Sustainability nearby

Annual report 2010

ACCELL GROUP

THE PREMIER CYCLE AND FITNESS GROUP

Contents

This is a translation of Accell Group N.V.'s Annual Report 2010, 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.

Accell Group main brands

Batavus | Batavus is more than 100 years old and traditionally one of the Netherlands' strongest and best known bicycle brands. The Batavus brand has a very strong sense of the familiar combined with top-notch quality. Continued innovations, distinctive styling and a broad product range mean Batavus appeals to a very wide audience. 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 countries including Belgium, Denmark, Germany, the United Kingdom and Sweden.

Koga | Koga is a premium brand with a sporty character. It was founded in 1974, and since that time has operated consistently on the basis of the company philosophy, which focuses on the development and construction of hand-made, exclusive, high-quality bikes incorporating the latest technologies. Continued 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 its own extensive Quality Center for development and quality control. Koga has become an international brand. In addition to its home market in the Netherlands, Koga exports its range to Germany, Belgium, Scandinavia, Switzerland, Austria, England, Australia and Asia.

Sparta | Sparta is the specialist in special bicycles, a true speciality brand, with bicycles for fathers and mothers, short and tall people, trendy bikes for young people, bicycles for city tours, carrier bikes for transporting goods and people, leisure touring or longer journeys. Consumers know Sparta primarily as the brand behind the electrically-assisted bicycle, the Sparta ION®. Sparta set the trend in this segment and continues to develop the concept with new models and marketing concepts. Both the market for and the image of electrically assisted bicycles are developing strongly. Sparta is focusing its product development and promotion on short and middle-distance mobility for recreational purposes and as an alternative for commuters.

Loekie | 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. With a focus on three target audiences: children, (grand)parents and dealers, Loekie invests in trend surveys to develop the most striking and the safest children's bikes. These surveys reveal trends such as the latest colours and styles. These are then translated into themed series and models based on various lifestyle trends.

Hercules | Hercules has been around since 1886, making it the brand with one of the longest traditions in the German market. Hercules focuses on design, quality, innovation and a clearly defined profile for the brand. Expert retailers and consumers know Hercules mostly as the friendly German family brand. To keep on developing its broad range, Hercules uses various successful products and innovations 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 | Winora is a household name in Germany: a broad brand that appeals to the entire family. Winora develops and produces a broad range of products 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 | 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 big success, not least because Staiger can deliver its made-to-measure bicycles to expert retailers with remarkable speed.

Hai Bike | Hai Bike supplies top quality racing and mountain bikes. Hai Bike'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. Hai Bike traditionally scores high marks in the tests published in German cycling magazines, and new models regularly receive awards. In the higher segment of the market, Hai Bike focuses on custom-made bikes, giving true enthusiasts the opportunity to put together their own dream bikes. Hai Bike aims to be a trendsetter in the 'mass customisation' popular in this higher segment.

Ghost | Ghost, founded in 1993, 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, Ghost also has a broad range of trekking and racing bicycles.

Lapierre | The Lapierre brand, founded 1946 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 a patented suspension design that virtually eliminate energy losses. And the top players in the sports world are more than happy to collaborate with Lapierre. As an internationally recognised top brand, Lapierre is distributed across Europe and North America

Redline | Redline is one of the oldest brands in the BMX (Bicycle Motor Cross) segment. Founded in 1974 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 seen as a leader in the BMX 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 | 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 exclusive distribution of a large number of top brands such as Cateye, 3T, DT Swiss, Lazer and Campagnolo, Juncker also markets its own XLC brand and the accompanying wall system. Juncker cooperates closely with the other companies within the group. Juncker's customers speak highly of its ease of use and the up-to-date stock information supplied via its online ordering system Accentry.

Brasseur | Brasseur is an important partner for the specialist retailers in Belgium, particularly in the French-speaking part of that country, as an exclusive distributor of a number of top brands in bicycle parts and accessories. Brasseur is 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 Group companies, such as Juncker and Wiener Bike Parts, generates synergies in terms of portfolio management, logistics and purchasing.

Wiener Bike Parts | 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 Group's own XLC range with accompanying wall system on the French and German markets.

SBS | SBS supplies a complete range of bicycles, parts and accessories to the North American specialist retail trade, including its own brands Redline, Torker, Pryme 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 Group's own XLC brand.

XLC | XLC is the premium brand for bicycle parts and accessories. 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 and France), Tunturi-Hellberg (Finland and Sweden) and Seattle Bike Supply (United States). 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 | Originally a Finnish brand, Tunturi has been active in the worldwide 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 | 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 | As an international provider of trekking bikes, mountain bikes and racing bikes, Nishiki combines innovation with high-grade functionality. 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, founded in 1921, 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 was founded in 1924 and 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 models, from super lightweight bikes to the sturdiest mountain bikes.

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THE PREMIER CYCLE AND FITNESS GROUP

ACCELL GROUP


NISHIKI

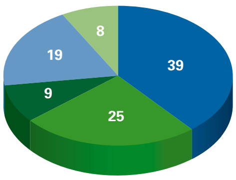
Profile of Accell Group N.V.

Accell Group is active internationally in the mid-range and higher segments of the market for bicycles, bicycle parts and accessories and fitness equipment. The group is market leader in Europe in the bicycle market. Accell's market approach is based on the key concepts of quality, innovation and recognisable added value. 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 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.

Accell Group's best known brands are Batavus, Bremshey, Ghost, Hai Bike, Hercules, Koga, Lapierre, Loekie, Redline, Sparta, Staiger, Tunturi, Winora and XLC. Accell Group has production facilities in the Netherlands, Germany, France, Hungary and Turkey. The Accell Group shares are traded on the official market of NYSE Euronext in Amsterdam and included in the Amsterdam Small Cap Index (AScX).

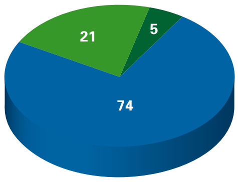
Accell Group recorded turnover of € 577.2 million in 2010, compared with € 572.6 million in 2009, and net profit of € 36.4 million, compared with 32.7 million in 2009. Turnover is distributed across the company's keys markets as follows: the Netherlands 39%, Germany 25% and France 9%. Other European countries, including Belgium, Denmark, Finland, Austria, Spain and the United Kingdom, account for 19% of turnover. The remaining 8% of turnover comes from countries outside Europe, including the US and Canada.

Accell Group turnover by country 2010



The Netherlands	39%
Germany	25%
France	9%
Other European countries	19%
Other countries	8%

Accell Group turnover by product 2010



Bikes	74%
Parts and accessories	21%
Fitness	5%

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Key figures

(in euros, unless stated otherwise)

	2010	2009	2008	2007
Results (in millions of euros)				
Net turnover	**577.2**	572.6	538.0	476.1
Operating profit before depreciation and amortisations (EBITDA)	**53.8**	57.3	55.3	45.3
Operating profit (EBIT) [1)]	**46.4**	49.9	46.2	39.6
Net profit [1)]	**36.4**	32.7	28.6	24.4
Cash flow [1)]	**43.9**	40.1	37.8	30.2
Balance sheet data (in millions of euros)				
Group equity	**180.4**	151.8	132.1	107.1
Net debt	**100.5**	84.8	99.0	99.6
Balance sheet total	**383.9**	337.3	335.4	277.6
Capital employed [2)]	**302.5**	259.5	259.9	223.8
Investments in property, plant and equipment	**6.2**	6.7	12.9	12.6
Ratios (in %)				
ROCE	**15.3**	19.2	17.8	17.7
ROE	**20.2**	21.6	21.6	22.8
Operating profit [1)]/turnover	**8.0**	8.7	8.6	8.3
Net profit [1)]/turnover	**6.3**	5.7	5.3	5.1
Data per share [3)]				
Number of issued shares at year-end	**10,304,506**	10,017,084	9,778,172	9,492,950
Weighted average number of issued shares	**10,192,645**	9,928,065	9,671,409	9,406,740
Net profit [1)]	**3.57**	3.22	2.81	2.40
Cash flow [1)]	**4.30**	3.94	3.72	2.97
Group equity	**17.70**	14.91	13.01	10.53
Dividend [4)]	**1.71**	1.54	1.35	1.16
Average number of employees (FTE's)	**1,877**	1,787	1,778	1,713

1) Operating profit, net profit and cash flow (net profit + depreciation + impairments) without the allocation to the provision for the penalty imposed by the Netherlands Competition Authority (NMa) in 2007.
2) Capital employed is the balance sheet total minus current non-interest bearing loans; as of 2008 non-current provisons are included.
3) The data per share are calculated based on the weighted average number of issued shares. The data per share for the years 2007-2009 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 2009 and for previous years is 0.97552.
4) The dividend per share relating to the financial year 2010 concerns the proposal to be submitted to the Annual General Meeting of Shareholders.


BATAVUS

Report of the Supervisory Board

The Supervisory Board is pleased to present the 2010 annual report and financial statements 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 124 of this annual report.

We propose that the Annual General Meeting of Shareholders adopt the financial statements, 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 2010 financial year.

Composition Supervisory Board

The Supervisory Board comprises the following members:

Mr. A.J. (Ab) Pasman (61), chairman

Mr. Pasman (Dutch nationality) was appointed to the Supervisory Board on 22 April 2010 and became chairman as of that date due to the retirement of Mr. S.W. Douma as of that same 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., Salentein Argentina B.V. and Westland Kaas Groep B.V. Mr. Pasman has been appointed until the General Meeting of Shareholders due to be held in the spring of 2014.

Mr. J.H. (Henk) Menkveld (64), Deputy Chairman

Mr. Menkveld (Dutch nationality) 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 is a member of the supervisory boards of the non-listed companies Bakkersland B.V. and Meneba B.V. 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 (64)

Mr. Van den Belt (Dutch nationality) 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 also a member of the Supervisory Board of Groeneveld Groep B.V., Scheuten Solar Holding B.V., Attero Holding N.V. as well as a member of the executive boards of Stichting Preferente Aandelen Gamma Holding and Stichting Preferente Aandelen Mediq. Mr. Van den Belt qualifies as the financial expert referred to in best practice provision III.3.2 of the Dutch Corporate Governance Code. At the recommendation of the Supervisory Board, the General Meeting of Shareholders on 22 April 2010 re-appointed Mr. Van den Belt for a four-year period.

Mr. J.J. (Hans) Wezenaar (74)

Mr. Wezenaar (Dutch nationality) was appointed to the Supervisory Board on 1 September 1999. He was chairman of the Board of Directors of Accell Group until 1999. Mr. Wezenaar is a member of the supervisory board of the following non-listed companies: De Friesland Zorgverzekeraar U.A., Nooteboom Group B.V., Tjaarda Oranjewoud B.V. and Zaadnoordijk Yachtbuilders B.V. During the General Meeting of Shareholders of 26 April 2007, Mr. Wezenaar was re-appointed for a four-year period, upon the nomination of the Supervisory Board following a recommendation for re-appointment by the Central Works Council. Mr. Wezenaar's term of office runs until the General Meeting of Shareholders due to be held in the spring of 2011.

Each member of the Supervisory Board is independent within the meaning of best practice provision III.2.2 of the Dutch Corporate Governance Code. During the 2010 financial year, none of the members of the Supervisory Board held an interest which was in conflict with their position on said Supervisory Board.

Retirement schedule

Mr. Wezenaar will resign from his post at the end of the General Meeting of Shareholders in the spring of 2011, in accordance with the prevailing retirement schedule. Mr. Wezenaar will not be eligible for re-appointment, since he has served the maximum term in office of three times four years. The Supervisory Board has drawn up a profile for his successor on the basis of which a candidate has been selected. The Supervisory Board will nominate Mr. P.B. (Peter) Ernsting. Mr. Ernsting has been at Unilever N.V. in various management positions in the Netherlands and abroad since 1998 and was appointed Countrymanager/VP Sales Unilever Benelux, Unilever Nederland B.V. on 1 January 2011.

The Central Works Council has been informed of the vacancy and the accompanying profile and has been given the opportunity to make use of its right of recommendation. The General Meeting of Shareholders has been given the opportunity to recommend a person or persons to be nominated as members of the Supervisory Board.

The Supervisory Board has discussed the proposed nomination and is unanimous in its opinion that Mr. Ernsting's expertise and experience is in line with the current outline of the profiles of the Supervisory Board. The Supervisory Board also took into consideration the revised profile outline of the Supervisory Board, which is on the agenda to be discussed at the General Meeting of Shareholders on 28 April 2011. The Central Works Council informed the Board of Directors and the Supervisory Board on 14 December 2010 of its support for the appointment of Mr. Ernsting and that it approves the nomination. The Central Works Council believes Mr. Ernsting meets its requirements and those of the revised profile outline for the Supervisory Board. The Supervisory Board therefore nominates Mr. Ernsting with confidence as the candidate for appointment to the Supervisory Board. The appointment will be for a four-year period.

Accell Group is very grateful to Mr. Wezenaar for his efforts and contributions to the Supervisory Board and his commitment to the company over many years.

Activities in 2010

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

In 2010, 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 company's overall strategy and the strategy of the most important brands and activities of Accell Group.

In the course of the past year, the Supervisory Board assessed the corporate governance structure of Accell Group, including its composition, division of tasks and working methods. On that basis, the Supervisory Board decided to revise its regulations and profile outline. In addition, the Supervisory Board decided to set up an audit committee and a selection/remuneration committee. These committees will be charged with supporting and advising the Supervisory Board in their tasks and 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 committees.

The audit committee comprises Mr. Van den Belt (chairman) and Mr. Wezenaar. In view of the fact that Mr. Wezenaar is stepping down as member of the company's Supervisory Board, Mr Ernsting will join the audit committee following his appointment at the end of the General Meeting of Shareholders in the spring of 2011. The composition of the audit committee is in accordance with the provisions of the Dutch Corporate Governance Code. The audit committee will support the Supervisory Board in the execution of its tasks, including those in the financial/administrative field and prepare the decision-making with respect to same.

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.

The selection/remuneration committee met two times in 2010. The CEO was present at one of these meetings. Subjects discussed included the proposal to appoint Mr. Ernsting as a member of the Supervisory Board and the present and future size and composition of the Supervisory Board.

Remuneration Board of Directors

The Supervisory Board has drawn up a remuneration report for 2010 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 Meeting of Shareholders of 22 April 2010. In a meeting held on 25 February 2011, 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 established the salaries of the Board of Directors for 2010 and the bonus payments for 2009, and reached a decision on the granting of share options. The 2009 bonuses are stated in the 2009 financial statements.

During the meeting of the Supervisory Board held on 24 February 2011, the Supervisory Board discussed the remuneration package of the Board of Directors for 2011, and determined the bonuses for 2010, which are included in the 2010 annual accounts.

The remuneration policy allows Accell 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 2010, 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 2010 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. In 2010, the Board of Directors received a bonus of 27.1% of their annual salary.

Long-term bonus plan

On 25 February 2010, the members of the Board of Directors were granted share options on the basis of performance in 2009.

On 24 February 2011, share options and conditional shares were granted to the Board of Directors on the basis of performance in the 2010 financial year.

The exercise price for the share options equals the average closing share price on the last five trading days prior to allocation. The number of options allocated is determined by dividing 50% of the annual salary of the member of the Board of Directors in question by the strike price of the options. Once allocated, the share options are unconditional and the directors are obliged to hold same for at least three years in order to reconcile the interests of the Board of Directors with those of the shareholders.

The number of shares allocated conditionally was determined by dividing half the annual salary of the member of the Board of Directors in question by the average closing share price on the five trading days prior to allocation. In February 2013, it will be decided which percentage of the shares allocated conditionally in February 2011 will be allocated unconditionally. That percentage is dependent on the total shareholders return of Accell Group N.V. (TSRA) compared to the total shareholders return of shares included in the Amsterdam Midcap Index of NYSE Euronext in Amsterdam (TSRM) over an uninterrupted period of three years. The percentage is 50% if TSRA equals TSRM. After definitive allocation, a lock up period of two years applies.

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 financial statements for the exact amounts of the remuneration of the members of the Board of Directors.

Meetings in 2010

The Supervisory Board held six plenary meetings with the Board of Directors in the year under review. The company's strategy was discussed on several occasions during these meetings.

Other topics included the general developments within the group, possible acquisitions and developments in markets relevant to the company, as well as the financing and financial policy of the company. In addition, the Supervisory Board periodically discussed risk management with the Board of Directors.

In order to improve the supply of information about operational activities, one of the meetings with the Board of Directors was also attended by the directors of the main subsidiaries. Partly on the basis of these meetings, the Supervisory Board expresses its confidence in the company's strategic plans.

The Supervisory Board also held two meetings with the external accountant, the CFO and the CEO. The company's first-half and full-year results were discussed at these audit meetings. A further two meetings were held with the external accountant in the absence of the Board of Directors.

The Supervisory Board also held three 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 salaries for 2011 and the bonuses for 2010 for the members of the Board of Directors were also determined during said meeting.

Another meeting was devoted to the company strategy and to the functioning of the (members of the) Supervisory Board, with each member of the board expressing their views of the functioning of the other members and of the board as a whole. It was concluded that each of the members is functioning well and that the Board as a whole is also functioning well.

Cooperation retail trade

Accell Group cooperates closely with the specialist retail trade and distributors, a conscious choice that is in line with our brand strategy. The cooperation with the retail trade covers a broad spectrum of activities. For instance, for bicycle parts and accessories, a product segment which represents a considerable amount of turnover for the points of sale, we have the XLC display programme. This allows retailers to present the wide product range to the consumer in a professional and attractive manner. Accell Group also supports the retail trade with Bikes & More Dealer Support, a joint programme run by the brands Batavus, Juncker Bike Parts, Koga and Sparta. Bikes & More in a complete package of services aimed at presentation and communication on the shop floor. This programme devotes attention to issues such as brands and segments, the routing in the store, the shelving plan and the placement of accessories. The programme meets a clear need among retail traders.

In another meeting, the Supervisory Board discussed the filling of the vacancies on the board as a result of the expiration Mr. Wezenaar's term of office. The proposed changes to the regulations and the profile outline of the Supervisory Board were also discussed during that meeting. The fact that Accell Group does not (yet) have a separate internal auditing function was also discussed. After talks with the Board of Directors on that subject, it was concluded that setting up a separate internal auditing function is not yet desirable given the size of the company. This subject will return to the agenda during the 2011 financial year.

The Supervisory Board also held two meetings in 2010 with the Board of Directors and the Central Works Council. During these meetings, the general developments and the strategy of the company as a whole were discussed, as well as developments at the Dutch subsidiaries. The Supervisory Board was fully represented at virtually all of these meetings.

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 2010.

Heerenveen, March 11, 2011

On behalf of the Supervisory Board,

A.J. Pasman, Chairman

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 anti-theft 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 operating companies.

Board of Directors

→ **R.J. (René) Takens (56), Chief Executive Officer (CEO)**

Mr. Takens succeeded Mr. Wezenaar as Accell Group's CEO in 1999. 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 RC (43), 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 Accountant (1995, Free University (VU), Amsterdam)

→ **J.M. (Jeroen) Snijders Blok (52), 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.

Report of the Board of Directors

General course of events

The weather conditions made 2010 a difficult year for bicycle sales. The long winter led to a late start to the bicycle season. May and August were very wet months and the low temperatures and snow also made the fourth quarter a difficult period for bicycle sales. The general economic conditions and the price increases also affected sales. The overall turnover in bicycles dropped slightly. However, sales of high-grade electric bikes and sports bikes increased once again. A clear rise in sales was noted in parts & accessories, both organically and via small-scale acquisitions, while we noted a slight drop in the sale of fitness equipment.

Turnover and net profit rise

Accell Group realised continued growth in both turnover and net profit in 2010. Turnover was up 1% at € 577.2 million, from € 572.6 million in 2009. Net profit rose 11% to € 36.4 million, from € 32.7 million in 2009. Net earnings per share rose by 11% to € 3.57, from € 3.22 in 2009.

Bicycles/bicycle parts & accessories

Turnover in the segment bicycles/bicycle parts & accessories increased by 1% to € 548.7 million in 2010, from € 543.0 million in 2009. These activities thus accounted for around 95% of Accell Group's total turnover. The demand for electric bikes, mountain bikes and special (target group) bikes in the middle and upper segments of the market developed positively, while sales of traditional city bikes and children's bikes were lower than in 2009. Total turnover in bikes dropped slightly on balance. Turnover in bicycle parts & accessories was up 13%.

The number of bikes sold dropped to 949,000, from 986,000 in 2009, while the average price of the bicycles sold increased further, to € 449, compared with € 439 in 2009. The change in the sales mix and the price increase of bicycles (2011 collection) affected the increase in the average price. The segment result dropped 10% to € 55.5 million, from € 61.6 million in 2009.

As in 2009, the bicycle markets in 2010 were affected by further shifts in the types of bicycles sold, which made consumer demand more difficult to predict. Dealers were therefore more cautious in placing advance orders and building up stocks in the winter period. The generally less positive financing opportunities for dealers continued to play a role.

Compared with previous years, the weather in the first half of 2010 was unfavourable for the sale of bicycles. Nor did this change in the second half of 2010. The fourth quarter in particular saw much lower sales than expected due to cold weather and early snow, which is why inventories and working capital were high at year-end 2010.

Turnover in bicycles/bicycle parts & accessories in the Netherlands dropped 5%. Demand for electric bikes and special (target group) bikes was once again positive. Sales of traditional models in the mid-market segment and children's bikes continued to drop. The tax relief scheme for company bicycles in the Netherlands is set to change, which means that in many cases it will no longer be attractive for employees and employers to buy company bikes. The impact of this change was felt in 2010, as several projects were abandoned. In 2011, further drop in the sale of company bikes is expected. Turnover in bicycle parts & accessories rose, while the maintenance and repair of existing bicycles increased as consumers did not (yet) decide to purchase a new bicycle.

Turnover in Germany was up, partly due to the acquisition of Batavus distributor Bäumker in January 2010. Sales of electric bikes rose considerably in Germany in 2010, while sales of other bikes dropped as a result of the early onset of winter and the effects of price increases for the 2011 range. Sales of parts & accessories continued to increase in Germany, partly as a result of increased sales of our own XLC brand and the addition of the parts turnover from Bäumker.

In France, Accell Group sold fewer bikes in 2010. Sales of sports bicycles in particular was under pressure, partly as a result of the price increases implemented. As in most other countries, sales of parts and accessories showed an increase, including those in XLC parts. Sales of electric bicycles under the Lapierre brand in France remained modest.

In Scandinavia, Tunturi-Hellberg saw its turnover increase, not only in its home market Finland, but also in the other countries. Exports of sports bicycles and mountain bikes in particular increased. This was true for Eastern Europe and Southern Europe, as well as outside for Europe to Asian countries, where sales of sports bikes from Europe and the US is increasing. We have launched sales activities for the sale of bikes under the brands Ghost, Lapierre and Koga in various countries in Southeast Asia. The turnover is still modest, but is set to increase in the coming years. Turnover in Belgium (including Brasseur) in both bikes and parts & accessories also increased in 2010.

In North America, consumers are showing a growing interest and willingness to buy bicycles. The bicycle turnover increased primarily through the sales of the BMX brand Redline bicycles. Turnover in parts & accessories stabilised.

Fitness

Turnover in the fitness segment dropped 4% to € 28.5 million, compared with € 29.7 million in 2009. These activities therefore accounted for around 5% of Accell Group's overall turnover. The segment result improved in 2010, to € -/- 0.4 million, compared with € -/- 2.5 million in 2009.

In the first half year, Accell Group saw a strong rise in turnover, particularly as a result of sales to new distributors, some of which were due to the replacement of existing distributors and some of which were in new countries. However, the second half saw a drop in turnover compared with the same period of 2009. This was largely due to a strong fall in demand from some major customers in North America. In addition, the closure of own operations in Germany and England and the replacement of these with third party distributors eliminated some of the turnover for Accell Group. The downsizing of the distribution operations and adaptation of the organisation did drastically reduce the cost base in the fitness division in 2010, which led to the strong improvement (€ 2 million) of the segment result. Working capital also continued to decrease.

In 2010, a good start was made on the expansion of the product range to include fitness equipment for the professional market, in addition to home-use equipment. The first products developed specifically for this market were delivered to clients in the past year.

Corporate Social Responsibility

Walking aside, the bicycle is the greenest mode of transport and contributes to a healthy lifestyle. The bicycle is an environment-friendly alternative for mobility on shorter distances up to 15 kilometres. What is more, conscious production of quality products that do not end up on the scrap heap in the space of a few years also has a positive impact on the environment.

The facts about the nature of the products of Accell Group are attractive to the users of these products and Accell Group's stakeholders. Accell Group strives to produce its products in the most responsible way possible. The Group's policies comprise a number of spearheads in the field of corporate social responsibility. These policy issues receive a great deal of attention now and will continue to do so in the future. Accell will also continue to refine and broaden its approach to these issues, also taking into account social and technological developments.

Acquisition Bäumker

On 5 January 2010, Accell Group entered into an agreement on the acquisition of all shares in Bäumker & Co. GmbH (“Bäumker”). Bäumker is a trading company in bicycles, bicycle parts and accessories, with head offices in Rheine, Germany, and is also the distributor for Batavus in Germany. The company operates via a regional network of dealers, mostly in northern and central Germany. The acquisition of this distributor will allow Batavus to expand its commercial activities in Germany, in addition to Bäumker’s existing sales, which will be complementary to Accell Group’s current sales channels. The acquisition also offers more opportunities for the sale of electrically assisted bikes. Bäumker, founded in 1931, has a strong reputation as a reliable and respected supplier of the specialist retail trade.

Acquisition Bianchi Bisiklet

On 16 November 2010, Accell Group announced it had reached agreement on the acquisition of all outstanding shares in Bianchi Bisiklet A.S. in Turkey, including its 50% participation in the well known Italian trading company Atala. Following the acquisition, the production location in Turkey continued operations under the name Accell Bisiklet.

Accell Bisiklet in Turkey employs around 300 people on average. About 40% of the bicycles produced are sold in Turkey, with the remainder exported to Italy and other European countries. Atala, which is located in Monza (Italy) and 50% owned by strategic Italian investors, employs around 30 people who focus primarily on design, sale and logistics. Atala is a trading company which sells bikes under the Whistle, Carraro and Dei brands, as well as bikes under its own Atala brand. The Italian bikes are produced partly at the production facility of Accell Bisiklet in Turkey and partly purchased from other suppliers. Both Accell Bisiklet in Turkey and Atala in Italy have a strong distribution network of independent bicycle dealers.

This acquisition provides Accell Group with a strong position in Turkey and Italy, two attractive markets for bicycles and bicycle parts & accessories. In addition to the strengthening of the geographic distribution and the growth potential, the markets for bicycles are developing strongly in both countries and showing growing demand.

New generation of fitness equipment

In 2010, Accell Fitness introduced the new product line Platinum by Tunturi. This complete product range, with its very robust design, sets the tone in the professional market and the top of the consumer market. Key premises in this equipment are business continuity, safety and care-free operation. To mark the launch of Platinum by Tunturi, the players of the football club FC Twente, the current Dutch national champions and recent participants in the Champions League, tested the line extensively and to their full satisfaction, during warming up, general fitness training and recovery after injury. A key advantage of the line is the fact that a number of the pieces generate their own energy. Platinum by Tunturi met with an enthusiastic response from local dealers and international distributors.

Mission and 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. In doing so, Accell aims to achieve the following:

- a stimulating environment for its employees,
- a pro-active response to sustainable trends, such as 'more exercise and healthier living',
- a healthy and sustainable return for its shareholders.

In practical terms, this mission translates into the following strategic premises:

- creating innovative and distinctive products and services that appeal to consumers,
- positioning, promoting and further developing strong brands, by combining locally strong brands, often with a long history, with international top brands, to offer the consumer the most complete range of options possible,
- supporting the expert retail trade in their sales to consumers,
- organic volume growth by increasing the market shares of the existing brands and the realisation of turnover growth through the introduction of innovative high-grade products, with Accell Group making above-average investments in R&D,
- gaining complementary business, through acquisitions and other means, to realise further growth,
- utilising the synergies of the companies within Accell Group,
- investing in the skill and know-how of its employees,
- operating with the greatest possible consideration for people and the environment,
- consistently managing costs and revenues to improve operational margins.

Accell Group has leading positions in the Netherlands, Belgium, Germany, Italy, France, Finland, Turkey and the United States. Accell Group's ambition is to further strengthen these positions and gain leading positions in other countries in the future.

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. Comfort, design and safety play major roles in this. This means that 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, where consumers are willing to make an extra investment, strong, high-profile brands, both nationally and internationally, 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. Continuous investments and a clear focus on innovation and design are therefore essential in these segments. Constant innovation and adaptation of the products to the wishes of discerning consumers ensure that Accell Group brands and products remain attractive to their specific target groups. It also creates opportunities to further strengthen and develop Accell's strong market positions both nationally and internationally. The Accell Group companies must operate close to the market and must be able to respond to consumers' specific demands quickly, for instance through the production of small(er) series or custom-made bicycles.

Intellectual property

Accell Group attaches great importance to the subject of intellectual property. Its brands have spent years investing in the development of widespread name recognition and a strong image, as well as the development of recognisable bicycles in the product range, and these represent a great deal of value which must be protected against possible abuse and infringements. We regularly take action against third parties to protect our investments.

In addition to brand and model protection, Accell Group also makes considerable investments in technical innovation. Important finds, such as the manually adjustable stem, the integrated battery in the fame and various frame suspension systems are just some of the results. The R&D departments of various subsidiaries launch new discoveries and product improvements every year. Accell Group therefore holds many (internationally registered) patents.

Cooperation retail trade

Close cooperation with the specialist retail trade and distributors is vital for Accell Group. They are in the best position to guarantee the highest levels of service to the end user. Recent research in the Netherlands shows that consumers still see specialist retailers, which have an 80% share of the markets for new bicycles, as the most reliable partner when it comes to advice and the purchase of a new bicycle. The importance of specialist retailers continues to increase, partly because of the rising average prices and the complexity of the products. Particularly when this involves relatively expensive purchases, consumers attach great value to service, especially during the actual purchase (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.

The internet plays an important role in the cooperation with the retail trade when it comes to providing information and service. Accell Group has been active for some time in the field of e-commerce. A number of Accell Group brands, for instance, see a growing interest in their internet facilities for the creation of so-called custom-made bicycles. Advanced systems are used in the specification of custom-made bikes. These allow consumers or dealers to easily put together and order a bicycle. Thanks to data linking, the information and order needs of the specialist retailer and the bike data are recorded down to the smallest detail. This initiative is part of Accell's response to what research reveals is one of the major wishes of the retail trade: further improvements in the field of logistics performance and automation.

Chain digitalisation

Accell Group continues to develop Accentry, an ordering system for bikes, fitness and parts, which allows dealers to find and order products easily. Accentry is now used by virtually all subsidiaries. In addition to easy ordering, the system now also allows dealers to have deliveries automatically entered into their own store system and have part of their product range stocked up automatically. The system knows the number of items and records any sales. Once the stock in the store reaches a pre-set minimum, the item is ordered and delivered automatically. By comparing the turnover data and market data, the best possible product range can be recommended. This form of chain automation generates considerable efficiency gains.

Organic growth and acquisitions

Accell Group aims to grow through both organic growth and acquisitions. In 2010, once again considerable attention was devoted to the acquisitions policy, which is based on the premise that candidates must be complementary and also add true value in terms of returns and synergy in the short term. This means that acquisitions are assessed on the basis of their value and are never made at all costs. The acquisitions of Bäumker and Accell Bisiklet described in this annual report clearly meet these criteria.

Production with respect for people and the environment

Accell Group attaches great value to environment-friendly production methods. The paint shops at the production facilities in Heerenveen and Hungary are among the most modern in Europe. They use 100% water-based paints and acrylic top coatings, eliminating all emissions of harmful substances. The company takes the environment into account at all its production facilities. For instance, packaging materials are recycled where possible, both internally and externally, and suppliers increasingly provide products with minimum packaging. Accell Group is constantly working on projects for improvements in this field, both within its own organisation and at its suppliers.

Accell Group selects its suppliers on the basis of stringent criteria. Integrity and responsibility are important issues for Accell Group and this also applies to the parties involved in the production and sourcing process. Accell Group's standards are laid down in a code of conduct for suppliers. These standards cover subjects such as a ban on child labour, forced labour and discrimination, safety standards, environmental standards and working conditions. Accell Group's quality controllers and buyers supervise suppliers locally to ensure effective compliance with the agreements.

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. The Board of Directors greatly appreciates the efforts of employees at all of the Accell Group subsidiaries in 2010.

Structure: continuous management of costs and revenues

The group has an organisational 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. Most of the group's IT activities are also centralised. The company operates a uniform computer system wherever possible.

Synergy benefits are gained by integrating back-office activities. Computer systems developed in-house make it possible to control the operating companies effectively with limited indirect organisation.

The group works continuously on synergy in other areas, too, such as the intensification of partnerships with suppliers and the reciprocal exchange of know-how related to product development and innovations. Developments in the fields of electrically assisted bikes, 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 position of the various brands, procurement, production allocation and human resources. The subsidiaries are responsible for implementing the strategy.

Sustainability nearby

Annual report

Sustainability nearby

Accell Group is actively responding to the important sustainable and current global trends and developments:

- An ageing population, characterised by a growing group of older, healthier people who want to remain active socially, mentally and physically.
- The increasing – international - government interest in safe infrastructure for bicycles within and outside city limits as a solution for mobility issues.
- Serious attention for the environment and measures to reduce car use in favour of alternative modes of transport, especially for short distances.
- Widespread concern in society about the phenomenon of obesity, which has sparked numerous initiatives aimed at encouraging people to get more exercise.
- Consumers' increasing interest in and preference for active leisure time activities ('more exercise') and the ensuing demands in the fields of design, durability and comfort.

Accell Group is responding to these sustainability trends by manufacturing products with a recognisable and distinctive added value. Innovations are largely aimed at contributing to changing behaviour in the field of mobility and a healthier lifestyle. This involves much more than just product development. Accell Group is therefore involved in a wide range of activities in this field.

Sustainability nearby: Accell Group's vision of corporate social responsibility

It is a fact that, apart from walking, the bicycle is the most environment-friendly mode of transport and contributes to a healthier lifestyle. It is also a fact that the bicycle contributes to a reduction in CO_2 emissions. Using a bicycle is an environment-friendly alternative (to fossil fuel) for travelling short distances of up to 15 kilometres. Consciously producing quality products that do not land on the scrap heap in a few years time also has a positive impact on the environment.

These general facts about the nature of Accell Group's products make them attractive for the users of those products and for Accell Group's stakeholders. Accell Group strives to produce its products in a socially conscious manner. In line with Accell Group's sustainability policy, we have defined a number of focal points in the field of corporate social responsibility. Accell will devote considerable attention to these policy points now and in the future, and will continue to refine and develop them, also taking into account future social and technological developments. 'Sustainability nearby' is also about accepting one's own responsibility. This makes it important to find the right balance between the various aspects of sustainable business.

Labour conditions

In addition to its own employees, Accell Group also sees the employees of its suppliers as key stakeholders. This is why Accell Group has embedded the most important focal points in its company policy. These points reappear in codes of conduct for our subsidiaries, individual employees and our suppliers. Accell Group also plays an active role in mobilising the bicycle sector to make a joint effort to realise a standard for the entire production chain. For example, Accell Group took a lead in this respect by taking a seat on the board of the World Federation of the Sporting Goods Industry (WFSGI).

Accell Group has prioritised the following focal points:
- No child labour;
- No forced labour;
- No physical or psychological punishments;
- No discrimination;
- Clean and safe working environment;
- Good training and development opportunities;
- Correct remuneration;
- Correct working hours.

Honest business

No corruption and bribery
Accell Group attaches great importance to integrity. This is expressed towards both own employees and business partners. This is also laid down in both the code of conduct for suppliers and in the internal code of conduct for employees.

Correct code of conduct for employees
In addition to integrity and justice, this code of conduct also devotes attention to our viewpoints vis-à-vis laws and regulations, confidentiality, safety and health, environment and work ethics. Accell Group devotes particular attention to reporting suspected irregularities and has a whistleblower scheme in place to protect its employees.

Active support for the participation of people for whom it is difficult to find work
Accell Group gives extra attention to this group of people, for instance by working with social work facilities and by adapting workplaces where necessary. The company does not seek higher qualification that strictly necessary for positions, which provides opportunities for illiterate people in the production environment, for instance.

Living environment & society

Promoting physical activity
With items such as bicycles and fitness equipment in our product range, this subject is a logical part of the company's goals. Accell Group therefore actively supports initiatives in this area, for instance by sponsoring local sports clubs and through support for national and international projects such as the 'Bikes Belong' project in the United States.

Longer mobile and fit
As one of the 'inventors' and pioneers of the electric bicycle, Accell Group offers people the opportunity to staying mobile and fit for longer. Discussions with consumers show that this is very much appreciated. This subject is a fixed item on the agenda in product development. For instance, this recently resulted in the introduction of the "Heart Support Module" on the Sparta ION®, which enables owners to also use this electrically assisted bike as a cardio fitness machine.

Active support for social projects
Accell Group is firmly at the centre of society and supports projects such as Bike 4 Care and Bike 4 All (www.bike4all.net). Accell Group also supports non-bicycle-related projects, such as the KiKa Foundation.

Raw materials

Minimum use of raw materials

Accell Group aims to use as little packaging as possible. The end product ‘the bicycle’ has been delivered to the consumer without packaging for some time. Accell Group will also continue to reduce the use of packaging at its suppliers and during production and transport. Reducing the use of energy and clean water will also receive extra attention.

Maximum recycling of raw materials

The Accell Group companies have separated the waste flows of the various raw materials so they can be disposed of in the most appropriate way, via recycling (including various metals, paper, plastic) or correct waste processing. For instance, after the used and broken batteries of electric bikes are dismantled, a large proportion of the materials is rendered suitable for reuse. To optimise reuse, we assess and test how we can further implement the principle of mono-material-use in the production process and the products, for instance the use of water within the painting process.

Toxic substances

Minimum use of chemicals

Accell Group no longer uses chromed frames. At the moment, there are a number of projects ongoing to study how the pre-treatment of bicycle frames can be reduced. Accell group has been using 100% water-based paints in its paint shops for years.

Responsible disposal of chemical substances

In addition to separating and partly reusing the various waste materials during the production process, Accell Group, together with experts in the field of hazardous waste disposal, has also developed its own system for taking back used and defective batteries. Once taken back, the batteries are completely dismantled and processed correctly (end of life-cycle). This controlled returns system prevents the batteries from polluting the environment.

Living environment & Society

Efficient goods transport

Accell Group has set up an organisation in Asia for quality control and logistics support. One of the tasks of this organisation is to ensure that all transports of goods to Europe are shipped in a compact and efficient way. There are also local testing facilities available, which has led to a sharp reduction in the number of parts flown in for testing.

Promoting green mobility

Accell Group supports various initiatives to promote green mobility to reduce CO_2 emissions. Among other efforts, in the past year we sponsored the Velocity conference in Copenhagen, Norway. Accell Group has backed the ECF (www.ECF.com) project for years now and more recently started supporting the PRESTO project (www.presto-cycling.eu).

Since the introduction of the electric bicycle allows people to use bicycles for longer and cycle for longer distances, this also indirectly reduces CO_2 emissions.

The operational cycle of Accell Group

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 to 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. Also intensive contact is maintained with the specialist retail trade for that purpose. The exchange of information about consumer behaviour and trends is coordinated at group level, the premise being 'efficiency in inspiration'. This prevents overlapping research and promotes the optimum exchange of information and ideas.

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 (through consumer panels for example), to evaluate the development process and adapt it where necessary. Product design is an important distinguishing 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. The use of electronics is also becoming increasingly important. Each brand has its own unique positioning. The holding company optimises the positioning of the individual brands.

Development

The group devotes a great deal of attention to various long-term innovation projects and to the exchange of knowledge. 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.

The year 2010 once again saw a large number of innovations and the application of those innovations by the Accell Group brands. The continued development of the ION® technology for the electrically assisted bike is a high priority, partly because Accell Group wants to maintain its technological lead in this field and if possible extend it. A number of aspects have Accell Group's attention in this respect. The continuing drive towards design perfection ensures that the technology can be applied in virtually all bicycle models, which also makes it easier to respond to growing interest in the combination of lifestyle and technology. Accell Group also devotes considerable attention to the durability of the batteries (quality, long life, action radius, recycling) and the option of charging the battery quickly and at any desired moment. Brands such as Sparta, Batavus, Koga, Winora and Hercules translate these developments in basic technology into their product ranges. They each have their own very up-to-date range of electrically assisted bicycles. In addition, E-bikes are being introduced into markets where they are relatively unknown, such as North America.

Partly as a result of the increasing use and possibilities of the internet, the demand for custom-made bicycles continues to grow. Using the internet and web technology allows a consumer to put together a bicycle entirely according to their own wishes, often in consultation with a dealer. These initiatives have also been successful among the specialist retailers. Demanding consumers appreciate the advice and service of the dealer and the dealer provides the finishing touches in terms of advice and getting the bicycle ready to ride, while also remaining an important service partner for the consumer. The brands Koga ('Koga Signature'), Lapierre ('Web-series'), Staiger ('Sinus') and Hai Bike all have extensive experience with programs for custom-made bicycles.

In 2010, a broad range of Accell Group innovations and initiatives once again received considerable media attention, both nationally and internationally. These included:

Sparta ION® XTS
The Sparta ION® XTS certainly hit the spotlight in 2010, with nominations for the E-bike of the year and very positive reviews in the German media and other foreign media. This electrically assisted bicycle is a combination of 'state of the art' technologies, which include rear-wheel drive, a battery incorporated invisibly in the frame and the new extra strong 40Nm engine, which provides extra 'cycling comfort'.

Eurobike award Koga and Lapierre
The TeeTee time trial frameset, which Koga and Lapierre developed together, received a Eurobike award. This new generation of frames, with minimum air resistance and weight to support the performance of top sports cyclists, came to the attention of the sports world via the Lapierre-sponsored cycling team Française des Jeux at events such as the Tour de France.

Fusion lock Batavus and AXA
Theft prevention remains a focal point in the Accell Group's product development. The Fusion, an approved fixed lock which is fully integrated into the rear fork, was developed jointly by bike lock specialist AXA and Batavus. Key advantages of this lock are the improved theft prevention and slim design, while it can still be operated in the usual manner.

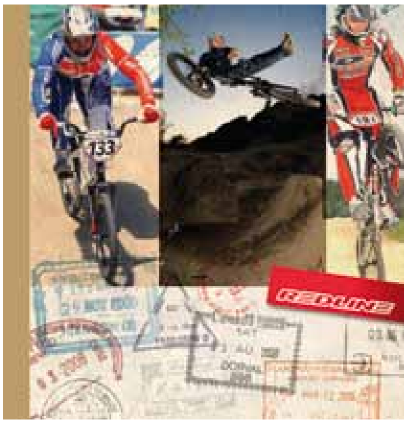
Batavus E-BUB first E-bike of the year
The most recent the Bike of the Year awards (2011) also saw the first ever award for the E-bike of the year. Batavus' BUB Easy had the honour of being the first recipient of the title. The jury also praised the electrically assisted city bike, with its striking and trendy design, for its surprising and comfortable riding properties. Batavus' BUB concept previously received a number of prestigious design awards.

The various awards support a key component of Accell Group's strategy: the group seeks to use constant innovations to maintain and strengthen its lead in the market of electrically assisted bicycles. 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. The traditional image of the electrically assisted bike for 'elderly people' is changing into an ever-widening use and a broad range of applications, including use for middle-distance mobility for commuter traffic

E-bikes: ahead in innovation and development

In 2010, the innovations and initiatives of Accell Group once again received a great deal of publicity, both nationally and internationally, partly as a result of a number of awards we received. The Sparta ION® XTS regularly made the headlines. This electrically assisted bicycle is a combination of 'state of the art' technologies, including rear-wheel drive, a battery invisibly incorporated into the frame and the new extra strong 40Nm engine, which provides extra 'cycling comfort'. The BUB Easy from Batavus received the first E-bike of the year award in the Netherlands. The jury said the electrically assisted city bike, with its beautiful and trendy design, also stood out for its surprising and comfortable riding properties.

Accell Group wants to maintain and confirm its lead in the electrically assisted bicycles market through constant innovations. This market is developing strongly and lifestyle plays a significant role in this development. The electric bike is shedding its image as a 'bicycle for elderly people' is now seen as perfect for a broad range of uses, including mid-distance mobility for commuters.



Marketing

The bicycle market differs in each 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 we use a wide range of communication channels, 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 large sports events. The other brands are on the whole more active in local sponsoring. In that respect, too, the brands also 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. The company 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 market. 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 and Turkey. 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 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.

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Sales and after market service

The individual Accell Group operating companies are primarily responsible for their own product sales. They are close to their customers and know what is happening in the market. 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.

Distribution

Accell Group believes the best way to distribute its products is through intensive cooperation with and support for the specialist retail trade. Specialist retailers 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 intensive 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 considers 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 turnover of bicycle parts and accessories.

In addition to the XLC display range, Accell Group supports the retail trade with its Bikes & More Dealer Support, a joint initiative of the brands Batavus, Juncker Bike Parts, Koga and Sparta. Bikes & More is a complete package of various services focused on shop-floor presentation and communication. These services, which are offered as a modular system, can be used to provide advice on and realise a set-up for the interior and exterior of a store. The overall store concept devotes attention to brands and segments, the routing in the store, the shelf plan and the placement of accessories. It also includes advice on construction issues, training courses for more professional entrepreneurship and the possibility of financing the changes. The specialist retail trade is enthusiastic about the Bikes & More initiative.


SKIL

Shareholders information and investor relations

Listing

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

The share

On 31 December 2010, a total of 10,304,506 ordinary shares with a nominal value of € 0.02 had been issued.

The closing price at year-end 2010 was € 37.80 (2009: € 29.17). Around 5.5 million Accell share were traded in 2010, compared with 5.8 million in 2009, with an average of 21,000 shares traded per trading day. The closing price of € 37.80 as at 31 December 2010 means a price increase of around 30% compared with the closing price of € 29.17 on 31 December 2009.

Turnover in Accell Group shares in 2010*:

	Number of shares	Amounts (€ x mln.)	Highest price (€)	Lowest price (€)	Closing price (€)
January	410,950	13,3	34.43	29.24	33.91
February	335,854	11,4	35.70	32.57	35.68
March	403,087	14,9	38.75	35.25	36.68
April	616,256	22,7	38.89	34.00	34.08
May	684,955	22,7	35.30	31.27	34.19
June	334,871	11,6	36.20	33.01	34.50
July	498,252	17,8	37.24	34.00	34.50
August	348,355	11,6	34.85	31.65	33.07
September	395,270	12,9	33.88	32.00	33.55
October	975,985	34,1	37.55	33.55	36.95
November	269,900	9,7	37.35	35.00	35.15
December	256,404	9,4	37.99	35.11	37.80
Total	5,530,139	192,2			

*source: NYSE Euronext

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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 the Accell Group pursuant to the Financial Supervision Act.

Disclosing party	Date latest reporting	Equity participation in %	Potential voting rights in %
ASR Verzekeringen N.V.	6 October 2008	5.75%	5.75%
Aviva Plc	5 August 2009	9.94%	9.94%
Boron Investments N.V.	1 November 2006	5.19%	5.19%
Darlin N.V.	1 November 2006	7.40%	7.40%
Delta Lloyd Deelnemingen Fonds N.V.	1 November 2006	6.94%	6.94%
R.J.H. Kruisinga	1 November 2006	6.90%	6.90%
J.H. Langendoen	1 November 2006	5.13%	5.13%
Stichting Preferente Aandelen Accell Group	1 November 2006	_	100%
Belegging- en Exploitatiemaatschappij “De Engh” B.V.	27 October 2010	5.10%	5.10%

Accell Group intends to amend the company’s authorised capital, entailing the splitting of all shares in a 1 to 2 ratio and will ask its shareholders for permission to do so. The shareholders will be asked at the General Meeting of Shareholders on 28 April 2011 to approve a proposal to amend the articles of association to make the share split possible. The reason for the proposed split is that it will make the share more tradable for both private and institutional investors.

Dividend policy

When the Accell Group share was listed on Euronext Amsterdam in 1998, it was announced that Accell Group would pursue a stable dividend policy, aimed at paying out at least 40% of net profits. In 2010, the company paid out an optional dividend for 2009 of € 1.58 on each outstanding ordinary share. The payout ratio was 48% of net profit, and the dividend yield was 5.4% (based on the 2009 closing price). Upon expiry of the optional period, it transpired that 47% of Accell Group shareholders had once again opted for stock dividend. This percentage confirms shareholder confidence in Accell Group and also contributes to the strengthening of the shareholder’s equity, which is an important basis for the company’s continued growth.

Dividend proposal 2010

The shareholders will be asked at the General Annual Meeting of Shareholders to approve payment of a dividend for 2010 of € 1.71 per share, optionally payable in cash or shares. The dividend yield based on the closing price at the end of 2010 will be 4.5%. The pay-out ratio for 2010 is 48% and is therefore in line with the dividend policy and unchanged when compared with 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 favourably 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 the sector. To this end, financial results are published by means of a press release. Accell Group organises meetings with analysts and the (financial) media to present and explain the annual results and half-year results. The annual results for 2009 and the 2010 first-half results were presented to the (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. In 2010 for instance, Accell Group organised a number of international road shows, during which analysts and investors were provided with information about the strategy, operating methods and activities and given the opportunity to meet the management. In addition, Accell organised 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 transaction in the Accell Group share by directors.

Financial agenda 2011

The following publication dates and other relevant dates are on the calendar for 2011:

Date	Event
28 April 2011	Trading update
28 April 2011	General Meeting of Shareholders
2 May 2011	Ex-dividend
4 May 2011	Record date for dividend
4 May – 18 May 2011	Decision period optional dividend
19 May 2011	Determination of stock dividend exchange rate
20 May 2011	Payment of dividend
22 July 2011	Publication half-year results 2011
15 November 2011	Trading update

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 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 same 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 57), 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 22 April 2010, the General Meeting of Shareholders 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 Shareholders of 28 April 2011 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 of Shareholders, 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 Shareholders of 22 April 2010 has extended to 1 May 2012 the period in which the Board of Directors is empowered with the approval of the Supervisory Board, to:

- issue cumulative preferential shares B;
- 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.

The agenda for the General Meeting of Shareholders of 28 April 2011 includes a proposal to extend that term to 1 May 2013.

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.

In 2010, a technical adjustment was made to the remuneration policy adopted in 2008 by the General Meeting of Shareholders and the share plan for members of the Board of Directors contained therein. This adjustment means that the definitive allocation of any shares conditionally allocated in any year will take place two years after the moment the shares were conditionally allocated, while a reference period of three years will be maintained with respect to the calculation of the number of shares to be allocated definitively. A two-year lock-up period commences after the definitive allocation of the shares. The remuneration policy amended in this way by the Supervisory Board was adopted during the General Meeting of Shareholders on 22 April 2010; the revised share plan for the Board of Directors as included therein was also approved at that time.

The Supervisory Board determines the remuneration of the individual members of the Board of Directors, using the policy adopted by the General Meeting of Shareholders. 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 2010 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 Central Works Council. The regulations were recently amended in a decision dated 15 December 2010 of the Supervisory Board and will be published on the Accell Group website, together with the revised profile outline to be discussed at the General Meeting of Shareholders of 28 April 2011; the current 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 of Shareholders appoints the members of the Supervisory Board based on nominations submitted by the Supervisory Board. The General Meeting of Shareholders 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 of Shareholders 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 of Shareholders and the Central Works Council. The General Meeting of Shareholders and the Central 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 Central 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 of Shareholders 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 of Shareholders.

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

As of the financial year under review, the Supervisory Board has appointed from its midst an audit committee comprising Messrs. J. Van den Belt (chairman) and J.J. Wezenaar, 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.

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 Supervisory Board recently decided to revise the profile, among others relating to the expertise and experience desired. The proposed profile will be discussed at the General Meeting of Shareholders of 28 April 2011. The proposal already was discussed with the Central Works Council. The revised profile will subsequently be adopted and be placed on the website of Accell Group; the current profile 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 with a critical attitude, vis-à-vis each other, the Board of Directors and any company interest whatsoever.

General Meeting of Shareholders

Key authorisations reside with the General Meeting of Shareholders, 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 of Shareholders determines the remuneration policy for the members of the Board of Directors. A General Meeting of Shareholders is convened at least once a year.

The General Meeting of Shareholders is chaired by the chairman of the Supervisory Board. All matters discussed and resolved in the General Meeting of Shareholders 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 of Shareholders. Shareholders and other holders of voting rights are therefore offered the opportunity to issue voting proxies or voting instructions ahead of the General Meeting of Shareholders. The Board of Directors was delighted that the General Meeting of Shareholders of 22 April 2010 was attended by shareholders representing 59.7% of the total number of outstanding shares.

External auditor

The General Meeting of Shareholders appoints the external auditor. The external auditor reports their findings with respect to the audit of the financial statements simultaneously to the Board of Directors and the Supervisory Board and records the results of their findings in a statement. The General Meeting of Shareholders may question the external auditor about their statements regarding the accuracy of the financial statements and the external auditor attends said meeting and is authorised to speak at same for that reason. The Supervisory Board has nominated the company’s current external auditor, Deloitte Accountants B.V., for reappointment for the audit of the financial statements for the 2011 financial year. The reappointment of the external accountant is on the agenda of the General Meeting of Shareholders of 28 April 2011.

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 Rules of Procedure on Inside Information established by the Board of Directors aims to provide rules to support the legal stipulations to prevent trade with insider knowledge. The basic premise of the Rules of Procedure on Inside Information is that people should not enter into or recommend transactions in Accell Group shares and other financial instruments within the meaning of the Financial Supervision Act (Wet op het financieel toezicht) if they have insider knowledge. Under the Rules of Procedure on Inside Information, 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 Rules of Procedure on Inside Information, 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 Netherlands Authority for the Financial Markets (AFM).

Corporate governance policy

Conflict of interests 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 2010 financial year. The regulations applicable to 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, in 1998 Accell Group entered into a put and call agreement with Stichting Preferente Aandelen Accell Group (Accell Group Preference Shares Foundation - referred to below as “the Foundation”) with regard to preference shares.

Pursuant to the put agreement, the Foundation 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 of Shareholders dated 22 April 2010, the Board of Directors, subject to the approval of the Supervisory Board, will be entitled to issue cumulative preference B shares until 1 May 2011. An extension of the period, until 1 May 2013, will be requested at the General Meeting of Shareholders to be held on 28 April 2011.

Pursuant to the amended call agreement, the Foundation is entitled, until 1 July 2019, to subscribe for the number of cumulative preference shares B that makes the Foundation holder of one half minus one share in the issued (increased) capital after said subscription. The Foundation 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, the Foundation 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 of Appeal.

The main aim of the Foundation, 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 Foundation 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 Foundation 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 Foundation, the Foundation 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 from a position of strength.

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 nature 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 have been appointed for an indefinite period. 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 share plan relating to conditional shares comprises a three-year reference period in connection with the definitive allocation. After definitive allocation, the shares must be retained for a period of two years. Although the period between conditional and definitive allocation is formally two years, the Supervisory Board considers the period of the entire plan long enough to establish the commitment of the members of the Board of Directors to the interests of the company and its associated 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. Accell Group reviewed its decision on this subject in the past year and once again decided not to appoint a company secretary.

→ 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 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. Accell Group may reconsider its position on this matter if members of the Board of Directors or the Supervisory Board should hold positions in other publicly listed companies in the future.

→ 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 costs entailed by the aforementioned types of broadcasts and the current size of the company, Accell Group has decided not to comply for the time being.

→ Best practice provision IV.3.13

Accell Group currently has not yet outlined a policy in principle with respect to bilateral contacts with shareholders. In the past year, Accell Group has assessed its policy in this respect and has for the time being decided to refrain from drawing up and publishing such a policy.

→ Principe V.3

In view of the size of the company, Accell Group does not have its own internal audit department.

→ Regulation article 10 of the Takeover Directive

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

a. The company capital is € 650,000 divided into 32,500,000 ordinary shares with a nominal value of € 0.02 each, divided into 13,750,000 ordinary shares, 2,500,000 cumulative preference shares F, and 16,250,000 cumulative preference shares B. As of 11 March 2011, the issued and paid-up capital of Accell Group amounted to € 206,477.68 divided into 10,323,884 ordinary shares with a nominal value of € 0.02 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 46 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 above on page 49 of 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.

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.

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. 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.

Seasonal sales and logistics 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 adequately in time, 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. The company also 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 be in a position to 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 must approve the acquisition. 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.

Currency, interest rate and credit risks

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. 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. Accell has an active interest rate policy, partly through the use of interest rate swaps.

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 near-complete bicycles from being imported as if they were components. 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 investigating the prolongation of the anti-dumping measures imposed on the 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.

Risk management system

The company management's daily responsibilities include encouraging the realisation of the corporate strategy and objectives. 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 and 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, organized 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 audit systems.

Risk management system

The Board of Directors and the management of the operating companies draw up periodical analyses of the strategic, operational and financial risks, which include an assessment of the control measures for the most important risks. The Board of Directors aims to constantly assess the system and improve same where necessary. The outcome relating to the main risks is 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 audits, Accell Group uses an extensive system of administrative organisation and internal audits. The audit system is largely anchored 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 a reference document. The directives and instructions have been adjusted for compliance with the prevailing IFRS standards.

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 financial statements is based on the 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.

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
- On 1 December 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.
- 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 scheme to ensure that possible violations of existing policy and procedures could be reported without any negative consequences for the person reporting the violation.

Statement of the Board of the Directors

In accordance with best practice provision II.1.5 of the Frijns 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 certainty 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 67 through 126 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 report as included on the pages 2 through 64 of this report provide a true representation of the situation on 31 December 2010, and the course of business at the company and the companies jointly included in the consolidation during the 2010 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 based on the results achieved over the longer term.

Outlook

Health, environmental awareness, mobility and active leisure time are durable underlying trends that continue to boost consumer demand for Accell Group products. In the coming years, the use of bicycles for leisure activities and sport and as an alternative for the car will continue to increase both at home and abroad. Consumers are currently very interested in electric bikes, the more expensive mountain bikes, sports bikes, racing bikes and special (target group) bikes.

Accell Group will continue to use its strong brands to respond to the persistent demand for high added value products, with highly distinctive qualities in innovation and modern design the key success factors. Support for these brands, intensive cooperation with the specialist retail trade and targeted marketing at points of sale and directed at consumers will remain key focal points in 2011.

Accell Group for now presumes that the market in 2011 will continue to be highly dynamic. As in recent years, there will be more shifts in consumer demand through the seasons. Since the brands operate close to the markets, Accell Group can adapt to consumer demand relatively quickly. The willingness of dealers to build up stocks remains low for the moment, as they presume products will be available from the supplier. These developments will demand more from the organisation's ability to adapt if it is to realise continued growth in turnover and profit.

Continued increases in scale are important to realise benefits in purchasing, production, development and marketing. In 2011, Accell Group will once again actively seek out possible acquisitions that fit within the group's profile and brand portfolio. Acquisitions must be complementary and add value in terms of returns and synergy in the short term.

Outlook

Based on the above developments and barring unforeseen circumstances, Accell Group expects a rise in turnover and result for 2011.

Heerenveen, March 11, 2011

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

Notes to the financial results

In the year under review, Accell Group's turnover rose 1% to € 577.2 million. Organic turnover showed a slight drop of 1%. Turnover growth was due to the acquisition of Bäumker in Germany, consolidated as of 1 January 2010, and the acquisition of Raul Hellberg Oy and associated companies ("Hellberg"), which was consolidated as from June 2009. Net profit rose by 11% to € 36.4 million. Earnings per share were up 11% at € 3.57 (2009: € 3.22). The balance sheet total increased, due to a strong increase in inventories and the acquisition of Bäumker, to € 383.9 million, compared with € 337.3 million a year earlier.

Turnover per segment

Turnover in the bicycles and bicycle parts segment rose by 1% in 2010 to € 548.7 million, from 543.0 million in 2009; organic turnover fell by 1%. In the year under review, Accell Group sold a total of 949,000 bicycles, compared with 986,000 in 2009, and the average price per bike increased by 2% to around € 449, from € 439 the previous year. The demand for the high-quality bicycles of Accell Group, aimed at the middle and higher segments of the market varies widely. Sales of electric bikes and luxury exclusive trekking and racing bicycles were up, while sales of children's bikes and comfortable city bikes declined. Turnover in parts and accessories rose by 13% compared with the previous year. The segment result was € 55.5 million, down from € 61.6 million in 2009.

Turnover in the fitness segment dropped to € 28.5 million, from € 29.7 million in the previous year. These activities therefore accounted for around 5% of Accell Group's total turnover. The fitness segment's result was up in 2010 to minus € 0.4 million, from minus € 2.5 million in 2009. Accell Group's fitness activities are aimed at the middle and higher market segments and specifically at the home-use market.

Accell Group's total turnover in the Netherlands came in at € 224.9 million in 2010, compared with € 236.7 million in 2009. The turnover share expressed as a percentage of total turnover was 39% compared with 41% in 2009. Turnover in Germany increased by 2% to € 144.5 million, from € 142.2 million in 2009. The turnover share as a percentage of total turnover was 25%, unchanged from 2009. In France, turnover came in at € 53.7 million, down from € 57.5 million in 2009. The share in overall turnover fell by 1% compared to 2009 to 9%. Other countries realised turnover growth of 13% in 2010, putting their combined turnover at € 154.0 million, up from € 136.1 million the previous year. The growth was booked mainly in Southern and Eastern Europe, Scandinavia and North America. The turnover share from other countries was 27% in 2010, up from 24% in 2009.

Personnel

The total number of staff increased to an average of 1,877 in 2010, from 1,787 in 2009. The total number of staff includes 346 FTE (2009: 305 FTE) with a temporary contract in line with the seasonal pattern of Accell Group's activities. The average turnover per employee fell by 4% compared with 2009.

Costs

The added value (net turnover less materials costs and inbound transport costs) as a percentage of turnover was 35%, down slightly from 36% in 2009. The change was due to higher inbound transport costs during the changing of the season and high discounts at the end of the season. We opted for increased availability (and thus higher stock levels) during the entire season to maximise turnover opportunities, the side effect of which was extra discounts in the second half of the year to facilitate sales of the remaining stocks. Absolute added value was € 203.4 million, down 1% compared with the € 205.6 million reported in 2009. In view of the fact that we agree season rates with most suppliers, increases and decreases in the prices of raw materials and parts only have a limited impact during the season. Exchange rate risks resulting from the purchase of components in foreign currencies are covered on a seasonal basis.

The personnel costs in 2010 came in at € 76.6 million, down from € 73.5 million the previous year. Expressed as a percentage of turnover personnel costs stood at 13.3%, slightly higher than the 12.8% booked in 2009. The average personnel costs per employee fell by 1% in 2010. Other operating costs came in at € 73.3 million in 2010, down from € 75.0 million in 2009. Expressed as a percentage of turnover, other operating costs fell to 12.7%, from 13.1% in 2009. The operating result came in at € 46.4 million in 2010, compared with € 49.9 million in 2009. Expressed as a percentage of turnover, this was 8.0%, compared with 8.7% the previous year. Interest charges amounted to € 4.2 million in 2010, down from € 5.5 million in 2009.

Balance sheet

The balance sheet total increased to € 383.9 million, from € 337.3 million in 2009. This was due to the strong growth in inventories and the acquisition of Bäumker. Total working capital was € 199.8 million in 2010, up from € 168.9 million in 2009, and amounted to 34.6% of total turnover, compared with 29.5% in 2009. Acquisitions had an impact € 2.8 million. Organically, stocks increased by 28%. This was largely the result of an unexpected drop in turnover in the fourth quarter, a higher average cost price increase of the bicycles and a shift in the planning (floating inventories). The seasonal pattern of the activities means the inventories decline rapidly during the season. The increase in accounts receivable was in line with the turnover growth. The increase in inventories was partly financed by the increase in trade creditors. Capital employed rose to € 302.5 million, from € 259.5 million in 2009. The return on capital employed came in at 15.3% in 2010, compared with 19.2% in 2009. In addition to the profits realised in 2010, the shareholders equity was also affected by the payment of a cash dividend of € 7.6 million, which amounted to € 8.7 million in 2009. The solvency continued to increase and was 47.0% at year-end (2009: 45.0%). The net debt at year-end 2010 stood at € 100.5 million, compared with € 84.8 million a year earlier, putting the net debt ratio for 2010 at 1.9, up from 1.5 in 2009.
The operational cash flow before working capital and provisions stood at € 54.3 million, compared with € 57.5 million in 2009, and the cash flow form operational activities at the end of the financial year was € 3.3 million, compared € 39.2 million at year-end 2009. The reduced operational cash flow was largely due to the increase in inventories.

Annual report

Financial statements

THE PREMIER CYCLE AND FITNESS GROUP

ACCELL GROUP

Consolidated income statement

(in thousands of euros)

	2010		2009	
Net turnover (1)		577,226		572,573
Costs of raw materials and components	373,859		366,946	
Cost of inventory change	-399		-141	
Personnel costs (2)	76,607		73,528	
Depreciation and amortisation (3)	7,494		7,401	
Other operating expenses (4)	73,310		74,976	
		530,871		522,710
Operating result		46,355		49,863
Result from non-consolidated subsidiaries (11)	75		193	
Financial income (5)	250		241	
Financial expenses (5)	-4,478		-5,740	
		-4,153		-5,306
Result before taxes		42,202		44,557
Taxes (6)		-5,822		-11,817
Net profit		36,380		32,740
Earnings per share (7) (in euros)				
Earnings per share		3.57		3.22
Weighted average number of issued shares		10,192,645		9,928,065
Earnings per share (diluted)		3,52		3,17
Weighted average number of issued shares (diluted)		10,332,525		10,072,515

The figures following the various items refer to the notes on pages 86 through 115.

Consolidated balance sheet per 31 December

Before dividend distribution (in thousands of euros)

Assets	2010		2009	
Non-current assets				
Property, plant and equipment (8)	59,600		61,219	
Goodwill (9)	27,022		26,702	
Other intangible fixed assets (10)	15,222		15,680	
Subsidiaries (11)	992		978	
Deferred tax assets (18)	5,863		6,174	
Other financial fixed assets (12)	2,683		2,933	
		111,382		113,686
Current assets				
Inventories (13)	178,941		137,835	
Trade receivables (14)	76,369		74,677	
Other financial instruments (21)	248		0	
Tax receivables	6,417		2,892	
Other receivables	9,255		7,363	
Cash and cash equivalents	1,322		849	
		272,552		223,616
Total assets		383,934		337,302

The figures following the various items refer to the notes on pages 86 through 115.

Equity & liabilities	2010		2009	
Group equity (15)				
Share capital	206		200	
Reserves	143,806		118,816	
Profit for the year	36,380		32,740	
		180,392		151,756
Non-current liabilities				
Interest-bearing loans (16)	51,686		59,836	
Provision for pensions (17)	3,745		4,110	
Deferred tax liabilities (18)	7,280		8,502	
Provisions (19)	7,078		7,971	
Deferred revenue (20)	2,165		1,541	
		71,954		81,960
Current liabilities				
Interest-bearing loans and bank overdrafts (16)	50,146		25,812	
Trade payables	55,519		43,615	
Other financial instruments (21)	3,639		4,424	
Current tax liabilities	5,929		8,042	
Provisions (19)	2,642		10,813	
Deferred revenue (20)	400		200	
Other liabilities	13,313		10,680	
		131,588		103,586
Total equity & liabilities		383,934		337,302


BATAVUS

Consolidated cash flow statement

(in thousands of euros)

	2010		2009[1]	
Cash flows from operating activities				
Operating profit	46,355		49,863	
Depreciation and amortisation (3)	7,549		7,401	
Share-based payments (2)	399		207	
Operating cash flows before changes in working capital and provisions		54,303		57,471
Movements in inventories	-37,984		855	
Movements in receivables	-2,288		4,435	
Movements in trade payables and other liabilities	11,123		-6,671	
Movements in provisions and deferred revenue	-8,170		127	
Cash-flow from operating actvities		**16,984**		56,217
Interest paid and effect of exchange rate changes (5)	-3,968		-5,417	
Corporate income tax paid (6)	-9,741		-11,590	
Net cash flows from operating activities		3,275		39,210
Cash flows from investing activities				
Interest received (5)	272		248	
Investments in property, plant and equipment (8)	-6,058		-6,612	
Divestments of property, plant and equipment (8)	1,371		60	
Investments intangible fixed assets	-268		-1,123	
Movements financial fixed assets	350		191	
Acquisitions of subsidiaries (22)	-60		-4,841	
Net cash flows from investment activities		**-4,393**		-12,077
Cash flows from financing activities				
New loans	480		147	
Repayments of long-term loans	-6,997		-6,335	
Changes in bank overdrafts	14,951		-11,303	
Cash dividend (23)	-7,593		-8,711	
Stock and option plans	952		-522	
Net cash flows from financing activities		**1,793**		-26,724
Net cash flow		**675**		409
Effect of exchange rate changes on cash and cash equivalents		-202		-200
Cash and cash equivalents per 1 January		849		640
Cash and cash equivalents per 31 December		**1,322**		849

1) The comparative figures 2009 are adjusted for reclassifaction of the movement in the deferred tax assets and liabilities.

Consolidated statement of changes in equity

(in thousands of euros)

	Issued share capital	Share premium reserve	Revaluation reserve	Hedging reserve	Translation reserve	Other Statutory reserve	Other reserves	Result financial year	Total equity
2009									
Balance per 1 January 2009	196	13,708	8,188	742	-2,694	337	83,079	28,567	132,123
Movements in statutory reserve intangible fixed assets						1,047	-1,047		0
Realisation of revaluation			-103				103		0
Fair value adjustment of financial instruments				-5,419					-5,419
Movements in deferred taxes				1,382					1,382
Exchange differences arising on translation of foreign operations			6		-55				-49
Direct changes in equity in the financial year	0	0	-97	-4,037	-55	1,047	-944	0	-4,086
Profit for the year							28,567	4,173	32,740
Total changes / profit for the year	0	0	-97	-4,037	-55	1,047	27,623	4,173	**28,654**
Recognition of share-based payments (2)							207		207
Cash dividend (23)							-8,711		-8,711
Stock dividend	4	-4							0
Options exercised							-522		-522
Other movements							5		5
Balance sheet per 31 December 2009	200	13,704	8,091	-3,295	-2,749	1,384	101,681	32,740	151,756
2010									
Balance per 1 January 2010	200	13,704	8,091	-3,295	-2,749	1,384	101,681	32,740	151,756
Movements in statutory reserve intangible fixed assets						-127	127		0
Realisation of revaluation			-203				203		0
Fair value adjustment of financial instruments				-2,414					-2,414
Movements in deferred taxes				615					615
Exchange differences arising on translation of foreign operations			3		395				398
Changes in corporate income tax rate			34	-34			-34		-34
Direct movements in equity in the financial year	0	0	-166	-1,833	395	-127	296	0	-1,435
Profit for the year							32,740	3,640	**36,380**
Total changes / profit for the year	0	0	-166	-1,833	395	-127	33,036	3,640	**34,945**
Recognition of share-based payments (2)							399		399
Cash dividend (23)							-7,593		-7,593
Stock dividend	5	-5							0
Options exercised	1	951							952
Other movements					147		-214		-67
Balance sheet per 31 December 2010	**206**	**14,650**	**7,925**	**-5,128**	**-2,207**	**1,257**	**127,309**	**36,380**	**180,392**

Consolidated statement of comprehensive income

(in thousands of euros)

	2010		2009	
Profit for the year		36,380		32,740
Fair value adjustment of financial instruments	-2,414		-5,419	
Exchange differences arising on translation of foreign operations	398		-49	
Movement in deferred taxes	581		1,382	
Total comprehensive income for the year		34,945		28,654

Financial Statements

Notes to the consolidated financial statements

For the financial year ending 31 December 2010

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 Dutch Civil Code is enclosed on page 97 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 2010 have been prepared in accordance with International Accounting Standards Board (IASB) standards as approved by the European Commission and applicable as of 31 December 2010.

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 Dutch 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 all 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 2010.

The revision of IFRS 3 ('business combinations') and the corresponding revisions in IAS 27 ('consolidated financial statements and company financial statements') will apply as from the financial year 2010. In the new version of IFRS 3, transaction costs that can be attributed directly to the acquisition are no longer included in the consideration of the business combination. Furthermore, under IFRS 3, the acquiring party can opt with regard to each transaction to either value the minority interest at fair value on the acquisition date or at the proportional interest in the fair value of the identifiable assets and liabilities of the acquired party. The changes have been applied on the business combinations in the current annual accounts of Accell Group.

Standards and interpretations, which have been approved by the European Commission and which will come into effect as from the financial year 2011, 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 2010.

Changes in accounting policies

In the financial statements 2010 changes have been made in accounting policies, which have no effect on equity or result. In accordance with IAS 8, the 2009 comparative figures have been adjusted. The changes concern a reclassification of the balance sheet item provisions for the long-term as well as the short-term part. In 2010 the deferred revenues is reported separately in the balance sheet.

The changes in accounting policies lead to changes in the comparative figures of the following balance sheet items:

	Old 2009	New 2009
	€ x 1,000	€ x 1,000
Provisions (long-term liability)	9,512	7,971
Deferred revenues (long-term liability)	0	1,541
Provisions (short-term liability)	11,013	10,813
Deferred revenuees (short-term liability)	0	200

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 as of the moment 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 moment that Accell Group ceased to hold a controlling interest. If necessary, the figures for 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 financial statements.

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. 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 11 to the consolidated financial statements.

Business combinations

Acquisitions of subsidiaries are accounted for by the purchase method of accounting. 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, plus the costs that are directly attributable to the business combinations (irrespective of the extent of any minority interest).

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. 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.

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. 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 accurately 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

Revenues comprise the fair value of the considerations received or receivable from sale of goods to third parties in the ordinary course of Accell Group activities, taking into account any discounts granted and 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.

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 balanced 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 share 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 as of 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 Euronext in Amsterdam measured over a three year period. 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 with 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 is still duly employed by 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 vesting 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 advantages and disadvantages 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 reassessed value 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 2008.

The revaluation of land and buildings is added to equity by means of a direct 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 result. If the value of land and buildings must be reduced, then such a 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 a reduction in value will be 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 revaluation value, less the residual value, is allocated to the expected economic life. The estimated economic useful life per category is:

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

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

Impairment of non-current assets other than goodwill

On each balance sheet date, Accell Group tests whether there are indications that an individual non-current asset may be subject to impairment. If there are such indications, 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 result 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 initially accounted for as an asset and stated at cost. Goodwill resulting from the acquisition of a foreign activity is expressed in the functional currency of the foreign activity and is translated using at the exchange rate on the balance sheet date.

Goodwill is measured at cost less any accumulated impairments. Goodwill acquired before 1 January 2004 is charged to other reserves, in accordance with the accounting principles generally accepted in the Netherlands that were applied by Accell Group until the end of 2003.

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 are indications 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.f activiteiten wordt de daaraan gerelateerde goodwill meegenomen in de bepaling van het afstotingsresultaat.

Other intangible fixed assets

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 meticulously described and the costs can be identified 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 at the moment when they are put into use on a straight-line basis over the estimated economic useful life, which is expected to be three to five years.

Trademarks and patents

Intangible assets 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, are depreciated on a straight-line basis against the income statement over the expected economic life, which is generally estimated at five 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.

Inventories

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

Semi-finished and finished goods are stated at production cost or lower 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. The net realisable value is based on the expected selling price, less completion and selling expenses.

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. 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.

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. Considering the general characteristics of the bank loans, their nominal value can be considered 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. Considering the short-term nature of these liabilities, their nominal value can be considered equal to the amortised cost.

Derivative financial instruments

Other financial instruments, such as interest derivatives, 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 that can 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 on hand when the hedge instrument is present 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 on 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.

The pension provision on the balance sheet relates to a capped defined benefit scheme set up at the time of the acquisition of one of the foreign subsidiaries.

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 equal 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 on 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 investment activities as well as receipts from interests. 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 a 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 and bicycle parts segment, which targets the middle and upper segments of the market, is extremely 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 external 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:

	2010	2009
Turnover per product group:	€ x 1,000	€ x 1,000
Bicycles	425,765	433,474
Bicycle parts	122,926	108,952
Fitness	28,535	30,147
	577,226	572,573

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	
	2010	2009	2010	2009
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Bicycles & bicycle parts	548,703	542,969	55,524	61,594
Fitness	28,534	29,748	-383	-2,458
Elimination of inter-segment turnover	-11	-144		
Sub-total segments	**577,226**	572,573	**55,141**	59,136
Result from subsidiaries			75	193
Unallocated expenses			-8,786	-9,273
Financial income			250	241
Financial expenses			-4,478	-5,740
Profit before taxes			42,202	44,557

Assets and liabilities per segment:

	Assets		Liabilities	
	2010	2009	2010	2009
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Bicycles & bicycle parts	346,889	296,230	164,061	139,507
Fitness	24,503	32,915	14,958	27,783
Unallocated	12,542	8,157	24,523	18,256
Sub-total segments	383,934	337,302	203,542	185,546
Equity			180,392	151,756
Balance sheet total			383,934	337,302

	Depreciation		Investments	
	2010	2009	2010	2009
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Bicycles & bicycle parts	5,659	5,258	5,715	9,052
Fitness	819	1,109	148	190
Unallocated	1,016	1,034	615	924
Sub-total segments	7,494	7,401	6,478	10,166

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]	
	2010	2009	2010	2009
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
The Netherlands	224,929	236,723	34,530	36,195
Germany	144,541	142,234	43,721	43,797
France	53,745	57,493	3,042	2,844
Other Europe [2]	110,105	96,747	16,597	17,442
Other countries	43,906	39,376	7,629	7,234
	577,226	572,573	105,519	107,512

[1] Deferred tax assets are not included in the non-current assets, in accordance with IFRS 8.33b.
[2] In previous years the segment 'other EU countries' was mentioned. As of 2010 'Other Europe' is used as segment, the comparable figures 2009 are adjusted.

2) Personnel costs

The personnel costs are comprised of the following:

	2010	2009
	€ x 1,000	€ x 1,000
Wages and salaries	60,376	58,105
Social security charges	9,639	9,473
Penison contributions	4,380	4,332
Profit sharing	1,813	1,411
Share-based payments	399	207
	76,607	73,528

The remuneration of the Board of Directors and the Supervisory Board is covered in the notes to the company financial statements.

Share based payments

The estimated fair value of the unconditional option rights granted to the Board of Directors in 2010 (share-based payment transactions to be settled in equity instruments) amounts to € 72,000 and is included in the income statement under personnel costs. The fair value of the options has been determined using an option valuation model (Black-Scholes and Merton), applying the following criteria:

- weighted average share price: € 33.395
- exercise price: € 33.60
- expected volatility: 34.98%
- average duration of the option: 3.4 years
- dividend yield: 5.40%
- risk-free interest rate: 1.54%

The expected volatility was determined using the historical volatility of the equivalent period in the past from the moment of measurement. The calculation of the fair value of options has taken into account annual dividend payments in line with the company's dividend policy. The option plan for the Board of Directors is covered in the notes to the company's financial statements.

In 2009, 23,500 conditional shares were allocated to the Board of Directors with a share price of € 18.50 at the time of allocation. In 2010, 12,820 conditional shares were allocated to the Board of Directors with a share price of € 33.60 at the time of allocation. The fair value of the allocated shares is determined at the time of allocation and is determined at € 144,000 and € 145,000 respectively, taking into account the various factors which influence the final number of shares granted. The fair value will be charged to the income statement according to the straight-line method divided 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, € 169,000 has been charged to the income statement in 2010.

In addition, for the allocation of conditional shares to a number of directors of subsidiaries which contribute significantly to the result of Accell Group € 158,000 was recorded under personnel costs in 2010.
The fair value is determined at the time of the allocation and will be charged to the income statement according to the straight-line method divided over the period between allocation and the time the shares become unconditional, whereby adjustment will be made for the expected number of shares to be distributed.
In 2008, a total of 6,900 conditional shares were allocated at a share price at the time of allocation of € 25.15, while in 2009, a total of 10,250 conditional shares were allocated at a share price at the time of allocation of € 18.15; and in 2010 a total of 5,890 conditional shares were allocated at a share price at the time of allocation of € 33.60.

3) Depreciation and amortisation

Depreciation and amortisation expenses comprise the following:

	2010	2009
	€ x 1,000	€ x 1,000
Depreciation of intangible fixed assets	836	540
Depreciation of property, plant and equipment	6,713	6,861
Capital gain on sale tangible fixed assets	-55	0
	7,494	7,401

4) Other operating expenses

General, sales and business accommodation costs are also included in other operating expenses. The total operating expenses for the financial year include amongst others the following items:

	2010	2009
	€ x 1,000	€ x 1,000
Third-party research and development costs	2,054	1,796
Lease expenses	2,847	2,680
	4,901	4,476

5) Financial income and expenses

Financial income and expenses comprise the following:

	2010	2009
	€ x 1,000	€ x 1,000
Interest income	250	241
Interest expenses	-4,318	-5,623
Exchange rate differences	-160	-117
	-4,228	-5,499

The policy regarding interest and currency risks is covered in note 21, "Financial instruments and risk management".

6) Taxes

The taxes in the income statement can be specified as follows:

	2010	2009
	€ x 1,000	€ x 1,000
Current taxes	6,108	9,559
Deferred taxes	-286	2,258
Taxes in income statement	**5,822**	11,817
Taxes based on the weighted average applicable rate	9,544	12,366
Non-deductible amounts	261	225
Participation exemption	-395	-240
Benefits from tax facilities	-1,015	-84
Deferred tax assets not carried forward	288	0
Adjustment of current taxes with regard to previous years	-1,702	-244
Adjustment of deferred taxes with regard to previous years	-1,159	-206
Taxes in income statement	**5,822**	11,817

The effective tax rate is the tax burden relating to the book year divided by profit before tax. The effective tax burden amounts to 20.6% (2009: 27.5%). Accell Group and the Dutch tax authorities agreed on the applicability of the so-called patent/innovation box. For the years 2007 - 2009 part of the Dutch taxable profit is taxed against a tax rate of 10% (in stead of 25,5%), resulting in a refund of € 1.7 milion. In 2010 part of the Dutch taxable profit is taxed against a tax rate of 5% (in stead of 25,5%) resulting in a tax saving of approx. € 1.0 milion. In accordance with IAS 12 a tax receivable is recorded as tax receivable for an amount of € 2.7 milion.

The effective tax burden has not only been influenced by the application of the patent/innovation box in 2010, but also by the legal restructuring which became effective in 2009 of the German activities of Accell Group (see also note 18).

7) Earnings per share

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

	2010	2009
Profit for earnings per share (net profit accruing to Accell Group N.V.'s shareholders)	€ 36,380,000	€ 32,740,000
Number of issued shares	10,304,506	10,017,084
Weighted average number of shares for the earnings per share	10,192,645	9,928,065
Impact of share options and conditional shares on the issuance of shares	139,880	144,450
Weighted average number of issued shares (diluted)	**10,332,525**	10,072,515
Reported earnings per share	€ 3.57	€ 3.30
Reported earnings per share (diluted)	€ 3.52	€ 3.25
Adjustment factor according to IAS 33	1.00	0.97552
Earnings per share financial year	€ 3.57	€ 3.22
Earnings per share financial year (diluted)	€ 3.52	€ 3.17

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8) Property, plant and equipment

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

	Land and buildings	Machinery and equipment	Total property, plant and equipment
	€ x 1,000	€ x 1,000	€ x 1,000
Fair value or cost			
Balance per 1 January 2009	47,110	66,173	113,283
Investments	861	5,756	6,617
Investments as a result of business combinations	0	92	92
Divestments	0	-60	-60
Currency translation differences	89	13	102
Balance per 1 January 2010	48,060	71,974	120,034
Investments	1,524	4,395	5,919
Investments as a result of business combinations	0	303	303
Divestments	-1,201	-170	-1,371
Currency translation differences	79	164	243
Balance per 31 December 2010	48,462	76,666	125,128
Accumulated depreciation			
Balance per 1 January 2009	3,944	48,010	51,954
Depreciation	1,006	5,855	6,861
Balance per 1 January 2010	4,950	53,865	58,815
Depreciation	916	5,797	6,713
Balance per 31 December 2010	5,866	59,662	65,528
Carrying amount			
Balance per 1 January	43,110	18,109	61,219
Balance per 31 December	42,596	17,004	59,600

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 per 31 December 2010 would have amounted to approximately € 30.1 million (2009: € 30.3 million).

9) Goodwill

The movements in goodwill are as follows:

	2010	2009
	€ x 1,000	€ x 1,000
Cost		
Balance per 1 January	29,008	27,579
Additions as a result of business combinations	0	1,535
Currency translation differences	320	-106
Balance per 31 december	**29,328**	29,008
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	26,702	25,273
Balance per 31 December	**27,022**	26,702

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:

	2010	2009
	€ x 1,000	€ x 1,000
Bicycles & bicycle parts	27,022	26,702
Fitness	0	0
	27,022	26,702

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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 development based on the historical average of the last 5 years (6.5%)
- Operating margin based on the average of the last 2 years (9.0%)
- Working capital development based on the historical average ratios in relation to the turnover (28%)
- A constant growth rate of 3% was used for the estimates of the perpetual cash flow after the initial period of 5 years
- A weighted average cost of capital (before tax) of 7.5% was used for the discounting of the cash flows.

10) Other intangible fixed assets

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

	Trademarks and patents	Development costs	Total other intangible fixed assets
	€ x 1.000	€ x 1.000	€ x 1.000
Cost			
Balance per 1 January 2009	14,381	337	14,718
Investments	75	1,047	1,122
Investments as a result of business combinations	800	0	800
Currency translation differences	-40	0	-40
Balance per 1 January 2010	15,216	1,384	16,600
Investments	94	162	256
Investments as a result of business combinations	0	0	0
Currency translation differences	122	0	122
Balance per 31 January 2010	**15,432**	**1,546**	**16,978**
Accumulated depreciation			
Balance per 1 January 2009	380	0	380
Depreciations	540	0	540
Balance per 1 January 2010	920	0	920
Depreciations	547	289	836
Balance per 31 January 2010	**1,467**	**289**	**1,756**
Carrying amount			
Balance per 1 January	14,296	1,384	15,680
Balance per 31 December	**13,965**	**1,257**	**15,222**

The investments in trademarks and patents relate for € 9.4 million to the trademarks from the in 2008 acquired Ghost. Furthermore, trademarks of SBS, Brasseur and Hellberg are valued for an amount of € 3.3 million. The development costs relate to a development project in connection with electric bicycles. Amortisation will start when the developed asset is put into use.

Amortisation expenses with respect to patents are accounted for in the income statement under depreciations. The remaining amortisation term for patents is 2.5 years.

Trademarks have an indefinite useful life since it is not possible to determine a predictable limitation to the useful life.

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

	2010	2009
Bicycles & bicycle parts	12,732	12,516
Fitness	0	0
	12,732	12,516

Similar to goodwill, the trademarks with indefinite useful life are subject to impairment review.

11) Subsidiaries

The consolidated 2010 financial statements include Accell Group N.V., in Heerenveen, and the financial information of the following companies.

Consolidated subsidiaries	Participation percentage
Accell Duitsland B.V., Heerenveen, The Netherlands	100%
Accell Fitness Division B.V., Almere, The Netherlands	100%
Accell Fitness North America Inc., Kitchener, Canada	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 AG, Alpnach Dorf, Switzerland	100%
Batavus B.V., Heerenveen, The Netherlands	100%
Brasseur S.A., Luik, Belgium	100%
Cycles Lapierre S.A.S., Dijon, France	100%
Cycles France-Loire S.A.S., Andrezieux, Frankrijk	100%
E. Wiener Bike Parts GmbH, Sennfeld, Germany	100%
Juncker B.V., Veenendaal, The Netherlands	100%
Ghost-Bikes GmbH, Waldsassen, Germany	100%
Koga B.V., Heerenveen, The Netherlands	100%
Seattle Bike Supply Inc., Seattle, United States of America	100%
Sparta B.V., Apeldoorn, The Netherlands	100%
Tunturi-Hellberg Oy Ltd, Turku, Finland	100%
Winora Staiger GmbH, Sennfeld, Germany	100%

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	Participation percentage 2010	2009
In2Sports B.V., Eindhoven, The Netherlands (i)	44%	44%
Jalaccell OÜ, Tallinn, Estonia (ii)	35%	35%
Babboe B.V., Utrecht, The Netherlands (iii)	28%	30%

(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. for the assembly and storage of fitness equipment.
(iii) Babboe B.V. is a company that is active in the marketing and sale of carrier bicycles.

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

	2010	2009
	€ x 1,000	€ x 1,000
Total assets	2,464	2,540
Total liabilities	1,796	1,856
Total turnover	3,085	2,214
Total net profit	75	193

12) Other financial fixed assets

	Non-current		Current	
	31-12-2010	31-12-2009	31-12-2010	31-12-2009
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Loans provided to related parties	2,683	2,933	250	250

In 2006, a loan was provided to a non-consolidated company at an interest rate of 7% per annum and with a term of 10 years. As security for this loan a mortgage was vested on the building and a right of pledge was established on other assets. This loan is valued against amortized cost based on the effective interest method. In line with the characteristics of the loan, the nominal value equals the value at amortized cost. The current part of the loan is represented under ‘other receivables’.

13) Inventories

	2010	2009
	€ x 1,000	€ x 1,000
Sailing goods	25,094	17,308
Raw materials	57,192	49,224
Semi-finished goods	4,093	3,174
Trading and finished goods	92,562	68,129
	178,941	137,835

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

As at balance sheet date, inventories with a carrying amount of approximately € 9.6 million are valued at lower net realisable value.The cost of inventories recognised as an expense includes € 2.1 million (2009: € 1.4 million) with respect to write-downs of inventory to net realisable value.

The costs of inventory that are recorded as an expense during the financial year is € 410.4 million (2009: € 400.8 million).

14) Trade receivables

	2010	2009
	€ x 1,000	€ x 1,000
Trade receivables	79,909	78,281
Provision for impairment of receivables	-3,540	-3,604
	76,369	74,677

The carrying-amount of the trade receivables reflect the fair value. 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 21, “Financial instruments and risk management”.

The movements in the provision for the impairment of trade receivables are as follows:

	2010	2009
	€ x 1,000	€ x 1,000
Balance per 1 January	3,604	3,007
Usages	-1,545	-1,032
Dotation	1,656	1,740
Releases	-183	-151
Currency translation differences	8	40
Balance per 31 December	**3,540**	3,604

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

	Gross	Impaired trade receivables	Provision for impairment	Net
Per 31 December 2010	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Not matured	58,357	0	0	58,357
0-90 days	8,340	1,672	212	8,128
90-150 days	3,273	1,135	312	2,961
older than 150 days	9,939	4,839	3,016	6,923
Total	**79,909**	**7,646**	**3,540**	**76,369**

	Gross	Impaired trade receivables	Provision for impairment	Net
Per 31 December 2009	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Not matured	60,587	0	0	60,587
0-90 days	6,804	1,379	182	6,622
90-150 days	2,481	772	241	2,240
older than 150 days	8,409	4,436	3,181	5,228
Total	**78,281**	**6,587**	**3,604**	**74,677**

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 suppliers 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 sector.

15) 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.

16) Interest-bearing loans

	Non-current		Current	
	31-12-2010	31-12-2009	31-12-2010	31-12-2009
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Subaordinated loan	0	0	0	500
Roll-over loan	4,483	4,187	0	0
EURIBOR loans	31,000	35,000	4,000	4,000
Other bank loans	16,203	20,649	2,860	431
Bank overdrafts	0	0	43,286	20,881
	51,686	59,836	50,146	25,812

The subordinated loan was repaid in 2010.

The roll-over loan is a US dollar loan issued by ABN-AMRO in 2006 with a term of 10 years. This loan has a variable withdrawal period and a floating interest rate based on the length of the term. At the end of 2007, a 5-year EURIBOR loan of € 25 million was provided by ABN-AMRO, whereby it is expected that this loan will be extended for another 5 years in 2012. An interest rate swap has been negotiated in connection with this loan, due to which a fixed interest rate of 5.1% will apply for the next eight years.

The other loans include a loan of € 15 million provided by Deutsche Bank in December 2006 which has to be repaid in mid January 2012. The fixed interest rate on this loan is 4.25% per annum.

In connection with the other loans, colleteral was provided in the form of security rights on company assets of a foreign operating company. The average interest rate on the other loans is 5.0%

General terms and conditions have been stipulated for bank overdrafts granted by a number of banks. The interest rate is floating. As at year-end 2010, the available credit facility amounted to € 133.3 million.

The policy regarding interest rate risks is covered in note 21, “Financial instruments and risk management”.

The non-current interest-bearing liabilities are subject to 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	0	4,483	4,483
EURIBOR-loans	35,000	0	35,000
Other bank loans	18,965	98	19,063
Sub-total	53,965	4,581	58,546
Proportion of loans with a term of less than 1 year	-6,860	0	-6,860
Balance per 31 December 2010	47,105	4,581	51,686

17) Provision for pensions

Accell Group has ultimo 2010 two defined benefit plans. In 2010 a third benefit plans has ended by means of termination. 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. 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 as follows:

	2010	2009
Discount rate	4.75% - 4.93%	5.3% - 6%
Expected return on plan assets	4.93% - 5.32%	4.5% - 6.7%
Inflation	1% - 1.5%	1% - 2%
Average salary increase	0% - 1.4%	0% - 2%

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

	2010	2009
	€ x 1,000	€ x 1,000
Pension costs attributed to the service year	20	48
Interest charges	252	271
Expected return on plan assets	-21	-26
Amortisation of actuarial gains/losses	-18	-174
Total	233	119

The following amounts are recorded in the balance sheet with regard to the defined benefit plans:

	2010	2009
	€ x 1,000	€ x 1,000
Present value of funded pension obligation	678	956
Minus: Fair value of plan assets	-644	-579
Deficit	34	377
Present value of unfunded defined benefit obligation	4,207	3,630
Fund status	4,241	4,007
Unrecognised actuarial result	-496	103
Net liability	3,745	4,110

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

	2010	2009
	€ x 1,000	€ x 1,000
Balance per 1 January	4,586	4,562
Interest charges	252	271
Current service costs	20	48
Benefits paid	-368	-201
Actuarial results	631	58
Amortisation of actuarial result	-18	-173
Administrative expenses	-6	-3
Movement due to business combinations	0	24
Termination	-212	0
Defined benefit obligation per 31 December	4,885	4,586

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

	2010	2009
	€ x 1,000	€ x 1,000
Balance per 1 January	579	390
Expected return	21	26
Actuarial results	60	160
Employers’ contributions	36	18
Benefits paid	-11	-12
Administrative expenses	-6	-3
Termination	-35	0
Fair value of the plan assets per 31 December	644	579

Historical information defined benefit obligation:

	2010	2009	2008
	€ x 1,000	€ x 1,000	€ x 1,000
Present value of funded pension obligations	678	956	760
Minus: fair value of plan assets	-644	-579	-390
Deficit	34	377	370
Experience adjustments on plan liabilities	-13	-36	-8
Experience adjustments on plan assets	-12	160	-140

Until 2007, Accell Group had only a fixed defined benefit pension plan. This plan has only an unfunded defined benefit obligation. Plan assets for the pension provision do not apply. In addition, no further entitlements are granted in this plan.

Accell Group expects to make a contribution of € 0.24 million in 2010 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 2009 shows a negative general reserve. From press releases issued by Metalelektro in early 2011, it appears that cover ratio was below 105% at year-end 2010.

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 2010, an expense of € 3.9 million has been included in the income statement for the defined benefit plan.

18) Deferred taxes

The deferred taxes are comprised of the following:

	2010	2009
	€ x 1,000	€ x 1,000
Deferred tax assets	5,863	6,174
Deferred tax liabilities	7,280	8,502
Balance of deferred taxes	**-1,417**	-2,328

The movements in the deferred tax assets and liabilities are 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 per 1 January 2009	5,385	-3,780	-253	-2,810	22	-1,436
Added through business combination	0	0	0	-186	48	-138
Charged to equity	0	0	1,382	0	0	1,382
Charged to income statement	-400	72	0	0	-1,930	-2,258
Transfer from/to current tax	37	0	0	0	48	85
Currency translation differences	23	-14	0	0	28	37
Balance per 31 December 2009	5,045	-3,722	1,129	-2,996	-1,784	-2,328
Added through business combination	0	0	0	0	51	51
Charged to equity	0	0	581	0	0	581
Charged to income statement	-922	142	0	-6	1,072	286
Currency translation differences	30	-2	0	0	-35	-7
Balance per 31 December 2010	4,153	-3,582	1,710	-3,002	-696	-1,417

The majority of the deferred tax assets consists of tax-loss carry-forwards relating to Tunturi Oy Ltd that was acquired in 2003. As a result of the integration of the activities of Tunturi and Hellberg, it is expected that the tax-loss carry-forwards will be realised within the applicable term in a period from 2014 to 2019.

In 2010 Accell Group further studied the extent in which tax payment could be expected by application of article 13c Dutch corporate income tax Act 1969 on the situation following the legal restructuring of the German activities of Accell Group, which has become effective in 2009. Based on this study it is not likely that a refund can be expected as a consequence of article 13c Dutch corporate income tax Act 1969.

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

19) Provisions

	Non-current		Current	
	31-12-2010	31-12-2009	31-12-2010	31-12-2009
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Deferred employee benefits	695	1,158	63	30
Warranties	1,773	2,203	2,187	2,241
Other provisions	4,610	4,610	392	8,542
	7,078	**7,971**	**2,642**	**10,813**

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 per 1 January 2010	1,188	4,444	13,152	18,784
Dotation	83	1,793	130	2,006
Usage	-46	-1,802	-6,730	-8,578
Release	-78	-310	-1,550	-1,938
Effect discounting	-389	-165	0	-554
Balance per 31 December 2010	**758**	**3,960**	**5,002**	**9,720**

The deferred employee benefits relate to the provision for future anniversary bonuses. The warranty provision represents the estimated costs under warranty obligations for supplied goods and services that are outstanding on the balance sheet date. The provisions for deferred employee benefits and warranty obligations are expected to have a term of between one and five years.

Other provisions in 2007 included the penalty imposed by the Netherlands Competition Authority (NMa). In April 2004, the NMa imposed a € 12.8 million penalty on Accell Group for alleged price-fixing agreements. Following a procedure to lodge an objection, the NMa reduced this penalty by 10% to € 11.5 million in November 2005. The appeal was officially submitted to the District Court of Rotterdam, and the decision was given on 18 July 2007. The District Court of Rotterdam has reduced the penalty to € 4.6 million, and a provision has been formed for this penalty. However, Accell Group is still of the opinion that the amount of the penalty is out of proportion, as the company considers the accusations entirely unjustified. Both Accell Group and the NMa have

lodged an appeal with the Dutch Trade and Industry Appeals Tribunal (CBb) in The Hague. In determining this provision, the effect of discounting estimated future cash flows have been deemed to outweigh potential future interest obligations.
Furthermore, in 2010 the liability in connection with the acquisition of Ghost in 2008 reported in "other provisions" has been finalized.

20) Deferred revenue

	Non-current		Current	
	31-12-2010	31-12-2009	31-12-2010	31-12-2009
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Deferred revenue	2,165	1,541	400	200

Deferred revenue consists of the receipts emerged from the extra warranty obligation to be realised in future years.

21) Financial instruments and risk management

	2010	2009
	€ x 1,000	€ x 1,000
Assets		
Amortised cost		
Non-current receivables	2,683	2,933
Trade and other receivables	85,624	82,040
Cash and cash equivalents	1,322	849
Fair value through cashflow hedging		
Other financial instruments	248	0
Liabilities		
Amortised cost		
Interest bearing liabilities	101,832	85,648
Trade and other liabilities	68,832	54,295
Fair value through cashflow hedging		
Other financial instruments	3,639	4,424

The fair value of the 'other financial instruments' is determined on the basis of other inputs than quoted prices that are observable (level 2). In 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:

	2010	2009
	€ x 1,000	€ x 1,000
Currency derivatives - cash flow hedging	248	-980
Interest rate swap - cash flow hedging	-3,639	-3,444
	-3,391	-4,424

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 2010, € -1.8 million was charged to the hedging reserve (2009: € -4.0 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 materialise at the time that the interest is due on the loans with a one-month floating interest rate.
The cash flow hedges of the currency and interest derivatives were assessed as effective in 2010.

Movement of the hedging reserve:

	2010	2009
	€ x 1,000	€ x 1,000
Balance per 1 January	-3,295	742
amount included in equity	-2,854	-2,654
amount included in cost of inventories	10	-2,391
amount included in interest expenses	1,045	1,008
Balance per 31 December	**-5,094**	-3,295

Currency derivatives

The currency derivatives stated as at the balance sheet date will be effectuated during the year 2011. 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	Valuta	2010	2009	2010	2009
Put	USD	75,180	59,481	-1,056	-1,833
Call	USD	61,417	66,894	754	757
Put	JPY	1,269	6,814	-112	-137
Call	JPY	20,035	17,256	741	290
Put	HUF	3,617	2,983	-79	-153
Call	HUF	0	5,966	0	96
				248	**-980**

Interest rate derivatives

Accell Group concluded an interest rate swap in 2007 and 2008 to convert the floating interest rate of the EURIBOR loans into a fixed interest rate. In 2010 Accell Group arranged an interest rate derivative to manage future interest rate risks relating to working capital financing.

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 derivatives as at the balance sheet date:

	2010	2009
	€ x 1,000	€ x 1,000
Nominal value	9,683	11,607
Fair value	6,044	8,163

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 2010, on the basis of group equity the solvency amounted to 47.2% (as at 31 December 2009: 45.0%). 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 cannot exert any influence on 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. 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 specialised 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 constitute more than 10% of the turnover.

The credit risks are continuously being 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 EUR 79.9 million, the provision for impairments amounted to € 3.5 million. The actual non-payment in 2010 amounted to € 1.5 million (2009: € 1.0 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 credit agreements contain financial covenants consisting of:

- Net debt/ EBITDA ratio (debt ratio) at year end below 3.0-3.5
- Solvency ratio higher than 20% (whereby the equity and the balance sheet total at year-end are adjusted for inter alia, intangible fixed assets and deferred taxes)
- Interest cover higher than 3.0

It is Accell Group's strategy to maintain a debt ratio of 3.0 or less. At year-end 2010, Accell Group has a net debt / EBITDA ratio of 1.87, an adjusted solvency ratio of 40% and an interest coverage ratio of 11.3.

Total loans and bank overdrafts provided to Accell Group amounted to € 101.8 million at the end of the financial year; 51% of this is of a long-term nature. In addition to bank overdrafts, the group's other short-term liabilities amounted to € 81.4 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	65.6	71.6	9.5	57.0	5.1
Current liabilities	124.7	120.7	120.7	-	-

Market risk

The market risk encompasses currency risks and interest risks. Accell Group uses a variety of instruments to hedge currency and interest risks arising from the operating, financing and investment activities. Accell Group's treasury activities are centralised 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 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) and Japanese yen (JPY), operational costs in Hungarian Forints and sales in US dollars.
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.

Unrealised 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 2010 achieved their objective. The hedging reserve is subject to changes as a result of developments in the

value of the concluded currency derivatives and interest rate swaps. Accell Group cannot exert any influence on these 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 respectively € 0.2 million change in the hedging reserve of the group equity. Covering future cash flows and the use of cash flow hedging exerts an influence on equity as a result of changes in the value of the underlying derivatives.

All derivative financial instruments are concluded with ABN-AMRO or Deutsche Bank. 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 2010, 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 and 2008, Accell Group concluded interest-rate swaps of one hundred basis points for the EURIBOR loans, in order to control interest rate risks. This instrument is generally available, and is not regarded as specialised or as entailing significant risk.

As at 31 December 2010, the term of 51% 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. € 0.4 million.

22) Business combinations

In 2010, Accell Group acquired all shares in Bäumker & Co. GmbH ("Bäumker"). Bäumker is a trading company in bicycles, bicycle parts and -accessories delivering to the specialised bicycle stores and is established in Rheine, Germany. The acquisition is accounted for by the purchase method of accounting. Bäumker is consolidated as of 1 January 2010. The acquired net assets consist of the following:

	Fair value on acquisition	Fair value adjustments	Bookvalues
	€ x 1,000	€ x 1,000	€ x 1,000
Fixed assets	303	-118	421
Other assets	3,570	-25	3,595
Cash and cash equivalents	13	0	13
Other liabilities and acquisition obligations	-3,813	-579	-3,234
	73		
Goodwill	0		
cash and cash equivalents acquired	-13		
Net cash flow of business combinations	60		

Bäumker realized in 2010 a turnover of € 10.0 million. This amount is fully attributed to the consolidated turnover. The acquisition attributed € 0.8 million to the net result in financial year 2010.

23) Dividend

The dividend relating to the financial year 2009 has been determined at EUR 1.58 per share or as stock option during the General Meeting of Shareholders of 22 April 2010. On 19 May 2010 € 7,593,000 has been distributed as cash dividend and 251.322 shares are being 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 € 1.71 per share.

This dividend proposal is still subject to approval by the General Meeting of Shareholders on 28 April 2011 and is not reflected as a liability in these financial statements.

24) Off-balance sheet disclosures

Operational lease obligations

The company has financial obligations arising from long-term lease obligations, leases on IT equipment and cars. The total obligation amounts to approx. € 2.7 million per year and has an average remaining term of 2.0 years. The company also has financial obligations arising from long-term leases. This obligation amounts to approximately € 4.2 million a year and has an average remaining term of 3.8 years.

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

	2010	2009
	€ x 1,000	€ x 1,000
Within one year	573	5
Within two to five years	14,681	12,821
After five years	6,148	4,950
	21,402	17,776

25) Events after balance sheet date

End January 2011 the acquisition of all shares in Bianchi Bisiklet A.S. ("Bisiklet") in Manisa, Turkey has been finalised. Th company name has already been changed to Accell Bisiklet. The acquisition is including the 50% in Atala SpA in Monza, Italy. Bisiklet is active in the development, marketing, sale and production of bicycles. Bisiklet employs on average approx. 300 emplyees. Approx. 40% of the produced bicycles is sold in Turkey, the other 60% is exported to Italy and other European countries. Bisiklet is consolidated as of 1 February 2011 in the accounts of Accell Group. The 50% interest in Atala is reported as a non-consolidated subsidiary.

The provisional acquired net-assets consist of the following:

	Fair value on acquisition	Fair value adjustment	Book values
	€ x 1,000	€ x 1,000	€ x 1,000
Fixed assets	9,351	2,477	6,874
Other assets	24,103	-76	24,179
Cash and cash equivalents	373	0	373
Other liabilities and acquisition obligations	-24,723	-3,526	-21,197
	9,104		
Goodwill	5,112		
Cash and cash equivalents acquired	-373		
Net cashflow of business combinations	13,843		

The consideration paid for Bisiklet consists of a premium for expected synergies, growth of turnover and the combined workforce. These benefits of the acquisition cannot be measured reliably and are therefore not reported separately from goodwill. The paid goodwil is tax non-deductible. Bisiklet realised in the financial year 2009/2010 a turnover of € 31.0 million.

26) Transactions with related parties

Intercompany transactions and balances between Accell Group and its subsidiaries have been eliminated for consolidation purposes.
The transactions of Jalaccell OÜ resulting from the delivery of goods to Accell Fitness Division B.V. amounted to € 0.6 million. At the end of the financial year, Accell Fitness Division B.V. had an outstanding amount payable by Jalaccell OÜ of € 2.9 million in connection with fixed assets, working capital and interest, whereby a right of mortgage on the business premises and pledge rights on the other assets serve as security. In 2010 Accell Group has provided a loan to Babboe B.V. of € 0.3 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 120.

27) External auditors costs

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

	2010			2009		
	€ 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 annual accounts	308	29	337	339	29	368
Other audit assignments	111	0	111	29	0	29
Tax services	0	13	13	0	0	0
Other non-audit services	51	0	51	50	0	50
	470	42	512	418	29	447

Company balance sheet per 31 December

Before dividend distribution (in thousands of euros)

	2010		2009	
Assets				
Fixed assets				
Property, plant and equipment	208		212	
Goodwill	3,391		3,391	
Other intangible fixed assets	800		1,120	
Financial fixed assets[a]	214,556		170,595	
		218,955		175,318
Current assets				
Amounts receivable from group comapnies	7,089		5,624	
Other receivables	2,363		1,468	
Cash and cash equivalents	17,392		48,386	
		26,844		55,478
Total assets		245,799		230,796

	2010		2009	
Liabilities				
Equity [b]				
Issued share capital	206		200	
Share premium reserve	14,650		13,704	
Revaluation reserve	7,925		8,091	
Hedging reserve	-5,128		-3,295	
Translation reserve	-2,207		-2,749	
Other statutory reserve	1,257		1,384	
Other reserves	127,309		101,681	
Profit for the year	36,380		32,740	
		180,392		151,756
Long-term liabilities				
Interest-bearing loans	50,483		54,187	
Other provisions	4,610		12,860	
		55,093		67,047
Current liabilities				
Amounts owed to group companies	389		64	
Interest-bearing loans	4,000		4,500	
Other current liabilities	5,925		7,429	
		10,314		11,993
Total liabilities		245,799		230,796

The letters following the various items refer to the notes on pages 118 to 122.

Company income state

(in thousands of euros)

	2010	2009
	€ x 1,000	€ x 1,000
Result from subsidiaries after taxes	34,517	33,229
Other results	1,863	-489
	36,380	32,740

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 N.V. 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 N.V. 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 N.V.

Notes to the company balance sheet

(in thousands of euros)

a) Financial fixed assets

The changes in the financial fixed assets are as follows:

	2010	2009
Subsidiaries		
Balance per 1 January	131,543	101,430
Results	34,517	33,229
Investments / divestments	20,925	26,222
Dividend payments	-25,711	-29,335
Translation differences	718	-8
Other movements	-92	5
Balance per 31 December	161,900	131,543
Receivables from group companies		
Balance per 1 January	39,052	41,532
Loans provided	21,374	19,302
Loans repaid	-7,770	-21,782
Balance per 31 December	52,656	39,052
Total financial fixed assets	214,556	170,595

b) Equity

The authorised capital amounts to € 650,000, divided into 13,750,000 ordinary shares, 2,500,000 preference shares F and 16,250,000 preference shares B, each with a nominal value of € 0.02. Of these, 10,304,506 ordinary shares have been issued and duly paid, as a result of which the issued and paid-up share capital amounts to € 206,090.12.

Statement of movements in shareholders' equity

I. Share capital		
Balance per 31 December 2009	200	
Stock dividend and options exercised	6	
Balance per 31 December 2010		**206**
II. Share premium reserve		
The share premium reserve includes amounts paid in on the shares over and above the nominal value.		
Balance per 31 December 2009	13,704	
Stock dividend and options exercised	946	
Balance per 31 December 2010		**14,650**
III. Revaluation reserve		
A revaluation reserve is formed for the revaluation of land and buildings against fair value, after allowing for deferred tax liabilities.		
Balance per 31 December 2009	8,091	
Realisation of the revaluation reserve	-203	
Change corporate income tax rate	34	
Exchange differences arising on translation of foreign operations	3	
Balance per 31 December 2010		**7,925**
IV. Hedging reserve		
The hedging reserves 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 per 31 December 2009	-3,295	
Fair value adjustment of financial instruments	-2,414	
Change in deferred taxes	615	
Change corporate income tax rate	-34	
Balance per 31 December 2010		**-5,128**
V. Translation reserve		
The translation reserve comprises of foreign currency exchange differences on the translation of the foreign currency balance in participations.		
Balance per 31 December 2009	-2,749	
Exchange differences arising on translation of foreign operations	542	
Balance per 31 December 2010		**-2,207**
VI. Other statutory reserve		
The statutory reserve comprises of capitalised research & development expenditure.		
Balance per 31 December 2009	1,384	
Change in intangible fixed assets	-127	
Balance per 31 December 2010		**1,257**
VII. Other reserves		
Balance per 31 December 2009	101,681	
Movement profit in 2009	32,740	
Dividend cash 2009	-7,593	
Recognition of share-based payments	399	
Realisation of the revaluation reserve	203	
Change corporate income tax rate	-34	
Change in intangible fixed assets	127	
Other movements	-214	
Balance per 31 December 2010		**127,309**
VIII. Profit for the financial year		
Balance per 31 December 2009	32,740	
Movement profit in 2009	-32,740	
Profit for the financial year 2010	36,380	
Balance per 31 December 2010		**36,380**
Total equity per 31 December 2010		**180,392**

The revaluation reserve, hedging reserve, translation reserve and other statutory reserve are regarded as statutory reserves pursuant to Article 2:373 and Article 2:390 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	352,200	95,446	129,486	98,641
H.H. Sybesma	279,600	75,772	45,644	78,223
J.M. Snijders Blok	230,000	62,330	54,114	64,520
Total	861,800	233,548	229,244	241,384

[1] The company's remuneration policy is reflected in the remuneration report and 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. 27.1% of the maximum to be achieved bonus (50%) was paid out.

Supervisory Board

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

	in €
S.W. Douma	13,025
A.J. Pasman	28,990
J.H. Menkveld	31,486
J. van den Belt	31,486
J.J. Wezenaar	31,486
Total	136,473

Shares

Ultimo 2010 Mr Takens has 54,000 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 until now the number of issued shares would increase by 1.3%. 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 moment options are exercised.

An overview of the outstanding options is mentioned below:

Options	Number at 31-12-2009	31-12-2010	Granting date	Expiry date	Exercise price	Fair value at granting date	Average exercise price
Granted in 2006	19,900	0	22-02-06	3-5 jaar	€ 26.00	€ 5.08	€ 34.39
Granted in 2007	27,700	11,500	2-03-07	3-5 jaar	€ 26.80	€ 5.04	€ 34.76
Granted in 2008	32,700	32,700	22-02-08	3-5 jaar	€ 25.15	€ 5.64	
Granted in 2009	23,500	23,500	20-02-09	3-5 jaar	€ 18.15	€ 3.72	
Granted in 2010	-	12,820	19-02-10	3-5 jaar	€ 33.60	€ 5.67	

On 7 April 2010, 16,200 options were settled and on 13 September 2010, 19,900.

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

Directors:	Number at 01-01-2010	Issued in 2010	Exercised in 2010	Number at 31-12-2010	Average exercise price beginning of period	Average exercise price at year-end	Weighted average term at year-end
R.J. Takens	46,200	5,240	11,500	39,940	€ 24.32	€ 25.01	2.70 year
H.H. Sybesma	34,600	4,160	16,800	21,960	€ 24.22	€ 24.27	2.91 year
J.M. Snijders Blok	23,000	3,420	7,800	18,620	€ 23.79	€ 24.28	2.95 year
	103,800	12,820	36,100	80,520			

The Supervisory Board awards options 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. After granting, the stock options are unconditionally.

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, Deputy Chairman
J. van den Belt
J.J. Wezenaar

Board of Directors

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

Heerenveen, March 11, 2011

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 remaining part of the profit is placed at the disposal of the General Meeting of Shareholders, for the holders of ordinary shares.

Dividend proposal

The Board of Directors proposes to pay shareholders a dividend of € 1.71 per share (2009: € 1.58), 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 25.

Independent auditor's report

To the Supervisory Board and shareholders of Accell Group N.V., Heerenveen, the Netherlands

Report on the financial statements

We have audited the accompanying financial statements 2010 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 2010, consolidated balance sheet per December 31, 2010, consolidated cash flow statement, consolidated statement of changes in equity and consolidated statement of comprehensive income and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet per December 31, 2010, 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 Title 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management board report in accordance with Title 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, 2010 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 Title 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, 2010 and of its result for the year then ended in accordance with Title 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 management board report (page 7 to 65), to the extent we can assess, has been prepared in accordance with Title 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 11, 2011
Deloitte Accountants B.V.

Signed by: M. Beelen

Historical summary[1)]

(in millions of euros, unless stated otherwise)

	2010	2009	2008	2007	2006	2005	2004	2003
	IFRS							
Net turnover	577.2	572.6	538.0	476.1	431.7	372.1	341.1	289.6
Personnel costs	76.6	73.5	71.5	67.5	66.1	57.7	53.8	45.2
EBITDA	53.8	57.3	55.3	45.3	35.0	30.3	27.2	20.5
EBIT [2)]	46.4	49.9	46.2	39.6	30.1	25.7	22.8	16.6
Interest	4.5	5.7	6.0	5.6	3.9	3.0	2.8	2.6
Taxes	5.8	11.8	11.8	9.6	7.9	7.2	7.1	4.9
Net profit [2)]	36.4	32.7	28.6	24.4	18.4	15.5	13.2	9.2
Depreciation	7.5	7.4	6.9	5.8	4.9	4.6	4.4	3.9
Cash flow [2)]	43.9	40.1	37.8	30.2	23.3	20.1	17.6	13.0
Investments in property, plant and equipment	6.2	6.7	12.9	12.6	10.7	8.8	7.7	10.0
Balance sheet total	383.9	337.3	335.4	277.6	245.6	183.8	173.6	134.9
Property, plant and equipment	59.6	61.2	61.3	54.9	48.7	43.1	39.0	28.9
Capital employed [3)]	302.5	259.5	259.9	223.8	190.8	138.2	137.9	109.3
Group equity	180.4	151.8	132.1	107.1	91.9	77.4	60.7	48.1
Net debt	100.5	84.8	99.0	99.6	87.1	49.5	67.1	54.2
Provisions	23.3	33.1	31.3	16.9	11.6	11.3	10.0	7.0
Average number of employees (FTEs)	1,877	1,787	1,778	1,713	1,671	1,438	1,405	1,213
Number of issued shares at year-end	10,304,506	10,017,084	9,778,172	9,492,950	9,251,838	9,015,015	8,656,267	8,373,903
Weighted average number of issued shares	10,192,645	9,928,065	9,671,409	9,406,740	9,176,329	8,879,749	8,549,802	8,320,440
Market capitalisation	389.5	292.2	176.0	235.0	240.5	183.9	135.9	67.8
Data per share [4)] (in €)								
Group equity	17.70	14.91	13.01	10.53	9.07	7.74	6.12	4.82
Cash flow [2)]	4.30	3.94	3.72	2.97	2.30	2.01	1.77	1.31
Net profit [2)]	3.57	3.22	2.81	2.40	1.76	1.55	1.33	0.92
Dividend [5)]	1.71	1.54	1.35	1.16	0.86	0.74	0.62	0.43
Ratios (in %)								
ROCE	15.3	19.2	17.8	17.7	15.8	18.6	16.5	15.2
ROE	20.2	21.6	21.6	22.8	20.0	20.1	21.7	19.1
Operating [2)]/turnover	8.0	8.7	8.6	8.3	7.0	6.9	6.7	5.7
Net profit [2)]/turnover	6.3	5.7	5.3	5.1	4.3	4.2	3.9	3.2
Cash flow [2)]/turnover	7.6	7.0	7.0	5.4	5.4	5.4	5.2	4.5
Balance sheet total/turnover	66.5	58.9	62.3	58.3	56.9	49.4	50.9	46.6
Solvency (based on group capital)	47.0	45.0	39.4	38.6	37.4	42.1	34.9	35.6
Net debt/ EBITDA	1.9	1.5	1.8	2.2	2.5	1.6	2.5	2.6
Pay-out ratio	47.9	47.9	48.1	48.1	47.4	47.5	47.3	47.1
Dividend yield (including dilution [3)])	4.5	5.4	7.5	4.7	3.3	3.6	4.0	5.4
Closing price of share	37.80	29.17	18.00	24.76	26.00	20.40	15.70	8.10

1) The key figures from 2004 onwards are calculated on the basis of the IFRS.
2) Operating profit, net profit and cash flow concern the operating profit, the net profit and the cash flow (net profit + depreciation + impairments) without the allocation to the provision for the fine imposed by the Netherlands Competition Authority (NMa) in 2007.
3) Capital employed is the blance sheet total minus current non-interestbearing liabilities; as of 2008 non-current provisions are included.
4) The data per share are calculated based on the weighted average number of issued shares. The data per share for the years 2003-2009 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 2008 and for previous years is 0.97552
5) The dividend per share in 2010 concerns the proposal to be submitted to the General Meeting of Shareholders.

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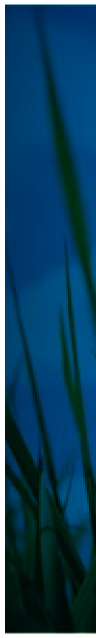

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