MOVING FORWARD

ANNUAL REPORT 2012

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This is a translation of Accell Group N.V.'s Annual Report 2012, prepared in the Dutch language and in accordance with Dutch law. By the event of any difference in interpretation, the Dutch version of the Annual Report shall prevail.

THE PREMIER CYCLE AND FITNESS GROUP

ACCELL GROUP

ANNUAL REPORT


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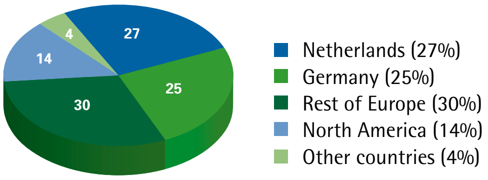
PROFILE, STRATEGY AND ORGANISATION

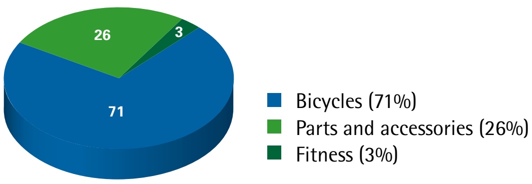
Accell Group N.V. ("Accell Group") focuses internationally on the mid-range and higher segments of the market for bicycles, bicycle parts and accessories and fitness equipment. The company has leading positions in the Netherlands, Belgium, Germany, Italy, France, Finland, Turkey, the United Kingdom and the United States. In Europe Accell Group is market leader in the bicycle market in terms of revenue. Accell Group's best known brands are Batavus (NL), Sparta (NL), Sparta (NL), Loekie (NL), Ghost (Ger), Haibike (Ger), Hercules (Ger), Winora (Ger), Raleigh and Diamondback (UK, US, Canada), Lapierre (Fr), Tunturi (Fi), Atala (IT), Redline (US) and XLC (international).

Accell Group and its subsidiaries employ 2,776 people worldwide in eighteen countries. The company has production facilities in the Netherlands, Germany, France, Hungary, Turkey and Canada. Products of Accell Group are sold in more than seventy countries. The headquarters of the company are located in Heerenveen. The Accell Group shares are traded on the official market of NYSE Euronext in Amsterdam and included in the Amsterdam Small Cap Index (AScX). In 2012 Accell Group realized a profitable revenue of € 772.5 million.

Accell Group turnover by country 2012



Accell Group turnover by product 2012



Strategy

Accell Group's ambition is to be a trendsetter in the field of development and sale of sustainable consumer goods for short-distance mobility, fitness and active recreation. The market approach is based on the key concepts 'quality', 'innovation' and 'recognisable added value'.

Taking responsibility in producing durable products and actively responding to social and demographic developments in the fields of environment and health are an integral part of Accell Group's strategy. For consumers, this translates into a broad and strong portfolio of brands, including international top brands and well-known national brands, often with a long and distinguished history.

Accell Group operates close to the market and, largely due to the high added value of its products and numerous innovations, sells primarily via the specialist retail trade in countries in which it has leading market positions.

Organisation

Accell Group's organizational structure comprises of independently operating subsidiaries that bear primary responsibility for their market positions. Accell Group maintains the holding function within this structure and, in addition to strategy, is responsible for matters including treasury, financial control, business development, investor relations and the coordination of marketing, product development, production planning and procurement in order to achieve synergies.

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KEY FIGURES

(in euros, unless stated otherwise)

	2012	2011	2010	2009
Results (in millions of euros)				
Net turnover	**772.5**	628.5	577.2	572.6
Operating profit (EBIT)	**32.5**	34.8	46.4	49.9
Net profit	**23.2**	40.3	36.4	32.7
Free cash flow [1]	**-19.9**	16.9	-1.1	27.1
Balance sheet data (in millions of euros)				
Group equity	**247.7**	214.6	180.4	151.8
Net debt	**143.8**	115.7	100.5	84.8
Balance sheet total	**602.1**	434.0	383.9	337.3
Capital employed [2]	**426.4**	353.4	302.5	259.5
Investments in property, plant and equipment	**22.8**	11.2	6.2	6.7
Ratios (in %)				
ROCE	**7.6**	9.8	15.3	19.2
ROE	**9.4**	18.8	20.2	21.6
Operating profit/turnover	**4.2**	5.5	8.0	8.7
Net profit/turnover	**3.0**	6.4	6.3	5.7
Data per share [3]				
Number of issued shares at year-end	**23,863,432**	21,094,760	20,609,012	20,034,168
Weighted average number of issued shares	**22,897,471**	20,905,497	20,385,290	19,856,130
Net profit	**1.01**	1.86	1.69	1.52
Free cash flow [3]	**-0.87**	0.78	-0.05	1.26
Group equity	**10.82**	9.92	8.38	7.06
Dividend [4]	**0.75**	0.89	0.81	0.73
Average number of employees (FTE's)	**2,776**	2,234	1,877	1,787

1) Free cash flow is defined as the balance of the net cash flow from operating- and investing activities.
2) Capital employed is the balance sheet total minus current non-interest bearing liabilities (including non-current provisions).
3) The data per share are calculated based on the weighted average number of issued shares. The data per share for the years 2009-2011 have been adjusted for the dilution resulting from the issue of stock dividend charged to the share premium reserve in accordance with the International Financial Reporting Standards (IAS33). The applied adjustment factor in the reporting year for 2011 and for previous years is 0.9658568.
4) The dividend per share relating to the financial year 2012 concerns the proposal to be submitted to the General Meeting of Shareholders.

OUR BRANDS

Batavus (1904) | Batavus is more than 100 years old and traditionally one of the strongest and best-known bicycle brands in Netherlands. The Batavus brand combines a very strong sense of the familiar with top-notch quality. Continuous innovations, distinctive styling and a broad product range gives Batavus very wide audience appeal. Batavus continues to set the trend with innovations focused on the central themes of comfort, sustainability, design and safety. The Batavus range focuses on various sub-segments in the market, such as the demanding cyclist, families with children and the growth segment of retired cyclists. Batavus sells its products and services primarily to specialist retailers in the Netherlands and exports to Belgium, Denmark, Germany, the United Kingdom, Sweden and other countries.

Koga (1974) | Koga is a premium brand with a sporty character. Since its foundation in 1974, Koga has operated consistently on the basis of the company philosophy, which can be summed up as the design and construction of hand-made, exclusive, high-quality bikes incorporating the latest technologies. Continuous innovations and close ties with top sportsmen and women and professional cycling teams in international sports cyclist circles are the cornerstones of the brand. Koga has become an international brand and has its own extensive Quality Center for development and quality control. In addition to its home market in the Netherlands, Koga exports its range to Germany, Belgium, Scandinavia, Switzerland, Austria, England, Australia and Asia. Koga is also contributing to the international expansion of Van Nicholas, a specialist in the development of high-quality titanium bicycles and frames.

Sparta (1917) | Sparta is a true speciality brand, responsible for innovations such as special bicycles for mothers, trendy bikes for young people and the electric bicycle. Both the trendy bicycles and the electric bicycles began new market segments that are now an indispensible part of today's bicycle stores. Consumers know Sparta primarily as the brand behind electrically-assisted bicycles, the Sparta ION®. Sparta still sets the trend in this segment and continues to develop the concept with new models and marketing ideas. Both the market for and the image of electrically-assisted bicycles are developing strongly. The electrically-assisted bicycle is increasingly also seen as a way of meeting today's mobility demands while have a positive impact on the environment, which means the brand also appeals to new target groups.

Loekie (1980) | Loekie has been the trendsetting brand for children's bicycles for almost 30 years. The current generation of parents with young children often remember the brand from their own first attempts at cycling. Loekie is one of the key players in the world of children's bikes in the 3-to-7 age range. Under the motto 'A Loekie bike for every child' the brand invests in a new innovative range every year. In addition to developing new models and the latest colours based on trend surveys, Loekie puts a lot of emphasis on safety. As the largest brand in children's bicycles, Loekie continues to develop and innovate to attract the attention of dealers, parents and children.

Hercules (1886) | Hercules is the brand with one of the longest traditions in the German market. Hercules focuses on design, quality, innovation and a clearly defined brand profile. Expert retailers and consumers are most familiar with Hercules as the friendly German family brand. To continue the development of its broad range, Hercules uses various successful products and innovations developed within the Accell Group, including the line of electrically-assisted bicycles based on the ION® technology. Hercules strengthens its strong position in the German specialist retail sector by offering training courses at the 'Hercules Academy'.

Winora (1914) | Winora is a household name in Germany: a broad brand that appeals to the entire family. Winora develops and produces a broad range of bicycles that have one thing in common – they're all of the highest possible quality. The Winora range includes children's bicycles, sporty trekking bikes and trendy electrically-assisted bicycles. It is a modern line with an image that is perfectly in tune with the style of the modern, quality-conscious and service-focused independent specialist retailer.

Staiger (1898) | Staiger is a trendsetting brand in the fast-growing market for lightweight and high-quality bicycles in the trekking and comfort segment. The winning combination of superior parts, geared hubs and the specially-designed lightweight frames is what gives the Staiger brand its distinctive image. The 'Sinus' programme, which allows consumers to assemble their ideal bicycle, either at a specialist retailer or via the internet, has been a huge success, not least because Staiger can deliver its made-to-measure bicycles to expert retailers with remarkable speed.

Haibike (1995) | Haibike supplies top quality racing and mountain bikes. Haibike's philosophy centres on the use of the highest quality components and the highest possible safety standards. A true and exceptional sports brand, which includes women's bikes, mountain bikes and BMX. Haibike traditionally scores high marks in the tests reported in German cycling magazines, and new models regularly receive awards. Haibike also sets the trend in 'e-mountain biking'. In the higher segment of the market, Haibike focuses on custom-made bikes, which gives true enthusiasts the opportunity to put together their own dream bikes. Haibike aims to be a trendsetter in the 'mass customisation' popular in this higher segment.

Ghost (1993) | Ghost focuses on designing bicycles that constantly set new standards: right down to the smallest details, fitted with the latest innovative technologies, robust and with a carefully balanced price-quality ratio. Ghost is a leading international brand, which is constantly expanding its brand recognition, for instance through sporting successes on the international stage. Positioned at the top-end of the market, Ghost bikes are now sold in more than 30 countries. In addition to its familiar line of mountain bikes and the successful 'Lady' series, Ghost also has a broad range of trekking and cross country bicycles and, more recently, a series of e-mountain bikes.

Lapierre (1946) | The Lapierre brand, founded by Gaston Lapierre, represents top sporting performance, top quality and innovation. In France and its export markets, Lapierre is recognised as the trendsetter in racing and mountain bikes. Lapierre is a lifestyle dominated by passion and performance, backed up by a constant flow of innovations. Examples of these include lightweight carbon frames and patented suspension designs that virtually eliminate energy loss. And the top cyclists in the sports world are more than happy to collaborate with Lapierre. As an internationally recognised top brand, Lapierre is sold across Europe, Asia, Australia, and North and South America.

Redline (1974) | Redline is one of the oldest brands in the BMX (Bicycle Motor Cross) segment. Since its foundation in California, USA, Redline has expanded its scope, and now specialises in competitive bicycles for young people and adults. Initially in the US and now right across the globe, Redline is recognised for the numerous successes of its race teams and is seen as a leader and innovator in the BMX segment. Redline was one of the first brands to introduce carbon frame bicycles in this segment. Redline's product range responds to niches, such as the freestyle market and very specific, challenging bikes for both young people and older people.

Juncker Bike Parts (1912) | Juncker Bike Parts is one of the largest suppliers in the Benelux for parts and accessories for bikes, mopeds and scooters. Specialist retailers receive parts and accessories from the central warehouse within 24 hours. In addition to the - often exclusive - distribution of a large number of top brands, Juncker also markets its own XLC brand and the accompanying wall system. Juncker cooperates closely with the other companies within the Accell group. Juncker's customers speak highly of the ease of ordering and the up-to-date stock information supplied via its online ordering system, Accentry.

Brasseur (1913) | Brasseur is an important partner for specialist retailers in Belgium, particularly in the French-speaking part of that market, as an exclusive distributor of a number of top brands in bicycle parts and accessories. Brasseur is also the distributor of a number of bicycle brands, including Viper and Diamond, positioned in the mid-range and higher segments of the market. Brasseur also sells Ghost and Redline branded bicycles in Belgium and Luxembourg. The cooperation with Accell companies, such as Juncker and Wiener Bike Parts, generates synergies in terms of portfolio management, logistics and purchasing. The company celebrates its centenary in 2013.

Wiener Bike Parts (1914) | Wiener Bike Parts is a household name on the German market for bicycle parts and accessories. Wiener Bike Parts has a large number of exclusive distribution contracts and an extensive product range of it own. This gives German specialist retailers the opportunity to order all parts they need from a single source, generating considerable logistical benefits. The company's range of around 18,000 products covers almost every conceivable bicycle part and accessory. The B2B online order system gives clients access to the products 24 hours a day, seven days a week. In addition to the many exclusive brands in its range, Wiener Bike Parts also distributes Accell's own XLC range with accompanying wall system on the French, German, Spanish and Danish markets.

SBS (1974) | SBS supplies a complete range of bicycles, parts and accessories to the North American specialist retail trade, including its own brands Redline, Torker, Pryme Gear, SBS Wheel Works and XLC. The company has four distribution centres in strategic locations across the Unites States, giving it access to most of the bicycle stores in the Unites States and Canada. A location in France responds to the increasing demand for Redline products in Europe. The products and services of the other Accell Group brands are also rolled out in North America via SBS. SBS also supplies the North American specialist retailers with Accell's own XLC brand.

XLC (2001) | XLC is the premium brand for bicycle parts and accessories for daily and sports use, with reliable and recognisable products. The brand is presented in a specially developed – in-house - display programme for the retail trade, with a complete range of products for mountain bikers, racing bikers, touring and city bikers. All of Accell Group's suppliers of bicycle parts and accessories sell the XLC range: Juncker Bike Parts (Benelux), Brasseur (Belgium), Wiener Bike Parts (Germany, France, Spain and Denmark), Tunturi-Hellberg (Finland and Sweden), Vartex (Sweden), Seattle Bike Supply (United States), Raleigh (United Kingdom, United States and Canada) and Atala (Italy). The parts are also distributed in countries where Accell Group has no representation of its own. XLC plays the role of OEM (Original Equipment Manufacturer) partner for the delivery of the products to companies within Accell Group.

TUNTURI®

Tunturi (1922) | Originally a Finnish brand, Tunturi has been active in the global market for fitness equipment since the 1970s. The fitness equipment range is characterised by Scandinavian design right down to the smallest details and the latest technical possibilities. The 'From the Heart' motto represents a passion for products, design and the users' well-being. The main pillars of the system are heart rate-based training and continuing motivation. The Tunturi range includes fitness equipment for home use, as well as for the professional market. Tunturi has also been the market leader in the Finnish bicycle market for many years.

BREMSHEY® SPORT

Bremshey Sport (1970) | Under the header 'Fit for Life', Bremshey Sport provides attractive fitness equipment at friendly prices. The product label 'Designed and Engineered in Germany' represents solid quality. Bremshey gives the entire family the chance to be engaged in exercise and healthy living, thanks to its user-friendly equipment without unnecessary gadgets or complicated programmes. In addition to fitness equipment, Bremshey Sport also has an extensive range of fitness accessories, such as yoga equipment and fitness weights.

NISHIKI

Nishiki (1965) | As an international provider of trekking bikes, mountain bikes and racing bikes, Nishiki combines innovation with high-grade functionality. The brand develops and tests all its bicycles in Finland. Nishiki has developed into a modern European brand that represents modern technology and people who want something more than 'the ordinary'. The premium models are developed in close consultation with professional athletes and bicycle lovers and meet the various demands in the field of ergonomics, colour and design.

Atala

Atala (1921) | Atala is a legendary Italian brand that represents cycling comfort and durable quality. The brand covers a broad range of sporty bikes, children's bicycles and city bikes. Atala is also the name of the trading company that, in addition to its own brand Atala, also sells bikes under the brand names Whistle, Carraro and Dei. Atala has a strong distribution network of independent bicycle dealers in Italy.

carraro

Carraro (1924) | Carraro is a classic Italian brand that focuses exclusively on the top of the range segment in trekking and racing bicycles. Key drivers at Carraro are technical excellence, unlimited performance and reliability and innovative design. In addition, Carraro sets high standards for safety in all its models, from super lightweight bikes to the sturdiest mountain bikes.

Currie Technologies (1997) | Currie Technologies is a developer and distributor of high quality hybrid electrically powered bikes and e-steps for all ages. With its brands I-ZIP en E-ZIP, Currie Technologies is one of the leading suppliers of e-bikes and e-steps (mini e-scooters) in the United States. The company distributes its products via superstores as well as specialist bike shops. Currie Technologies meets the growing market in the United States for eco-friendly and affordable alternatives of transportation.

Van Nicholas (1999) | Van Nicholas is a high-end niche player specialized in the development, design and assembly of handmade titanium frames and bicycles (mountain bikes, racing bikes and touring bikes). The brand has manifested itself as a major player in the high-end segment in a short period of time and with the ultra strong, lightweight titanium it offers customers in this segment an alternative for aluminum and steel. For export purposes Van Nicholas uses the knowledge and logistic expertise of Koga.

Raleigh (1887) | Raleigh is a strong traditional and global brand with a rich heritage. The brand will, for example, always be linked to the successful Dutch cycling team TI-Raleigh that won no less than a thousand prizes between 1974 and 1983, including Dutchman Joop Zoetemelk and his victory of the Tour de France in 1980. Nowadays, Raleigh is the main sponsor of the professional UCI Continental cycling team Team Raleigh. Raleigh has an English origin and for decades the brand has been sold globally in more than 140 countries. Raleigh bicycles differ from one country to another, given the preferences of the cyclists in each country. Besides, Raleigh has dominant market positions in bicycle parts & accessories in North-America and the United Kingdom and a purchasing organization in Asia.

Diamondback (1977) | Diamondback is one of the originators of the BMX-bicycle (Bicycle Motor Cross). Over the years mountain bikes and other sports models were added to the collection. Diamondback bicycles stand for recreational and sports use and are sold in many countries, including the United States, Canada, Australia and the United Kingdom.

RALEIGH

INTRODUCTION

Dear reader,

In many ways, 2012 has been an exceptional year for Accell Group. However, the absolute highlight was the announcement of our acquisition of Raleigh Cycle in April, after many months of preparations. At the same time, we faced very challenging economic conditions throughout the year.

Raleigh is one of the world's best known cycling brands, with a rich history that goes back 125 years and gross annual turnover of around € 200 million. It was the first time Accell Group had acquired a company of this size and with such as strong international brand positioned in the United Kingdom, the United States and Canada. The acquisition of Raleigh Cycle will further boost the worldwide reach of Accell Group, and generate synergies in the logistics, purchasing, sales, marketing and distribution of the Accell Group and Raleigh Cycle brands in their various markets.

Another notable event in 2012 was the placement of new Accell Group shares to finance this transaction. We saw enormous interest in the Accell Group shares, which goes to show that investors do have faith in our company and its growth strategy. The integration of Raleigh Cycle and its main brands Raleigh and Diamondback is now in full progress. We have already realised the first synergy benefits and these had a positive impact on our 2012 results. Accell Group expects to enjoy even more benefits from the integration of Raleigh Cycle within Accell Group in the coming years. The integration of the companies we acquired in January 2012, Currie Technologies, a leading company in electric bicycles in the United States, and Van Nicholas, a specialist in bikes with titanium frames, has been largely completed.

Accell Group sees its efforts in the field of corporate social responsibility (CSR) as an important part of its operations. Last year, we again took several concrete steps towards embedding Accell Group's CSR policies in the organisation, for now and for the future. For instance, we launched the CSR network Accell Corporate Sustainability Initiative (ACSI). As part of this initiative, we appointed CSR leaders at management level at each of the Accell Group companies. It is now part of their job to share information and develop CSR initiatives together with their counterparts at the other Accell Group companies.

We also intensified the dialogue with our stakeholders and conducted numerous studies into the environmental impact of Accell Group's products. On top of this, we made a great deal of progress in our efforts to increase the transparency of the company's activities in the field of corporate social responsibility. Using indicators that have been specially developed to provide insight into these achievements, we have now collated data from around 70% of our operations in the database set up for that purpose. In 2013, we will continue to broaden the data collection and our goal is to achieve 100% coverage of Accell Group's activities.

Our improved performance in terms of improving the sustainability of Accell Group's activities and our reporting of that performance and our progress have not gone unnoticed. We are very pleased to report that that Accell Group has risen in the Transparency Benchmark rankings.

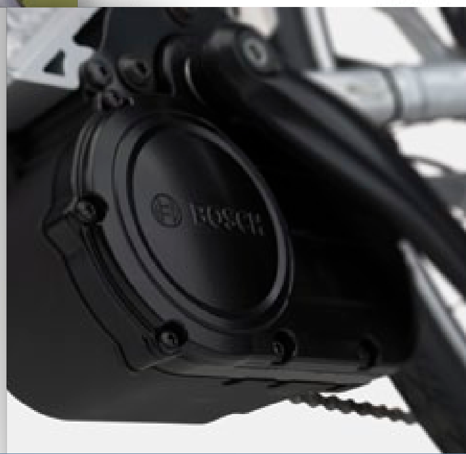
We would also like to give an honourable mention here to some of the many awards our brands and products collected in the past year. The KOGA WorldTraveller was chosen 'Bicycle of the Year 2012' in the Netherlands. Haibike, Koga and Protanium received several awards for design, including the prestigious IF-awards.

Our subsidiaries can often boast on long histories and ground-breaking innovations. Juncker Bike Parts, one of the largest bicycle parts & accessories suppliers in the Benelux, celebrated its centenary in 2012. And last year, our subsidiaries Lapierre, Ghost and Winora (including the brand Haibike) presented the e:i Shock, the world's first electronic spring suspension system, which automatically monitors the state of the road and then quickly and efficiently adjusts the suspension to deal with those conditions.

So it has certainly been an eventful year. A year of challenging economic conditions, with consumers keeping a tight grip on their purses, but also a year in which we still recorded a healthy profit. On behalf of the Board of Directors, I would like to thank everyone within Accell Group and its subsidiaries for their dedication and hard work and for the cooperation we have achieved together. We are convinced that cycling and exercise will increase in the years to come and that thanks to continuous innovation Accell Group's brands and products will continue to provide added value for consumers and retailers alike.

René J. Takens
CEO Accell Group

Heerenveen, March 12, 2013



Innovation

Accell Group continued to devote a lot of attention to innovation and knowledge exchange across the group, and this paid off again in 2012. One example was the world's first intelligent suspension system, the e:i shock. This new system adjusts a bike's suspension - fully-automatically and within 0.01 seconds - to any sudden irregularities in a road surface (stones, potholes, etc.). The e:i shock system is perfect for mountain bikes and downhill racing. We also continued to work on the ION system, the technology that helped make electric bikes such a huge success. This led to the launch in 2012 of ION 2.0 for even greater riding comfort. The ION 2.0 system integrates all the innovations of recent years in one completely new drive system. And to add even more innovation, last year Accell Group also launched the AUM (Accell Universal Motor-controller). This revolutionary controller boosts the compatibility of the electrical components of various suppliers to optimise the performance and comfort of the e-bike. These innovations are used in the new bike ranges of Sparta, Batavus, Koga, Hercules, Ghost and Lapierre.

MISSION, STRATEGY AND OBJECTIVES

Mission

Accell Group's ambition is to be a trendsetter in the field of development and sale of sustainable consumer goods for short-distance mobility, fitness and active recreation.

Strategy

Accell Group's mission translates into the following strategic premises:

- consistently introducing innovative and distinctive bicycle and fitness products and services;
- positioning, promoting and further developing strong local brands and international top brands;
- supporting the retail trade in their sales and services to consumers;
- realizing growth through organic growth as well as through acquisitions;
- investing above-average in R&D in comparison with the bicycle and fitness industry;
- responding pro-actively to sustainable trends, such as 'more exercise and healthier living';
- utilizing the synergies of the companies within Accell Group;
- investing in the skills and know-how of its employees;
- operating with the greatest possible consideration for people and the environment;
- consistently managing costs and revenues.

Objectives

Accell Group aims to achieve the following objectives:

- a consistent improvement of operational margins;
- a healthy and sustainable return for its shareholders;
- a stimulating environment for its employees;
- an increase of the market shares of the existing brands;
- a continuous reinforcement of its leading positions in the various countries;
- a larger geographic reach and gaining complementary business;
- a most complete range of choice possible for consumers;
- a healthy financial position.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REDLINE

EXPLANATION OF STRATEGIC PREMISES

Innovative and distinctive products

Accell Group will continue to use its current brands and marketing strategy to supply innovative bicycle and fitness products that appeal to consumers. At a time when consumers are keeping a closer eye on their disposable income, Accell Group has noticed that large groups of consumers continue to opt for quality and added value. This makes it increasingly important to provide added value, with a particular focus on comfort, design and safety. Consequently, active brand support, intensive cooperation with the specialist retail trade and targeted marketing at points of sale and directed at consumers will continue to be key issues.

Strong brands and innovation

Accell Group focuses on the mid-range and higher segments of the market. In these segments, in which consumers are willing to make an extra investment in quality, strong, high-profile national and international brands are the key to success. An important strategic challenge for Accell Group is to ensure that these brands provide consumers and specialist retailers with sustainable added value. This makes continuous investment and a clear focus on innovation and design essential in these segments. Continues innovation and adaptation of the products to the wishes of discerning consumers guarantee that Accell Group brands and products remain attractive to their specific target groups. It also creates opportunities to further expand and develop Accell Group's strong market positions both nationally and internationally. The Accell Group companies also have to operate close to the market so they can respond rapidly to consumers' specific demands, for instance through the production of small(er) series and custom-made bicycles.

Intellectual property

Accell Group attaches significant importance to the issue of intellectual property. Its brands have spent years investing in widespread name recognition and a strong image, as well as the creation of recognizable bicycle icons in the product range. These represent a great deal of value which Accell Group believes must be protected against potential abuse and infringements. Accell Group regularly take action against third parties to protect our investments in our intellectual property.

In addition to brand and model protection, Accell Group also makes considerable investments in technical innovation. Significant discoveries, such as spoke patterns, the battery integrated in the frame, the removable frame battery and several spring suspension systems, like the new e:i Shock, are the result of our innovation drive. The R&D departments of several subsidiaries launch new inventions and innovative product improvements every single year. Not surprisingly, therefore, Accell Group holds more than 50 (internationally registered) patents.

Cooperation retail trade

Accell Group believes it is vital to work closely with the specialist retail trade and distributors. They are in the best position to guarantee the highest levels of service to our end users, cyclists themselves. For example in the Netherlands more than 75% of new bicycles are purchased from the specialist retail trade. Specialist retailers are becoming increasingly important, partly because of rising average bike prices and the complexity of the products themselves. Consumers attach great value to service, especially when they are making relatively expensive purchases. This high level of service is even more important during the actual purchase process (advice and assistance) and afterwards (including checks, final assembly and ready-to-ride delivery). The specialist retail trade is also a key sounding board for Accell Group when it comes to taking stock of the ever changing demands of consumers in the different countries. Likewise the strong Accell Group brands play an important role. The brands offer opportunities to apply innovations in the mid-range and higher segments from a reliable source.

Accell Group has been active in e-commerce for some time and with own websites and social media the internet plays an important role in Accell Group's cooperation with the retail trade when it comes to orientation to purchase a bicycle and accessories, providing information and service. The various Accell Group brands, for instance, are seeing a growing demand for their website-based creation of custom-made bicycles. The specification of custom-made bikes uses advanced systems that allow consumers or dealers to assemble and order a bicycle quickly and easily. Thanks to data linking, the information and ordering needs of specialist retailers and the bike data are recorded down to the smallest detail.

Chain digitalization

Accell Group continues to develop software which supports and simplifies store management for dealers like for instance the introduction a few years ago of Accentry, an ordering system for bikes, fitness equipment and parts. In addition to placing orders, the dealer can enter minimum and maximum inventories and the system then orders items automatically. Packing slips can be read digitally and the system automatically adds the item to the inventories in the dealer's own shop system. All of Accentry Retail's functionalities can be used for all bicycle parts and bicycle brands the dealer stocks. The programme also comes with a dashboard which allows a dealer to check their sales figures by comparing their turnover data anonymously to market data. This form of chain digitization creates considerable gains in efficiency and effectiveness.

Organic growth and acquisitions

Accell Group realizes its growth through both organic growth and acquisitions. The acquisition policy is based on the premise that candidates must be complementary and also add real value in terms of returns and synergies. This means that acquisitions are assessed on the basis of their value and are never made at all costs. The acquisitions of Currie Technologies, Van Nicholas and Raleigh Cycle described in this annual report clearly meet these criteria.

Investing in employees

The employees of the various Accell Group subsidiaries are considered important stakeholders. Accell Group therefore strives to provide its employees within the group with a challenging working environment in line with their personal abilities and ambitions. Accell Group offers an open and professional corporate culture and good training and career opportunities. Many of the group's employees are entitled to a share in the profit of the company for which they work. Accell Group regards the health and safety of its employees of paramount importance.

Structure: continuous management of costs and revenues

The group has an organizational structure with subsidiaries that bear primary responsibility for their market positions. Accell Group maintains the holding function in this structure and, in addition to strategy, is also responsible for matters including treasury, financial control, business development, legal and tax issues, investor relations and the coordination of marketing, product development, production planning and procurement. The group's IT activities are also centralized. The company operates a uniform computer system wherever possible.

Accell Group gains synergy benefits by integrating back-office activities. Computer systems developed in-house make it possible to manage the activities of the operating companies effectively with a relatively limited indirect organization.

The group works continuously on synergy in other areas, too, such as intensifying of partnerships with suppliers and the group wide interchange across the group of know-how related to product development and innovations. Developments in the fields of electrically-assisted bicycles, safety and comfort, and the development of new parts and accessories are important to all the group brands.

Accell Group works together with its subsidiaries on the strategy governing the market positioning of the various brands, procurement, production allocation and human resources. The subsidiaries are responsible for the implementation.

Corporate Social Responsibility

Sustainability is inherent to the Accell Group's products. Accell Group's ambition therefore is integrating CSR in the strategy and management of the company. Accell Group's policy in the field of corporate social responsibility (CSR) are outlined in chapter 'Accell Group and Society' of this annual report.

Board of Directors

Accell Group has an organisational structure with operating companies, which are primarily responsible for their position in their respective markets. The holding directs, coordinates and constantly works on the synergies within the group. The integration of back office activities and the reciprocal exchange of know-how on product development and innovations is cost-effective and results in the best possible utilisation of product concepts and innovations. For instance, improvements in the field of safety and comfort, such as new antitheft security, lighting systems, the development of new parts and accessories and the development of technology in the broadest sense of the word, are important to all of Accell's operating companies.

BOARD OF DIRECTORS

→ R.J. (René) Takens (1954), Chief Executive Officer (CEO)

Mr. Takens joined Accell Group in 1999 as CEO. After graduating in Mechanical Engineering from the Twente University of Technology, Mr. Takens began his career at the Svedex Bruynzeel Group, where he remained for ten years, ultimately in the position of managing director. He subsequently spent seven years as CSM's Managing Director for Italy.

→ H.H. (Hielke) Sybesma (1967), Member of the Board of Directors (CFO)

Mr. Sybesma joined Accell Group in 1995 as Finance Manager for subsidiary Batavus. In the years that followed, Mr. Sybesma was closely involved with various Accell Group subsidiaries. Mr. Sybesma has been Accell Group's CFO since April 2001. After graduating in Business Economics from Groningen University, he worked as a financial consultant with PricewaterhouseCoopers for five years. Mr. Sybesma is also a Chartered Controller (1995, Free University (VU), Amsterdam).

→ J.M. (Jeroen) Snijders Blok (1959), Member of the Board of Directors (COO)

Mr. Snijders Blok studied Business Economics at the Twente University of Technology and joined Accell Group in 1992, initially in the Automation department. In subsequent years, he held the position of logistics manager at Batavus and Hercules and was later appointed managing director of Batavus. Following the acquisition of Sparta in 1999, he was appointed Managing Director of that subsidiary. He has been COO of Accell Group since April 2004.

Accell Group trophy cabinet 2012

In 2012, Accell Group saw a number of its products win top industry awards. Accell Group sees these awards as a clear endorsement of its strategy of having trendsetting brands in the various bicycle markets. A strategy based on innovation and continuous confirmation of added value for consumers. The following is list of the awards Accell Group brands won in 2012:

- Koga WorldTraveller29: Bike of the Year 2012 and Reddot design award
- Koga SuperMetro: iF Product Design GOLD Award and Reddot design award
- Koga E-Tour; iF Product Design Award
- Currie Eflow E3 Nitro; iF Product Design GOLD Award
- e:i shock; Eurobike Award and R'bike award (Lyon bicycle show)
- Batavus RemovE: Dutch Bike Innovation Award
- Haibike eQ XDURO RX: iF Product Design Award
- Haibike Greed 29; iF Product Design Award
- Haibike Sleek RC29: Eurobike Award
- Sparta: three-time winner of GIO Award (Good Industrial Design) for the ION RX+, the Amazone4life and the Radar
- Winora Town:exp: Taipei Cycle Show d&I Award
- Winora XP3: iF Product Design Award
- Ghost Cagua Lector: Universal Design Award
- Ghost HTX Lector 29: Taipei Cycle Show d&I Award

REPORT OF THE BOARD OF DIRECTORS

General

For Accell Group, the year 2012 was largely dominated by the acquisition of Raleigh. This move meant Accell Group added brands to its portfolio that are known across the world, and also strengthened the companies' position in the United States and the United Kingdom in particular. In 2012, bicycle sales in a number of European countries including the Netherlands came under pressure as a result of reduced consumer spending and the fact that consumers postponed purchases of durable goods, including bicycles.

The electric bicycle continues to gain in popularity, both in the Netherlands and abroad, especially in Germany. The increased turnover in this segment means it now accounts for 32% of Accell Group's total turnover in bicycles. In addition, turnover in bicycle parts and accessories also showed healthy growth. In this segment, Accell Group noted that while consumers are putting off new bicycle purchases, they are investing in the maintenance of their existing bicycles.

Turnover increased both in organic terms (3%) and as a result of acquisitions. Turnover in bicycles was up 19%, of which 2% was organic, and sales of bicycle parts and accessories were up 40%, with 8% of this growth organic. The acquisitions of Raleigh, Currie and Van Nicholas contributed to the higher turnover. Reduced consumer spending (partly as a result of the economic developments in Europe), as well as particularly rainy weather in the spring, had a negative impact on bicycle turnover in many European countries, especially in the months of May and June. Price increases, reduced discounts and higher sales together resulted in an organic increase in turnover (5%) in all the key countries in the second half of the year. Turnover in the fitness division, which has been downsized considerably in recent years, came in at a similar level as in 2011.

Subsequent to the date of the balance Accell Group reached an agreement with a solid group of banks on a full refinancing of the company to assure itself of a solid financial basis for the company's future growth following the acquisition of Raleigh. The new financing deal, of which the preparations were conducted during 2012, suite to the nature of Accell Group.

Turnover and net profit

Accell Group recorded a further increase of turnover in 2012. Turnover increased 23% to € 772.5 million, from € 628.5 million in 2011. This was partly due to the acquisition of Raleigh and the rising sales of electric and innovative sports bikes. Net profit came in at € 23.2 million, compared with € 40.3 million in 2011. The 2011 net result was boosted considerably by the € 16 million book profit on the sale of the stake in Derby Cycle (Germany).

Bicycles/bicycle parts & accessories

Turnover in the segment bicycles/bicycle parts & accessories rose 24% to € 751.4 million in 2012, from € 607.6 million in 2011. Acquisitions raised the number of bicycles sold to 1,605,000, from 1,115,000 in 2011. The acquisitions of Raleigh and Currie led to a drop in the average price per bicycle to € 345, from € 417 in 2011. In relative terms, Raleigh sells more mountain bikes and racing bikes in the mid segment of the market. In organic terms, the average price per bike increased. Sales of electric bicycles were up 23% and now account for 32% of total turnover in bicycles. Turnover in sports bikes was up 21% and in traditional bikes up 14%. The result from this segment as a whole dropped to € 48.8 million, from € 52.8 million in 2011. In many countries, growth remains under pressure from the persistent reluctance among retailers to hold stock in their stores, partly due to their limited financing options.

In the Netherlands, Accell Group saw turnover from bicycles fall by 7% in 2012, compared with a market drop of 13%. Turnover in bicycle parts & accessories was up 3%. The market conditions were unfavourable in 2012, due to hesitant consumer spending and poor weather conditions in the second quarter. Consumers are shown predictions of an uncertain future and are therefore postponing purchases of more expensive products. Margins improved in the second half of the year as a result of a reduction in discounts granted. Nevertheless, margins were pressured in the Netherlands in the second half of the year, as Accell Group was unable to fully charge on the higher VAT rate introduced on 1 October. This higher VAT rate has now been partly charged on as from 1 January 2013. In view of the market developments in the Netherlands, Accell Group will in the near future look at how it can further intensify the cooperation between its Dutch companies. Accell Group will also be assessing the extent to which it can combine activities. The company expects to be in a position to report on Accell Group's progress and any impact this may have on employment at short notice.

In Germany, the greatest increase in turnover was recorded. Bicycle sales were up 8% and turnover in bicycle parts and accessories rose by 6%. The mood in the market is positive. In Germany, national and regional authorities are strongly promoting cycling and electric bikes are gaining in popularity. Total sales of electric bikes in the German market are now estimated at 350,000 – 400,000 annually. The increase in the number of electric bikes sold also led to an increase in the average bicycle price.

In France, turnover grew 4%. Turnover from bicycle sales was down (-7%) due to a weak market. Turnover in bicycle parts and accessories in France rose by 22% in 2012. The e-bike market in France remains small. Accell Group is developing products suitable to boost market growth.

Turnover in other countries increased both within and outside Europe. The addition of Raleigh boosted turnover in the UK and the US. In the UK, cycling is currently very popular as a possible mobility solution and for health and fitness. Synergies are being realised in the UK through the integration of other smaller Accell Group activities.

In Italy, Accell Group is active via the Atala brand (non-consolidated 50% stake) and with exports from the German and French brands. The e-bike is also gaining in popularity in Italy. In Switzerland, Austria, Denmark and Belgium, Accell Group sells primarily via the Dutch, German and French brands.

In the United States, the market increased by approximately 6%. In addition to the healthy position of the Raleigh brand in the specialist retail sector, Diamondback has a strong position in specialist sports store chains. Accell Group has initiated the integration of the parts and accessories sales and distribution of Raleigh and SBS. The recently announced closure of the factory in Canada is proceeding according to plan.

Accell Group's turnover from bicycles in Asia remains limited for now. The company expects demand for bicycles in the higher segments to increase in the future, partly as a result of rapidly increasing wealth in Asia. The purchasing office in Asia was included in the acquisition of Raleigh. The purchasing and sales activities of Accell Group and Raleigh in Asia will be combined.

Fitness

Turnover in the fitness segment was stable. The segment result came in at breakeven in 2012, compared with a loss of € 1.4 million in 2011. The year 2011 was dominated by reorganisation and downsizing, however in 2012 Accell Group focused on core clients (distributors) and on product development and strengthening the brand at Tunturi Fitness. These adaptations have resulted in a reduction in costs and improved margins.

The market for fitness equipment for home use, the market in which Tunturi and Bremshey are mainly active, remains weak. All production activities have been outsourced to manufacturers in Asia, where Accell Group has a distribution centre which acts as centralised delivery point for Accell Group's suppliers. This centre is used for the distribution of complete product ranges to more than 40 distributors across the world.

Key financial developments in 2012

Total turnover in 2012 rose 23% to € 772.5 million, of which 3% autonomous. The organic turnover growth of 5% in the second half of 2012 raised the full-year 2012 organic turnover to € 649 million. The acquisitions of Raleigh, Currie and Van Nicholas in the first few months of 2012 added € 123 million.

Added value (net turnover less material costs and inbound transport costs) as a percentage of turnover stood at 31.9% in 2012, compared with 33.1% in 2011. The addition of acquisitions reduced this percentage by 0.3%. The change in added value was partly due to the positive impact of reduced discounts and relatively lower transport costs, offset by the negative impact of the difference in exchange rate results on coverage for seasonal requirements in the first half of the year. Absolute added value rose by 18% to € 246 million, up from € 208 million in 2011.

Operating costs increased as a result of the addition of acquisitions and organic growth. Organically, personnel costs were 13.2% of turnover in 2012, from 12.8% in 2011, while other operating costs were 12.7% of turnover, compared to 12.7% in 2011. Due to the addition of acquisitions total operating costs rose by approximately € 38 million. Total operating costs were € 210 million in 2012 or 27.2% of turnover, compared with 27.2% in 2011.

Financial income and expenses (excluding the interest on the NMa fine in 2011) increased by 32% in 2012, due to the financing of acquisitions and a higher average credit requirement. The tax burden rose to 10%, from 7% in 2011, but remained low as a result of the favourable tax regime in the Netherlands, as well as the impact of the legal restructuring of Accell Group's German activities, which came into effect in 2009. The application of the innovation box had an impact of € 0.5 million in 2012, compared with € 0.8 million in 2011.

The result from minority interests in 2012 came in at € 0.2 million, down from € 0.4 million in 2011. Net profit for the 2012 financial year was € 23.2 million, compared with € 40.3 million in 2011. Excluding the one-off items in 2011 (€ 8.6 million due in part to the book profit on the sale of Accell Group's stake in Derby Cycle and the innovation box, and in part to the charges for the NMa fine and the reorganisation of the fitness activities) and in 2012 (acquisition costs and other effects, which together came to € 3.1 million), the net operating result was down 17% at € 26.3 million, from € 31.7 million in 2011.

The balance sheet total increased primarily as a result of acquisitions (Raleigh, Currie, Van Nicholas); these accounted for an increase in the balance sheet total of € 168.1 million. The organic increase in the balance sheet total was € 39.9 million.

Total working capital stood at € 240.8 million in 2012, from € 222.0 million in 2011. Working capital amounted to 31.2% of turnover, compared with 35.3% in 2011. Acquisitions had an impact of € 38.6 million on this figure. The increase in the average price plays a role in the development of the working capital. At year-end, the bicycles in stock were an average of 9% more expensive. Higher seasonal planning led to an increase in inventories in transit of € 10 million. The number of bike models from previous years dropped compared to 2011, while the number of bicycles from the new catalogue stabilised (except in Turkey). The addition to the inventories as a result of acquisitions was € 44.2 million. The total value of inventories stood at € 269.1 million at year-end, from € 189.1 million at year-end 2011.

Accounts receivable increased to € 104.5 million at year-end 2012, from € 85.6 million a year earlier. Acquisitions added € 39.2 million to this item. The higher cost price of bicycles, rising inventories and the longer payment term applied to suppliers meant the accounts payable increased by € 34.4 million organically. The addition of acquisitions meant this item increased by a further € 45.6 million. The total of accounts payable stood at € 132.8 million year-end 2012, compared with € 52.7 million at year-end 2011.

Capital employed rose to € 426.4 million, from € 353.4 million in 2011. The return on capital employed stood at 8.5% at the end of the year, compared with 11.5% at year-end 2011, based on the operating result adjusted for one-off items. Shareholders' equity amounted to € 247.7 million at the end of 2012, compared with € 214.6 million at the end of the 2011 financial year. In addition to the impact of the profit realised in 2012, shareholders' equity was also influenced by the issue of two 2 million shares (€ 30.8 million) to finance the acquisition of Raleigh and payment of a cash dividend of € 11.0 million (2011: € 9.9 million). In addition, shareholder's equity is effected by revaluation of financial instruments (currency hedges and interest rate swaps; negative impact of € 8.3 million), and revaluation of real estate, which had a negative impact of € 2.1 million. Provisions rose to € 33.3 million in 2012, from € 22.5 million in 2011, due to provisions taken for pension obligations (€ 6.8 million) and deferred tax liabilities (€ 3.9 million) as a result of acquisitions.

Solvency stood at 41.1% at the end of the year, down from 49.5% at year-end 2011. Total loans and bank credits stood at € 150.4 million at year-end 2012, compared with € 119.9 million at year-end 2011.

Net operating cash flow came in at € 54.1 million, compared with € 39.4 million in 2011. Operating cash flow before working capital and provisions was 3.5% lower at € 41.1 million, compared with € 42.5 million in 2011, excluding the book profit on the sale of Accell Group's stake in Derby. The cash flow on working capital came in at € 18.2 million (2011: -/- € 6.5 million). Free cash flow before acquisitions amounted to € 39.9 million (2011: € 31.6 million).

Financing

In view of the Accell Group's growth in recent years and the acquisition of Raleigh, in the course of 2012 the company decided to harmonise its financing structure and to fully refinance the company. The premise of the undertaking was to achieve a healthy balance in long-term corporate financing and short-term working capital financing. The new financing structure is also meant to be flexible enough to absorb the sharp fluctuations in seasonal financing, while group financing will be further centralised.

After careful preparations under the guidance of the company's financial advisor Kempen & Co, Accell Group reached agreement with a syndicate of six (international) banks for total group financing of € 300 million (with an option for an additional € 50 million for future acquisitions). The banks participating in the syndicate are ABN AMRO Bank, Deutsche Bank, ING Bank, Rabobank, BNP Paribas and HSBC. Rabobank and ABN AMRO Bank acted as coordinators. With this syndicate of banks, Accell Group has assured itself of solid financing parties for the coming years.

The new financing has been arranged for a period of three years (with an option to extend this to five years) and comprises of term loans and working capital financing (a revolving credit facility) with part of this a seasonal facility. The covenants are partly based on results (term loan/EBITDA and interest rate coverage) and partly on working capital (borrowing reference).

Accell Group believes that this new financing deal gives the company an excellent foundation for future growth, and a financing structure perfectly suited to the nature of the company. The new agreement replaces all previous financing agreements.

Earnings per share and dividend

Earnings per share on the basis of the weighted average number of outstanding shares, which stood at 22,897,471 shares at year-end 2012, came in at € 1.01, down from € 1.93 in 2011. Earnings per share on the basis of net operating profit came in at € 1.15 in 2012, compared with € 1.47 (including the correction factor) in 2011.

Due to the issue of 745,704 shares on the basis of the stock dividend for the financial year 2011, the correction factor is 0.966 for earnings per share from previous years. Accell Group issued two million shares (9.9% of the outstanding shares) to finance a part of the Raleigh acquisition.

Accell Group will propose to its shareholders the payment of a dividend of € 0.75 per share, compared with € 0.92 in 2011, in cash or in shares. This makes the pay-out ratio (74%) higher than the average rate of 48% in recent years. Based on the closing price at year-end 2012 (€ 13.31), the dividend return came in at 5.6%.

Outlook

Accell Group's products have strong interest from consumers, with bikes seen increasingly as a lifestyle product, especially among young people. Cycling and fitness activities are fun, easy and healthy. Cycling is also relatively inexpensive. Numerous national and regional authorities in Europe and beyond are currently promoting the use of bicycles as an alternative means of transport as part of their drive for environmental awareness, mobility and health & fitness. Accell Group is convinced that cycling and exercise will increase in the years ahead.

This will have a positive impact on the demand for bike parts and accessories and the demand for bikes and fitness equipment. Accell Group's brands are able to launch new ranges of products with numerous technical and design innovations each and every season. Continuous market research ensures that Accell Group and its brands continue to develop the right products for the market at the right time. Thanks to continued product development and constant attention for this market, the sale of electric bikes (e-bikes) will also continue to grow. Accell Group's brands are not only market leaders in the field of e-bikes; they are also major players in the market for high-quality sports bikes. Accell Group will continue to build on this position in the years to come, using its solid positioning in the mid and higher segments as a basis for growth. These structural market trends and the company's own differentiating factors together provide a strong basis for Accell Group's revenue model and profit potential in the years to come.

Further increases in scale are important for Accell Group to realise benefits in purchasing, production, development and marketing. In 2013, focus will again be on achieving such increases in scale with Raleigh, and will also be on actively seeking potential acquisitions that are a good fit with the group's profile and brand portfolio. Any acquisitions will have to be complementary and add value to the group in the short term, in terms of both returns and synergy. Following the harmonisation of its financing structure, Accell Group has assured itself of a solid financial basis for the company's future growth.

In view of macro-economic developments, Accell Group expects the hesitancy among consumers to make major purchases to continue for the foreseeable future. Also the market is expected to remain highly dynamic. As in previous years, more movements in consumer demand across the season are foreseen. Since our brands operate close to their markets, Accell Group can adapt to changing consumer demands relatively quickly.

On the basis of the above-mentioned developments and barring unforeseen circumstances, Accell Group expects to record higher turnover and net operating profit in 2013, compared with 2012.

Responsibility Statement

The Board of Directors of Accell Group declares that the financial statements give a true and fair view of the assets, liabilities, financial position and the result of Accell Group and that the annual report gives a true and fair view of the situation as at the balance sheet date and the business development during the financial year of Accell Group and the associated companies for which the financial information is recognized in its financial statements and that the annual report describes the material risks with which Accell Group is confronted.

Heerenveen, March 12, 2013

R.J. Takens, CEO

H.H. Sybesma, CFO

J.M. Snijders Blok, COO

Corporate Social Responsibility

Bicycles are obviously an environment-friendly alternative mode of transport for short distances. But exactly how much impact does a bike have on the environment?

To answer this question, Accell Group conducted a Life Cycle Analysis (LCA) of its bicycles. This LCA maps out the impact bicycles have on the environment during various phases of the product, from raw materials, the production of the various materials and components, through transport, assembly, use and disposal. The results of the analysis are expressed in environmental impact in kilometres of car use. In other words, how many kilometres do you need to cycle (instead of driving a car) to offset the environmental impact of a bike during its entire lifecycle.

The environmental impact of a bike during its entire lifecycle is equivalent to the environmental impact of around 500 kilometres of car use, varying from around 370 km for a basic racing bike to 660 km for a luxury city bike. Replacing short car drives with bike kilometres therefore has a clear positive impact on the environment. Just 25 weekend rides of 20 km or six months of cycling to work (5 km) is enough to offset the environmental impact of a bicycle completely. And every kilometre cycled after this could be seen as environmental profit.

ACCELL GROUP AND SOCIETY

Vision, strategy and organization

This chapter outlines Accell Group's progress in the field of Corporate Social Responsibility (CSR) in 2012. In the 2011 annual report, Accell Group described the company's vision and strategic priorities. Accell Group applied the international ISO 26000 directive and the materiality test in line with the Global Reporting Initiative (GRI). The company outlined the method used in the 2011 annual report and the same premise applies in this annual report. Accell Group reports in line with level C of the GRI guidelines.

Vision

As a listed company, Accell Group attaches great importance to creating added value for its shareholders. And as one of the largest companies in the global bicycle industry, Accell Group wishes to use its position to increase the sustainability of the industry as a whole. Accell Group is keeping a close eye on various global developments in this context, such as the troubled economic conditions, the finite nature of the earth's resources, increasing demand for sustainable products, the growing wealth of the world's population and an increase in first world health issues, partly due to people not getting enough exercise. The themes and developments in which Accell Group seeks to play an active role are outlined in the 2011 annual report.

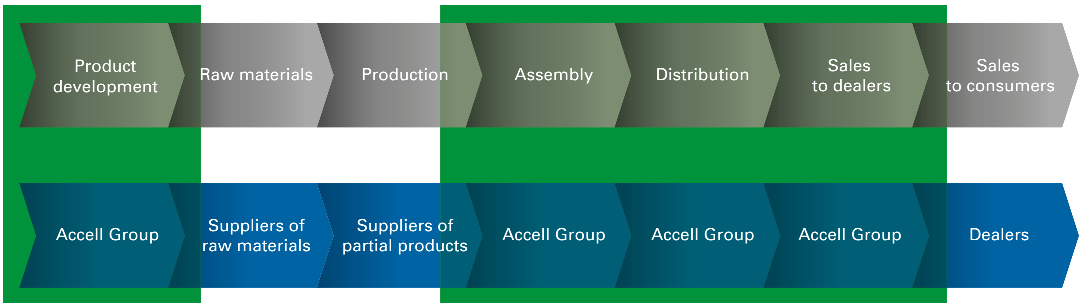
Accell Group's sustainability strategy-related priorities in the coming years:

1. Increasing the level of sustainability of our own activities, to make Accell Group a trendsetter in its industry in the field of sustainable innovation.
2. In view of our key position in the value chain, Accell Group also accepts its responsibility to encourage suppliers, dealers and customers to operate more sustainably. After all, Accell Group is the link between these groups.
3. As a major player in the bicycle industry, Accell Group also feels responsible for the sector's common interests. Accell Group sees some aspects of CSR as pre-competitive and considers a joint approach to these the most effective. Accell Group is taking a lead in some of these aspects, such as CSR in the supply chain.

Accell Group organisation

Accell Group comprises a broad spectrum of companies in the small and medium-sized business sector, with between 20 and 350 employees. The companies operate independently, with Accell Group acting as the holding and owner of the companies. This creates various challenges in standardising and collecting information about the indicators for corporate social responsibility. Despite these challenges, we have managed to gather and verify the results for 2012 in this chapter.

The primary activities of the companies that make up Accell Group are in the field of development and marketing of consumer products. Various companies in the creation process also have assembly or distribution operations, or in some cases both. For instance, in the creation process at Sparta, bicycles are both produced and assembled, while Raleigh UK is only active in the distribution of the products. Some of the Accell Group companies, like Batavus, Hunland and Accell Bisiklet, also have their own paint shops and are as such in fact active in the production of parts. Products are sold to consumers via retailers and sales organisations.



Highlights 2012

In 2012, Accell Group took several initiatives to embed its CSR policy more deeply within the group. The key initiatives of the past year were:

- Setting up a CSR network across all Accell Group companies, named the Accell Corporate Sustainability Initiative (ACSI);
- Intensifying the dialogue with stakeholders;
- Efforts to increase the sustainability of the chain;
- Gain more insight into the environmental impact of the organisation and its products, by calculating the CO_2 footprint of the organisation and lifecycle analyses of various products;
- Development of Corporate Sustainability Indicators (CSIs) and the collation of the required data.

Accell Corporate Sustainability initiative (ACSI)

ACSI was set up by appointing a management level contact person at each Accell Group affiliated companies to take responsibility for CSR issues and initiatives. These contact persons are responsible for the communications between the holding and their own organisation and the development and the implementation of CSR activities within their own company. This person also provides all the relevant information for the Corporate Sustainability Indicators (CSI).

Accell Group has launched a discussion within the ACSI network about CSR subjects, the sharing and adaptation of information and the exchange of know-how. In November 2012, we organised the first webinar in which our CSR leaders exchanged information about the lifecycle analyses of the various products, the first pilot for the CO_2 footprint and the data to be collected for the Corporate Sustainability Indicators. The participants also exchanged information about CSR initiatives that have been undertaken at the various companies, such as dealing with waste and recycling, the use of packaging materials and encouraging the use of bicycles for commuting travel. The people involved in the dialogue confirmed that Accell Group's current CSR strategy was looking to address the right issues The discussion also revealed that there is considerable interest in Accell Group's CSR activities within the World Federation of Sporting Goods Industry (WFSGI) aimed at working together with other companies in the bicycle industry to increase the sustainability of the supply chain. We also identified a wide range of initiatives for the organisation itself, with training, employee satisfaction and the subject of waste currently the key focal points. Based on the input from the ACSI network, we have outlined actions for the coming year and tightened the policy in some areas. This is outlined in more detail in the paragraph CSR themes later on in this chapter.

Stakeholder dialogue

Accell Group's main stakeholders are its employees, its dealer network and consumers, its shareholders, government authorities, its suppliers and its subsidiaries. The 2011 report gives detailed information on Accell Group's analysis and selection of relevant stakeholders. In 2012, Accell Group invited representatives from the first five of the stakeholder groups mentioned above for a dialogue on CSR. These attendees included a representative from the employee side of the works council, one of the major shareholders and one of Accell Group's larger suppliers, plus a representative from the Economic Affairs, Agriculture and Innovation Ministry. The end-users were represented by a delegate from the European Cyclist's Federation, while a representative from the RAI, the Dutch bicycle and car industry association, attended on behalf of the industry itself.

During the webinar, the participants discussed what CSR means to Accell Group and the key themes in the field of People, Planet and Profit, also in the context of Accell Group's risks and opportunities. The stakeholders expressed their appreciation for Accell Group's initiative to invite them to discuss corporate social responsibility, the steps Accell Group took in 2011 to increase transparency and the development of the company's vision and strategy. The stakeholders stressed the importance of transparency, of defining measurable targets and of showing progress made in terms of increasing the sustainability of its own organisation and encouraging sustainability in the chain. Accell Group has incorporated the suggestions from the stakeholders in this annual report as much as possible. For instance, an outline is included of the context in which Accell Group operates, concrete targets have been formulated and accompanying data collection included, plus Accell Group has devoted more attention to its activities in the chain. Some of the concrete proposals for cooperation with stakeholders have already been put into practice, such as a joint initiative with the RAI to collect and recycle electric bicycle battery packs across the sector in the Netherlands.

Accell Group is taking the communications on relevant subjects with stakeholders very seriously. Some examples of this are:

→ Using the ACSI network for mailings and webinars to inform Accell Group companies about CSR issues, such as international CSR trends, local purchasing, training courses, etc.

→ Communications with government authorities, dealers and consumers on the safe, correct and responsible use of our products (such as energy consumption, use and disposal of batteries, product safety). Some examples are:
  - Information for retailers, who in addition to their direct contacts with the brands also receive information through media such as EBSC news, training courses for retailers and, for instance, a column in the 'Fietsmarkt' sector magazine;
  - Trade fairs, product brochures and the ION club. People with an ION electric bicycle can join this club free of charge (www.ionclub.nl).

Increasing sustainability in the chain

Together with the international bicycle industry sector organisation WFSGI (World Federation of the Sporting Goods Industry), Accell Group has made further progress on increasing the sustainability of the supply chain. Within the WFSGI, a task force chaired by Accell Group and with members from key players in the bicycle industry, has been set up to focus on the sustainability of the supply chain in the bicycle industry. Accell Group is also a member of the general CSR committee of the WFSGI, which has members from all the sectors of the federation, including the sports clothes, sporting goods and sports shoes sectors. This network boasts extensive experience in the field of increasing the sustainability of the supply chain.

The WFSGI task force for increased sustainability of the supply chain in the bicycle industry has in the past year established the main outlines of its approach and defined the first concrete measures that should be taken. The WFSGI code of conduct for companies is the basis for all task force activities. The WFSGI is working with the NGO Fair Factory Clearing House (FFC) to develop the database and data sharing. The basic premise in the WFSGI approach is that the bicycle industry wants to consult and cooperate with suppliers on CSR improvements. A key component of the approach comprises self assessments and audits. The results of these audits are shared via the FFC's web-based platform.

In 2012, the task force worked on drawing up the concepts for a common audit method and the audit questionnaire. These basic premises have been checked over by certified audit companies and have been tested and discussed with a number of suppliers by means of pilot audits. These standardised audits will be conducted in 2013 and the audit methods will be finalised on the basis of the outcome of these pilots. In 2012, FFC also initiated the development of the web platform for the bicycle industry, which will be finalised in 2013. At the same time, the WFSGI task force will in 2013 continue to develop the other components of the approach, such as the cooperation and communications with suppliers. As soon as the approach has been fully developed, the task force will present it to all WFSGI members in the international bicycle industry, with the goal being to spread the approach from the task force to the entire international bicycle industry.

Insights into environmental impact

We have conducted various studies to assess the environmental impact of Accell Group and its products.

CO_2 footprint

In a first step towards gaining more insight into the environmental impact of Accell Group's organisation, the company calculated the CO_2 footprint of the subsidiaries Batavus and Sparta. Raleigh UK has also conducted carbon footprint assessments in the past. Accell Group will use the experience gained from these pilots to determine an approach for the other companies within the group. The CO_2 footprint of the entire Accell Group will be calculated in 2013.

To give an indication, however, here are some initial results from the pilot. The CO2 footprint (calculated in line with the GRI indicator) of Batavus is around 2,500 tonnes of CO2 per year, and that of Sparta around 1,000 tonnes. At Batavus, the paint shop and assembly activities account for a large proportion of these emissions. In both these activities the main culprit is the use of natural gas. The difference between Batavus and Sparta lies in the lack of a paint shop at the latter company; Batavus does the paint work on most of Sparta's products. The two brands also have different sized organisations and factories.

Lifecycle analysis

To gain a better insight into the environmental impact of its products, Accell Group commissioned Ernst & Young to conduct a Life Cycle Analysis (LCA) for four products. An LCA is used to map the environmental impact of a product during the various stages of its life, such as raw materials, production of the materials and parts, transport, assembly, use and disposal. The analysis maps as many types of environmental impact as possible, such as the raw materials extracted from the earth or the emissions of substances during the process.

Accell Group commissioned an LCE for four very different types of bicycle: a luxury city bike, a carbon racing bike, a steel children's bike and an electric bicycle. For communications purposes, the outcome of the analysis is expressed in terms of the environmental impact of kilometres of car use. In other words, how many kilometres would you have to cycle, rather than drive in a car, to compensate for the environmental impact of a bicycle during its entire life.

Luxury city bike

Carbon racing bike

Children's bike

Electric bike

The environmnental impact of non-electric bikes during their entire life cycle is roughly equivalent to the environmental impact of driving a car, depending on the type, for about 500 kilometres. This varies from around 370 kilometres for a basic racing bike to around 660 kilometres for a luxury city bike. Replacing short trips in a car with biccycle kilometres therefore clearly has a positive impact on the environment. After 25 weekend trips of 20 kilometres or six months of cycling five kilometres to work, the environmental impact of the bicycle has been fully offset and every kilometre cycled beyond that point is in fact an environmental gain.

Depending on the way the owner uses their bike, the impact on the environment of electric bikes is equivalent to between 1,400 and 2,800 kilometres of car use. This greater impact on the environment is due firstly to the presence of a motor and battery (together 31% of the environmental impact) and secondly to the energy used to charge the battery during the life of the bicycle (40%). Although the number of kilometres that must be travelled is 2.5 to five times greater than for a normal bike, electric bikes still generate enormous environmental benefits.

After all, the distances covered are also greater than with a normal bike. And should a user charge the battery using renewable energy, this would further minimise the environmental impact of the bikes use. Of course, this does not even take into account the benefits of people living longer and staying mobile for longer.

Focussing on the division of the various aspects that cause an environmental impact, it turns out that the greatest impact from the non-electric bikes comes from the use of the materials and processing (paint). Accell Group is also studying an increase in the proportion of recycled materials its uses and ways to increase the recycling percentage at the end of the lifecycle of its products. It is worth noting that the transport and distribution of the bicycles account for a mere 2-7% of the bicycles environmental impact. How they are used also plays a key role in the impact of electric bikes. More kilometres and/or more frequent battery exchanges increased the environmental impact. Optimising the energy consumption of the electric bike is therefore high on the agenda, taking into consideration that this should not affect the safety and life of the battery. This environmental gain is accompanied by market gains, because more efficient energy consumption will result in a greater action radius for the bikes. This, combined with the battery life, is one of the most important considerations for consumers when choosing an electric bike. Consumers can also make a major contribution to reducing the environmental impact of the electric bike. Accell Group devotes considerable attention to providing good information about charging batteries (including renewable energy) and the right use of the electric bike.

Developing Corporate Sustainability Indicators and collecting the required data

In the past year, important steps have been made going forward in creating transparency on Accell Group's performance in the field of corporate social responsibility. The company has developed indicators to create insight into its performance on a number of fronts and to monitor changes - the Corporate Sustainability Indicators (CSIs). These indicators are partly based on the GRI and partly on Accell Group's own need for insight and the ability to steer improvements. The main focal points for which indicators have been developed are:

→ Employee information
→ CO_2 and energy
→ Material use and waste
→ Financial contribution to social initiatives
→ Chain

Given that very little central data collection is available within Accell Group at this time, a tool has been developed to gather the necessary information for the CSIs at the various Accell Group companies. Developing this tool and making it operational has been one of our focal points over the past year and Accell Group presents the first results in this report. At the moment, the database covers around 70% of Accell Group's activities. In 2013, the company will broaden the data collection aiming to cover 100% of Accell Group's activities. The following section outlines in more detail the various targets and associated CSIs.

Status CSR themes

In the 2011 annual report, Accell Groups' chosen CSR themes are outlined and explained. Last year, Accell Group continued to work on these themes. In some cases, this led to more clearly defined targets. Accell Group also developed indicators and collated the necessary data. Below you will find an overview of the progress made in terms of each theme.

Sustainable product

Purpose and objective

"Accell Group makes a recognisable contribution to increasing the sustainability of mobility, promoting the health and safety of consumers and helping older people remain mobile for longer."

In addition to Accell Group's active participation in relevant task forces, Accell Group will invest a total of more than € 1 million annually in this goal. Accell Group also set itself the target of reducing the proportion of employees who travel to work by car individually to less than 50%.

Corporate Sustainability Indicators

Accell Group's financial contributions to increasing the sustainability of mobility, promoting the health and safety of consumers and helping older people remain mobile for longer amounted to a total sum of just over € 1 million.

The basic premise for a financial contribution to these goals is that it must be related to one of Accell Group's core activities and therefore meet the following requirements:
- → it must be related to sports & exercise or sustainable mobility;
- → it must be related to the markets in which Accell Group is active.

This total amount includes 30% of Accell Group's team sponsoring because, in addition to serving a commercial purpose, this sponsoring also encourages sport and exercise. After all, creating 'heroes' has been proven to act as an effective stimulus for people to take up sports.

Commuting

Commuting in 2012

	Number of employees		
Type of transport	Europe	North America	Total
Bicycle	339	10	349
Public transport	429	7	436
Car	972	228	1,200
Motorized two-wheeler	73	2	75
By foot	61	1	62
Total	1,874	248	2,122

In 2012, 56% of employees came to work by car individually. In the coming years, Accell Group will develop initiatives to further stimulate commuter travel by bicycle and public transport.

Sector organisations

Accell Group is actively involved in supporting sector organisations and interest groups to achieve effective and safe regulations related to its products. In the past year, the company devoted considerable time and effort to the European regulations governing electric bicycles. Together with the national sector organisations, the European sector organisation Colibi-Coliped and interest groups such as the European Cyclist Federation, Accell Group lobbied last year to maintain the existing rules for electric bikes. A key element of this lobby was not raising the maximum permitted power for these types of vehicles, with a view to traffic safety. Greater power has an effect on the acceleration capacity which makes additional demands in the field of vehicle control. Not meeting these demands will increase safety risks.

Accell Group participates in the executive of national and international industry organisations. Accell Group plays an active role and strives to encourage exercise, the sustainability of mobility and product safety guarantees. Additional focal points are preserving employment and safeguarding fair competition in Europe.

In the area of product safety, Accell Group is a member of various European committees, such as CEN TC333 (technical committee Cycles of the European Committee for Standardization) and participates in the task forces WG5 (e-Bikes), WG 8 (Composite materials), and national initiatives such as the Dutch AVC (aimed at tackling vehicle-related crime).

Employee satisfaction, safety, health and development

Purpose and Objective

"Accell Group wants to be a good employer, providing its employees with a challenging working environment that fits their personal abilities and ambitions. Accell Group wants to bind know-how and talent to the company and provide its employees with a safe and healthy work environment."

In this context, Accell Group strives for zero hours of absenteeism due to work-related accidents. When accidents take place within the company, Accell Group investigates whether there are any underlying structural causes relating to the company. If this proves to be the case, then Accell Group eliminates these causes. In addition, Accell Group has set itself a target of investing in an average of 10 hours of training annually for each employee.

Corporate Sustainability Indicators

Age structure personnel (in fte) in 2012

	Europe			North America			
Age	Female	Male	Total	Female	Male	Total	Total
< 25 year	43	117	160	3	8	11	171
25-34	114	336	450	20	38	58	508
35-44	118	409	527	15	59	74	601
45-54	106	379	485	20	50	70	555
55-59	46	131	177	7	12	19	196
60-65	7	62	69	3	10	13	82
> 65	1	5	6	0	3	3	9
Total	**435**	**1,439**	**1,874**	**68**	**180**	**248**	**2,122**

Total workforce by employment contract, and region, broken down by gender (in fte) in 2012

		Permanent		Temporary		
Region	Gender	Part-time	Full-time	Part-time	Full-time	Total
Europe	Female	86	313	6	31	**435**
	Male	38	1,312	12	77	**1,439**
North America	Female	0	65	1	2	**68**
	Male	0	177	0	3	**180**
Subtotal		124	1,866	19	113	**2,122**
Total			1,990		132	**2,122**

Total workforce (by region and gender) in 2012

		Permanent		Temporary	
Region	Gender	Accell employees	Total number of Accell employees per region	Number of contractors	Total number of contractors per region
Europe	Female	435	**1,874**	124	**400**
	Male	1,439		276	
North America	Female	68	**248**	0	**1**
	Male	180		1	
Total			**2,122**		**401**

Average annual number of hours spent on education per employee by contract type in 2012

Personnel type	Europe	North America	Total
Direct personnel	5.1	0.0	4.8
Indirect personnel	12.1	1.3	10.2
Total direct and indirect	**8.8**	**1.1**	**7.9**

→ The education of employees is expressed as the total number of hours spent on education by direct or indirect personnel divided by the total number of fte of direct or indirect personnel.
→ Direct personnel: Personnel in production.
→ Indirect personnel: Personnel not in production.

Average annual number of hours spent on education per employee by gender in 2012

Personnel type	Europe	North America	Total
Female	10.3	1.5	9.1
Male	8.4	0.9	7.5
Total	**8.8**	**1.1**	**7.9**

→ The education of employees is expressed as the total number of hours of education for male or female personnel divided by the total number of fte of male or female personnel at the end of the reporting period.

New employee hires and employee turnover (by gender and by region) in 2012

	Female				Male					
Region	Intake	Outflow	Intake rate in %	Outflow rate in %	Intake	Outflow	Intake rate in %	Outflow rate in %	Total	Total
Europe	19	22	7	8	70	61	7	6	7	6
North America	3	7	5	1	26	22	18	15	14	14
Total	**22**	**29**	**7**	**8**	**96**	**83**	**8**	**7**	**8**	**7**

→ Rates are calculated by dividing intake/outflow numbers by the total number of fte's of male or female in the respective category at the end of the reporting period.

New employee hires and employee turnover (by age) in 2012

Age	Intake	Outflow	Intake rate in %	Outflow rate in %
< 25 year	32	11	26	9
25-34	45	32	14	10
35-44	25	18	6	4
45-54	11	26	3	6
55-59	3	9	2	6
60-65	3	6	5	10

→ Rates are calculated by dividing intake/outflow numbers by the total number of fte in the respective category at the end of the reporting period.

Absenteeism and safety performance 2012

	Europe		North America			
Region	Hours	%	Hours	%	Total hours	Total in %
Total absentee hours	113,696	3.03	6,885	1.41	**120,581**	**2.84**
Absentee hours due to injury	894	0.02	216	0.04	**1,110**	**0.03**

→ Absentee rate: Refers to a measure of actual absentee days lost (scheduled work days), expressed as a percentage of total hours scheduled to be worked by the workforce for the same period (contractors excluded).

→ Injury rate: The number of absentee hours due to injuries divided by the total time worked by the total workforce in the reporting period (contractors excluded).

CO_2 and energy

Purpose and Objective

"Accell Group wants to reduce energy consumption and CO_2 emissions in both its production facilities and its logistics system."

A concrete target has not been defined yet. As noted earlier in this chapter, Accell Group has made a start in 2012 on calculating the CO_2 footprints of two Accell Group companies. In the coming years, Accell Group will extend this to calculate a CO_2 footprint for the entire organization and define a reduction target on the basis of these results.

The results of the CO_2 footprints for Batavus and Sparta are outlined below. We present this information in terms of the direct and indirect energy consumption and the direct and indirect CO_2 emissions.
Direct energy use and CO_2 emissions are energy use and emissions resulting from the burning of energy sources or the use of internally generated energy within the boundaries of the organisation (including vehicles that are the property of the organisation). Examples of these energy sources are natural gas, diesel, petrol, coal and fuel oil. An example of internally generated energy is electricity production from a wind turbine.
Indirect energy consumption and CO_2 emissions are the use of energy sources within the boundaries of the organisation that are produced by means of a conversion process outside the boundaries of the organization and that are not burned within the boundaries of the organization. Examples of these are electricity, steam or compressed air purchased from third parties.

Corporate Sustainability Indicator

Energy consumption and emissions Batavus in 2012

	Direct	Indirect	Total
Energy consumption (Giga Joules)	41,702[1]	10,179[2]	**51,881**
CO_2 emissions (tons of CO_2 equivalents)	2,491	40	**2,531**

[1]: from non-renewable energy sources
[2]: from renewable energy sources (green power).

Energy consumption and emissions Sparta in 2012

	Direct	Indirect	Total
Energy consumption (Giga Joules)	4,059[1]	2,489[2]	**6,548**
CO_2 emissions (tons of CO_2 equivalents)	515	447	**962**

[1]: from non-renewable energy sources
[2]: from non-renewable energy sources (grey power)

Sustainable materials and recycling

Purpose and objectives

"Accell Group wants to increase the proportion of sustainable materials in its products. Sustainable materials can be recycled efficiently, comprise recyclable raw materials and have other, yet to be determined, sustainable properties. Accell Group wants to maximise the recycling of the materials it uses. The company uses smart design to increase the effective use and recycling of sustainable materials. The amount of packaging in the value chain, from supplier right through to dealer, has to be reduced and we encourage the use of used and out-of-demand parts."

Accell Group's goal is to reduce the environmental impact of the waste and packaging materials (calculated per bicycle) by 2-4 per cent annually.

Corporate Sustainability Indicator

Packaging materials distribution (in kg) in 2012

	Packaging materials		
Material	**Europe**	**North America**	**Total**
Paperboard	3,304	1,960	**5,264**
Paper	19	9	**28**
Foils	161	0	**161**
Wood (pallets)	18	178	**196**
Other	19	5	**24**
Total	**3,521**	**2,152**	**5,673**

Waste materials (in kg) in 2012

	Waste		
Material	**Europe**	**North America**	**Total**
Metals	242	3	**245**
Plastics	85	5	**90**
Carbonfibres	1	0	**1**
Rubber	1	0	**1**
Paperboard and paper	1,767	63	**1,830**
Foils	76	0	**76**
Hazardous waste	83	0	**83**
Wood (pallets)	138	7	**145**
Residual waste	334	100	**434**
Total	**2,727**	**178**	**2,905**

Chemical substances

Purpose and Objectives

"Accell Group wants to operate in compliance with REACH (Registration, Evaluation, Authorisation and Restrictions of Chemical substances) and work only with registered substances, under the correct conditions and with the right protection measures in place. Where possible, Accell Group operates with alternative materials without hazardous substances. Any adverse effects of working with hazardous substances are eliminated where possible."

The Accell Group's testing laboratory became fully operational in 2011. In recent years, we have tested and evaluated more than 7,000 components from key suppliers. We made changes in consultation with the suppliers in cases where deviations were detected. Based on the initial measurements and experiences, we have drawn up a specific toxicological test protocol, which relates to the type of products Accell Group makes. This test protocol combines relevant REACH and national legislative requirements.

Chain responsibility

Purpose and objective

"Accell Group is one of the leading companies in the international bicycle sector. Together with a number of other key players, it has taken the initiative, via the World Federation of the Sporting Goods Industry (WFSGI), to define and develop chain responsibility in the international bicycle sector."

The goal for the year 2013, is to develop the framework and the instruments for the joint definition of the chain responsibility in the WSFGI. Accell Group will also start reporting on its activities in the chain at the level of GRI indicators in 2013.

The theme 'Water' was a separate theme in the 2011 annual report, and will from this year onwards be integrated into the subject chain responsibility because the key impact on water consumption will be in the supply chain. The environment is one of the focal points of the WFSGI policy on the supply chain and the theme 'Water' is included in the approach as an environmental issue.


Pure

CYCLE OF ACTIVITIES

Each year the brands of Accell Group release a new series for the bicycle season, which runs from September till September. A large part of the new bicycle series comprises of new models.

Market research

The bicycle market is highly segmented at an international level. Each country has its own defining market characteristics distinguished by types of bicycle, average price, quality, 'look and feel' of the bicycle and distribution method. The diversity of the markets in which Accell Group's companies operate requires a varied and carefully balanced brand policy geared towards presenting a specific image for each brand and each country. These nationally strong brands, often backed by a long history and tradition, are combined with international top brands to ensure that consumers are offered the most complete range of choices possible. The fitness market is less fragmented than the bicycle market. The product characteristics are more universal, and there is a single product portfolio for global sales and marketing.

Most of Accell Group's bicycle and fitness brands are 'familiar faces': highly reputable brands that call for a unique and specific approach. All of the companies regularly carry out market research as a basis for charting the ever-changing requirements of demanding consumers. The companies communicate with consumers through consumer panels and targeted surveys. Accell Group also maintains close contact with the specialist retail trade for the same purpose. The company coordinates the exchange of information about consumer behaviour and trends at group level, the premise being 'efficiency in inspiration'. This prevents overlapping research and promotes the optimum exchange of information and ideas. Product managers meet suppliers and visit events to learn about the latest techniques and trends for usage in Accell Group's products.

Design

Operating close to the market means that each brand has its own design and development teams that focus on the development of new parts, models and colours. Consumer research is also important at this stage to evaluate the development process and adapt it where necessary. Product design is an important differentiating factor. What consumers want is always a priority in that respect. The design and development teams come up with a new range every year, often with a focus on innovation and design. Each brand has its own unique positioning. The holding company optimises the positioning of the individual brands through portfolio management per brand, segment and country.

Development

Accell Group devotes a great deal of attention to various short and long-term innovation projects and to the exchange of knowledge. Central themes of development and innovation are comfort, safety, weight, application of electronics, sustainability and all technology with regard to e-bikes. Thanks to central coordination, Accell Group can apply innovations broadly right across the group. Partnership and team building in product development and production result in cost savings and accelerated innovation projects, and all of this combined translates into a shorter time-to-market. Each year there are several innovations within the group, protected by international patents when possible.

The numerous awards Accell Group's subsidiaries have received in the past years support a key component of Accell Group's strategy: the group wants to use constant innovations to maintain and strengthen its lead in the market. Electrically-assisted bicycles are the focal point, because that market has enormous long-term international growth potential. The technology is used at many of our subsidiaries, all of which obviously translate the technologies to suit the positioning and values of their own brands. The market for electrically-assisted bikes is developing rapidly. Lifestyle plays a key role, as the traditional image of the electrically-assisted bike for 'elderly people' is changing into use by an ever-widening group and a broad range of applications, including use for middle-distance mobility for commuter travel.

A lot of attention is also spent on the development of high grade bikes for sporting use. Continues new techniques and innovations are applied to ensure the brands gain leading positions in their respective markets. The active, sportive (competition) bicycles are the target group. The international character of sports bikes plays an important role here. The Accell Group subsidiaries with strong cross border distribution networks (including Lapierre, Ghost, Haibike and Koga) closely align with regard to the development of components and bicycles aimed at the optimization of the collaboration between man/machine. Each year important improvements are realized with regard to frames, forks and suspensions for racing bikes, time trial bicycles, MTBs and downhill cycling.

Marketing

The bicycle market is different in every country. In addition to a number of international top brands, Accell Group has a number of strong national brands that operate in their own market on the basis of their own positioning. Many of these brands are trendsetters, with strong market shares in their own national markets. Operating close to the market enables the companies to respond directly to their customers' wishes. This translates into the shortest possible time-to-market for new products and innovations. Each subsidiary has its own marketing organisation that produces a tailor-made brand strategy for its markets. For this a wide range of communication channels is used, both thematically and in the form of direct marketing to the consumer and the retail trade.

Sponsoring is an increasingly important instrument for generating attention for brands, especially for those with international operations. Internationally-active brands such as Koga, Lapierre and Ghost are often visibly active at major sports events. The other brands are on the whole more active in local sponsoring. In that respect, too, the brands operate close to their respective markets.

Sourcing and production

Accell Group works closely with a number of production companies in Europe and Asia for the sourcing of its components and constantly evaluates whether that collaboration is working optimally. Accell also outsources (parts of) the assembly process when this is the best option in terms of economy and quality. The majority of the assembly operations take place relatively close to the various markets. The fast and efficient production of small series is extremely important, due to the fact that Accell Group focuses on the mid-range and top segments of the market. The growing demand for specialty and custom-made products makes this even more important.

Accell Group has production facilities in the Netherlands, Germany, France, Hungary, Turkey and Canada. Assembly close to its markets makes the company much more flexible, especially in terms of responding to its customers' wishes. Whenever possible, we invest in the use of modern production technologies. However, the bulk of Accell Group's products are assembled manually. Accell Group successfully puts high quality products on the market time and again.

All of Accell Group's production facilities devote a great deal of attention to internal training and to equipping employees for multiple tasks. In addition, a number of employees in the production departments are employed on the basis of flexible and temporary contracts. This enables us to respond to seasonal changes in productions levels.

Sales and after market service

The individual Accell Group operating companies are primarily responsible for their own sales. They are close to their customers and know what is happening on their markets. If and when possible or necessary, the various companies do cooperate in terms of bicycle sales. Companies active in the sale of parts and accessories also work closely together. Size and scale can be a major advantage in these trading activities.

The demand for custom-made bicycles is growing faster due to increasing use and opportunities of the internet. Through the use of the internet and web technology the consumer is able to fully design its own bicycle, often in collaboration with the dealer. The brands Koga ('Koga Signature'), Lapierre ('Webseries'), Staiger ('Sinus') and Haibike have built on ample experience with custom made bicycles programs.

Distribution

Accell Group believes the best way to distribute its products is through intensive cooperation with and support for the specialist retail trade, consisting of bicycle shops and sports shops. These shops are in a perfect position to guarantee end-users the best possible service levels. The specialist retail trade is also developing rapidly: points of sale are becoming larger and more modern, which creates opportunities for very close cooperation in service, support, in-store marketing and direct marketing. Armed with the knowledge that 80% of purchase decisions are made in the store itself, the various brands are devoting considerable attention to in-store marketing. The specialist retail trade is and will remain an important partner for Accell Group. The majority of consumers consider specialist retailers an important partner for advice and service, especially in the 'after sales' process that involves the final checks and assembly and ensuring that a bicycle is ready for immediate use. These services are an important part of the added value of the Accell Group brands.

Accell Group believes that a healthy and strong specialist retail trade is vital and supports this in the broadest sense of the word. One way it does this is by organising informative and inspiring trade fairs to discuss technical developments and the organisation of marketing and sales.

Accell Group's in-store marketing and sales support includes the XLC display system. XLC is a premium Accell Group brand for bicycle parts and accessories. All components companies within the group deliver products for the XLC range, which was developed because consumers are becoming more demanding in terms of the appearance, comfort and life span of their bicycles. The market for bicycle parts and accessories is also growing. The XLC display system responds to this trend in a number of ways. First of all, it is much easier for consumers to see the wide range of quality parts and accessories that are available. In addition, the specialist retail trade is given the opportunity to present this increasingly popular product group in a very professional manner. The professional display of the XLC quality products gives an extra impulse to the sales of bicycle parts and accessories.


batavus

ACCELL GROUP AND SAFETY TESTS

Introduction

Accell Group takes great pride in creating innovative, high-quality products, which is why we invest considerable sums in Research & Development. In this chapter, we highlight some of the processes involved, more specifically the testing and validation of parts and products. We believe these procedures are essential to fulfil the promise we make to consumers of safe, high-quality products.

Accell Group has an extensive range of in-house testing facilities. The company also collaborates with leading testing organisations such as TUV, Intertec, EFbe, Velotech and Thales. This combination of in-house and external testing keeps everyone on their toes and makes sure that our products are tested using state-of-the-art technologies.

Koga Test centre

Mechanical testing

The basis for a safe and durable bicycle comes from the mechanical testing of critical components, such as the frame, fork, handlebars, saddle and saddle pin. But we also conduct extensive tests on the wheels, pedals, crank, luggage rack and other parts. Of course, each type of bicycle is used in different circumstances, so we test specific bicycle parts in line with the various CEN (Comité Européen de Normalisation) safety standards:

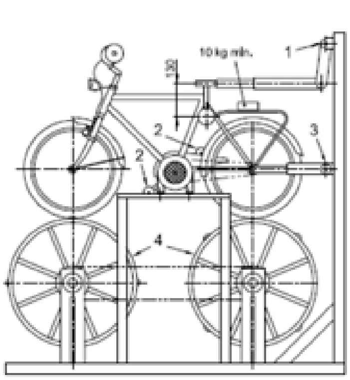
- EN 14764 City & trekking bicycles;
- EN 14765 Bicycles for young children;
- EN 14766 Mountain bicycles;
- EN 14781 Racing bicycles;
- EN 15194 EPAC (Electric power-assisted cycles);
- EN 16054 BMX bicycles

The EN standards are the gold standard in the international bicycle industry. Accell Group is a member of various standardisation committees and is therefore an active participant in the discussions about product safety. You will find more information about this subject in the chapter Accell Group and Society.

Accell Bisiklet test centre

The EN standards serve as the basis for all Accell Group's test protocols. Accell Group also runs extensive practical (road) tests on its bicycles, with help from both professionals and consumer panels. Internal test protocols are constantly revised and tightened on the basis of measurements and results from these practical tests. And if necessary, Accell Group applies more stringent requirements in its tests than strictly required under the EN standards, to safeguard the high quality of our products. Accell Group has a variety of mechanical test labs in a number of countries, both in the R&D centres and close to the final assembly and parts production facilities of our suppliers. The test methods are standardised so results can be compared.

Race bike on a roller bench



EN 14764 roller bench

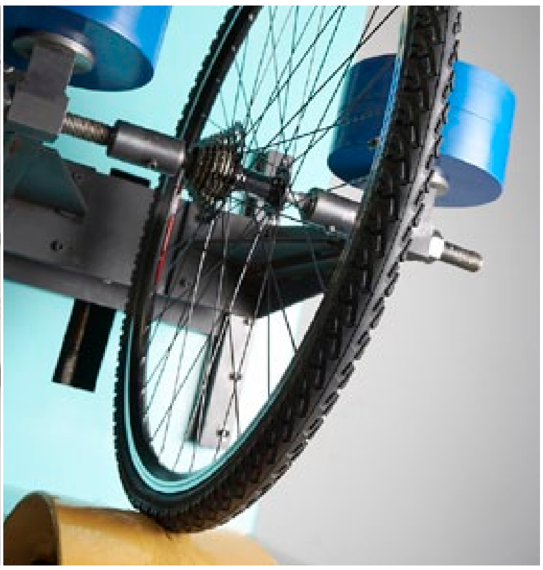
Modern roller bench

Each and every day, test engineers test both complete bicycles on the roller bench and individual parts on specialist testing benches. The roller bench consists of two rapidly spinning cylinders with a number of bumps to drive the wheels of the bicycles, while the bicycle is fitted with weights. This simulates extended use on extremely bumpy surfaces. It may be an old testing method, but it is still very important today. This is partly because it is particularly useful for testing how various parts of the bike work together. So while a lot more electronics and measuring equipment is used now than we used to in the old days, some basic testing equipment will always remain the same.

Saddle pin test

Frame test

Fork test



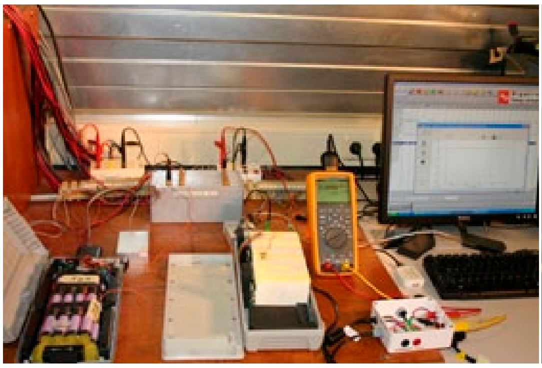
Wheel test

Special test stations have been developed to test various parts, and not only for the various individual components, but also to run a range of tests on the same part. For instance, a bicycle fork is tested at three different levels. There are static tests, in which a substantial force is applied to the frame, so it can be assessed if and when the frame will succumbs to pressure. Also there are impact tests in place, in which weight/force is exerted on the fork in a single quick shock (such as drop tests); finally, we have dynamic tests, in which variable forces are applied to the part over an extended period of time. After all, the number of test cycles any component is subjected provides even greater assurance about the durability of the fully assembled bicycle.

E-bike system tests

Electronics testing has progressed in leaps and bounds following the advent of electric bikes in the bicycle industry. Various tests have been introduced in both the development process and the production process to guarantee the quality of our products. We test at component, system and environmental levels.

The test process starts at component level in the development process. For instance, we thoroughly test our battery packs using a comprehensive battery tester. The battery tester checks a lot more than just the performance of the battery pack itself; it also tests the Battery Management System (BMS). The key tests focus on the performance, durability and safety of the battery pack, with safety being the prime concern. The battery packs fully disassembled for the tests and attached to a monitor to record their behaviour under a variety of simulated real-life conditions. Also critical error situations are simulated to make sure the batteries remain safe even during failures. These tests are extremely important given the enormous quantity of energy stored in a battery pack, which obviously should never be released in an uncontrolled manner.



Battery testing

Testing bench for electrical bikes

Engines and controllers are tested at separate stations, which can hold both loose engines and entire bicycles. The test station allows to assess the maximum capacity, maximum torque and the efficiency of the engine. The test station has a range of test profiles that provide a thorough evaluation of the safety and durability of the engines and controllers. One of the ways it does this is by simulating extreme situations, such as running the engine at maximum power and very slow speed for an extended period. This puts the greatest possible strain on the engine and allows to check whether the internal and external temperature remain within specifications. This also allows whether the controller's regulators are functioning properly and should be assessed, so it can make sure that the product is durable and that end-users can get the most out of their bicycles.

At a system and bicycle level, the entire bicycle is tested to determine its final road behaviour. For instance, the bicycle's action radius is tested, by simulating varied road use, while recording the overall performance of the complete bicycle. After all, the real performance of a bicycle is determined by the combination of the various components: engine, battery pack, sensors and support parameters. Finally, the bicycles are subjected to Electro-Magnetic Compatibility (EMC) tests. These are legal requirements to ensure electrical components do not interfere with each other. These tests are carried out by a certified external institution on the basis of the standards laid down in CE directives.

- EN 15194 EPAC standard;
- EN 61000-4-2 ESD test standard, part of immunity;
- EN 55022 emissions and immunity standard.

Climate tests

In addition to component and system tests, various environmental tests are also conducted, such as water resistance and behaviour in various environment temperatures. To test water resistance, for instance, the IPx5 standard is used, which means every electrical component and connection must be resistant to water sprays from various angles. These tests are aimed primarily at ensuring the durability of the product in all forms of use and weather conditions.

As well as testing the electronics in various climate conditions, it is also ensured that all components are able to withstand intensive outdoor use. To guarantee this, the surfaces of all components are treated to provide maximum resistance to this kind of weather or climate-related damage. A number of tests have been devised to simulate extreme weather conditions, to safeguard the quality of these processes.

Salt spray test

UV test

For instance, the so-called salt spray test chamber subjects the product to a saline fog at a temperature of around 25° C. The paint is not supposed to show any signs of corrosion or peeling during this test. In UV tests, the parts are subjected to extended and intensive UV light to simulate exposure to sunlight. The aim of this test is to make sure there is no visible discolouration and that UV light does not damage the structure of the plastic used.

REACH

To protect consumers from the adverse effects of exposure to hazardous materials that may be present in various products, new laws and regulations have been introduced in Europe at both a central and decentralised level. The main directive is REACH (Registration, Evaluation and Authorisation and restriction of Chemicals). These regulations are aimed at protecting peoples' health and the environment against the risk of exposure to dangerous substances.

- → REACH: Regulation EC 1907/2006 of the European Parliament and of the Council of 18 December 2006 pertaining to REACH;
- → TSCA:Toxic Substance Control Act (US);
- → Toys: Regulation 2009/48/EC of the European Parliament and of the Council of 18 June 2009 pertaining to the safety of toys;
- → RoHs: Directive 2011/65/EU of the European Parliament and of the Council of 8 June 2011 pertaining to restrictions on the use of hazardous substances in electrical and electronic equipment.
- → National & international regulations.

Accell Group has set up its own chemical (REACH) lab at its production plant in Hungary and is able to detect all banned or restricted substances. At this lab, a distinguish is made between organic and inorganic substances, since these require different methods of analysis. The lab uses the so-called XRF screening on the materials to be analysed to detect inorganic substances such as Cr (Chromium), Se (Selenium), Cd (Cadmium) and Pb (lead). This means a prepared sample of the material is subjected to X-ray and the reflected image is analysed.


XRF screening

REACH lab

The group of organic substances is much greater than the number of inorganic substances. It is possible to detect the main organic substances known to pose a hazard using a gas chromatography–mass spectrometry (GC-MS) detector. Examples of these substances are plasticisers (phthalates), Polycyclic Aromatic Hydrocarbons, AZO dyes and solvents.



Test samples

GC-MS machine

This analysis uses a combination of the options offered by gas liquid chromatography and mass spectrometry to identify the various substances. In this test, a prepared sample of the material to be analysed is dissolved completely in liquid before it is placed in the GC-MS machine. Any materials that may come into contact with people during production and use are tested extensively to safeguard the safety of people and the environment.

From raw materials to the finished product: a bicycle cannot be taken into production until every single element has been tested and cleared. But also run random samples are tested during the production process, to ensure that the quality of our products is consistent: innovative, high-quality, safe.

Sports bikes make winner's podium

Accell Group and its brands invest a lot time and effort in the development of top-grade sports bikes. Each year we make significant improvements to optimise the performance of racing bikes, time trial bikes, MTBs and downhill bikes. In the Olympic year 2012, numerous Accell Group sports bike brands came in winners at the Olympics and other top-class cycling events. At the Olympics, Teun Mulder won bronze in the Keirin riding a Koga Kimera, while German cyclist Sabine Spitz grabbed silver in the women's mountain biking event on a Haibike Greed, and the Redline BMX bike took silver and bronze at the Olympic BMX bicycle motocross event. Redline BMX bikes also helped their riders take the men's and women's winners titles at the UCI BMX World Championships. At last year's Tour de France, Lapierre racing bikes managed to take two stage wins and took 1st and 2nd places at the 2012 French National Road Race Championships. Meanwhile, Johannes Fischbach won last year's German National Downhill Championships riding his Ghost mountain bike.

CORPORATE GOVERNANCE

The Board of Directors and Supervisory Board are responsible for the corporate governance structure of Accell Group and for compliance with the Dutch Corporate Governance Code.

Accell Group has always conducted a consistent policy in terms of improving its corporate governance in line with the Dutch and international developments. As reported in previous annual reports, Accell Group has acted in accordance with the Tabaksblat Code since 1 January 2005.

On 10 December 2008, the Frijns Committee presented an updated version of the Dutch Corporate Governance Code, which was subsequently published in the Dutch Government Gazette 2009, no. 18499, dated 3 December 2009 (the "Code"). This Code was designated by Order in Council on 10 December 2009 (Bulletin of Acts, Orders and Decrees 2009, 545) as the code of conduct with which listed companies must comply in the reporting in their annual reports as from the financial year 2009.

This section of the annual report first describes the corporate governance structure of Accell Group and subsequently explains where and why Accell Group deviates from the principles and best practice provisions of the Code.

Corporate governance structure

General

Accell Group is subject by law to the full two-tier board regime. The corporate governance structure of Accell Group is partly recorded in the articles of association. The full text of the articles of association can be found on the website (www.accell-group.com under 'Corporate Governance', 'Articles of Association').

Board of Directors

The Board of Directors is responsible for managing Accell Group and thus for ensuring that the company achieves its goals, for the strategy and accompanying risk profile, the result development and the social aspects of entrepreneurship relevant to Accell Group. The Board of Directors is accountable to the Supervisory Board and the Annual General Meeting ("General Meeting") of Shareholders on these issues. In the performance of its duties, the Board of Directors focuses on the interests of the company and its associated enterprise and in doing so weighs the relevant interests of the parties involved in the company. The Board of Directors provides the Supervisory Board with all the information that the Supervisory Board may need to fulfil its duties.

The Board of Directors is responsible for compliance with all relevant laws and regulations, for the management of the risks associated with the company's business operations and for the financing of the company. The Board of Directors reports on these topics and discusses the internal risk management and audit system with the Supervisory Board. One of the risk management tools Accell Group uses is the Code of Conduct posted on the website (under 'Corporate Governance'). This annual report includes a chapter titled 'Risks and Risk Management (page 73 and beyond), which describes the internal risk management and audit systems in more detail.

Certain important decisions of the Board of Directors require the approval of the Supervisory Board, such as decisions on share issues and the establishment and/or termination of long-term alliances between Accell Group and other companies. The General Meeting of Shareholders' approval is required for decisions of the Board of Directors regarding significant changes to the identity or character of the company or the enterprise.

On 26 April 2012, the General Meeting granted the Board of Directors a mandate to acquire shares in the company's own capital. The mandate was granted under the following conditions:

- the mandate would remain in effect for 18 months;
- the Supervisory Board's approval would be required for the acquisition of shares in the company's own capital;
- the number of shares would not exceed 10% of the issued share capital; and
- the acquisition price would not exceed 110% of the average price on the preceding five trading days.

The agenda for the General Meeting of 25 April 2013 once again includes a proposal to grant the Board of Directors a mandate to acquire shares in the company's own capital under the same conditions as those set out above. Decisions to issue shares are taken by the General Meeting, insofar as and as long as it has not appointed another company body to do so. The preferential right can be limited or excluded by the company body authorised to pass resolutions on issuing shares, provided that said right is assigned expressly to that company body. A resolution of the General Meeting of 26 April 2012 has extended the period in which the Board of Directors is empowered with the approval of the Supervisory Board to issue cumulative preferential shares B to 1 November 2013. At the same meeting the term in which the Board of Directors is empowered with the approval of the Supervisory Board to:

- issue ordinary shares up to a maximum of 10% of the outstanding share capital; and
- limit or exclude the preferential right upon the issuance of ordinary shares.

is extended to 1 May 2014.

The agenda for the general Meeting of 25 April 2013 includes a proposal to extend that term to 1 May 2015.

The Board of Directors represents the company insofar as the law does not stipulate otherwise. Each member of the Board of Directors has the authority to represent the company. If Accell Group has a conflict of interests with one or more members of the Board of Directors, the company will be represented by a member of the Supervisory Board appointed for said purpose by the Supervisory Board.

The Supervisory Board determines the number of members of the Board of Directors and appoints or dismisses the members of the Board of Directors. At the moment, the Board of Directors has three members. The Supervisory Board has appointed one of the directors as chairman of the Board of Directors.

The Supervisory Board determines the remuneration of the individual members of the Board of Directors, using the policy adopted by the General Meeting most recently on 22 April 2010. The Supervisory Board also compiles an annual remuneration report, which contains an explanation of the remuneration of the individual members of the Board of Directors. A summary of the main points of the Supervisory Board's remuneration report for 2012 is included in the chapter titled 'Report of the Supervisory Board' in this annual report.

Supervisory Board

It is the responsibility of the Supervisory Board to supervise the policy of the Board of Directors and the general developments in Accell Group and its affiliates. In addition, the Supervisory Board provides the Board of Directors with advice and support. In the fulfilment of its duties, the Supervisory Board is guided by the interests of Accell Group and its affiliates. Accordingly, it takes into account the interests of all those involved in Accell Group, as well as the social aspects of entrepreneurship that are relevant to Accell Group. The Supervisory Board receives all the information required for the performance of its duties from the Board of Directors in a timely manner.
The Supervisory Board has drawn up regulations which include the distribution of its tasks and its operating methods. The regulations include a section on its interaction with the Board of Directors, the General Meeting of Shareholders and the Works Council. The regulations were most recently amended in a decision of the Supervisory Board dated 21 July 2011. The regulations can be found on the Accell Group website under 'Corporate Governance', 'Supervisory Board'.

The Supervisory Board comprises at least three members (currently four). The General Meeting appoints the members of the Supervisory Board based on nominations submitted by the Supervisory Board. The General Meeting can reject the nomination with an absolute majority of the votes cast, these representing at least one-third of the issued and paid-up capital. If the nomination is rejected, the Supervisory Board shall draw up a new nomination. In the event that the General Meeting fails to appoint the nominated person and also fails to reject the nomination, the Supervisory Board shall appoint the nominated person. The Supervisory Board announces the recommendations simultaneously to the General Meeting and the Works Council. The General Meeting and the Works Council are entitled to recommend candidates for membership of the Supervisory Board. The Supervisory Board will fill the nominations for one-third of the positions on the Supervisory Board with persons recommended by the Works Council, unless the Supervisory Board objects to said recommendation and provides grounds for same.

A member of the Supervisory Board shall retire no later than the date of the first Annual General Meeting held four years after his or her initial appointment to that position and in such instance immediately at the end of said meeting. Members of the Supervisory Board may be appointed to the Supervisory Board for a maximum of three four-year terms. The members of the Supervisory Board receive a remuneration to be determined by the General Meeting.

The Supervisory Board has drawn up a retirement schedule, which is published on the Accell Group website (under 'Corporate Governance', 'Supervisory Board').

The Supervisory Board has appointed from its midst an audit committee comprising Messrs. J. Van den Belt (chairman) and P.B. Ernsting, and a selection/remuneration committee, comprising Messrs. J.H. Menkveld (chairman) and A.J. Pasman. These committees are charged with preparatory activities as part of the decision-making process of the Supervisory Board. In a decision dated 21 July 2011, the Supervisory Board established regulations for the audit committee and the selection/remuneration committee. These regulations can be found on the Accell Group website, under 'Corporate Governance', 'Supervisory Board'.

The Supervisory Board has drawn up a profile of its size and composition, taking into account the nature and operations of Accell Group and the desired expertise and background of the members of the Supervisory Board. The profile was most recently revised in a Supervisory Board decision dated 21 July 2011 and is available on the Accell Group website under 'Corporate Governance', 'Supervisory Board'. The Supervisory Board elects a chairman and a deputy chairman from among its members. The Supervisory Board aims to attune the experience and expertise of its members effectively to the nature, activities and strategy of Accell Group. The Supervisory Board's composition is such that the members are able to operate independently and critically, vis-à-vis each other, the Board of Directors and any company interest whatsoever.

Composition Board of Directors and Supervisory Board

The composition of the Accell Group Board of Directors has not changed since the new directives on the proportion of men and women on the Board of Directors and Supervisory Board came into effect on 1 January 2013. Accell Group was therefore unable to meet the target of 30% women on the Board of Directors. Accell Group will do its utmost to achieve a balanced composition of the board in any future appointments of Directors. Accell Group also strives for, among other things, a balanced mix in the composition of its Supervisory Board in terms or age and gender and has recorded such in the profile for members of the Supervisory Board. In line with this aim, the Supervisory Board specifically attempted to nominate a female candidate for appointment during the general Meeting of Shareholders in the spring of 2013, since Mr. J. H. Menkveld will step down from the Board after the end of said General Meeting of Shareholders. However, arriving at a nomination for a female candidate ultimately proved impossible. Since Accell Group attaches great importance to a balanced mix in composition of the Supervisory Board, this aspect will be taken into consideration as much as possible in future appointments of members of the Supervisory Board.

General Meeting of Shareholders

Key authorisations reside with the General Meeting, such as powers regarding decisions to amend the articles of association and rules and regulations, legal mergers and spin-offs, and the adoption of the financial statements. In addition, the General Meeting determines the remuneration policy for the members of the Board of Directors. A General Meeting is convened at least once a year.

The General Meeting is chaired by the chairman of the Supervisory Board. All matters discussed and resolved in the General Meeting are recorded in the official minutes of the meeting. Accell Group considers it important that as many shareholders as possible participate in the decision-making processes of the General Meeting. Shareholders and other holders of voting rights are therefore offered the opportunity to issue voting proxies or voting instructions ahead of the General Meeting. The Board of Directors was delighted that the General Meeting of 26 April 2012 was attended by shareholders representing 63.7% of the total number of outstanding shares.

External accountant

The General Meeting appoints the external accountant. The external accountant reports their findings with respect to the audit of the annual accounts simultaneously to the Board of Directors and the Supervisory Board and records the results of their findings in a statement. The General Meeting may question the external accountant about their statements regarding the accuracy of the annual accounts and the external accountant attends said meeting and is authorised to speak at same for that reason. The Supervisory Board has nominated the company's current external accountant, Deloitte Accountants B.V., for reappointment for the audit of the annual accounts for the 2013 financial year. The reappointment of the external accountant is on the agenda of the General Meeting of 25 April 2013.

Regulations

The Board of Directors has drawn up an internal code of conduct incorporating the basic principles that apply to the way in which employees of Accell Group and all of its group companies should conduct themselves. The complete text of this internal code of conduct is available on the Accell Group website (under 'Corporate Governance').

Accell Group has laid down its requirements for parties involved in the production and sourcing process in a code of conduct for suppliers. These requirements relate to issues including the prohibition of child labour, involuntary labour and discrimination, safety requirements, environmental requirements and labour conditions. The code of conduct for suppliers is available via the Accell Group website (under 'Corporate Governance').

The Board of Directors has laid down a whistleblower regulation and published same on the Accell Group website (under 'Corporate Governance'), so employees are able to report on alleged irregularities within Accell Group and its associated companies without harming their legal position.

The Insider Trading Regulation established by the Board of Directors aims to provide rules to support the legal stipulations to prevent insider trading. The basic premise of the Insider Trading Regulation is that people should not enter into or recommend transactions in Accell Group shares and other financial instruments within the meaning of the Law on financial supervision if they have insider knowledge. Under the Insider Trading Regulation, members of the Board of Directors, Supervisory Board and so-called designated persons at Accell Group are subject to various closed trading periods, announced by the Board of Directors or the compliance officer, in which they are not allowed to conduct any transactions, regardless of whether they have insider knowledge or not. In line with the Insider Trading Regulation, people with a reporting obligation must report transactions they have conducted to the compliance officer. The members of the Board of Directors and the Supervisory Board also have to report their transactions to the Dutch Financial Markets Authority AFM.

Corporate governance policy

Conflicts of interest in transactions

No transactions involving a conflict of interests, as specified in best practice provisions II.3.4, III.6.3 and III.6.4 of the Code, occurred in the 2012 financial year. The regulations governing the Supervisory Board include rules for dealing with potential conflicts of interest involving members of the Board of Directors, members of the Supervisory Board and the external auditor in relation to Accell Group. Furthermore, they determine the types of transaction that require the approval of the Supervisory Board.

Protective measures

To protect the continuity of Accell Group and its stakeholders, on 2 April 2009 Accell Group entered into an (amended) put and call agreement with Stichting Preferente Aandelen Accell Group.

Pursuant to the put agreement, the Stichting Preferente Aandelen Accell Group is obliged to take the number of shares that will make it the holder of one half minus one share of the issued (increased) capital whenever Accell Group issues cumulative preference shares B. Accell Group may issue cumulative preference shares B at any time when it believes there is a threat to the independence and/or continuity and/or identity of the company, the associated enterprise and the parties involved in same. Pursuant to a decision by the General Meeting dated 26 April 2012, the Board of Directors, subject to the approval of the Supervisory Board, will be entitled to issue cumulative preference B shares until 1 November 2013. An extension of the period, until 1 November 2014, will be requested at the General Meeting to be held on 25 April 2013.

Pursuant to the amended call agreement, the Stichting Preferente Aandelen Accell Group is entitled, until 1 July 2019, to subscribe for the number of cumulative preference shares B that makes the Stichting Preferente Aandelen Accell Group holder of one half minus one share in the issued (increased) capital after said subscription. The Stichting Preferente Aandelen Accell Group is entitled to exercise this right any time it believes there is a threat to the independence and/or continuity and/or identity of the company, the associated enterprise and the parties involved in same.

Pursuant to the put and call agreement, Stichting Preferente Aandelen Accell Group has the right to make an appeal for an inquiry (as meant in article 2:345 of the Dutch Civil Code) with the Corporate Chamber of the Amsterdam Court.

The main aim of the Stichting Preferente Aandelen Accell Group, which has its registered offices in Heerenveen, is to represent the interests of Accell Group and its associated enterprise, such including enterprises which are maintained by the companies with which it is affiliated in a group and all parties involved in same. In doing so, the Stichting Preferente Aandelen Accell Group safeguards to the greatest possible extent the interests of Accell Group and its associated enterprise and all parties involved in same, while at the same time resisting as much as possible any influences which may affect the independence and/or continuity and/or identity of the company and its associated enterprise in conflict with those interests. The board of the Stichting Preferente Aandelen Accell Group consists of three board members, namely Mr. H.M.N. Schonis, Mr. B. van der Meer, and Mr. H.A. van der Geest. In the joint opinion of the company and the board of the Stichting Preferente Aandelen Accell Group, the Stichting Preferente Aandelen Accell Group is independent from the company within the meaning of Section 5:71, paragraph 1c of the Financial Supervision Act.

In the event of a threat to the continuity of (the policy of) the company, which is also deemed to include a (potential) public bid on the company's shares which is considered a hostile takeover bid, the issue of cumulative preference shares B enables the company and its Board of Directors and its Supervisory Board to establish their joint position in relation to the bidder and their plans, to investigate alternatives, and to defend the interests of the company and its stakeholders.

Compliance with the Code

Accell Group in the past complied with most of the principles and best practice provisions stipulated in the Tabaksblat Code. Accell Group is currently in compliance with most of the principles and best practice provisions stipulated in the Frijns Code (the "Code"), insofar as these are applicable to the company. Accell Group holds the view that it is in its own best interest to deviate from the principles and best practice provisions as specified below due to the size and character of the Accell Group organisation.

The points below outline in more detail why and to what extent Accell Group deviates from the stated provisions.

→ Best practice provision II.1.1

This provision refers to a system stipulating the appointment of directors for a maximum of four years. However, the present members of the Board of Directors were appointed for an indefinite period prior to 2005. Accell Group has decided to respect the contractual status quo of the present members of the Board of Directors. Nevertheless, in the future, new members of the Board of Directors will generally be appointed for a maximum period of four years.

→ Best practice provision II.2.5

The regulation for share options stipulates a three-year reference period before the unconditional allocation of shares. Following definitive allocation, the shares must be held for at least two years. Although formally the period between conditional and unconditional allocation is two years, the reference period for allocation is three years and the Supervisory Board believes the term stipulated by the entire arrangement is sufficient to secure the commitment of the members of the Board of Directors to the company and its interests.

→ Best practice provision III.4.3

In view of the size of the company, Accell Group has refrained from creating a position for a secretary to the company. The tasks of the secretary as described in best practice provision III.4.3 are performed by the deputy chairman of the Supervisory Board.

→ Best practice provision III.6.5

The members of the Board of Directors and the Supervisory Board currently fulfil no other executive or supervisory positions at other publicly listed companies. Therefore, there is to date no reason for a regulation laying down rules pertaining to the ownership of and transactions in securities by members of the Board of Directors and the Supervisory Board other than those issued by their own company: that is, preventing the possible use of insider information. The agenda for the General Meeting to be held on 25 April 2013 includes a proposal to appoint Mr. A. Kuiper as a member of the Supervisory Board. Mr. Kuiper is a board member at the publicly listed company Hunter Douglas. Following his appointment Accell Group will reconsider its position on this matter.

Best practice provision IV.3.1

Best practice provision IV.3.1 requires that analyst meetings, analyst presentations, presentations to investors and press conferences be externally accessible via webcasting, telephone lines or other means. In view of the organisation entailed by the aforementioned types of broadcasts and the current size of the company, Accell Group has decided not to comply with this provision for the time being.

Best practice provision IV 3.13

Accell Group has not yet outlined a policy in principle with respect to bilateral contacts with shareholders.

Regulation article 10 of the Takeover Directive

Below is an overview of the information required under article 1 of the Resolution article 10 of the Takeover Directive:

a. The company capital is € 650,000 divided into 65,000,000 ordinary shares with a nominal value of € 0.01 each, divided into 27,500,000 ordinary shares, 5,000,000 cumulative preference shares F, and 32,500,000 cumulative preference shares B. As at March 12, 2013, the issued and paid-up capital of Accell Group amounted to € 238,634.32 divided into € 23,863,432 ordinary shares with a nominal value of € 0.01 each.
b. The company has no statutory or contractual limitation on the transfer of shares, with the exception of the statutory blocking provision with respect to the transfer of cumulative preference shares F.
c. An overview of substantial participations in Accell Group is included on page * of this annual report.
d. There are no extraordinary voting rights attached to the shares issued by the company.
e. Accell Group does not have an auditing mechanism for an employee share scheme.
f. There are no limitations on the execution of the voting rights attached to ordinary shares.
g. The company is not aware of any agreements in which a shareholder of the company is involved and which may cause limitations on the transfer of shares or limitation of the voting rights.
h. The provisions for the appointment and dismissal of members of the Board of Directors and the Supervisory Board and changes to the articles of association are incorporated in the articles of association of the company, which can be consulted on the Accell Group website (under 'Corporate Governance').
i. The powers of the Board of Directors and in particular their right to issue shares in the company and acquire shares in the company are described from page 65 onwards in this annual report.
j. A number of agreements between the company and its financiers include the provision that the financiers have the right to dissolve the agreements and reclaim the loans issued prematurely in the event of a substantial change to the control over the company following a public bid as meant in article 5:70 of the Financial Supervision Act.
k. The company is not aware of any agreements with directors or employees which provide for a payment in the event of the employment being terminated following a public bid as meant in article 5:70 of the Financial Supervision Act.

RISKS AND RISK MANAGEMENT

Introduction

There are inherent risks related to Accell Group's commercial activities and organisation. Strategic, operational and financial objectives may not be met in full and the company also faces risks in the field of financial reporting and the application of laws and regulations. The extent to which the company is willing to run these risks in trying to achieve its goals differs per risk category. Accell Group has a relatively high risk appetite related to innovation, development and marketing. At the same time, the company has a low level of risk appetite when this relates to product safety. The risks the company is not willing to take on independently have inasmuch as possible been transferred to an insurance company. The management of risk is an important part of the tasks of the company management, aimed at having a positive impact on the extent to which the company's objectives are realised. Below you will find an explanation of the main risks the company faces and the way in which Accell Group has organised its risk management.

Risk analysis

The results of Accell Group are affected by the general economic conditions and the economic outlook of the countries in which the company is active. The conditions in the key purchasing markets also play a role. The following overview – not arranged in any particular order – is not an exhaustive list of risks to which the company is exposed.

Marketing and development

The brand strategy of Accell Group demands continuous innovation and the development of attractive products, due in part to developments at its competitors. This challenge must also be met in the long term. There is a risk that Accell Group will fail to develop and market sufficiently innovative products. Changes in consumer awareness of brands and products also play a role in this. Accell Group continuously invests in the development of its brands and products, and the availability of talented and motivated managers and staff is a key factor in this respect.

Changes in the market

Behaviour in the market may change. Reduced consumer confidence may inspire consumers to postpone large acquisitions, while dealers may reduce their stocks by postponing purchases when faced with more limited financing opportunities.

Seasonal sales and logistical risks

Turnover is subject to a great extent to seasonal influences. Bicycles are sold primarily in the spring and summer, while fitness equipment sales peak in the autumn and winter. There is a risk that the company will not be able to adapt quickly enough, which could put pressure on timely deliveries. The weather may also affect seasonal sales. Poor weather in the spring and/or particularly hot or bad weather in the summer may have a negative impact on the demand for bicycles. Accell Group uses seasonal production and sales plans and aims to constantly improve the predictability of its sales. Long supply lines combined with the unpredictability of the weather and the sales can result in raised stock levels. The company therefore aims to be as flexible as possible in its response to supply and demand during the season. Accell Group does not use hedging products to cover the impact of the weather.

Product liability

Defects in products may result in injury to and claims from end users. The negative impact on the company may include financial damage and/or damage to its reputation. Increasing self-awareness among consumers is a key development in this respect. The company takes great care to ensure the quality and safety of its products. To this end, it uses tools such as standards partly based on laws and regulations, test and control systems, and recall scenarios.

Acquisitions

Accell Group's growth strategy is partly dependent on acquisitions. However, it is possible that acquisitions may not meet expectations and the goals set. This pertains to estimates and assessments made during the acquisition process and also to integration following the acquisition. Secondly, it is possible that Accell Group cannot execute its acquisition strategy because it is not sufficiently successful in acquiring suitable companies.

Accell Group uses varying internal know-how and experience, and also hires external experts. The Board of Directors is always directly involved in an acquisition. The Supervisory Board is an active partner in the acquisition process and must approve acquisitions.

New companies are generally integrated into the group in the short term. Accell Group is constantly looking for and in contact with potential acquisition candidates.

The changing conditions in the worldwide economy and changing financing opportunities may make it more difficult or even impossible to finance acquisitions. Acquisition parties with greater capital strength may be at an advantage in those situations.

Currency and interest rate

The turnover, profit and cash flow of the company are subject to exchange rate fluctuations of non-functional currencies. This pertains primarily the US dollar and to a lesser extent the Japanese Yen, the Canadian Dollar, the British Pound and the Taiwanese dollar. Changes in interest rates also affect the company results and cash flow. Accell Group seeks to minimise the impact of non-functional currencies and controls the transaction risk by covering its currency needs with derivatives. All derivatives used have an underlying economic basis. This principle is applied strictly to prevent potentially speculative positions. Accell Group has an active interest rate policy, partly through the use of interest rate swaps.

Finance risk

The company is partly financed via a bank facility, which is used to absorb the impact of seasonal fluctuations in working capital, or to finance (smaller) acquisitions. There is a risk that the company will not be able to obtain the required financial resources, or not obtain those resources on time, to meet its financial obligations, which may endanger the growth of the company. Accell Group has mitigated this risk by arranging a total group financing facility with a number of solid financing parties, with the conditions of the committed facility in line with the characteristics of the company and providing the banks with sufficient transparency and security. The agreed financing is subject to terms including minimum returns and maximum seasonal financing.

Import duties

Imports of bicycle components from outside Europe are subject to various types of duty. There is a general import duty (5-15%), while certain countries enjoy discount rates. In addition, an anti-dumping duty applies to imports of bicycles from China. The regulation also applies to imports of specific bicycle components from China to prevent the import of near-complete bicycles in the guise of components (circumvention). The main purpose of the regulations is to prevent the import of complete bicycles at unfair price levels. Bicycle manufacturers that import components for in-house assembly are exempt from this duty. All the Accell Group companies are exempt. The current duty for imports from China is 48.5%.

The European Commission is currently reviewing the possible extension of the anti-dumping duty on imports from China. The absence of such a duty, or a substantial change to the level of the duty, could result in changes to the supply and demand structure in the European bicycle markets. Accell Group positions its bicycle range in the higher market segment. In terms of strategic positioning in this segment, quality and response time to market developments are of key importance. The share of assembly costs in the total cost price of bicycles in the higher segment is limited. This reduces the impact of a possible termination or substantial reduction of the import duty. Imports of bicycles from the US are not subject to duties. Anti-dumping duties also apply to imports of bicycles into Canada.

Risk management system

The risk management system comprises the following components:

- Identifying and assessing the risks associated with the various strategic alternatives and formulating realistic objectives and associated control mechanisms.
- Identifying and evaluating the main strategic, operational and financial risks and the potential impact of same on the company.
- Developing a coherent system of measures to control, limit, avoid or transfer risks. The risk management system is tailored to the size and decentralised structure of the company.

Despite the risk management and control system, material errors, fraud or violations of the regulations may occur. The system therefore provides no absolute certainty that objectives will be realised, but was developed to achieve a reasonable level of certainty as regards the effectiveness of management tools pertaining to financial and operational risks that may affect the organisation's objectives.

Roles and responsibilities

The Board of Directors is responsible for the set-up and operation of the internal risk management and control system. Market and operational risk management is, in principle, organised at operating company level. Management and control measures relating to acquisitions, treasury, financial reporting and taxation and legal issues are centralised at group level. The Supervisory Board is responsible for supervising the performance of the Board of Directors, and specifically monitors the strategic risks and the set-up and operation of the risk management and internal control systems.

Risk analysis

The Board of Directors and the management of the operating companies draw up periodical analyses of the strategic, operational and financial risks. For the purpose of the risk analysis an extended inventory was conducted of internal and external risks which are reviewed by the members of the Board of Directors and management of the subsidiaries individually on possible effects on the company. The control measures of the main risks are also assessed. The Board of Directors aims to constantly assess the system and improve where necessary. The outcome relating to the risk analysis and the main risks are discussed periodically with the Supervisory Board.

Financial planning cycle and management information

The various operating companies draw up a strategic plan each year based on the main development in the company's operating environment. Once harmonised and approved, these plans are translated into annual budgets. The consolidated strategic plan and budget are discussed with the Supervisory Board. Management information reports are compiled on a daily, weekly and monthly basis. Prognoses are drawn up at least three times a year. The budgets and prognoses are reviewed against the actual results on a monthly basis and the outcome is reported to the Board of Directors.

Internal risk management and control system

To ensure the quality of the company's financial reporting and operational checks, Accell Group uses an extensive internal control system. To a large extent the internal control system is embedded in the company's information systems.

Financial administration guidelines

The personnel of the financial departments are provided with directives and instructions pertaining to the set-up and maintenance of the financial administration and reporting systems. Details of these are provided in an accounting manual. The directives and instructions have been adjusted for compliance with the prevailing IFRS standards.

Internal audit

Following appointment in 2011, the Internal Auditor has worked on the details of the internal audit plan, the required audit framework and the clarification of the business control framework. In 2012, the Internal Auditor conducted internal audits at various Accell Group operating companies and devoted attention to group-wide control measures. In 2013, similar activities will be performed.

External audit

An annual audit plan is drawn up to review the quality of financial reporting. This targets the most important business processes. The audit of the annual financial statements by the external auditor includes an assessment of the implementation and performance of operational directives and procedures. This assessment is carried out before the auditor's report on the financial statements is issued. It is reported in a formal letter to the management. The most important findings are discussed with the Supervisory Board, partly in absence of the Board of Directors.

Letter of Representation

All directors of operating companies each year sign a Letter of Representation, which is a detailed declaration related to financial annual reports and the presence and functioning of the internal control systems.

Other risk management measures

→ In 2004, the Board of Directors of Accell Group drew up a code of conduct that was approved by the Supervisory Board. The Code of Conduct applies to all personnel of Accell Group and its group companies and is published on the Accell Group corporate website. It is currently being updated.

→ The basic premises for the directors of Accell Group's operating companies are recorded in management regulations. These include detailed regulations on the subjects of internal decision making and communications.

→ In 2004, the Board of Directors introduced a Whistleblower procedure to ensure that possible violations of existing policy and procedures could be reported without any negative consequences for the person reporting the violation. In 2013, the Whistleblower procedure has been updated.

Statement of the Board of the Directors

In accordance with Best Practice provision II.1.5 of the Dutch Corporate Governance Code, and taking into account the aforementioned, the Board of Directors declare that the internal risk control and auditing system offers a reasonable level of assurance that the financial reporting contains no significant material inaccuracies. In the view of the Board of Directors, the risk management and control system performed adequately in the year under review and the Board also expects the system to function adequately in the current financial year.

With reference to article 5:25c, paragraph 2, of the Financial Supervision Act and with due observance of the above, and based on the audit of the financial statements by the auditor, the Board of Directors state that:

- The financial statements as included on pages 91 through 152 of this report provide a true representation of the assets, liabilities and the financial position on the balance sheet date, as well as the profit for the financial year of Accell Group N.V. and the companies included jointly in the consolidation;
- The annual accounts as included on the pages 29 through 77 of this report provide a true representation of the situation on 31 December 2012, and the course of business at the company and at companies included in the joint consolidation during the 2012 financial year. This annual report includes a description of the actual risks Accell Group N.V. faces.

The Board of Directors would like to note at this point that the internal risk management and audit system is intended to identify and control significant risks to which the company is exposed, with due consideration for the nature and scope of the organisation. Such a system does not provide absolute certainty that objectives will be realized. Similarly, it is not possible to completely prevent potential material errors, damage, fraud or the violation of statutory regulations. Actual effectiveness can only be assessed on the basis of the results across a longer period of time.


RALEIGH

COMPOSITION SUPERVISORY BOARD

The Supervisory Board comprises the following members:

Mr. A.J. (Ab) Pasman (1950), Chairman

Mr. Pasman (Dutch) was appointed to the Supervisory Board on 22 April 2010 and became chairman as of that date. Mr. Pasman was a member of the Board of Directors of Koninklijke Grolsch N.V. from 2003 to 2008 and was appointed chairman of said board in 2004. He is a member of the Supervisory Board at the following non-listed companies: Berenschot Holding B.V. and Westland Kaas Groep B.V. Mr. Pasman's term of office runs until the Annual General Meeting of Shareholders due to be held in the spring of 2014.

Mr. J.H. (Henk) Menkveld (1946), Deputy Chairman

Mr. Menkveld (Dutch) was appointed to the Supervisory Board on 26 April 2001. He was elected deputy chairman of the Supervisory Board on 4 February 2005. Mr. Menkveld was a member of the Board of Directors of CSM N.V. until the end of 2001. Mr. Menkveld's term of office runs until the General Meeting of Shareholders due to be held in the spring of 2013.

Mr. J. (Jan) van den Belt (1946)

Mr. Van den Belt (Dutch) was appointed to the Supervisory Board on 20 April 2006. He was CFO and member of the Board of Directors of Océ N.V. until the end of October 2008. Mr. Van den Belt is a member of the Supervisory Boards of Groeneveld Groep B.V., Attero Holding N.V., the Advisory Boards of Scheuten S.A.R.L and of the Bosal Council, as well as a member of the Executive Board of Stichting Ahold Continuïteit. Mr. Van den Belt qualifies as the financial expert referred to in the best practice Article III.3.2 of the Dutch Corporate Governance Code. Mr. Van den Belt's term of office runs until the Annual General Meeting of Shareholders due to be held in the spring of 2014.

Mr. P.B. (Peter) Ernsting (1958)

Mr. Ernsting (Dutch) was appointed to the Supervisory Board at the General Meeting of Shareholders of 28 April 2011. Mr. Ernsting was appointed at the proposal of the Supervisory Board after a recommendation from the Central Works Council. As from June 2011, Mr. Ernsting is senior Vice President, Group Supply Chain, and member of the Executive Committee at Carlsberg. Mr. Ernsting previously held a number of management positions at Unilever N.V., both in the Netherlands and abroad. Mr. Ernsting's term of office runs until the Annual General Meeting of Shareholders due to be held in the spring of 2015.

Each member of the Supervisory Board is independent in the meaning of best practice provision III.2.2. of the Dutch Corporate Governance Code. During the 2012 financial year, none of the members of the Supervisory Board held an interest which was in conflict with their position as member on said Supervisory Board.

Retirement schedule

Mr. Menkveld is set to step down at the end of the General Meeting of Shareholders in the spring of 2013. Mr. Menkveld is not eligible for reappointment after three periods on the Supervisory Board.

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board is pleased to present shareholders with the 2012 annual report and annual accounts drawn up by the Board of Directors. The financial statements have been audited by Deloitte Accountants B.V., which has issued an unqualified audit report. You can find said audit report on page 150 of this annual report.

We propose that the Annual General Meeting of Shareholders adopt the annual accounts, together with the appropriation of profits proposed therein and discharge the Board of Directors and the Supervisory Board for their management in the year under review and supervision of same respectively. This report provides more information about the composition and activities of the Supervisory Board in the 2012 financial year.

Activities in 2012

In the year under review, the Supervisory Board fulfilled its tasks in line with the statutes applicable to the Supervisory Board, which can be viewed on and downloaded via the corporate website, www.accell-group.com, under the header 'Corporate Governance'.

In 2012, the Supervisory Board supervised the policy of the Board of Directors and the general course of business at the Accell Group. The board devoted specific attention to the Raleigh Cycle acquisition which took place in the past year.

Partly in view of the increased size of the company and increasingly rapid changes in the environment in which company operates, the Board discussed all facets of Accell Group's strategy on a number of occasions. The Supervisory Board also discussed the financial elements of the strategy on a number of occasions.

The Board discussed the potential and actual acquisition of Raleigh Cycle extensively several times, from a strategic, financial and organisation point of view. The Supervisory Board devoted careful consideration to what the group's largest acquisition to date could and will mean to the group. The Supervisory Board also devoted specific attention to the financing of the acquisition of Raleigh Cycle by securing (temporary) acquisition financing and the share issue in 2012.

Partly as a result of the acquisition of Raleigh Cycle and the (temporary) acquisition financing secured for this purpose, the Supervisory Board discussed at length the financing of the group and the way in which this should be facilitated to support the company's growth, also in the longer term. In 2012 and early 2013, negotiations with the financing banks resulted in the completion of a major refinancing operation in early 2013.

The company's growth requires that we devote specific attention to the internal controls associated with the size of the company. This subject was discussed at all the meetings of the audit committee and a number of times in the presence of the external auditor. The Supervisory Board believes that the appointment of an Internal Auditor was an important step towards creating an internal control framework appropriate to the size and complexity of the company. The Board of Directors and the Supervisory Board will continue to devote attention to this subject.

In the past year, the Supervisory Board held six plenary meetings with the Board of Directors, during which the strategy of the company as a whole was discussed several times. The Supervisory Board also discussed general developments within the group, potential acquisitions and developments in the markets that are relevant to the company, as well as the financing and the financial policy of the company. In addition, the Supervisory Board periodically discussed the company's risk management with the Board of Directors. One of the meetings with the Board of Directors was attended by the directors of the key subsidiaries to discuss operational activities.

The external auditor attended three of the five meetings of the audit committee. The complete Supervisory Board also held two meetings with the external auditor in the presence of the Board of Directors and subsequently without the presence of the Board of Directors.

The Supervisory Board also held four meetings in the absence of the Board of Directors. One such meeting was devoted to the functioning of the Board of Directors as a whole and its members individually. The Supervisory Board concluded at that time that both the Board of Directors as a whole and the individual members were functioning well. The board also determined the salaries for 2012 and the bonuses for the members of the Board of Directors for 2011 at said meeting.

In the context of the annual evaluation of the functioning of the Supervisory Board an extensive, evaluation was conducted in 2011/12 with the support of an external specialist. Various as expertise, mutual behaviour, relationship with the Board of Directors, the functioning of the Chairman, communication and overall functioning were discussed. It was concluded that each of the members is functioning well and that the Supervisory Board as a whole is also functioning well. It was also concluded that an evaluation of the functioning of the Supervisory Board will be organised in-house each year and every three years by an external bureau.

Finally, the Supervisory Board held two meetings in 2012 with the Board of Directors and the Central Works Council. During these meetings, they discussed the general developments and the strategy of the company as a whole, as well as developments at the company's Dutch subsidiaries.

The Supervisory Board wishes to express its appreciation and gratitude to the management and all employees of Accell Group for their efforts and enthusiasm in 2012.

Committees

The Supervisory Board has installed an audit committee and a selection/remuneration committee. These committees are charged with supporting the Supervisory Board and advising same in their tasks as well as preparing the decisions of the Supervisory Board. The Supervisory Board as a whole remains responsible for the way in which it carries out its tasks, including the preparatory activities carried out by the audit and selection/remuneration committees.

The audit committee comprises Messrs. Van den Belt (chairman) and Ernsting. The composition of the audit committee is in accordance with the provisions of the Dutch Corporate Governance Code. The audit committee supports the Supervisory Board in the execution of its tasks, including those in the financial/administrative field and prepares the decision-making with respect to same. The audit committee met five times in 2012. Topics of discussion during the meetings of the audit committee included the quarterly results, the management letter from the auditor, the internal audit plan, the audit plan of the external auditor, the organisation of the financial function, the risk management (financial risks) and the budget for 2013.

The selection/remuneration committee comprises Messrs. Menkveld (chairman) and Pasman. The composition of the committee is in line with the provisions of the Dutch Corporate Governance Code. The tasks of the selection/remuneration committee include submitting proposals to the Supervisory Board regarding the selection criteria and appointment procedures for members of the Supervisory Board and the Board of Directors, the remuneration policy and the level of remuneration and the employment terms and conditions of the members of the Board of Directors. In the year under review, the selection/remuneration committee met five times and discussed preparations for the assessment of the functioning of the members of the Board of

Directors, the functioning of the members of the Board of Directors, the determination of the performance-related remuneration of the members of the Board of Directors and the preparation for the evaluation of the functioning of the Supervisory Board members.

The Supervisory Board believes the instigation of the two committees has contributed to the continued intensification of the supervision of and advice related to the company's policies. The statutes of the two committees are available on the Accell Group N.V. website of (www.accell-group.com).

On the basis of the profile of the Supervisory Board and the profile outline for the individual members, we hired an external specialist bureau to assist in conducting an extensive search for a successor for Mr. Menkveld, who will step down after the General Meeting of Shareholders in the spring of 2013. The Supervisory Board is nominating Mr. Kuiper for appointment as a member of the Supervisory Board during said General Meeting of Shareholders. The Supervisory Board wishes to emphasise that it fully supports the current discussions in society regarding the representation of women on supervisory boards. In view of this and in view of the preference for a balanced mix in the composition (also in terms of gender) outlined in the profile, the Supervisory Board specifically looked for a female candidate to succeed Mr. Menkveld. However, despite best efforts, a suitable female candidate on this occasion was not found. The Supervisory Board was forced to conclude that the availability of suitable (female) candidates leaves something to be desired and that perhaps alternative routes must be created to train potential candidates.

Remuneration Board of Directors

The Supervisory Board has drawn up a remuneration report for 2012 with respect to the application of the remuneration policy for the Board of Directors. The full report is available on the Accell Group website, www.accell-group.com under the header 'Corporate Governance'. The remuneration for the Board of Directors is in line with the policy established by the General Annual Meeting of Shareholders of 24 April 2008 and most recently amended on 22 April 2010.

In a meeting held on 23 February 2012, in the absence of the Board of Directors, the Supervisory Board discussed the functioning of the Board of Directors as a whole and the members individually. At that same meeting, the Supervisory Board also determined the salaries of the Board of Directors for 2012 and the bonus payments for 2011, and reached a decision on the granting of share options. The 2011 bonuses are stated in the 2011 financial statements.

In the context of the prevailing remuneration policy, in 2012 the remuneration of the members of the Board of Management was subject to a revaluation.

On 20 February 2013 the remuneration package of the Board of Directors for 2012 was discussed. Also the bonuses for 2012 were determined, which are included in the 2012 annual accounts.

The remuneration policy allows to recruit and retain qualified people for the Board of Directors. The level and structure of the remuneration are based partly on factors including profit development, share price developments and other developments relevant to the company. The remuneration policy is aimed at positioning the remuneration packages at a competitive level in the Dutch remuneration market for people with comparable levels of responsibility on the boards of larger companies. This comparison is based on the results of the Hay Boardroom Guide 2011, which was commissioned by the Supervisory Board.

The total remuneration of the Board of Directors of Accell Group comprises:

Annual salary

In order to determine the fixed remuneration of the Board of Directors, the Supervisory Board regularly commissions studies by a remunerations expert. The criteria used to determine the level of the fixed salaries for the individual members of the Board of Directors are included in the remuneration report.

Short-term bonus plan

The bonus to be awarded for 2012 is 80% dependent on turnover and profit targets, with the remaining 20% dependent on individual targets. The maximum bonus for members of the Board of Directors has been set at 50% of their fixed annual salary. Over the financial year 2012, the Board of Directors received a bonus of 16% of their annual salary.

Long-term bonus plan

On 23 February 2012, the members of the Board of Directors were granted conditional shares. On the basis of their performance in the 2011 financial year no share options are granted.

On 20 February 2013, the members of the Board of Directors were granted conditional shares. On the basis of their performance in the 2012 financial year no share options are granted.

Pension

The pension scheme for the Board of Directors is a defined contributions scheme. Past pension agreements that differ from this will be maximised at a fixed annual contribution, which can be amended annually.

Other secondary benefits

No changes were agreed to these benefits.

We refer to the explanatory notes to the Annual Accounts for the exact amounts of the remuneration of the members of the Board of Directors.

Heerenveen, March 12, 2013

On behalf of the Supervisory Board,

A.J. Pasman, Chairman


KOGA

SHAREHOLDERS INFORMATION AND INVESTOR RELATIONS

Listing

The Accell Group share is traded on the NYSE Euronext Amsterdam stock exchange. As from September 2008, the Accell Group share has been included in the Amsterdam Small Cap Index (AScX).

The share

End of April 2012 the number of outstanding shares was extended through the issue of 2,000,000 ordinary shares (9.9% of the outstanding shares). On 31 December 2012, a total of 23,863,432 ordinary shares with a nominal value of € 0.01 had been issued.

The closing price at year-end 2012 was € 13.31, compared with € 14.10 a year earlier. The number of shares traded was around 8.7 million in 2012, compared with 6.5 million in 2011. An average of 34,000 shares were traded per trading day. The closing price of € 13.31 on 31 December 2012 constituted a drop in the share price of approximately 6% compared with the closing price of € 14.10 on 31 December 2011.

Turnover in Accell Group shares during 2012*:

	Number of shares	Amounts € x million)	Highest Price (€)	Lowest Price (€)	Closing Price (€)
January	1,559,017	23.0	16.29	13.96	16.26
February	1,040,781	17.8	18.25	16.20	16.95
March	1,176,710	20.1	18.00	16.05	16.23
April	685,717	10.9	16.50	15.07	15.20
May	565,188	8.0	15.40	13.55	14.10
June	621,216	9.1	15.30	13.01	14.85
July	304,744	4.3	15.05	13.00	13.61
August	534,933	7.3	14.00	13.34	13.56
September	371,896	4.9	13.74	12.85	12.86
October	486,097	6.2	13.20	12.48	12.73
November	751,612	9.0	13.45	11.05	11.70
December	643,732	8.1	13.71	11.50	13.31
Total	**8,741,643**	**128.7**			

*source: NYSE Euronext

The Financial Markets Authority publishes the following summary of shareholders in the Accell Group, reporting investments of 5% or more in the issued capital of Accell Group pursuant to the Financial Supervision Act.

Disclosing party	Date reporting obligation	Equity participation in %	Voting rights in %	Potential voting rights in %
ASR Verzekeringen N.V.	6 October 2008	5.75%	5.75%	-
Beleggings- en exploitatie-maatschappij "De Engh" B.V.	27 October 2010	5,10%	5,10%	-
Boron Investments N.V.	9 March 2012	5.01%	5.01%	-
Darlin N.V.	1 November 2006	7.40%	7.40%	-
Delta Lloyd N.V.	6 May 2011	6.59%	6.59%	-
FMR LLC	10 December 2012	10.01%	10.01%	-
Stichting Preferente Aandelen Accell Group	1 November 2006	-	-	100%

Dividend policy

When the Accell Group share was listed on Euronext Amsterdam in October 1998, it was announced that Accell Group would pursue a stable dividend policy, aimed at paying out at least 40% of net profits. In 2012, the company paid out an optional dividend for 2011 of € 0.92 on each outstanding ordinary share. The payout ratio was 48% of net profit, and the dividend yield was 6.5% (based on the 2011 closing price). Upon expiry of the optional period, it transpired that 48% of Accell Group shareholders had once again opted for a stock dividend. This percentage confirms shareholder confidence in Accell Group and also contributes to the strengthening of the company's shareholder's equity, which is an important basis for the company's continued growth.

Dividend proposal 2012

The shareholders will be asked at the General Meeting of Shareholders to approve payment of a dividend for 2012 of € 0.75 per share, optionally payable in cash or shares. The dividend yield based on the closing price at the end of 2012 will be 5.6%. The pay-out ratio for 2012 is 74% and is therefore higher than the average of 48% in previous years.

An optional dividend makes it possible to operate a higher payout ratio while retaining a strong balance sheet for future acquisitions. Accell Group takes the view that this matches up perfectly with its growth strategy. As well as a high dividend yield for the shareholders, the optional dividend also improves the company's solvency. The Board of Directors believes that this dividend yield and type of dividend compares favorably with other listed companies.

Investor relations

Accell Group aims to provide its shareholders, potential shareholders and other stakeholders as effectively and timely as possible with all relevant financial and similar information, in order to provide more insight into the company and its sector. To this end, financial results are published in a press release. Accell Group organizes meetings with analysts and the (financial) media to present and explain the annual results and half-year results. In 2012 the annual results for 2011 and the 2012 first-half results were presented to (major) shareholders, press and analysts.

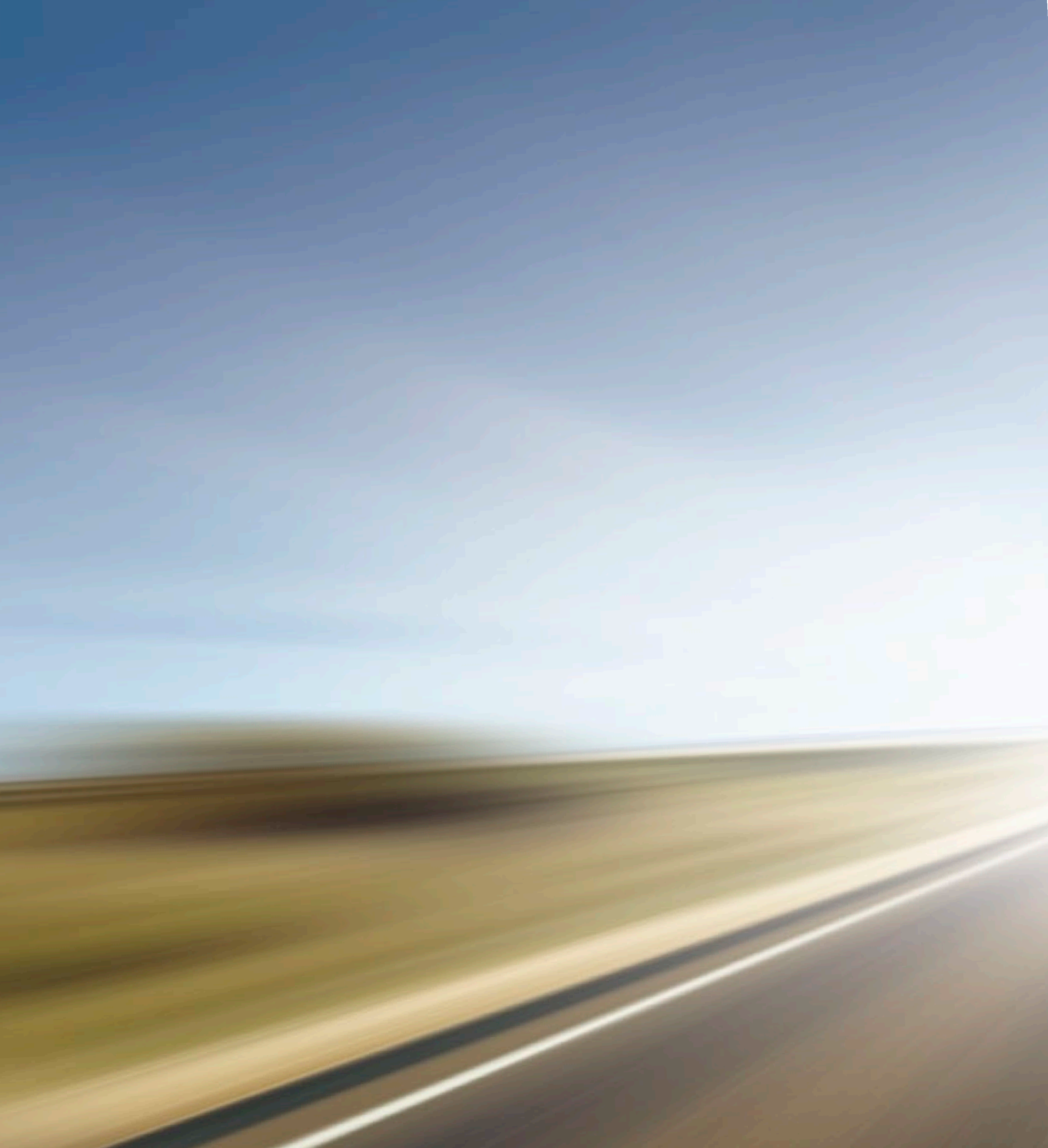
In addition to this regular flow of information, Accell Group has an active investor relations policy, targeting both professional and private investors. Furthermore Accell Group organized regular meetings and tours for investors and shareholders at the various companies and arranged regular interviews with (financial) newspapers and magazines.

The corporate website, www.accell-group.com, includes general information about the company, the latest news, presentations from the Board of Directors, information about corporate governance, annual reports, financial results and shareholder information, press releases, the financial calendar and information about transactions in Accell Group shares by members of the Board of Directors.

Financial calendar 2013

The following publication dates and other relevant dates are on the calendar for 2013:

Date	Event
28 March 2013	Registration date General Meeting of Shareholders
25 April 2013	Trading update
25 April 2013	General Meeting of Shareholders
29 April 2013	Ex-dividend listing
2 May 2013	Registration date for those entitled to dividends
2 May - 17 May 2013	Decision period dividend
20 May 2013	Determination exchange ratio optional dividend
22 May 2013	Dividend payable
26 July 2013	Publication half-year results
19 November 2013	Trading update



FINANCIAL STATEMENTS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CONSOLIDATED INCOME STATEMENT

(in thousands of euros)

	2012	2012	2011	2011
Net turnover (1)		772,546		628,475
Costs of raw materials and components	526,183		420,246	
Cost of inventory change	226		-120	
Personnel costs (2)	101,552		80,642	
Depreciation and amortization (3)	8,300		7,355	
Other operating expenses (4)	100,336		83,244	
		736,597		591,367
		35,949		37,108
Acquisition costs		-3,443		0
NMa penalty		0		-2,307
Operating profit		32,506		34,801
Gain on sale of investment (5)	0		16,079	
Income from non-consolidated subsidiaries (12)	188		356	
Financial income (6)	400		414	
Financial expenses NMa penalty (6)	0		-2,579	
Financial expenses (6)	-7,353		-5,680	
		-6,765		8,590
Profit before taxes		25,741		43,391
Taxes (7)		-2,574		-3,114
Net profit		23,167		40,277
Earnings per share (8) (in euros)				
Earnings per share		1.01		1.86
Weighted average number of issued shares		22,897,471		20,905,497
Earnings per share (diluted)		1.00		1.84
Weighted average number of issued shares (diluted)		23,081,871		21,130,897

The figures following the various items refer to the notes on pages 110 through 141.

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER

Before dividend distribution (in thousands of euros)

	2012		2011	
Assets				
Non-current assets				
Property, plant and equipment (9)	76,981		64,110	
Goodwill (10)	59,684		34,022	
Other intangible fixed assets (11)	38,626		16,008	
Non-consolidated subsidiaries (12)	4,549		4,569	
Deferred tax assets (19)	11,409		4,694	
Other financial fixed assets (13)	2,692		2,683	
		193,941		126,086
Current assets				
Inventories (14)	269,111		189,087	
Trade receivables (15)	104,493		85,576	
Other financial instruments (22)	0		7,626	
Tax receivables	12,452		10,178	
Other receivables	15,534		11,184	
Cash and cash equivalents	6,552		4,259	
		408,142		307,910
Total assets		602,083		433,996

The figures following the various items refer to the notes on pages 110 through 141.

Equity and liabilities

	2012		2011	
Group equity (16)				
Share capital	239		211	
Reserves	224,304		174,158	
Net profit for the year	23,167		40,277	
		247,710		214,646
Non-current liabilities				
Interest-bearing loans (17)	15,780		47,994	
Pension provisions and obligations (18)	10,602		4,276	
Deferred tax liabilities (19)	11,792		8,580	
Provisions (20)	3,936		4,068	
Deferred revenue (21)	1,988		1,935	
		44,098		66,853
Current liabilities				
Interest-bearing loans and bank overdrafts (17)	134,617		71,918	
Trade payables	132,782		52,711	
Other financial instruments (22)	8,799		4,708	
Current tax liabilities	12,518		7,026	
Provisions (20)	4,015		2,676	
Deferred income (21)	1,000		1,000	
Other liabilities	16,544		12,458	
		310,275		152,497
Total equity and liabilities		**602,083**		433,996


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CONSOLIDATED CASH FLOW STATEMENT

(in thousands of euros)

	2012		2011	
Cash flows from operating activities				
Operating profit	32,506		34,801	
Gain on sale of investment	0		16,079	
Depreciation and amortization (3)	8,302		7,382	
Share-based payments (2)	257		355	
Operating cash flows before changes in working capital and provisions		**41,065**		58,617
Movement in inventories	-44,691		6,729	
Movement in receivables	27,673		-161	
Movement in trade payables and other liabilities	37,526		-8,995	
Movement in provisions and deferred revenue	-2,273		-4,059	
	18,235		**-6,486**	
Cash flow from operating activities		**59,300**		52,131
Interest paid	-8,568		-8,200	
Income taxes received/(paid)	3,383		-4,567	
Net cash flows from operating activities		**54,115**		39,364
Cash flows from investing activities				
Interest received	597		346	
Investments in property, plant and equipment (9)	-14,498		-8,646	
Divestments of property, plant and equipment (9)	110		199	
Investments in intangible fixed assets	-802		46	
Movements in financial fixed assets	332		340	
Business combinations (23)	-59,740		-14,748	
Net cash flows from investing activities		**-74,001**		-22,463
Free cash flow [1)]		**-19,886**		16,901
Cash flows from financing activities				
New loans	32,289		14	
Repayments of long-term loans	-4,952		-6,741	
Changes in bank overdrafts	-24,442		2,745	
Cash dividend (24)	-10,978		-9,890	
Proceeds from issue of shares	30,808		0	
Stock and option plans	-546		-80	
Net cash flows from financing activities		**22,179**		-13,952
Net cash flow		**2,293**		2,949
Effects of exchange rate changes on cash and cash equivalents		0		-12
Cash and cash equivalents as at 1 January		4,259		1,322
Cash and cash equivalents as at 31 December		**6,552**		4,259

[1)] Free cash flow is defined as the balance of the net cash flow from operating- and investing activities and is not defined as a financial performance indicator in IFRS.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of euros)

		Issued share capital	Share premium reserve	Revaluation reserve	Hedging reserve	Translation reserve	Other Statutory reserves	Other reserves	Result financial year	Total equity
2011	Balance as at 1 January 2011	206	14,650	7,925	-5,128	-2,207	2,249	126,317	36,380	180,392
	Movements in statutory reserve intangible fixed assets						-178	178		0
	Realization of revaluation reserve			-125				125		0
	Fair value adjustment of financial instruments				6,670					6,670
	Movements in deferred taxes				-1,668					-1,668
	Exchange differences arising on translation of foreign operations					-1,406				-1,406
	Other comprehensive income for the year	0	0	-125	5,002	-1,406	-178	303	0	3,596
	Net profit for the year							36,380	3,897	40,277
	Total comprehensive income for the year	0	0	-125	5,002	-1,406	-178	36,683	3,897	43,873
	Recognition of share-based payments							355		355
	Cash dividend							-9,890		-9,890
	Stock dividend	4	-4							0
	Options exercised and performance share	1	-81							-80
	Other movements						162	-166		-4
	Balance as at 31 December 2011	211	14,565	7,800	-126	-3,613	2,233	153,299	40,277	214,646
2012	Balance as at 1 January 2012	211	14,565	7,800	-126	-3,613	2,233	153,299	40,277	214,646
	Movements in statutory reserve intangible fixed assets						-293	293		0
	Revaluation land and buildings			-2,515						-2,515
	Realization of revaluation reserve			-109				109		0
	Fair value adjustment of financial instruments				-11,067					-11,067
	Movements in deferred taxes			519	2,767					3,286
	Exchange differences arising on translation of foreign operations					656				656
	Other comprehensive income for the year	0	0	-2,105	-8,300	656	-293	402	0	-9,640
	Net profit for the year							40,277	-17,110	23,167
	Total comprehensive income for the year	0	0	-2,105	-8,300	656	-293	40,679	-17,110	**13,527**
	Recognition of share-based payments (2)							257		257
	Issue of shares	20	30,788							30,808
	Cash dividend (24)							-10,978		-10,978
	Stock dividend	7	-7							0
	Options exercised and performance shares	1	-547							-546
	Other movements						44	-48		-4
	Balance as at 31 December 2012	**239**	**44,799**	**5,695**	**-8,426**	**-2,957**	**1,984**	**183,209**	**23,167**	**247,710**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)

	2012		2011	
Net profit for the year		**23,167**		40,277
Fair value adjustment of financial instruments	-11,067		6,670	
Revaluation land and buildings	-2,515		0	
Exchange differences arising on translation of foreign operations	656		-1,406	
Movements in deferred taxes	3,286		-1,668	
Total comprehensive income for the year		**13,527**		43,873

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

General information

Accell Group N.V. (hereafter: "Accell Group") in Heerenveen, the Netherlands, is the holding company of a group of legal entities. An overview of the data required pursuant to articles 2:379 and 2:414 of the Netherlands Civil Code is enclosed on page 121 of the financial statements. Accell Group with its group of companies is internationally active in the design, development, production, marketing and sales of innovative and high-quality bicycles, bicycle parts and accessories and fitness equipment.

Accell Group's consolidated financial statements for the year ended 2012 have been prepared in accordance with International Accounting Standards Board (IASB) standards as approved by the European Commission and applicable as of 31 December 2012.

The financial data of Accell Group are incorporated in the consolidated financial statements. An abbreviated income statement is therefore presented for the parent company, as permitted under article 2:402 of the Netherlands Civil Code.

Accounting policies

The consolidated financial statements have been prepared at historical cost, unless indicated otherwise. The accounting policies outlined below were applied consistently for all the periods presented in these consolidated financial statements.

Application of new and revised IFRS standards

Accell Group applied new and amended standards and interpretations applicable to the year under review, as determined by the IASB and approved by the European Commission, which took effect for the period commencing on 1 January 2012. The new and adjusted standards, applied in these financial statements have no material effect on the consolidated financial statements.

The following standard is effective as of the financial year 2013.

The amendments to IAS 19 ('Employee Benefits') are effective for financial years commencing on or after 1 January 2013. IAS 19 revised, eliminates the use of the corridor method and requires that actuarial results are recorded within the consolidated statement of comprehensive income. The interest costs are calculated over the net defined benefit on the balance sheet date. If Accell Group NV would apply the early adoption of IAS 19, the effect on the equity as at 31 December would have been EUR 1.6 million lower.

Other standards and interpretations, which have been approved by the European Commission and which will come into effect as from the financial year 2013, have not yet been applied. Accell Group is currently examining the influence of these changes.

No further explanation is provided regarding other changes and interpretations that were not yet approved by the European Commission on 31 December 2012.

Consolidation

The consolidated financial statements include the financial statements of Accell Group and its subsidiaries, being the group companies and other legal entities in which Accell Group has either a direct or indirect controlling interest with regard to the financial and operational policies.

The financial data of subsidiaries acquired during the year under review are consolidated from the date that Accell Group acquired a controlling interest. The financial data of subsidiaries disposed of during the year under review are included in the consolidation until the date that Accell Group ceased to hold a controlling interest. Where necessary, the figures in the subsidiaries' financial statements are adjusted to bring the statements in line with the accounting standards applied by Accell Group.

The financial data of the consolidated subsidiaries are fully included in the consolidated financial statements after elimination of all intercompany balances and transactions. Unrealized profits and losses on intercompany transactions are eliminated from the consolidated income statement.

Subsidiaries and joint ventures with an equity participation of 50% or less and in which Accell Group does not have a controlling interest are valued according to the equity method or valued proportional interest in the fair value. Unrealized profits on intercompany transactions are eliminated pro rata based on the Accell Group interest in the company. Unrealised losses are also eliminated pro rata but only to the extent that there is no evidence for impairment.

A list of consolidated subsidiaries and non-consolidated subsidiaries is provided in note 12 to the consolidated financial statements.

Business combinations

Acquisitions of subsidiaries are accounted for by the purchase accounting method. On the acquisition date, the acquisition price is applied to the sum of the fair value of the assets acquired, the liabilities incurred or assumed (at the date of exchange) and the equity instruments issued by Accell Group in exchange for the controlling interest in the company acquired.

Identifiable assets, liabilities and contingent obligations of the companies acquired that meet the criteria for accounting under IFRS 3 are recorded at their fair value on the acquisition date. The changes in the fair value of conditional liabilities are accounted for in the income statement. In compliance with IFRS 5, non-current assets (or groups of assets that will be divested) that are classified as "held for sale" will be recorded at their fair value less selling expenses.

Costs relating to the acquisition of business combinations are expensed directly into the income statement.

Foreign currency

The balance sheet and income statement are stated in euros, which is the functional currency of Accell Group and the presentation currency for the consolidated financial statements. Receivables, debts and liabilities in foreign currencies are converted at the exchange rate on the balance sheet date.

In order to hedge its currency risks, Accell Group uses derivative financial instruments. The basis for these currency derivatives is detailed under "Financial Instruments".

Transactions in foreign currencies during the reporting period are recorded at the exchange rates applying on the transaction date insofar the currency is not part of a hedging instrument. Currency differences arising from this conversion are recorded in the income statement.

Assets and liabilities of foreign subsidiaries are translated using the exchange rates applicable on the respective balance sheet dates. The income statements of foreign subsidiaries are converted at the weighted average monthly exchange rates applying for the periods involved. Differences arising from this conversion are recorded as a separate component of shareholders' equity. These translation differences are recognized in the income statement at the time when the activities are sold.

Estimates

Accell Group makes certain estimates and assumptions when preparing the consolidated financial statements. These estimates and assumptions have an impact on the assets and liabilities, disclosure of contingent liabilities at the date of the financial statements, and income and expense items for the period under review.

Important estimates and assumptions relate largely to provisions, pensions and other employee benefits, goodwill, deferred tax assets and liabilities. Actual results may differ from these estimates and assumptions.

All assumptions, expectations and forecasts that are used as a basis for estimates in the consolidated financial statements represent as accurate an outlook as possible for Accell Group. These estimates only represent Accell Group's interpretation as of the dates on which they were prepared. Estimates relate to known and unknown risks, uncertainties and other factors that can lead to future results differing significantly from those forecasted.

Revenue recognition

Revenue comprise the fair value of the consideration received or receivable from sale of goods to third parties in the ordinary course of Accell Group activities, excluding any discounts granted and excluding value added taxes. Accell Group recognizes revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to Accell Group. Revenues related to the delivery of bicycles, bicycle parts and fitness equipment are recognized at the moment of delivery and/or transfer of legal title. The revenue from rendering services are accounted for in proportion to the services rendered as at balance sheet date.

Corporate income tax

Corporate income tax consists of taxes currently payable and deferred taxes. Taxes currently payable are based on the taxable result for the year and are calculated on the basis of rates that are effective on the balance sheet date.

Differences between commercial and taxable results are caused by temporary and permanent differences. Deferred tax assets and liabilities are recorded for temporary differences between the values of assets and liabilities based on the accounting policies applied in the commercial accounts and those applied for tax purposes. The carrying value of deferred tax assets is assessed on each balance sheet date and is adjusted downwards insofar as it is unlikely that sufficient future taxable profits will be made.

Deferred taxes are calculated against the rate that is expected to apply at the time of settlement. Deferred taxes are recorded in the income statement, unless they are related to items that are directly included in shareholders' equity. In that case, the deferred taxes are also recorded in shareholders' equity.

Deferred tax assets and liabilities are offset if there is a legal right to do so and the same fiscal authority levies the taxes.

Share-based payments

The company's long term incentive plan for the Board of Directors comprises restricted shares and stock options. The Supervisory Board awards options and shares to the directors based on the realisation of targets set in agreement with the Board of Directors and the expected contribution that the members of the Board of Directors will make to the further development of the company. The option rights granted are unconditional once awarded and must be held for at least three years after they are awarded and have a life of five years. Restricted shares awarded since 2009 are conditional. Two years after the initial award, the definitive number of restricted shares will be determined based on the total shareholders' return of Accell Group shares compared to the total return of the Midcap index of NYSE in Amsterdam. After the definitive award, restricted shares have to be held for another two years.

In addition, the company also has a restricted share plan for directors of subsidiaries that have made a significant contribution to the results of Accell Group. After the end of the financial year, conditional shares are allocated to the directors if the pre-determined targets for the financial year have been achieved.
Conditional shares become unconditional when a participating director remains in the employment of the company three years after the conditional award.

The option rights and share plans qualify as share-based payment transactions that can be settled in equity instruments and are stated at their fair value when awarded. Their fair value is recorded as an expense on a straight-line basis during the awarding period, based on the company's estimate of the shares that will ultimately be awarded and adjusted to compensate for the effect of non-market-standard awarding conditions. The fair value of the option rights is determined using an option valuation model. The expected life used in the model is adjusted, according to the company's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Lease agreements

Lease agreements are classified as financial lease agreements if the economic benefits and obligations related to the underlying asset are largely at the risk and for the account of Accell Group. All other lease agreements are classified as operational lease agreements. Lease payments for operational lease agreements are charged to expenses on a straight-line basis over the duration of the agreement.

Property, plant and equipment

Land and buildings are valued at fair value, which is the fair value on the revaluation date, less accumulated depreciation and impairments. The valuation is determined based on valuation reports provided by independent appraisers using available market data. Such appraisals are conducted on a rotating basis, at least once every five years, in order to ensure that the carrying value does not differ materially from the fair value on the balance sheet date. All land and buildings were appraised again in 2012.

The revaluation of land and buildings is added to equity by means of a credit to the revaluation reserve. However, if and insofar as revaluation offsets a depreciation charge against the result in a previous period, then such an offset will be credited to the income statement. If the value of land and buildings is reduced, then such reduction is charged to the income statement. However, if and insofar as a reduction in value offsets a positive revaluation that was credited to the revaluation reserve in a previous period, then such reduction in value is charged to the revaluation reserve.

Depreciation of revalued buildings is charged to the income statement. Realised differences in value are transferred from the revaluation reserve to other reserves. When a building is sold, the accompanying revaluation reserve is transferred to other reserves.

Machinery and equipment are stated at historical cost less accumulated depreciation and any accumulated impairments.

Land is not depreciated. Depreciation of other tangible fixed assets is calculated on the basis of the straight-line method. As such, the cost price or valuation, less the residual value, is written of over the expected economic life. The estimated economic useful life per category is:

Buildings	30 – 50 years
Machinery and equipment	3 – 10 years

The gain or loss of divestments of tangible fixed assets is equal to the difference between the proceeds from sale and the carrying value of the asset. The gain or loss is accounted for in the income statement.

Impairment of non-current assets other than goodwill

On each balance sheet date, Accell Group reviews whether there is any indication that non-current assets may be subject to impairment. If there is such indication, the recoverable amount of the asset involved is estimated in order to determine the extent to which impairment may apply. If it is not possible to determine the recoverable amount of the individual asset, then Accell Group determines the recoverable amount of the cash generating unit to which the asset belongs.

Impairment applies if the carrying value of an asset exceeds its recoverable amount. The recoverable amount is equal to the proceeds or value to the business, whichever is the greater, the business value being the present value of the expected future cash flows from the use of the asset and its ultimate disposal. A pre-tax discount percentage is applied to determine present value, as such a percentage provides a good indication from the assessment of the current market conditions regarding time value of money and the asset's specific risks.

Impairment is charged to the income statement in the period in which it occurs, unless it relates to a revalued asset. In that case, the impairment is accounted for as a reduction of the revaluation.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable assets, liabilities and contingent obligations at the time that the subsidiary was acquired. Goodwill is measured at cost less any accumulated impairments. Goodwill resulting from the acquisition of a foreign activity is expressed in the functional currency of the foreign activity and is translated using the exchange rate for the balance sheet date.

To determine whether any impairment has taken place, goodwill is attributed to the (group of) cash-generating units of Accell Group that are expected to benefit from the synergy created by the combination. Goodwill is tested for impairment annually or more frequently if there is any indication that goodwill might have to be impaired. If the recoverable amount of the (group of) cash- generating units is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of the goodwill. The value that can be realized by the cash-generating unit is determined based on value in use, which is based on expected cash flows. These cash flows are based, among other things, on realized results in the past and expectations for the future. Once a goodwill impairment loss is recognized, it is not reversed in a subsequent period.

Upon the disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss upon disposal.

Other intangible fixed assets

Trademarks, patents and customer lists

Intangible assets like including trademarks, patents and customer lists, acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date. Separately acquired intangible fixed assets are stated at fair value. Intangible fixed assets with a limited life, such as patents and customer lists, are depreciated on a straight-line basis against the income statement over the expected economic life, for patents generally estimated at five years and for customer lists generally estimated at 20 years. Assets with an unlimited life, such as trademark rights, are not depreciated, but are adjusted for any impairment in value, as described under goodwill.

Research & Development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An intangible asset arising from development is recognised if, and only if, all the following criteria have been met:

- the asset is uniquely identified and the costs can be determined separately;
- the technical feasibility of the asset has been sufficiently demonstrated;
- it is probable that the asset will generate future economic revenues;
- the development expenditures can be measured reliably.

If these criteria are not met, then the development costs will be recognized in the income statement in the period when the expenses occur.

Capitalised development costs are amortised from the date when they are put into use on a straight-line basis over their estimated economic useful life, which is expected to be three to five years.

Inventories

Raw materials and consumables and finished goods are stated at the lower of either historical cost or net realisable value. Net realisable value is determined through the valuation of individual inventory items.

Semi-finished and finished goods are stated at the lower of production cost or net realisable value. Lower net realisable value is determined through the valuation of individual inventory items. Production costs include direct material consumption, direct labour and machining costs, plus all other costs that can be attributed directly to production. Net realisable value is based on the expected selling price, less completion and selling expenses.

Equity

Ordinary shares are classified as equity. The proceeds less direct attributable costs of the issue of shares are accounted for as a change in share capital and share premium reserve.

Financial instruments

Trade receivables
Trade receivables are initially recorded at fair value. Trade receivables are then subsequently recorded at amortised cost, using the effective interest rate method less a provision for impairment, if necessary. Interest income is included on the basis of the effective interest rate unless there is no material effect on the current liabilities. Provisions are determined on the basis of an individual assessment of the recoverability of the receivables. Given the short term nature the fair value is almost equal to the amortized cost price.

Trade receivables are not recognised in the balance sheet if they are sold to a factoring company and the contractual rights to these receivables have been transferred. The criterion applicable in this context is the substantial transfer of risks and rewards.

Cash and cash equivalents
Cash and cash equivalents consist of petty cash and bank balances with a term of less than twelve months. Current account liabilities to credit institutions are included under current liabilities. Cash and cash equivalents are stated at fair value.

Bank loans
Interest-bearing bank loans are initially recorded at fair value. Provided that these are material, transaction costs that can be attributed directly to procuring the loans are included in the valuation when initially recorded. These liabilities are initially recorded at amortised cost using the effective interest rate method. In view of the general characteristics of the bank loans, their nominal value is considered to be equal to the amortised cost price.

Trade payables
Amounts due to trade creditors are initially recorded at fair value. These liabilities are then subsequently recorded at amortised cost using the effective interest rate method. In view of the short-term nature of these liabilities, their nominal value is considered to be equal to the amortised cost.

Derivative financial instruments

Other financial instruments, such as currency future contracts, swaps and options used by Accell Group are stated on the balance sheet at their fair value. The fair value is determined either on the basis of the net present value of future cash flows or using the binomial option valuation model.

Cash flow hedging
Changes in the fair value of a derivative that is highly effective (and that is designated and qualifies as a cash flow hedge) are recorded in equity, until the income statement is affected by the variability in cash flows of the designated hedged item. To the extent that the hedge is ineffective, changes in the fair value are recognized in the income statement. In the event that the hedge results in the inclusion of a non-financial asset or non-financial liability, then the amounts that were included in shareholders' equity (in accordance with IAS 39.98b) are transferred to the initial cost price of the related asset or liability. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss recognized in equity at that time remains in equity and is recognized in the income statement when the forecast transaction occurs. When a future transaction is no longer expected to occur, the cumulative gain or loss that was recognized in equity is immediately reclassified to the income statement.

Hedging of a net investment

Hedging of a net investment in a foreign entity is recorded in the same manner as a cash flow hedge. Changes in the fair value of the effective hedge are recorded in equity as a translation reserve. To the extent the hedge is not effective, changes in the fair value are recognized in the income statement. Upon the disposal of a foreign entity, the cumulative value of the gains or losses, which were recorded in the translation reserve, are transferred to the income statement.

For any hedging instrument to be classified as a cash-flow hedge, Accell Group applies the following criteria:
(1) the hedge is expected to be effective in compensating for changes in anticipated future cash flows which can be attributed to the hedged risk;
(2) the effectiveness of the hedge can be reliably measured;
(3) the required documentation regarding the link between the hedged risk and the hedge instrument is available while the hedge instrument exists when the financial derivative is initiated;
(4) there must be a high probability that the recorded transactions will actually take place;
(5) the hedge has been assessed throughout its duration, and it has been determined that the hedge will be effective during the reporting period.

Provisions

General

Provisions are set aside to cover present legal or constructive obligations, arising from events on or before the balance sheet date, where it is likely that the company will have to meet these obligations and to the extent that the obligations can be estimated reliably. The level of the provisions reflects the best estimate of Accell Group as at the balance sheet date regarding expected expenditures. If material, the liabilities are discounted to their present value.

Provisions for pensions

Defined benefit pension plans

The pension provision reflects the company's commitments arising from defined benefit pension plans. Individual rights to post-employment benefit plans are accumulated depending on criteria such as age, seniority and salary level. The liabilities under defined benefit pension plans are based on actuarial calculations. The present value of defined benefit pension entitlements is determined by the Projected Unit Credit Method of actuarial calculation.

Actuarial gains and losses are reflected in the income statement if and insofar as the amount of accumulated actuarial results that have not yet been reflected in the income statement at the beginning of the year exceed the greater of either 10% of the present value of the claims awarded or 10% of the fair value of the fund investments. The results are reflected in the income statement on a straight-line basis over the remaining years that current employees are expected to participate in the respective plan.

Defined benefit pension plans accounted for as defined contribution schemes

The majority of the Dutch operating companies have transferred their pension plans to Metalektro, the pension fund for the metal industry. These schemes generally qualify as defined benefit plans. The industry sector pension fund has informed Accell Group that the pension plan of the members should be included under IAS 19 as a defined contribution plan. Member companies only have an obligation to pay annual pension premiums due. The member companies are under no obligation whatsoever to provide compensation for any deficits of the fund. The member companies are also not entitled to any existing surpluses. Member companies are subject to actuarial risks which relate to present and former employees of other companies, so that no consistent and reliable basis is available to allocate liabilities, plan assets and costs to the individual member companies.

Defined contribution plans
Liabilities under defined contribution plans are accounted for as expenses as soon as they are due. Payments under government pension plans are treated as payments under defined contribution plans if the liabilities of Accell Group are equivalent to the liabilities under a defined contribution plan.

Provision for deferred employee benefits
Other deferred personnel benefits, including anniversary bonuses, are based on actuarial calculations.

Provisions for warranties
The warranty provision represents the estimated costs under warranty obligations for supplied goods and services that are outstanding as at the balance sheet date. For material amounts, discounting takes place to present value. Warranty claims are charged to the provision.

Cash Flow Statement
The cash flow statement is prepared using the indirect method. The cash balance in the cash flow statement consists solely of immediately available cash. Cash flows in foreign currencies are translated using the exchange rate on the transaction date. Expenditures for interest and corporation taxes are included in the cash flow from operational activities. Cash dividends are included in the cash flow from financing activities. The purchase price paid for acquisitions acquired during the year, as well as the selling price received for participations sold during the year, is included in the cash flow from investing activities as well as receipts from interests. Cash acquired in an acquisition is deducted from the acquisition price. Non-cash items or effects are excluded from the cash flow statement. Currency translation effects on cash and cash equivalents in foreign currencies are presented in the cash flow statement in order to achieve reconciliation between the cash and cash equivalents at the beginning and the end of the period.

Information by segment
IFRS 8 requires Accell Group to identify operational segments separately on the basis of internal reports that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. Accell Group identifies the following operational segments: bicycle & bicycle parts and fitness. Operating companies are not identified as an operational segment, but aggregated to one operational segment since operating companies show the same economic features and are also comparable as regards the nature of products, services and production processes, clients for their products and services and distribution channels of products and services. The bicycles & bicycle parts segment, which targets the middle and upper segments of the market, is diverse: it ranges from children's bicycles to comfortable and luxury city bicycles right through to exclusive trekking and racing bikes, bicycle parts, and accessories. The fitness segments target the middle and upper segments and, more specifically, the home market.

Internal transfer prices between the operating segments are determined on a commercial basis, which is comparable to the approach adopted with third parties.

The sales to customers reported in the geographical segments are based on the geographical location of the customers. The secondary segment information consists of information about the division of sales, assets and investments per country.


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NOTES

1) Net turnover

The net turnover can be specified as follows:

Turnover per product group:	2012 € x 1,000	2011 € x 1,000
Bicycles	553,100	465,566
Bicycle parts	198,039	141,288
Fitness	21,407	21,621
	772,546	628,475

Turnover and profit allocation per segment:

The segmentation is based on business segments as the risk and return profile of Accell Group is largely determined by the difference in the products that are manufactured. A distinction is made between two operational segments: bicycles & bicycle parts and fitness.

	Net turnover		Segment result	
	2012	2011	2012	2011
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Bicycle & bicycle parts	751,366	607,623	48,776	52,777
Fitness	21,741	20,999	34	-1,434
Elimination of inter-segment turnover	-561	-147		
Acquisition costs			-3,443	0
NMa penalty			0	-2,307
Sub-total segments	**772,546**	628,475	**45,367**	49,036
Income from non-consolidated companies			188	356
Gain on sale of investment			0	16,079
Unallocated expenses			-12,861	-14,235
Financial income			400	414
Financial expenses			-7,353	-8,259
Profit before taxes			**25,741**	43,391

Assets and liabilities per segment:

	Assets		Liabilities	
	2012	2011	2012	2011
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Bicycles & bicycle parts	583,619	407,079	268,071	157,055
Fitness	16,120	18,735	15,450	20,319
Unallocated	2,344	8,182	70,852	41,976
Sub-total segments	602,083	433,996	354,373	219,350
Equity			247,710	214,646
Balance sheet total			602,083	433,996

	Depreciation		Investments	
	2012	2011	2012	2011
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Bicycles & bicycle parts	6,931	5,669	71,350	18,486
Fitness	325	638	23	146
Unallocated	1,044	1,048	713	1,057
Sub-total segments	8,300	7,355	72,086	19,689

Geographical information:

The geographical segments are based on the physical location of the assets. The sales to external customers reported in the geographical segments are based on the geographical location of the customers.

	Net turnover		Non-current assets[1]	
	2012	2011	2012	2011
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
The Netherlands	205,661	216,365	40,288	33,873
Germany	189,812	176,249	52,604	45,560
Other Europe	234,278	181,436	62,720	31,911
North-America	111,323	31,033	16,307	7,329
Other countries	31,472	23,392	10,613	2,719
	772,546	628,475	182,532	121,392

[1] Deferred tax assets are not included in the non-current assets, in accordance with IFRS 8.33b.

2) Personnel costs

The personnel costs are comprised of the following:

	2012	2011
	€ x 1,000	€ x 1,000
Wages and salaries	82,307	63,919
Social security charges	12,724	10,152
Pension contributions	5,247	4,823
Profit sharing	1,017	1,393
Share-based payments	257	355
	101,552	80,642

In the socal security charges an accrual of € 0.3 million is made for the payment of the one-time Dutch crisis levy. The remuneration of the Board of Directors and the Supervisory Board is explained in the notes to the company financial statements.

Share based payments

In 2012, no unconditional option rights are granted to the Board of Directors.
The option plan for the Board of Directors is covered in the notes to the company's financial statements.

Accell Group has a stock option plan for the allocation of conditional shares to the members of the Board of Directors and directors of subsidiaries which contribute significantly to the result of Accell Group. The fair value is determined at the time of allocation, accounting for factors which will influence the final number of distributed shares.

The stock option entitlements that have been conditional granted are comprised of the following:

	Number	Granting date	Expiry date	Share price at granting date	Fair value at granting date
Conditional shares				in €	in €
Conditional shares granted in 2010	9,100	19-02-10	3 years	16.65	130,000
Conditional shares granted in 2011	32,740	24-02-11	2-3 years	19.39	296,000
Conditional shares granted in 2012	29,240	23-02-12	2-3 years	17.89	177,000

The fair value will be charged to the income statement according to the straight-line method spread over the period between allocation and the time that the shares become unconditional, whereby adjustment will be made for the expected number of shares to be distributed. As a result, € 257,000 has been charged to the income statement in 2012.

3) Depreciation and amortization

Depreciation and amortization expenses comprise the following:

	2012	2011
	€ x 1,000	€ x 1,000
Depreciation of intangible fixed assets	869	785
Depreciation of property, plant and equipment	7,433	6,597
Capital gain on sale of tangible fixed assets	-2	-27
	8,300	7,355

4) Other operating expenses

The other operating expenses consist of costs relating to the general and specific business activities of Accell Group. In accordance with IAS 38.126 and IAS 17.35c research and development costs and lease costs are listed below.

	2012	2011
	€ x 1,000	€ x 1,000
Third-party research and development costs	1,791	2,085
Lease expenses	3,729	2,998
	5,520	5,083

5) Gain on sale of investment

The gain on sale of investments represents the capital gain on the sale in 2011 of the acquired 22% investment in Derby Cycle AG. The gain consists of the capital gain less corresponding expenses.

6) Financial income and expenses

Financial income and expenses comprise the following:

	2012	2011
	€ x 1,000	€ x 1,000
Interest income	400	414
Interest and financing expenses	-6,611	-6,063
Interest expenses NMa penalty	0	-2,579
Exchange rate differences	-742	383
	-6,953	-7,845

The policy regarding interest and currency risks is covered in note 22, “Financial instruments and risk management”.

7) Taxes

The effective corporate income tax charge comprises the following:

	2012	2011
	€ x 1,000	€ x 1,000
Current taxes	3,070	3,114
Deferred taxes	-496	0
Taxes in income statement	**2,574**	3,114
Taxes based on the weighted average applicable rate	2,070	7,592
Non-deductible amounts	1,396	808
Participation exemption	-516	-4,089
Benefits from tax facilities	-561	-807
Deferred tax assets not carried forward	192	-38
Adjustment of current taxes of prior years	-35	-482
Adjustment of deferred taxes of prior years	28	130
Taxes in income statement	**2,574**	3,114

The effective tax rate consists of the reported tax charge for the current book year divided by the profit before taxes. The effective tax burden amounts to 10.0% (2011: 8.0%). Accell Group and the Dutch tax authorities agreed early 2011 on the applicability of a designated patent/innovation box. In 2011 and 2012 part of the Dutch taxable profit is taxed at a tax rate of 5% (instead of 25%) resulting in a tax saving for the year 2011 of approx. € 0.8 million and € 0.5 million for 2012.

The effective tax burden has not only been effected by the application of the patent/innovation box, but also by the legal restructuring of the German activities of Accell Group which became effective in 2009.

8) Earnings per share

The calculation of earnings per share and of diluted earnings per share is based on the following data:

	2012	2011
Profit for earnings per share (net profit accruing to Accell Group N.V.'s shareholders)	€ 23,167,000	€ 40,277,000
Number of issued shares	23,863,432	21,094,760
Weighted average number of shares for the earnings per share	22,897,471	20,905,497
Potential impact of share options and conditional shares on the issuance of shares	184,400	225,400
Weighted average number of issued shares (diluted)	**23,081,871**	21,130,897
Reported earnings per share	€ 1.01	€ 1.93
Reported earnings per share (diluted)	€ 1.00	€ 1.91
Adjustment factor according to IAS 33	1.00	0.97
Earnings per share financial year	€ 1.01	€ 1.86
Earnings per share financial year (diluted)	€ 1.00	€ 1.84

9) Property, plant and equipment

The changes in property, plant and equipment are as follows:

	Land and buildings	Plant and equipment	Total property, plant and equipment
	€ x 1,000	€ x 1,000	€ x 1,000
Fair value or cost			
Balance at 1 January 2011	48,462	76,666	125,128
Investments	2,603	5,958	8,561
Investments as a result of business combinations	2,070	580	2,650
Divestments	0	-199	-199
Currency translation differences	96	-1	95
Balance per 1 January 2012	53,231	83,004	136,235
Investments	4,276	10,058	14,334
Investments as a result of business combinations	6,675	1,808	8,483
Movements in revaluation	-2,515	0	-2,515
Changes in accumulated depreciation as a result of revaluation	-7,860	0	-7,860
Divestments	0	-110	-110
Currency translation differences	68	44	112
Balance at 31 December 2012	**53,875**	**94,804**	**148,679**
Accumulated depreciation			
Balance at 1 January 2011	5,866	59,662	65,528
Depreciation	940	5,657	6,597
Balance at 1 January 2012	6,806	65,319	72,125
Depreciation	1,054	6,379	7,433
Changes in accumulated depreciation as a result of revaluation	-7,860	0	-7,860
Balance at 31 December 2012	**0**	**71,698**	**71,698**
Carrying amount			
Balance at 1 January 2012	46,425	17,685	64,110
Balance at 31 December 2012	**53,875**	**23,106**	**76,981**

If the land and buildings would have been valued at historical cost less cumulative depreciation and impairments, the book value of the land and buildings at 31 December 2012 would have amounted to approximately € 42.0 million (2011: € 31.3 million).

10) Goodwill

The changes in goodwill are as follows:

	2012	2011
	€ x 1,000	€ x 1,000
Cost		
Balance per 1 January	36,328	29,328
Investments as a result of business combinations	25,788	6,841
Currency translation differences	-126	159
Balance per 31 December	**61,990**	36,328
Accumulated impairments		
Balance per 1 January	2,306	2,306
Impairments	0	0
Balance per 31 December	**2,306**	2,306
Carrying amount		
Balance per 1 January 2012	34,022	27,022
Balance per 31 December 2012	**59,684**	34,022

Goodwill is reviewed annually for impairment or more frequently if there are indications that goodwill might have to be impaired. For the purposes of this review, the goodwill is allocated to the cash-generating unit. The allocation is made to the cash-generating (group of) unit(s) that is expected to benefit from the business combination from which the goodwill arose. The cash-generating units used in the assessment correspond with the operational segments.

The carrying amount of the goodwill (with indefinite useful life) on the segment level can be specified as follows:

	2012	2011
	€ x 1,000	€ x 1,000
Bicycles & bicycle parts	59,684	34,022
Fitness	0	0
	59,684	34,022

The following important assumptions were used in determining the value in use of the segment bicycles & bicycle parts and are based on historical experiences in specific markets and countries:

- Turnover growth based on the historical average of the last 5 years (5.4%).
- Operating margin based on the average of the last 5 years (8.2%).
- Working capital based on the historical average ratios in relation to turnover in the last 5 years (31%).
- A constant growth rate of 3% was used for the estimates of the future cash flow after the initial period of 5 years.
- A weighted average cost of capital (before tax) of 7.4% was used for the discounting of the cash flows.

Accell Group believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

11) Other intangible fixed assets

The other intangible fixed assets concern trademarks, patents, customer lists and development costs. The changes are as follows:

	Trademarks and patents	Customer lists	Development costs	Total other intangible fixed assets
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Cost				
Balance at 1 January 2011	15,432	0	1,546	16,978
Investments	0	0	86	86
Investments as a result of business combinations	404	1,147	0	1,551
Currency translation differences	61	-127	0	-66
Balance at 1 January 2012	15,897	1,020	1,632	18,549
Investments	325	0	0	325
Investments as a result of business combinations	23,156	0	0	23,156
Currency translation differences	-38	44	0	6
Balance at 31 December 2012	39,340	1,064	1,632	42,036
Accumulated depreciation				
Balance at 1 January 2011	1,467	0	289	1,756
Depreciations	521	0	264	785
Balance at 1 January 2012	1,988	0	553	2,541
Depreciations	521	55	293	869
Balance at 31 December 2012	2,509	55	846	3,410
Book value				
Balance at 1 January 2012	13,909	1,020	1,079	16,008
Balance at 31 December 2012	36,831	1,009	786	38,626

The investments in trademarks and patents consist in 2012 mainly of the valuation of trademarks relating to business combinations: Raleigh (€ 14.3 million) and Diamondback (€ 7.4 million). € 9.4 million of the trademarks relates to the in 2008 acquired Ghost. Furthermore, trademarks of SBS, Brasseur and Hellberg are valued at an amount of € 3.3 million. The investment in the customer list consists of the Turkish dealer network accounted for in the acquisition of Accell Bisiklet based on purchase price allocation. The amortization term is estimated at 20 years. With effect from 2012, the customer list is being depreciated.

The development costs relate to a development project in connection with electric bicycles. Amortization was started when the developed asset was put into use.

Amortization expenses with respect to patents are accounted for in the income statement under depreciations. The remaining amortization term for patents is less than 1 year and for the customer list 19 years. Trademarks have an indefinite useful life since it is not possible to determine a predictable limitation of the useful life.

The carrying amount of the trademarks (with indefinite useful life) at segment level can be specified as follows:

	2012	2011
Bicycles & bicycle parts	36,311	13,193
Fitness	0	0
	36,311	13,193

Trademarks with indefinite useful life are subject to impairment review.

12) Subsidiaries

The consolidated 2012 financial statements include Accell Group N.V., in Heerenveen, and the financial information of the following companies.

Consolidated subsidiaries	Participation percentage
Accell Bisiklet A.S., Manisa. Turkey	100%
Accell Duitsland B.V., Heerenveen, The Netherlands	100%
Accell Hunland Kft, Toszeg, Hungary	100%
Accell Germany GmbH, Sennfeld, Germany	100%
Accell IT Services B.V., Heerenveen, The Netherlands	100%
Accell Ltd., St. Peter Port, Guernsey	100%
Accell Suisse A.G., Alpnach Dorf, Switzerland	100%
Batavus B.V., Heerenveen, The Netherlands	100%
Batavus Vartex AB, Varberg, Sweden	100%
Brasseur S.A., Liège, Belgium	100%
Currie Tech Corp., Simi Valley, California, United States of America	100%
Cycles Lapierre S.A.S., Dijon, France	100%
Cycles France-Loire S.A.S., Andrezieux, France	100%
DTC Ltd (Taiwan Branch), Taipei, Taiwan	100%
E. Wiener Bike Parts GmbH, Sennfeld, Germany	100%
Ghost-Bikes GmbH, Waldsassen, Germany	100%
Juncker Bike Parts B.V., Veenendaal, The Netherlands	100%
Koga B.V., Heerenveen, The Netherlands	100%
Raleigh America Inc., Kent, Washington, United States of America	100%
Raleigh Canada Ltd, Oakville, Ontario, Canada	100%
Raleigh UK Ltd, Nottingham, United Kingdom	100%
Seattle Bike Supply Inc., Kent, Washington, United States of America	100%
Sparta B.V., Apeldoorn, The Netherlands	100%
Tunturi-Fitness B.V., Almere, The Netherlands	100%
Tunturi-Hellberg Oy Ltd, Turku, Finland	100%
Van Nicholas B.V., Numansdorp, The Netherlands	100%
Winora Staiger GmbH, Sennfeld, Germany	100%

Some subsidiaries that are immaterial to the consolidated financial statements are not included in the overview above. A complete list of subsidiaries is filed with the Trade Register of the Chamber of Commerce in Leeuwarden.

Non-consolidated companies	2012	2011
	Participation percentage	
In2Sports B.V., Eindhoven, The Netherlands (i)	41%	44%
Jalaccell OÜ, Tallinn, Estonia (ii)	35%	35%
Babboe B.V., Utrecht, The Netherlands (iii)	28%	28%
Atala SpA, Monza, Italy (iv)	50%	50%
Velogic B.V., Genemuiden, The Netherlands (v)	20%	-

(i) In2Sports B.V. is a company that is active in the field of information and communication technology and the development of sport and fitness technology.
(ii) Jalaccell OÜ is a joint venture of Accell Fitness Division B.V. set up for the assembly and storage of fitness equipment. Currently, Jalaccell is expanding into other activities in the metal business.
(iii) Babboe B.V. is a company that is active in the marketing and sale of carrier bicycles.
(iv) Atala SpA is company active in the development and sales of bicycles under its own brands.
(v) Velogic BV is a company active in the development, production and distribution of softwaresystems for bicycles and automatice bicycle dispenser systems for rental, parking and managing of bicycles.

Summary of the financial data for the interests in non-consolidated companies:

	2012	2011
	€ x 1,000	€ x 1,000
Total assets	11,727	11,954
Total liabilities	8,519	8,659
Total turnover	16,521	18,199
Total net profit	188	356

13) Other financial fixed assets

	Non-current		Current	
	31-12-2012	31-12-2011	31-12-2012	31-12-2011
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Loans provided to related parties	2,692	2,683	125	125

During 2006, a loan was provided to a non-consolidated company with a term of 10 years. The interest rate on this loan is currently 3% per annum. As security for this loan a mortgage was vested on the building and a right of pledge was established on other assets.

Further, in 2012 a loan was provided to a non-consolidated company at 4% interest per annum and with a term of 5 years. For this loan securities were pledged.
These loans are valued against amortized cost based on the effective interest method. In line with the characteristics of the loans, the nominal value equals the value at amortized cost. The current part of the loans is represented under 'other receivables'.

14) Inventories

	2012	2011
	€ x 1,000	€ x 1,000
Goods in transit	28,904	18,945
Raw materials	84,718	66,482
Work in process	3,793	4,611
Trading and finished products	151,696	99,049
	269,111	189,087

Goods in transit relate to shipped goods for which Accell Group had acquired the economic ownership as at the balance sheet date, but which have not as yet been received.

As at the balance sheet date, inventories with a carrying amount of approximately € 14.2 million are valued at lower net realizable value. The cost of inventories recognized as an expense includes € 5.1 million (2011: € 3.2 million) with respect to write-downs of inventory to net realizable value.

The costs of inventory that are recorded as an expense during the financial year is € 568.7 million (2011: € 458.0 million).

15) Trade receivables

	2012	2011
	€ x 1,000	€ x 1,000
Trade receivables	110,357	90,963
Provision for impairment of receivables	-5,864	-5,387
	104,493	85,576

In 2012 Accell Group entered into factoring agreements for its Dutch and German trade receivables with ABN AMRO and Eurofactor A.G. In accordance with IAS 39, the trade receivables transferred to factoring companies are not recognized in the balance sheet. Per balance sheet date, the amount involved is € 21.2 million. Accell Group remains responsible for the collection of the transferred receivables until 60 days after maturity date. In case the conditions of the factoring agreements are not fulfilled, the factoring companies have the option to take over collection of the receivables or not to accept new receivables. The change this will happen is considered very remote.

Trade receivables are non-interest-bearing and, depending on the season, are governed by a 30-150 day term of payment. The provision for impairment is determined on the basis of an individual assessment of matured trade receivables.

Accell Group has developed a credit policy to maintain control over credit risks relating to trade receivables. The policy regarding credit risks is covered in note 22, "Financial instruments and risk management".
The changes in the provision for the impairment of trade receivables are as follows:

	2012	2011
	€ x 1,000	€ x 1,000
Balance at 1 January	5,387	3,540
Utilisation	-1,300	-1,374
Provided	2,260	3,378
Releases	-490	-176
Currency translation differences	7	19
Balance at 31 December	**5,864**	5,387

The aging analysis of the trade receivables is provided in the overview below:

	Gross	Impaired trade receivables	Provision for impairment	Net
At 31 December 2012:	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Current	75,905	1,027	203	75,702
0-90 days overdue	20,092	3,345	209	19,883
90-150 days overdue	4,620	1,807	558	4,062
more than 150 days overdue	9,740	8,086	4,894	4,846
Total	**110,357**	**14,265**	**5,864**	**104,493**

	Gross	Impaired trade receivables	Provision for impairment	Net
At 31 December 2011:	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Current	67,963	229	28	67,935
0-90 days overdue	9,048	2,686	234	8,814
90-150 days overdue	3,791	1,157	299	3,492
more than 150 days overdue	10,161	6,389	4,826	5,335
Total	**90,963**	**10,461**	**5,387**	**85,576**

Accell Group has agreed various specific and, to a limited extent, individual terms of payment with its customers that differ depending on the nature of the customers and that can also differ depending on the country. Due to the seasonal nature of the activities, customers are offered so-called winter terms, whereby the customers can opt for an extra payment discount or a longer payment period. This is customary in the business sector.

16) Equity

The consolidated equity is equal to that of the parent company. The explanatory notes and movement overviews of the equity are included in the company financial statements.

17) Interest-bearing loans

	Non-current		Current	
	31-12-2012	31-12-2011	31-12-2012	31-12-2011
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Roll-over loan	0	4,629	4,548	0
EURIBOR loans	0	27,000	27,000	4,000
Other bank loans	15,780	16,365	34,101	2,179
Bank overdrafts	0	0	68,968	65,739
	15,780	**47,994**	**134,617**	**71,918**

Following the growth of the company in recent years and the acquisition of Raleigh, Accell Group decided in 2012 to harmonize its financing structure and to fully refinance the company. The basis was to achieve the right balance between long-term group financing and the strongly fluctuating seasonal working capital financing.
Early 2013, Accell Group signed a financing agreement with a syndicate of 6 (international) banks for a total commitment of € 300 million. The participating banks in the syndicate are ABN AMRO Bank, Deutsche Bank, ING Bank, Rabobank, BNP Paribas and HSBC.

The new financing agreement is committed for 3 years (with an option for extension to 5 years) and consists of € 125 million long term loans and a working capital revolving credit facility of € 175 million, of which € 65 million is allocated to seasonal financing needs. The interest rate for the term loans is fixed; the interest rate for the working capital financing is floating.

With the new financing agreement all existing financing agreements ended, except for the 10-year loan facility from Deutsche Bank of € 15 million. This loan facility is integrated in the new financing agreement and has the same covenants, but the loan has a remaining term of 9 years and has an (in principle fixed) interest rate of 6% per annum, whereby the credit rate which is included in this interest rate will be determined once a year.

In connection with the other loans, limited collateral was provided. The average interest rate on the other loans is 3.6%. The policy regarding interest rate risks is covered in note 22, "Financial instruments and risk management".

The non-current interest-bearing liabilities are due for repayment as follows:

	Term less than 5 years	Term more than 5 years	Total
	€ x 1,000	€ x 1,000	€ x 1,000
Roll-over loan	4,548	0	4,548
EURIBOR-loans	27,000	0	27,000
Other bank loans	34,827	15,054	49,881
Subtotal	**66,375**	**15,054**	**81,429**
Proportion of loans with a term of less than 1 year	-65,649	0	-65,649
Balance per 31 December 2012	**726**	**15,054**	**15,780**

18) Pension provisions and obligations

The pension provision as recorded in the balance sheet relates primarily to a fixed defined benefit plan that arose at the time of the acquisition of one of the foreign subsidiaries. As a result of the Raleigh acquisition pension provisions and obligations were increased in 2012. The actuarial calculations pursuant to IAS 19 were performed by actuaries of certified actuarial firms.

The principal assumptions applied in determining the pension obligations are based on the following weighted averages:

	2012	2011
Discount rate	4.0%	4.8%
Expected return on plan assets	5.0%	4.9%
Inflation	2.2%	1.8%
Average salary increase	2.1%	0.2%

The following amounts relating to the defined benefit plans are recorded in the income statement:

	2012	2011
	€ x 1,000	€ x 1,000
Pension costs attributed to the service year	96	36
Interest charges	584	258
Expected return on plan assets	-386	-21
Amortization of actuarial gains/losses	15	0
Total	**309**	273

The following amounts relating to the defined benefit plans are recorded in the income statement:

	2012	2011
	€ x 1,000	€ x 1,000
Present value of funded pension obligation	82,723	1,138
Minus: Fair value of plan assets	-90,236	-584
Deficit/(Surplus)	-7,513	554
Present value of unfunded defined benefit obligation	10,511	4,491
Funded status	2,998	5,045
Unrecognized actuarial result	7,604	-769
Net liability	**10,602**	4,276

The movement in the present value of the defined benefit obligation is as follows:

	2012	2011
	€ x 1,000	€ x 1,000
Balance at 1 January	5,629	4,885
Interest charges	584	258
Current service costs	96	36
Benefits paid	-239	-384
Actuarial results	1,059	182
Amortization of actuarial result	0	0
Administrative expenses	-5	-5
Movement due to business combinations	80,871	657
Defined benefit obligation at 31 December	**87,995**	**5,629**

The movement in the fair value of the plan assets is as follows:

	2012	2011
	€ x 1,000	€ x 1,000
Balance at 1 January	584	644
Expected return	386	21
Actuarial gain/(loss)	230	-101
Employers' contributions	29	30
Benefits paid	-7	-5
Administrative expenses	-5	-5
Movement due to business combinations	89,019	0
Fair value of the plan assets at 31 December	**90,236**	584

Historical information defined benefit obligation:

	2012	2011	2010	2009
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Present value of funded pension obligations	82,723	1,138	678	956
Minus: fair value of plan assets	-90,236	-584	-644	-579
Deficit/(Surplus)	**-7,513**	554	34	377
Experience adjustments on plan liabilities	-1,390	-27	-13	-36
Experience adjustments on plan assets	4,536	-71	-12	160

In accordance with IAS 19, an entity shall recognize an asset measured as the amount of the surplus at the balance sheet date as it has the right to a refund or to a reduction in future contributions during the life of the plan or at settlement of the plan. Accell Group expects at this moment, no refund or reduction in future contributions and therefore did not recognize the surplus of the difference between pension assets and liabilities. This adjustment is recorded under unrecognized actuarial results.

Until 2007, Accell Group had only a fixed defined benefit pension plan. The acquired pension schemes of Raleigh are fixed; no new entitlements are granted in these schemes. New entitlements at Raleigh are only granted in defined contribution schemes.

Accell Group expects to make a contribution of € 1.5 million in 2013 with regard to the defined benefit plans.

Defined contribution plans

The majority of the Dutch operating companies have transferred their pension plans to Metalektro, the pension fund for the metal working industry. The Metalelektro pension fund informed us that the pension plans of the members should be included under IAS 19 as a defined contribution plan. Member companies only have an obligation to pay the annual pension premiums due. There is no obligation to supplement any deficits in the industrial pension fund, other than paying higher annual premiums. Nonetheless, the annual report of Metalelektro for 2011 shows a negative general reserve. From press releases issued by Metalelektro in early 2013, it appears that cover ratio was below 105% at year-end 2012.

Employees of the company's foreign subsidiaries generally fall under a local government pension plan. These subsidiaries are only required to contribute a certain percentage of payroll costs to the local pension institutions.

In 2012, an expense of € 4.2 million has been included in the income statement for the defined benefit plan.

19) Deferred taxes

The deferred taxes comprise the following:

	2012	2011
	€ x 1,000	€ x 1,000
Deferred tax assets	11,409	4,694
Deferred tax liabilities	11,792	8,580
Net deferred taxes	**-383**	-3,886

The movement in the deferred tax assets and liabilities is as follows:

	Loss carry forwards consolidated companies	Revaluation of property, plant and equipment	Financial instruments	Trademark valuation	Other deferred taxes	Total
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Balance at 1 January 2011	**4,153**	**-3,582**	**1,710**	**-3,002**	**-696**	**-1,417**
Added through business combination	0	-419	0	-313	3	-729
Charged through equity	0	0	-1,668	0	0	-1,668
Charged through income statement	628	129	0	-5	-619	133
Change in income tax rate	-140	0	0	11	-4	-133
Transfer from/to current tax	0	2	0	0	-28	-26
Currency translation differences	11	-16	0	-1	-40	-46
Balance at 31 December 2011	**4,652**	**-3,886**	**42**	**-3,310**	**-1,384**	**-3,886**
Added through business combination	3,600	0	0	-2,576	-1,282	-258
Charged through equity	0	519	2,767	0	0	3,286
Charged through income statement	400	78	0	4	-2	480
Change in income tax rate	-34	61	0	0	-11	16
Transfer from/to current tax	0	0	0	0	0	0
Currency translation differences	-18	-15	0	-8	20	-21
Balance at 31 December 2012	**8,600**	**-3,243**	**2,809**	**-5,890**	**-2,659**	**-383**

The deferred tax assets consist of tax loss carry forwards and deferred depreciation rights of Tunturi-Hellberg Oy Ltd. It is expected that the loss carry forwards will be realized before expiry date within a period from 2015 to 2022. The deferred depreciation rights have no expiry date. As a result of the downsizing of the activities in North America, a deferred tax asset has been taken up in the Netherlands under the liquidation loss compensation rules. With the acquisition of Raleigh tax loss carry forwards are added relating amongst others to the United States of America. It is expected that the tax loss carry forwards will be realized over a longer period in time considering the conditions of such loss carry forward.

Accell Group and its 100% controlled Dutch subsidiaries form a fiscal unity for Dutch corporate income tax purposes.

20) Provisions

	Non-current		Current	
	31-12-2012	31-12-2011	31-12-2012	31-12-2011
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Deferred employee benefits	1,390	636	128	49
Warranties	2,266	2,216	2,987	2,557
Other provisions	280	1,216	900	70
	3,936	4,068	4,015	2,676

The movement in provisions is as follows:

	Deferred employee benefits	Warranties	Other provisions	Total
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Balance at 1 January 2012	685	4,773	1,286	6,744
Dotation	878	3,500	1,081	5,459
Usage	-50	-2,760	-666	-3,476
Release	-20	-107	-520	-647
Effect discounting	4	-159	0	-155
Currency translation differences	21	6	-1	26
Balance at 31 December 2012	1,518	5,253	1,180	7,951

The deferred employee benefits relate to the provision in certain countries for future anniversary bonuses. The provision is based on contractual obligations and assumptions with respect to expectations of death and resignation. The warranty provision represents the estimated costs under warranty obligations for supplied goods and services that are outstanding as at balance sheet date. The provision is based on estimations of historical warranty information. The provisions for deferred employee benefits and warranty obligations are expected to have a term between one and five years.

The remaining other provisions relate mainly to obligations in connection with acquisitions. These provisions are in general short-term.

21) Deferred income

	Non-current		Current	
	31-12-2012	31-12-2011	31-12-2012	31-12-2011
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Deferred income	1,988	1,935	1,000	1,000

Deferred revenue consists of the receipts emerged from the extra warranty obligation to be realized in the coming five years.

22) Financial instruments and risk management

Categories of financial instruments in balance sheet as at 31 December:	2012	2011
	€ x 1,000	€ x 1,000
Assets		
Amortized cost		
Non-current receivables	2,692	2,683
Trade and other receivables	120,027	96,760
Cash and cash equivalents	6,552	4,259
Fair value through cash flow hedging		
Other financial instruments	0	7,626
Liabilities		
Amortized cost		
Interest bearing liabilities	150,397	119,912
Trade and other liabilities	149,326	65,169
Fair value through cash flow hedging		
Other financial instruments	8,799	4,708

The fair value of the 'other financial instruments' is determined on the basis of other inputs than quoted prices that are observable (level 2). For the determination the general accepted valuation methods are used. The determined value in this way is equal to the price at which the derivative can be sold in a transparent market.

The other financial instruments comprise:

	2012	2011
	€ x 1,000	€ x 1,000
Currency derivatives - cash flow hedging	-3,392	7,626
Interest rate swap - cash flow hedging	-5,407	-4,708
	-8,799	2,918

The fair value of currency derivatives and interest rate swaps is calculated by the financial institutions concerned using the Mark to Market method (MTM method). In 2012, € 8.3 million was added to the hedging reserve (2011: € 5.0 million) pursuant to the fair value adjustments of the instruments to cover future cash flows. With respect to cash flow hedging of interest rate risks, it is expected that the underlying cash flows materialize at the time that the interest is due on the loans with a one-month or three-month floating interest rate.
The cash flow hedges of the currency and interest rate derivatives were assessed as effective in 2012.

Movement of the hedging reserve:

	2012	2011
	€ x 1,000	€ x 1,000
Balance at 1 January	-126	-5,128
amount included in equity	-10,794	5,887
amount included in cost of inventories	1,455	-1,702
amount included in interest expenses	1,039	817
Balance at 31 December	**-8,426**	-126

Currency derivatives

The currency derivatives stated as at the balance sheet date will be settled during 2013.
Currency derivatives outstanding as at the balance sheet date can be specified as follows:

		Contract value in € 1,000		Fair value in € 1,000	
Currency derivative	Currency	2012	2011	2012	2011
Put	USD	78,952	40,912	-3,041	3,384
Call	USD	80,222	14,583	1,046	1,665
Put	JPY	70,314	9,367	-1,282	234
Call	JPY	8,310	7,759	6	2,616
Put	HUF	3,189	3,520	56	-481
Call	HUF	0	0	0	0
Put	TWD	7,127	9,000	-177	208
Call	TWD	0	0	0	0
				-3,392	**7,626**

Interest rate swaps

In 2007, Accell Group concluded an interest rate swap to convert the floating interest rate on loans into a fixed interest rate. In 2011 and 2012 interest rate swaps were concluded to control interest risks relating to working capital.

The following table lists the nominal value and fair value of the interest rate obligations in connection with the EURIBOR loans in combination with the interest rate swaps as at the balance sheet date:

	2012	2011
	€ x 1,000	€ x 1,000
Nominal value	6,837	8,438
Fair value	1,430	3,730

The policy of Accell Group regarding credit, liquidity and market risks (currency and interest rate risk) is outlined below.

Management of operating capital

The company operates a funding policy that is based on the continuity of Accell Group. This is reflected in the management of the capital. Accell Group is required to comply with the ratios stipulated by the lender.

As at 31 December 2012, on the basis of group equity the solvency amounted to 41.1% (as at 31 December 2011: 49.5%). As explained in the section on currency and interest rate risks, the movement in the hedging reserve has an effect on the solvency per year-end. Accell Group has no control over the changes in the market value of the underlying derivative financial instruments.

Credit risk

The activities of Accell Group entail various credit risks. The maximum credit risk is equal to the carrying amount of the trade receivables and other receivables. Risks are further mitigated by the sale of trade receivables partly to factoring companies. No collateral is obtained to cover the credit risk other then a potential retention of ownership of goods delivered.
Bicycles and bicycle parts are sold to a wide network of specialized bicycle shops, whereby many of the customers with whom Accell Group conducts business have a long-standing commercial relationship with Accell Group.

The credit policy stipulates, inter alia, that upon the acceptance of large customers, the creditworthiness of this potential customer must be verified both internally and externally, and a credit limit must also be set. There is no significant concentration of credit risks within Accell Group, as the group has a large number of customers. No customers comprise more than 10% of turnover.

The credit risks are continuously monitored. Outstanding receivables exceeding the due date are assessed individually at the end of the financial year, resulting in a substantiation of the provision for the impairment of receivables. For the total outstanding trade receivables of € 110.4 million, the provision for impairments amounted to € 5.9 million. The actual non-payment in 2012 amounted to € 1.3 million (2011: € 1.4 million). Fitness equipment is also mostly sold to a network of retail stores and distributors. Credit risks are dealt with in the same manner as in the sale of bicycles & bicycle parts.

Liquidity risk

In managing the liquidity risk, Accell Group takes into account the seasonal nature of the activities. Therefore, in the funding of the group a distinction is made between long-term (core) funding and the seasonal credit facility. The new financing agreement contains financial covenants consisting of:

- Term loan/ EBITDA ratio (debt ratio) at year end 2013 below 3.0
- Solvency ratio higher than 25% (whereby equity and balance sheet total at year-end are adjusted for inter alia, intangible fixed assets and deferred taxes)
- Interest cover higher than 4.5

Total loans and bank overdrafts provided to Accell Group amounted to € 150.4 million at the end of the financial year; 10% of this is of a long-term nature. In addition to bank overdrafts, the group's other short-term liabilities amounted to € 175.7 million at the end of the financial year.

The table below provides an indication of the total financial liabilities, including the estimated interest payments on long-term loans.

	Book value	Contractual cash flows	< 1 year	1-5 year	> 5 year
	€ million	€ million	€ million	€ million	€ million
Non-current liabilities	85.4	97.6	68.8	8.3	20.5
Current liabilities	244.6	234.8	234.8	-	-

Market risk

The market risk encompasses currency risks and interest rate risks. Accell Group uses a variety of instruments to hedge currency and interest rate risks arising from the operating, financing and investment activities. Accell Group's treasury activities are centralized and carried out in accordance with the objectives and regulations stipulated by Accell Group. Accell Group's policy stipulates that no instruments shall be used for speculative purposes.
Accell Group's currency and interest rate risks have not changed during the year. Moreover, Accell Group's approach to these risks has not changed during the financial year.

Control of currency risks

In view of the international nature of its activities, Accell Group is exposed to risks when buying and selling in foreign currency. This relates, in particular, to purchases of parts in US dollars (USD), Japanese yen (JPY) and Taiwanese Dollars (TWD) and operational costs in Hungarian Forints (HUF) and sales in US and Canadian dollars (CAD) and in British Pound (GBP).
Accell Group mitigates the currency risks of its estimated purchases and sales in foreign currencies by hedging a significant percentage of the currency risks prior to each year. This involves the use of currency future contracts and related swaps and options.

Unrealized gains and losses on the derivatives resulting from the concluded cash flow hedge transactions are temporarily included in the hedging reserve of the group equity. The cash flow hedge transactions entered into in 2012 achieved their objective. The hedging reserve is subject to changes as a result of developments in the market value of the concluded currency derivatives and interest rate swaps. Accell Group has no control over these market value developments.

A 1% change in the EUR/USD and EUR/JPY exchange rate from the current year-end exchange rate would result in an approx. € 1.5 million and € 0.7 million respective change in the hedging reserve of the group equity. Covering future cash flows and the use of cash flow hedging causes movements in on equity as a result of changes in the market value of the underlying derivatives.

All derivative financial instruments are concluded with ABN-AMRO or Deutsche Bank or RBS. The company incurs credit risks with these banks as long as these derivative financial instruments have a positive fair value and are not yet settled. This risk is considered acceptable in view of the creditworthiness of these banks.

Control of interest risks

As at 31 December 2012, the interest on the majority of the long-term interest-bearing liabilities is fixed, and the interest on the short-term interest-bearing liabilities is floating. In 2007, Accell Group concluded interest-rate swap for the loans, in order to control interest rate risks. In 2011 and in 2012 interest-rate swaps were concluded to cover interest rate risks relating to working capital financing. These instruments are generally available, and are not regarded as specialized or as entailing significant risk.

As at 31 December 2012, the term of 10% of the interest-bearing loans is longer than one year. An increase or decrease of 1% in market interest rate governing short-term bank credit would have resulted in a decrease or increase in the profit before taxes of approx. € 1.3 million.

23) Business Combinations

Early 2012, the acquisition of all shares in Currie Technologies ("Currie"), Chatsworth, California, United States of America was finalized. Currie is active in the development and sale of high-end hybrid electric bicycles and electricly propelled steps. The company sells to both the mass-market stores and IBD's.
Furthermore, in early January 2012, Accell acquired 100% of the shares in Van Nicholas BV, Numansdorp. Van Nicholas specialized in the development, design and assembly of 100% titanium mountain, racing and leisure bicycles. Both companies are consolidated as at 1 January 2012.
End of April 2012, Accell Group announced the agreement on the acquisition of all shares in Raleigh Cycle Ltd ("Raleigh"), Jersey, United Kingdom. Raleigh is a strong and well-known worldwide brand, and owns also the brands Diamondback and Avenir. The company has production and distribution companies in the UK, US and Canada. Furthermore the company has a worldwide licensing business and a purchasing agent in Asia. Raleigh is consolidated as at 25 April 2012.
End 2012, controll has been gained in VSL B.V., Dieren, The Netherlands. This company produces metal and plastic mudguards. The acquisition balance sheet of VSL is consolidated as at 31 December 2012.

All transactions are accounted for by the purchase method of accounting.
The acquired net assets consist of the following:

	Raleigh		
	Fair value on acquisition	Fair value adjustments	Book values
	€ x 1,000	€ x 1,000	€ x 1,000
Fixed assets	34,376	25,609	8,767
Other assets	89,358	-3,043	92,401
Cash and cash equivalents	2,792	0	2,792
Other liabilities and acquisition obligations	-86,237	-14,082	-72,155
	40,289		
Goodwill	19,922		
Cash and cash equivalents acquired	-2,792		
Net cash flow of business combinations	**57,419**		

	Overige acquisities		
	Fair value on acquisition	Fair value adjustments	Book values
	€ x 1,000	€ x 1,000	€ x 1,000
Fixed assets	1,817	1,696	121
Other assets	4,989	-141	5,130
Cash and cash equivalents	300	-131	431
Other liabilities and acquisition obligations	-10,351	-1,092	-9,259
	-3,245		
Goodwill	5,866		
Cash and cash equivalents acquired	-300		
Net cash flow of business combinations	2,321		

The other business combinations are combined as their relative size is small compared to the size of Accell Group. The consideration paid for the business combinations consist of a premium for expected synergies, growth of turnover and the combined workforce. These benefits of the business combinations cannot be measured reliably and are therefore not reported separately from goodwill. The purchased goodwill is tax non-deductible. The other assets consist of gross contractual trade receivables and other receivables of € 58.4 million. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounts to € 0.6 million.

Raleigh and the other business combinations contributed € 100.7 million and € 16.7 million respective in turnover from the period of consolidation to the balance sheet date. The effect on the net profit of these business combinations is in 2012 € 2.6 million and € -0.3 million respective. The turnover would have been € 56.6 million higher if the acquisitions took place at 1 January 2012. The effect on the net profit would have been approximately € 1.5 million.

Costs relating to business combinations (legal and due diligence costs) amounted to € 3.4 million. These costs are part of other operating expenses and are seperately accounted for in the income statement.

24) Dividend

The dividend in respect of financial year 2011 was determined at EUR 0.92 per share or as stock option during the General Meeting of Shareholders of 26 April 2012. After the period in which shareholders could report their preference, 48% chose the stock dividend. On 22 May 2012 € 10,978,000 was distributed as cash dividend and 745,704 shares were issued as stock dividend.

With respect to the current year, the Board of Director proposes to make available to the shareholders a dividend with stock option of € 0.75 per share. This dividend proposal is subject to approval by the General Meeting of Shareholders on 25 April 2013 and is not reflected as a liability in these financial statements.

25) Off-balance sheet disclosures

Operational lease obligations

The company has financial obligations arising from long-term lease obligations, leases on IT equipment and motor vehicles. The total obligation amounts to approx. € 3.5 million per year and has an average remaining term of 2.1 years. The company also has financial obligations arising from long-term leases. This obligation amounts to approximately € 5.7 million a year and has an average remaining term of 3.7 years.

As at balance sheet date, Accell Group has outstanding non-terminable operational lease obligations expiring as follows:

	2012	2011
	€ x 1,000	€ x 1,000
Within one year	616	697
Within two to five years	18,348	14,464
After five years	9,682	9,750
	28,646	24,911

26) Transactions with related parties

Intercompany transactions and balances between Accell Group and its non-consolidated companies have not been eliminated for consolidation purposes.

Trading transactions

During the year group companies entered into the following trading transactions with related parties:

	Sales of goods		Purchases of goods	
	31-12-2012	31-12-2011	31-12-2012	31-12-2011
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Atala SpA	5,343	7,215	0	0
Other related parties	0	0	0	18

The following balances were outstanding at the end of the reporting period:

	Amounts owed by		Amounts owed to	
	31-12-2012	31-12-2011	31-12-2012	31-12-2011
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Atala SpA	1,069	1,519	50	0

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognized in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties.

Loans from related parties

	31-12-2012	31-12-2011
	€ x 1,000	€ x 1,000
Loans from related parties	2,817	3,008

Loans from related parties consists of both long- and short term financing agreements. At the end of 2012, Tunturi Fitness B.V. had an outstanding amount payable by Jalaccell OÜ of € 2.7 million in connection with fixed assets and working capital whereby a right of mortgage on the business premises and pledge rights on other assets serve as security. At the end of 2012 Accell Group provided a loan to Velogic BV of € 0.1 million.

For explanatory notes on the total of benefits for managers in key positions, please refer to the notes on the company financial statements on page 146.

27) Events after balance sheet date

Refinancing

Early 2013, the existing debt with fiancial institutions was refinanced. This refinancing is referred to in Note 17 “Interest-bearing Loans”.

Ceasation production and manufacturing activities Canada

Early 2013 Accell Group announced that its subsidiary Raleigh Canada that its subsidiary Raleigh Canada will cease the manufacturing and assembly activity. The facility will continue to support Raleigh Canada's presence in the Canadian market as a distribution and service fulfillment center.

28) External auditors costs

The total costs for the services provided by Deloitte Accountants B.V. are:

	2012			2011		
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
	Deloitte accountants B.V.	Other Deloitte network	Total Deloitte	Deloitte Accountants B.V.	Other Deloitte network	Total Deloitte
Audit of the financial statements	436	49	485	297	48	345
Other audit assignments	106	0	106	137	0	137
Tax services	0	22	22	0	59	59
Other non-audit services	314	0	314	87	0	87
	856	71	927	521	107	628

COMPANY BALANCE SHEET AS AT 31 DECEMBER

Before profit appropriation (in thousands of euros)

Assets	2012		2011	
Fixed assets				
Property, plant and equipment	162		126	
Goodwill	8,555		3,391	
Other intangible fixed assets	160		480	
Financial fixed assets [a)]	330,673		236,642	
		339,550		240,639
Current assets				
Amounts receivable from group companies	15,297		8,510	
Other receivables	7,238		12,797	
Cash and cash equivalents	19,286		35,990	
		41,821		57,297
Total assets		381,371		297,936

Liabilities	2012		2011	
Equity [b)]				
Share capital	239		211	
Share premium reserve	44,799		14,565	
Revaluation reserve	5,695		7,800	
Hedging reserve	-8,426		-126	
Translation reserve	-2,957		-3,613	
Other statutory reserves	1,984		2,233	
Other reserves	183,209		153,299	
Net profit for the year	23,167		40,277	
		247,710		214,646
Long-term liabilities				
Interest-bearing loans	15,000		46,629	
Other provisions	0		0	
		15,000		46,629
Current liabilities				
Amounts owed to group companies	600		209	
Interest-bearing loans and bank overdrafts	107,263		28,963	
Other current liabilities	10,798		7,489	
		118,661		36,661
Total liabilities		381,371		297,936

The letters following the various items refer to the notes on pages 144 to 148.

COMPANY INCOME STATEMENT

(in thousands of euros)

	2012	2011
Profit from subsidiaries after taxes	28,834	42,645
Other results	-5,667	-2,368
	23,167	40,277

Valuation principles and accounting policies relating to the determination of the result

The company financial statements have been prepared in accordance with Title 9, Book 2 of the Dutch Civil Code. In accordance with article 2:362 (8) of the Dutch Civil Code, the accounting policies for the parent company are identical to the policies that Accell Group NV applies with regard to the consolidated financial statements. Information on the accounting policies is given in the notes to the consolidated financial statements.

The financial data of Accell Group NV are incorporated in the consolidated financial statements. Therefore an abbreviated income statement is presented for the company under article 2:402 of the Dutch Civil Code.

Subsidiaries

In accordance with article 2:362 (8) of the Dutch Civil Code, subsidiaries that are included in the consolidation are stated at net asset value. The equity and results of the subsidiaries have been determined in accordance with the accounting policies of Accell Group NV.

NOTES TO THE COMPANY BALANCE SHEET

(in thousands of euros)

a) Financial fixed assets

The changes in the financial fixed assets are as follows:

	2012	2011
Subsidiaries		
Balance as at 1 January	175,481	161,900
Net profit	28,834	42,645
Investments / divestments	68,156	2,150
Dividend payments	-32,277	-27,147
Translation differences	1,013	-1,364
Other movements	-1,995	-2,703
Balance as at 31 December	**239,212**	175,481
Receivables from group companies		
Balance as at 1 January	61,161	52,656
Loans provided	43,761	26,643
Loans repaid	-13,461	-18,138
Balance as at 31 December	**91,461**	61,161
Total financial fixed assets	**330,673**	236,642

b) Equity

The authorized capital amounts to € 650,000, divided into 27,500,000 Accell Group NV ordinary shares, 5,000,000 preference shares F and 32,500,000 preference shares B, each with a nominal value of € 0.01.
Of these, 23,863,432 ordinary shares have been issued and duly paid, as a result of which the issued and paid-up share capital amounts to € 238,634.32.

For financing of the Raleigh acquisition, 2,000,000 ordinary shares have been issued in 2012. This issue of shares accounted for € 30.8 million less expenses.

Statement of movements in shareholders' equity

I. Share capital		
Balance as at 31 December 2011	211	
Issue of shares	20	
Stock dividend	7	
Options exercised and stock option plan	1	
Balance as at 31 December 2012		**239**
II. Share premium reserve		
The share premium reserve includes amounts paid in on the shares over and above the nominal value.		
Balance as at 31 December 2011	14,565	
Issue of shares	30,788	
Stock dividend	-7	
Options exercised and stock option plan	-547	
Balance as at 31 December 2012		**44,799**
III. Revaluation reserve		
The revaluation reserve comprises of the revaluation of land and buildings against fair value, after allowing for deferred tax liabilities.		
Balance as at 31 December 2011	7,800	
Revaluation land and buildings	-2,515	
Movement in deferred taxes	519	
Realization of the revaluation reserve	-109	
Exchange differences arising on translation of foreign operations	0	
Balance as at 31 December 2012		**5,695**
IV. Hedging reserve		
The hedging reserve comprises of the effective part of the cumulative net movement in the fair value of the cash-flow hedging instrument, after allowing for deferred taxes.		
Balance as at 31 December 2011	-126	
Fair value adjustment of financial instruments	-11,067	
Movement in deferred taxes	2,767	
Balance as at 31 December 2012		**-8,426**
V. Translation reserve		
The translation reserve comprises of foreign currency exchange differences on the translation of the foreign currency balance in participations.		
Balance as at 31 December 2011	-3,613	
Exchange differences arising on translation of foreign operations	656	
Balance as at 31 December 2012		**-2,957**
VI. Statutory reserves		
The statutory reserves comprises of capitalized research & development expenditure and statutory reserve participations.		
Balance as at 31 December 2011	2,233	
Change in intangible fixed assets	-293	
Other movements	44	
Balance as at 31 December 2012		**1,984**
VII. Other reserves		
Balance as at 31 December 2011	153,299	
Movement net profit 2011	40,277	
Dividend payment 2011	-10,978	
Recognition of share-based payments	257	
Realization of the revaluation reserve	109	
Change in intangible fixed assets	293	
Other movements	-48	
Balance as at 31 December 2012		**183,209**
VIII. Net profit for the year		
Balance as at 31 December 2011	40,277	
Movement profit 2011	-40,277	
Net profit for 2012	23,167	
Balance as at 31 December 2012		**23,167**
Total equity as at 31 December 2012		**247,710**

The statutory reserves, including the revaluation reserve and hedging reserve (Article 2:390 of the Dutch Civil Code), the translation reserve (Article 3:389 paragraph 8 of the Dutch Civil Code) and other statutory reserves (R&D expenses, Article 2:365 lid 2 Dutch Civil Code and statutory reserve participations, Article 2:389 lid 6 Dutch Civil Code) are regarded as other statutory reserves pursuant to Article 2:373 of the Dutch Civil Code and, consequently, are therefore not available for distribution to shareholders.

Remuneration of the Board of Directors and the Supervisory Board

Board of Directors

The remuneration of the individual members of the Board of Directors is as follows [1]:

	Salary	Bonus	Pension contributions	Share-based payments
	in €	in €	in €	in €
R.J. Takens	435,500	69,680	134,583	69,491
H.H. Sybesma	335,000	53,600	59,441	54,268
J.M. Snijders Blok	275,000	44,000	61,263	44,615
Total	**1,045,500**	**167,280**	**255,287**	**168,374**

[1] The company's remuneration policy is reflected in the remuneration report that has been presented to the General Meeting of Shareholders for approval. The bonuses reflected in the financial statements relate to the financial year and depend on the targets set by the Supervisory Board. 16% of the maximum to be achieved bonus (50%) was paid out. 16% out of a maximum to be possible bonus (50%) was paid out.

Supervisory Board

The remuneration of the individual members of the Supervisory Board is as follows:

	in €
A.J. Pasman	48,788
J.H. Menkveld	37,845
J. van den Belt	37,845
P.B. Ernsting	37,845
Total	**162,323**

Shares

At the end of 2012 Mr. Takens has 124,288, Mr. Sybesma 14,492 and Mr. Snijders Blok 13,152 shares.

Stock option plan

The company has a stock option plan for members of the Board of Directors. In the event of full exercise of the option entitlements granted to date the number of issued shares would increase by 0.8%. According to company policy, the option entitlements are not covered by the company's purchase of its own shares. New shares are issued by the company at the time options are exercised.

An overview of the outstanding options is listed below:

	Number at		Granting date	Expiry date	Excercise price	Fair value at granting date	Average excercise price
Options	31-12-2011	31-12-2012			in €	in €	in €
Granted in 2008	45,000	31,400	22-02-08	3-5 jaar	12.58	2.82	14.18
Granted in 2009	47,000	31,800	20-02-09	3-5 jaar	9.08	1.86	14.18
Granted in 2010	25,640	25,640	19-02-10	3-5 jaar	16.65	2.84	
Granted in 2011	24,480	24,480	24-02-11	3-5 jaar	19.39	3.57	

At 23 May 2012 28,800 options were exercised.

The stock option entitlements that have been granted are comprised of the following:

	Number at 01-01-2012	Issued in 2012	Excercised in 2012	Number at 31-12-2012	Average excercise price beginning of period	Average excercise price at year-end	Weighted average term at year-end
Directors:					in €	in €	
R.J. Takens	66,880	-	13,600	53,280	13.23	13.39	1.48
H.H. Sybesma	31,460	-	15,200	16,260	13.68	17.99	2.65
J.M. Snijders Blok	43,780	-	0	43,780	13.22	13.22	1.22
	142,120	-	28,800	113,320			

The Supervisory Board awards options to the directors based on the realization of targets set in agreement with the Board of Directors and the expected contribution that the members of the Board of Directors will make to the further development of the company.

After granting, the stock options are unconditional.

Employees

Accell Group N.V. has an average of 20 employees in 2012 (2011: 18) of which 2 are employed overseas (2011: 2). Wages and salaries, social security charges and pension contributions amounts to € 2.8 million, € 0.4 million and € 0.4 million (2011: € 2.2 million, € 0.1 million and € 0.4 million). In the social security charges an accrual is made for the payment of the one-time Dutch crisis levy. Accell Group does not consider this crisis levy as remuneration.

Off-balance sheet commitments

The legal entity is part of the "Accell Group N.V." fiscal unity, and as such is jointly and severally liable for the tax liability of the fiscal unity as a whole.

In accordance with article 2:403 (1f) of the Dutch Civil Code, the company has accepted joint and several liability for the liabilities arising from acts with legal consequences of the Dutch subsidiaries. To that effect have been filed with the chamber of commerce where the legal entity on whose behalf the notice of liability has been given is registered.

Supervisory Board

A.J. Pasman, Chairman
J.H. Menkveld, vice-chairman
J. van den Belt
P.B. Ernsting

Board of Directors

R.J. Takens, CEO
H.H. Sybesma, CFO
J. M. Snijders Blok, COO

Heerenveen, March 12, 2013

OTHER INFORMATION

Profit appropriation pursuant to the Articles of Association

Article 25 (partial)

Paragraph 4
The Board of Directors, subject to the approval of the Supervisory Board, is authorised to determine which part of the profit shall be allocated to the reserves, after payment of dividends to the holders of both 'B' preference shares and 'F' preference shares.

Paragraph 5
The profit then remaining shall be at the disposal of the general meeting of shareholders for the holders of ordinary shares. Pursuant to a proposal of the Board of Directors that has been approved by the Supervisory Board, the general meeting of shareholders may resolve that all or part of a dividend distribution to the holders of ordinary shares shall be made in shares in the share capital of the company instead of cash.

Dividend proposal

The Board of Directors proposes to pay shareholders a dividend of € 0.75 per share (2011: € 0.92), to be paid in cash or shares at the shareholder's discretion.

Events after balance sheet date

See for events after balance sheet date note 27.

Independent auditor's report

To the General Meeting of Shareholders of Accell Group N.V., Heerenveen, the Netherlands

Report on the financial statements

We have audited the accompanying financial statements 2012 of Accell Group N.V., Heerenveen. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated income statement for the year then ended, consolidated balance sheet as at December 31 2012, consolidated cash flow statement, consolidated statement of changes in equity and consolidated statement of comprehensive income for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at December 31 2012, the company profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the annual report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Accell Group N.V. as at December 31, 2012 and of its result and its cashflows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Accell Group N.V. as at December 31, 2012 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the annual report (page 29 to 78), to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Utrecht, March 12, 2013
Deloitte Accountants B.V.

Signed by: A.J. Heitink

HISTORICAL SUMMARY

(in millions of euros, unless stated otherwise)

	2012	2011	2010	2009	2008	2007	2006	2005
Net turnover	772.5	628.5	577.2	572.6	538.0	476.1	431.7	372.1
Personnel costs	101.6	80.6	76.6	73.5	71.5	67.5	66.1	57.7
Operating profit (EBIT)	32.5	34.8	46.4	49.9	46.2	35.0	30.1	25.7
Interest	-7.0	-7.8	-4.2	-5.5	-6.0	-5.6	-3.9	-3.0
Taxes	2.6	3.1	5.8	11.8	11.8	9.6	7.9	7.2
Net profit	23.2	40.3	36.4	32.7	28.6	19.8	18.4	15.5
Depreciation	8.3	7.4	7.5	7.4	6.9	5.8	4.9	4.6
Free cash flow [2]	-19.9	16.9	-1.1	27.1	12.2	-10.0	-32.9	18.5
Investments in property, plant and equipment	22.8	11.2	6.2	6.7	12.9	12.6	10.7	8.8
Balance sheet total	602.1	434.0	383.9	337.3	335.4	277.6	245.6	183.8
Property, plant and equipment	77.0	64.1	59.6	61.2	61.3	54.9	48.7	43.1
Capital employed [3]	426.4	353.4	302.5	259.5	259.9	223.8	190.8	138.2
Group equity	247.7	214.6	180.4	151.8	132.1	107.1	91.9	77.4
Guarantee capital	143.8	115.7	100.5	84.8	99.0	99.6	87.1	49.5
Provisions	33.3	22.5	23.3	33.1	31.3	16.9	11.6	11.3
Average number of employees (FTEs)	2,776	2,234	1,877	1,787	1,778	1,713	1,671	1,438
Number of issued shares at year-end	23,863,432	21,094,760	20,609,012	20,034,168	19,556,344	18,985,900	18,503,676	18,030,030
Weighted average number of issued shares	22,897,471	20,905,497	20,385,290	19,856,130	19,342,818	18,813,480	18,352,658	17,759,498
Market capitalization	317.6	297.4	389.5	292.2	176.0	235.0	240.5	183.9
Data per share [4] (in euros)								
Group equity	10.82	9.92	8.38	7.06	6.16	4.99	4.29	3.67
Cash flow from ordinary activities [2]	-0.87	0.78	-0.05	1.26	0.57	-0.46	-1.54	0.88
Net profit on ordinary activities [2]	1.01	1.86	1.69	1.52	1.33	1.14	0.83	0.74
Dividend [5]	0.75	0.89	0.81	0.73	0.64	0.55	0.41	0.35
Ratios (in %)								
ROCE	7.6	9.8	15.3	19.2	17.8	17.7	15.8	18.6
ROE	9.4	18.8	20.2	21.6	21.6	22.8	20.0	20.1
Operating profit/turnover	4.2	5.5	8.0	8.7	8.6	8.3	7.0	6.9
Net profit/turnover	3.0	6.4	6.3	5.7	5.3	5.1	4.3	4.2
Free cash flow [2]/turnover	-2.6	2.7	7.6	7.0	7.0	5.4	5.4	5.0
Balance sheet total/turnover	77.9	69.1	66.5	58.9	62.3	58.3	56.9	49.4
Solvency (based on group capital)	41.1	49.5	47.0	45.0	39.4	38.6	37.4	42.1
Net debt/ EBITDA [5]	3.3	2.6	1.9	1.5	1.8	2.2	2.5	1.6
Pay-out ratio	74.1	47.8	47.9	47.9	48.1	48.1	47.4	47.5
Dividend yield (including dilution[3])	5.6	6.3	4.3	5.0	7.1	4.4	3.1	3.4
Closing price of share	13.31	14.10	18.90	14.59	9.00	12.38	13.00	10.20

1) Free cash flow is defined as the balance of the net cash flow from operating- and investment activities.
2) Capital employed is the balance sheet total minus current non-interest bearing loans (including non-current provisions).
3) The data per share are calculated based on the weighted average number of issued shares. The data per share for the years 2005-2011 have been adjusted for the dilution resulting from the issue of stock dividend charged to the share premium reserve in accordance with the International Financial Reporting Standards (IAS33). The adjustment factor that was applied in the reporting year for 2011 and for previous years is 0.9658568.
4) The dividend per share relating to the financial year 2012 concerns the proposal to be submitted to the General Meeting of Shareholders.
5) EBITDA is based on the operating profit adjusted with one-off items.


by Spanninga

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Text:
Accell Group - Heerenveen - The Netherlands
Citigate First Financial - Amsterdam - The Netherlands

Design, lay-out and co-ordination:
Boerma Reclame - Gouda - The Netherlands

Production and distribution:
Schefferdrukkerij - Dordrecht - The Netherlands

MIX
Paper from responsible sources
FSC® C020192
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