PRESS RELEASE

First half results 2018

Number of pages: 18

IMPLEMENTATION NEW STRATEGY ACCELL GROUP ON TRACK; STABLE TURNOVER AND LOWER PROFIT IN FIRST HALF OF 2018

HEERENVEEN (THE NETHERLANDS), 20 JULY 2018 – Accell Group N.V. today announces its results for the first half of 2018 and simultaneously provides an update on the implementation of its new strategy.

HIGHLIGHTS

- Stable turnover of € 636 million (+2.7% at constant exchange rates) on back of strong demand for e-(performance) bikes. Lower sales in the Benelux and North America
- Added value up 120 bps at 30.1%, largely due to positive currency effects and to a lesser extent lower logistics costs and lower purchasing prices for materials
- Operating result 10.1% lower at € 42.7 million, due to higher operating costs of which € 2.5 million extraordinary expenses
- Working capital came in higher on the back of higher trade receivables and lower trade payables
- Net result comparable to last year

KEY FIGURES

(in € mln unless otherwise stated)	**H1 2018**	**H1 2017**	**Δ**
Net turnover	**635.9**	**634.0**	**+0.3%**
Added value	30.1%	28.9%	
Operating result	**42.7**	**47.5**	**-10.1%**
EBIT margin	6.7%	7.5%	
Net result	**25.5**	**26.3**	**-2.9%**
Working capital	34.1%	30.2%	
Free cash flow	-10.0	35.8	
ROCE	6.2%	11.8%	

Ton Anbeek, Chairman of the Board of Directors: "For us 2018 is clearly a year of transition, a period we will use to smartly reorganise our group and a period in which costs will outpace any concomitant income. Over the past six months, we have strengthened our management team in a number of crucial places and created a mix of young talent and solid experience, which has also created a completely different dynamic and added new energy. With this new team, we will accelerate the implementation of our transition and the roll-out of our new strategy. In addition, over the past few months we have made real progress on the priorities defined within each of our strategic thrusts. We have a huge amount of innovative power within the group, which puts us in a position to surprise the market time and time again. We prove that once again with the introduction of the Haibike FLYON, which sets the standard for a next generation of e-mountain bikes, plus the Lapierre E-Road bike Xelius, which enables us to open up the e-road bike market segment once and for all. The bicycle is developing at high speed constantly opening up more new markets thanks to the smart application of new technologies. We have the great advantage of scale and a promising pipeline of innovations, which in combination with a more integrated and effective group will be the driver of our growth in the years to come."

In case of any inconsistencies the Dutch version of this press release is leading.

PROGRESS TRANSITION AND STRATEGY IMPLEMENTATION

The group's transition is moving full steam ahead, priorities have been set and we have launched various initiatives within each of our strategic thrusts. Over the past six months, we have shaped and strengthened the senior management team and have now filled all the crucial positions on fronts such as brand marketing, e-commerce, digital and change management that will enable us to accelerate the roll-out of our new strategy. The new regional structure we have set up is now already partly operational. We have also defined the strategic brand portfolios per region. The central management of omni-channel, e-commerce and supply chain will be structured in consultation with the regional management teams. The development of the new e-commerce platforms is well on track. The regional organisations themselves are consistently increasing their focus on the perfect execution of plans and can now also choose from the full range of the group's brands and models. We have made a start on the centralisation of the management of the parts and accessories operation, readying the business for a new growth phase and more effective use of synergies in procurement, sales and IT. In addition, we have made a number of significant steps to reduce complexity and standardise product platforms.

Beeline Bikes, which Accell Group acquired earlier this year, has now been fully integrated in our North American operation. We are now making preparations for the introduction of this mobile bike service in Europe. Beeline's mobile technology platform offers an innovative solution for all our partners in the specialist retail trade, a solution that provides ease and personal service for consumers.

On the innovation front, our main focus remains on major e-bike innovations. In addition, we are focusing on the development of B2C and B2B urban mobility solutions. In this context, the recent acquisition of (e-)cargo bike specialist Velosophy is an excellent fit.

GROUP PERFORMANCE

(in € mln unless otherwise stated)	**H1 2018**	**H1 2017**	**Δ**
Net turnover	635.9	634.0	+0.3%
Added value	191.6	183.2	+4.6%
As a % of turnover	30.1%	28.9%	
Operating costs	148.9	135.7	+9.7%
As a % of turnover	23.4%	21.4%	

Net turnover was up 0.3% in the first half of 2018, when compared with the first half of last year. Adjusted for currency exchange effects, turnover growth came in at 2.7%. The strong growth in sales of e-(performance) bikes compensated for the lower turnover from regular bikes, mainly in the Netherlands and North America. Turnover growth was tempered in particular by delays in the product development process for (e-)performance bikes and to a lesser extent from the late arrival of spring weather. The delays in product development resulted in suboptimal availability, which meant that order deliveries shifted to the second half of 2018.

Added value (net turnover less material costs and inbound transport costs) as a percentage of turnover came in at 30.1% (2017: 28.9%). The higher added value was largely caused by positive currency effects and to a lesser extent lower logistics costs and lower purchase prices for materials.

Operating costs increased by 9.7% to € 149 million, which included around € 5.0 million (of which € 2.0 million was a one-off expense) of extra costs factored in to cover the costs of implementing the strategy.

These corporate costs are related to the strengthening of the group organisation, IT projects and the commission of consultancy services. Staff costs came in higher. On the sales side, to help Accell meet the growing demand for sporty e-bikes in particular, and on the production front to help us reduce the backlog due to the delays in product development. Accell Group has classified € 2.5 million of the total operating costs as exceptional expenses (consultancy costs, recruitment costs and restructuring costs). As a result of this, the operating result came in 10.1% lower at € 42.7 million.

(in € mln unless otherwise stated)	**H1 2018**	**H1 2017**	**Δ**
Financial expenses (net)	3.6	5.5	-34.7%
Taxes	14.0	16.0	-12.5%
Tax rate	35.5%	37.9%	
Net result	25.5	26.3	-2.9%

Financial expenses were down by 34.7% at € 3.6 million. This was largely due to lower negative results from calculation differences on foreign currency positions. In addition, the accelerated write-down of the financing expenses from the previous round of financing had a negative impact on the financing expenses in 2017.

The **tax rate** came in at 35.5% in the first half of 2018. The relatively high effective tax rate was largely due to the fact that Accell Group did not capitalise any additional carry-forwards losses in North America.

Net profit was down by 2.9% at € 25.5 million. This is equivalent to net earnings per share of € 0.97 (2017: € 1.01).

PERFORMANCE PER SEGMENT[1]

Bicycles

(in € mln unless stated otherwise)	**H1 2018**	**H1 2017**	**Δ**
Net turnover	509.3	507.7	+0.3%
Segment result	44.6	50.7	-12.1%

Net turnover in bicycles was up by 0.3% at € 509.3 million. Higher turnover was realised in Europe, on the back of higher sales of sporty e-bikes of the brands Haibike, Ghost and Lapierre. Sales of regular bikes were lower both in terms of volume and value compared to the first half of last year.

The **segment result** came in 12.1% lower at € 44.6 million, which was largely due to (1) lower turnover and profit in North America, partly as a result of the loss of a large proportion of sales via the Multi sports retail channel and the sell-off of the leftover inventories related to this channel, (2) lower turnover in the Netherlands and (3) higher operating costs.

Parts and accessories

(in € mln unless stated otherwise)	**H1 2018**	**H1 2017**	**Δ**
Net turnover	126.6	126.3	+0.2%
Segment result	6.8	7.1	-4.2%

[1] In 2018, Accell Group optimised the segment structure, which resulted in a reclassification of turnover on the basis of a clearer segment definition (Bicycles versus Parts & Accessories).

Net turnover from parts and accessories came in at € 126.6 million in the first half of 2018, more or less the same level as last year. This was also true at Accell Group's own XLC brand.

The **segment result** from this trading activity was lower. The main reason for this was the implementation of the new strategy. As such, Accell Group incurred extra costs in the first half of 2018 in connection with the set-up of a single centrally-managed parts and accessories business.

Corporate

(in € mln unless stated otherwise)	**H1 2018**	**H1 2017**	**Δ**
Head office expenses	8.6	10.3	-15.8%

As expected, non-allocated **head office expenses** came in higher than in the same period last year, as a result of the refined strategy. The higher costs were offset in the first half of 2018 by an improved result on foreign currency buying.

DEVELOPMENTS PER REGION

Net turnover			
(in € mln unless stated otherwise)	**H1 2018**	**H1 2017**	**Δ**
The Netherlands	110	123	-10.4%
Germany	217	191	+13.4%
Rest of Europe	251	248	+1.4%
North America	44	57	-22.5%
Other countries	14	16	-11.9%

In the first half of 2018, **the Netherlands** recorded lower turnover from both regular bikes and e-bikes. This was partly due to the deliberate halt put on the deliveries of bikes to a major online player as well as a number of delayed innovations. Turnover from parts & accessories remained at the same level as last year.

In **Germany,** turnover increased due to higher sales of sporty electric bikes of the brands Haibike, Ghost and Lapierre. Sales of regular bikes were lower in the first half of 2018, when compared with the year-earlier period. Turnover from parts & accessories came in at the same level as last year.

In the **Rest of Europe,** higher sales of e-MTBs led to an increase in turnover. Particularly in Austria, France and Norway, e-MTBs from the brands Haibike, Ghost and Lapierre recorded a marked increase in sales both volume and value. Sales of regular bikes and parts and accessories came in at the same level as last year.

In **North America,** turnover was down as a result of the loss of a major Multi-sports client at the end of 2017. Following the acquisition of Beeline Bikes in March, this company has been fully integrated and will now be rolled out within the franchise network.

Turnover in **Other countries** is limited and declined due to the less favourable economic situation in Turkey in the first half of 2018.

FINANCIAL EFFECTIVENESS AND CAPITAL EFFICIENCY

(in € mln unless stated otherwise)	**H1 2018**	**H1 2017**	**Δ**
Net working capital (at end-period)	364.7	317.6	+14.8%
% of turnover	34.1%	30.2%	
Investments in tangible fixed assets	4.5	4.6	-2.2%
Free cash flow	-10.1	35.8	
ROCE	6.2%	11.8%	
Net debt / rolling EBITDA (excl. incidental items)[2]	3,1	1,8	
Solvency[3]	42.5%	42.0%	

Net working capital came in at € 365 million, a rise of 14.8% compared with the first half of 2017. The increase in working capital was due in part to higher trade receivables and lower trade payables. Trade receivables was higher than last year and in line with the increased sales in the second quarter. Trade payables decreased due to lower purchasing volumes. Higher working capital utilisation led to a negative free cash flow and a decline of ROCE to 6.2%.

Total **net debt**, consisting of interest-bearing loans, bank credits and cash and cash equivalents stood at € 177 million at 30 June 2018 (end-June 2017: € 120 million), as a result of the higher working capital.

Shareholders' equity stood at € 324 million, resulting in a slightly higher solvency of 42.5%. The change of € 24.3 million in shareholders' equity can be largely accounted for by the profit for the period (+€ 25.5 million).

EVENTS AFTER THE BALANCE SHEET DATE

Acquisition Velosophy

In July, Accell Group reached agreement on the expansion of its 35% stake in Velosophy B.V. to 100%. The Dutch firm Velosophy is a fast-growing innovative player in e-cargo bike solutions for consumers and the business market. Velosophy includes the brands Babboe, the European market leader in family cargo bikes, the new premium cargo bike brand CarQon and Centaur Cargo, a specialist in B2B cargo bikes for last-mile deliveries of packages, shopping and meals. The acquisition of Velosophy marks Accell Group's acceleration of its innovation strategy, which includes a focus on the development of urban mobility solutions. Velosophy is active in 22 countries and recorded profitable turnover of € 17.7 million in 2017.

Appointment CFO

On 19 July, Accell Group N.V. announced that its Supervisory Board intends to appoint Ruben Baldew, currency financial director at Unilever Thailand, as Chief Financial Officer (CFO) and member of the Board of Directors effective 1 November 2018. Ruben Baldew succeeds Hielke Sybesma, who left Accell Group in May of this year.

MANAGEMENT AGENDA AND OUTLOOK

In light of the refined strategy '*Lead Global. Win Local',* 2018 is a significant year of transition, largely marked by a reduction of complexity and centralised management in areas such as (e-)commerce, innovation, supply chain and IT. This will accelerate the implementation of a more efficient structuring

[2] EBITDA adjusted for reported exceptional expenses of € 10 million in the second half of 2017 and € 2.5 million in the first half of 2018
[3] Solvency was calculated after netting of the amounts in the notional cash pool arrangement

of operational processes and a more effective use of scale and synergy potential, which will in turn improve execution power in the regions. Accell Group will also be actively looking for additional increases in scale via targeted acquisitions that are a good match with the new strategy.

Accell Group expects to see continued turnover growth in the second half of 2018, driven by higher sales of e-bikes and high-end regular bikes. Working capital at year-end 2018 is expected to see a major improvement, compared with end-June 2018. On the basis of these developments, we expect the group to record an increase in net turnover and a higher operating result for the full year 2018, barring unforeseen circumstances.

***** END *****

ABOUT ACCELL GROUP

Accell Group N.V. focuses internationally on the mid-range and higher segments of the market for bicycles and bicycle parts and accessories. The company has leading positions in the Netherlands, Belgium, Germany, Italy, France, Finland, Turkey, the United Kingdom and the United States. In Europe, Accell Group is market leader in the bicycle market measured in turnover. Accell Group's best known brands are Haibike (Germany), Winora (Germany), Batavus (Netherlands), Sparta (Netherlands), Koga (Netherlands), Lapierre (France), Ghost (Germany), Raleigh and Diamondback (UK, US, Canada), Tunturi (Finland), Atala (Italy), Redline (US), Loekie (Netherlands) and XLC (international). Accell Group and its subsidiaries employ approximately 3,000 people in eighteen countries worldwide. The company has production facilities in the Netherlands, Germany, France, Hungary, Turkey and China. Accell Group products are sold in more than seventy countries. The company's head office is located in Heerenveen (the Netherlands). Accell Group shares are traded on the official market of Euronext Amsterdam and are included in the Amsterdam Small Cap index (AScX). In 2017, Accell Group sold around 1.3 million bicycles and recorded turnover of over € 1 billion. www.accell-group.com

Not for publication

CONTACT

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AGENDA

8 March 2019	Publication annual results 2018
25 April 2019	General Meeting of Shareholders

TRANSPARENCY DIRECTIVE

For the purposes of the Transparency Directive of the European Union (Directive 2004/109/EC, revised), Accell Group N.V.'s home member state is the Netherlands.

This is a public announcement of Accell Group N.V. pursuant to article 17, section 1 of the European Market Abuse Regulation (596/2014).

ADDENDA

- Condensed consolidated income statement
- Condensed consolidated balance sheet
- Condensed consolidated statement of comprehensive income
- Condensed consolidated statement of changes in equity
- Condensed consolidated statement of cash flows
- Notes to the condensed consolidated financial statements

Condensed consolidated income statement (1)

(in thousands of euro) For the six months ending 30 June

	2018	2017
Net turnover	**635,872**	**633,997**
Raw materials and consumables	-444,273	-450,827
Personnel expenses	-73,590	-65,672
Depreciation, amortization and impairment losses	-5,909	-5,144
Other operating expenses	-69,380	-64,850
Operating result	**42,720**	**47,504**
Net finance cost	**-3,595**	**-5,509**
Income from equity-accounted investees, net of tax	389	300
Profit before taxes	**39,514**	**42,295**
Income tax expense	-14,029	-16,036
Net profit	**25,485**	**26,259**
Earnings per share (in euro)		
Earnings per share	0.97	1.01
Weighted average number of issued shares	26,349,223	25,944,714
Earnings per share (diluted)	0.96	1.00
Weighted average number of issued shares (diluted)	26,442,707	26,128,456

(1) The interim financial statements are unaudited.

Condensed consolidated balance sheet (1)

(in thousands of euro)

	30 June 2018	31 December 2017	30 June 2017
ASSETS			
Property, plant & equipment	69,136	69,373	71,100
Intangible assets	103,648	98,889	102,226
Financial fixed assets	26,306	29,533	26,997
Non-current assets	**199,090**	**197,795**	**200,323**
Inventories	314,067	333,564	309,947
Trade receivables	187,300	127,128	177,392
Other receivables	21,623	22,668	17,884
Other financial instruments	5,274	-	-
Cash and cash equivalents	33,958	24,123	59,497
Current assets	**562,222**	**507,483**	**564,720**
Total assets	**761,312**	**705,278**	**765,043**

	30 June 2018	31 December 2017	30 June 2017
EQUITY	**323,663**	**299,321**	**321,272**
LIABILITIES			
Interest-bearing loans	100,429	100,533	99,406
Provisions	5,303	4,267	5,199
Other non-current liabilities	22,728	21,541	19,552
Non-current liabilities	**128,460**	**126,341**	**124,157**
Interest-bearing loans and revolving credit facility	80,008	40,008	25,008
Bank overdrafts	30,950	44,630	55,082
Trade payables	136,664	145,740	169,736
Provisions	4,969	4,291	4,893
Other current liabilities	55,906	35,417	53,518
Other financial instruments	692	9,530	11,377
Current liabilities	**309,189**	**279,616**	**319,614**
Total equity & liabilities	**761,312**	**705,278**	**765,043**

(1) The interim financial statements are unaudited.

Condensed consolidated statement of comprehensive income (1)

(in thousands of euro) For the six months ending 30 June

	2018	2017
Net profit	**25,485**	**26,259**
Items that will never be reclassified to profit or loss		
Remeasurement of the defined benefit liability (asset)	133	1,523
Related tax	-38	-559
Items that are or may be reclassified subsequently to profit or loss		
Foreign operations - foreign currency translation differences	-1,407	-6,526
Cash flow hedges	12,008	-15,665
Related tax	-3,067	3,916
Total comprehensive income	**33,114**	**8,948**

(1) The interim financial statements are unaudited.

Condensed consolidated statement of changes in equity (1)

(in thousands of euro)

	Total equity 2018	Total equity 2017
Balance at 1 January	**299,321**	**319,380**
Initial application IFRS 9	-820	-
Restated total equity at 1 January	**298,501**	**319,380**
Net profit	25,485	26,259
Other comprehensive income	7,629	-17,311
Total comprehensive income	**33,114**	**8,948**
Dividends paid	-13,141	-18,616
Stock dividends	5,771	11,876
Other	-582	-316
Balance at 30 June	**323,663**	**321,272**

(1) The interim financial statements are unaudited.

Condensed consolidated statement of cash flows (1)

(in thousands of euro)	For the six months ending 30 June	
	2018	2017
Cash flow from operating activities		
Net profit for the period	25,485	26,259
Adjustments for:		
- Depreciation and amortization	5,909	5,144
- Net finance cost	3,595	5,509
- Share of profit from equity-accounted investees, net of tax	-389	-300
- Equity-settled share-based payment transactions	-582	-291
- Gain on sale of property, plant and equipment	-	-
- Tax expense	14,029	16,036
	48,047	**52,357**
Change in:		
- Inventories, trade receivables/payables and other receivables/payables	-39,740	2,544
- Provisions, employee benefits and deferred revenue	1,571	942
Cash generated from operating activities	**9,878**	**55,843**
Interest paid	-4,176	-4,169
Taxes paid	-8,739	-10,834
Net cash from operating activities	**-3,037**	**40,840**
Cash flow from investing activities		
Interest received	641	305
Dividends received	58	-
Acquisition of a subsidairy, net of cash acquired	-2,373	-
Acquisition and disposal of fixed assets	-5,307	-5,376
Net cash used in investing activities	**-6,981**	**-5,071**
Free cash flows (2)	**-10,018**	**35,769**
Cash flow from financing activities		
Proceeds from (repayment of) interest-bearing loans	-286	38,725
Dividends paid	-7,371	-6,740
Proceeds from (repayment of) revolving credit facility	40,000	-24,050
Net cash from (used in) financing activities	**32,343**	**7,935**
Net increase (decrease) in cash and bank overdrafts	**22,325**	**43,704**
Cash and bank overdrafts at 1 January	-20,507	-38,480
Effect of exchange rate fluctuations on cash and bank overdrafts held	1,190	-809
Cash and bank overdrafts at 30 June	**3,008**	**4,415**

(1) The interim financial statements are unaudited.

(2) Free cash flows is defined as the balance of net cash flows from operating activities and net net cash used in investment activities

Notes to the condensed consolidated financial statements

1. General information
Accell Group N.V. (“Accell”) is a company domiciled in Heerenveen, the Netherlands. These condensed consolidated interim financial statements (“interim financial statements”) as at and for the six months ended 30 June 2018 comprise Accell and its subsidiaries (together referred to as “Accell Group”). Accell Group with its group of companies is internationally active in the design, development, production, marketing and sales of innovative and high-quality bicycles and bicycles parts and accessories.

2. Basis of accounting
These interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and should be read in conjunction with the group’s annual consolidated financial statements 2017 (“last financial statements”). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in Accell Group’s financial position and performance since the last financial statements.

These interim financial statements are unaudited.

3. Use of judgements and estimates
In preparing these interim financial statements, Accell Group has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by Accell Group in applying Accell Group’s accounting policies and key sources of estimation uncertainty were the same as those applied to the last financial statements.

a. Measurement of fair values
When measuring the fair value of an asset or liability, Accell Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:
- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability are not based on observable market data (unobservable inputs).

Further information about the assumptions made in measuring fair values is included in note 11 – financial instruments.

4. Significant accounting policies

Per 1 January 2018 IFRS 9 *Financial instruments* is implemented using the modified retrospective approach, meaning that the comparative figures will not be restated. As disclosed in the last financial statements the new standards has impact via:

- the change from an incurred loss model to an expected credit loss model for trade receivables. The impact on Accell Group's consolidated income statement is immaterial as the standard requires provisions to be recorded earlier and the initial impact of this timing difference is recorded in equity upon implementation. The initial impact recorded in equity per 1 January 2018 is € 0.8 million.
- The required application of the "basis adjustment" for cashflow hedge accounting if a hedge of a forecast transaction later results in the recognition of inventories. The amount accumulated in the cash flow hedge reserve from inception of the hedge shall be removed from the cash flow hedge reserve and included directly in the initial cost of the inventories.

IFRS 15 *Revenue from contracts with customers* is implemented per 1 January 2018. The impact of the recognition criteria and measurement principles of IFRS is immaterial.

The other accounting policies applied in this interim financial statements are equal to the applied accounting policies in the last financial statements.

5. Operating segments

Condensed information about reportable segments

For the six months ending 30 June

(in thousands of euro)

	Bicycles		**Parts & accessories**		**Corporate**		**Consolidated**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
		revised		*revised*		*revised*		
External revenues	509,265	507,684	126,607	126,313	-	-	**635,872**	**633,997**
Operating result	44,574	50,682	6,786	7,084	- 8,640	- 10,262	**42,720**	**47,504**
Net finance cost							**- 3,595**	**- 5,509**
Income from equity-accounted investees, net of tax[1]							**389**	**300**
Consolidated profit (loss) before tax							**39,514**	**42,295**

[1] As of 2018 equity-accounted investees and the related income are no longer allocated to the operational segments; comparatives are adjusted accordingly.

Initiatives related to the strategic pillar *"centralized and integrated Parts & accessories business"*, including the appointment of a managing director for the Parts & accessories segment, have changed Accell's structure of the internal organization in a manner that caused the composition of its reportable segments to change. Therefore the corresponding information for earlier periods, including interim periods, is restated. Due to its alignment with the Bicycle business certain Parts & accessories activities moved to the Bicycle segment. Furthermore the Asian procurement activities changed from the segment Bicycles to Corporate.

6. Seasonality of operations

Accell Group operates in an international bicycle market, which has a fixed seasonal pattern but can still vary per country. The bicycle season in Europe and North America, where the company has most of its operations, runs from September till August. Each year at the start of the new season Accell Group launches its new bicycle collections.

Peaks in bicycle deliveries across the season vary from year to year, but are virtually always – and partly depending on the weather – in the period from March through August. The season for Parts & accessories has a more level sales pattern and runs from February through November, also with differences per sales market. Due to this seasonality more turnover is generated in the six months ending 30 June than in the six months ending 31 December.

7. Changes in composition of Accell Group

Other than the acquisition set out below no material changes in the composition of Accell Group occurred in the six months ending 30 June 2018.

Beeline Bikes

The acquisition of the American mobile service provider Beeline Bikes has been completed on 28 March 2018, changing the non-controlling interest into a 100% share. The overview of the identifiable assets and liabilities is as follows:

(in thousands of euro)	**Fair value recognized at acquisition**
Identified intangible fixed assets	1,598
Other fixed assets	205
Current assets	1,146
Liabilities	- 1,612
Total identifiable net assets	**1,337**
Goodwill	3,646
Cash acquired	- 916
Fair value of previously held equity interest	- 1,694
Net investment cashflow acquired subsidiary	**2,373**

The contribution to revenues and profitability in the period between acquisition and 30 June 2018 is negligible.

8. Tax expense

Tax expense is based on Accell Group's best estimate of the weighted-average annual income tax rate expected for the full financial year multiplied by the pre-tax income of the interim reporting period.

Accell Group's consolidated effective tax rate in respect of continuing operations for the six months ended 30 June 2018 was 35.5% (for the six months ended 30 June 2017: 37.9%). The relatively high effective tax rate is mainly caused by not recognizing deferred tax assets for new tax losses in North America.

9. Capital and reserves

Issues of ordinary shares

As of 31 December 2017 was 26,255,179 ordinary shares have been issued and paid in full. In March a total of 27,695 ordinary shares were issued as a result of the vesting of conditional shares arising from the restricted share program by the Board of Directors and managing directors. In May 314,480 ordinary shares were issued in respect of stock dividend and added to the outstanding share capital.

As per 30 June 2018, the number of outstanding shares amounted to 26,597,354; the weighted average number of outstanding shares amounted to 26,349,223 over the six months ended 30 June 2018. The company has a long-term incentive plan for the Board of Directors and a number of managing directors. In event of full exercise of the option entitlements granted to date and the vesting of the conditional shares the number of issued ordinary shares would increase by 0.4%.

Dividends

On 25 April 2018, the Annual General Meeting of Shareholders approved a dividend payment of €0.50 per ordinary outstanding share for the financial year 2017 to be paid out in cash or stock.

Following the expiration of the option period shareholders representing 44% of the total number of outstanding ordinary shares have chosen to receive the dividend in stock. As a result 314,480 shares were issued and added to the outstanding ordinary shares and a cash dividend of € 7.4 million was paid out.

10. Net interest-bearing debt position

Net interest-bearing debt position

(in thousands euro)	**30 June 2018**	**31 December 2017**	**31 June 2017**
Non-current unsecured bank loans	98,431	98.471	99,396
Non-current other bank loans	1,809	2,062	10
Current portion of unsecured bank loans	0	-	0
Current portion of other bank loans	196	8	8
Revolving credit facility	80,000	40,000	25,000
Bank overdrafts	30,950	44,630	55,082
-/- Cash and cash equivalents	- 33,958	- 24,123	- 59,497
Net interest-bearing debt position	**177,428**	**161,048**	**119,999**

In March 2018 Accell Group exercised its first extension option of the financing agreement related to the total group financing extending the initially agreed period with 12 months to March 2023.

11. Financial instruments valued at fair value

The following table shows the fair values of financial instruments valued at fair value. It does not include fair value information for financial instruments not measured at fair value.

Financial instruments measured at fair value

(in thousands of euro)	**30 June 2018**	**31 December 2017**	**30 June 2017**
Interest rate swaps used for hedging	- 692	- 191	- 971
Forward exchange contracts used for hedging	5,274	- 9,339	- 10,406

Valuation techniques

The fair value of the other financial instruments is determined on the basis of other inputs than quoted rates/prices that are observable (level 2). For the determination generally 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.

Forward exchange contracts

Forward pricing is used a valuation technique. The fair value is determined using quoted forward exchange rates at the reporting date and present value calculations based on markets interest derived from the swap curve of the respective currencies.

Interest rate swaps

Swap models were used as valuation technique. The fair value is calculated as the present value of the estimated future cash flows. Estimates of the future floating rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of Accell Group and of the counterparty.

Transfers between Level 1 and 2

In the six months ended 30 June 2018 no transfers occurred between the levels of the fair value hierarchy.

12. Subsequent events

On 13 July 2018 Accell Group announced that is increases its non-controlling interest in Velosophy to 100%. The transaction is conditional on approval of the German market authority and completion is expected in the third quarter. As of completion date Velosophy will make an immediate contribution to the earnings per share.

Directors' statement

In accordance with statutory provisions, the directors state that, to the best of their knowledge:

1. The interim financial statements, as shown on pages 8-11 of this report, provide a true and fair view of the assets, liabilities, financial position and result for the first half-year of Accell Group N.V. and its subsidiaries included in the consolidated statements.
2. The interim report, as shown on pages 1-7 of this report, provides a true and fair overview of the information required pursuant to section 5:25d, subsections 8 and 9, of the FMSA.

Board of Directors
A.H. Anbeek, CEO
J.J. Both, CSCO

20 July 2018