power in branding & distribution

annual report 2005

THE PREMIER EUROPEAN CYCLE GROUP

ACCELL GROUP

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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.

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Batavus, more than a hundred years old, is one of the strongest brands in the Netherlands. The Batavus program encompasses more than just outdoor cycling. Since recently, it has also been extended to include indoor use, thanks to the introduction of fitness equipment. Besides the wide range of bicycles, this line of home trainers and cross-trainers is sold to specialized retailers in the Netherlands, Belgium, Germany and Denmark. In its styling and innovations, Batavus increasingly targets specific market segments, such as the highly demanding cyclist, the city segment, safety and comfort, and children.

THE QUALITY PEOPLE IN CYCLING

Koga B.V.
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True experts and cycling aficionados prefer Koga, the absolute pinnacle of racing, trekking and touring bicycles in the Netherlands, and increasingly also in other countries. Thanks to its exclusive design, handcrafted quality and ongoing innovation, Koga-Miyata is a trend-setting brand on the European market. Striking successes achieved by top athletes support the already strong customer loyalty to the brand. Koga continues to appeal to cycle-lovers with surprising developments, such as the recently introduced Chela, a unique multi-functional bicycle trailer, and the Koga Aeroblade, a design study constructed in cooperation with exclusive Dutch car manufacturer Spyker.

Sparta B.V.
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Sparta is an authentic speciality brand with a broad presence in many market segments. Its exceptional products are always adapted to the target group, such as the MotherBike, the FatherBike, the GrannyBike, the TransportBike (Pick-up) or the Maxx, the bicycle specially designed for exceptionally tall people. Sparta also supplies creative bicycles for a young and trendy target group, including the K-10 and the Koe Granny. Sparta is first and foremost the definitive brand for electrically assisted bicycles, the Sparta ION. Sparta continues to excel at boosting this technology to the next level, putting it into practice for other brands within Accell Group. The expertise that Sparta possesses has been the basis for setting up a brand-independent service organization for all electrically assisted bicycles. This specific market segment represents significant added value, while simultaneously requiring relatively high investments in product development and after-sales service.

Loekie B.V.
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Loekie has been the definitive brand for children's bicycles for 25 years now. Loekie targets the market for 2 to 12-year-olds, a demanding segment which requires safety and durability in combination with a trendy look. Lighting, reflectors, hand grips, double brake systems, rounded parts and capped nuts and bolts are all paired with an infallible flair for styling, unusual colors and fashionable trends. The young cyclists know exactly what they want – and that is not a smaller version of a 'bike for big people', but a bicycle designed specifically for children. That's why Loekie actively involves children in the design of the bicycles and the composition of the collection. Parents and children alike go to specialized retailers for expert advice.

THE BIKE COMPANY

Winora-Staiger GmbH
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Max-Planck-Straße 6 - D-97526 Sennfeld - Germany

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Winora is a household name in Germany, a wide brand that offers something for the entire family, from children's bikes to sporty trekking bicycles. Its modern line has an image that ideally suits the modern, quality-conscious and service-minded independent specialty retailer. This is also true of the Staiger brand, which has a similar profile in parts of the German market. The Sinus program, in which consumers can put together their ideal bicycle, in collaboration with the specialty retailer or over the Internet, has been a great success. It is particularly successful because Winora is capable of supplying a customized bicycle within minimal time via the specialty retail trade.
The integration of Julius Holz GmbH & Co Kg. has enabled Winora to strengthen its position in Germany in the market for bicycle parts and accessories.

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Hercules has existed since 1886, which gives the brand one of the longest traditions on the German market. Hercules focuses on design, quality, innovation and clear brand profiling.
The speciality retailers and consumers are clearly addressed under the motto of the 'sympathetic German family brand'. Hercules supports its strong position in the German retail segment by offering training courses and active sales support. Moreover, Hercules uses innovations arising from within Accell Group wherever possible. For example, the collection was recently expanded to include the E-Bike 'Emove', an electrically assisted bicycle based on Sparta's ION technology.

SA Cycles Lapierre
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The Lapierre brand stands for top athletic achievements, top quality and innovation. Lapierre is recognized in France and its export markets as the trend-setting brand in racing bicycles and mountain bikes. Lapierre is a lifestyle defined by passion, performance and a continuous flow of innovations. Examples include lightweight monocoque carbon frames and patented FPS2 rear suspension concepts that allow for hardly any loss of energy. Lapierre continues to gain ground within France and beyond, also due to its successful long-term sponsoring of the Pro Tour cycling team 'La Française des Jeux'. This is enabling Lapierre to expand its distribution in international circles.

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Mercier holds a strong position in the French chain store business. Mercier is able to distinguish itself in this highly competitive market segment with its brand names Mercier and Poulidor and its focus on design and efficient marketing. In the past year, Mercier was closely involved in a unique bicycle project in the city of Lyon. Working in collaboration with JC Decaux, European market leader in outdoor advertising, Mercier set up a project called Cyclocity. This is a city network in Lyon consisting of 150 bicycle stations and 2000 bicycles. Any inhabitant of Lyon can take out a subscription, which places a bicycle at their disposal within a few hundred meters of wherever they are, which can then be dropped off at any of the other stations. This project gained a great deal of attention from the national and international press.

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The Finnish brand Tunturi has been a well-established concept in the Finland cycles and fitness market for many years. Tunturi is also an internationally oriented, well-known fitness brand.
The Tunturi fitness equipment is sold world-wide in more than 40 countries. Such features as top quality, distinctive Finnish design ('Indoor Chique'), remarkable innovations and versatile training programs are the powerful assets at Tunturi's disposal. Tunturi recently introduced the Executive line: built by hand and composed of colors chosen by the customer, matching the interior and suited to the customer's personal taste. The Bremshey brand is positioned as a broad fitness brand for the entire family, from beginners to avid sporters. In 2005, Bremshey expanded its range of products and worked hard on improvements. Bremshey also quickly conquered a niche for itself in North America. In that context, a number of models have been developed that are expected to do well in this market, where customers have different preferences than in Western Europe.

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uw vakhandelspecialist

Juncker BV
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Juncker Bike Parts is a supplier of bicycle parts and accessories to the retail trade in the Netherlands and Belgium. By offering a broad, in-depth range of produces, many exclusive representations and a highly sophisticated logistics operation, Juncker Bike Parts is able to profit from trends on the market. The need to equip the bicycle with more extra features and accessories is increasing, accompanied by a growing focus on maintenance and safety. Parts and accessories are no longer a 'side product': the specialized retail sector actively responds to these trends by providing more store and shelf space and an eye-catching presentation of accessories.

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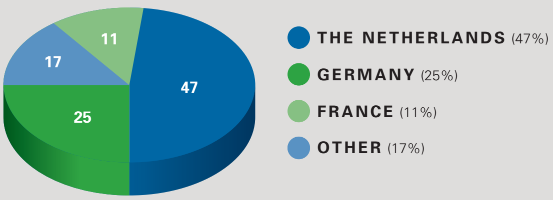
Profile of Accell Group NV

Accell Group is an international group of companies active in the development and marketing of innovative, high-quality bicycles, bicycle accessories and fitness equipment. The Accell Group brands have a clear and recognizable added value for consumers; the long tradition they hold in their respective markets often plays an important role. Such famous names as Batavus, Bremshey, Hercules, Koga-Miyata, Lapierre, Loekie, Mercier, Sparta, Staiger, Tunturi and Winora give the companies strong positions in the mid and upper segments of the market. Consumer sales take place primarily via the specialized retail trade.

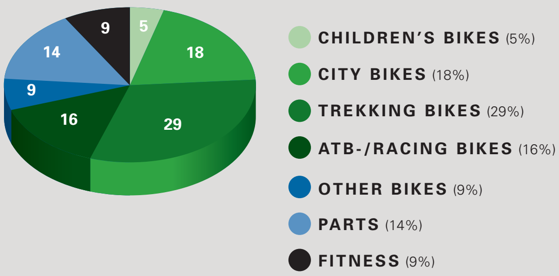
Accell Group has production locations in the Netherlands, Germany, Finland, France and Hungary. Its key markets are the Netherlands (47% of turnover), Germany (25%) and France (11%). Other European countries, including Belgium, Denmark, Finland, Austria, the United Kingdom and countries outside Europe represent 17% of turnover.

Accell Group leads the bicycle market in Europe and is in the top of the market for home-use fitness equipment. Turnover in 2005 totaled € 369.3 million (2004: € 341.1 million) and the net profits were € 15.5 million (2004: € 13.2 million). The Accell Group shares are traded on the official market of Euronext Amsterdam.

Turnover Accell Group by country 2005



Turnover Accell Group by product segment 2005



The new Batavus showroom in Heerenveen showcases the brand for the specialized retail trade. While the showroom features a complete overview of the full range of products, it also offers the opportunity to express the most important Batavus brand values and explain the styling and innovations for specific sub-segments. The showroom also serves an important function as a place to meet the retail trade in the context of product training courses and other forms of knowledge exchange.

Mission & strategy

Accell Group wants to be a trendsetter in the field of development and sales of durable consumer goods relating to short-distance mobility, fitness and active recreation. In pursuing this goal, Accell Group aims to realize healthy and sustainable returns for its shareholders and a stimulating working environment for its employees. In practice, this mission translates into the following strategic principles:

- Creating innovative and distinctive products and services that appeal to consumers;
- Positioning, promoting and expanding strong markets, which often have a regional and national tradition, to ensure continued consumer preference;
- Supporting specialized retail in consumer-oriented sales;
- Creating organic growth in volume by increasing market share of the existing brands and realizing turnover growth through the introduction of innovative, high-quality products;
- Obtaining complementary business, in part through acquisitions, in order to realize further growth;
- Effectively utilizing the synergies created by the companies within Accell Group;
- Investing in the knowledge and skills of the company's employees;
- Operating with the greatest possible care for man and the environment;
- Consistently managing costs and profits to improve operational margins.

Accell Group holds leading positions in the Netherlands, Germany, France and Finland. In future, we aim to strengthen these positions further, and to achieve prominent positions in other countries.

From left to right: J.M. Snijders Blok (COO), R.J. Takens (CEO), H.H. Sybesma (CFO).

Accell Group has an organizational structure of independent operating companies that bear primary responsibility for the position of the brands in their respective markets. The holding supervises, coordinates, working to realize synergic advantages by integrating back-office activities and promoting mutual cooperation, with the aim of achieving optimum yield from innovations and appealing products. The successful introduction of electrically assisted bicycles and fitness equipment for various Accell Group brands, as appropriate to the positioning of each brand, is an important example of the benefits the synergy has provided.

Key figures

	2005	2004	2003	2002
Results				
Turnover	**369.3**	341.1	289.6	259.4
Operating result	**25.7**	22.8	16.6	13.8
Net profit*	**15.5**	13.2	9.2	6.8
Cash flow	**20.1**	17.6	13.0	9.6
Balance sheet data				
Group capital	**77.4**	60.7	48.1	42.3
Guarantee capital	**80.9**	65.2	54.6	49.8
Balance sheet total	**180.3**	173.6	134.9	112.5
Capital employed	**137.2**	137.9	109.3	97.3
Investments	**8.8**	7.7	10.0	5.5
Ratios (in %)				
ROCE	**18.7**	16.5	15.2	14.1
ROE	**20.1**	21.7	19.1	16.0
Operating result/turnover	**7.0**	6.7	5.7	5.3
Net profit*/turnover	**4.2**	3.9	3.2	2.6
Data per share**				
Number of shares outstanding	**9,015,015**	8,656,267	8,373,903	8,309,403
Average number of shares	**8,879,749**	8,549,802	8,320,440	8,222,190
Profit*	**1.75**	1.54	1.07	0.80
Cash flow	**2.26**	2.05	1.52	1.13
Group capital	**8.71**	7.09	5.59	4.98
Guarantee capital	**9.11**	7.62	6.34	5.86
Dividend	**0.83**	0.72	0.50	0.37
Average number of employees (FTEs)				
	1,438	1,405	1,213	1,061

* Net income from ordinary operations.
** Per share data have been calculated on the basis of the weighted average number of outstanding shares, taking into account the 5 for 2 stock split that took place on 20 December 2004 (factor 2:5).

The key figures for 2004 and 2005 are calculated on the basis of IFRS.

Report by the Supervisory Board

Annual Report

The Supervisory Board hereby submits the annual report as compiled and determined by the Board of Directors, which also includes the annual accounts for the 2005 financial year. The annual accounts have been audited and approved by Deloitte Accountants. The statement of approval is enclosed on page 89 of this annual report.
We propose that the General Meeting of Shareholders adopt the annual accounts and the enclosed proposal for profit distribution, and discharge the Board of Directors and the Supervisory Board, respectively, for actions regarding the management and the supervision over the past year.

Supervisory Board

The Supervisory Board consists of the following members:

Dr. S.W. Douma (63), Chairman
Dr Douma (Dutch national) has been affiliated with the company as a member of the Supervisory Board since 1 October 1998. Dr Douma was appointed Chairman of the Board in 2000. He is a professor of entrepreneurial strategy and Dean of the Technology Management Faculty at the Eindhoven University of Technology. Dr Douma does not hold any positions at other companies. Dr Douma will occupy the position until the General Meeting of Shareholders in spring 2006. The Supervisory Board will nominate Dr Douma to the General Meeting of Shareholders for reappointment during the General Meeting in spring 2006.

D.J. Haank (52)
Mr. Haank (Dutch national) has been affiliated with the company as a member of the Supervisory Board since 1 October 1998. Since January 2004, he has been chairman of the board of directors at Springer Science + Business Media. He previously held various positions at Reed Elsevier. Mr. Haank is a member of the supervisory boards of the following unlisted companies: Nuon N.V. and MSD Nederland B.V. Mr. Haank will occupy the position until the General Meeting of Shareholders in spring 2006. Due to the pressures of work, Mr. Haank will not be available for re-election.

J.H. Menkveld MBA (60), Vice-Chairman

Mr. Menkveld (Dutch national) was appointed to the Supervisory Board on 26 April 2001. He was appointed the Vice-Chairman of the Board on 4 February 2005. Until 2001, he was a member of the Board of Directors at CSM; he has since taken early retirement. He is a member of the supervisory boards of the following companies: Bakkersland B.V., Sligro Food Group N.V., Coöperatieve Bloemenveiling FloraHolland U.A. and Meneba B.V. Mr. Menkveld will occupy the position until the General Meeting of Shareholders in spring 2009.

J.J. Wezenaar (69)

Mr. Wezenaar (Dutch national) was appointed to the Supervisory Board on 1 September 1999. He was Chairman of the Board of Directors of Accell Group until 1999; he is now retired. Mr. Wezenaar is a member of the supervisory boards of the following unlisted companies: Eromes Holding B.V., De Friesland Zorgverzekeraar, Koninklijke Nooteboom Trailers B.V., N.V. Continuon Netbeheer, S.C. Heerenveen N.V., Tjaarda Oranjewoud B.V., Amefa B.V., Stam B.V. and Zaadnoordijk Yachtbuilders B.V. Mr. Wezenaar will occupy the position until the General Meeting of Shareholders in spring 2007.

Each member of the Supervisory Board, with the exception of Mr. J.J. Wezenaar, can be considered independent in the sense of the best practice provisions in III.2.2. of the Dutch corporate governance code (Tabaksblat Code).

The Supervisory Board will make a proposal to the General Meeting of Shareholders in April 2006 regarding filling the vacancy left by the departure of Mr. Haank.

Activities

During the year under review, the Supervisory Board was responsible for supervising the policy implemented by the Board of Directors and the general developments within Accell Group. Explicit attention was paid to the strategy of the company as a whole and the strategy of the principal subsidiaries of Accell Group.

The Supervisory Board decided in the first meeting of 2005, with due consideration for the limited size of the Board (at only four members), not to appoint an audit committee, remuneration committee or selection committee. Consequently, the tasks that should be performed by these committees in accordance with the Dutch Corporate Governance Code fell to the Supervisory Board as a whole.

French bicycle brand Lapierre, the definitive trendsetter in racing bicycles and mountain bikes, stands for top athletic achievements, top quality and innovation. Lapierre continues to gain renown within France and beyond, in part thanks to its sponsoring, successful for years now, of the 'La Française des Jeux' cycling team (Pro Tour), among others. In practice, the results have provided powerful support for further expansion of the brand's international distribution.

Remuneration Report

The Supervisory Board has drawn up a remuneration report for 2005 to assist in implementing the remuneration policy for the Board of Directors. In the remuneration of the Board of Directors, the policy was applied as it was adopted by the General Meeting of Shareholders on 21 April 2005.

In 2005, during the Supervisory Board meeting of 23 February 2005 and in the absence of the Board of Directors, the performance of the Board of Directors as a whole and of the individual members was discussed. The salaries of the Board of Directors for 2005 and the bonuses for 2004 were also determined. The bonuses for 2004 have been incorporated into the annual accounts for 2004. During the Supervisory Board meeting of 20 February 2006, the bonuses for the Board of Directors for 2005 were discussed. The bonuses have been incorporated into the annual accounts for 2005.

During the Supervisory Board meeting of 20 February 2006, the bonuses for the Board of Directors for 2005 were discussed. The bonuses have been incorporated into the annual accounts for 2005.

The remuneration policy offers the opportunity to attract people qualified to sit on the Board of Directors. In determining the amount and structure of the remuneration, such factors as the development of the results, the development of the share price and other developments relevant to the company are taken into consideration. The remuneration policy aims to position the remuneration packages at a competitive level for the Dutch remuneration market for executives of larger companies that hold a similar level of responsibility.

The total remuneration of the Board of Directors of Accell Group N.V. consists of:

- Annual salary.
  The Supervisory Board commissioned a study by a recognized agency to determine the fixed remuneration. The developments in the company have been taken into consideration in determining the salaries of the individual members of the Board of Directors.

- Short-term bonus plan.
  The objectives set in advance for 2005 have largely been realized. Consequently, a bonus amounting to 47% of the annual salary has been paid out. Of the bonus to be awarded, 70% depends on sales and returns targets compared to the previous year and 30% depends on individual targets.
  The bonus for the members of the Board of Directors has been capped at no more than 50% of the fixed remuneration.

- Option scheme
  Options were awarded in 2005 subject to the performance in 2004. On the basis of the performance in 2004, the members of the Board of Directors received options worth one annual salary at a call price equal to the average of the closing prices of the last five days prior to the day on which the options were awarded. After options are awarded, they are unconditional and the directors must keep them for at least three years, in order to create an even stronger link between the interests of the Board of Directors and the interests of the shareholders.

- Pension.
  The pension plan for the Board of Directors is a defined contribution plan. Pension agreements from the past that deviate from this plan are maximized at a fixed contribution per year, which can be adjusted once yearly.

- Other secondary benefits.
  No changes have been made in this area.

The notes to the annual accounts offer the exact amounts of the remuneration for the members of the Board of Directors. In terms of shaping the remuneration policy in 2006, the Supervisory Board does not foresee any significant changes. The complete remuneration report has been posted on the Accell Group website under “Corporate Governance”.

Meetings

The Supervisory Board met with the Board of Directors on seven occasions during the year, to discuss corporate strategy and developments in subsidiaries and markets relevant to the company. Other subjects included financing and the company’s financial strategy.

In addition, the Supervisory Board met twice with the external auditor, the CFO and the CEO to discuss the six-month and annual financial figures of the company. The meetings also covered the accounting policies to be applied and the impact of IFRS. The Supervisory Board met once with the CFO separately to discuss the risk management and control systems in use and the introduction of a new system. Two meetings were devoted to potential acquisitions. Two other meetings were held with the external auditor without the Board of Directors being present.

Two separate meetings were held without the Board of Directors to discuss its overall performance as an administrative body as well as the performance of its individual members. At one of these meetings it was concluded that the Board of Directors as a whole and the individual members had performed according to expectations. The salaries for 2005 and the bonus for members of the Board of Directors for 2004 were determined at this meeting. The other meeting covered the performance of the Supervisory Board and of its individual members. It was concluded that the Supervisory Board as a whole and its individual members had performed according to expectations. The regulations governing the Supervisory Board were specified during this meeting.

The Supervisory Board also met on two occasions with the Board of Directors and the Central Works Council. Subjects discussed included the overall state of affairs and the strategy of the company, as well as developments in the Dutch subsidiaries.

The Supervisory Board was fully present at nearly all meetings.

The Supervisory Board wishes to express its appreciation for the efforts and dedication of the employees of Accell Group during the year 2005.

Heerenveen, the Netherlands, 21 February 2006

On behalf of the Supervisory Board,

S.W. Douma

In 2005, Batavus introduced a very successful line of fitness equipment in cooperation with the fitness division. This line of home trainers and cross-trainers is sold to specialized retailers. In its styling and innovations, Batavus increasingly targets specific market segments, such as the highly demanding cyclist, the city segment, safety and comfort, and children. Where this can lead to added value in terms of turnover and profit, Accell Group works on the introduction of fitness equipment, also in other brands.

General developments

The general economic impression in 2005 displayed several aspects. In the Netherlands, reports on the economic development and consumer confidence in the second half of the year slowly but surely began to take on a more positive undertone. For the first time in years, the word ‘growth’ was used more liberally. The economic situation in the countries around us was variable. For example, in the United Kingdom, consumer willingness to buy, particularly where durable consumer products are concerned, came under more pressure rather than displaying growth. In countries such as Germany and France, the tone of the reports on the economy differed per quarter, while maintaining an undertone that economic recovery seems to be starting slowly but surely.

In the current economic climate, which seems to be improving slowly but surely, Accell Group profits from a number of sustainable social trends. Increasingly larger groups of consumers are interested in ‘a healthier lifestyle and more exercise’, which translates into active recreation, more sports and a different approach to mobility. The traffic progressively clogging roads and city centers in combination with an increasingly active policy of national and local governments to stimulate bicycle use make an important contribution to that decision. In the context of the current health trends, the combination of biking and fitness is logical: active recreation and outdoor sports (summer) is increasingly continued indoors (winter) as circumstances dictate.

In practice it is clear that large groups of consumers are willing to spend money on active recreation and sports. The most important precondition for spending the money is that the products must offer visible added value. The market and branding strategy used by Accell Group was successful again in 2005. The broad market portfolio that Accell Group maintains, focusing on the mid and upper segments of the market, allows Accell Group to operate close to its markets. In this context, innovation in safety, comfort and design take a high priority. An important aspect here is the fact that the brands have a long tradition, which promotes consumer confidence and increases brand recognition. Keeping the brands traditional yet contemporary continues to represent a major challenge.

As an extension of the branding strategy, the close cooperation with the specialized retail trade and the distributors continues to be crucial. In 2005, the use of Internet as a sales channel grew in many markets. It is our conviction that the specialized retail sector will continue to play a definitive role in selling high-quality products, which require advice, an explanation of the added value and a well-organized after-sales service. On the other hand, the use of Internet for providing information and services to consumers plays an increasingly important role.

Organic growth, but also acquisitions

Accell Group wants to realize its growth through both organic growth and acquisitions. In 2005, as in preceding years, the acquisitions policy received a great deal of attention. The guiding principle here is that acquisition candidates should complement the group and effectively add actual value in returns and synergy to the group in the short term. This means that acquisitions are assessed based on their value and will not take place at any price. In this context, Accell Group familiarized itself extensively in 2005 with the markets relevant to its operations.
In part due to the low long-term interest rates, the number of financial investors in the market has increased. This has driven prices upward and led to lengthier explorations and negotiations with potential candidates. Cautious and well-considered action continue to be called for.

In 2005, Accell Group also spent a great deal of attention and energy on organic growth. The increased concentration on the ‘current business’, the realization of synergic effects between the various brands in the portfolio and the launch of joint promotions with other strong brands from elsewhere have shown that strong brands in the group still have the potential for further growth. For example, the introduction of a fitness line under the Batavus brand was immediately a great success. The impact of this focus on organic growth translated into robust sales growth in 2005. Overall sales grew by 8%, of which 5% represented organic growth. This indicates that Accell Group has sufficient potential to realize organic growth.

As of 1 January 2005, Julius Holz GmbH & Co KG in Munich, Germany is part of Accell Group, strengthening the group’s position on the German market for bicycles, parts and accessories. In addition, the formerly independent distribution activities in the fitness division in the United Kingdom, Austria and North America were integrated in the course of 2005. In November 2005, Accell Group announced its intention to acquire part of the activities of Antec in Arnhem, The Netherlands, as of 1 January 2006. The electrical bicycles and the technology used by Antec is a perfect match for the collection of electrically assisted bicycles that Accell Group has on the market under the brand names of Sparta, Batavus, Koga-Miyata and Hercules. Antec is consolidated as from 1 January 2006.

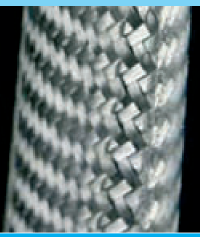
Appeal against NMa penalty

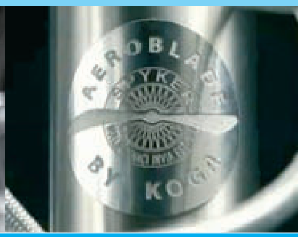
In April 2004, the Netherlands Competition Authority (NMa) imposed a penalty on Accell Group of € 12.8 million for alleged price agreements. After the appeal procedure to the NMa, this penalty was reduced by 10% to an amount of € 11.5 million in November 2005, but Accell Group continues to believe that the penalty is absolutely disproportionate, since the accusations are completely unfounded. Accell Group has accordingly filed an appeal with an independent court. The appeal will be lodged in early March 2006. The case offers sufficient grounds for judicial review, and Accell Group is confident regarding the outcome. In accordance with the IFRS standards, Accell Group has therefore made no provisions.

NMa charged of illegal press policy

The court of justice in The Hague ruled in favor of Accell Group in March 2005 in the appeal case against the NMa regarding an illegal press policy. Various publications had been issued by the NMa in the context of the publication by the NMa of its preliminary findings in its investigation of alleged price agreements. The court ruled that Accell had proven satisfactorily that the NMa had damaged the interests of Accell Group in a press release and in its annual report. The damage caused by the publications was illegal and negligent, and the court ruled that the NMa would have to pay compensation accordingly. The damage incurred by Accell Group primarily concerns damage to its reputation and the costs of legal defense. The amount of compensation has not yet been determined.

The Koga Aeroblade, a design study constructed in cooperation with exclusive Dutch car manufacturer Spyker, was one of the attention-getters during the Millionaire Fair in Amsterdam in December 2005. This bicycle, priced at € 12,500, supports the Koga brand image, which stands for exclusive design, handcrafted quality and continuous innovation.



Financial development

Also in 2005 Accell Group was active towards (potential) investors in order to provide shareholders and other stakeholders with the clearest possible information on the state of affairs and indicating expectations in the most concrete possible terms. This latter aspect in particular was greatly appreciated by many investors, a fact which clearly contributed to the valuation of the Accell Group share.
At the presentation of the half-yearly figures for 2005, Accell Group indicated that it expected approximately a 10% rise in earnings per share. This earnings forecast was confirmed again in a trading update on 18 November 2005.

The initially lukewarm summer of 2005 led to relatively high inventory levels. Extra sales promotions had a positive influence on the market shares, although at the expense of some pressure on the gross margin. The lingering warmth of summer in 2005 came at a time that the bicycle sale season is usually approaching its end. This led to higher sales by dealers to consumers, with the result that dealers supplemented their in-store product ranges. This meant that the sales and returns for Accell Group received a strong boost toward the end of the year, more than surpassing the previous forecasts. In 2005 as a whole, the sales increased by 8% to € 369.3 million. Net profits rose by 18% to € 15.5 million (2004: € 13.2 million). The profit per share rose by 14% to € 1.75 (2004: € 1.54). Despite increasing pressure on margins, sales growth and continued cost control caused operating margins to improve from 6.7% to 7% of the sales.

Developments after balance sheet date

In late February 2006, Accell Group acquired all the issued shares of Seattle Bike Supply Inc. (SBS). SBS is based in Seattle, USA, and is active in the mid and upper segment of the market for sports bicycles, bike parts and accessories with annual sales of approximately US$ 36 millions; it is also the global market leader in the BMX segment. In 2008 (Beijing) BMX will be an Olympic sport for the first time. SBS has a strong distribution network that serves the majority of the specialty cycle shops in the United States and Canada.

North America is the second important sales market for high-quality bicycles, bike parts and accessories, after Europe. There is a clear trend toward a healthier lifestyle and more exercise in the United States, as in Europe. The national government and the government administration in various states have launched campaigns in this context that encourage Americans to cycle more.

The transaction was financed by Accell Group from its own assets. SBS is consolidated as of 1 March 2006 and the company is expected to contribute to the earnings per share for Accell Group in 2006.

Development of markets and brands

Markets

Profiting from international trends

Although the economic situation differs from country to country in Western Europe, Accell Group was also able to profit in 2005 from a number of sustainable international lifestyle trends. More exercise and a healthier lifestyle is a motto that is taking on an increasingly important role in the Western world. In addition, large groups of consumers are eager to show the people around them that they are seriously working on that goal, which stimulates the demand for innovative products that display impressive modern design.

More exercise and a healthier lifestyle

The trend toward more exercise and a healthier lifestyle is a market involving significant figures. Research shows that more than 70% of the population in the Netherlands, the ultimate land of bicycles, can be considered "recreational cyclists" (trips longer than two hours). The number of recreational cyclists is increasing each year, which places increasing pressure on well-known national cycling routes. Various social organizations, supported by the government, are accordingly taking initiatives to constantly improve and expand the route network. The Netherlands holds a unique position as a land of bicycles, and is one of the few countries where the bicycle is also considered a viable mode of transportation. In the surrounding countries, we primarily see a steady, gradual increase in recreational and sporting cycling. It is a favorable development for Accell Group, considering that the recreational cyclist spends a relatively large amount of money on the bicycle and highly values accompanying accessories.

Fitness

The fitness market is the object of great interest. In Western Europe, we see that the market is experiencing relatively rapid growth in comparison to the United States with respect to visits to sports school and fitness centers. Visits to fitness centers are becoming an increasing part of everyday life in Western Europe. More and more consumers are becoming familiar with fitness and the various types of equipment, which stimulates the purchase of fitness equipment for home use. Accell Group targets its brands to home use, and the positive effects of this development were also clearly visible in 2005.

* Source: CBS investigation day recreation, 2003

Brands

Brand-oriented mindset

The brand portfolio of Accell Group did not experience any drastic changes in 2005. In 2005, the emphasis was on continued strengthening and expansion of the brands. As is widely known, the Accell Group brands often hold a long tradition in their specific markets and work closely with the specialized retail trade. The expansion of the brands and the utilization of the pooled forces led to a wide range of activities in 2005. The brand-oriented mindset has developed strongly in recent months and now goes much farther than running a consistent advertising campaign via mass media. Brands have to be visible everywhere, fulfill a social function where possible and cross borders. In 2005, this resulted in a number of striking examples and successes, including the following.

- Crossing borders

  Borders are blurring, allowing brands that hold an originally strong position in their own country to continue expanding their markets. The brands that have exclusive positioning are profiting particularly well from this development. Top brands such as Koga-Miyata and the French Lapierre are gaining renown among a wide international public thanks to international successes, including e.g. activities in the area of sponsoring. Critical, forerunner consumers and specialized retailers, known in communications as ‘opinion leaders’, ensure that these brands receive international attention, generating demand for these products even outside the national borders.

- Utilizing innovative strength

  Innovation and the provision of actual added value to consumers are the key elements in Accell Group brands. The aim in this context is always to utilize the mutual advantages of synergy as effectively as possible. For example, the knowledge and technology of Sparta, the specialty brand in the group and the great innovator in the field of electrically assisted bicycles since the very beginning, were used as the basis for adding electrically assisted bicycles to the range of products offered by Batavus, Koga-Miyata and Hercules. These brands now successfully run a line of electrically assisted bicycles appropriate to the profile of each brand. It goes without saying that Accell Group stimulates these forms of cooperation and utilization of innovations on all fronts.

- Line extensions and joint promotions

  Bike outside in the summer and inside in the winter: cycling and fitness complement each other perfectly. In 2005, mutual cooperation was started in these fields. The Batavus brand started its own fitness line, inspired by the equipment of our Bremshey brand. Because Batavus maintains excellent relations with the bicycle retail channel, the launch of the new fitness line was succesful in a market in which selling fitness equipment is not yet common practice. In practice, the difference in seasons makes bicycling and fitness a perfect combination for this retail sector. The success of the introduction of Batavus fitness is strengthened even further thanks to a joint promotion action with Yakult. Linking two strong brands with a comparable experience and position significantly increases the clout of each individual brand.

- The role in society

Events and occurrences that have a topical ‘social component’ focus attention on our brands in a different way. For example, in 2005 the French brand Mercier was actively involved in a unique bicycle plan in the city of Lyon, called Cyclocity. This plan aims to reduce traffic congestion in the city and consists of 150 bicycle stations with a total of 2000 bicycles produced by Mercier. The plan, an initiative of JC Decaux, European market leader in outdoor advertising, gives an extra boost to the brand recognition and consumer preference for the Mercier brand. Unusual initiatives such as these also make it into the national press (JC Decaux won a prestigious award in France for this idea) and receive international attention.

The organisation

Board of Directors

R.J. Takens (51), Chairman of the Board of Directors (CEO)
Mr. Takens joined Accell Group in 1999 as a successor to Mr. Wezenaar. He started his career at the Svedex Bruynzeel Group where he worked for ten years, ending as general manager. He then worked for seven years as the general manager of Italy for CSM.

H.H. Sybesma RC (38), Member of the Board of Directors (CFO)
Mr. Sybesma entered the employ of Accell Group in 1995 as Finance Manager at subsidiary Batavus. In the following years, Mr. Sybesma was closely involved in various subsidiaries of Accell Group. Mr. Sybesma has been CFO of Accell Group since April 2001. He started his career as a financial consultant at PriceWaterhouseCoopers, where he spent five years.

J.M. Snijders Blok (47), Member of the Board of Directors (COO)
Mr. Snijders Blok entered the employ of Accell Group in 1992. He started working in the IT department. In the following years, he was logistics manager at Batavus and Hercules and was then appointed as operational manager at Batavus. In 1999, after the acquisition of Sparta, he was appointed general manager of this subsidiary. He has been COO of Accell Group since April 2004.

Structure

The group has an organizational structure of independent subsidiaries that are primarily responsible for the position of the brand in their respective markets. Accell Group fulfills the holding function in this structure and is responsible not only for strategy, but also for such matters as the treasury, financial control, business development, investor relations and the coordination of marketing, product development, production planning and purchasing. All the ICT activities have also been centralized. The company uses a uniform computer system wherever possible.

Synergetic advantages were achieved thanks to the integration of back-office activities. For example, computer systems developed under internal management make it possible to control the business processes at the independent subsidiaries effectively with only a limited indirect organization.

Accell Group also works constantly on synergy, such as the intensification of cooperation with suppliers and the mutual exchange of knowledge in the area of product development and innovations. Examples include improvements in the area of safety, security and comfort, such as new methods of theft prevention, lighting systems and the development of new parts and accessories, which are crucial to all the brands. Coordinated development and production of these aspects is extremely cost-effective.

Accell Group works with its subsidiaries to determine the strategy for the market position of the different brands, purchasing, production allocation, and human resources. The subsidiaries are then responsible for realizing the targets. Management information reporting takes place on a daily, weekly, monthly, and quarterly basis.

Product support activities

Accell Group has production locations in the Netherlands, Finland, France, Germany, and Hungary. Thanks to investments in modern production techniques and automation, Accell Group successfully brings high-quality, reputable products on the market. Accell Group highly values environmentally friendly production methods. For example, the production locations in Heerenveen (The Netherlands) and in Hungary are equipped with the most modern paint shops in Europe, using 100% water-based paints and acrylate top coatings, preventing the emission of harmful substances.

In relation to the production, there is a continuous consideration between ‘make or buy’. The high quality of our products is the guiding principle here, and a great deal of attention is spent on training and versatile deployability of our personnel. The expectation is that more components will be outsourced to low-wage countries in the future. The assembly of most of the final products will continue to take place close to our sales markets, due to the desired level of flexibility.

The factory in Hungary, Accell Hunland Kft, based in Tószeg, produces high-quality bicycles at lower cost. In 2005, the factory’s production was primarily for the German brands Hercules and Winora. In order to further increase cost efficiency, the production activities for bicycles at Tunturi in Finland will largely be moved to the factory in Hungary in 2006. To facilitate that goal, the production capacity in Hungary will be expanded. This will require an investment of approximately € 4 million.

Accell Group also works closely with a number of production companies in the Far East to supply parts. In that context, Accell Group constantly explores whether these partnerships can be expanded and whether the economics and quality would justify outsourcing parts of the assembly process.

On average, the production of fitness equipment, in comparison with the production of bicycles, generally requires a higher level of technical expertise, due to the significant role of electronics. In practice, this leads to a well-considered selection and choice of production locations that have the best price/quality ratio. The design and development of fitness equipment always remains under internal management. In 2006, a great deal of the production of fitness equipment at Tunturi will be moved from Finland to the Baltic countries. Because the bicycle production will also be moved, in this case from Finland to Hungary, approximately 60 employees at Tunturi in Finland will be made redundant. In relation with the applicable terms of notice, the costs resulting from the redundancies and the savings from the move in 2006 are expected to ultimately have a neutral effect on the result.

All production locations focus a great deal of attention on internal training courses and versatile personnel deployability. Moreover, a number of production employees work on the basis of flexible or temporary contracts. This makes it possible to respond to changes in production level throughout the season.

Brand support activities

Design & development

The geographically highly differentiated bicycle and fitness market demands a balanced brand policy, geared to a unique look and image and taking into account the various traditions and cultural aspects. The Accell Group brands are generally ‘familiar faces’: highly renowned brands, each requiring its own specific approach. Each brand therefore has its own Design & Development team, focusing on the development of new parts, models, and colors. They present the new collection each year, basing new developments on design, innovation, electronics (particularly in fitness), and colors.

Besides the development of new collections for the various brands, the teams also work under central supervision on knowledge exchange and various long-term innovation projects. The central coordination makes it possible for Accell Group to introduce innovations on a large scale. Cooperation and team-based operations in product development, design, and production create localized knowledge centers, realizing cost savings, accelerated innovation projects, and a shorter time to market.

Marketing & sales support

In the distribution of bicycles and fitness equipment, Accell Group puts the emphasis on partnership with the specialized retail trade. This sector has a tradition of brand loyalty, focus on quality, and a customer service approach. Due in part to the increasingly popularity of other sales channels, the retail trade is experiencing major developments. Points of sale are becoming larger and more modern, requiring other concepts with regard to service, support, in-store marketing, and direct marketing. Accell Group greatly values a healthy, strong position for the retail trade and supports its development in a broader sense, e.g. by organizing informative and inspiring meetings on technical development and sales and marketing organizations.

The strong national brands operate close to the market with their own positioning and have solid market shares. Each brand has its own sales, marketing, design & development, and service & warranty organization. This organizational structure ensures a brand policy targeted to that specific market. Communications tools are used for this purpose, including advertisements, public relations, TV programs, sponsoring, promotions in stores, Internet, and direct marketing. In contrast to the bicycle brands, the fitness market has a strong international orientation.

Sales management takes place on the basis of market share and the margin per segment in each key market. Accell Group monitors and coordinates the positioning and activities of the individual brands.

Share support activities

Investor relations

Accell Group has been in the news regularly over the past year. The annual figures for 2004 and the half-yearly figures for 2005 were presented to shareholders, the press, and the analysts. In addition, the Board of Directions organized three international road shows in 2005 for professional investors, to emphasize the national and international position of Accell Group for this target group. Interviews also appeared fairly regularly in newspapers and magazines.

Accell Group observes an active investor relations policy, not neglecting the private investors. For example, the company regularly organizes guided tours for investors and shareholders, as well as holding presentations at various locations during investor meetings. Moreover, investors can ask questions regarding the half-yearly and annual figures for Accell Group via the IEX website at www.iex.nl. Echoing the previous year, many investors used this opportunity to contact Accell Group.

The corporate website, www.accell-group.com, offers not only general information on the company, but also the latest news, presentations by the Board of Directors, information on corporate governance, annual reports, financial results and shareholder information, press releases, the financial calendar, and management transactions in own shares.

The Accell Group share is part of the NextPrime segment of Euronext. A closing price of € 20.40 on 31 December 2005 established a price increase of nearly 30% from the closing price on 31 December 2004 (€ 15.70). This increase has a firm foundation; the Accell Group share continues to enjoy the attention of a growing number of investors. An approximate total of 3.5 million shares were traded in 2005 (excluding any private or over-the-counter transactions unknown to us). This again represents a sharp increase from the number of shares traded in the previous year. The value of the underlying shares traded in 2005 also increased sharply. Turnover in 2005 was € 54,537,661, an increase of 56% compared to 2004 (turnover in 2004 was € 34,929,789), excluding the private sale of the 5% interest held by Navitas B.V., the former Smoorenburg B.V., to Boron Investments, and excluding any other private transactions unknown to us.

In future, Accell Group will continue to use various media to keep all the stakeholders informed regarding the financial calendar, the latest news, the financial publications, recent presentations, and all other information on the Accell Group share.

The Board of Directors is proud of the growing interest in Accell Group, which translated in 2005 into greater trading volumes and a higher share price. The Board will continue to make every effect to ensure a realistic value for the company's equity.

Dividend policy

When Accell Group was first listed on Euronext Amsterdam in October 1998, it was announced that the company would pursue a stable dividend policy, aimed at distributing at least 40% of the net profits. In 2004, a dividend with stock options valued at € 0.72 was distributed, which entails a pay-out ratio of 47.3%. By the time that the stock option period ended, the majority of Accell Group shareholders had chosen for the stock dividend. In total, 74% of the dividend for 2004 was paid out in shares. This high percentage confirms shareholder confidence in Accell Group, also contributing to the strength of the group's financial position, which is important to the further growth of the company.

At the General Meeting of Shareholders, a proposal will be submitted to the shareholders to pay out a dividend for 2005 of € 0.83 per share, to be received either in cash or in shares at the shareholder's discretion. The dividend yield based on the share price at the end of 2005 is 4.1%. The pay-out ratio for 2005 is 47.4%.

Using a stock dividend creates a higher payout ratio while preserving a solid balance sheet for future acquisitions, which Accell Group believes is ideally suited to its growth strategy. The dividend not only creates a higher dividend yield for the shareholders, but also enhances the solvency of the company. The Board of Directors believes that the dividend yield and the type of dividend provided are competitive to those of other listed companies.

Corporate governance

General

Accell Group has always followed a consistent policy with regard to the improvement of its corporate governance, in line with Dutch and international developments. As already stated in the 2004 annual report, Accell Group has been compliant with most of the principles and best practices in the Dutch Corporate Governance Code (Dutch Government Gazette 250, 27 December 2004) since 1 January 2005. This code, named the Tabaksblat Code after the commission that instituted it, was designated pursuant to an Order in Council on 23 December 2004 (2004 Bulletin of Orders, Acts, and Decrees, 747) as the code of conduct to which publicly listed companies are required to refer in their annual reports.

This section of the annual report first describes the corporate governance structure of Accell Group. It goes on to explain where Accell Group deviates from the principles and best practice provisions in the Code related to the Board of Directors and the Supervisory Board.

Corporate governance structure

Board of Directors

The Board of Directors is responsible for the management of Accell Group and thus also for the fulfillment of all its objectives, strategy, and policy and the ensuing results development. In addition, the Board of Directors is also responsible for controlling the risks to which the company is exposed. The Board of Directors informs and gives account to the Supervisory Board on the internal risk management and control systems in Accell Group. One risk management tool used in Accell Group is in any case the Code of Conduct posted on the company website (www.accell-group.com under Corporate Governance). This annual report includes a section on “Risks and Risk Management”, which describes the internal risk management and control systems in more 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 the Supervisory Board may need to fulfill its duties. All important decisions taken by the Board of Directors are subject to the approval of the Supervisory Board. This includes decisions regarding share issuance and the establishment or termination of long-term alliances between Accell Group and other companies. Certain important decisions taken by the Board of Directors also require the approval of the General Meeting of Shareholders.

If Accell Group has a conflict of interests with one or more members of the Board of Directors, the said member or members are represented by a member of the Supervisory Board as designated by the Supervisory Board.

The Supervisory Board determines the number of members on the Board of Directors, and appoints or dismisses the members of the Board of Directors. The Board of Directors currently consists of three members.

The Supervisory Board compiled a remuneration report in 2005 setting out the company's remuneration policy for 2005 and the subsequent financial years. The Supervisory Board called on an external consultant for advice on drawing up the remuneration report. The broad outlines of the Supervisory Board's remuneration report are set out in the chapter titled "Supervisory Board Report" in this annual report. The remuneration policy represented in the remuneration report was adopted by the General Meeting of Shareholders on 21 April 2005, and presented for scrutiny to the Works Council. The Supervisory Board determines 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 currently paid to the members of the Board of Directors as adopted by the General Meeting of Shareholders are in compliance with the terms of the Code.

The Board of Directors has instituted a whistleblower's scheme, which is posted on the Accell Group website (under Corporate Governance, Other), so that employees are able to report any purported irregularities within Accell Group and its affiliates without prejudice to their personal legal standing within the company.

Supervisory Board

It is the responsibility of the Supervisory Board to supervise the policy of the Board of Directors and the general developments in Accell Group and its affiliates. In addition, the Supervisory Board provides the Board of Directors with advice and support. In the fulfillment of its duties, the Supervisory Board is guided by the interests of Accell Group and its affiliates, and accordingly takes the interests of all those involved with Accell Group into consideration. The Supervisory Board receives the information required for the performance of its duties from the Board of Directors in a timely manner.

The Supervisory Board has drawn up regulations setting out the distribution of its tasks and its methods of operation. The regulations include a passage on 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, Supervisory Board).

The Supervisory Board consists of at least three members (currently four). The full structural regime is compulsory for Accell Group. The members of the Supervisory Board are accordingly appointed by the General Meeting of Shareholders based on nominations submitted by the Supervisory Board. The Supervisory Board announces the recommendations simultaneously to the General Meeting of Shareholders and the Works Council. 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 no later than the date of the annual General Meeting of Shareholders held four years after his initial appointment to that position, and then no later than immediately after the conclusion of that 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, Supervisory Board).

In accordance with the Code, the Supervisory Board has decided not to set up a separate audit, remuneration, and selection and nomination committee. Instead, the Supervisory Board has taken responsibility for those duties itself.

The Supervisory Board has compiled a profile of 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 has been posted on the Accell Group website (under Corporate Governance, Supervisory Board).

Conflict of interests in transactions

No transactions involving a conflict of interests, as specified in the best practice provisions II.3.4, III.6.3, and III.6.4 of the Code, occurred in the 2005 financial year. The regulations applicable to the Supervisory Board include rules for dealing with potential conflicts of interest concerning members of the Board of Directors, members of the Supervisory Board, and the external accountant in relation to Accell Group, and further determine the types of transactions that require the approval of the Supervisory Board.

General Meeting of Shareholders

Key authorizations, such as powers regarding decisions to amend the articles of incorporation and bylaws, legal mergers and spin-offs, and adoption of the annual accounts 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 official minutes of the meeting.

Accell Group considers it important that as many shareholders as possible participate in the decision-making processes of the General Meeting of Shareholders. Shareholders can also be represented at the General Meeting of Shareholders by written proxy, without prejudice to 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 are in fact part of its collective deposit. The Supervisory Board was exceptionally pleased that 60.8% of the total number of shares issued was present or represented at the General Meeting of Shareholders on 21 April 2005.

Protective measures

To protect Accell Group and its stakeholders against hostile takeover bids, Accell Group has entered into a put and call agreement with Stichting Preferente Aandelen Accell Group (Accell Group Preference Shares Foundation) with regard to preference shares. Pursuant to the put agreement, upon each issuance by Accell Group of cumulative B preference shares, Stichting Preferente Aandelen Accell Group will take over sufficient cumulative B preference shares to ensure that it owns half of the total (increased) issued capital. The put agreement is valid until 1 May 2007. A proposal to extend the agreement to 1 May 2008 will be submitted to the 2006 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 to adopt as many cumulative B preference shares as are needed to ensure that Stichting Preferente Aandelen Accell Group will control at least half minus one of the issued (increased) shares.

The general aim of Stichting Preferente Aandelen Accell Group is to represent the interests and, more specifically, to guarantee the continuity and identity of Accell Group, its affiliates, and all those involved. To that end, the Foundation acts specifically to safeguard the interests of the continuity and identity of Accell Group and its affiliates.

In case of a hostile takeover bid, the agreement enables Stichting Preferente Aandelen Accell Group, the company, its Board of Directors, and its 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 stakeholders 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 that the Board of Directors fulfils its responsibilities in that regard. Accell Group has proper internal procedures for the compilation and publication of the annual report, the annual accounts, the half-yearly figures, and ad-hoc financial information. The Supervisory Board supervises all of the above.

Compliance with the Code

Accell Group has compared its corporate governance structure to 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 to the extent that 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. However, the present members of the Board of Directors have been appointed for an indefinite time period. Accell Group has decided to respect the contractual status quo of the present members of the Board of Directors. On the other hand, in future, new members of the Board of Directors will in principle be appointed for a period of no more than 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. There is consequently no persuasive reason for introducing rules to prevent insider trading that would regulate ownership of and transactions in shares by members of the Board of Directors and the Supervisory Board, other than the shares issued by their ‘own’ company. If members of the Board of Directors or the Supervisory Board hold positions in other publicly listed companies in the future, Accell Group may 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 secretary of the board. The duties of the secretary, as described in best practice provision III.4.3, are performed by the Vice Chairperson of the Supervisory Board. Accell Group reviewed its decision on this matter again last year and decided not to appoint a secretary.

- Principle V.3

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

Risks and risk management

Introduction

The business operations and organization of Accell Group NV involves certain risks, in the sense that it may not be possible to fully realize strategic, operational, and financial objectives. Risk management procedures that positively influence the realization of the company objectives form an important part of the overall management process.

The risk management and control system in Accell Group NV is tailored to fit the type and scope of the organization. While the risk management and control system cannot provide absolute security, it was developed to obtain a reasonable 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 2005, work continued on activities intended to anchor risk management in the operational management of Accell Group. The most important risks that were revealed explicitly in the risk analysis conducted in 2004 were developed further in 2005 by means of cause-and-effect analyses. The results of these analyses and other sources will be used to define action plans to further increase insight into the backgrounds behind risks and how to control them.

Risk management

Risk management at Accell Group comprises the following components:

- Identifying and weighing the risks associated with the various strategic alternatives, and formulating realistic objectives with associated control mechanisms.
- Identifying and evaluating the most important strategic, operational, and financial risks, as well as the possible influence they might have on the company.
- Developing 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, fiscal, and legal affairs are arranged at group level.

Internal risk control and audit systems

To ensure the quality of the company's financial reporting and operational audits, Accell Group utilizes an extensive system of administrative organization and internal audits. The control 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 setup and operation of the internal risk management and control system. The Supervisory Board is responsible for supervising the performance of the Board of Directors, in which context it specifically monitors the strategic risks and the setup and operation of the risk management and internal control systems.

Directives for financial administration

The personnel of the financial departments are provided with directives and instructions on the setup and maintenance of the financial administration and reporting systems, the details of which are provided in a reference document. The directives and instructions have been adjusted to the new IFRS standards.

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 with the Supervisory Board.

Management information reports are compiled on a daily, weekly, and monthly basis. The financial plans are reviewed against the actual results on a monthly basis, and the outcomes are reported to the Board of Directors.

Acquisitions

The growth strategy of Accell Group is effectuated in part by means of smaller and larger takeovers. These acquisition processes do come with certain risks. These risks are always controlled as well as possible, on the one hand by deploying wide-ranging internal knowledge and experience, and on the other hand by bringing in external experts. The Board of Directors is always directly involved in a takeover. After a takeover, it is customary to immediately work on the integration of new companies. The information systems and the financial processes of the group are generally integrated within a short time period.

External audits

To review the quality of the financial reporting, an annual audit plan is drawn up, 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 issued with the annual account. It is reported in a formal letter to the management. All important findings are discussed with the Supervisory Board.

Letter of Representation

Each of the directors of the various group companies annually signs a detailed declaration regarding the annual financial reports.

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 inplemented to ensure that violations of existing policy and procedures can be reported without negative consequences for the person reporting the violation.

Statement

On the basis of aforementioned activities, the Board of Directors states with regard to the financial reporting risks that the internal risk management and control systems offer a reasonable degree of certainty, and that the financial reporting contains no irregularities of material interest. It is the view of the Board of Directors that the system has worked according to expectations, and the Board of Directors similarly expects the system to continue functioning properly in the coming financial year.

The Board of Directors would like to note here that the aforementioned system for risk management and internal audits entails exposing the company significant risks in order to optimally identify and control, with due consideration for the nature and scope of the organization. Such a system cannot offer absolute certainty for achieving the objectives. Similarly, it is not possible to fully prevent that cases will occur involving material errors, damage, fraud, or violation of statutory regulations. The actual effectiveness can only be assessed based on the results achieved over a longer time period.

The Board of Directors has set itself the task of constantly reviewing the risk management system and improving it as necessary. The risk management procedures are discussed periodically with the Supervisory Board.

Strategic risks

Marketing and development

The Accell Group branding strategy demands continuous innovation and the development of appealing products: a challenge that must also be met in the long term. The possibility that Accell Group might fail to develop sufficiently attractive products, 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 for success.

Development of the specialized retail trade

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

Import duties

A number of import duties apply to importing bicycle parts from outside the European Union. There are certain general import duties (5-15%), although some countries enjoy discounts on these duties. An anti-dumping duty applies to the importation of bicycle parts and complete bicycles from China. The main purpose of those regulations is to prevent importing 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 48.5% for import from China and 34% for import from Vietnam. The schemes will expire in 2010. Abolition of the regulations, or substantial changes to their levels, could influence the very structure of supply and demand in the European bicycle markets.

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. Poor weather in the spring and/or extremely hot or poor weather in the summer could negatively affect bicycle sales in general.

Logistics

One important aspect of the overall Accell Group policy is to procure parts from third parties and outsource activities where it will 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. If those parts are not available in time, it could create problems with regard to bicycle delivery deadlines. A number of suppliers have a dominant position in the market. If part supplies were to be disrupted, it could have a negative impact on business operations. Delivery times for parts could run to nine months or more. If the actual demand for bicycles in the market deviates from budgeted sales, it could cause surpluses or shortages in bicycle parts, 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, safety and comfort of its products, it is possible that the products may occasionally display incidental shortcomings. If such shortcomings were to cause injury to end users due to such shortcomings, this could entail risks for Accell Group in the form of financial losses and/or damages to the company's reputation. With due consideration of the growing awareness of the European consumer, Accell Group continues its unabated efforts to ensure the quality and safety of its products.

Financial risks

Currency exchange and interest rate risks

All Accell Group treasury activities are centralized. Some of the parts used by the group are purchased in foreign currencies, primarily US dollars and Japanese yen. Accell Group's strategy aims to minimize fluctuations in the 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 of the average hedged long-term exchange rates. Besides managing currency exchange rate risks, various financial instruments are also used to control interest rate risks. All financing takes place 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 different outcomes. These influences could yield greater differences between the financial ratios in the half-yearly and annual figures than in the past, offering only limited options for the management to influence the causes of the changes.

Outlook

Cautiously optimistic economic forecasts were issued in autumn 2005 for the first time in years. As consumer behavior barometers also seem to be climbing upward again, it is becoming clear that the renewed confidence is growing slowly and that consumers remain very sensitive to signals from society. Although Accell Group maintained excellent performance even in the years of less favorable economic conditions, an increase in consumer confidence could boost the further growth of the group.

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

In 2006, as in previous years, Accell Group again expects to obtain adequate synergy benefits due to integration and mutual cooperation between the companies in the group. 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 organic growth, Accell Group may be able to realize further growth through acquisitions. For that reason, Accell Group continues to actively seek prospective acquisitions that fit into the group's brand profile. The criteria here remain unchanged: candidates for takeover that are complementary and provide added value to the group in terms of returns and synergy within a short time period.

Based on current market prospects and in part due to constant and strict cost control, inventory management, portfolio management, further utilization of synergy benefits and the acquisition of SBS, and barring unforeseen circumstances, Accell Group expects a further increase in turnover and operational results in 2006.

Heerenveen, The Netherlands, 21 February 2006

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

Notes to the financial figures

In 2005, Accell Group turnover grew by 8% to € 369.3 million. Five percent of that growth in turnover was organic. The rest of the turnover growth was due to the takeover of Julius Holz GmbH (as of 1 January), Lacasdail Holdings Ltd (as of 1 January), Accell Fitness North America (as of 1 April) and Dowi GmbH (as of 1 July). In the year under review, the net profit increased by 18% to € 15.5 million, while the earnings per share rose by 14% to € 1.75 (2004: € 1.54).

In the 2005 financial year, Accell Group applied the International Financial Reporting Standards (IFRS) in its reporting, in accordance with the latest standards and professional insights. As stated in the 2004 annual report, the application of the IFRS primarily had an impact on the balance (balance total as of 31 December 2004 of € 158.6 million changed to € 173.6 million after application of IFRS). The IFRS had an impact on the net result of less than € 0.5 million. In this report, the comparative figures for 2004 have been adjusted to the application of IFRS.

Turnover by segment

Turnover in the bicycle and bike parts segment increased in 2005 by 5% to € 337 million (2004: € 320 million). 858,000 bicycles were sold, approximately 1% less than in 2004 (865,000), while the average price per bicycle increased by 4% to about € 330. The high-quality bicycle collection produced by Accell Group, targeting the mid and upper segment of the market, is highly diversified, ranging from children’s bicycles to comfortable, luxury city bikes, and exclusive trekking and racing bicycles. The segment result increased to 9.7% of turnover (2004: 9.3%).

Turnover in the segment for fitness equipment increased in the past year to € 32 million, primarily through acquisitions (2004: € 21 million). The segment result increased to 4.3% of the turnover (2004: 2.0%). Accell Group targets its fitness activities to the mid and upper market segment, specifically focusing on the market for home use.

Total turnover in the Netherlands increased by 1% to € 171.6 million, causing the turnover share in the Netherlands, expressed in percentage of turnover, to drop to 47% (2004: 50%). Turnover in Germany rose by 19% to € 92.7 million, bringing the turnover share to 25% (2004: 23%). In France, the turnover fell by 1% to € 42.4 million, which resulted in a turnover share of 11% (2004: 12%). In 2005, the other countries had a turnover of € 62.6 million, which represents a turnover share of 17% (2004: 15%).

Personnel

The total workforce in 2005 increased to an average of 1,438 employees (2004: 1,405 employees). The average labour costs per employee increased by 5% in 2005. The total workforce includes 172 temporary employees (2004: 202 employees), which is consistent with the seasonal pattern of Accell Group business operations. The average turnover per employee in relation to 2004 rose by 6%.

Costs

The increase in turnover was accompanied by a slight decrease in the gross margin on products. More competitive pricing, a changing product mix, and an increase in material costs caused the added value in percentage of turnover to drop to 37.6% (2004: 38.2%). Currency exchange rate risks, incurred in purchasing parts, are hedged on a seasonal basis. The currency exchange rate benefits or costs during the season are therefore limited.
Personnel costs totaled € 57.7 million in 2005 (2004: € 53.8 million). Expressed as a percentage of turnover, personnel costs amounted to € 15.6% (2004: 15.8%). The other operating costs depend partially on variations in volume. In 2005, the other operating costs increased to € 50.7 million (2004: € 49.3 million). Expressed as a percentage of turnover, the other operating costs dropped to 13.7% (2004: 14.5%). The operational margin (operating results in relation to turnover) improved to 7.0% (2004: 6.7%).
The balance sheet item for interest charges increased in 2005 by nearly 9% as a result of a higher average demand on capital and the financing burdens of the acquisitions.

Balance sheet

The higher level of activity and the consolidation of the acquisitions in 2005 caused the balance total to increase to € 180.3 million (2004: € 173.6 million). The inventory level at the end of the financial year remained at about the same level as at the end of the previous year, despite the acquisitions. The effect of the acquisitions on the inventory was € 7.1 million as of the end of the financial year.
The return on capital employed increased in 2005 to 18.7% (2004: 16.5%). The acquisition of Julius Holz GmbH, Lacasdail Holdings Ltd, Accell Fitness North America and Dowi GmbH were financed out of operational cash flow. The long-term part of the loan capital amounted to € 25.1 million (2004: € 26.7 million); the remaining bank debts at the end of 2005 amounted to € 24.5 million (2004: € 40.4 million). The overall Accell Group equity at the end of 2005 amounted to € 77.4 million.

Accell Group solvability on the basis of the group capital at the end of the financial year amounted to 42.9% (year-end 2004: 34.9%).

Annual accounts

Consolidated balance sheet at 31 December 2005

Before profit distribution (in thousands of euros)

		2005		2004
ASSETS				
Fixed assets				
Intangible fixed assets (1)				
Research & development expenses	**0**		232	
Goodwill	**3,881**		2,999	
		3,881		3,231
Tangible fixed assets (2)				
Land and buildings	**29,729**		27,245	
Machinery and equipment	**13,322**		11,732	
		43,051		38,977
Financial fixed assets				
Participations (3)	**0**		1,039	
Deferred tax assets (9)	**4,874**		4,669	
		4,874		5,708
Current assets				
Inventories (4)		**76,592**		76,643
Accounts receivable				
Trade receivables (5)	**47,327**		43,273	
Due from participations (5)	**0**		573	
Taxes and social security contributions (5)	**774**		613	
Financial instruments (13)	**651**		0	
Other receivables and accrued assets (5)	**3,041**		4,505	
		51,793		48,964
Cash		**92**		80
Total assets		**180,283**		**173,603**

Consolidated balance sheet at 31 December 2005

Before profit distribution (in thousands of euros)

			2005	2004
SHAREHOLDERS' EQUITY AND DEBT				
Shareholders' equity (6)				
Issued capital	**180**	173		
Share premium reserve	**12,984**	12,557		
Revaluation reserve	**8,415**	8,094		
Hedging reserve	**456**	-1,516		
Statutory reserves	**0**	232		
Other reserves	**39,794**	27,957		
Result financial year	**15,530**	13,158		
			77,359	60,655
Provisions				
Pensions (7)	**3,655**	3,573		
Other deferred compensation (8)	**1,164**	1,161		
Deferred tax liabilities (9)	**1,963**	872		
Other provisions (10)	**3,301**	4,412		
			10,083	10,018
Long-term debt (11)				
Subordinated loan	**3,500**	4,500		
Bank loans	**21,649**	22,247		
			25,149	26,747
Short-term debt				
Trade creditors (12)	**31,103**	21,756		
Taxes and social securities (12)	**2,368**	2,294		
Credit institutions (12)	**24,460**	40,433		
Financial instruments (13)	**0**	2,213		
Other debts and accrued liabilities (12)	**9,761**	9,487		
			67,692	76,183
Total liabilities			**180,283**	**173,603**

Consolidated profit and loss account 2005

(in thousands of euros)

		2005		2004
Net turnover (15)		**369,321**		341,146
Costs materials and components	**230,629**		210,834	
Salaries (16)	**45,267**		42,641	
Social security charges (16)	**12,476**		11,204	
Depreciation and amortization (17)	**4,557**		4,399	
Other operating costs	**50,679**		49,299	
		343,608		318,377
Operating result		**25,713**		22,769
Result from participations	**0**		278	
Financing costs (18)	**-3,020**		-2,777	
		-3,020		-2,499
Result before taxes		**22,693**		20,270
Taxes (19)		**-7,163**		-7,112
Net profit		**15,530**		13,158

Earnings per share (21)

	2005	2004
Net earnings per share (€)	**1.75**	1.54
Average number of shares outstanding	**8,879,749**	8,549,802
Net earnings per share (diluted)	**1.72**	1.50
Average number of shares outstanding (diluted)	**9,025,694**	8,758,802

Consolidated statement of changes in shareholders' equity 2005

(in thousands of euros)

	Issued capital	Share premium reserve	Reval-uation reserve	Hedging reserve	Statutory reserves	Other reserves	Result financial year	Minority interests	Total
Beginning of year 2004	167	12,563	7,588	-777	583	20,453	9.177	115	49,869
Change in statutory reserve intangible fixed assets					351-	351			-
Revaluation tangible fixed assets			339						339
Change in deferred tax tangible fixed assets			78-						78-
Fair value adjustment financial instruments				1,026-					1,026-
Change in deferred tax financial instruments				323					323
Differences in exchange rates on conversion of foreign activities						309-			309-
Change in corporation tax rate			245	36-					209
Total direct changes in equity	**167**	**12,563**	**8,094**	**1,516-**	**232**	**20,495**	**9,177**	**115**	**49,327**
Dividend payments						1,417-			1,417-
Stock dividend payments	6	6-							-
Redemption minority shareholders								115-	115-
Other changes						298-			298-
Result financial year						9,177	3,981		13,158
End of year 2004	**173**	**12,557**	**8,094**	**1,516-**	**232**	**27,957**	**13,158**	**-**	**60,655**
Beginning of year 2005	**173**	**12,557**	**8,094**	**1,516-**	**232**	**27,957**	**13,158**	**-**	**60,655**
Change in statutory reserve intangible fixed assets					232-	232			-
Revaluation tangible fixed assets			283						283
Change in deferred tax tangible fixed assets			85-						85-
Fair value adjustment financial instruments				2,864					2,864
Change in deferred tax financial instruments				859-					859-
Differences in exchange rates on conversion of foreign activities						14			14
Change in corporation tax rate			123	33-					90
Valuation of share based payments						126			126
Total direct changes in equity	**173**	**12,557**	**8,415**	**456**	**-**	**28,329**	**13,158**	**-**	**63,088**
Dividend distribution						1,647-			1,647-
Stock dividend distribution	5	5-							-
Options exercised	2	432							434
Other changes						46-			46-
Result financial year						13,158	2,372		15,530
End of year 2005	**180**	**12,984**	**8,415**	**456**	**-**	**39,794**	**15,530**	**-**	**77,359**

Consolidated cash flow statement 2005

(in thousands of euros)

		2005		2004
Cash flow from operating activities				
Operating result	**25,713**		22,769	
Result participations	**0**		278	
Interest paid (18)	**-3,107**		-2,938	
Interest received (18)	**87**		161	
Corporate tax paid (19)	**-7,163**		-7,112	
Depreciation fixed assets (17)	**4,557**		4,399	
Share based payments (16)	**126**		0	
Increase / decrease provisions	**65**		-489	
Operational cash flow from working capital		**20,278**		17,068
Increase / decrease inventories	**3,885**		-12,625	
Increase / decrease accounts receivable	**-1,047**		-2,327	
Increase / decrease debts	**3,209**		-4,498	
Increase / decrease working capital		**6,047**		-19,450
Net cash flow from operating activities		**26,325**		-2,382
Cash flow from investment activities				
Investments intangible fixed assets (1)	**0**		0	
Investments tangible fixed assets (2)	**-7,830**		-6,689	
Divestments tangible fixed assets (2)	**447**		1,466	
Acquisitions of subsidiaries (14)	**-2,407**		-2,908	
Net cash flow from investment activities		**-9,790**		-8,131
Cash flow from financing activities				
Long-term borrowings (11)	**0**		1,040	
Redemption subordinated loans (11)	**-1,000**		-1,000	
Redemption long-term loans (11)	**-598**		-204	
Dividend distribution (21)	**-1,647**		-1,417	
Share and share option schemes (6)	**434**		0	
Changes in bank credits (12)	**-15,973**		13,098	
Financial instruments (6)	**1,972**		-739	
Other changes in shareholders' equity (6)	**289**		-252	
Net cash flow from financing activities		**-16,523**		10,526
Net cash flow	**12**		**13**	
Cash at 1 January	**80**		67	
Cash at 31 December	**92**		80	

Information by segment 2005

(in thousands of euros)

Result	Bikes + P&A 2005	Fitness 2005	Eliminations 2005	Consolidated 2005	Bikes + Parts 2004	Fitness 2004	Eliminations 2004	Consolidated 2004
Net turnover third parties	**337,102**	**32,219**	**0**	**369,321**	319,727	21,419	0	341,146
Net turnover IC	**0**	**300**	**-300**	**0**	0	0	0	0
Total net turnover	**337,102**	**32,519**	**-300**	**369,321**	319,727	21,419	0	341,146
Result segment	**32,687**	**1,378**	**0**	**34,065**	29,866	434		30,300
	9.7%	**4.3%**			9.3%	2.0%		
Segment costs not allocated				**-744**				-750
Corporate costs not allocated				**-7,608**				-6,781
Operating result				**25,713**				22,769
				7.0%				6.7%
Result participations				**0**				278
Interest income				**87**				161
Interest expenses				**-3,107**				-2,938
Result before taxes				**22,693**				20,270
Corporate tax				**-7,163**				-7,112
Net result after taxes				**15,530**				13,158

Balance sheet	Bikes + P&A 2005	Fitness 2005	Eliminations 2005	Consolidated 2005	Bikes + Parts 2004	Fitness 2004	Eliminations 2004	Consolidated 2004
Segment assets	**135,729**	**25,179**		**160,907**	145,910	14,242		160,152
Corporate assets not allocated				**19,376**				13,451
Total assets				**180,283**				173,603
Segment liabilities	**70,775**	**9,579**	**0**	**80,353**	69,064	6,386	0	75,450
Corporate liabilities not allocated				**22,571**				37,498
Subtotal liabilities				**102,925**				112,948
Shareholders' equity				**77,359**				60,655
Total liabilities				**180,283**				173,603

Notes to the consolidated annual accounts

accounts for the year ended 31 December 2005

General information

Accell Group NV of Heerenveen, the Netherlands, is the holding company of a group of legal entities. An overview of the data required by Articles 379 and 414 of Book 2 of the Dutch Civil Code is presented on pages 67 and 68 of the annual accounts.

As from 1 January 2005, Accell Group NV publishes its financial figures on the basis of the International Financial Reporting Standards (IFRS). The consolidated annual accounts for 2005 of Accell Group NV have been prepared in accordance with the standards set by the International Accounting Standards Board (IASB) and approved by the European Commission and applying as from 31 December 2005.

As required by IFRS 1 for "first-time adoption of International Financial Reporting Standards", an explanation of the transition from the principles applied by Accell Group NV and generally accepted in the Netherlands for annual accounting to IFRS is included in note 25 to the consolidated annual accounts.

Application of new and revised IFRS standards

Accell Group NV has applied all new and revised standards and interpretations that were applicable in the financial year, as instituted by the IASB and approved by the European Commission, which were in effect for periods starting as of 1 January 2005. The application of the new and revised standards resulted in 2005 in changes to the reporting standards of Accell Group NV with respect to IFRS 2 "Share-based Payments".

The exemptions in IFRS 2 have been used for the valuation of unconditional option rights as of 1 January 2005 (share-based payments, to be settled in equity instruments). The impact of applying IFRS 2 was to increase expenses for 2005 by ?126,000.

As of 1 January 2005, the new standard IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" also applies for Accell Group NV. In addition, a number of existing standards and interpretations were reviewed as of 1 January 2005. Accell Group NV has assessed the impact of these new and revised IFRS standards and concluded that they have no material impact on the equity and results of the group. Accell Group NV has decided not to apply new or revised standards early, which would otherwise enter into effect after 31 December 2005.

Accounting policies

The annual accounts have been prepared in accordance with the International Financial Reporting Standards applying on 31 December 2005.

The annual accounts have been prepared on the basis of historical cost, except for immovable property, financial instruments and share-based payments, which have been restated to fair value.

Consolidation

The consolidated annual accounts include the annual accounts of Accell Group NV and the subsidiaries in which Accell Group NV has a controlling interest, either direct or indirect, on financial and operational policy.

The financial data of subsidiaries acquired during the year under review are consolidated as from the date that Accell Group NV acquires a controlling interest. The financial data of subsidiaries sold during the year under review are included in the consolidation until the date that Accell Group NV ceases to hold a controlling interest. If necessary, the figures for the subsidiaries are adjusted to bring the accounting policies in line with the policies applied by Accell Group NV.

The financial data of the consolidated subsidiaries are fully included in the consolidated annual accounts after elimination of intercompany balances and transactions. Third-party interests in the equity and results are identified separately in the consolidated annual accounts.

The portion of equity and results that can be attributed to the minority shareholders is stated separately in the balance sheet and the profit and loss account.

A list of consolidated subsidiaries is contained in note 3 to the consolidated annual accounts.

Business combinations

Acquisitions of subsidiaries are accounted for by the purchase accounting method. On the acquisition date, the acquisition price is applied to the sum of the fair value of the assets acquired, the liabilities incurred or expected and the equity instruments issued by Accell Group NV in exchange for the controlling interest in the company acquired, plus the costs that directly attributable to the business combinations.

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

Goodwill

Goodwill represents the difference between the purchase price and the fair value of the identifiable assets, liabilities and contingent obligations at the time the subsidiary is acquired. Goodwill is initially accounted for as an asset and stated at cost.

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

To determine whether any impairment has taken place, the goodwill is allocated to each cash flow generating unit of Accell Group NV that is expected to benefit from the synergy created by the combination. Goodwill is subjected to an annual impairment test, or more often if there are indications that impairment has taken place. If the value that can be realized by the cash flow generating unit is less than its carrying value, the impairment will be deducted from the goodwill. Impairments of goodwill will not be reversed in future periods.

When a subsidiary and/or activities are sold, the related goodwill is taken into account in the determination of the selling result.

Intangible fixed assets – development costs

Research costs are charged directly to the profit and loss account in the period in which they are incurred. Development costs are capitalized if all of the following criteria are met:

- the asset is meticulously described and the costs can be identified separately;
- the technical feasibility of the asset has been demonstrated satisfactorily;
- it is probable that the asset will generate future economic revenues;
- the development expenditures can be measured accurately.

If not all of these criteria are met, then the development costs will be charged directly to the profit and loss account in the period when incurred.

Capitalized development costs are amortized on a straight-line basis over the estimated economic useful life, which is expected to be three years. A legal reserve has been created equal to the capitalized amount.

Tangible fixed assets

Land and buildings are stated at their reassessed value, which is the fair value on the revaluation date, less any subsequent accumulated depreciation and impairments. The reassessed value is determined based on valuation reports drawn up by independent appraisers. Such appraisals are conducted on a rotating basis, at least once every five years, in order to ensure that the carrying value does not differ materially from fair value on the balance sheet date. Accumulated depreciation is already reflected in the fair value of land and buildings as per 1 January 2004.

Revaluation of land and buildings is added to equity by a direct credit to the revaluation reserve. However, if and to the extent that the revaluation offsets a depreciation charge to expense in a previous period, then such offset will be accounted for as a negative expense. If the value of land and buildings must be reduced, then such reduction is charged to expense. However, if and to the extent that a reduction in value offsets a positive revaluation that was credited to the revaluation reserve in a previous period, then such reduction in value will be charged to the revaluation reserve.

Depreciation of revalued buildings is charged to expense. When a building is sold, the related revaluation reserve is transferred to other reserves.

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

Cost or restated value is depreciated on a straight-line basis over the estimated economic useful life, taking into account any residual value. Land is not depreciated. The estimated economic useful life per category is:

Buildings	30 - 50 year
Machinery and equipment	3 - 10 year

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

Impairment of fixed assets other than goodwill

Accell Group NV assesses on each balance sheet date whether there are indications that an individual fixed asset may be subject to impairment. If there are such indications, the recoverable amount of the asset in question is estimated, to determine the extent to which impairment may apply. If it is not possible to determine the recoverable amount of the individual asset, then Accell Group NV determines the recoverable amount of the cash flow generating unit to which the asset belongs.

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

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

Stocks

Raw and auxiliary materials and finished goods are stated at the lower of cost or net realizable value. This lower net realizable value is determined through valuation of individual stock items.

Finished goods are stated at production cost or lower net realizable value. Lower net realizable value is determined through valuation of individual stock items. Production cost includes direct material consumption, direct labor and machining costs, plus all other costs that can be attributed directly to production. The net realizable value is based on expected selling price, less completion and selling expenses.

Financial instruments

Accounts receivable

Amounts due from customers are non-interest-bearing receivables due within twelve months. They are stated at their nominal value, less provisions to cover the estimated bad debt risk. The provisions are determined through evaluation of individual receivables. Considering the short-term nature of the claims, their nominal value can be considered to equal fair value.

Cash

Cash consists of petty cash and bank balances with a term of less than twelve months. Current account liabilities to banks are included under current liabilities. Cash is stated at fair value. Considering the short-term nature of these instruments, their nominal value can be considered to equal fair value.

Bank loans

Interest-bearing bank loans and bank debts are stated at their fair value. Considering the characteristics of the bank loans, their nominal value can be considered to equal fair value.

Accounts payable

Liabilities to trade creditors are non-interest-bearing debts and are booked at their fair value, which is the value at which settlement is expected to take place. Considering the short-term nature of these liabilities, their nominal value can be considered to equal fair value.

Financial instruments – cash flow hedge accounting

Accell Group NV has a policy to manage the currency risks of expected purchases and sales in foreign currencies by hedging a significant percentage of the currency risks a year in advance of each season. The instruments used include currency future contracts, swaps and options. These instruments (derivatives) are applied on the basis of Accell Group NV's risk management policy, as set by the Board of Directors. The specified instruments are included on the balance sheet at their fair value. Cash flow hedge accounting is applied to the transactions. This means that unrealized gains or losses on the instruments are included in the hedging reserve in the shareholders' equity section of the balance sheet until the hedged cash flow materializes.

For instruments to be classified as a cash flow hedge, Accell Group NV applies the following criteria:
(1) the hedge is expected to be effective in compensating for changes in the expected future cash flows which can be attributed to the hedged risk;
(2) the effectiveness of the hedge can be accurately measured;
(3) the required documentation regarding the link between the hedged risk and the hedge instrument is on hand when the hedge instrument is taken out;
(4) there must be a high probability that the recorded transactions will actually take place;
(5) the hedge has been assessed during its duration, and it has been determined that the hedge will be effective during the reporting period.

In connection with the cash flow hedge transactions entered into to cover currency risks, unrealized gains and losses on the derivatives are temporarily included in the hedging reserve of shareholders' equity. The ineffective part of the cash flow hedge is recorded in the profit and loss account.

Provisions

General
Provisions are recorded to cover liabilities that are factual or enforceable by law, arising from events on or before the balance sheet date, where it is likely that the company will have to meet these obligations and the extent of the obligations can be reasonably estimated. The level of the provisions reflects the best estimate of Accell Group NV on the balance sheet date of the expected expenditures. If material, the liabilities are discounted to their present value.

Provisions for pensions and other deferred compensation

Defined benefit pension schemes
The pension provision reflects the company's commitments arising from defined benefit pension schemes. Pension entitlements are awarded depending on such aspects as age, seniority and salary level. The liabilities under defined benefit pension schemes are based on actuarial calculations. The present value of defined benefit pension entitlements is determined by the Projected Unit Credit Method of actuarial calculation.

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

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

Defined benefit schemes accounted for as defined contribution schemes
The majority of the Dutch operating companies have transferred their pension schemes to Metalektro, the pension fund for the metal working industry. Many of these schemes qualify as defined benefit schemes. The pension fund has notified Accell Group NV that the required information cannot be provided. Due to the lack of full information, the defined benefit schemes are recorded as defined contribution schemes.

Defined contribution schemes
Liabilities under defined contribution schemes are accounted for as expenses as soon as they are due. Payments under government pension schemes are treated as payments under defined contribution schemes if the liabilities of Accell Group NV are equal to the liabilities under a defined contribution scheme.

Other deferred personnel compensation
Other deferred personnel benefits, including anniversary bonuses, are based on actuarial calculations.

Provisions for warranties

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

Share-based payments

The company has a share option plan for the Board of Directors. The Supervisory Board awards options to the directors based on the realization of targets set in agreement with the Board of Directors and the expected contribution that the members of the Board of Directors will make to the further development of the company. The option rights are unconditional once awarded and must be held for at least three years after they are awarded. The maximum term within which the board members can exercise their options is five years.

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

Accounting for revenues

Revenues are accounted for at the fair value of the payment or claim received and reflect the claims in relation to goods and services supplied in the course of normal business operations, less any discounts and value-added taxes. Turnover of goods is recorded once the goods have been supplied and ownership title has been transferred.

Lease agreements

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

Foreign currencies

The balance sheet and profit and loss account are stated in euros, that being the functional currency of Accell Group NV and the reporting currency for the consolidated annual accounts. Receivables, payables and liabilities in foreign currencies are converted using the exchange rate at the balance sheet date insofar as the currency risk is covered.

In order to hedge its currency risks, Accell Group has entered into future contracts. The basis for these contracts is detailed under “Financial Instruments”.

Transactions in foreign currencies during the reporting period are recorded at the exchange rates applying on the transaction date. The exchange differences arising from this conversion are recorded in the profit and loss account.

The conversion of the assets and liabilities of foreign subsidiaries takes place at the exchange rates applying at the balance sheet date. The profit and loss accounts of foreign subsidiaries are converted at the weighted average monthly exchange rates applying during the reporting year. Differences arising from this conversion are charged or credited to the reserve for translation differences in shareholders’ equity. These translation differences are recorded in the profit and loss account at the time when the activities are sold.

Estimates

Accell Group NV makes certain estimates and assumptions when preparing the consolidated annual accounts. These estimates and assumptions impact the assets and liabilities, the reporting of assets and liabilities not reflected in the balance sheet, and income and expense items for the period being reported.

Important estimates and assumptions relate in particular to provisions, pensions and other deferred compensation, goodwill, deferred tax assets and deferred tax liabilities. Actual results may differ from these estimates and assumptions.

All assumptions, expectations and forecasts that are used as a basis for estimates in the consolidated annual accounts represent as accurately as possible the outlook for Accell Group NV. These estimates only represent Accell Group NV’s interpretation on the dates when they were prepared. Estimates relate to known and unknown risks, uncertainties and other factors that can lead to future results differing significantly from those forecasted.

Corporation tax

Corporation tax consists of taxes currently payable and deferred taxes. Taxes currently payable are based on the taxable result for the year. Differences between commercial and taxable results are caused by temporary and permanent differences. The taxes currently payable are calculated on the basis of rates that are effective on the balance sheet date.

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

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

Deferred tax assets and liabilities are netted if there is a legal right to do so, if they are related to corporation taxes imposed by the same fiscal authority, and if Accell Group NV has the intention to apply netting.

Cash flow statement

The cash flow statement is prepared according to the indirect method. The cash balance in the cash flow statement consists solely of immediately available cash. Cash flows in foreign currencies are converted at the exchange rates applying on the balance sheet date. Receipts and expenditures for interest and corporation taxes are included in the cash flow from operational activities. Certain dividends are included in the cash flow from financing activities. The purchase price paid for participations acquired during the year, as well as the selling price received for participations sold during the year, are included in the cash flow from investment activities. Transactions that do not involve cash transfers, such as financial lease agreements, are not included in the cash flow statement.

(in thousands of euros)

1. Intangible fixed assets

Movements in intangible fixed assets were as follows:

	Development expenses	Goodwill	Total
Cost	786	0	786
Accumulated amortization/impairment charges	-203	0	-203
Book value 1 January 2004	**583**	**0**	**583**
Investments	0	2,999	2,999
Amortization	351	0	351
Changes in book value	**351**	**2,999**	**3,350**
Cost	786	2,999	3,785
Accumulated amortization/impairment charges	-554	0	-554
Book value 31 December 2004	**232**	**2,999**	**3,231**

	Development expenses	Goodwill	Total
Cost	786	2,999	3,785
Accumulated amortization/impairment charges	-554	0	-554
Book value 1 januari 2005	**232**	**2,999**	**3,231**
Investments	0	882	882
Amortization	232	0	232
Changes in book value	**232**	**882**	**1,114**
Cost	786	3,881	4,667
Accumulated amortization/impairment charges	-786	0	-786
Book value 31 december 2005	**0**	**3,881**	**3,881**

Development costs are amortized over their estimated useful life. The amortization period is 3 years.

The book values of goodwill as at 1 January 2005 relate to Juncker B.V, F. van Buuren & Co. B.V. and Tunturi B.V.

Investments in goodwill in 2005 relate to the acquisition of interests in Lacasdail Holdings Ltd, Julius Holz GmbH & Co Kg, Accell Fitness North America Inc. and Dowi GmbH.

Goodwill is reviewed annually for possible impairment of the underlying assets, or more often if there are indications of such impairment.

The recoverable value of cash generating units is determined on the basis of their estimated commercial value. Relevant assumptions in this regard pertain to discount percentages, growth percentages and expected changes in sales value and direct costs during the period. Accell Group N.V. estimates discount percentages on the basis of percentages before tax that properly reflect the present value of cash under current market conditions and the specific risks for cash generating units.

2. Tangible fixed assets

	Land and buildings	Machinery and equipment	Total fair value or cost
Fair value or cost			
Beginning of year 2004	26,912	36,212	63,124
Investments	1,905	4,784	6,689
Investments following acquisitions	178	878	1,056
Impairments	-600	-364	-964
Divestments	-791	-24	-815
Change revaluation	339	0	339
Beginning of year 2005	27,943	41,486	69,429
Investments	2,263	5,567	7,830
Investments following acquisitions	884	132	1,016
Divestments	-226	-504	-730
Change revaluation	283	0	283
End of year 2005	**31,147**	**46,681**	**77,828**
Structure:			
Cost	0	46,681	46,681
Fair value	31,147	0	31,147
	31,147	**46,681**	**77,828**
Accumulated depreciation			
Beginning of year 2004	0	26,404	26,404
Depreciation	698	3,350	4,048
Beginning of year 2005	698	29,754	30,452
Depreciation	720	3,605	4,325
End of year 2005	**1,418**	**33,359**	**34,777**
Book value			
31 December 2005	**29,729**	**13,322**	**43,051**
31 December 2004	27,245	11,732	38,977

The book value of tangible fixed assets as at 31 December 2005 if based on historical cost less accumulated depreciation and impairments would amount to approximately € 34.6 million (2004: € 30.8 million).

3. Participations

The consolidated annual accounts 2005 include Accell Group N.V. in Heerenveen and the following companies.

Consolidated participations

Name	Participation percentage
Batavus B.V., Heerenveen, The Netherlands	100
Koga Miyata B.V., Heerenveen, The Netherlands	100
Koga Trading A.G., Zurich, Switzerland	100
Loekie B.V., Veenendaal, The Netherlands	100
Juncker B.V., Veenendaal, The Netherlands	100
Sparta B.V., Apeldoorn, The Netherlands	100
IT Services B.V., Heerenveen, The Netherlands	100
Accell Duitsland B.V., Heerenveen, The Netherlands	100
Accell-Hercules Fahrrad GmbH & Co KG, Nürnberg, Germany	100
Winora Staiger GmbH, Sennfeld, Germany	100
E. Wiener Bike Parts GmbH, Sennfeld, Germany	100
Julius Holz GmbH & Co KG, Putzbrunn, Germany	100
Accell Fitness Division B.V., Heerenveen, The Netherlands	100
Tunturi Oy Ltd., Turku, Finland	100
Tunturi B.V., Amsterdam, The Netherlands	100
Tunturi GmbH, Sennfeld, Germany	100
Lacasdail Holdings Ltd., Nottingham, United Kingdom	100
Accell Fitness North America Inc, Vancouver, Canada	100
Dowi Fitness und Sportgerate GmbH, Graz, Austria	100
Cycles Mercier France-Loire S.A., Andrezieux, France	100
Cycles Lapierre S.A., Dijon, France	100
Accell Hunland Kft, Tószeg, Hungary	100

Several participating interests that are immaterial to the balance sheet and the profit and loss account are not included in the overview above. A full list of participating interests has been deposited with the Trade Register of the Chamber of Commerce in Leeuwarden.

Non-consolidated participations

Name	Participation percentage
In2 sports B.V., Eindhoven, The Netherlands	34

This participating interest is stated at zero value.

4. Inventories

	2005	2004
	€ x 1,000	€ x 1,000
Inventories in transit	**8,462**	7,974
Parts & components	**33,671**	33,501
Semi-finished product	**2,449**	1,959
Finished product	**32,010**	33,209
	76,592	76,643

Inventories in transit relate to shipped parts whose economic ownership as at the balance sheet date has passed to Accell Group N.V., but which have not yet been received.

Inventories with a book value per the balance sheet date of approximately € 0.5 million are stated at lower net realizable value.

5. Accounts receivable

The book value of accounts receivable approximates their fair value. All accounts receivable are due within one year.

Credit risks

The credit risks of the company relate mainly to trade receivables. Accell Group N.V. has developed a credit policy to maintain control over its credit risks and constantly monitors these risks. There is no significant concentration of credit risks since Accell Group N.V. has a large customer base. The balance of accounts receivable is net of the provision for doubtful accounts.

6. Shareholders' equity

Consolidated shareholders' equity is identical to that of the parent company only. The notes and movement schedules of shareholders' equity are included in the corporate annual accounts.

7. Pension provision

The provision for pensions reflected in the balance sheet relates to frozen pension commitments made at the time of the acquisition of a foreign subsidiary. Actuaries of a certified actuarial consultant have prepared calculations in accordance with the requirements of IAS 19.

The movements in the provision for pensions were as follows:

	2005	2004
	€ x 1,000	€ x 1,000
Beginning of year	**3,573**	3,495
Interest charged	**199**	188
Employer contributions	**-117**	-110
End of year	**3,655**	3,573

Finance deficit 31 December	**4,903**	3,683
Unrecognized actuarial result	**-1,248**	-110
End of year	**3,655**	3,573

The provisions for pensions are not subject to any claims or fund investments. The principal assumptions applied in determining the pension commitments and investments are as follows:

	2005	2004
Discount rate	**4%**	5.5%
Inflation	**1%**	1%
Average salary increase	**0%**	0%

Defined benefit plans

Most of the Dutch operating companies have transferred their pension liabilities to the industrial pension fund Metalektro. These schemes generally qualify as defined benefit schemes. The industrial pension fund has stated that the required information cannot be made available. As a result, Accell Group N.V. lacks insight into its share in the surplus or deficit of Metalektro. In light of the missing information, these schemes are recognized as defined contribution schemes. According to Metalektro, the participating companies have absolutely no obligation to supplement any deficits in the industrial pension fund, other than paying higher annual premiums. Nonetheless, the annual accounts of Metalektro for 2004 do not evidence a reserve deficit.

Employees of the company's foreign subsidiaries generally fall under a local government pension scheme. These subsidiaries are only required to contribute a certain percentage of payroll costs to the local pension institutions. Pension expenses in the annual accounts relate mainly to amounts due under the defined contribution schemes.

8. Other deferred compensation

Other deferred compensation relates to provisions for future anniversary bonuses.
Movements in the provision were as follows:

	2005	**2004**
	€ x 1,000	€ x 1,000
Beginning of year	**1,161**	1,133
Additions charged to the result	**53**	63
Payments	**-50**	-35
End of year	**1,164**	1,161

9. Deferred taxes

Deferred taxes are detailed as follows:

	2005	**2004**
	€ x 1,000	€ x 1,000
Deferred tax assets	**4,874**	4,669
Deferred tax liabilities	**1,963**	872
Balance deferred taxes	**2,911**	3,797

Movements in deferred tax assets and liabilities were as follows:

	Loss carry-forwards participations € x 1,000	Revaluation tangible fixed assets € x 1,000	Financial instruments € x 1,000	Provisions € x 1,000	Other € x 1,000	Total € x 1,000
Beginning of year 2004	**4,783**	**-1,755**	**410**	**-826**	**-33**	**2,579**
Change shareholders' equity	0	-7	287	12	1,040	1,332
Change result	-114	0	0	0	0	-114
End of year 2004	4,669	-1,762	697	-814	1,007	3,797
Change shareholders' equity	315	-13	-892	0	-186	-776
Change result	-110	0	0	0	0	-110
End of financial year	**4,874**	**-1,775**	**-195**	**-814**	**821**	**2,911**

Deferred tax assets consist mainly of tax-loss carryforwards related to the Finnish company Tunturi Oy, which was acquired in 2003. These originated in the years prior to the acquisition.
Accell Group N.V. and its Dutch subsidiaries are a tax unity for corporate tax purposes. At year-end 2005, Accell Group N.V. have no tax-loss carryforwards in the Netherlands.

10. Other provisions

Movements in other provisions were as follows:

		Provision for warranties € x 1,000	Other provisions € x 1,000	Total € x 1,000
Beginning of year		**2,247**	**2,165**	**4,412**
Addition to provision	677	448	1,125	
Release from provision	-87	-2,149	-2,236	
End of year		**2,837**	**464**	**3,301**

Other provisions generally relate to commitments due within one year. These provisions have therefore not been discounted to present value.

The provision for warranties represents the estimated costs under warranty commitments as at the balance sheet date arising from deliveries of goods and services.

Other provisions relate mainly to reorganizations.

11. Long-term debt

Long-term debt is subject to repayment as follows:

	Period to maturity < 5 years € x 1,000	Period to maturity > 5 years € x 1,000	Total € x 1,000
Subordinated loan	4,500	0	4,500
Roll-over loan	20,000	0	20,000
Mortgage	480	0	480
Other loans	1,130	651	1,781
Subtotal	**26,110**	**0**	**26,761**
Proportion loans with a maturity period < 1 year	-1,612	0	-1,612
End of year 2005	**24,498**	**651**	**25,149**

The portion of long-term debt that is repayable in 2006 (€ 1,612,000) is reflected in the balance sheet under short-term debt to credit institutions.

The subordinated loan has the character of a general subordination and an initial term of 7.5 years. The interest on this loan has been fixed at 7.2%. Repayments on the subordinated loan are on a straight-line basis. The first repayment took place 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 actual duration of the loan. Except for general terms and conditions, no collateral has been provided. An interest rate swap has been taken out for the rollover loan resulting in an effective interest rate in both 2005 and 2004 of 4.2%.

The mortgage loan was provided in 2002 in connection with the real estate in Hungary and has a term of 5 years. It has a fixed interest rate of 5.3% per year.

Limited securities have been issued in connection with the other loans, for the assets of a foreign operating company. The other loans bear interest at 3.9%.

The company's policy regarding interest risks is presented in note 13, "Financial instruments and risks".

12. Short-term debt

The book value of short-term debt approximates their fair value. All short-term debts are payable within one year. Except for certain terms and conditions of a general nature, no collateral has been provided. The interest rate is variable. At year-end 2005 the available credit facility amounted to € 98.5 million.

13. Financial instruments and risks

Accell Group N.V. uses various instruments to hedge the currency and interest risks that arise from its operating, financing and investment activities. The net risks of all subsidiaries of Accell Group N.V. are managed centrally, in line with its corporate objectives and rules. Accell Group N.V. does not maintain instruments for speculative purposes.

Currency risks

Since Accell Group N.V. is active in various countries around the world, part of its operating results are in foreign currencies. This applies especially to the purchase of parts in U.S. dollars and Japanese yen and to sales in U.S. dollars.

Accell Group N.V. seeks to manage the currency risks of its estimated purchases and sales by hedging a major part of such risks a year in advance, prior to the new season. This involves the use of currency future contracts and related swaps and options. Cash flow hedge accounting is applied to these transactions. Unrealized gains and losses on such instruments are thus reflected in the balance sheet until the hedged cash flows materialize.

Currency derivatives as at the balance sheet date will be effectuated during the first six months of 2006. Derivatives outstanding as at the balance sheet date are detailed as follows:

Currency derivative	Period to maturity	Currency	Amount in €
Call	January through June 2006	USD	17.2 mln.
Put	January through June 2006	USD	26.7 mln.
Call	January through June 2006	YEN	13.7 mln.
Put	January through June 2006	YEN	5.3 mln.

All currency derivatives have been entered into with ABN-AMRO or Deutsche Bank. The company incurs credit risk with these banks as long as these derivatives have a positive fair value and are not yet settled. This risk is considered acceptable in view of the creditworthiness of these banks. The fair value of currency derivatives is determined either on the basis of the net present value of future cash flows or of the binomial option valuation model.

In connection with the cash flow hedge transactions that have been entered into for currency risks, unrealized gains and losses on derivatives are temporarily reflected in the hedging reserve that is part of shareholders' equity. The cash flow hedge transactions entered into in 2005 achieved their objective.

Interest risks

The interest rate on nearly all interest-bearing debt is variable. To manage the interest risk, Accell Group N.V. has entered into an interest swap for part of its interest-bearing debt. In 2003 an interest swap was agreed, resulting in an interest liability for the next two years of approximately € 0.8 million per year. This instrument, which is generally available, is not specialized or considered to entail significant risk.

14. Acquisition of subsidiaries

In 2005 Accell Group N.V. acquired interests in Lacasdail Holdings Ltd (remaining 50% interest), Julius Holz GmbH & Co Kg (100%), Accell Fitness North America Inc. (100%) and Dowi GmbH (100%). These acquisitions are not considered significant either individually or in total. The transactions are accounted for by the purchase method of accounting. The composition of the acquired net assets is detailed as follows:

	2005
	€ x 1,000
Tangible fixed assets	1,016
Other assets	4,688
Cash	798
Deferred taxes	94
Other debts	-4,273
	2,323
Goodwill	882
Acquisition price	**3,205**
Cash acquired	-798
Net cash flow from investment activities in financial year	**2,407**

The subsidiaries acquired in 2005 realized total turnover of € 10.5 million between the time of their acquisition and the balance sheet date.

15. Net turnover

Net turnover is detailed as follows::

Turnover by product group:	2005	2004
	€ x 1,000	€ x 1,000
Children's bicycles	19,266	21,778
City bicycles	66,436	72,230
Trekking bicycles	109,121	107,159
ATB/Racing bicycles	57,744	52,864
Other bicycles	31,259	21,042
Parts	53,276	44,654
Fitness	32,219	21,419
	369,321	341,146

Turnover by country:	2005	2004
	€ x 1,000	€ x 1,000
The Netherlands	171,593	170,849
Germany	92,680	77,931
France	42,395	42,790
Other EU countries	45,399	39,808
Non-EU countries	17,254	9,768
	369,321	341,146

16. Personnel costs

Personnel costs are detailed as follows:	2005	2004
	€ x 1,000	€ x 1,000
Salaries	43,884	40,607
Social charges	9,377	7,468
Pension contributions	3,099	3,736
Share in profits	1,257	2,034
Share based payments	126	0
	57,743	53,845

The remuneration of the Board of Directors and the Supervisory Board is covered in the notes to the corporate annual accounts.

Share-based remuneration

The estimated fair value of unconditional option rights granted in 2005 (share-based payment transactions to be settled in equity-related instruments) amounts to € 126,000. This is included in the profit and loss account under personnel costs.

The fair value of the options has been determined using the Black & Scholes model, applying the following criteria:

- weighted average share price: € 17.08
- exercise price: € 17.00
- expected volatility: 20-25%
- duration of the option: 3-5 years
- 'risk free' interest rate: 4%

In calculating the fair value of options, annual dividend payments in line with the company's dividend policy have been assumed.

For purposes of valuating the unconditional option rights outstanding on 1 January 2005 (share-based payment transactions to be settled in equity-related instruments) the exemptions allowed by IFRS 2 have been applied.

The option scheme for the Board of Directors is covered in the notes to the corporate annual accounts.

17. Depreciation expense

Depreciation expense and impairment is detailed as follows:

	2005	**2004**
	€ x 1,000	€ x 1,000
Amortization of intangible fixed assets	**232**	351
Depreciation of tangible fixed assets	**4,343**	4,056
Investment subsidies for tangible fixed assets	**-18**	-8
	4,557	4,399

18. Financial income and expenses

Financial income and expense is detailed as follows:	**2005**	**2004**
	€ x 1,000	€ x 1,000
Interest income	**87**	161
Interest expenses	**3,107**	2,938
Total	**3.020**	2.777

The accounting policy regarding interest risks is covered in note 13, "Financial instruments and risks".

19. Taxes

The effective corporate tax charge is made up as follows:	**2005**	**2004**
	€ x 1,000	€ x 1,000
Result before taxes	**22,693**	20,270
Taxes based on weighted average applicable rate	**7,345**	7,085
Tax impact of:		
Non-deductible amounts	**40**	35
Deferred tax assets not carried forward	**70**	79
Adjustment of immediate taxes with regard to previous years	**-182**	0
Adjustment of deferred taxes with regard to previous years	**-110**	-114
Taxes on the profit and loss account	**7,163**	7,085
Of which:		
Current taxes	**7,203**	7,120
Deferred taxes	**-40**	-35
Effective tax rate	**31.6%**	35.0%

The change in the effective tax rate compared to the previous year is mainly due to a reduction of the corporate tax rate in the Netherlands.

20. Dividend

On 16 May 2005 a dividend with stock option was declared of € 0.72 per share. A cash dividend of € 1,647,050 was paid on that date, and stock dividends totaling 258,748 shares were issued.
With regard to the current financial year, the Board of Directors proposes a dividend with stock option of € 0.83 per share.
This dividend proposal is still subject to approval by the General Meeting of Shareholders and is not reflected as a liability in these annual accounts.

21. Earnings per share

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

Net profit	**2005**	**2004**
	€ x 1,000	€ x 1,000
Profit accruing to earnings per share (result financial year accruing to the shareholders of Accell Group N.V.)	**15,530**	13,158

Number of shares	**2005**	**2004**
Weighted average number of ordinary shares for the earnings per share	**8,879,749**	8,549,802
Impact of share options on the issuance of shares	**145,945**	209,000
Weighted average number of ordinary shares (dilution)	**9,025,694**	8,758,802

The effects of changes in accounting principles arising from implementation of IFRS on the annual accounts for 2005 is not material.

22. Commitments not disclosed in the balance sheet

Investment commitments

There are no commitments for major investments at year-end.

Operational lease commitments

The company has financial obligations arising from long-term lease commitments regarding computer equipment and cars. This obligation amounts to approximately € 2.6 million per year and has an average remaining term of 2.8 years.

The company also has financial obligations arising from long-term rental contracts. This total obligation amounts to approximately € 1.4 million per year and has an average remaining term of 7.9 years.

As at the balance sheet date Accell Group N.V. has outstanding non-cancelable operational lease commitments expiring as follows:

	2005	2004
	€ x 1,000	€ x 1,000
Within one year	**625**	350
Within two to five years	**1,875**	1,050
After five years	**100**	100
	2,600	1,500

23. Other information

In April 2004 the Netherlands Competition Authority (NMa) imposed a penalty on € 12.8 million against the Accell Group for alleged pricing agreements. Following a procedure to lodge objection, the NMa reduced this penalty in November 2005 by 10%, to € 11.5 million. Nevertheless, in the view of Accell Group the penalty amount is still out of proportion as it considers the accusations altogether unjustified.
Accell Group has therefore lodged an appeal with an independent court. The appeal will be officially submitted in early March 2006. The case documents contain sufficient justification for judicial review, and Accell Group is confident about the outcome.
In line with IFRS standards, no provision is contained in the annual accounts for this legal dispute.

In December 2005 a letter of intent was signed regarding the acquisition of Antec B.V. This acquisition was finalized in early 2006.

24. Subsequent events

In February 2006, agreement was reached with the shareholders of Seattle Bike Supply in Seattle, USA, about the sale of their shares to Accell Group N.V.; this acquisition has been finalized.

25. Transactions with related parties

Intercompany transactions and balances between Accell Group N.V. and its subsidiaries have been eliminated for consolidation purposes.
In 2005 there were no intercompany transactions or balances with other related parties.

26. Restatement of opening shareholders' equity and result to comply with IFRS

In addition to the mandatory exceptions to retroactive application of IFRS 1 to financial instruments, hedge accounting and estimates, the company has chosen to apply the following optional exemptions to its opening balance sheet as at 1 January 2004:

- Mergers and acquisitions (IFRS 3) prior to 1 January 2004 are not adjusted retroactively;
- Within tangible fixed assets a new assumed cost at real value is determined for land and buildings as per 1 January 2004;
- The valuation of pension commitments is set at the balance of the net pension provision as at 1 January 2004;
- Accumulated currency translation differences for foreign participating interests are set at zero in the IFRS opening balance sheet.

The reconciliation between shareholders' equity according to Dutch accounting principles and IFRS standards is presented on the next page.

	31.12.2004	01.01.2004
	€ x 1,000,000	€ x 1,000,000
Shareholders' equity according to Dutch accounting principles	59.1	47.9
Goodwill	0.2	0
Tangible fixed assets	8.2	7.8
Inventories	-1.4	-1.2
Pension provision	-1.4	-1.3
Provision other personnel compensation	-1.1	-1.1
Financial instruments	-2.2	-1.2
	2.3	**3.0**
Provision deferred taxes	-0.7	-1.0
Shareholders' equity according to IFRS	**60.7**	**49.9**

The first time application reserve resulting from the transition to IFRS is reflected in the balance of other reserves of the opening balance sheet as at 1 January 2004.

The principal differences between the Dutch accounting standards and IFRS as these affect the balance sheet are:

- Goodwill: under IFRS 3, goodwill is no longer amortized on a periodic basis. Instead an annual assessment takes place of possible impairment of the value of goodwill. Impairment, if any, is charged directly to the profit and loss account;
- Tangible fixed assets: under IAS 16, land and buildings are stated at fair value instead of at historical cost. The economic useful life of land and buildings is estimated at 30 to 50 years;
- Inventories: the valuation of inventories has been restated to comply with IAS 2. This relates in particular to the capitalization of certain indirect expenses and the adjustment when applicable from production cost to lower net realizable value;
- Provision for pensions: this relates to a frozen pension commitment that arose at the time of the acquisition of a foreign subsidiary. The provision has been adjusted to comply with IAS 19 on the basis of an actuarial calculation;
- Provision for other compensation to personnel: this relates to future anniversary bonuses and has been aligned with IAS 19;
- Financial instruments: this relates to the valuation of currency future contracts that are entered into to hedge financial risks. Cash flow hedge accounting is applied to these contracts. In accordance with IAS 39 a hedging reserve is set up as part of shareholders' equity;
- Provision for deferred taxes: this relates to differences in accounting treatment between Dutch reporting standards and IFRS.

The impact of IFRS on the operating results for 2004 is not material.

Corporate balance sheet at 31 December 2005

Before profit distribution (in thousands of euros)

		2005	2004
FIXED ASSETS			
Fixed assets			
Intangible fixed assets	**3,747**		3,231
Tangible fixed assets	**0**		0
Financial fixed assets a)	**92,378**		90,095
Current assets	**10,095**		430
Total assets		**106,220**	93,756

		2005	2004
LIABILITIES			
Shareholders' equity b)			
Issued capital	**180**		173
Share premium reserve	**12,984**		12,557
Revaluation reserve	**8,415**		8,094
Hedging reserve	**456**		-1,516
Statutory reserves	**0**		232
Other reserves	**39,794**		27,957
Result financial year	**15,530**		13,158
		77,359	60,655
Long-term debt			
Subordinated loan	**3,500**		4,500
Revolving credit facility	**20,000**		20,000
		23,500	24,500
Short-term debt			
Amoubts payable to group companies	**3,560**		3,533
Credit institutions	**1,000**		5,092
Other short-term debt	**801**		-24
		5,361	8,601
Total liabilities		**106,220**	93,756

The letters at the various categories refer to the notes on pages 84 to 85.

Corporate profit and loss account 2005

(in thousands of euros)

	2005	2004
Result from participations after taxes	**17,132**	14,242
Other results	**-1,602**	-1,084
	15,530	13,158

ACCOUNTING POLICIES

The corporate annual accounts have been prepared in accordance with Title 9, Book 2 of the Dutch Civil Code. In accordance with article 2:362 (8) of the Dutch Civil Code, the accounting principles for the parent company are identical to those that Accell Group N.V. applies to its consolidated accounts. For the accounting policies applied, see the notes to the consolidated accounts.

The financial data of Accell Group N.V. are incorporated in the consolidated annual accounts.
An abbreviated profit and loss account is therefore presented for the parent company, as permitted under article 2:402 of the Dutch Civil Code.

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

Notes to the corporate balance sheet

(in thousands of euros)

	2005	2004
a) Financial fixed assets		
Movements in financial fixed assets were as follows:		
Participations		
Beginning of year	**61,818**	54,855
Result	**17,132**	14,242
Investments/disinvestments	**2,407**	4,508
Other changes	**-17,756**	-11,787
End of year	**63,601**	61,818
Due from group companies		
Beginning of year	**28,277**	29,354
Loans provided	**24,430**	12,781
Loans repaid	**-23,930**	-13,858
End of year	**28,777**	28,277
Total financial fixed assets	**92,378**	90,095

b) Shareholders' equity

The authorized capital amounts to € 650,000, divided into 13,750,000 Accell Group ordinary shares, 2,500,000 preference shares F and 16,250,000 preference shares B, each with a nominal value of € 0.02. Of these, 9,015,015 ordinary shares have been issued and fully paid, so that the outstanding share capital amounts to € 180,300.30.

Movement schedule of shareholders' equity

I. Issued capital		
End of year 2004	173	
Stock dividend and options exercised	7	
End of year 2005		**180**
II. Share premium reserve		
End of year 2004	12,557	
Stock dividend and options exercised	427	
Stock dividend and options exercised	0	
End of year 2005		**12,984**
III. Revaluation reserve		
End of year 2004	8,094	
Change in corporation tax rate	123	
End of year 2005		**8,415**
IV. Hedging reserve		
End of year 2004	-1,516	
Fair value adjustment financial instruments	2,005	
Change in corporation tax rate	-33	
End of year 2005		**456**
V. Statutory reserves		
End of year 2004	232	
Change in intangible fixed assets	-232	
End of year 2005		**0**
VI. Other reserves		
End of year 2004	27,957	
Change in result 2004	13,158	
Dividend payments 2004	-1,647	
Differences in exchange rates on conversion of foreign activities	14	
Valuation of share based payments	126	
Change in statutory reserves	232	
Other changes	-46	
End of year 2005		**39,794**
VII. Result financial year		
End of year 2004	13,158	
Change in result 2004	-13,158	
Result financial year 2005	15,530	
End of year 2005		**15,530**
Total shareholders' equity end of year 2005		**77,359**

The revaluation reserve, hedging reserve and statutory reserve are not available for distribution to the shareholders.

Remuneration of the Board of Directors and the Supervisory Board

Board of Directors

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

(in €)	Salary	Bonus	Pension contributions	Total
R.J. Takens	276,000	129,720	112,208	517,928
H.H. Sybesma	200,000	94,000	31,693	325,693
J.M. Snijders Blok	152,000	71,440	34,458	257,898
Total	**628,000**	**295,160**	**178,359**	**1,101,519**

[1]) The company's remuneration policy is reflected in the remuneration report that has been presented to the General Meeting of Shareholders for approval.

The bonuses reflected in the annual accounts relate to the financial year; they are paid out in so far as the objectives set by the Supervisory Board have been met.

In 2005 these objectives were realized for the most part.

Supervisory Board

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

(in €)	
S.W. Douma	28.300
D.J. Haank	20.500
J.H. Menkveld	20.500
J.J. Wezenaar	20.500
Total	**89.800**

Shares

The number of shares held by Mr. Takens and Mr. Sybesma at year-end 2005 amounts to 56,500 and 875 respectively. Of the supervisory directors, Mr. Haank hold 2,436 shares at year-end 2005.

Stock option scheme

The company has a stock option plan for members of the Board of Directors. In the event of full exercise of the option entitlements granted until now the number of issued shares would increase by 1.6%. According to company policy, the option entitlements are not covered by purchases by the company of its own shares. New shares are issued by the company at the time of exercise of the options.

The stock option entitlements granted are detailed as follows:

Directors	Number at 01-01-2005	Issued in 2005	Exercised in 2005	Number at 31-12-2005	Average exercise price	Remaining period to maturity
R.J. Takens	149,750	16,235	81,250	84,735	8.68	1-4 years
H.H. Sybesma	59,250	11,765	18,750	52,265	9.20	1-4 years
J.M. Snijders Blok	-	8,945	-	8,945	17.00	2-4 years

In granting stock options to individual directors, the Supervisory Board considers to what extent the objectives agreed with the Board of Directors have been achieved, plus the expected contribution by individual members of the Board of Directors to the further growth of the company.

The stock options granted to members of the Board of Directors during the financial year have terms ranging between 3 and 5 years and an exercise price of € 17.00 The directors were offered a financing arrangement in connection with the tax consequences of the issuance of option rights in the past. This arrangement expired as of 1 January 2005.
At the end of the financial year, old interest-free loans issued to Mr. Takens and Mr. Sybesma amounting to € 53,723 and € 33,215 respectively were still outstanding.

Off-balance sheet commitments

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

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

Supervisory Board

S.W. Douma, chairman

D.J. Haank

J.H. Menkveld, vice-chairman

J.J. Wezenaar

Board of Directors

R.J. Takens, C.E.O.

H.H. Sybesma, C.F.O.

J. M. Snijders Blok, C.O.O.

Heerenveen, 21 February 2006

Provisions in the articles of incorporation concerning profit distribution

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 shall be allocated to the reserves, after payment of dividends to the holders of both 'B' preference shares and 'F' preference shares.

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 a dividend of € 0.83 per share (2004: € 0.72), to be paid out in cash or shares subject to the discretion of the shareholder.

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, The Netherlands. Accell Group has entered into an agreement 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 placed with the Stichting. The Stichting's board consists of two 'A' board members, namely Mr. H.M.N. Schonis and Mr. 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 from the company within the meaning referred to in Appendix X of the General Regulations of the Euronext Amsterdam Stock Market.

Auditors' report

Introduction

We have audited the financial statements of Accell Group N.V., Heerenveen, for the year 2005 as set out on pages 48 to 88. These financial statements consist of the consolidated financial statements and the company financial statements. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the company as at 31 December 2005 and of the result and the cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code as far as applicable.

Furthermore, we have established to the extent of our competence that the annual report is consistent with the consolidated financial statements.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of the company as at 31 December 2005 and of the result for the year then ended in accordance with accounting principles as generally accepted in the Netherlands and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

Furthermore, we have established to the extent of our competence that the annual report is consistent with the company financial statements.

Emphasis of matter

Without qualifying our opinion above, we draw attention to Note 23 to the financial statements. The company is the defendant in a lawsuit with the NMa regarding a fine of the NMa amounting to € 11.5 million, due to an alleged violation by the company of the Dutch Competion Law.
For the reasons described in the disclosure and taking into account the applicable laws and regulations in this field, the company disclosed this fine in the financial statements as a contingent liability.

Amersfoort, 21 February 2006

Deloitte Accountants B.V.
M. Beelen RA

Multi-year overview

(in millions of euros, unless stated otherwise)

	2005	2004	2003	2002	2001	2000	1999	1998
Turnover	**369.3**	341.1	289.6	259.4	205.6	203.7	150.3	149.4
Personnel costs	**57.7**	53.8	45.2	38.7	33.7	35.1	27.6	26.3
Operating result	**25.7**	22.5	16.6	13.8	11.4	9.7	6.0	8.8
Interest	**3.0**	2.8	2.6	3.2	3.6	3.0	1.4	1.7
Taxes	**7.2**	7.1	4.9	3.7	2.8	2.4	1.6	2.6
Net profit*	**15.5**	13.2	9.2	6.8	5.1	4.3	3.0	4.4
Depreciation	**4.6**	4.4	3.9	2.8	2.3	2.3	2.2	2.1
Cash flow	**20.1**	17.6	13.0	9.6	7.4	6.6	5.2	6.6
Investments	**8.8**	7.7	10.0	5.5	5.5	2.4	3.5	1.7
Balance sheet total	**180.3**	173.6	134.9	112.5	117.5	96.5	79.7	65.0
Tangible fixed assets	**43.1**	39.0	28.9	23.8	21.4	13.3	13.3	12.1
Capital employed	**137.2**	137.9	109.3	97.3	102.9	84.9	70.7	55.6
Group capital	**77.4**	60.7	48.1	42.3	37.4	28.2	24.5	21.6
Guarantee capital	**80.9**	65.2	54.6	49.8	37.4	28.2	24.5	21.6
Provisions	**10.1**	10.0	7.0	5.9	8.5	5.7	6.2	4.9
Average number of employees (FTEs)	**1,438**	1,405	1,213	1,061	1,051	998	768	785
Number of shares issues at year-end	**9,015,015**	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	**8,879,749**	8,549,802	8,320,440	8,222,190	7,334,495	7,252,528	7,054,328	6,716,363
Market capitalization	**183.9**	135.9	67.8	42.2	37.0	25.9	26.8	33.2
Data per share **								
Group capital	**8.71**	7.09	5.59	4.98	4.79	3.66	3.26	3.03
Guarantee capital	**9.11**	7.62	6.34	5.86	4.79	3.66	3.26	7.82
Cash flow	**2.26**	2.05	1.52	1.13	0.95	0.86	0.68	0.87
Net profit*	**1.75**	1.54	1.07	0.80	0.65	0.56	0.39	0.58
Dividend	**0.83**	0.72	0.50	0.37	0.33	0.23	0.16	0.23
Ratios (in%)								
ROCE	**18.7**	16.5	15.2	14.1	11.1	11.4	8.5	15.8
ROE	**20.1**	21.7	19.1	16.0	13.6	15.2	12.2	20.6
Operating result/turnover	**7.0**	6.7	5.7	5.3	5.5	4.8	4.0	5.9
Net profit*/turnover	**4.2**	3.9	3.2	2.6	2.5	2.1	2.0	3.0
Cash flow/turnover	**5.4**	5.2	4.5	3.7	3.6	3.2	3.5	4.4
Balance sheet total/turnover	**48.8**	50.9	46.6	43.4	57.1	47.4	53.0	43.5
Solvability (based on group capital)	**42.9**	34.9	35.6	37.6	31.9	29.3	30.8	33.3
Solvability (based on guarantee capital)	**44.9**	37.6	40.4	44.3	31.9	29.3	30.8	33.3
Pay-out ratio	**47.5**	47.3	47.1	46.1	49.6	41.4	38.5	40.0
Dividend yield	**4.1**	4.6	6.2	7.2	7.2	6.6	4.2	4.8

* Net income from ordinary operations

** Per share data have been calculated on the basis of the weighted average number of outstanding shares, taking into account the 5 for 2 stock split that took place on 20 December 2004.

In line with the Directives for Annual Reporting, the per share data for the years 1998-2003 have been adjusted for the dilution resulting from the issue of stock dividends charged to the share premium reserve.

The Accell share

Accell Group NV has been listed on the Euronext Amsterdam stock exchange since 1 October 1998. On 31 December 2005, 9,015,015 ordinary shares with a nominal value of € 0.02 were issued.

Major interests in publicly listed companies disclosed on the basis of the Disclosure of Major Holdings in Listed Companies Act (WMZ)

Pursuant to the aforementioned Act, the following entities reported their interest in Accell Group NV to the Financial Markets Authority:

Aviva Plc / Delta Lloyd Levensverzekering N.V.
B.V. Algemene Holding en Financierings Maatschappij
Boron Investments N.V.
R.A. Burke
Darlin N.V.
Delta Deelnemingen Fonds N.V.
Fortis Verzekeringen Nederland N.V.
R.J.H. Kruizinga
J.H. Langendoen
Zipart B.V.

Turnover in Accell Group shares*

	Number of shares	Highest price	Lowest price	Closing price
January	701,353	17.35	14.91	17.15
February	142,907	18.20	16.51	18.15
March	162,318	18.69	17.55	18.40
April	160,529	19.96	18.40	19.22
May	136,239	19.25	17.02	17.76
June	342,799	17.89	16.90	17.15
July	411,209	18.75	16.05	18.75
August	613,412	19.90	18.51	18.70
September	125,635	21.40	18.65	20.38
October	180,078	23.10	20.38	21.00
November	383,381	22.00	19.21	20.50
December	102,244	20.65	20.15	20.40

*Including OTC (over-the-counter) sales known to Accell.

Important dates in 2006

General Meeting of Shareholders	20 April 2006
(at subsidiary Batavus B.V.,	
Industrieweg 4, 8444 AK Heerenveen)	
Ex-dividend listing	24 April 2006
Dividend payable as per	15 May 2006
Publication of half-yearly figures	20 July 2006

Colofon

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