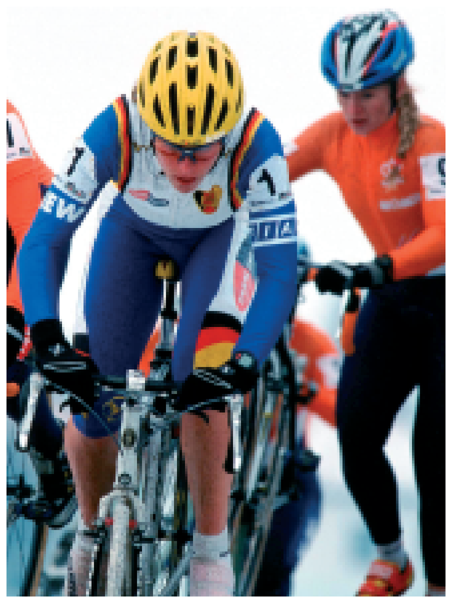

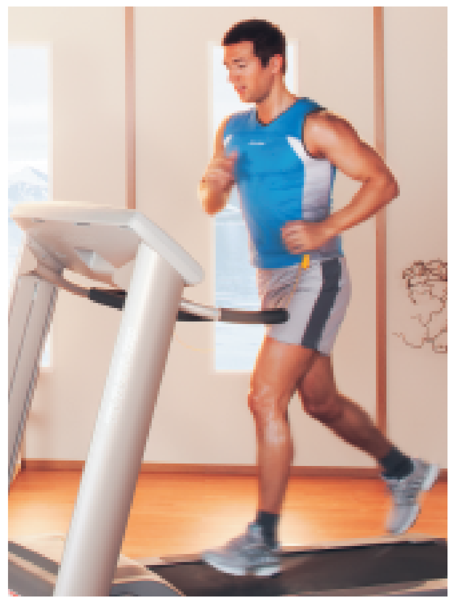


Accell Group N.V.

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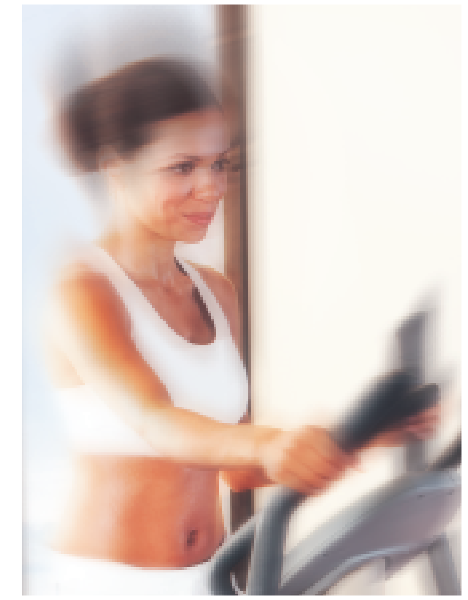
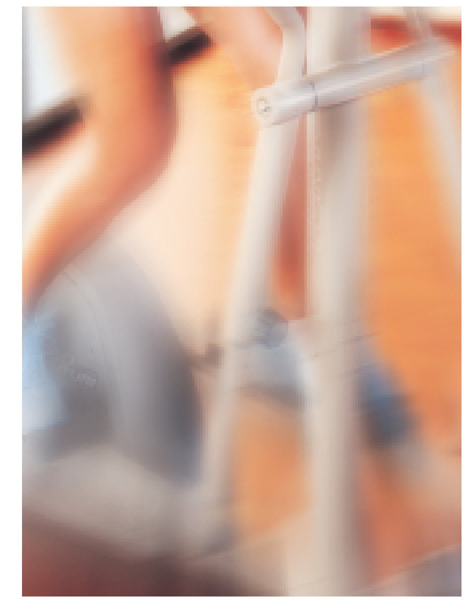
THE PREMIER EUROPEAN CYCLE GROUP

ACCELL GROUP





# The initiative in cycling & fitness

Annual Report 2004


THE PREMIER EUROPEAN CYCLE GROUP

ACCELL GROUP

This is a translation of the Annual Report prepared in the Dutch language and drawn up in accordance with accounting principles generally accepted in the Netherlands. In the event of any difference in interpretation, the Dutch version of the Annual Report shall prevail.

## Colophon

Text: Gates for Glory, Baarn
Co-ordination, design and layout: Boerma Reclame, Waddinxveen
Production en distribution: Veldwijk-Van Loon bv, Waddinxveen

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TUNTURI

# Brands

**Batavus B.V.**
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In 2004, Batavus, one of the strongest brands in the Netherlands, celebrated its 100 Year Jubilee. Batavus has a great tradition, and the brand can be characterized as 'broad and varied'. The assortment ranges from children's bicycles through racing bikes. The Batavus tradition was established in quality, reliability and innovation. With important breakthroughs in safety and comfort, Batavus remains the centre of interest of both the specialised retail trade and the consumer.

THE QUALITY PEOPLE IN CYCLING

**Koga B.V.**
Postbus 167
8440 AD Heerenveen
Nederland

Tinweg 9
8445 PD Heerenveen
Nederland

T +31 513 630 111
F +31 513 633 289
e-mail info@koga.com
internet www.koga.com

True experts and cycling lovers have a marked preference for 'Koga' - the absolute top in racing, trekking and touring bikes in the Netherlands and also, to an increasing extent, abroad. Thanks to the exclusive design, handcrafted quality, and continuing innovation, Koga-Miyata has become a trendsetting brand in the European sports bike market. This image was consolidated by top sports figures in 2004 – for example, the Olympic performance of Leontien Zijlaard-Van Moorsel on her Koga, in Athens, etched an indelible impression in the memories of sports lovers around the world!

**Sparta B.V.**
Postbus 5
7300 AA Apeldoorn
Nederland

Wilmersdorf 37
7327 AD Apeldoorn
Nederland

T +31 553 578 700
F +31 553 578 705
e-mail info@sparta.nl
internet www.sparta.nl

Sparta is a true specialist brand with an exceptional range of products that is widely available in a broad range of market segments. Examples include the Granny Bike, the Father's Bike, the Mother's Bike, the Transport Bike and the Maxx – a bike that was specially designed for the biggest human beings on earth. Sparta is known to many consumers as the brand in electrically assisted bikes - the Sparta ION. Sparta is also the trendsetter in this market segment. The latest model, the Sparta ION Comfort, was selected by experts as the 2004 Bike of the Year. Moreover, tests conducted by the Netherlands Consumer Board show that the Sparta ION is the 'best buy' in the market for electrically assisted bikes.

**Loekie B.V.**
Fokkerstraat 25
3905 KV Veenendaal
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F +31 318 559 671
e-mail info@cool-loekie.com
internet www.cool-loekie.com

The brand in children's bicycles. Loekie targets the 2 to 12 year old market segment, where the art lies in the combination of safety, durability and trendiness. Lighting, reflectors, hand grips, double brake systems, rounded components and covered nuts and bolts; all of the above come with a strong sense of styling, unique use of colours, and fashionable trends. Young bikers know exactly what they want: For that reason, Loekie goes out of its way to actively engage its target market in the composition of its collection. Parents and children generally consult the specialised retail trade for advice, but they can also find an excellent introduction to the Loekie range at www.loekie.nl!

THE BIKE COMPANY

**Winora**
Max-Planck Str. 6
D-97526 Sennfeld
Duitsland

T +49 9721 65940
F +49 9721 659 445
e-mail info@winora-group.de
internet www.winora-group.de

Winora is a true concept in cycling in Germany. It is a widely supported brand that speaks to the whole family: From children's bikes to sporty trekking bikes. Winora bikes have modern lines that perfectly match the image and style of the modern, quality-conscious and service-oriented independent specialised retail trade. The same applies to the Staiger brand, which has a comparable profile in certain segments of the German market. The programme that enables consumers to compile their own ideal bicycles with the specialised retail trade, or via the Internet, has proven a major success. This is largely thanks to the fact that Winora is able to deliver custom-made bikes within very short periods via the specialised retail trade.

**Hercules Fahrrad GmbH & Co. KG**
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internet www.hercules-bikes.de

Hercules has been on the market since 1886, which makes it the bicycle with one of the oldest traditions in the German market. Tradition is however no guarantee for continuity. Hercules focuses on design, quality, innovation, and the enhancement of its brand profile. The strong position of Hercules in the German specialised retail trade is backed up with training courses and active sales support. Under the motto, 'the sympathetic German family brand', the success of the new Hercules collection took on a whole new direction in 2004.

# Brands

**SA Cycles Lapierre**
Boîte Postale 173
21005 Dijon Cédex

Rue Edmond Voisenet
21005 Dijon Cedex
Frankrijk

T +33 380 525 186
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internet www.cycles-lapierre.fr

The Lapierre brand represents top sports performance, top quality, and innovation. Both in France and its export markets, Lapierre is recognised as the 'trendsetter' in racing bikes and mountain bikes. Lapierre is a lifestyle in which passion and performance are the leading motives – supplemented with a continuous flow of innovation. Some examples include the lightweight carbon frames (Monocoque Carbon Technology) and suspension concepts that almost completely eliminate power loss (FPS rear suspension system). Top players in the world of sports love working with Lapierre, as witnessed in the case of the sponsoring of the professional racing team 'La Francaise de Jeux' (Tour de France, ProTour) and the development of the new models with Nicolas Vouilloz, ten times world champion in the 'Downhill'.

**Cycles Mercier**
France-Loire
Boîte Postale 61
42161 Andrézieux-Bouthéon

Rue Branley
42160 Andrézieux-Bouthéon
Frankrijk

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F +33 477 366 543
e-mail info@cycles-mercier.com
internet www.cycles-mercier.com

Mercier occupies a strong position in the French wholesale market – a market segment that is ruled by pricing. With brand names Mercier and Poulidor, and careful attention to design and efficient marketing, Mercier has been able to distinguish itself in this highly competitive market segment. Put differently: Mercier is one of the few brands with a high profile in this segment; which is why wholesalers find the brand an attractive business partner.

THE MOTOR – *it's you.*

**Tunturi Oy Ltd**
Varusmestarintie 26
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FIN-20361 Turku

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F +358 2 5133323

e-mail info@tunturi.com
internet www.tunturi.com

The Finnish brand, Tunturi, has been an established standard on the Finnish bicycle market for many years. This is also true in the fitness segment where Tunturi is currently working hard to make an international name for itself. Tunturi fitness equipment is sold in more than 40 countries, with the biggest market currently being Europe. The principal strengths of the Tunturi brand include its top quality features, distinctive Finnish design, striking innovations, and multifaceted training programmes. Tunturi's broad assortment serves the mid and high segments of its market.

# Annual Report 2004

Batavus, one of the strongest brands in the Netherlands, celebrated a fantastic jubilee year in 2004: ‘100 Years Batavus’ was an event-filled year for the specialised retail trade, as well as the consumer. The climax of the year’s celebrations was the completion of the 10 millionth bike in the Heerenveen factory - a ‘Batavus Old Dutch Limited Edition’ - by Her Royal Highness, Princess Máxima.


# 100 Years Batavus: All Year Long

Annual Report 2004

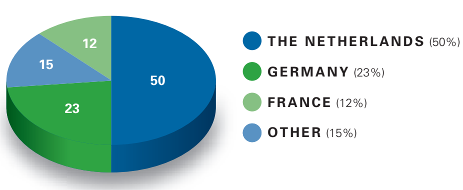
# Profile of Accell Group NV

Accell Group is a European group of companies operating in the development and marketing of innovative, high-quality bicycles, bicycle accessories, and fitness equipment. Accell Group brands represent recognizable added value for the consumer; which is partly due to the long tradition of the brands in the various different markets. Well-known brands, such as Batavus, Hercules, Koga-Miyata, Lapierre, Loekie, Mercier, Sparta, Staiger, Tunturi and Winora ensure solid positions for the specialised retail trade in the mid to higher segments of the market. Most consumer sales are effected through the specialised retail trade.

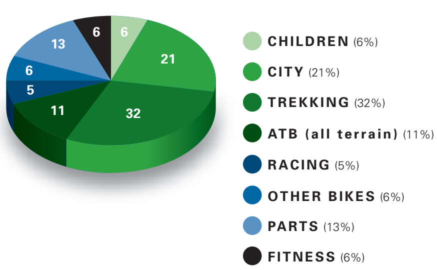
Accell Group has production plants in the Netherlands, Germany, Finland, France and Hungary. The key markets are the Netherlands (50% of total turnover), Germany (23%) and France (12%). Other European countries, including Belgium, Denmark, Finland, Austria, the United Kingdom and Switzerland yield 15% of the overall turnover.

Accell Group is the European market leader in bicycles, and a top player in the market for home-use fitness equipment. In 2004, the company turnover was € 341.1 million (€ 289.6 million in 2003) with a net profit of € 13.0 million (2003 was € 9.2 million). Accell Group shares are traded on the official market of Euronext Amsterdam.

**Accell Group turnover by country in 2004 (in %)**




**Accell Group turnover by product segment in 2004 (in %)**



Every brand in the Accell Group stable has a strong profile. For example, Lapierre and Koga-Miyata have reputations for delivering top sporting performances. Lapierre always has a high profile at ‘cool’ (mountain biking) and major cycling events, such as the Tour de France. Koga-Miyata took centre stage at the 2004 Olympic Games where both Theo Bos and Leontien van Moorsel delivered absolute top performances on their ‘Kogas’, as the brand is known amongst Koga-Miyata lovers.


# Top Performances

# Mission & Strategy

Accell Group aims to be a trendsetter in the development and sale of durable consumer goods, among other things in the areas of short-distance mobility, fitness, and active recreation. By doing so, Accell Group wishes to realize healthy and sustainable returns for its shareholders, and a stimulating work environment for its personnel. In practical terms, this mission translates into the following strategic points of departure:

- The creation of innovative products and services that appeal to the consumer;
- Positioning and promotion of strong brands, in many instances with a regional and national tradition, to ensure the consumer's continuing preference;
- Supporting the specialized retail industry in its sales efforts to the consumer;
- Autonomous growth in volume by increasing market share of the existing brands, and the realisation of turnover growth through the introduction of new high-quality products;
- Obtaining complementary business through, among other things, acquisitions to ensure continuing growth;
- Effectively utilizing the synergies available in the companies within Accell Group;
- Investing in the skills and knowledge of the company's personnel;
- Operating in the most human and environmentally friendly way possible;
- Consistently managing costs and sales prices to improve operational margins.

Accell Group holds leading positions in the Netherlands, Germany, France and Finland. Our future aim is to further improve the aforementioned positions, and to establish leading positions in other European countries.

# Board of Directors

## Synergy

**FROM LEFT TO RIGHT:**
**J.M. SNIJDERS BLOK (C.O.O.), R.J. TAKENS (C.E.O.), H.H. SYBESMA (C.F.O.).**

The organizational structure of Accell Group consists of independent operating companies that are primarily responsible for the positions of their brands in their respective markets. The holding company directs, coordinates and strives towards obtaining synergy benefits through the integration of 'back office' activities. In that context, the Board of Directors was expanded in 2004 with the appointment of Chief Operations Officer Mr J.M. Snijders Blok. The growth of Accell Group, partially thanks to a number of takeovers, demands growing attention to, and mutual cooperation in areas such as production, purchasing and logistics – an effort that more than pays off in everyday practice.

Annual Report 2004

# Key Figures

(in millions of Euros, unless otherwise specified)

| | 2004 | 2003 | 2002 | 2001 |
|---|---|---|---|---|
| **Results** | | | | |
| Turnover | **341.1** | 289.6 | 259.4 | 205.6 |
| Operating result | **22.5** | 16.6 | 13.8 | 11.4 |
| Net profit* | **13.0** | 9.2 | 6.8 | 5.1 |
| Cash flow | **17.9** | 13.0 | 9.6 | 7.4 |
| **Balance sheet data** | | | | |
| Group capital | **59.1** | 48.1 | 42.3 | 37.4 |
| Capital base | **64.6** | 54.6 | 49.8 | 37.4 |
| Balance sheet total | **158.6** | 134.9 | 112.5 | 117.5 |
| Capital employed | **133.1** | 109.3 | 97.3 | 102.9 |
| Investments | **7.7** | 10.0 | 5.5 | 5.5 |
| **Ratios (in %)** | | | | |
| ROCE | **16.9** | 15.2 | 14.1 | 11.1 |
| ROE | **22.0** | 19.1 | 16.0 | 13.6 |
| Operating result/turnover | **6.6** | 5.7 | 5.3 | 5.5 |
| Net profit*/turnover | **3.8** | 3.2 | 2.6 | 2.5 |
| **Data per share**** | | | | |
| Outstanding shares | **8,656,267** | 8,373,903 | 8,309,403 | 8,039,633 |
| Average number of shares | **8,549,802** | 8,320,440 | 8,222,190 | 7,334,495 |
| Net profit* | **1.52** | 1.07 | 0.80 | 0.65 |
| Cash flow | **2.09** | 1.52 | 1.13 | 0.95 |
| Group capital | **6.91** | 5.59 | 4.98 | 4.79 |
| Capital base | **7.56** | 6.34 | 5.86 | 4.79 |
| Dividend | **0.72** | 0.50 | 0.37 | 0.33 |
| **Number of employees** | | | | |
| | **1,405** | 1,213 | 1,061 | 1,051 |

* Net profits from ordinary operations.

** The data per share were calculated based on the weighted average number of outstanding shares, taking into account the share split that became effective on 20-12-2004 (factor 2:5).
The data per share for the years 1998-2003 were corrected for the dilution due to the issuance of stock dividends against the share premium reserve in accordance with the Directives for Annual Reporting.

Annual Report 2004

# Supervisory Board Report

## Annual Report

The Supervisory Board hereby submits the annual report as compiled and determined by the Board of Directors, and including the annual account for 2004. The annual account was audited and approved by Deloitte Accountants, and is enclosed herewith on page 79.

We propose unqualified adoption of the annual accounts with the enclosed proposal for profit appropriation, and discharge the Board of Directors for actions in respect of management and the supervisors in respect of their supervision over the past financial year.

## Supervisory board

**The Supervisory Board consists of the following members:**

- Dr S.W. Douma (62), Chairman
  Dr Douma (Dutch national) has been a member of the company's Supervisory Board since 1 October 1998. Dr Douma was appointed to the position of Chairman of the Board in 2000. Dr Douma is a professor of Entrepreneurial Studies and rector of the Technology Management Faculty at the University of Eindhoven. Dr Douma does not occupy other positions in other companies. Dr Douma will occupy the position until the Annual General Meeting of Shareholders in the spring of 2006.
- Mr D.J. Haank (51)
  Mr Haank (Dutch nationality) has been a member of the Supervisory Board since 1 October 1998. He has been Chief Executive Officer of Springer Science + Business Media since January 2004, prior to which he held a number of positions at Reed Elsevier. Mr Haank is a board member of the following unlisted companies: Nuon NV and MSD Nederland BV. Mr Haank will occupy the position until the Annual General Meeting of Shareholders in the spring of 2006.
- Mr J.H. Menkveld (59) (Vice Chairman)
  Mr Menkveld (Dutch nationality) was appointed to the Supervisory Board on 26 April 2001. Mr Menkveld was appointed as Vice Chairman of the Board on 4 February 2005. He was a member of the Board of Directors of CSM up to and including 2001. He is currently on pension. Mr Menkveld is a board member of the following companies: Bakkersland BV, Sligro Food Group NV, Coöperatieve Bloemenveiling FloraHolland UA and Meneba BV. Mr Menkveld will occupy the position until the Annual General Meeting of Shareholders in the spring of 2005. The Supervisory Board will nominate Mr Menkveld for reappointment at the April 2005 General Meeting of Shareholders.

# Supervisory Board Report

- Mr J.J. Wezenaar (68)
  Mr Wezenaar (Dutch nationality) was appointed to the Supervisory Board on 1 September 1999. Mr Wezenaar was the chairman of the Board of Directors of Accell Group from 1987 to 1999. Mr Wezenaar is currently on pension. Mr Wezenaar is a board member of the following companies: Eromes Holding BV, De Friesland Zorgverzekeraar, Koninklijke Nooteboom Trailers BV, NV Continuon Netbeheer, S.C. Heerenveen NV, Stam BV, Tjaarda Oranjewoud BV and Zaadnoordijk Yachtbuilders BV. Mr Wezenaar will occupy the position until the Annual General Meeting of Shareholders in the spring of 2007.

All the members of the Supervisory Board, with the exception of Mr J.J. Wezenaar, are independent in the sense intended in Best Practice Provision III.2.2. of the Tabaksblatt Code.

## Activities

During the year in review, the Supervisory Board was responsible for supervising the policy implemented by the Board of Directors, as well as general developments in Accell Group. In that regard, it focused explicitly on the strategy of the company as a whole, as well as the strategies of the principle subsidiaries of Accell Group. The Supervisory Board paid special attention to the following matters:

- The consequences of the introduction of the IFRS into the Accell Group corporation;
- The coming into effect of the Netherlands Corporate Governance Code. To ensure compliance with the Code, Accell Group, for example, compiled regulations for the Supervisory Board, a new profile sketch, a remuneration report, a Whistle-blower rule and a Code of Conduct, all published on the company website under "Corporate Governance";
- The 9 July 2004 Act for the Amendment of Book 2 of the Civil Code with respect to the amendment of the regulations applicable to the company’s organizational structure. Accell Group has amended its articles of association pursuant to the latter law. In addition, the Accell Group shares were split.

The composition of the Board of Directors was amended in the year under review: On the occasion of the General Meeting of Shareholders of 22 April 2004, Mr J.M. Snijders Blok was appointed to the position of member of the Board of Directors.

## Remuneration Report

The Supervisory Board compiled a remuneration report to guide the remuneration policy for the Board of Directors. Hay Group BV supported the Supervisory Board in the determination of the remuneration policy and the translation thereof into the remuneration report. In April 2005, the remuneration policy will be put before the General Meeting of Shareholders for adoption.

The remuneration policy makes it possible to attract qualified members to the Board of Directors. The determination of the size and structure of remuneration will be determined by, among other things, the result development, share price development, and all other relevant Accell Group developments. The purpose of the remuneration policy is to put the company's reward packages at a competitive level in relation to the management remuneration market for major Dutch concerns. The overall remuneration package for the Board of Directors is as follows:

- Annual salary;
- Short-term bonus plan and share option plan: Each of the members of the Board of Directors qualifies for a bonus in the case of the fulfilment of Accell Group's predetermined short- and long-term objectives. The share options have an underlying value (multiplied by the strike price) equivalent to a maximum of one annual salary;
- Pension: The pension plan for the Board of Directors is based on the existing premium plan;
- Fringe benefits: The fringe benefits for members of the Board of Directors are equivalent to those applicable to all other company personnel;
- Employment contract with redundancy scheme: Current members of the Board of Directors are not subject to a contractual redundancy scheme. New members of the Board of Directors will, in principle, be subject to a contractual redundancy scheme.

The complete remuneration report is available for scrutiny on the Accell Group website under "Corporate Governance".

Annual Report 2004

# Supervisory Board Report

## Meetings

The Supervisory Board met seven times with the Board of Directors in the course of the year under review. During those meetings the company strategy was discussed in detail. At each of the meetings the Supervisory Board and the Board of Directors discussed current developments, as well as the financial position of Accell Group and its subsidiaries. The Supervisory Board also discussed the risks and available control systems with the Board of Directors.

The Supervisory Board also met twice with the Central Works Council and the Board of Directors.

The Supervisory Board met four times without the Board of Directors. One of those meetings dealt with the performance of the Board of Directors as a board, the individual members of the Board of Directors, the performance of the Supervisory Board, as a board, and the individual members. The conclusion was that the Board of Directors had performed well, as a board, and that the individual members of the Board of Directors had also performed well. During the latter meeting the Supervisory Board also determined the bonuses for the members of the Board of Directors over 2003. The Supervisory Board further concluded that both the Supervisory Board and its individual members had performed satisfactorily in the year under review. The desired profile, composition, and competency of the Supervisory Board were also discussed during the meeting. Two further meetings were convened to consult the external accountant. Finally, a meeting was dedicated to the remuneration policy and the Whistle-blower rule.

The Supervisory Board was almost fully represented at most of the above-mentioned meetings. Mr D.J. Haank was unable to attend three meetings for various reasons (once due to illness).

The Supervisory Board would like to express its appreciation of the enthusiasm and efforts of the company's personnel and management in 2004.

Heerenveen, 23 February 2005

On behalf of the Supervisory Board,

**S.W. Douma**

Annual Report 2004

# General Development

Accell Group performed well in 2004. This year, too, it transpired that major consumer groups are continuing to opt for quality, reliability, and distinctive products in bicycles and fitness equipment. In that regard, Accell Group is benefiting from the prevalent trends in the market, as well its own brand strategy. Many consumers' interest in 'healthier living and more movement' remain undiminished, and they are prepared to invest in the means to attain those objectives. This does not come by itself however, as consumers are more reticent and critical than ever before. For those reasons, it is extremely important to be able to offer real and visible added value. Accell Group, with its broad portfolio of brands, is able to operate very close to the market: This is a major benefit in these times, as the brands are compelled to continue innovating in the fields of safety, comfort, and design. In addition, they must retain their recognizability and distinctive qualities in the eye of the customer. The Accell Group portfolio of brands is characterized by brand names with long traditions. This is a success factor, as factors such as 'close to' and 'recognizability' are becoming increasingly important for consumers - especially at a time when national borders are becoming a thing of the past in Europe.

The general economic picture in 2004, as in previous years, was primarily characterized by a low average level of consumer confidence and a slow-growing economy. The long-term reticence on the part of the consumer has put price pressure on many sectors, and has, in some cases, led to long-term price wars. That picture is also becoming clearer in our markets: Consumers either opt for price or for quality. One clear example, in that context, is the Dutch bicycle market in which the share of low-priced and high-priced bikes is growing. As a result, the average price paid by the consumer per bicycle remains more or less consistent. That picture is reinforced by trends in the other markets in which Accell Group operates.

In addition to a consistent brand strategy, close collaboration with the specialised retail trade and distributors is of major importance. In spite of the increase in the number of available sales channels, including the Internet, the specialised retail trade continues to play a decisive role in the sale of high-quality products. After all, they like no other, are able to translate the added value of our products to the consumer - including after sales service.

## Consolidation in the market position for bicycle components and accessories

In 2004, Accell Group was able to consolidate its market position in the bicycle components and accessories market by means of a number of takeovers. Accell Group's wish to consolidate its position in that segment is motivated by the fact that the share of turnover in those products has increased markedly with the specialised retail trade in the past few years. Many consumers are still delaying the decision to purchase a new bicycle, and are

# General Development

therefore still spending more on spares and accessories. Moreover, expanding its market position in that segment offers Accell Group many synergy benefits in bicycle production.

At the start of 2004, Accell Group took an important first step in that segment with the takeover of the Dutch company, Juncker BV. Juncker is one of the main players in the Dutch market, and distributes a number of high-quality brands. Moreover, the collaboration with Winora Bicycle Parts in Germany (component of subsidiary Winora) also offers synergy benefits in logistics and purchasing. Juncker was incorporated on 1 January 2004.

In mid 2004, Accell Group also expanded its position in the Dutch market for bicycle components and accessories with the takeover of F. van Buuren & Co. BV. F. van Buuren was incorporated on 1 June 2004. From the beginning of 2005 the operations of Juncker and F. van Buuren will be consolidated under Juncker Bike Parts at a single location. The takeover of Julyus Holz GmbH & Co KG, in Munich, was completed at the end of 2004, which resulted in further consolidation of the Accell Group position in the German market for bikes, bicycle accessories, and parts. This takeover, which was completed on 1 January 2005, offers the company excellent new opportunities for collaboration with Winora Bike Parts.

## Fitness

In August 2004, Accell Group announced the establishment of an independent sales organization for Tunturi in Germany to handle the sales and distribution operations of the fitness articles. The new unit has taken over the activities of the former distributor, Bremshey, which had filed for bankruptcy. Tunturi thereby obtained the rights to the Bremshey brand, as well as a number of agencies. Bremshey, with its extensive assortment of fitness accessories and its own brand profile (‘fitness is fun’), makes it an excellent addition to the more ‘sophisticated’ brand profile of Tunturi. The Bremshey brand is already sold by our own Tunturi outlets in the Netherlands and England. The incorporation of Bremshey offers Accell Group new opportunities for extending growth in this market.

## Other Developments

In the framework of the ongoing legal procedures with the Netherlands Competition Board (NMa), in which Accell Group has charged the NMa of harmful press policies, negligence, factually inaccurate reporting, and a corrosion of the fundamental legal principle of hearing both sides of the story, the court made a pronouncement on 3 March 2004. The court decided that the NMa has committed errors in the framework of its press policies with regard to Accell Group. The court however did not consider this unfair. The latter decision motivated Accell Group to appeal to the court decision.

Shortly thereafter, on 22 April 2004, the NMa announced that Accell Group was to be fined to the amount of € 12.8 million for purported violation of the Competition Act. Accell Group absolutely denies those accusations, as well as the validity of the fine, and immediately filed an objection, as a consequence of which the obligation to pay and/or the fine was suspended. Accell Group considers the accusations of purported price fixing absolutely unfounded, the fine unfair and, moreover, out of all proportion. Accell Group is fully confident that the procedure will come to a favourable end.

Annual Report 2004

# Financial Development

Accell Group, in 2004, launched an active investor relations policy aimed at updating shareholders and other interested parties as clearly as possible regarding company developments. At the presentation of the 2004 half-yearly figures, Accell Group announced an expected increase in profit per share within the bandwidth of 20% to 30% over the whole of 2004. Announcements of concrete expectations have slowly but surely become an exception to the rule, so this announcement evoked positive investor reactions and contributed substantially to the valuation of Accell Group shares. A positive interim announcement, in November 2004, allowed Accell Group to raise its profit expectations to an overall increase in profits per share for 2004 by at least 30% in relation to the 2003 figures.

Expectations were abundantly exceeded over 2004: The overall turnover for 2004 increased by 18% to € 341.1 million (2003: € 289.6 million). Net profits grew by 42% to € 13.0 million (2003: € 9.2 million). The profit per share grew by 38% to € 1.52 (2003: € 1.10).

## Share Split

In November 2004, Accell Group also announced its intention to split its shares at a ratio of 2 to 5; primarily with the aim of stimulating the tradability of company equity. The proposal was passed by an Extraordinary Meeting of Shareholders on 8 December 2004. Each available ordinary Accell Group share of a nominal value of € 0.05 was converted into 2.5 new ordinary shares with a nominal value of € 0.02. The share split became effective as of Monday, 20 December 2004, and was listed as such under the Accell Group listing on the Official Market of the Euronext Amsterdam stock exchange.

Annual Report 2004

# Developments in Markets and Brands

## Markets

### Bikes: Recreation and Mobility

On average, the Western European bicycle market has remained at a level keel. Healthy living and more movement, as well as the reduction of daily stress, continue to be important and durable trends. While many consumers are generally reticent with regard to spending, it appears that more cash is being made available for active recreation. Specifically, the fast-growing category of double-income families has shown its preparedness to spend a great deal of money and time in those pursuits. In addition, there appears to be a major growth trend in the use of the bicycle for general purposes of mobility. The Netherlands is one of the few countries in the world where the bicycle has traditionally been viewed as a means of transport. With and average bicycle ownership of more than one per national citizen, the Netherlands is easily the international leader. Bicycle ownership is generally significantly lower in neighbouring countries. This offers substantial potential for both the short- and long-term future, partially in view of the available incentives for bicycle use in the fields of recreation and mobility. Bicycle paths are a growing phenomenon in neighbouring countries, and there is a growing trend (e.g. in new suburban building projects) to implement a wide range of measures to encourage bicycle use.

### Bicycle Components and Accessories: Extra Equipment and Higher Profiles

The market for bicycle components and accessories is showing positive developments. Many consumers are delaying the purchase of a new bicycle for the time being in favour of spending more cash on bicycle parts. Moreover, there is also a growing demand for bicycles with more extras and distinctive accessories. After all, the bicycle is also a kind of ‘status symbol’ used by the consumer to define himself/herself in relation to the latest and smartest trends. Moreover, aspects such as safety are playing an increasingly important role; for example, kids’ bicycle helmets have slowly but surely become constant phenomena on the streets, and in some countries helmets have become compulsory cycling gear. Thanks to those developments, bicycle components and accessories have long since ceased to be classified as mere industry by-products. The specialised retail trade has exploited this trend in recent years by creating more shop and shelf space, and by offering more striking accessory presentations.

Accell Group has also benefited from the consolidation of its position in this market segment thanks to the fact that it is able to use many of the same parts and accessories in its own production process. Further expansion of its market position will provide concrete synergy benefits in the fields of purchasing and logistics.

# Developments in Markets and Brands

### Fitness: Movement and Performance

Thanks to the takeover of Tunturi in August 2003, Accell Group has become an important player in the international fitness market for home users. Bicycles and fitness equipment form a logical combination for consumers committed to active recreation. Regardless of the prevailing weather conditions outside, the consumer is now able to keep moving inside (fitness), as well as outside (bicycle). The interest in fitness equipment has grown significantly in recent years, partially thanks to the above-mentioned trend towards 'healthier living and more movement'. Accell Group uses its Tunturi brand to target the middle to higher segments of the 'home-use' market. This market is characterized by many new consumers and a relatively small number of strong brands: This offers Tunturi excellent opportunities for further international consolidation and profiling of the brand. In 2004, a great deal of attention was focused on sharpening up the brand value and design: Substantial amounts were invested in product development and consolidation of the company's relationship with distributors and retailers. Accell Group expects growth in this market segment.

## Brands

Accell Group's portfolio of brands has not undergone any major changes in 2004. The license for Kronan operations, managed by Sparta in the Benelux and Germany, was not renewed on 1 January 2005. In general terms, 2004 can be viewed as a year in which the company worked on further consolidation of its brand positioning by marketing innovative products. Accell Group brands mostly have a long national tradition with a robust position in their specific market segments. This provides an excellent foundation for the expansion of those positions in collaboration with the specialised retail trade, as well as for directed activities towards the consumer. With a few exceptions, the brands are not supported with mass communication, but rather with highly directed actions, including the use of database marketing. By doing so, Accell Group has developed the expertise to efficiently maintain and expand a wide portfolio of powerful brands.

The brand names, Juncker and Winora Bicycle Parts, are not covered in the report below. These companies operate in the market for bicycle components and accessories, and mainly carry well-known third-party brands.

Annual Report 2004

# Developments in Markets and Brands

## Batavus

The Batavus brand is a concept in the Netherlands – a notion that was confirmed by the celebration, in 2004, of its 100th Jubilee. With a wide range of activities organized for the specialised retail trade, and a whole year of promotional activities aimed at the consumer, Batavus was able to consistently remain at the centre of attention in its market. One of the highlights of the celebrations was the completion, by Her Royal Highness Princess Maxime, of the 10 millionth bicycle, an Old Dutch Limited Edition ('granny's bike') in the Heerenveen plant.

Batavus is one of the oldest brands in Accell Group and one of the most solid brands in the Netherlands. Batavus covers a wide market, from children's bicycles through racing bikes, which are carried by the specialised retail trade in the Netherlands and Belgium. The brand is also exported to Germany and Denmark. Partially thanks to the consistent stream of attention and publicity, 2004 turned out to be an excellent year for Batavus. The Centennial Limited Edition model, which had been designed specifically for the centenary, was awarded a host of prizes in the Bicycle of the Year contest.

## Koga-Miyata

Koga-Miyata ended 2004 on a good note. Koga-Miyata has represented handcrafted quality, exclusive design, and consistent innovation since 1974. Consistent application of that philosophy has consolidated Koga-Miyata's place in the eye of the specialised retail trade and consumer alike as the absolute top brand in racing bikes, trekking bikes and mountain bikes. Koga-Miyata is consequently well represented in the top segment of the Dutch market, as well as, to an increasing extent, in foreign markets.

Some of the most important success factors of the Koga-Miyata brand include its carefully built-up and maintained dealer network, the high level of service orientation, and its dedicated, professional personnel. The exclusive house style, translated into high-quality product presentations, and the sponsoring of (inter)national sportsmen and women from various components of bicycle sport, support the generally high level of confidence in the brand amongst buyers. That fact was well demonstrated at the 2004 Olympic Games in Athens where Theo Bos and particularly Leontien van Moorsel stirred sports lovers' pride with their striking and, at times, improbable performances on their 'Kogas'. Moreover, the Koga Miyata Full Pro Carbolite was one of the prizewinners at the annual 2004 Bicycle of the Year awards.

## Sparta

For more than 85 years Sparta has developed, produced and sold 'special bikes for special people'. Sparta presents itself as a specialist supplier of, most notably, Amazone mother's bike and the electrically assisted Sparta ION bike. Further examples include the Granny's bike, the Daddy's bike, the Transport bike and the Big People's bike. Sparta also operates in the mid segment of the market with a wide range of town, recreation, and hybrid bikes. Sparta operates on the Dutch, Belgian and German markets. Efforts to expand the dealer network in these countries were successful in 2004. Partially thanks to its various 'niche' products, Sparta was able to book a solid performance in 2004. The most successful of those being the latest generation of electrically assisted bike, the Sparta ION. That development was crowned in 2004 with the selection of the Sparta ION Comfort as the Bicycle of the Year. In addition, tests conducted by the Dutch Consumer Association showed that the Sparta ION was the 'best buy' amongst assisted bikes.

## Loekie

For nearly 25 years Loekie has been a specialist in the development and sale of children's bicycles, and is one of the biggest brands in that segment of the Dutch market. The collection is specifically designed for boys and girls between the ages of 2 and approximately 12 years. Loekie mainly sells its bikes via the specialised retail trade.

This market segment holds safety first. Lighting, reflectors, hand grips, double brake systems, rounded components and covered nuts and bolts. Little bikers are critical consumers, so all this goes with a strong sense of styling, special use of colours, and fashionable trends. The Loekie collection comes in many styles using flower motives, Army, Gothic, and the boldest colour combinations imaginable. The Loekie website is an important communication tool both for kids (colours and models) and their parents (recommendations on frame sizes, wheel sizes, etc.). In addition, regular special sales promotions are organized with a special appeal to this young target group.

## Winora and Staiger

In 2004 Winora succeeded in maintaining its competitive position in the German market. Winora has two divisions: bikes and bicycle accessories. Winora was once again able to expand its accessory assortment and consumer circle thanks to new and exclusive representation for high-quality bicycle components. Market conditions in which the consumer is generally inclined to delay the purchase of a new bicycle in favour of buying new parts have resulted in significant growth in that market.
Most sales were registered by the specialised, non-organized retail trade. The Staiger Sinus Program that was launched in 2003 emerged as a success in 2004. The program is a tool that can be used by consumers to compile their own ideal bicycles by and with the help of the specialised retail trade, or on the Internet, after which Winora will deliver the completed product to the specialised retail trade within a short delivery time.

# Developments in Markets and Brands

## Hercules

Hercules was established in Nuremberg in 1886, making it the oldest brand in the Accell Group. Hercules holds a leading position in the German retail trade and a strong position in the organised retail organisations. In 2004 Hercules focused its attention on sharpening its brand positioning and consolidating relationships with the specialised retail trade. Hercules has initiated a potent revitalization of the brand under the motto 'the sympathetic German family brand' for which the initial marketing actions have already been implemented.
Hercules backs its marketing efforts up with training courses and active sales support for its dealers. These efforts have started to bear fruit, as witnessed by the successful launch of the new collection and clear improvement, in 2004, of the unit's turnover and results.

## Lapierre

Lapierre, too, has been able to affirm its reputation for innovation and quality in the top segment of both the French home market and the various export markets in 2004. The continuing growth of the export activities has only increased the challenge to raise the profile of the distinctive qualities of Lapierre bikes, as well as the development and production of its 'high performance' racing bikes and mountain bikes. The success of models, such as the X-Control and evo2, which are fitted with the patented 'FPS2 rear suspension system' (a suspension concept that eliminates major power loss) and the LP 0.9 Monocoque Carbon Technology (lightweight carbon frames) once again proves that Lapierre's innovation is the basis of the brand's success. To further exploit the possibilities presented by technical innovation, Lapierre expanded its R&D department in 2004.

In addition to important technical breakthroughs, Lapierre has also been able to consolidate its ties with important partners. The professional racing team, 'La Française de Jeux' (Tour de France, Pro Tour), reaffirmed its trust in Lapierre's racing bikes with the extension of its sponsorship contract. The Lapierre clothing line, designed by Lafuma and developed in collaboration with the trendsetting Groupe Lafuma, has also proven a major success. This proves that the line extensions of the Lapierre brand not only consolidate the expressive value of the brand, as such, but also yield commercial profits. In 2005, Lapierre will introduce a new generation of 'downhill/free-ride bikes' - a new line developed in collaboration with ten-times world champion 'downhill' racer Nicolas Vouilloz. Lapierre will use this new line to consolidate its market position in the top niches of that market.

# Developments in Markets and Brands

## Mercier

Mercier holds a strong position in the French chain store sector, which, besides Mercier and Poulidor also sell private labels. This market segment is characterised by strong competition, whereby the principal sales weapon is pricing. Mercier succeeded in distinguishing itself from the 'grey masses' with both brands; which makes Mercier an interesting partner for chain store buyers.

Despite the focus on pricing, it would appear that factors, such as continued attention to the brand, distinctive design, and good partnership with distributors were responsible for continuing successes in this segment of the French market in 2004.

## Tunturi

The Finnish company, Tunturi, was founded in 1922 and holds a leading position in the home-use market. The Tunturi brand targets the mid to high segments of the market both in bicycle and fitness equipment. Although Tunturi has focused its bike sales on the Finnish market, it also exports to Sweden. The fitness market, on the other hand, has a more international character. The Tunturi brand is sold in more than 40 countries with special emphasis on the European market.

In 2004, Tunturi was able to further consolidate its leading position in the Finnish bicycle market. Tunturi supplies a wide and modern assortment ranging from children's bicycles through to sports bikes. One of last year's highlights was the successful introduction of the new 2005 collection, which heralded in a host of new models and innovations. Under the new marketing banner of 'Change into a new feeling', Tunturi intends to systematically blow a more youthful character into its image and to attract the interest of new user groups.

Top quality and design remain the principal drivers of high worldwide turnover in Tunturi fitness equipment. A wide range of new products was introduced during the Ispo in February and the Denver Show in August. The emphasis at those shows was on the top end of the market for fitness equipment that can also be used for light professional applications.

To consolidate its position in the fitness market, Tunturi has established its own outlets in its key markets, namely Finland, the Netherlands, Great Britain and, as of August 2004, also in Germany. Tunturi, in 2004, invested substantial funds in the development and marketing of new products and an alternative marketing approach. A number of new products reached the market later than planned, even though customers had stopped buying the older models. As a consequence, 2004 returns were disappointing.

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# The Organization

## Board of Directors

**R.J. Takens (50), Chairman of the Board of Directors (CEO)**
Mr. Takens joined Accell Group in 1999 as Mr. Wezenaar's successor. He began his career with the Svedex Bruynzeel Group, where he worked for ten years, most recently as General Managing Director. He then worked for CSM for seven years in the position of General Managing Director Italy.

**H.H. Sybesma RC (37), Member of the Board of Directors (CFO)**
Mr Sybesma joined Accell Group in 1995 as Finance Manager of the Batavus subsidiary. In the years following that, Mr Sybesma was closely involved in various subsidiaries of Accell Group. Mr Sybesma was appointed to the position of CFO of Accell Group effective from April 2001. He began his career as financial consultant at PricewaterhouseCoopers where he worked for five years.

**J.M. Snijders Blok (46), Member of the Board of Directors (COO)**
Mr Snijders Blok joined Accell Group in 1992 after starting work in the automation department. Following that he became the logistics manager of Batavus and Hercules and was subsequently appointed to the position of manager of Batavus. In 1999, after the takeover of Sparta, he was appointed to the position of General Director of that subsidiary. He has been COO of Accell Group since April 2004.

## Structure

The organisational structure of the Group consists of a number of independent operating companies that are primarily responsible for their own positions in their respective markets. Accell Group serves as the holding company and, in addition to strategy, provides services such as treasury, financial control, business development, investor relations, and coordination of marketing, product development, production planning, and purchasing. In addition, all ICT activities are centralised. Wherever possible, the company works with a uniform computer system.

Where possible, synergy benefits are achieved through the integration of back-office operations. The automation system, developed in-house, allows business processes at the independent operating companies to be managed with a limited, indirect organisational structure.

Other areas are also subject to the continuous quest for synergy; for example, through intensified collaboration with suppliers, and a mutual exchange of knowledge in the fields of product development and innovation. Important examples include safety and comfort enhancements, such as the implementation of the anti-theft chip on bicycles in the Netherlands, new bicycle lighting systems, and the development of new parts and accessories for all brands. Coordinated development and production render this process highly cost effective.

Accell Group collaborates with its subsidiaries to determine their strategy with respect to the market positions of the various brands, purchasing, production allocation, and human resources. The subsidiaries are responsible for the actual realisation, and are required to submit daily, weekly and monthly reports.

## Product Supporting Activities

Accell Group has production facilities in the Netherlands, Finland, France, and Hungary. By investing in the most modern production techniques and automation systems available, Accell Group has been able to market renowned, high-quality products to all target markets. Accell Group attaches substantial importance to environmentally friendly production methods. To that end, the production plants in Heerenveen and Hungary, for example, use the most advanced spray painting systems in the whole of Europe, and 100% water-based lacquers and acrylic top coatings to avoid emission of hazardous substances into the environment.

The Toszeg-based factory in Hungary, Accell Hunland Kft, primarily produces bicycles for the German brands, Hercules and Winora. In 2004 the factory was running at full tilt. The main point of departure in the establishment of this production facility was not the production of low-cost bicycles, but lower-cost production of high-quality bicycles. The factory works with a flexible capacity, which can be increased and reduced at any time. The incorporation of Hungary into the European Union has also simplified the company’s logistical process; which, in turn, has further enhanced the competitive power of the factory.

Compared to bicycle production, the production of fitness equipment is done, on average, at a higher technical level – this is mainly due to the fact that fitness machines contain more electronic equipment. In practise, this entails careful ‘make or buy’ decision-making with meticulous attention to the selection of production locations that offer sound price/quality ratios. The actual design and development processes for the fitness equipment are always done in-house.

All production sites pay close attention to internal training and the versatility of the workforce. In addition, a number of employees in the production plants also work on flexible contracts. This makes it possible to accommodate changes in production levels in and out of season.

# Brand Supporting Activities

## Design & Development

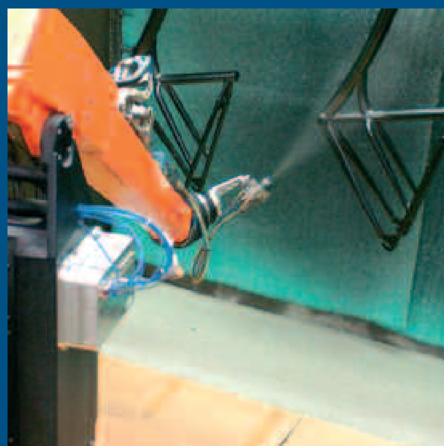
The geographically differentiated bicycle market demands a balanced branding policy with regard to its own image, and careful attention to tradition and cultural variety. Accell Group's brands are 'old' and renowned brands: Renowned brands that demand their own unique and specific approach. Each brand has its own Design & Development team that works on the development of new parts, models and colours. All brands present their newest collections on an annual basis. Renewal occurs on the basis of the following aspects:

- Colour and graphic design;
- Specific features and innovations, partially thanks to application of the latest parts supplied by the suppliers;
- Complete renewal of existing models with parts that are developed in-house.

In addition to the development of new collections for the various different brands, the operating companies are also working on long-term innovation projects. Central coordination makes it possible for Accell Group to apply new innovations across the board. Collaboration and teamwork in product development, design, and production, result in the formation of decentralised knowledge centres, as a result of which it is possible to realize cost savings, the acceleration of innovation projects, and shorter times to market.

Similar work methods are applied in the development of fitness equipment, with the exception that the fitness market, and specifically the home-use market, is subject to fewer restrictive established traditions. In this market the main emphases fall on functionality, safety, comfort and design, whereby, in view of the enormous variations between the machines, clear operating methods and instructions of use are factors of major importance.

Distinctive and innovative. With brands that speak to the consumer. This explains why Accell Group spends so much time and attention on product development, innovation, and its production processes. Everything revolves around continuous improvement and efficiency - always with an emphasis on man and his environment. For example, our state-of-the-art spray shops work with 100% water-based spray paints and acrylic top coatings; which limits the emission of harmful substances into the environment to an absolute minimum.

# Production & Innovation

# Brand Supporting Activities

## Marketing & Sales Support

The main distribution channel for Accell Group bikes and fitness equipment consists of the specialist bike outlets, which have a tradition of brand loyalty and focus on quality and service. Thanks partially to the emergence of alternative sales channels, the specialised retail trade is currently undergoing major developments. Sales points are becoming larger and more modern, which demands a different concept of service, support, and in-store marketing, as well as direct marketing. Accell Group attaches substantial importance to the healthy and robust position of the specialised retail trade, and supports its development in a very broad sense; among other things, in the organization of informative and inspiring conferences on technological developments, and the organization of marketing and sales.

The strong national brands have their own positions in their markets, and all hold major shares in their own markets. Each brand has its own sales, marketing, design and development, service, and guarantee organisation. This organisation ensures that the brand policy remains focused in the market. To that end, they deploy such communication tools as advertisements, public relations, TV programmes, sponsoring, in-store promotional activities, the Internet, and direct marketing.
In contrast to the bicycle brands, the market for fitness equipment has a significantly more international orientation.

Sales efforts are steered according to market share and margins in each key market segment. Accell Group is responsible for monitoring and co-ordinating the positioning and the operations of the individual brands.

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# Share Supporting Activities

## Investor Relations

Over the past year, Accell Group has made the headlines on a regular basis. The annual figures for 2003 and the half-yearly figures for 2004 were presented to (major) shareholders, the press and analysts.

Accell Group observes an active investor relations policy. Among other things, the company organised a number of guided tours for investors and shareholders, and also held presentations at various locations for the benefit of private investors.

The corporate website, www.accell-group.com, contains both general information about the company and the latest news, presentations of the Board of Directors, Corporate Governance information, annual reports, financial results, and shareholder information, press releases, the financial calendar, and management transactions in own shares.

Accell Group equity forms part of the Next Prime segment of Euronext. A closing price of € 15.70 on 31 December 2004 established a price increase of 93.8% in relation to the closing price of 31 December 2003. Accell Group equity is enjoying the attention of a growing number of investors. The number of shares traded in 2004 amounted to 2,721,270 - an increase of 29% in relation to 2003. It is expected that the share split that came into effect in December 2004 will contribute positively to the tradability of Accell Group equity.

The Accell Group will continue to use various media to feed all interested parties with the latest information on the company's financial calendar, the latest news, financial publications, recent presentations, and all other Accell Group equity information.

## Dividend Policy

When Accell Group NV equity was listed on Euronext Amsterdam in October 1998, it was announced that a stable dividend policy would be pursued with at least 40 percent of the net profit due to be distributed.

A dividend with stock options valued at € 0.72 has been proposed: This entails a profit payout of 47.3%. The dividend yield based on the stock price at the end of 2004 is 4.6%. The dividend with stock options will create a higher payout ratio and a solid balance

# Share Supporting Activities

sheet with respect to future acquisitions; which perfectly suits Accell Group growth strategy. The dividend with stock options will enable both a higher dividend yield for shareholders and enhanced solvability for the company.

The Board of Directors hold the view that such dividend returns and this type of dividend are competitive in relation to those offered by other listed companies.

In addition, this will send a clear message to investors to the effect that Accell Group wishes to pay out more than the average cut of its annual net profits than other listed companies. Accell Group has shown an interest in an above-average dividend yield for some time now.

The Board of Directors of Accell Group is proud of the increased attention in Accell Group equity; which, in 2004, translated into greater trading volumes and higher share prices. The Board will continue to put in every effort to ensure a realistic value for the company's equity.

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# Corporate Governance

## General

On 9 December 2003, the Tabaksblatt Commission determined the Netherlands Corporate Governance Code (the 'Code'). The Code was designated pursuant to an Order in Council on 23 December 2004 (Stb. 2004, 747) as the Code of Conduct to which publicly listed companies are required to refer in their annual reports.

Accell Group has executed a consistent policy, in line with Dutch and international developments, with regard to the improvement of its corporate governance. In the course of 2004, the Board of Directors and Supervisory Board tested all the principles and best practices stipulated in the Code. Accell Group is already in compliance with most of the provisions in that Code. In addition, Accell Group took steps last year to implement a number of other provisions from the Code in the company.

Outlined below, firstly, is the Accell Group Corporate Governance structure, followed by specification and an explanation of a number of deviations from the provisions of the Code that apply to the Accell Group Board of Directors and Advisory Board.

## Corporate Governance Structure


### Board of Directors

The Board of Directors is responsible for the management of Accell Group and thereby for the fulfilment of all its objectives, its strategy, its policy, and the result development arising therefrom. In addition, the Board of Directors is also responsible for controlling the risks to which the company is exposed. The Board of Directors informs the Supervisory Board on all internal risk management and control systems available within Accell Group, and is accountable therefor. One such instrument within Accell Group is the Code of Conduct, as published on the company website (www.accell-group.com under Corporate Governance). This annual report includes a paragraph titled 'Risks and Risk Management', which outlines the internal risk management and control system in greater detail.

The Board of Directors is accountable to the Supervisory Board and the General Meeting of Shareholders with regard to the performance of its duties. The Board of Directors provides the Supervisory Board with all information that may be needed by the Supervisory Board to effectively fulfil its duties. All important decisions taken by the Board of Directors require the approval of the Supervisory Board: This includes decisions regarding share issuance, and the establishment or termination of long-term cooperation between Accell Group and other companies. A number of other important decisions on the part of the Board of Directors also require the approval of the General Meeting of Shareholders.

Where Accell Group has a conflict of interests with one or more of the members of the Board of Directors, the said member(s) is (are) represented by a member(s) of the Supervisory Board, appointed to that position by the Supervisory Board.

The Supervisory Board is responsible for determining the number of members of the Board of Directors, and for appointing and dismissing members of the Board of Directors. The Board of Directors currently consists of three members.

The Supervisory Board compiles a remuneration report that determines the company's remuneration policy in the forthcoming and subsequent financial years. The broad outlines of the Supervisory Board's remuneration report are represented in the chapter titled "Supervisory Board Report" of this annual report. The remuneration policy represented in the remuneration report is passed before the General Meeting of Shareholders, and presented for scrutiny to the Works Council. The Supervisory Board will determine the remuneration of the individual members of the Board of Directors within the framework of the remuneration policy, as determined by the General Meeting of Shareholders. The remuneration policy and remuneration determined by the Supervisory Board currently fulfilled to the members of the Board of Directors are in compliance with the terms of the Code. The Supervisory Board consulted an external consultant for the purpose of the compilation of the remuneration policy.

The Board of Directors has drawn up a Whistle-blower rule, which is published on the Accell Group website (under Corporate Governance), whereby personnel are able to report any purported irregularities within Accell Group and its allied companies without prejudice to their personal legal standing within the company.

## Supervisory Board

The duty of the Supervisory Board is to supervise the policy of the Board of Directors, and the general state of affairs in Accell Group and its allied companies. In addition, the Supervisory Board provides the Board of Directors with the necessary advice. The Supervisory Board bases the fulfilment of its duties on the interests of Accell Group and its allied companies, and, to that end, weighs up the interests of all parties concerned with Accell Group. The Supervisory Board receives the timely information required for the performance of its duties from the Board of Directors.

The Supervisory Board has drawn up regulations to determine the distribution of tasks and work methods applicable to the Supervisory Board. The regulations include a passage covering its interaction with the Board of Directors and the General Meeting of Shareholders. The regulations are published on the Accell Group website under Corporate Governance.

The Supervisory Board consists of at least three members (currently four). The full structural regime is compulsory for Accell Group. The members of the Advisory Board are thereby appointed by the General Meeting of Shareholders based on the recommendations of the Supervisory Board. The Supervisory Board announces the recommendations to the General Meeting of Shareholders and the Works Council at the same time. The General Meeting of Shareholders and the Works Council are entitled to recommend candidates for membership of the Supervisory Board.

A member of the Supervisory Board retires by no later than the date of the annual General Meeting of Shareholders four years after his/her initial appointment to that position, and then by no later than the conclusion of the applicable General Meeting of Shareholders. Members of the Supervisory Board may be appointed to the Supervisory Board for a maximum of three four-year terms. The Supervisory Board has compiled a retirement roster, which is published on the Accell Group website under Corporate Governance.

The Supervisory Board has decided, in accordance with the Code, not to set up a separate audit, remuneration, and selection and appointment committee. The Supervisory Board has adopted those duties instead.

The Supervisory Board has compiled a profile sketch on its size and composition, taking into account the nature and operations of Accell Group, and the desired expertise and backgrounds of the Members of the Supervisory Board. The profile sketch is published on the Accell Group website under Corporate Governance.

## Conflict of interest in transactions

No transactions with conflicting interests, as intended in Best Practice Provisions II.3.4, III.6.3 and III.6.4. of the Code, occurred in the 2004 financial year. The regulations applicable to the Supervisory Board include rules that determine how to deal with (potential) conflicts of interest concerning members of the Board of Directors, Members of the Supervisory Board, and the external accountant with respect to Accell Group, and further determine the types of transactions that require the approval of the Supervisory Board.

# Corporate Governance

## Annual General meeting

Key authorizations, such as those applicable to decisions to amend the articles of association, legal mergers and spin-offs, and adoption of the annual account reside with the General Meeting of Shareholders. In addition, the Annual General Meeting 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 led by the chairman of the Supervisory Board. All matters discussed and resolved in the General Meeting of Shareholders are recorded in the minutes of the meeting.

Accell Group considers it important that as many shareholders as possible participate in all decision-making processes at the General Meeting of Shareholders. Shareholders can also be represented at the General Meeting of Shareholders by written proxy, undiminished the obligation on the part of the holders of ordinary bearer shares to lodge a statement issued by an associated institution to the effect that the number of ordinary shares stipulated in the declaration pertain to its collective deposit.

## Protective measures

To protect Accell Group and its allied parties against hostile takeover bids, Accell Group has entered into a put and call agreement with Stichting Preferente Aandelen Accell Group (Accell Group Preference Share Foundation) with regard to preference shares. Pursuant to the put agreement, Stichting Preferente Aandelen Accell Group, will take over the number of cumulative B preference shares upon each issuance by Accell Group of cumulative B preference shares, such as to ensure that it owns half of the total (increased) issued capital. The put agreement is valid until 1 May 2006. An application for extension of the agreement to 1 May 2007 will be submitted to the 2005 General Meeting of Shareholders. In addition, based on the call agreement, which is valid until 1 July 2009, Accell Group grants Stichting Preferente Aandelen Accell Group the right adopt as many cumulative B preference shares as are needed to ensure that Stichting Preferente Aandelen Accell Group will own at least half minus one of the issued (increased) capital.

The general aim of Stichting Preferente Aandelen Accell Group is to manage the interests and, more specifically, to warrant the continuity and identity of Accell Group, its allied companies, and all interested parties. To that end, the Stichting (Foundation) acts mainly in the interest of the continuity and identity of Accell Group and the allied company.

In the case of a hostile takeover bid, the agreement enables Stichting Preferente Aandelen Accell Group, the company, and its Board of Directors and Supervisory Board to establish their position in relation to the bidder and its plans, to investigate alternatives, and to defend the interests of the company and its interested parties from a position of strength.

### Financial reporting

The Board of Directors accepts responsibility for the quality and completeness of the published financial reports. The Supervisory Board supervises the Board of Directors with regard to the fulfilment of its responsibilities in that regard. Accell Group has institutionalized proper internal procedures for the compilation and publication of the annual report, the annual accounts, the half-yearly figures, and all ad hoc financial information. The Supervisory Board supervises all of the above.

# Corporate Governance

## Compliance with the code

Accell Group has compared its Corporate Governance structure with the principles and best practice provisions stipulated in the Code. As of 1 January 2005, Accell Group is in compliance with most of the principles and best practice provisions in as far as they apply 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 specified below due to the nature and character of the Accell Group organization. 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 introduces the four-year appointment period for directors. The present members of the Board of Directors have however 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. In future we will, in principle, appoint new members of the Board of Directors for maximum periods of four years.

**Best Practice Provisions II.2.6 and III.7.3**

The members of the Board of Directors and the Supervisory Board currently hardly occupy any positions in other publicly listed companies. Consequently there is no persuasive reason for introducing regulations (namely, for the prevention of insider trading) applicable to the ownership of, and transactions in equity by members of the Board of Directors and the Supervisory Board other than those issued by their ‘own’ company. In the event of members of the Board of Directors or the Supervisory Board occupying positions in other publicly listed companies in the future, Accell Group will reconsider its position on this matter.

**Best Practice Provision III.4.3**

In view of the size of the company, Accell Group has refrained from creating a position for a Company Secretary. The duties of the secretary, as described in Best Practice Provision III.4.3 is performed by the Vice Chairperson of the Supervisory Board.

**Principle V.3**

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

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# Risk and Risk Management

## Introduction

Certain risks are attached to the business operations and organization of Accell Group NV in the sense that strategic, operational and financial objectives may not be fully realized. Risk management procedures that positively influence the realization of the company objectives form important components of the overall management process.

The risk management and control system in Accell Group NV is customized to match the type and scope of the organization. While the risk management and control system cannot provide absolute security, it was developed to obtain a degree of certainty with regard to the effectiveness of the control measures applicable to the financial and operational risks to which the organizational objectives are exposed.

In 2004, the Board of Directors and the managements of the various business units conducted a risk inventory, which, once again, mapped out the most important risks, and enabled thorough evaluation of the possible influence of those risks and the most suitable control methods.

In 2005, the ongoing process of the improvement of the activities in the field of risk management will continue, and attention will be given to sharpening the focus on the framework for risk management. That framework will be a component of the planning & control cycle, and the periodic reporting system.

## Risk Management

Accell Group NV's risk management programme comprises the following components:

- Identifying and weighing the risks associated with the various strategic alternatives, and the formulation of realistic objectives with associated control mechanisms.
- Identification and evaluation of the most important strategic, operational and financial risks, as well as the possible influence thereof on the company.
- Development of a coherent system of measures to control, limit, prevent and transfer the prevalent risks.

In principle, the control of the market and operational risks is set up at entity level. However, all measures applicable to treasury, and fiscal and legal affairs are arranged at group level.

# Risk and Risk Management

## Internal Risk Control and Audit Systems

To guarantee the quality of the company's financial reporting and operational audits, Accell Group utilizes an extensive system of administrative organization and internal audits. The auditing system is largely anchored in the company's information systems.

### Roles and Responsibilities

The Board of Directors of Accell Group NV is responsible for the setting up and operation of the internal risk management and control system.
The Supervisory Board is responsible for supervising the performance of the Board of Directors, whereby it specifically monitors the strategic risks and the setting up and functioning of the risk management and internal audit systems.

### Directives for Financial Administration

The personnel of the financial departments are provided with directives and instructions on the setting up and maintenance of the financial administration and reporting systems, the details of which are provided in a reference document. The directives and instructions will be adjusted to the new IFRS standards upon implementation as of the 2005 financial year.

### Financial Planning Cycle and Management Information

The various operating companies draw up annual strategic plans based on developments in the company and in the environment. After harmonization and approval, those plans are converted into budgets. The consolidated strategic plan and budget are discussed by the Supervisory Board.
Management information reports are compiled on a daily, weekly and monthly basis.
The financial plans are tested against the actual results on a monthly basis, and the outcomes are reported to the Board of Directors.

### External Audits

To test the quality of the financial reporting, an annual audit plan is compiled, targeting the most important business processes. The audits are conducted based on existing operational directives and procedures, and are executed in the framework of the Auditor's Report, which is issued with the annual account. It is reported in a formal Management Letter. All salient findings are discussed with the Supervisory Board.

### Letter of Representation

Each of the directors of the various group companies annually sign a detailed declaration with the annual financial reports.

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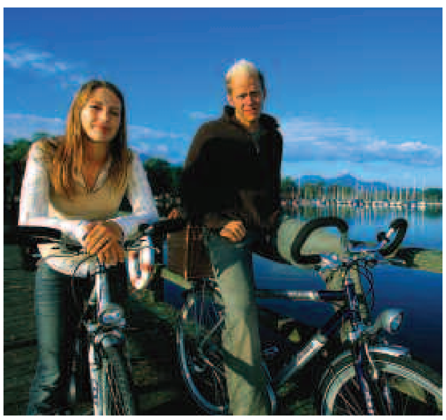
# Risk and Risk Management

## Code of Conduct

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.

## Whistleblower Rule

In 2004, a Whistleblower Rule was imported to ensure that violations of existing policy and procedures be reported without negative consequence for the person reporting the applicable violation.



# Risk and Risk Management

## Strategic Risks

### Marketing and Development

The Accell Group branding strategy demands continuous innovation and the development of attractive products: A challenge that must also be met in the long term. In the event of Accell Group failing to develop sufficiently attractive products, this, in combination with possible changes in brand awareness on the part of the consumer, could pose a risk. In that context, investment in product development activities, and the availability of talented and motivated managers and personnel are essential factors of success.

### Development of the Specialised Retail Trade

Accell Group concentrates, for the marketing and sale of bicycles, bicycle accessories and fitness equipment, on close collaboration with the specialised retail trade.
The specialised retail trade has a major influence on the sales of bicycles and fitness products to the consumer. The development of the specialised retail trade, with regard to other forms of distribution (chain stores, Internet, etc.), is extremely important for Accell Group.

### Import Duties

A number of import duties apply to the importation of bicycle components from outside the European Union. Some countries enjoy discounts on certain general import duties (5-15%). An anti-dumping duty applies to the importation of bicycle components and complete bicycles from China. The main purpose of those regulations is to prevent importing of complete bicycles at unfair price levels. Bicycle manufacturers that import parts for assembly in their own plants are exempted from those regulations. The exemption has been granted to all Accell Group companies. The current levy is set at 30%. The regulations will expire in 2005. The European Union is currently investigating the possible extension and review of anti-dumping duties on Chinese products, and is also investigating imports from Vietnam.
Abolition of the regulations, or substantial changes to their levels, could alter the very structure of supply and demand in the European bicycle markets.

# Risk and Risk Management

## Operational Risks

### The Weather and the Seasons

Sales of Accell Group products fluctuate based on prevailing weather conditions. It follows that more bicycles are sold in summer than in the winter period. In the case of fitness products, the pattern in relation to the weather is reversed. In addition to seasonal turnover patterns, weather changes in any given season could also affect sales. Bad weather in the spring and/or extremely hot or bad weather in the summer could negatively affect bicycle sales in general.

### Logistics

One important aspect of the overall Accell Group policy is to procure components from, and contract activities out to third parties where this can yield benefits and cost savings. This means that, to a certain extent, the business operations of the Group companies are dependent on the availability of the procured goods. Unavailability of those components, when needed, could create problems with regard to bicycle delivery deadlines.

A number of suppliers have a dominant position in the market. If component supplies were to be disrupted, it could have a negative impact on business operations. Delivery times for components could add up to nine months or more. Deviations, in the actual demand for bicycles in the market, from budgeted sales, could yield component surpluses or shortages, which, in turn, could negatively impact turnover and/or inventory marketability.

### Product Liability

Despite the meticulous care taken by Accell Group with respect to the quality (incl. safety and comfort) of its products, incidental shortcomings may, from time to time, appear in the products. Injury to end users due to such shortcomings could entail risks for Accell Group in the form of financial and/or reputation losses. Taking into account the growing awareness of the European consumer, Accell Group continues, unabated, to ensure the quality and safety of its products.

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# Risk and Risk Management

## Financial Risks

### Currency Exchange and Interest Rate Risks

All Accell Group treasury activities are centralized. Part of the components used by the group is purchased in foreign currencies, specifically US dollars and Japanese Yen. Accell Group's strategy targets the minimization of the effect of those currency exchange rates. The need for those currency exchange transactions is hedged every bicycle and fitness season. All recommended sales prices are determined with due consideration to the average hedged long-term rates. Besides the control of currency exchange rate risks, a number of other instruments are also used to control interest rate risks. All financing is effected in Euros. Financial derivatives are used only where the underlying commercial foundations are solid.

### International Financial Reporting Standards (IFRS)

Starting in the 2005 Financial Year, Accell Group will compile its financial reports in accordance with IFRS standards. The application of IFRS standards entails that certain balance sheet items will be specified at real value. The use of alternative accounting principles in the profit and loss account could yield deviating outcomes. These influences could yield greater differences between the financial ratios in the half-yearly and annual figures than in the past, whereby the causes of the changes could only be influenced partially by the management.

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# Future Prospects

The general economic prospects for 2005 are cautiously positive, with the reservation that initially optimistic forecasts for 2005 were adjusted downward in the course of 2004. Consumer confidence was a decisive factor in that regard, and that confidence apparently remains at a low level. For that reason, Accell Group is not expecting major economic progress in 2005.

The unabated interest in healthy lifestyles and movement continues to generate opportunities for Accell Group's strong brands. The fact that consumers remain willing to spend money on this 'subject' is evident from the demand for products with recognizable added value (innovative, comfortable and safe). The strong Accell Group brand continues to benefit from that development. Accell Group's focus therefore remains on supporting those brands, whereby intensive collaboration with the specialised retail trade, and direct marketing at the sales points and to consumers continue to form the main thread.

Accell Group expects, once again, to obtain adequate synergy benefits in 2005. The synergy will be realized through undiminished attention to the optimization of production and logistical processes. Economy of scale remains essential with respect to obtaining the necessary benefits in purchasing, production, development and marketing. In addition to autonomous growth, Accell Group will realize further growth through acquisitions. For that reason Accell Group continues to actively seek acquisition candidates that fit into the group's brand profile.

Based on current market prospects, and unforeseen circumstances aside, Accell Group expects further increases in turnover and profit per share in 2005.

Heerenveen, 23 february 2005

**R.J. Takens, C.E.O.** **H.H. Sybesma, C.F.O.** **J.M. Snijders Blok, C.O.O.**

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# Notes to the Financial Figures

## General

In 2004, Accell Group turnover grew by 18% to € 341.1 million. Seven percent of that growth in turnover was autonomous. The rest of the turnover growth was due to takeovers. In August 2003, Accell Group acquired Tunturi (Finland), which still shows an effect in the 2004 turnover. In 2004 the companies, Juncker and F. van Buuren, were taken over consecutively along with a number of activities of Bremshey in Germany. Those takeovers were consolidated as of 1 January, 1 June and 1 September 2004 respectively. The remaining turnover growth was generated by the takeover, in 2003, of Tunturi and the Juncker BV, F. van Buuren & Co BV and Bremshey companies that were taken over in 2004; which were consolidated into the annual account as of 1 January, 1 June and 1 September 2004 respectively. The Accell Group net profit increased by 42% in the year under review, while the profit per share rose by 38% to € 1.52 (2003: € 1.10).

The average price level of total sales rose fractionally in 2004. Consumers in The Netherlands and France are still willing to pay for the quality and reliability of our bikes. In Germany much attention was given to the positioning of the companies and there is evidence of growth in parts and accessories turnover. In Finland, the emphasis was mainly on the high-quality segment and top design.

## Results

In 2004, the net profits rose by 42% to € 13.0 million. The operating result increased by 36%, resulting in a turnover increase of 6.6% (2003: 5.7%). The increase in the result was due to growing turnover, as well as improved margins. Operating costs increased from 30.4% to 31.6% of the total turnover. Interest rate charges in 2004 amounted to € 2.8 million (2003: € 2.6 million), an increase of 5.9%.

## Turnover per Segment

Turnover in bicycle sales, in 2004, amounted to € 275.1 million; an increase of 9%. The growth was registered mainly in city and trekking bikes. Solid growth was also recorded in sales of electrically assisted bicycles. Thanks to the addition of Juncker and van Buuren, as well as autonomous growth, turnover in parts and accessories grew by 68%. A turnover of € 21.4 million was recorded in sales of fitness equipment in 2004.

Turnover in the Netherlands grew by 21%, whereby the share of the turnover, expressed as a percentage of the total turnover for Accell Group, amounts to 50% (2003: 49%). Turnover remained more or less stable in Germany, which yielded a turnover share of 23% (2003: 27%). In France, turnover grew slightly, resulting in a turnover share of 12% (2003: 14%). Turnover in the group of ‘other countries’, in 2004, came in at a turnover share of 15% (2003: 10%).

## Workforce

The total workforce in 2004 increased to an average of 1,405 employees (2003: 1,213 employees). The average wage costs per employee increased by 3% in 2004. The overall workforce includes 202 temporary personnel (2003: 180 employees); which is consistent with the seasonal pattern of Accell Group business operations. The average turnover per employee in relation to 2003 rose by 2%.

## Costs

Material consumption in 2004 came out at a level of 61.8% of total turnover (2003: 63.8%). Improvement of the added value was mainly due to a strong focus on brand positioning and consistent attention to an optimal sales mix for our quality products. Further synergy benefits were also realized in our purchasing process in 2004.
Currency exchange rate risks, due to component purchasing, are hedged on a seasonal basis. The long-term weakening of the dollar yields benefits from season to season. The currency exchange rate benefits during the season are therefore limited.
Personnel costs added up to € 53.8 million in 2004 (2003: € 45.2 million). Expressed as a percentage of turnover, personnel costs amounted to 15.8% (2003: 15.6%). The other operating costs depended partially on variations in volume. In 2004, the other operating costs increased to € 49.1 million, or 14.4% of total turnover (2003: 13.5%). The relative increase in personnel costs and other costs was partially due to efforts put into the development, production, marketing and sale of our quality products. The item, interest rates, increased by nearly 6% in 2004 due to higher spending from the working capital and the financing costs of the acquisitions.

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# Notes to the Financial Figures

## Balance Sheet

The balance sheet total in 2004 grew by 17.5% to a level of € 158.6 million (2003: € 134.9 million). Part of that increase was due to the acquisition of Juncker and F. van Buuren & Co. Another reason was the increase in the average inventory level. The main reasons for this being changes in production planning and changing purchasing behaviour of the dealers in comparison with 2003.

The return on capital employed in 2004 increased to 16.9% (2003: 15.2%). The takeovers of Juncker BV and F. van Buuren & Co BV were entirely funded with equity capital. The long-term part of the loan capital amounted to € 28.4 million (2003: € 28.5 million); the remaining bank debts, at the end of 2004, amounted to € 38.8 million (2003: € 25.7 million). The Accell Group group capital, at the end of 2004, amounted to € 59.1 million.

Accell Group solvability, based on the group capital at the end of 2004, amounted to 37.3% (2003: 35.6%), and on the capital base it came out at 40.7% (2003: 40.4%).

## International Financial Reporting Standards (IFRS)

As of the start of the 2005 financial year, Accell Group NV will apply international principles of accounting in accordance with IFRS standards in its consolidated annual account. In preparation of the implementation of those standards, an Accell Group project team, supported by external experts, analysed and evaluated the possible consequences for the annual account. Based on that analysis, the company issued directives and instructions for the implementation of the IFRS standards in the company.

Based on the current status of the analysis and the standards, Accell Group NV's financial reporting is influenced by, among other things, the valuation of the tangible fixed assets (hidden reserves in real estate), inventory, pension obligations, financial instruments, and personnel schemes (permanent employee benefits). Under the IFRS, more assets and liabilities that were previously qualified as 'off-balance' (e.g. in the case of financial instruments used by Accell Group NV to hedge financial risks) will be consolidated in the balance sheet. In addition, certain liabilities could be classified differently than in the past.

# Notes to the Financial Figures

Although the IFRS standards could still undergo further changes, and the status as of 31 December 2005 is indicative with regard to the application of the IFRS at balance sheet moments 1-1-2004, 31-12-2004 and 31-12-2005, the following is a pro forma overview of the salient influences on the company's equity capital. Based on current insight the IFRS will not have a substantial material influence on the operational

## Pro forma overview of "Equity affiliation"

| | 31-12-2004 |
|---|---|
| **Equity situation based on current principles:** | **59.1** |
| Goodwill | 0.2 |
| Buildings & sites | 8.9 |
| Inventory | -1.4 |
| Pension provisions | -1.4 |
| Valuation of financial instruments | -2.2 |
| Employee Benefits | -0.9 |
| | **62.3** |
| Defferred taxes | -1.9 |
| **Equity status according to IFRS:** | **60.4** |

The IFRS figures are purely indicative. The state of the IFRS standard at 31 December 2005 will determine the final application.

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# Notes to the Financial Figures

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# Consolidated Balance Sheet at 31 December 2004

Before profit appropriation (in thousands of Euros)

| | 2004 | 2003 |
|---|---|---|
| **Assets** | | |
| **Fixed assets** | | |
| Intangible fixed assets (1) | **2,974** | 583 |
| Tangible fixed assets (2) | **30,810** | 28,905 |
| Financial fixed assets (3) | **5,708** | 5,659 |
| | **39,492** | 35,147 |
| **Floating assets** | | |
| Stock (4) | **70,074** | 54,139 |
| Receivables (5) | **48,964** | 45,587 |
| Liquid assets | **80** | 67 |
| | **119,118** | 99,793 |
| **Total assets** | **158,610** | 134,940 |
| **Liabilities** | | |
| Group capital (6) | **59,110** | 48,051 |
| Provisions (7) | **6,778** | 6,984 |
| Long-term debts (8) | **28,354** | 28,518 |
| Short-term debts (9) | **64,368** | 51,387 |
| **Total liabilities** | **158,610** | 134,940 |

'The figures shown under the categories refer to the notes on pages 66 through 70.

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# Consolidated Profit and Loss Account Over 2004

(in thousands of Euros)

| | 2004 | 2003 |
|---|---|---|
| **Net turnover** | **341,146** | 289,577 |
| | | |
| Costs raw and auxiliary materials | **210,833** | 184,809 |
| Personnel costs (10) | **53,845** | 45,157 |
| Depreciations (11) | **4,858** | 3,854 |
| Other operating costs | **49,074** | 39,160 |
| | **318,610** | 272,980 |
| | | |
| Operating result | **22,536** | 16,597 |
| Result from participations | **278** | 111 |
| Financial charges | **- 2,777** | - 2,623 |
| | | |
| Result from ordinary operations before tax | **20,037** | 14,085 |
| Taxes | **- 7,032** | - 4,888 |
| | | |
| Result from ordinary operations after tax | **13,005** | 9,197 |
| Third-party share in result | **0** | - 20 |
| | | |
| **Net profit** | **13,005** | 9,177 |

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# Consolidated Cash Flow Overview

(in thousands of Euros)

| | 2004 | 2003 |
|---|---|---|
| **Cash flow from operational activities** | | |
| Net profit | **13,005** | 9,177 |
| Depreciations | **4,866** | 3,886 |
| Transactions investment subsidies | **- 8** | - 32 |
| Transactions in financial fixed assets | **- 49** | - 2,925 |
| Transactions in provisions | **- 206** | 1,045 |
| Transactions in stock | **- 10,261** | 1,765 |
| Transactions in receivables | **- 1,841** | - 2,218 |
| Transactions in working capital through new consolidations | **- 5,977** | - 9,460 |
| Transactions in short-term debts | **- 1,350** | 5,731 |
| **Net cash flow from operational activities** | **- 1,821** | 6,969 |
| **Cash flow related to investments** | | |
| Investments in intangible fixed assets | **- 2,971** | - 79 |
| Investments in tangible fixed assets | **- 6,336** | - 7,708 |
| Investments in tangible fixed assets through new consolidations | **- 1,409** | - 2,267 |
| Divestments in tangible fixed assets | **882** | 1,028 |
| Other transactions | **680** | 271 |
| **Net cash flow related to investments** | **- 9,154** | - 8,755 |
| **Cash flow related to financing activities** | | |
| Withdrawals other long-term debts | **1,476** | 84 |
| Repayment subordinated loan | **- 1,000** | - 1,000 |
| Repayment long-term debts | **- 640** | - 567 |
| Transactions in bank credit | **13,098** | 6,674 |
| Dividend payments | **- 1,417** | - 3,158 |
| Transactions third-party share | **- 115** | 115 |
| Other transactions | **- 414** | - 375 |
| **Net cash flow related to financing activities** | **10,988** | 1,773 |
| **Liquidity** | | |
| Total net cash flow | **13** | - 13 |
| Opening balance liquid assets on 1 January | **67** | 80 |
| **Closing balance liquid assets on 31 December** | **80** | 67 |

# Information by Segment

(in thousands of Euros)

| | 2004 | 2003 |
|---|---|---|
| **Distribution of turnover** | | |
| **Turnover by country:** | | |
| Netherlands | **170,849** | 141,213 |
| Germany | **77,931** | 77,138 |
| France | **42,790** | 41,868 |
| Other EU countries | **39,808** | 23,111 |
| Rest of world | **9,768** | 6,247 |
| | **341,146** | 289,577 |
| **Omzet per productgroep:** | | |
| Bicycles | **275,073** | 251,664 |
| Fitness | **21,419** | 11,335 |
| Parts | **44,654** | 26,578 |
| | **341,146** | 289,577 |
| **Personnel distribution** | | |
| Average number of employees (FTEs) per country: | | |
| Netherlands | **780** | 693 |
| Germany | **176** | 188 |
| France | **134** | 130 |
| Finland | **170** | 167 |
| Hungary | **145** | 132 |
| | **1,405** | 1,310 |
| Correction for Finnish personnel in pre-consolidation period | **0** | - 97 |
| Average number of employees over full financial year | **1,405** | 1,213 |

In view of the rather one-sided distribution of turnover over the main segments, a further splitting up of the profit-and-loss account would yield practical problems and become arbitrary. The corporate management report is oriented towards operating company level, and perfectly suits the requirements for internal direction. The existing structure does not support breakdown under main segments, whereby statement of turnover and personnel information will suffice.

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# Principles of the Annual Account

## General principles for the compilation of the consolidated annual account

### Group Relations

Accell Group NV, of Heerenveen, is the holding company of a group of legal entities. An overview of the relevant data, as required by Articles 2:379 and 2:414 of the Civil Code, is enclosed on page 77 of this annual report.

### Consolidation

The consolidated annual account of Accell Group NV reflects the financial data for the group companies.

The consolidated annual account is compiled subject to application of the principles of valuation and result determination applicable to Accell Group NV. The financial data pertaining to the group companies are fully accounted for in the consolidated annual account subject to the elimination of intercompany relationships and transactions. Third-party interests in the capital and result of the group companies are expressed separately in the consolidated annual account.

The results of newly acquired participations are consolidated from the time of incorporation as members of the group. The results of divested participations, in as far as this concerns spin-offs and direct sales, are processed in the consolidation up to the time of termination of membership of the group.

Results of participations due for liquidation are consolidated as of 1 January of the year in which the liquidation was determined. The financial data for Accell Group NV are processed in the consolidated annual account so that, based on Article 2:402 of the Civil Code, an abridged profit and loss account will suffice in the corporate annual account.

### General

The valuation of assets and liabilities is based on historical costs. Unless otherwise specified under the applicable item, the assets and liabilities are accounted for at nominal value. Income and expenditure are allocated to the year to which they apply. Profits are only accounted for in as far as they have actually been realized. Losses and risks originating from before the end of the year under review are accounted for in the applicable year.

### Conversion of Foreign Currency

Receivables, debts and obligations in foreign currencies are converted at the rates applicable as of the balance sheet date, except in as far as exchange rate risks are hedged.

# Principles of the Annual Account

General principles for the compilation of the consolidated annual account

In such instances valuation is effected at the agreed forward prices. Transactions in foreign currencies effected in the period under review are accounted for in the annual account at the settlement rate. Rate differences arising from conversion at the balance sheet date are accounted for in the profit and loss account. The rate at the balance sheet date is used for the conversion of the annual accounts of overseas group companies and non-consolidated participations. Rate conversion differences are added directly to or deducted from the group capital.

## Principles of valuation of assets and liabilities and for determination of the result

The following are the salient principles:

### Intangible Fixed Assets

Expenditures in Research & Development are valuated to the amount of the actual costs less cumulative depreciations. Depreciation is linear over the estimated economic life, which is expected to be three years. A legal reserve was set up to the value of the capitalized amount.

Starting with the 2004 financial year, the goodwill paid on acquisitions will be capitalized. The goodwill represents the surplus of the purchase price over the actual value of the participation in the company in the net capital of the acquired companies or operations. Goodwill depreciation is linear over the estimated economic life up to a maximum of 20 years. Most of the goodwill is depreciated over a period of 10 years.

Depreciation on intangible fixed assets is accounted for under the depreciations charged to the result.

### Tangible Fixed Assets

Tangible fixed assets are valued at purchase price less cumulative depreciation, calculated with due consideration of the estimated economic life of the applicable assets. The calculation also takes into account a possible residual value.

The estimated economic life per category is:

| | |
|---|---|
| Buildings | 20-40 years |
| Machines and systems | 3-10 years |

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# Principles of the Annual Account

## General principles for the compilation of the consolidated annual account

### Financial Fixed Assets

Participations subject to significant business and financial policy influence are valued at net capital value. The latter value is calculated based on the same principles used by Accell Group for valuation and result determination. Participations not subject to significant influence are valued at the purchase price. The valuation of participations takes into account permanent value reductions.

Latent tax receivables relate to offsettable tax losses and are valued in as far as sufficient future tax profits are expected in the near future to offset against accountable losses. Valuation is done at locally applicable nominal rates.

### Stock

Raw and auxiliary materials and trading goods stock are valued at the purchase price or lower net realizable value. The lower net realizable value is determined based on separate evaluation of the stock.

The ready product stock is valued at the production price or the lower net realizable value. The lower net realizable value is determined based on separate evaluation of the stock. The production price comprises direct material consumption, direct wage and machine costs, and all other costs that can be attributed directly to production. The net realizable value is based on an expected sales price less all completion and sales costs.

### Receivables

All receivables are consolidated at nominal value less the required provisions for the risk of irrecoverables. The provisions are determined based on separate evaluation of the receivables.

### Provisions

The provisions are not related to specific assets and are formed to cover operational risks and obligations.

### Pensions

The pension provision is based on actuarial calculations and included at cash value.

### Defferred taxes

Provisions for latent taxes include temporary differences due to the fact that deviations between the valuation in the annual account and the tax valuations of the assets and liabilities result in a taxation time shift. The reserve established to that end is calculated at nominal rates.

# Principles of the Annual Account

General principles for the compilation of the consolidated annual account

### Guarantee Obligations

The guarantee obligation provision is consolidated based on the estimated cost expected to arise from current guarantee obligations for supplied goods and services at the balance sheet date. Guarantee claims are charged to this provision.

### Turnover

Turnover is understood as the yield for goods and services provided to third parties, excluding taxes.

### Tax on Profits

Tax is calculated over the result as determined in accordance with the aforementioned principles. Tax over the results from ordinary operations is determined with due consideration of current tax facilities.

## Principles of the cash flow overview

### General

The cash flow overview is compiled by the indirect method. The funds in the cash flow overview consist exclusively of liquid assets. Cash flow in foreign currencies is converted at the rates applicable as of the balance sheet date. Income and expenditure from interest and tax on profits are included under Cash Flow from Operations. Payable dividends are included under Cash Flow from Financing Activities. Transactions in which no cash exchange is involved, including financial leasing, are not included in the cash flow overview.

### Composition of Liquid Assets

This item consists exclusively of available cash, and is directly available.

### Notes on cash flow

Investment in tangible fixed assets only covers investments paid in cash in 2004. The investment mainly applies to replacements.

# Notes to the Consolidated Financial Figures

(in thousands of Euros)

## 1. Intangible Fixed Assets

| | R&D costs | Goodwill | Totaal Intangible fixed assets |
|---|---|---|---|
| Balance sheet value on 31 December 2003 | 583 | 0 | 583 |
| Investments | 0 | 2,971 | 2,971 |
| Depreciations | - 262 | - 229 | - 491 |
| Diverse transactions | - 89 | 0 | - 89 |
| **Balance sheet value on 31 December 2004** | **232** | **2,742** | **2,974** |
| | | | |
| Situation at 31 December 2003 | | | |
| Purchase value | 786 | 2,971 | 3,757 |
| Accumulated depreciations | - 554 | - 229 | - 783 |
| **Balance sheet value on 31 December 2004** | **232** | **2,742** | **2,974** |

## 2. Tangible Fixed Assets

| | Buildings and sites | Machines and systems | Total tangible fixed assets |
|---|---|---|---|
| Balance sheet value on 31 December 2003 | 19,097 | 9,808 | 28,905 |
| Investments | 1,905 | 4,431 | 6,336 |
| Investments on acquisitions | 178 | 1,231 | 1,409 |
| Divestments | - 673 | - 209 | - 882 |
| Depreciations | - 1,051 | - 3,324 | - 4,375 |
| Diverse transactions | - 378 | - 205 | - 583 |
| **Balance sheet value on 31 December 2004** | **19,078** | **11,732** | **30,810** |
| | | | |
| Situation at 31 December 2003 | | | |
| Purchase value | 28,063 | 39,310 | 67,373 |
| Accumulated depreciations | - 8,985 | - 27,578 | - 36,563 |
| **Balance sheet value on 31 December 2004** | **19,078** | **11,732** | **30,810** |

The valuation of the tangible fixed assets at the balance sheet date includes a number of extraordinary value reductions, namely € 600,000 under Commercial Buildings and Sites, and approximately € 364,000 under Machines and Plants.

# Notes to the Consolidated Financial Figures

(in thousands of Euros)

## 3. Financial Fixed Assets

This applies to the long-term part of latent tax receivables under offsettable losses in participations. The short-term part of the latent tax receivables is included under current assets in view of the expectation that it will be realized within a year. This item also includes the participation in Lacasdail Holdings Ltd, Nottingham, Great Britain (50%). The balance sheet value of this participation, as of 31 December 2004, is € 1,039.

| | Latent Tax receivables | Financial participations | Total financial fixed assets |
|---|---|---|---|
| Balance sheet value on 31 December 2003 | 4,783 | 876 | 5,659 |
| Transactions on acquisitions | 0 | 0 | 0 |
| Diverse transactions | - 114 | 163 | 49 |
| **Balance sheet value on 31 December 2004** | **4,669** | **1,039** | **5,708** |

## 4. Stock

| | 2004 | 2003 |
|---|---|---|
| Raw and auxiliary materials | **32,520** | 24,327 |
| Semimanufacture | **2,508** | 2,604 |
| Ready product | **35,046** | 27,208 |
| | **70,074** | 54,139 |

## 5. Receivables

| | 2004 | 2003 |
|---|---|---|
| Trade debtors | **43,273** | 42,474 |
| Receivables on participations | **573** | 584 |
| Tax and social security premiums | **613** | 737 |
| Other receivables and accrued and deferred assets | **4,505** | 1,792 |
| | **48,964** | 45,587 |

*A claim of € 1.85 million became outstanding on the balance sheet due to the sale of a company building.*

*The other receivables have a short-term character.*

# Notes to the Consolidated Financial Figures

(in thousands of Euros)

## 6. Group Capital

| | 2004 | 2003 |
|---|---|---|
| Equity capital | **59,110** | 47,936 |
| Third-party shares in group companies | **0** | 115 |
| *For a more detailed explanation of the company equity capital, please refer to the notes to the corporate balance sheet.* | | |
| Capital base | **64,610** | **54,551** |

*The capital base, or own funds, consists of the equity capital and subordinated loan granted by NIB Capital, which amounted to € 5.5 million at the end of 2004. The subordinated loan is included under long-term debts.*

## 7. Provisions

| | Pensions | Latent tax | Guarantee obligations | Other obligations |
|---|---|---|---|---|
| Situation on 31 December 2003 | 2,193 | 744 | 4,047 | 6,984 |
| Consumption | - 22 | - 549 | - 1,482 | - 2,053 |
| Contribution | 0 | 0 | 1,847 | 1,847 |
| **Situation on 31 December 2004** | **2,171** | **195** | **4,412** | **6,778** |

*The provisions for pensions, taxes and guarantees have a dominantly long-term character. The other provisions concern provisions for operational reorganizations in the fields of fitness and bicycle components, as well as a provision for earn-out obligations created at the time of the takeover of Juncker B.V..*

## 8. Long-term Debts

| End 2004: | Outstanding | Short | Remaining | Duration < 5 jaar | Duration > 5 jaar |
|---|---|---|---|---|---|
| a) Subordinated loan | 5,500 | 1,000 | 4,500 | 4,000 | 500 |
| b) Rollover loan | 20,000 | 0 | 20,000 | 20,000 | 0 |
| c) Mortgage | 1,040 | 560 | 480 | 480 | 0 |
| d) Other loans | 1,814 | 174 | 1,640 | 826 | 814 |
| | 28,354 | 1,734 | 26,620 | 25,306 | 1,314 |

*The subordinated loan has the character of a general subordination, and an initial duration of 7.5 years. The subordinated loan has a linear repayment structure, whereby the initial repayment was fulfilled in 2003.*
*The rollover loan is a 5-year standby credit facility that was issued at the end of 2002 by ABN-AMRO with variable withdrawal periods and varying interest rates based on the actual duration.*

# Notes to the Consolidated Financial Figures

(in thousands of Euros)

*The mortgage loan was issued in 2002 for the real estate in Hungary, and is subject to a term of 5 years.*
*Limited securities were issued for other loans for industrial equipment in one of the overseas companies.*
*The average rate of interest on the long-term debts is 4.6%.*

| 9. Short-term debts | 2004 | 2003 |
|---|---|---|
| Credit institutions *) | **38,826** | 25,728 |
| Suppliers | **13,782** | 18,270 |
| Tax and social security premiums | **2,294** | 0 |
| Other debts and accrued and deferred liabilities | **9,466** | 7,389 |
| | **64,368** | 51,387 |

*) Barring conditions of a general nature, no security was provided for the bank credits.
The interest rate is variable.

**SUPPLEMENTARY INFORMATION BASED ON ACTUAL VALUES**

The determination of capital and results based on actual value yields different values than those included in the annual account. The influence of the price changes is calculated as follows: The actual value of the land is approximated based on prices specified by external sources. The actual value of the company buildings is based on replacement costs and determined based on assessments conducted by independent assessors.
To calculate the effect on the company capital and result, the value thus established is corrected with cumulative depreciations based on the replacement value. The actual value of the stock is approximately equivalent to the valuation in the balance sheet. A provision is created to cover latent tax obligations over the calculated value corrections, calculated based on the nominal current rate.

Application of the aforementioned yields an equity capital based on actual value, which exceeds the capital in the consolidated balance sheet on 31 December 2004 by approximately € 7.0 million. Adjustment of the 2004 result based on higher depreciations based on actual value, assuming a residual depreciation term of 25 years, amounts to approximately € 0.30 million after tax.

Annual account 2004

# Notes to the Consolidated Financial Figures

(in thousands of Euros)

## 10. Personnel Costs

| 10. Personnel Costs | 2004 | 2003 |
|---|---|---|
| Salaries & wages | **40,607** | 33,390 |
| Social charges | **7,446** | 6,872 |
| Pension premiums | **3,758** | 3,308 |
| Profit appropriation | **2,034** | 1,587 |
| | **53,845** | 45,157 |

## 11. Afschrijvingen

| 11. Afschrijvingen | 2004 | 2003 |
|---|---|---|
| Intangible fixed assets | **491** | 292 |
| Tangible fixed assets | **4,375** | 3,594 |
| Investment subsidies | **- 8** | - 32 |
| | **4,858** | 3,854 |

## 12. Other Notes

**Obligations not evident from the balance sheet**

The company has financial obligations based on long-term commitments arising from lease contracts related to IT equipment and cars. The obligation amounts to approximately € 1.5 million per annum and has an average remaining term of 3.3 years.

In addition, the company has financial obligations based on long-term rental contracts. The obligations amount to approximately € 1.5 million per annum with an average remaining term of 9.3 years.

In 2003 an interest rate swap was agreed upon based on interest rate management, as a result of which the interest obligations for the next three years will amount to approximately € 0.8 million per annum.

**Overige**

On 22 April 2004, the NMa announced that Accell Group would be issued with a fine to the amount of € 12.8 million for purported violation of the Competition Act. Accell Group absolutely denies those accusations, as well as the validity of the fine, and immediately filed an objection, as a consequence of which the obligation to pay and/or the fine was suspended. Accell Group considers the accusations of purported price fixing absolutely unfounded, the fine unfair and, moreover, out of all proportions.

In September 2004 the company signed a letter of intention for the takeover of Julyus Holz GmbH & Co KG." That takeover became effective at the beginning of 2005.

In January 2005, an agreement was reached with the minority shareholders of Lacasdail Holdings Ltd. in Nottingham "regarding the sale of their shares to Accell Group; the takeover became effective in February 2005."

Annual account 2004

# Corporate Balance Sheet on 31 December 2004

Before profit appropriation (in thousands of Euros)

| | 2004 | 2003 |
|---|---|---|
| **Assets** | | |
| **Fixed assets** | | |
| Intangible fixed assets | **2,974** | 583 |
| Tangible fixed assets | **0** | 0 |
| Financial fixed assets **a)** | **85,897** | 80,011 |
| **Floating assets** | **430** | 2,127 |
| **Total assets** | **89,301** | 82,721 |
| **Liabilities** | | |
| **Equity capital b)** | | |
| Issued capital | **173** | 167 |
| Share premium reserve | **12,557** | 12,563 |
| Participation revaluation reserve | **2,500** | 2,500 |
| Legal reserve | **232** | 583 |
| Other reserves | **30,643** | 22,946 |
| Result financial year | **13,005** | 9,177 |
| | **59,110** | 47,936 |
| **Long-term debts** | | |
| Subordinated loan | **5,500** | 6,500 |
| Roll-over loan | **20,000** | 20,000 |
| | **25,500** | 26,500 |
| **Short-term debts** | | |
| Debts to group companies | **599** | 4,639 |
| Credit institutions | **4,092** | 3,646 |
| | **4,691** | 8,285 |
| **Total liabilities** | **89,301** | 82,721 |

The letters shown with the classifications refer to the notes to pages 73 through 76.

Annual account 2004

# Corporate Profit and Loss Account Over 2004

(in thousands of Euros)

| | 2004 | 2003 |
|---|---|---|
| Result from participations after tax | **14,242** | 9,817 |
| Other results | **- 1,237** | - 640 |
| | **13,005** | 9,177 |

**Supervisory Board**

S.W. Douma, Chairman

D.J. Haank

J.H. Menkveld

J.J. Wezenaar

**Board of Directors**

R.J. Takens, CEO

H.H. Sybesma, CFO

J.M. Snijders Blok, COO

Heerenveen, 23 February 2005

Annual account 2004

# Notes to de Corporate Balance Sheet

(in thousands of Euros)

| | 2004 | 2003 |
|---|---|---|
| **a) Financial Fixed Assets** | | |
| *The following represents the movements of the financial fixed assets:* | | |
| **Participations** | | |
| Situation on 1 January | **50,657** | 41,964 |
| Results | **14,242** | 9,817 |
| | **64,899** | 51,781 |
| Investments/divestment | **4,508** | 7,896 |
| Other transactions | **- 11,787** | - 9,020 |
| **Situation on 31 December** | **57,620** | 50,657 |
| **Receivables on group companies** | | |
| Situation on 1 January | **29,354** | 31,826 |
| Issued loans | **12,781** | 3,450 |
| Repaid loans | **- 13,858** | - 5,922 |
| **Situation on 31 December** | **28,277** | 29,354 |
| **Total financial fixed assets** | **85,897** | 80,011 |

## Obligations not evident from the balance sheet

The legal entity is a component of the ‘Accell Group’ tax unity and, as such, is accountable for the tax liabilities of the tax unity as a whole.

The company is jointly and severally liable, on the grounds of Article 2:403 section 1f of the Civil Code, for all debts pursuant to legal procedures on the part of a number of its subsidiaries. Statements to that effect are available for scrutiny at the offices of the Register of Companies where the legal entity for which liability has been assumed is established.

# Notes to de Corporate Balance Sheet

(in thousands of Euros)

## b) Equity Capital

The authorised capital is € 650,000 divided into 13,750,000 ordinary Accell Group shares, 2,500,000 F preference shares and 16,250,000 B preference shares, each with a nominal value of € 0.02. Of those, 8,656,267 ordinary shares are issued and fully paid-up, making the outstanding equity capital € 173,125,34.

| | |
|---|---|
| **I. Issued Capital** | |
| Situation on 31 December 2003 | 167 |
| Other transactions | 6 |
| **Situation on 31 December 2004** | **173** |
| **II. Share premium reserve** | |
| Situation on 31 December 2003 | 12,563 |
| Other transactions | - 6 |
| **Situation on 31 December 2004** | **12,557** |
| **III. Participation revaluation reserve** | |
| Situation on 31 December 2003 | 2,500 |
| Realised | 0 |
| **Situation on 31 December 2004** | **2,500** |
| **IV. Legal reserve** | |
| Situation on 31 December 2003 | 583 |
| Transactions | - 351 |
| **Situation on 31 December 2004** | **232** |
| **V. Other reserves** | |
| Situation on 31 December 2003 | 22,946 |
| 2003 result change | 9,177 |
| Dividend payment 2003 | - 1,417 |
| Other transactions | - 63 |
| **Situation on 31 December 2004** | **30,643** |
| **VI. Result financial year** | |
| Situation on 31 December 2003 | 9,177 |
| 2003 result change | - 9,177 |
| Result financial year 2004 | 13,005 |
| **Situation on 31 December 2004** | **13,005** |
| **Total equity capital on 31 December 2004** | **59,110** |

# Notes to de Corporate Balance Sheet

(in thousands of Euros)

## Remuneration of the Board of Directors and Supervisory Board

### Board of Directors

The individual members of the Board of Directors were remunerated as follows [1]:

| (in €) | Salary | Bonus | Pension premiums | Total |
|---|---|---|---|---|
| R.J. Takens | 255,000 | 127,500 | 112,208 | 494,708 |
| H.H. Sybesma | 171,000 | 85,500 | 26,483 | 282,983 |
| J.M. Snijders Blok | 130,000 | 65,000 | 24,080 | 219,080 |
| **Total** | **556,000** | **278,000** | **162,771** | **996,771** |

[1] The company's remuneration policy is represented in the remuneration report, which is proposed to the General Meeting of Shareholders for adoption. The bonuses accounted for in the financial year under review apply to the year under review, and are subject to the objectives agreed upon between the Advisory Board and the Board of Directors. Those objectives were fully realized in 2004.

### Supervisory Board

The individual members of the Supervisory Board were remunerated as follows:

| (in €) | |
|---|---|
| S.W. Douma | 27,600 |
| D.J. Haank | 20,004 |
| J.J. Wezenaar | 20,004 |
| J.H. Menkveld | 20,004 |
| **Total** | **87,612** |

## Shares and Options

### Shares

The number of shares owned by Messrs Takens and Sybesma respectively at the end of 2004 was 8,136 and 8,533. Mr Haank of the Supervisory Board owned 4,685 shares at the end of 2004.

# Notes to de Corporate Balance Sheet

(in thousands of Euros)

## Options

The company has a share option plan for members of the Board of Directors. In the case of all options granted to date being exercised, the number of issued shares will increase by 2.4%. The company policy does not cover options through company share buybacks. The company will issue new shares at the time of options being exercised. The columns below represent the number and distribution of share options granted:

| | Number at 01-01-2004 | Issued in 2004 | Exercised in 2004 | Number at 31-12-2004 | Average strike price | Remaining duration |
|---|---|---|---|---|---|---|
| **Directors:** | | | | | | |
| R.J. Takens | 122,250 | 27,500 | - | 149,750 | € 5.39 | 1-4 year |
| H.H. Sybesma | 40,750 | 18,500 | - | 59,250 | € 6.20 | 2-4 year |

The Supervisory Board grants share options to the Directors based on the realization of objectives agreed upon with the Board of Directors and the expected contribution of the members of the Board of Directors to the further development of the company.

The options allocated to the directors in the course of the financial year are unconditional and are subject to a maximum exercise period of 5 years. The strike price of the options allocated in the financial year was € 9.24.
The directors were offered a financing plan to cover the tax consequences of option issuance. Both members of the board made use of the aforementioned plan in the financial year. Both directors made use of the option in the year under review; at the end of 2004, the interest-free loans granted to Mr Takens and Sybesma amounted to € 96,401 and € 44,821 respectively. This scheme expired on 1-1-2005.

# Participations

| Consolidated participations | % participation |
|---|---|
| Batavus B.V., Heerenveen, The Netherlands | 100 |
| Koga B.V., Heerenveen, The Netherlands | 100 |
| Koga Trading A.G., Zurich, Switzerland | 100 |
| Loekie B.V., Kesteren, The Netherlands | 100 |
| Juncker B.V., Veenendaal, The Netherlands | 100 |
| F. van Buuren & Co. B.V., Amsterdam, The Netherlands | 100 |
| Sparta B.V., Apeldoorn, The Netherlands | 100 |
| IT Services B.V., Heerenveen, The Netherlands | 100 |
| Accell Germany B.V., Heerenveen, The Netherlands | 100 |
| Accell-Hercules Fahrrad GmbH & Co. KG, Nuremberg, Germany | 100 |
| Winora Staiger GmbH, Sennfeld, Germany | 100 |
| E. Wiener Bike Parts GmbH, Sennfeld, Germany | 100 |
| Tunturi Oy Ltd., Turku, Finland | 100 |
| Tunturi B.V., Amsterdam, The Netherlands | 100 |
| Tunturi GmbH, Sennfeld, Germany | 100 |
| Accell Group France S.A., Andrézieux, France | 100 |
| Cycles Mercier France-Loire S.A., Andrézieux, France | 100 |
| Cycles Lapierre S.A., Dijon, France | 100 |
| Accell Hunland Kft., Tószeg, Hungary | 100 |
| Accell Kft., Tószeg, Hungary | 100 |

| Non-consolidated participations | |
|---|---|
| Lacasdail Holdings Ltd., Nottingham, Great Britain | 50 |
| In2Sports B.V., Eindhoven, The Netherlands | 24 |

Annual account 2004

# Other Information

**Provisions of the articles of association concerning profit appropriation**

## Article 26 (partial)

### Paragraph 4

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

### Paragraph 5

After the allocation to the reserves, in accordance with the preceding paragraph, the profit shall be placed at the disposal of the General Meeting of Shareholders.

## Dividend Proposal

The Board of Directors proposes to pay Accell Group shareholders dividends of € 0.72 or dividends paid out in shares.

## Stichting Preferente Aandelen Accell Group

The Stichting Preferente Aandelen Accell Group (‘Accell Group Preference Share Foundation’) was incorporated in accordance with Dutch law and has its registered office in Heerenveen. An agreement has been entered into with Stichting Preferente Aandelen Accell Group, under which ‘B’ preference shares may be placed with the Stichting.
At the current time, no ‘B’ preference shares in the company’s capital have been issued. The Stichting’s board consists of two ‘A’ board members, namely Messrs. H.M.N. Schonis and B. van der Meer, and one ’B’ board member, Mr. H.A. van der Geest.

In the joint opinion of the company and the Stichting’s board, the Stichting is independent of the company within the meaning of Schedule X of the Listing and Issuing Rules of Euronext Amsterdam.

# Auditors' report

## Introduction

We have audited the annual accounts of Accell Group N.V., Heerenveen, for the year 2004. These annual accounts are the responsibility of the company's management. Our responsibility is to express an opinion on these annual accounts based on our audit.

## Scope

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual accounts. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual accounts. We believe that our audit provides a reasonable basis for our opinion.

## Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of the company as at December 31, 2004 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

**Amsterdam, February 23, 2005**
**Deloitte Accountants B.V.**

Annual account 2004

# Multi-year overview

(in millions of Euros, unless otherwise specified)

| | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 |
|---|---|---|---|---|---|---|---|
| Turnover | **341.1** | 289.6 | 259.4 | 205.6 | 203.7 | 150.3 | 149.4 |
| Personnel costs | **53.8** | 45.2 | 38.7 | 33.7 | 35.1 | 27.6 | 26.3 |
| Operating result | **22.5** | 16.6 | 13.8 | 11.4 | 9.7 | 6.0 | 8.8 |
| Interest | **2.8** | 2.6 | 3.2 | 3.6 | 3.0 | 1.4 | 1.7 |
| Tax | **7.0** | 4.9 | 3.7 | 2.8 | 2.4 | 1.6 | 2.6 |
| Net profits* | **13.0** | 9.2 | 6.8 | 5.1 | 4.3 | 3.0 | 4.4 |
| Depreciations | **4.9** | 3.9 | 2.8 | 2.3 | 2.3 | 2.2 | 2.1 |
| Cash flow | **17.9** | 13.0 | 9.6 | 7.4 | 6.6 | 5.2 | 6.6 |
| Investments | **7.7** | 10.0 | 5.5 | 5.5 | 2.4 | 3.5 | 1.7 |
| Balance sheet total | **158.6** | 134.9 | 112.5 | 117.5 | 96.5 | 79.7 | 65.0 |
| Tangible fixed assets | **30.8** | 28.9 | 23.8 | 21.4 | 13.3 | 13.3 | 12.1 |
| Capital employed | **133.1** | 109.3 | 97.3 | 102.9 | 84.9 | 70.7 | 55.6 |
| Group capital | **59.1** | 48.1 | 42.3 | 37.4 | 28.2 | 24.5 | 21.6 |
| Capital base | **64.6** | 54.6 | 49.8 | 37.4 | 28.2 | 24.5 | 21.6 |
| Provisions | **6.8** | 7.0 | 5.9 | 8.5 | 5.7 | 6.2 | 4.9 |
| | | | | | | | |
| Average number of employees | **1,405** | 1,213 | 1,061 | 1,051 | 998 | 768 | 785 |
| Shares issued at end | **8,656,267** | 8,373,903 | 8,309,403 | 8,039,633 | 7,314,633 | 7,128,320 | 6,906,343 |
| Average number of shares | **8,549,802** | 8,320,440 | 8,222,190 | 7,334,495 | 7,252,528 | 7,054,328 | 6,716,363 |
| Market capitalization | **135.9** | 67.8 | 42.2 | 37.0 | 25.9 | 26.8 | 33.2 |
| | | | | | | | |
| Data per share ** | | | | | | | |
| Group capital | **6.91** | 5.59 | 4.98 | 4.79 | 3.66 | 3.26 | 3.03 |
| Capital base | **7.56** | 6.34 | 5.86 | 4.79 | 3.66 | 3.26 | 7.82 |
| Cash flow | **2.09** | 1.52 | 1.13 | 0.95 | 0.86 | 0.68 | 0.87 |
| Net profits* | **1.52** | 1.07 | 0.80 | 0.65 | 0.56 | 0.39 | 0.58 |
| Dividend | **0.72** | 0.50 | 0.37 | 0.33 | 0.23 | 0.16 | 0.23 |
| | | | | | | | |
| Ratios (in%) | | | | | | | |
| ROCE | **16.9** | 15.2 | 14.1 | 11.1 | 11.4 | 8.5 | 15.8 |
| ROE | **22.0** | 19.1 | 16.0 | 13.6 | 15.2 | 12.2 | 20.6 |
| Operating result/turnover | **6.6** | 5.7 | 5.3 | 5.5 | 4.8 | 4.0 | 5.9 |
| Net profits*/turnover | **3.8** | 3.2 | 2.6 | 2.5 | 2.1 | 2.0 | 3.0 |
| Cash flow/turnover | **5.2** | 4.5 | 3.7 | 3.6 | 3.2 | 3.5 | 4.4 |
| Balance sheet total/turnover | **46.5** | 46.6 | 43.4 | 57.1 | 47.4 | 53.0 | 43.5 |
| Solvability (subj. to group capital) | **37.3** | 35.6 | 37.6 | 31.9 | 29.3 | 30.8 | 33.3 |
| Solvability (subj. to guarantee capital) | **40.7** | 40.4 | 44.3 | 31.9 | 29.3 | 30.8 | 33.3 |
| Pay-out percentage | **47.3** | 47.1 | 46.1 | 49.6 | 41.4 | 38.5 | 40.0 |
| Dividend yield | **4.6** | 6.2 | 7.2 | 7.2 | 6.6 | 4.2 | 4.8 |

* Net profit from ordinary operations

** The data per share were calculated based on the weighted average number of outstanding shares, which took into account the share split that became effective on 20-12-2004 (factor 2:5). The data per share for the years, 1998-2003, were corrected for dilution due to the issuance of stock dividends against the share premium reserve in accordance with the Directives for Annual Reporting.

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# The Accell Share

Accell Group NV has been listed on the Euronext Amsterdam since 1 October 1998. On 20 December 2004, a share splitting became effective whereby each ordinary Accell Group share of nominal value of € 0.05 was converted into 2.5 new ordinary shares with a nominal value of € 0.02. On 31 December 2004, 8,656,267 ordinary shares with a nominal value of € 0.02 were issued.

### Main interests in listed companies disclosed on the basis of the Disclosure of Major Holdings in Listed Companies Act.

The following is disclosed based on the above-mentioned law:
Aviva plc. / Delta Lloyd Levensverzekering N.V.
B.V. Algemene Holding en Financierings Maatschappij
Amev Stad Rotterdam Verzekeringsgroep N.V.
R.A. Burke
Darlin N.V.
Delta Deelnemingen Fonds N.V.
R.J.H. Kruisinga
J.H. Langendoen
Smoorenburg B.V.
Zipart B.V.

## Share

Accell Group NV equity is traded on the official market of the Euronext Amsterdam. Trading volumes in Accell Group equity once again increased in the year under review.

### Turnover in Accell Group shares in 2004

| | Number of shares | Highest price | Lowest price | Closing price |
|---|---|---|---|---|
| January | 372,693 | 9.18 | 8.20 | 9.08 |
| February | 181,160 | 10.68 | 9.00 | 10.68 |
| March | 151,285 | 11.30 | 10.36 | 10.72 |
| April | 117,408 | 11.20 | 10.40 | 10.60 |
| May | 151,535 | 11.14 | 10.60 | 11.10 |
| June | 379,968 | 11.60 | 10.96 | 11.40 |
| July | 260,475 | 11.72 | 10.51 | 11.38 |
| August | 244,825 | 11.50 | 11.07 | 11.40 |
| September | 179,488 | 11.68 | 11.32 | 11.68 |
| October | 79,625 | 11.68 | 11.42 | 11.60 |
| November | 410,790 | 16.06 | 11.80 | 16.00 |
| December | 192,018 | 16.00 | 15.42 | 15.70 |

Source: Euronext Amsterdam NV

Annual account 2004

# Het aandeel Accell

## Important Dates in 2005

| | |
|---|---|
| **General Meeting of Shareholders:** | 21 April 2005, 14:30 hours at Subsidiary Batavus BV, Industrieweg 4, 8444 AK Heerenveen. |
| **Publication of half-year figures:** | 21 July 2005, before trade |