82	114
Disposals	-2,476	-1,226	- 1,250
At 31/12/2009	24,700	7,707	16,993
Tangible fixed assets, net			
Tangible fixed assets (without grants)	19,135	10,727	8,408
Grants at 31/12/2009	-147	-60	-87
Grants utilised in 2009	52	21	31
At 31/12/2009	19,040	10,688	8,352

7. Goodwill

At 01/01/2009	6,357
Investments	0
At 31/12/2009	6,357
Impairments and adjustments	
At 01/01/2009	0
Adapted to deferred tax	-3,888
At 31/12/2009	-3,888
Goodwill, net 31/12/2009	2,469
At 31/12/2009	
Goodwill, gross	6,357
Accumulated impairments/adjustments	-3,888
Goodwill, net 31/12/2009	2,469

8.a. Intangible assets

000 euro	Total	Brands with limited useful life	Brands with indefinite useful life	Software	Key money
Intangible assets, gross					
At 01/01/2008	3,505	423	0	2,682	400
Investments	11,448	83	11,000	365	0
Related to acquisition of subsidiary	109	2	0	7	100
Disposals	-75	0	0	0	-75
At 31/12/2008	14,987	508	11,000	3,054	425
Depreciation and impairment					
At 01/01/2008	1,875	387	0	1,488	0
Amortization	472	20	0	447	5
At 31/12/2008	2,347	407	0	1,935	5
Intangible assets, net 31/12/2008	12,640	101	11,000	1,119	420
Intangible assets, gross					
At 01/01/2009	14,987	508	11,000	3,054	425
Investments	611	314	0	286	11
Disposals	-134	0	0	-34	-100
At 31/12/2009	15,464	822	11,000	3,306	336
Depreciation and impairment					
At 01/01/2009	2,347	407	0	1,935	5
Amortization	620	47	0	477	96
Disposals	-133	0	0	-43	-90
At 31/12/2009	2,834	454	0	2,369	11
Intangible assets, net 31/12/2009	12,630	368	11,000	937	325

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

The Andrés Sardá brand acquired in 2008 has an indefinite useful life. The Andrés Sardá brand was deemed to be a brand with an indefinite useful life because the group considers this brand to be a full-fledged addition to its existing brand portfolio.

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

In 2006 key moneys were tested for impairment as mentioned in our accounting policies and no impairment was recognised. The recoverable amount was confirmed by an expert. There has been no indication of impairment after 2006.

Impairment test

In the fourth quarter of 2009 the group conducted an impairment test on the intangible fixed assets as part of the acquisition of Eurocorset (goodwill of 2,469,000 euro) and the purchase of the Andrés Sardá brand (11,000,000 euro).

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

This calculation shows that, taking into account the assumptions used, the present value of the expected future cash flows for these intangible fixed assets is higher than the carrying value of 13,469,000 euro and the carrying value is therefore retained.

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

The discount rate used to determine the present value of the expected future cash flows is a discount rate based on the weighted average cost of capital and is set at 8.27%.

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

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

8.b Participations measured using the equity method

During 2007 Van de Velde acquired 49.90% of the shares of Intimacy for 10,742,000 euro.

In November 2008 the group took a 49.90% stake in Retail BV for 3,050,000 euro.

Net carrying amount (000 euro)	Intimacy	Retail BV	Top Form	Total
At 01/01/2009	11,534	3,058	11,469	26,061
Acquisition	-	-	-	-
Results for the financial year	253	-78	-276	-101
Dividends	-	-	-548	-548
Conversion profit and losses	-395	-	-	-395
Excluded from consolidation	-	-	-	-
At 31/12/2009	11,392	2,980	10,645	25,017

The Top Form International figures in the table are from 30 June 2009. This is due to the fact that the publication of our annual report could potentially be seen as a disclosure of privileged information and due to the fact that the information was unavailable on 31 December.

Key figures	Intimacy USD (31/12/2009)	Retail BV EUR (31/12/2009)	Top Form HKD '000 (30/06/2009)
Tangible fixed assets	4,675,088	1,017,026	148,644
Other fixed assets	423,662	35,339	9,406
Current assets	3,793,935	1,969,944	665,593
Non-current liabilities	2,954,939	948,552	14,399
Current liabilities	3,002,475	539,241	246,394
Total net assets	2,935,271	1,534,517	562,850
Turnover	27,870,916	6,314,486	1,370,026
Net profit	704,391	-153,359	-13,950

9. Other fixed assets

Other non-current assets consist of the following:

000 euro	2009	2008
Security deposits for VAT	474	383
Other security deposits	130	129
Borrowings	1,954	2,007
Financial instruments at fair value with value changes recognised through profit and loss	0	1,200
Deferred income tax	3,920	0
Other fixed assets, net	**6,478**	**3,719**

At the end of 2008 collateralised debt obligations (CDOs) were valued at fair value with value changes recognised through profit and loss. In 2009 the fair value of the CDOs was reduced to 0 euro through profit and loss.

10. Grants

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

000 euro	2009	2008
At 1 January	207	259
Received during the year	0	0
Released to the income statement	52	54
Exchange rate adjustments	8	(2)
At 31 December	147	207
Current	147	207

11. Share capital

Authorised and fully paid	2009	2008
Nominative shares	7,497,841	7,996,310
Dematerialised shares	5,663,009	
Bearer shares	161,630	5,560,400
Total number of shares	13,322,480	13,556,710

At 31 December 2009 Van de Velde NV's share capital was 1,936,000 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 destroyed. The Board of Directors of Van de Velde NV is authorised to raise the subscribed capital by one or more times with a total amount of 1,926,406.25 euro under the conditions stated in the articles of association. This authorisation is valid for five years after the publication in the annexes to the Belgisch Staatsblad/Moniteur belge (22 May 2008).

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

Treasury shares

At the end of 2008 Van de Velde NV held 331,730 of its own shares with a total value of 8,718,000 euro. The Extraordinary General Meeting of 29 April 2009 decided to destroy 234,230 purchased shares with a corresponding value of 6,133,000 euro.

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

During 2009 a total of 2,101 of the company's own shares were purchased with a total value of 61,000 euro. At the end of 2009 Van de Velde NV held 99,601 of its own shares with a total value of 2,646,000 euro. The recognised value in shareholders' equity is 21,000 euro lower due to the time differences between the purchase and the administrative processing.

000 euro	2009	2008
Share capital	1,936	1,936
Treasury shares	-2,625	-8,718
Share premium	743	743

12. Provisions

000 euro	Claims of Distributors	Provision for agents	Total
At 01/01/2008	14	1,365	1,379
Arising during the year	-14	141	127
Utilised	0	-632	-632
Provisions 31/12/2008	0	874	874
At 01/01/2009	0	874	874
Arising during the year	0	76	76
Utilised	0	-226	-226
Provisions 31/12/2009	0	724	724
Non-current 2009	0	724	724
Non-current 2008	0	874	874

In 2007 a provision of 1,365,000 euro was recognised in relation to the termination fee for our sales agents. 632,000 euro of this was used during 2008. An additional termination fee of 141,000 euro was recognised during 2008. In 2009, 226,000 euro of the provision was used and an additional provision of 76,000 euro was recognised. The expected timetable of the corresponding cash outflow depends on the progress and duration of the negotiations with the sales agents.

13. Deferred tax liabilities

The deferred tax liability consists of the following:

000 euro	Captive	Financial Instruments	PPE Revaluations + Capitalisation of ICT projects	Sundry	Total
At 01/01/2008	1,339	12	1,111	0	2,462
Investments	-749	439	-30	29	-311
At 31/12/2008	590	451	1,081	29	2,151
At 01/01/2009	590	451	1,081	29	2,151
Investments	0	-500	-45	-29	-574
At 31/12/2009	590	-49	1,036	0	1,577

Captive: upon sale, an amount of 590,000 euro was deposited on an escrow account. A deferred tax liability was recognised for the same amount.

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

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

14. a. Trade and other payables

The accounts payable consist of the following:

000 euro	2009	2008
Trade payables	3,840	6,047
Payroll, social charges	4,958	4,719
Accrued charges	1,450	391
Sundry	385	355
Short-term borrowings	88	124
Trade and other payables	**10,721**	**11,636**

14. b. Other current liabilities and taxes payable

000 euro	2009	2008
Other current liabilities: Taxes (VAT payable, local taxes, withholding taxes)	311	867
Taxes payable: corporate income tax	216	661

15. Financial instruments

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

Derivates which do not qualify for hedge accounting

The company applies FX forward contracts to manage transaction risks. These have a maturity date from 15/01/2010 to 16/12/2010 (maturities at 31 December 2008: from 15/01/2009 to 15/12/2009). As these contracts do not meet the hedging criteria of IAS 39, they are valued at fair value and recognised as trading contracts through profit or loss.
On 31 December the fair value of these FX forward contracts was -177,100 euro, comprising an unrealised income of 94,100 euro and an unrealised loss of 271,200 euro. A net deferred tax liability was recognized for both unrealised results.

Cash flow hedges

On 31 December 2009 the group had a number of forward contracts to hedge the exchange rate risk on an expected future transaction.
These forward contracts were assessed as being highly effective and an unrealised income of 213,200 euro was recognised via Other comprehensive income. No deferred tax liability was established for this unrealised income.

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

000 euro	2009	2008
Derivates that do not qualify for hedge accounting		
Other current assets	94.1	1,508.4
Other current liabilities	-271.2	-241.9
Cash flow hedges		
Other current assets	213.2	-
Other current liabilities	-	-

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

– Level 1: quoted (and not adjusted) prices on active markets for identical assets and liabilities
– Level 2: other techniques, in which all inputs that have a major impact on the recognised 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.

16. Financial result

The financial result breaks down as follows:

000 euro	2009	2008
Interest income	587	1,201
Interest costs	-64	-108
Interest expenses, net	**523**	**1,093**
Exchange gains	932	4,722
Exchange losses	-659	-3,507
Exchange result, net	**273**	**1,215**
Impairment of CDOs	-1,200	-2,250
Income from investments (dividends)	548	215
Other financial costs	-197	-219
Financial result	**-53**	**54**

17. Personnel expenses

Personnel expenses are as follows:

000 euro	2009	2008
Wages	10,711	10,383
Salaries	13,543	10,490
Social security contributions	5,791	5,190
Other personnel expenses	2,456	1,281
Personnel expenses	32,501	27,344

Average workforce	2009 FTE	2008 FTE
Office workers	285	294
Manual workers	960	1355
Total	1,245	1,649

At the moment the group only has pension plans of the 'defined contribution' type. The cost of this plan amounts to 402,000 euro in 2009 (342,000 euro in 2008). The remainder relates to a provision of 33,000 euro (35,000 euro in 2008) of the 'defined benefit' type.

Option plan

The group applies IFRS 2 Share-Based payments since 2008. The fair value of the options on the grant date is recognized for the period until the beneficiary acquires the option unconditionally in accordance with the gradual acquisition method. For options accepted before 2008, 212,000 euro was included under retained earnings in the reserves.

The impact of IFRS 2 on the result of fiscal year 2009 was 352,000 euro versus 141,000 euro in 2008.

The option plans were valued on the basis of the binomial tree structure using the following assumptions to determine the weighted average fair value on the award date:

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

The share option plan has developed as follows:

	Option plan 2005 - 2009
Outstanding at 01/01/2008	**62,500**
Exercisable at 01/01/2008	**0**
Movements during the year	
Accepted	41,000
Forfeited	0
Exercised	0
Expired	0
Outstanding at 31/12/2008	**103,500**
Exercisable at 31/12/2008	**0**
Movements during the year	
Accepted	30,000
Forfeited	0
Exercised	0
Expired	0
Outstanding at 31/12/2009	**133,500**
Exercisable at 31/12/2009	**32,500**

18. Income taxes

000 euro	2009	2008
Profit from operating activities before income tax	37,461	40,460
Parent's statutory tax rate of 33.99%	12,733	13,752
Higher income tax rates in other countries	4	21
Lower income tax rates in other countries	-1,627	-1,269
Disallowed expenses	161	162
Notional interest deduction	-1,102	-749
Other	224	-153
Tax impact on Top Form dividend	-177	-72
Total income taxes	**10,216**	**11,692**

000 euro	2009	2008
Current income tax	**10,823**	**12,004**
Current income tax charge	10,871	12,035
Adjustments in respect of current income tax of previous years	-48	-31
Deferred income tax	**-607**	**-312**
Relating to the origination and reversal of temporary differences	-607	-312
Income tax expense reported in the consolidated income statement	**10,216**	**11,692**

19a. 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 2009	Change on previous year
VAN DE VELDE NV	Lageweg 4 9260 SCHELLEBELLE VAT 448.746.744	Parent company	
VAN DE VELDE FRANCE S.A.R.L.	16, Place du General De Gaulle 59800 LILLE, France	100	0
VAN DE VELDE GMBH & Co. KG	Theresienstrasse 6-8 80333 MUNICH, Germany	100	0
VAN DE VELDE GEBROEDERS VERWALTUNGS Gmbh	Theresienstrasse 6-8 80333 MUNICH, Germany	100	0
VAN DE VELDE TERMELO ES KERESKEDELMI Kft	Selyem U.4 7100 SZEKSZARD, Hungary	100	0
VAN DE VELDE UK LTD	Mitre House, Aldersgate Street 160 EC1A4DD LONDON United Kingdom	100	0
VAN DE VELDE MODE BV	Dr. Hub van Doorneweg 153 5026 RC TILBURG, Netherlands	100	0
MARIE JO SARL	16, Place du General De Gaulle 59800 LILLE, France	100	0
MARIE JO GMBH	Theresienstrasse 6-8 80333 MUNICH, Germany	100	0
GULIANO HK LIMITED	193, Prince Edward Road West KOWLOON, Hong Kong	100	0
VAN DE VELDE ITALY SRL	Via San Vito 7 20123 MILAN, Italy	100	0
VAN DE VELDE IBERICA	Rd. General Mitre 28 08017 BARCELONA, Spain	100	0
VAN DE VELDE CONFECTION	Route De Sousse BP 25 4020 KONDAR, Tunisia	100	0
VAN DE VELDE FINLAND OY	Töölönkatu 30A 00260 HELSINKI, Finland	100	0
VAN DE VELDE NORTH AMERICA	171 Madison Avenue NEW YORK, NY 10016, USA	100	0

VAN DE VELDE DENMARK APS	Lejrvejen 8 6330 PADBORG, Denmark	100	0
VAN DE VELDE RETAIL INC	171 Madison Avenue NEW YORK, NY 10016, USA	100	0
EUROCORSET, S.A.	Santa Eulalia, 5-7-9 08012 BARCELONA, Spain	100	0
SU DISTRIBUIDORA SUL TU CORPO, S.L.	Santa Eulalia, 5-7-9 08012 BARCELONA, Spain	100	0

Services are rendered at arm's length between group companies.

Companies to which the equity method is applied

The equity method is applied to the following companies:

'Equity'-methode	Address	(%) equity interest 2009	Change on previous year
INTIMACY MANAGEMENT COMPANY LLC	3980 Dekalb Technology Parkway 760 GA 30340 ATLANTA, USA	49,9%	0
TOP FORM INTERNATIONAL	Room 1813, 18th floor, Tower 1 Grand Century Place 193, Prince Edward Road West HONG KONG	23,3%	0
RETAIL BV	The Netherlands	49,9%	0

Intimacy

The group has a 49.9% stake in Intimacy.

In 2009 transactions between the group and Intimacy totalled 3,889,000 US dollars. At 31 December 2009 the group had trade receivables payable by Intimacy for an amount of 152,000 US dollars and non-current loans of 2,487,000 US dollars.

Top Form International

The stake in Top Form International (TFI) amounts to 23.31% since August 2008.

In 2009 transactions between the group and TFI totalled 5,772,000 US dollars. On 31 December 2009 the group had trade debts payable to TFI for an amount of 157,000 US dollars.

Retail BV

The group acquired a 49.9% stake in Retail BV in November 2008. This took effect from 1 January 2008. The group did not have material transactions with Retail BV since that date.

Relationships with shareholders

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

19 b. Remuneration of directors and members of the Management Committee

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

20. Earnings per share

Basic earnings per share are calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, not including the ordinary shares purchased by the group and held as treasury shares.

Diluted earnings per share are calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year adjusted for the effects of dilutive instruments (e.g. options).

	2009	2008
Profit attributable to shareholders (in 000 euro)	26,596	28,627
Weighted average number of ordinary shares	13,383,425	13,456,124
Weighted average number of shares after impact of dilution	13,386,616	13,456,999
Basic earnings per share (euro)	**1.99**	**2.13**
Diluted earnings per share (euro)	**1.99**	**2.13**

21. Dividends paid and proposed

000 euro	2009	2008
Dividend paid	11,879	12,207
Dividend paid (0.90 euro per share in 2009, 0.90 euro per share in 2008)		
Dividend proposed	21,818	11,902
Dividend proposed (1.65 euro per share for fiscal year 2009, 0.90 euro per share for fiscal year 2008)		

22. Segment information

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

The segment information is presented for the periods closed on 31/12/2009 and 31/12/2008 in the following table:

Segment information

GEOGRAPHICAL SEGMENT (By customer location) 000 euro	2009 Eurozone	2009 Elsewhere	2009 Total	2008 Eurozone	2008 Elsewhere	2008 Total
Segment income statement						
Segment revenues	106,836	33,313	140,149	101,819	31,210	133,029
Sales between segments						
Total revenue	**106,836**	**33,313**	**140,149**	**101,819**	**31,210**	**133,029**
Results by segment	38,063	13,310	51,373	46,966	11,012	57,978
Unallocated results			-13,859			-17,784
Net finance profit			-53			54
Income from associates			-649			71
Income taxes			-10,216			-11,692
Net income			**26,596**			**28,627**
Segment balance sheet						
Segment assets	55,259	15,608	70,867	56,178	18,072	74,250
Unallocated assets			78,447			63,017
Consolidated total assets	55,259	15,608	149,314	56,178	18,072	137,267
Segment liabilities	8,180	2,541	10,721	8,416	2,790	11,206
Unallocated liabilities			138,593			126,061
Consolidated total liabilities	**8,180**	**2,541**	**149,314**	**8,416**	**2,790**	**137,267**

Other segment information

Capital expenditure	2009 Eurozone	2009 Elsewhere	2009 Total	2008 Eurozone	2008 Elsewhere	2008 Total
Tangible fixed assets	3,894	1,210	5,104	1,457	483	1,940
Intangible fixed assets	466	145	611	8,597	2,850	11,447
Depreciations	2,916	906	3,822	2,393	793	3,186

Further information about the assets of the company - location

000 euro	BE	Buiten BE	Totaal
Tangible fixed assets	13,953	5,087	19,040
Intangible fixed assets	12,296	334	12,630
Inventories	25,054	805	25,859

23. Events after the balance sheet date

There were no events after the balance sheet date.

24. Business risks with respect to IFRS 7

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

Currency risk

Due to its international character, the group is confronted with various exchange rate risks. Almost 25% of sales are generated in foreign currency, primarily CAD, CHF, DKK, GBP, NOK, SEK and USD.

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

Where possible, currency risks are managed by compensating transactions in the same currency (e.g. buying and selling in USD – natural hedges) or by fixing exchange rates through forward contracts.

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

The forward contracts, marked to market on the closing date, demonstrate an exchange rate profit of 36,100 euro, -177,100 euro of which is recognised in profit and loss and 213,200 euro of which is recognised in Other comprehensive income. The conversion of accounts receivable, debts and liquidities in foreign currency results in an exchange rate loss of 30,000 euro.

Credit risk

As a consequence of the large diversified customer portfolio, the group does not have to deal with a significant concentration of credit risks. The group has developed strategies and additional procedures to monitor the credit risk at its customers. Sales are generated through 5,000 independent retailers and a small number of luxury department stores. No single customer accounts for more than 2.5% of turnover.
The insolvency risk is also covered by a credit insurance. The part of trade receivables not covered by the credit insurer is considered to be impaired as soon as the due date exceeds 90 days.

Liquidity and cash flow risk

The liquidity and cash flow risk is rather limited by the large net cash flow and the net cash position (40.3 million euro). Credit lines worth 30 million euro are also available.

Risk of interruptions in the supply chain

Business risk as a consequence of an interruption is covered by an insurance. Adequate measures have been taken in consultation with insurers to minimise this risk.
A disaster recovery plan has been drawn up to limit the risk of damage pursuant to the loss of the computer infrastructure.
The risks of an interruption of the deliveries by a supplier and the possible alternatives are identified and regularly monitored. The creditworthiness of suppliers is also monitored.
The ten leading material suppliers account for approximately 60% of purchase costs. The largest supplier accounts for more than 10% of the purchase cost, whereas all other suppliers account for less than 10%.

Assembly capacity is spread over different sites in Tunisia, Romania and China.
The warehouse for finished products and the distribution centre are managed from a different location than the raw materials warehouse and the main office. Both sites are regularly inspected by the fire insurer.

Risk of overvalued stock

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

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

Product risk

Sales are spread over 20,000 stock references, 8,500 of which are changed every year. Therefore, sales do not depend on the success of any one model.


SARDA
ANDRES SARDA

4. *Statutory auditor's report to the general meeting of shareholders of VAN DE VELDE nv on the consolidated financial statements for the year ended DECEMBER 31, 2009*

In accordance with the legal requirements, we report to you on the performance of our mandate of statutory auditor. This report contains our opinion on the consolidated financial statements as well as the required additional comments.

Unqualified opinion on the consolidated financial statements

We have audited the consolidated financial statements of Van de Velde NV and its subsidiaries (collectively referred to as 'the Group') for the year ended December 31, 2009, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated balance sheet as at December 31, 2009, and the consolidated statements of income, changes in equity and cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of € 149,314 thousands and the consolidated statement of income shows a profit for the year, share of the Group, of € 26,596 thousands.

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

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

Responsibility of the statutory auditor

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2009 give a true and fair view of the Group's financial position as at December 31, 2009 and of the results of its operations and its cash flows in accordance with IFRS as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

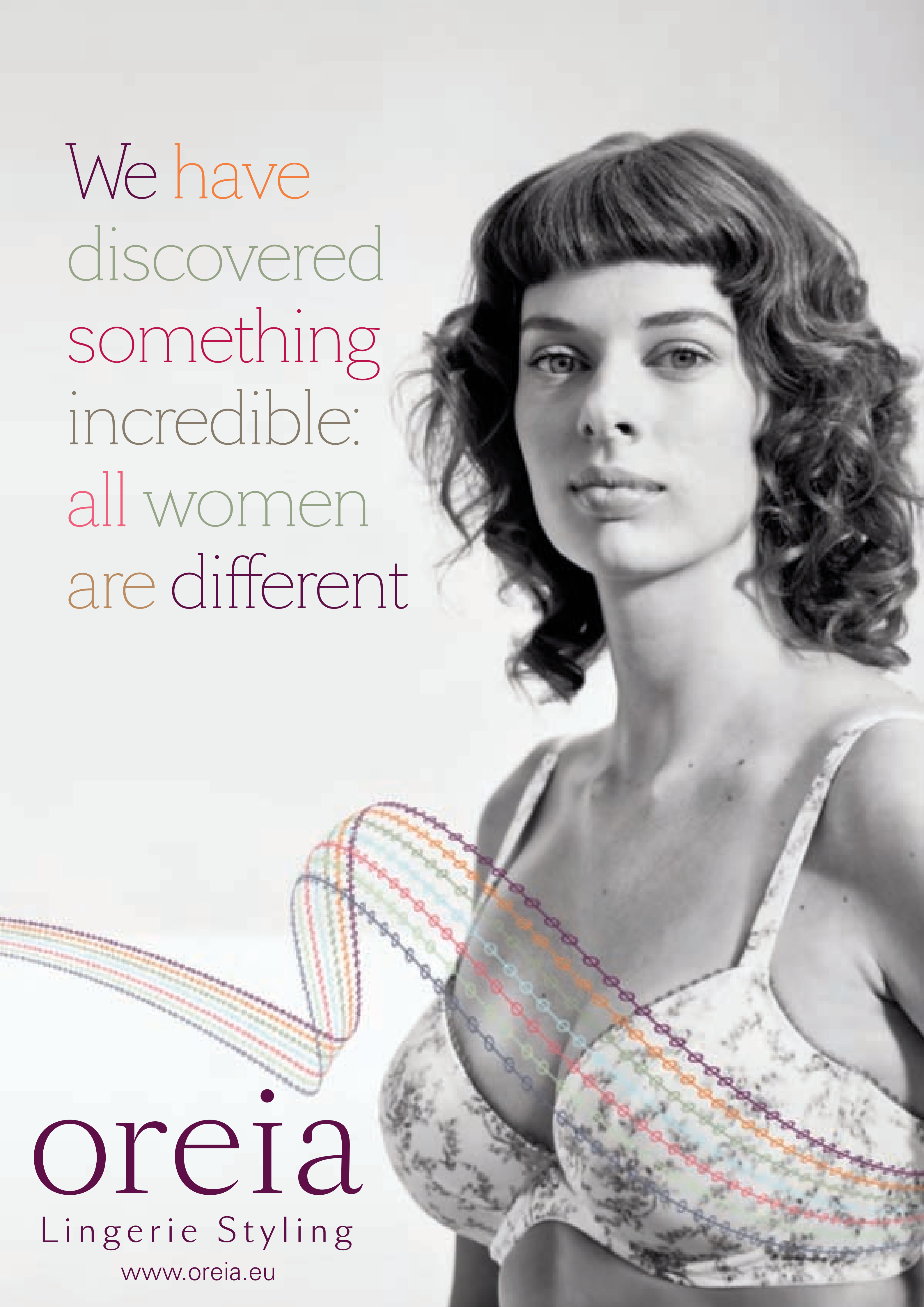
Additional comments

The preparation and the assessment of the information that should be included in the directors' report on the consolidated financial statements are the responsibility of the board of directors.
Our responsibility is to include in our report the following additional comments, which do not modify the scope of our opinion on the consolidated financial statements:

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

Gent, February 24, 2010
Ernst & Young Reviseurs d'Entreprises SCCRL
Statutory auditor
Represented by
Jan De Luyck
Partner

Concise version of the statutory financial statements Van de Velde NV


We have discovered something incredible: all women are different
oreia
Lingerie Styling
www.oreia.eu

5. *Concise version of the statutory financial statements Van de Velde NV*

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

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

Concise balance sheet

000 euro	31/12/2009	31/12/2008
Fixed assets	**59,307**	**59,499**
Intangible fixed assets	15,198	12,534
Tangible fixed assets	10,905	8,377
Financial fixed assets	33,204	38,588
Current assets	**86,406**	**69,967**
Amounts receivable after one year	2,604	2,349
Stocks and orders in production	26,355	25,445
Amounts receivable within one year	14,738	13,427
Financial investments	14,241	20,283
Cash at banks and in hand	27,267	6,948
Accrued income and deferred charges	1,201	1,515
Total assets	**145,713**	**129,466**
Shareholders' equity	**99,071**	**102,038**
Issued capital	1,936	1,936
Share premium	743	743
Reserves	96,392	99,359
Provisions, deferred taxes and tax liabilities	**725**	**874**
Provisions for risks and costs	725	874
Debts	**45,917**	**26,554**
Amounts payable after one year	102	0
Amounts payable within one year	44,136	25,642
Accrued income and deferred charges	1,679	912
Total liabilities	**145,713**	**129,466**

Profit and loss statement

000 euro	31/12/2009	31/12/2008
Operating income	**138,202**	**133,915**
Turnover	136,988	130,407
Changes in stocks unfinished goods and finished goods	- 1,393	1,595
Other operating income	2,607	1,913
Operating costs	**106,118**	**98,316**
Goods for resale, raw materials and consumables	32,693	32,831
Services and other goods	51,028	46,793
Salaries, social charges and pension costs	18,421	16,648
Depreciations	4,831	2,242
Write-downs and provisions	- 989	- 361
Other operating costs	134	163
Operating profit	**32,084**	**35,599**
Financial result	**3,081**	**2,421**
Finance income	7,938	10,296
Finance costs	- 4,857	- 7,875
Profits on ordinary activities before tax	**35,165**	**38,020**
Exceptional result	**29**	**- 9,050**
Exceptional income	29	3,840
Exceptional costs	0	-12,890
Pre-tax profit for the financial year	**35,194**	**28,970**
Tax	**-10,209**	**- 10,652**
Withdrawal from deferred taxes	0	0
Tax on the profit	-10,209	-10,652
Profit for the financial year	**24,985**	**18,318**

Calculation of Profit of Van de Velde NV

in 000 euro	31/12/2009	31/12/2008
Distributable profit	**24,985**	**18,318**
Distributable profit for the financial year	24,985	18,318
Profit or loss to be allocated	**3,167**	**6,415**
To the legal reserve	0	0
To the other reserves	3,167	6,415
Profit to be distributed	**21,818**	**11,903**

Valuation rules for the statutory financial statements as of 31/12/2009

1. Formation expenses
Formation expenses are immediately charged to the result.

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

3. Tangible fixed assets
All tangible fixed assets are valued at actual cost, incl. additional costs, less depreciations.
All depreciations except for vehicles are calculated using the double declining method. The first year investments are immediately depreciated for a full year.

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

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

An impairment is recognised if a sustained loss of value is established, justified by circumstances, profitability or prospects (Art. 66 § 2 Royal Decree 30 January 2001). Write-offs cannot be maintained if they are higher at the end of the financial year than as stipulated in accordance with the current assessment (Art. 49 Royal Decree 30 January 2001).
All increases or reductions in value of subsidiaries are recognised in accordance with the equity method, if the activity is not closely integrated with the activity of the company that has joint control.
Amounts receivable and guarantees are recognised at nominal value.

5. Inventories
Raw materials and other materials are valued at actual cost, calculated according to the standard price method.
Manufactured products (unfinished and finished products) are valued at production price, which also includes indirect production costs.
Additional depreciations are applied to take into account the development in the market value of the stock.

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

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

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

7. Capital subsidies and deferred taxes

Capital subsidies are valued at nominal value after deducting deferred taxes.

They are gradually recognised in other financial income via transfers.

8. Provisions for risks and costs

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

9. Debts

Debts are valued at nominal value on the balance date.

Statutory financial statements
Financial year 1/1/2009 - 31/12/2009

1. Comments on the financial statements:

The financial statements show a balance sheet total of 145,713,000 euro and a profit after tax for the financial year of 24,985,000 euro.

2. Important events after year end

There were no important events after year end.

3. Expected developments

We refer readers to Prospects for 2010 in the Activity report 2009 section.

4. Research and development

Van de Velde operates a design department that also comprises a research and development unit. The design department is responsible for the launch of new collections, whereas the research and development unit investigates new materials, new production technologies, new products and so on.

5. Additional tasks of the statutory auditor

The General Meeting on 25 April 2007 of Van de Velde NV appointed Ernst & Young Bedrijfsrevisoren BVCBA, Moutstraat 54, 9000 Ghent, represented by Jan De Luyck, as the statutory auditor. This appointment runs until the annual meeting of 2010.

The annual remuneration in 2009 for auditing the statutory and consolidated annual accounts of Van de Velde NV was 45,500 euro (excl. VAT). The total costs for 2009 for the auditing of the annual accounts of all companies of the Van de Velde NV group was 130,919 euro (excl. VAT), including the 45,500 euro mentioned above.

In accordance with Article 134 of the Companies Code, Van de Velde announces that the remuneration given to the statutory auditor for exceptional and special tasks and to the persons with whom the statutory auditor has a professional relationship was 108,082 euro (excl. VAT), of which:

- 69,024 euro for other tasks not part of the legal auditing tasks
- 39,058 euro for tax advisory tasks.

6. Description of risks and uncertainties

The following risks at group-level were examined and where necessary hedging positions or preventive measures taken:

- Currency risk
- Credit risk
- Liquidity and cash flow risk
- Risk of interruptions in the supply chain
- Risk of overvalued stock
- Product risk.

7. Acquisition of own shares

At the end of 2008 Van de Velde NV held 331,730 of its own shares with a total value of 8,718,000 euro. The Extraordinary General Meeting of 29 April 2009 decided to destroy 234,230 purchased shares with a total value of 6,133,000 euro.

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

During 2009 a total of 2,101 of the company's own shares were purchased with a total value of 61,000 euro. At the end of 2009 Van de Velde NV held 99,601 of its own shares with a total value of 2,646,000 euro. The recognised value is 21,000 euro lower because of time differences between purchase and administrative processing.

000 euro	2009	2008
Share capital	1,936	1,936
Own shares of the entity	-2,625	-8,718
Share premium	743	743

8. Conflict of interests

In 2009 the procedure laid down in Article 523 of the Companies Code was applied once. This concerned the extension of the exercise period of the accepted options in the context of Belgium's Economic Recovery Act of 27 March 2009. Further details are provided in the Conflicts of interests section (Corporate governance).

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

10. Enumeration, within the framework of Article 34 of the Royal Decree of 14 November 2007 concerning the obligations of issuers of financial instruments that may be traded on a regulated market.

- 43.73% of the shares of Van de Velde NV are held by the general public. The remainder of the shares are held by Van de Velde Holding NV, which groups the interests of the Laureys and Van de Velde families. Different types of shares do not exist.
- There are no restrictions on the transfer of securities laid down by law or the articles of association.
- Holders of securities linked to special control: A majority of Van de Velde'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'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 authorised, for a period of five years from the announcement in the annexes to the Belgisch Staatsblad/Moniteur belge (22 May 2008), to raise the subscribed capital by one or more times with a total amount of 1,926,406.25 euro, under the conditions in the articles of association.
- The power of the administrative body with respect to the possibility of purchasing shares: see point 7 above.
- There are no major agreements to which Van de Velde NV is party that come into effect, are amended or expire in the event of a change in control of the issuer after a public offer.
- No agreements have been concluded between the issuer and its directors and/or employees that provide for a payment if the relationship is ended as a consequence of a public offer.

11. Proposed profit distribution

The Board of Directors proposes to the General Meeting of Shareholders payment of a dividend of 1.65 euro per share.

After payment of 25% tax, this represents a net dividend of 1.2375 euro per share.

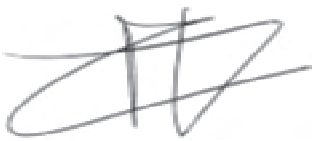
After approval by the General Meeting the dividend will be paid out from 6 May 2010 at branches of ING and Bank Degroof upon presentation of coupon 4.

Proposed profit distribution in thousands of euro

Results for the fiscal year

Distributable profit	24,985
Gross dividend of 1.65 euro per share on 13,222,879 shares	21,818
Addition to the other reserves	3,167

NV Herman Van de Velde
Represented by Herman Van de Velde
CEO



EBVBA 4F
Represented by Ignace Van Doorselaere
CEO

6. *Declaration of the responsible persons*

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

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

EBVBA 4 F, always represented by
Ignace Van Doorselaere
Chairman of the Board

Stefaan Vandamme
CFO


Yanina
Yanina Wickmayer
intense
MARIE JO
www.mariejo-intense.com

7. *Social and environmental report*

2009 social and environmental report

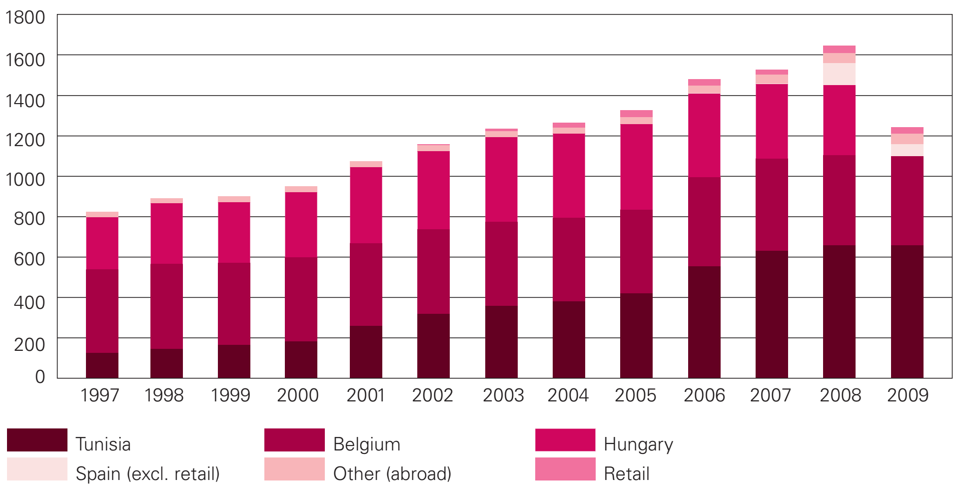
Workforce in figures:

Drop in the total number of employees

The number of employees of Van de Velde group decreased in 2009.
This fall was mainly due to the closure of the production site in Hungary.
The number of employees at the main office in Belgium increased again.

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Tunisia	125	146	165	183	259	318	359	380	420	553	631	658	643
Belgium	414	420	407	417	411	421	416	414	416	443	458	448	456
Hungary	259	301	300	322	376	385	420	417	422	415	368	347	0
Spain (excl. retail)									1	1	3	108	67
Other (abroad)	27	26	29	29	28	30	28	30	35	38	43	51	54
Retail						7	14	25	34	32	27	37	25
	825	**893**	**901**	**951**	**1074**	**1161**	**1237**	**1266**	**1328**	**1482**	**1530**	**1649**	**1245**

Evolution workforce group Van de Velde



Employment of Hungarian stitching and quality control staff in Belgium

When the site in Hungary closed we gave the employees the option of relocating to work in Belgium. Twelve Hungarian employees took up this option and have been living and working in Belgium since October 2009. We are working to ensure that they integrate quickly and feel at home in our country through an intensive Dutch course/training (in association with the VDAB) and counselling and training in the work place.

Annual employee interviews

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

Training

The annual interview is an important means of identifying the need for training among employees. The main training needs are acquiring technical know-how, strengthening communication and management skills, and learning foreign languages – in response to internationalisation.
We search for training methods that best fit the needs of the employee and the goals of the training.

New employees are mainly trained on the job.
Employees can count on the guidance and permanent availability of their line manager, a mentor (colleague) and the human resources department.
Bearing in mind the outstanding quality of the products, it is important that new employees acquire a high level of technical competence.

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

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

Communication and team spirit

Staff party

Every year, Van de Velde arranges a special activity for its employees and their families. One year there is a party for employees and their partners, the next year there is an event in which the whole family can take part. It is an ideal opportunity for colleagues to meet each other and each other's families outside the working environment.

In October 2009 we arranged a staff party with disco for employees and their partners.

Team-building event

Every department has the opportunity to organise an annual team-building event, which is funded by the company.

Inside-out

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

Health and Safety

Good relations between the internal prevention department, the external prevention service and the members of the Prevention and Protection at Work Committee are the foundation of a healthy, safe company.

Occupational accidents

In 2009 there were seventeen occupational accidents at work, as well as seven accidents on the way to and from work (mainly falls). Although these were for the most part minor incidents, all accidents and near-accidents were thoroughly investigated by the prevention advisor. Where necessary, the prevention policy was adapted, personal protective equipment (such as safety boots and auditory protection) was introduced and special employee training was provided (such as lifting techniques).

A special awareness campaign was also held in the cutting room with regard to auditory protection. Around thirty employees were provided with personalised auditory protection.

Ergonomics

The ergonomics of all work stations was evaluated in association with an expert from the external risk prevention service. The focus on the evaluation was preventing back problems and optimising the environment with regard to lifting tasks. The recommendations were discussed in the Prevention and Protection at Work Committee and will be gradually introduced in the course of 2010.

Flu vaccination

In 2009, almost a quarter of the workforce signed up for our free annual flu vaccination.

Fire safety and first aid

A fire prevention training is held every year at both sites. As well as an opportunity to test all procedures, this training enables our employees to refresh their knowledge of the fire safety instructions. The persons responsible for safety and the employees responsible for first aid take courses regularly to freshen up and expand their knowledge and skills.

Social commitment

Regional women's project

Van de Velde's commitment to support a regional women's project was put into practice in 2006 with the opening of a child-raising centre in Wetteren, in partnership with the regional CAW. It welcomes parents with questions about raising a child. Parents are very positive about the service.

Close cooperation with Trianval (sheltered workshop)

The partnership with Trianval, a sheltered workshop in Wetteren, was expanded in 2009. At peak times a permanent Trianval team works on our premises under supervision. The team mainly helps in packing lingerie.

Ethical and social enterprise

The ethical and social commitments of Van de Velde group are published in the Ethical and Social Charter.

These commitments have earned SA8000 certification in Belgium (Wichelen and Schellebelle). The certification was renewed for three years in 2009. Our certified sites are audited twice a year by independent auditors SGS (www.sgs.be).

Among other things, the SA8000 certification (www.sa-intl.org) draws on the basic conventions of the International Labour Organization, the Universal Declaration of Human Rights and the UN Convention on the Rights of the Child. The standard was drawn up in consultation between NGOs, collective industrial organisations, industry and labelling bodies.

SA8000 certification is not without obligation for the company. The whole company and all employees are closely involved in the audits and must observe the principles. On the other hand, the award is a commitment to the future. All business aspects covered by the SA8000 certification are subject to discussions in the Management Committee. The certification obliges the company to regularly look at itself, and evaluate and fine-tune its human resources operations. Certification holders are subject to two social audits per year.

The full version of the Ethical and Social Charter is available at www.vandevelde.eu

Environmental report

No additional chemicals are used in raw materials processing. Processing primarily concerns cutting textile. This does not produce any special air or water pollution, although waste is produced in the form of textile and packaging waste.

Recycling efforts are maximised. For instance, paper and cardboard are collected separately, as are plastic bags, textile waste and PMD (plastic bottles, metal packaging and drink cartons). These waste substances are first and foremost recycled. The waste textile is generally the only waste used to produce heat by incineration.

Special efforts are also made to reduce energy consumption at both sites. A number of small-scale campaigns were conducted over the past year to inform employees of how energy savings could be achieved.

There is also an ongoing project in association with Electrabel to optimise the heat provision at the Schellebelle site and restrict heat loss in the existing system. This project is scheduled to run in the summer of 2010.

Another major environmental project was the use of alternative energy sources. The feasibility of running the two sites on solar power was investigated. Unfortunately, solar panels could not be installed on the roof of existing buildings.

Advantage was taken of the new building in Wichelen to generate electricity from PV panels. The roof structure was adapted somewhat to allow it to support the extra weight. The system has been running since the end of 2009. The first weeks of 2010 were primarily reserved for testing. The energy generated by the PV panels is consumed in full during regular business hours at the distribution centre. All generated power is introduced into the national grid after hours, on weekends and during the holidays.

Twenty-year environmental permits were awarded for the Schellebelle and Wichelen sites on 25 January 1996 and 1 July 1997 respectively.
Both sites are classified as class 2 sites.