innovation and design

annual report 2006

THE PREMIER CYCLE AND FITNESS GROUP

ACCELL GROUP



Table of contents

ACCELL GROUP
THE PREMIER CYCLE AND FITNESS GROUP

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

Accell Group companies and brands

BATAVUS

Batavus, which is more than a one century old, is one of the strongest brands in the Netherlands. The four pillars of Batavus' success are design, durability, comfort and safety. The collection offers a wide range of bicycles; which means that there is always a Batavus bicycle that meets the customer's wishes, needs and requirements. In addition to the extensive collection of bicycles available for outdoor use, Batavus also offers a complete line of home and cross trainers, spinners and treadmills for indoor use. Both the bicycles and the fitness equipment are supplied to specialized retailers in the Netherlands. The company also exports to Belgium, Germany and Denmark.

koga miyata

The first choice of the true bicycle lover and connoisseur is the 'Koga'; the absolute top in racing, trekking and touring bikes in the Netherlands, and also, to a growing extent, in other countries. The successful performances of top athletes also support the widely accepted brand loyalty on the part of the buyers. Innovation is the basis of Koga's success. Another foundation of the brand's success is traditional craftsmanship: each and every Koga is entirely hand-built by a single highly trained craftsman. Add top quality (only the best is good enough for Koga) and exclusive design to this and you have all the basic ingredients that make Koga-Miyata the trendsetting brand in the European market.

SPARTA

Sparta is a true specialty brand that targets specific market segments with its specialized products: Products that perfectly match their target groups, such as the Mother Bike, the Father Bike, the Granny Bike and the MaXX, the bicycle for tall people. In addition, Sparta also supplies creative bicycles for a young and trendy target group; this includes the Delfts Blue Granny, the trendy Pick Up and the Urban Shopper (a special shopping bicycle). Sparta is particularly well known amongst consumers for the brand in electrically assisted bicycles, the Sparta ION. With its ION bicycle, Sparta is the pacesetter in this segment and is continuously working on the development of new models in this concept.

LOEKIE

Loekie has been the children's bicycle of choice for more than 25 years. Loekie targets all children up to and including the last year of primary school with its children's bicycle collection. Loekie's children's bicycles are safe, durable and have the necessary 'trendy looks'. Loekie places the emphasis on design, special colours and fashion trends, and caters for the point of convergence of three target groups: the children that choose the bicycle and ride it, the parents that pay for the bicycle and want to be sure that the bicycle is safe, and the retailers, who, as expert advisors, are the most important sales partners for the Loekie collection.

HERCULES

Hercules has been in the market since 1886, making it one of the oldest traditions in the German bicycle market. Hercules focuses on design, quality, innovation and the clear profiling of the brand. Hercules is primarily known amongst both retailers and consumers as 'the sympathetic German family brand'. In recent years, the collection has grown to include the 'Emove', a series of electrically assisted bicycles based on Sparta's ION technology, as well as a line of fitness equipment, which was developed in close partnership with the group brands, Tunturi and Bremshey. Hercules supports its strong position with German retailers with training courses at the 'Hercules Academy'.

WINORA®
THE BIKE COMPANY

Winora is a concept in Germany: A widely recognized brand that appeals to the whole family. The Winora collection includes everything from children's bicycles all the way through to sporty trekking bicycles. The bicycles have a modern visual design and image that perfectly match the style of the modern, quality-conscious and service-oriented independent retailer. The 'Sinus' programme, which allows consumers to compile their own ideal bicycles with the use of the retailers or the Internet, is a major success. This is because Winora is able to deliver custom-made bicycles to the retailers within very short delivery times.

STAIGER

Staiger is synonymous with quality in the German market. By using superior components and by paying extra attention to weight optimization in the frames, Staiger is able to primarily target the fast-growing market for light-weight and high-quality bicycles in the trekking and comfort segments.

HAI BIKE

Hai Bike supplies top quality racing cycles and mountain bikes to the German market. Design, the use of only the best quality components and safety are the three cornerstones of the Hai philosophy. The recently introduced new generation of light-weight carbon frames was very well received in the market. Lately, Hai Bike has also been targeting the higher segment with the custom-made bicycle; an initiative that enables the true bicycle lover to compile his or her own dream bicycle.

The Lapierre brand stands for top sports performance, top quality and innovation. Lapierre is recognized in France and its other export markets as the trendsetter in racing cycles and mountain bikes. Lapierre is a lifestyle in which passion and performance are leading elements, supplemented with a constant stream of innovations. Examples of recent innovations include light-weight carbon frames (monocoque carbon technology) and patented suspension concepts with a near zero loss of energy (FPS2 rear suspension system). Top athletes like to collaborate with Lapierre, as is proven by the long collaboration with the racing team, 'La Francaise de Jeux' (Pro Tour). Already internationally recognized as a top brand, Lapierre is currently also expanding its distribution to a growing international market.

Mercier primarily targets the French chain stores, a segment that focuses on design and efficient marketing. Mercier is also closely involved in Cyclocity, a unique French bicycle project by means of which city dwellers are able to rely on access to bicycles over distances of a few hundred metres on a subscription basis.

Redline is one of the oldest brand names in the BMX segment (Bicycle Motor Cross). The USA Factory Team has been extremely successful in the United States for many years. Thanks to a partnership with Batavus and Winora, Redline is now also fast gaining ground in Europe. Moreover, it is expected that the introduction of the BMX to the 2008 Olympic Games will increase the worldwide recognition of the sport, as well as of the brand itself. Redline is the official bicycle of the national BMX teams of the Netherlands, Germany and Norway. In addition, Redline also sponsors potential medal candidates in the United States, Australia and Europe. Redline has also opened a distribution centre in the Netherlands in anticipation of the expected increase in demand in the Netherlands and Europe. This is the first of Redline's foreign locations outside the United States of America.

Juncker Bike Parts is a trendsetting supplier of parts and accessories for bicycles, mopeds and scooters to specialized retailers in the Benelux. The company's wide assortment comprises more than 19,000 articles that are supplied within 24 hours from the central warehouse in Veenendaal to more than 2,500 specialized retailers of bicycles and mopeds in the Benelux. Juncker is renowned amongst its customers for its easy ordering system and the up-to-date stock information in the online ordering system. Juncker is the exclusive distributor of a wide range of known brands and collaborates closely with the retailers in the field of 'in-store marketing'.

Wiener Bike Parts is a concept in bicycle parts and accessories in the German market. Wiener Bike Parts' extensive number of exclusive distribution contracts and extremely wide assortment makes it possible for German retailers to purchase all the necessary components from a single supplier with all the related logistical benefits. Wiener Bike Parts is truly the retailer's partner. The company's collection of approximately 18,000 articles comprises almost everything available in bicycle parts and accessories today. The B2B online ordering system guarantees the fastest possible delivery to retailers. Wiener Bike Parts recently also entered the French market.

SBS supplies a complete line of bicycles, parts and accessories to North American retailers. With four distribution centres at strategic locations in the United States, the company has a first class distribution network that enables it to access most of the specialized retailers in the United States and Canada. The trade press and the dealer network in the United States have awarded SBS a number of 'distributor excellence awards' based on important success criteria, such as simple and fast operation, ease of ordering by means of every conceivable type of media, and the '7 days a week / 24-hours a day service'.

XLC is the new premium brand in bicycle parts and accessories. XLC targets the demand for a reliable and recognizable line of quality products. XLC offers a complete line of products and is constantly engaged in the pursuit of self-betterment in order to be able to supply only the very best components for mountain bikers, racing cyclists, and touring and city cyclists. XLC are supplied by all suppliers of bicycle parts and accessories in Accell Group: Juncker Bike Parts (Benelux), Wiener Bike Parts (Germany and France) and Seattle Bike Supply (the United States).

Originally a Finnish brand, Tunturi has been operating actively in the worldwide market for fitness equipment since the 70s. The brand has managed to build up its reputation based on pioneering innovations, design and quality. Its line of fitness equipment is characterized by its consistent structure, Scandinavian design in the finest details, and the latest technical innovations, including the 'scenic rides' concept that utilizes the concept of streaming video. The motto, 'From the heart', stands for passion for products, design and the welfare of the user. Pulse rate controlled training and continuous motivation are the principal points of departure underlying the design and philosophy of these products. Tunturi has moreover been the market leader in the bicycle market in Finland for years.

Bremshey Sport supplies attractive fitness equipment at a friendly price under the motto, 'Fit for Life'. The products are sold under the predicate, 'Designed and Engineered in Germany', which represents excellent quality. Bremshey supplies user-friendly fitness equipment that makes it possible for the whole family to engage in pleasant, healthy and active lifestyles without the need for superfluous gadgets and complicated programs. In addition to fitness equipment, Bremshey Sport also supplies a superior assortment of fitness accessories, such as steppers and halters.

2006

Annual report

Profile of Accell Group NV

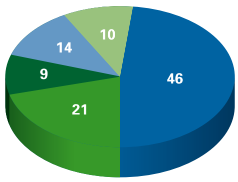
Annual report

Accell Group is an international group of companies active in the design, development, production, marketing and sales of innovative, high-quality bicycles, bicycle parts and 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. Famous names such as Batavus, Bremshey, Hercules, Koga-Miyata, Lapierre, Loekie, Mercier, Redline, 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. The key markets are the Netherlands (46% of the total turnover), Germany (21%) and France (9%). Other EU countries, including Belgium, Denmark, Finland, Austria, and the United Kingdom jointly account for 14% of the total turnover. The remaining 10% of the turnover derive from outside the EU, including from Switzerland, the United States and Canada.

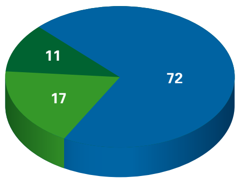
Accell Group is the European market leader in the bicycle market and a top player in the market for 'home use' fitness equipment. The turnover in 2006 was € 431.7 million (2005 € 369.3 million) with net profits of € 18.4 million (2005 € 15.5 million). The Accell Group shares are traded on the official market of Euronext Amsterdam.

Accell Group turnover geographically in 2006



The Netherlands	46%
Germany	21%
France	9%
Other EU countries	14%
Other countries	10%

Accell Group turnover per product group in 2006



Bikes	72%
Parts and accessories	17%
Fitness	11%

innovation and design

Koga Tesla

The Koga Tesla is the first electrically assisted Koga. In 2006, the Tesla was awarded the Golden Eurobike Award. The stable riding performance, the comfortable support, the relatively low weight and the unique design formed the decisive criteria for the jury. The electrical assist function is based on the ION technology and can be activated at any time. A single 9 Ah battery provides the Tesla with an action radius of up to 70 km.
The bicycle is also extremely comfortable without the use of the electrical assistance. Thanks to the special frame design, whereby the battery is fully integrated into the frame, it is impossible to recognize visually that the Tesla is an electrically assisted bicycle.

Mission and strategy

Annual report

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, distinctive and high-quality products and services that appeal to consumers;
- Positioning, promoting and expanding strong brands, in some cases also internationally, which often have a regional and national tradition, to ensure continued consumer preference;
- Supporting specialized retail in consumer-oriented sales;
- 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.

Board of Directors

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

The group's organizational structure consists of a number of independent operating companies that are primarily responsible for the position of the brand in their respective markets. The holding company directs, coordinates and promotes the synergies within the group. The integration of the back office operations and the mutual exchange of product development knowledge and innovations are cost effective and yield optimal utilization of product concepts and innovations. Perfect examples of this include the introduction of the fitness equipment and electrically assisted bicycles to the other brands and the international expansion of a number of brands via the subsidiaries' own infrastructures.

Key figures[1)]

(in euros, unless otherwise mentioned)

Annual report

	2006	2005[2)]	2004	2003
Results (in millions of Euros)				
Net turnover	431.7	372.1	341.1	289.6
Operating profit	30.1	25.7	22.8	16.6
Net profit	18.4	15.5	13.2	9.2
Cash flow	23.3	20.1	17.6	13.0
Balance sheet data (in millions of Euros)				
Group capital	91.9	77.4	60.7	48.1
Guarantee capital	94.4	80.9	65.2	54.6
Balance sheet total	242.6	183.8	173.6	134.9
Capital employed	192.4	138.2	137.9	109.3
Investments in tangible fixed assets	10.7	8.8	7.7	10.0
Ratios (in %)				
ROCE	15.7	18.6	16.5	15.2
ROE	20.0	20.1	21.7	19.1
Operating result/turnover	7.0	6.9	6.7	5.7
Net profit/turnover	4.3	4.2	3.9	3.2
Data per share[3)]				
Number of issued shares	9,251,838	9,015,015	8,656,267	8,373,903
Weighted average number of issued shares	9,176,329	8,879,749	8,549,802	8,320,440
Net Profit	2.00	1.72	1.47	1.02
Cash flow	2.54	2.22	1.96	1.44
Group capital	10.02	8.55	6.76	5.32
Guarantee capital	10.29	8.94	7.26	6.04
Dividend	0.95	0.81	0.69	0.48
Average number of employees (FTEs)	1,671	1,438	1,405	1,213

1) The key figures as of 2004 are calculated based on the IFRS
2) The comparative figures for 2005 are adjusted due to the restatements mentioned in the accounting policies.
3) The data per share are calculated based on the weighted average number of issued shares.
The data per share for the years, 2003-2005, have been adjusted for the dilution resulting from the issue of stock dividend to the share premium reserve in accordance with the International Financial Reporting Standards (IAS33).

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 2006 financial year. The annual accounts have been audited and approved by Deloitte Accountants. The statement of approval is enclosed on page 99 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:

S.W. Douma (64), Chairman

Mr. Douma (Dutch national) has been affiliated with the company as a member of the Supervisory Board since 1998. Mr. 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. Mr. Douma does not hold any positions at other companies. Mr. Douma was reappointed to the position for a period of four years by the Annual General Meeting of Shareholders in the spring of 2006. Mr. Douma will occupy the position until the Annual General Meeting of Shareholders in the spring of 2010.

J.H. Menkveld MBA (61), 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 unlisted companies: Bakkersland B.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.

Annual report

J.J. Wezenaar (70)

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. The Joint Industrial Council has exercised its recommendation powers to nominate Mr. Wezenaar for reappointment to the Supervisory Board. The Supervisory Board approved the recommendation and will nominate Mr. Wezenaar for reappointment at the Annual General Meeting of Shareholders in the spring of 2007.

J. van den Belt (60)

Mr. Van den Belt (Dutch national) was appointed as a member of the Supervisory Board on 20 April 2006. He is the Chief Financial Offi cer and a member of the Board of Directors of Océ NV. In addition, he is a Member of the Adviesraad Uitgevende Instellingen (Advisory Board Issuing Institutions) of Euronext and a member of the Board of Stichting Preferente Aandelen Gamma Holding. Mr. van den Belt qualifi es as the so-called fi nancial expert, as intended in Article III.3.2 of the Dutch Corporate Governance Code. Mr. Van den Belt's appointment will run until the Annual General Meeting of Shareholders in the spring of 2010.

Each member of the Supervisory Board can be considered independent in accordance with the best practice provisions in III.2.2. of the Dutch corporate governance code (Tabaksblat Code).

The company also bade Mr. D.J. Haank farewell in accordance with the timetable at the Annual General Meeting of Shareholders. He has been associated with the company, as a member of the Supervisory Board, since 1 October 1998. The Supervisory Board is profoundly grateful to Mr. Haank for his contribution to the company over the years.

innovation and design

Redline BMX

BMX stands for Bicycle Motor Cross; a branch of bicycle sport that is extremely popular in North America and Australia. The trendsetting brand, Redline, from Seattle Bicycle Supply (SBS, which was acquired by Accell Group in 2006) has been the world market leader in this segment for years. The worldwide recognition of Redline will increase in the years to come, partially due to the introduction of BMX to the 2008 Olympic Games. Last year, Redline also opened a distribution centre in the Netherlands. The sponsorship activities have also grown dramatically in the European market.

Report by the Supervisory Board (continued)

Annual report

Activities

During the year under review, the Supervisory Board supervised 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.

In view of the limited size of the Supervisory Board (four members), it does not have an Audit Committee, Remuneration Committee or Selection Committee. Consequently, all the duties prescribed by the Dutch Corporate Governance Code for these committees are assigned to the Supervisory Board as a whole.

Remuneration of the Board of Directors

The Supervisory Board has drawn up a remuneration report for 2006 to assist in implementing the remuneration policy for the Board of Directors. The complete report is available on the Accell Group website (www.accell-group.com) under “Corporate Governance”. The remuneration of the Board of Directors fulfils the policy conditions, as determined by the Annual General Meeting of Shareholders on 21 April 2005.

The Supervisory Board, in the absence of the Board of Directors, discussed the performance of the Board of Directors as a whole and individually during a meeting on 21 February 2006. It also determined the salaries of the members of the Board of Directors for 2006 and the bonuses over 2005 and it also made a decision concerning the allocation of share options. The due bonuses over 2005 are included in the 2005 annual accounts.

During the meeting of the Supervisory Board, on 23 February 2007 and 1 March 2007, the Supervisory Board discussed the remuneration package of the Board of Directors for 2007. It also determined the bonuses for the 2006 financial year, which are included in the 2006 annual accounts.

The remuneration policy offers the opportunity to attract people qualified to sit on the Board of Directors and retain them. 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. This comparison is substantiated by the outcome of the Hay Boardroom Guide 2006. The Advisory Board has commissioned participation in that survey.

Report by the Supervisory Board (continued)

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

Annual salary

The Supervisory Board routinely commissions a consultant with knowledge and experience in the field of remuneration to investigate the remuneration market in order to determine the fixed salaries of the members of the Board of Directors. The criteria for the determination of the actual size of the annual salaries of the individual members of the Board of Directors are included in the remuneration report.

Short-term bonus plan

Seventy percent of the awarded bonus is determined by the turnover and return objectives with respect to the preceding year, while the remaining 30% is determined based on individual objectives. The bonuses for the members of the Board of Directors are restricted to a maximum of 50% of the fixed salary. The targets determined in the remuneration report for 2006 have largely been fulfilled. Consequently, a bonus of 46% of the annual salary over 2006 was paid out to the Board of Directors.

Option scheme

The allocation of share options in 2006 was determined by performance in 2005. Options were allocated to the Board of Directors based on their performance in 2005 at a call price equivalent to the average closing prices over the five last days before the actual allocation. The number of options was determined by dividing the annual salary of the applicable member of the Board of Directors by the option strike price. Following allocation, the options are unconditional and the directors are bound to keep them for at least three years based on the joint interests of the Board of Directors and 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 agreed upon.

For the precise amounts of the remuneration of the members of the Board of Directors, please refer to the Notes to the Annual Account. The Supervisory Board does not expect any major changes to the remuneration policy in 2007.

Meetings

The Supervisory Board met the Board of Directors six times in the course of the year under review. During the meetings they discussed the company strategy on several occasions. They further discussed developments in subsidiaries, potential acquisition targets and other company developments in the relevant markets. In addition, the risk management was periodically discussed with the Board of Directors. For purposes of the promotion of information provision in the field of operational activities, the meeting with the Board of Directors was supplemented on one occasion with the presence of the directors of the subsidiaries. Partially based on the latter meeting, the Supervisory Board expressed its confidence in the company's strategic plans.

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. An additional two meetings were held with the external accountant but without the Board of Directors.

The Supervisory Board also met twice without the Board of Directors. One of these meetings dealt with the performance of the Board of Directors as an administrative body as well as with the performances of the individual members of the Board of Directors. The general conclusion was that both the Board of Directors as a whole and the individual members of the Board of Directors performed well. The salaries of the members of the Board of Directors, for 2006, and the bonuses over 2005 were also determined during these meetings.

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 represented in full at nearly all of the aforementioned meetings.

The Supervisory Board wishes to express its appreciation for the efforts and dedication of the management and employees of Accell Group during 2006.

Apeldoorn, 1 March 2007
On behalf of the Supervisory Board,

S.W. Douma

innovation and design

Tunturi scenic ride

Being motivated, staying motivated: That is one of the most important challenges in fitness, especially when it comes to home use. In 2006, Tunturi, a brand with a tradition in trail-blazing innovations and designs, introduced T-Road, a unique simulation program that uses streaming video. It is the ultimate experience in training: T-Road displays true-to-life video images on a 7” screen to give a sense of outdoor training. The film reacts instantaneously to changes in the intensity of the training and fully corresponds to the training speed. The faster the user trains or runs, the faster the impression of the passing landscapes!

General developments

Annual report

Profiting from trends

Accell Group is profiting from a number of social and demographic trends that are responsible for growth in the bicycle and fitness markets. The following are the most important trends:

- The growth in the number of double-income families, whereby a relatively large amount of time and cash is spent on recreation and a healthier lifestyle;
- The ageing of the Western population, which is characterized by the growing number of older, healthy people who wish to remain socially, mentally and physically active;
- The growing level of attention on the part of the authorities to a safe infrastructure for bicycles, both inside and outside the urban areas;
- Serious attention to the environment and measures being implemented to reduce road traffic in favour of alternative means of transport, especially in the field of short-distance mobility;
- Broad social interest in the phenomenon of ‘obesity’, which is generating many initiatives to get people to get more exercise;
- Willingness on the part of the consumer to pay for comfort;
- The growing interest in and preference for design.

Accell Group makes the most of these trends by offering products with recognizable and distinct added value. In that regard, the group targets the middle and top segments of the market. Continuous investment and a constant focus on innovation and design are of major importance in these segments. By continuously innovating and adapting its products to the wishes of the demanding consumer, the products offered by the companies within Accell Group are becoming increasingly attractive to their specific target groups. The positive development of the economy over the past year was also positive for Accell Group. It has been shown over the years that the demand for Accell Group products remains more or less consistent, even in periods of lesser economic circumstances.

Close to the market

Accell Group’s market and brand strategy was, once again, successful in 2006. The fact that Accell Group targets the middle and higher segments of the various markets with its broad brand portfolio means that the companies operating and producing within Accell Group generally stay close to their markets. This makes it possible for the companies to produce limited series that are capable of rapidly fulfilling specific consumer wishes. A primary feature of this relationship with the consumer is the close collaboration with

General developments (continued)

the specialized retailers: They are in the best possible position to guarantee good customer service for the end users. The Internet is playing an increasingly important role with respect to the provision of information and service. Various Accell Group brands have expanded the functionality for the online compilation of so-called ‘custom made’ bicycles.

Organic growth and growth through acquisitions

Accell Group realizes its growth by means of both organic growth and acquisitions. As always, substantial attention was given in 2006 to the company’s acquisition policy. The point of departure in that regard is that acquisition candidates must be complementary and must yield real added value in the short term with respect to returns and synergy. The acquisitions realized in 2006 clearly comply with those points of departure. The total turnover grew by 16%, of which 9% was generated organically.

Successful integration of Seattle Bike Supply

On 8 February 2006, Accell Group announced that it was negotiating the acquisition of all outstanding shares in Seattle Bike Supply Inc. (SBS). SBS, which is based in Seattle (the United States) and which has an annual turnover of approximately USD 36 million, operates in the middle and higher segments of the sports bike, bicycle component and accessories markets. SBS has a strong distribution network by means of which it serves the majority of the specialized bicycle retailers in the United States and Canada. In addition, the SBS owned Redline brand is the world leader in the BMX segment (cross bikes), which is a very large market segment in North America and Australia. The acquisition was completed at the end of February 2006, and SBS was consolidated in the Accell Group figures as of 1 March.

The synergy targeted with the acquisition of SBS already began to emerge in the course of 2006. North America is the second most important sales market, after Europe, for high-quality bicycles, bicycle parts and accessories. The acquisition of SBS has given Accell Group an interesting position in the North American market. The extensive SBS distribution network provides a solid platform for the other brands of Accell Group. In 2006, the company cautiously launched the distribution of the Batavus, Lapierre and Tunturi brands in the United States via the SBS network. This collaboration will be further expanded in 2007. In addition, SBS has also expanded its Western European distribution network for Redline (BMX segment) in partnership agreements with Batavus (for the Benelux) and Winora (Germany). By doing so, SBS, in 2006, opened its first distribution centre ever for Redline outside the United States.

Annual report

Fitness: Organic growth, acquisition of Webena

The Accell Fitness division saw substantial organic growth in 2006. Accell Fitness operates in the worldwide fitness market that services various segments in the market with well known brands, such as Tunturi and Bremshey: from consumers (home use) and fitness in the workplace through to professional users, such as physiotherapists. Accell Fitness collaborates closely with specialized dealers and distributors that are supported from Accell Fitness local establishments in North America, the United Kingdom, Germany, Austria, Switzerland, Finland and the Benelux.

The year 2006 was characterized by the streamlining and consolidation of the Accell Fitness division's organization; for example, the direction of the divisional operations was centralized in the Accell Fitness headquarters in Almere, the Netherlands. This is where the administration, marketing, IT and stock, distribution and service divisions for Western and Southern Europe (with the exception of the United Kingdom and Scandinavia) are based. The production of the Tunturi fitness equipment in Finland has largely been relocated to Estonia. To do so, Accell Group entered into a joint venture agreement with a local partner.

The interest in fitness remains substantial: The turnover increase in the fitness segment is primarily due to the introduction of new and innovative products. Accell Group consciously opts for a combination of bicycles and fitness, as users generally opt for outdoor exercise on bicycles in good weather conditions, while choosing to exercise indoors on their own fitness equipment during periods of unfavourable weather. By doing so, the company's products tend to be complementary. Meanwhile, the bicycle brands, Batavus and Hercules, have also started to sell fitness equipment. Fitness equipment forms a total supplement to the assortment of the specialized bicycle retailers. The sale of fitness equipment enables the specialists to expand their roles in the field of consumer consultancy and service. Moreover, the bicycle and fitness markets have their own unique seasonal patterns.

In November 2006, Accell Group acquired all outstanding shares in Webena Sport (Webena). Webena, which is based in Almere, the Netherlands, imports fitness articles for distribution in the Dutch market. The company was established in 1953 and has a profitable annual turnover of approximately € 3.5 million. The acquisition of Webena helps to further complete Accell Group's assortment of fitness equipment. Webena produces fitness equipment under the Pliant brand, a number of private labels and a broad assortment of smaller fitness articles. Thanks to the international operations of the Accell Fitness division, it will be possible to roll out the Webena operations fast and efficiently to bases and distributors outside the Netherlands. Webena's operations will be fully integrated into the Accell Fitness organization.

innovation and design

Lapierre

Lapierre is recognized in France and its other export markets as the trendsetter in racing cycles and mountain bikes. Lapierre is a lifestyle in which passion and performance are leading elements, supplemented with a constant stream of innovations. The introduction of even lighter and stronger frames, such as the X-Lite and the S-Lite, the introduction of the Lapierre Web series, and the support for top athletes, including the 'La Francaise de Jeux' (Pro Tour) racing team and the world champion downhill racer, contribute to the fact that Lapierre is continuing to gain popular attention and international recognition. Partially thanks to this, Lapierre is currently continuing the expansion of its international distribution operations.

General developments (continued)

Appeal against NMa penalty

In April 2004, the Nederlandse Mededingingsautoriteit or NMa (the Netherlands Competition Authority) imposed a fine of € 12.8 million on Accell Group for alleged price fixing. Following the appeal procedure against the NMa, the fine was reduced by 10% in November 2005. That not withstanding, Accell Group maintains the view that the fine is out of all proportions, especially in view of the fact that all related allegations are entirely inaccurate. Accell Group has therefore lodged an appeal with an independent judge. In March 2006, Accell Group submitted the appeal to the court. The case offers sufficient grounds for judicial review and Accell Group is confident that the trial will result in a favourable outcome. Accell Group consequently has not formed any provisions in accordance with the IFRS standards. The court will treat the case in the course of 2007.

Organization, structure and work method

The organization

Board of Directors

R.J. Takens (52),
Chairman of the Board of Directors (CEO)
In 1999, Mr Takens joined the group as the successor of Mr Wezenaar, former CEO of Accell Group. Following the completion of his studies in Mechanical Engineering at Twente Technical University, he started his career at the Svedex Bruynzeel Group, where he worked for ten years, most recently as general manager of that company. He then worked for seven years as the general manager of Italy for CSM.

H.H. Sybesma RC (39),
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 the operations of various Accell Group subsidiaries. Mr. Sybesma has been CFO of Accell Group since April 2001. Following the completion of his Business Studies degree at the University of Groningen, he started his career as a financial consultant at PriceWaterhouseCoopers, where he spent five years. Mr Sybesma is also a Chartered Accountant (1995, VU Amsterdam).

J.M. Snijders Blok (48),
Member of the Board of Directors (COO)
Mr. Snijders Blok graduated in Business Studies at Twente Technical University and joined Accell Group in 1992, where he started working in the IT department. In the following years, he was logistics manager at Batavus and Hercules and was then appointed operational manager at Batavus. In 1999, after the acquisition of Sparta, he was appointed general manager of this subsidiary. He has been the 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 fulfils 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 company's 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 in-house 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 in other areas 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.

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 appropriate targets. Management information reporting takes place on a daily, weekly, monthly, and quarterly basis.

Work method

An enterprise with social responsibility

An important part of Accell Group's mission is to operate with the greatest possible care for man and the environment. In the first place, Accell Group's contribution to society derives from the nature of its products: A bicycle is a clean means of transportation, and exercise is healthy. Accell Group actively pursues industrial safety within its business operations, environmentally friendly production, integrity and fairness in all its activities, and compliance with all the relevant rules and regulations applicable in the framework of the group operations. By doing so, Accell Group wishes to play a responsible role in society. The following is a list of the main items of Accell Group's policy in the field of socially responsible enterprise.

Organization, structure and work method (continued)

– The bicycle as environmentally friendly alternative
Research conducted by the Ministry of Transport, Public Works and Water Management (Ministerie van Verkeer en Waterstaat) in the Netherlands has shown that approximately half of all car trips consist of short trips (less than 7.5 kilometres). Cars are often even used for the shortest distances (up to 2.5 kilometres). Accell Group is delighted by the fact that increasing numbers of the population are using bicycles to cover short-distance trips as an alternative to the car. Not only is this option less taxing on the environment, but it is also cheaper and healthier.

– Healthy lifestyles and more exercise
The bicycle is an important means of transport. The importance of the bicycle is also growing in recreation. Research conducted by the Ministry of Transport, Public Works and Water Management (Ministerie van Verkeer en Waterstaat) in the Netherlands has shown that, among other things, people who cycle regularly have physical conditions that are comparable to those of athletes, and that they are physically ten years younger than their actual age. In addition, cyclists also have superior resistance to diseases and have a fifty percent lower chance of suffering heart attacks. To remain healthy, every adult should do medium-heavy physical training for at least thirty minutes a day for at least five days a week, but preferably every day of the week. The complete fitness line available from Accell Group offers a sound alternative to people who prefer to do their exercise indoors. Accell Group is proud of the fact that it is able to contribute, with the design, production and development of high-quality products, to the health and welfare of a growing population of users. In addition, Accell Group actively supports initiatives that support young people in their need for exercise and that are aimed at reducing social problems, such as obesity.

– Environmentally friendly production
Accell Group attaches substantial importance to environmentally friendly production methods. Its lacquer plants, for example, in the production locations in Heerenveen, the Netherlands, and Hungary are some of the most modern in Europe. The plants use 100% water-based lacquers and acrylate top coatings, thereby effectively preventing the emission of harmful substances. In addition, all the company's factories operate on an environmentally friendly basis; for example, wherever possible, all packaging materials are re-used both internally and externally. Suppliers are increasingly delivering their goods with minimal use of packaging materials. Because approximately 80% of a bicycle consists of metal, the proportion of recyclable material is relatively high.

Annual report

– Personnel

The personnel of the various subsidiaries of Accell Group are regarded as important stakeholders. The group therefore endeavours to offer its personnel a challenging work environment that matches their personal potential and ambition, an open and professional culture, and excellent training and career opportunities. Much of the staff of the group is entitled to a share of the profit of the companies in which they are employed. Accell Group also prizes the health and safety of its employees. The company routinely communicates with the local directors and / or works councils on related issues. The Board of Directors is highly appreciative of the efforts of the personnel in all the Accell Group subsidiaries in 2006.

– Code of conduct for suppliers

Accell Group selects suppliers based on strict requirements. Integrity and responsibility are important for Accell Group, also with respect to all parties involved in the production and sourcing process. The Accell Group requirements are recorded in a code of conduct for suppliers. The requirements concern subjects such as a ban on child labour, involuntary labour and discrimination, safety requirements, environmental requirements and working conditions. Quality controllers and buyers working for Accell Group supervise on location at the suppliers' sites to ensure that all agreements are effectively fulfilled.

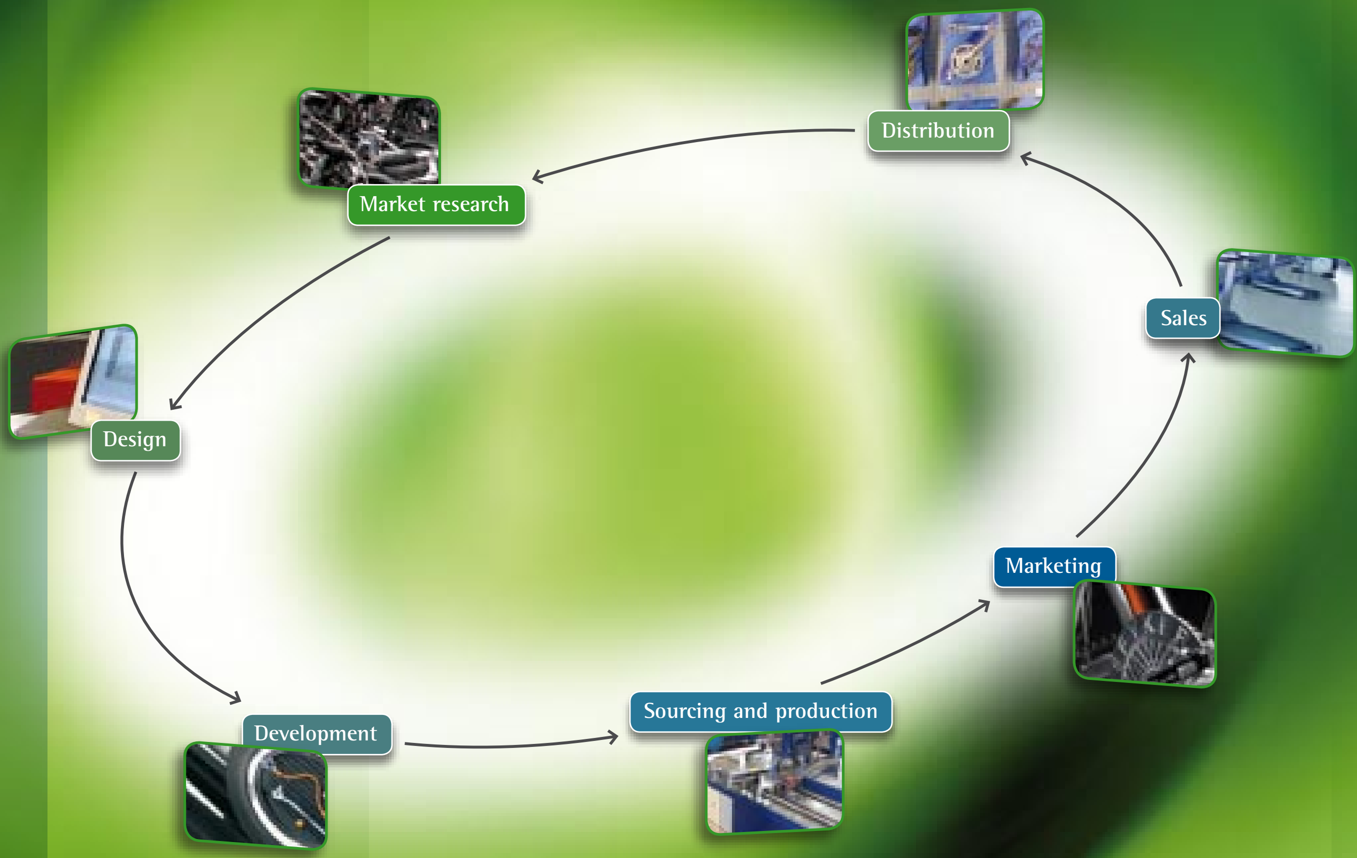
– Sustainable investment opportunity

The outside world also appreciates Accell Group for its sense of social responsibility; for example, Accell Group is the only Dutch fund included in the Triodos Values Pioneer Fund, a worldwide Small- and MidCap fund that invests in frontrunners in sustainability. The fund invests in publicly listed companies that actively engage in ensuring a cleaner earth, healthier lifestyles and climate protection, as well as on pioneers in socially responsible enterprise.

Organization, structure
and work method
(continued)

Work method

Accell Group operational cycle



Annual report

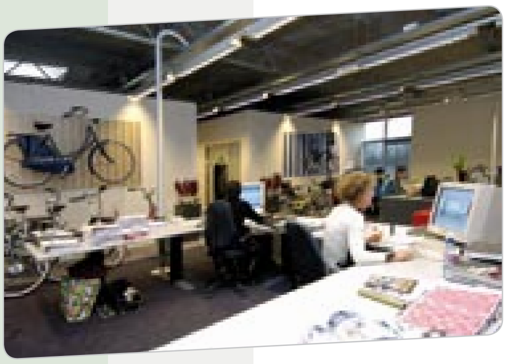
Market research

The bicycle market is a highly differentiated market: Every country has its own unique set of market characteristics, whereby a distinction can be drawn between different types of bicycles, average prices, quality, the 'look and feel' of

the bicycles and the means of distribution. The diversity of the markets in which the Accell Group subsidiaries operate demand a varying and balanced brand policy that must strive to establish a unique face and image for each brand and country. The fitness market is less fragmented than the bicycle market. The characteristics of the products are more universal and the company uses a single product portfolio for worldwide marketing and sales. Most of Accell Group's bicycles and fitness brands are 'old acquaintances'; i.e. very renowned brands that demand their own unique approach. All subsidiaries routinely conduct market research, based on which they are able to map out the constantly changing wishes of the demanding consumer. For example, the companies maintain intensive contact with the specialized retailers and they communicate with the consumer via consumer panels and specific surveys. The company also coordinates the exchange of information on consumer behaviour and trends at group level. This ensures the prevention of overlapping research and promotes the optimal exchange of information and ideas on the research subjects.

Design

Operating close to the market means that each brand needs its own Design & Development team to develop new components, models and colours. Consumer surveys (including with the use of consumer panels) are equally



important in this phase, as it is crucial to be able to evaluate and, where necessary, adapt the development process in the interim. Product design is one of the most important ways in which Accell Group is able to produce distinctive products. In that regard, the consumer's wishes are all-important. Every year, the Design & Development teams are responsible for the creation of the new collections, whereby the emphasis is often on innovation and design. The use of electronics (especially in the fitness segment) is thereby also growing in importance. Each brand has its own, unique positioning. The positioning of the individual brands is therefore strictly monitored at holding company level.

Organization, structure and work method (continued)

Development

The group pays a great deal of attention to various long-term innovation projects and knowledge exchange. Central coordination enables Accell Group to apply its innovations across a broad platform. Cooperation and teamwork in product development and production result in cost savings and accelerated development speeds in innovation projects. This helps to fulfil the need for shorter 'times to market'.

The year 2006, once again, saw the creation of a wide range of adaptations and innovations; for example, the Sparta ION technology was successfully adopted by Batavus, Koga-Miyata and Hercules, each of which now has its own line of electrically assisted bicycles in the assortment. A comparable development is starting to take shape in the fitness equipment market: In 2005, Batavus successfully launched its own fitness line, followed by Hercules in 2006.

Internet and web technologies are important sources of stimulation for initiatives in the field of 'custom-made' bicycles, whereby consumers are enabled to compile their own bicycles based on their own personal wishes; either in consultation with the dealer or otherwise. These initiatives are also popular with the retailers. The demanding consumer appreciates the advice and service provided by the dealer. Koga, Lapierre, Winora (via the Sinus programme) and Hai Bike have all implemented programmes for custom-made bicycles.

A wide range of innovations were introduced in 2006. They include the following:

NuVinci stepless speed change gear

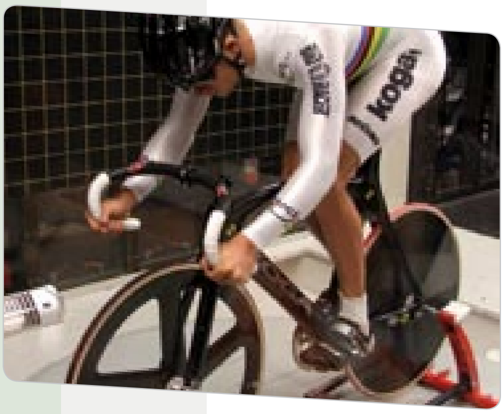
Batavus introduced one of the most exciting innovations of 2006 at the Interbike Show in Las Vegas, the most important bicycle tradeshow in North America. The innovation was the new, revolutionary NuVinci speed change gear, which enables the cyclist to go directly to the exact required acceleration level. In January 2007, at the trendsetting BicycleVAK tradeshow, the Batavus Adagio NuVinci was awarded the 2007 Bicycle of the Year award. In addition to the new speed change gear, this bicycle is also fitted with many other new innovations, such as a lock that has been integrated into the frame and an LED light that is built into the front fork. Batavus is the first company in Accell Group to introduce the new speed change gear. Other subsidiaries will follow its lead in the course of 2007.

'Lock in frame'

In 2006, Batavus introduced a ring lock that is integrated into the upright rear fork of the bicycle frame. This is an innovation that cuts two ways: In the first place, it has yielded a very strong form of protection against theft. By breaking open the lock, the bicycle is damaged to such an extent that it is no longer usable. In other words, the thief will no longer be able to sell the bicycle for a reasonable price. In addition, this new innovation also yields more ease of use and a more attractive exterior appearance on the bicycle. The integrated lock was one of the four winners of the 2007 Bicycle Innovation Awards awarded by the RAI associations.

'LED headlight in the front fork'

The introduction of the integrated headlight in the construction of the spring-operated front fork has made the headlight a lot less vulnerable. The lamp's distance focus is easily adjusted with the use of a small adjusting wheel. In addition, the wheel nuts are protected with caps that yield an extremely streamlined design in the front fork.



New track frame for Theo Bos

After a relatively short development time of approximately one and a half years, Koga at the end of November 2006, revealed a new track frame that was specifically designed for the 2008 Olympic Games. The development process was done in the Product Development department of Koga, but with contributions from, among others, TNO Sports, the Nederlandse Nationaal Lucht- en Ruimtevaart Laboratorium or NLR (the Netherlands Space and Aeronautics Laboratory) and DSM. Objective measurements have shown that the target values have been obtained, which has yielded a major technological leap forward for the company. Koga will sponsor the award of a number of these high-tech frames to world track champion Theo Bos and the KNWU track selection committee in 2007.

Organization, structure and work method (continued)

Tunturi 'Scenic Rides'

Being motivated, staying motivated: That is one of the most important challenges in fitness. In 2006, Tunturi introduced two unique simulation programs under the names, T-Road and T-Ride. T-Road displays true-to-life video images on a 7" screen during training to give a sense of outdoor training. The images are synchronized with the speed and the incline of the training program. T-Ride works according to the same principle, but the landscape is represented graphically.

Sourcing and production

Accell Group has signed component sourcing partnerships with a number of production companies in the Far East. The company conducts routine evaluations to determine the ongoing value of the partnerships. The assembly process (or parts thereof) is outsourced where this is considered both economically and qualitatively responsible. The vast majority of the assembly operations are however still done relatively close to the actual end market. The fast and efficient production of small series is important for Accell Group, especially now that it is focusing on the middle and top segments of the market: The growing number of 'custom-made' products and 'specialties' only adds more urgency to that need.

Accell Group has production sites in the Netherlands, Finland, France, Germany and Hungary. Wherever possible, the company invests in the most modern production technology available. The vast majority of the assembly operations however still consist of manual labour. Accell Group is still enormously successful at introducing high-quality products to the market.

In 2006, Accell Group implemented a number of measures to keep cost levels competitive in the future: One such is example is the recent closing of the Tunturi bicycle production operation in Finland and the relocation of the plant to the Hungarian factory, where the Hercules and Winora brands are assembled. To do so, the company needed to expand the production capacity of the Hungarian plant. Most of the production of Tunturi fitness equipment has been relocated from Finland to Estonia, where Accell Group started a joint venture with a local partner. In France, the production levels of Mercier have been cut back and the production operations have been integrated with the Lapierre operations.

All of the production locations give substantial attention to internal training and the multifaceted deployment of all personnel. In addition, a number of personnel members in the production plants also work with flexible and temporary contracts. This makes it possible to easily adapt to seasonal fluctuations in production levels.

Annual report

Marketing

The bicycle market is highly fragmented from country to country: Accell Group has a large number of strong national brands that stand on their own with respect to positioning in their respective markets. Many of those brands are trendsetters in their own local markets and they thereby also hold a solid market share. The fact that the companies are operating close to their markets means that they are able to respond directly to the wishes of the local buyers. This also enables the production facilities to deliver new products and innovations with the shortest possible 'times to market'. Each of the different subsidiaries has its own marketing organization, which is responsible for a tailor-made brand policy for the applicable brands. To that end, the company utilizes an extensive variety of communication instruments, both thematically, and in the form of direct marketing to the consumer, as well as to the specialized retailers.

In comparison with the bicycle brands, the market for fitness brands is more internationally oriented. Thanks partially to the internationalization of the 'premium' bicycle brands, that gap is slowly but surely starting to shrink. The brands are gaining international recognition with the use of proper sponsoring; for example, riders of the French cycle racing team, 'La Francaise de Jeux' (Pro Tour), have been riding Lapierre bicycles in the Tour de France for years. Lapierre is also a successful brand in the world of professional mountain biking: Team Lapierre International won numerous awards in 2006, including the World Champion Masters MTB.

The international name familiarity of Koga Miyata is also growing at a rapid rate. After years of successful sponsoring of Leontien Zijlaard-van Moorsel, Theo Bos now appears to be a worthy successor: In 2006 he rode his Koga to victory for the top honours in the world track championships. Another example of the international success of Koga is the worldwide attention to the Koga Aeroblade. The Aeroblade is the result of a partnership between the Dutch sports car manufacturer, Spyker, and the Koga design team. The bicycle was presented as a design study at Eurobike 2005, as well as at Pebble Beach (California) and was awarded the RedDot Award for design. Within a year of the presentation, Koga has managed to sell the complete limited series of Aeroblades at a sales price that was set at € 12,500.

Organization, structure and work method (continued)

Sales

The Accell Group business model is based on far-reaching operational independence of the company's subsidiaries. For that reason, the sales operations are strictly the responsibility of the individual companies.

This makes sense considering that they operate close to their customer bases, and therefore know exactly how to best deal with their own respective markets. Wherever possible and desirable the different companies try to cooperate in the field of sales; for example, Batavus sells BMX bicycles in the Dutch market in cooperation with Seattle Bike Supply. It is expected that the popularity of BMX cycle cross will grow rapidly, especially in view of the fact that it will be introduced as an official event at the 2008 Olympic Games in Beijing.

SBS, for its part, also sells the bicycles of Lapierre and Batavus on the North American market. The companies involved in the sale of parts and accessories also collaborate closely. Economy of scale can yield substantial results in this field.

Distribution

Accell Group relies on intensive cooperation with and the support of the retailers for the distribution of its products, as they are in the best position to guarantee the best possible service levels to the end users. The retailers are also strong in development, and their sales points are becoming larger and increasingly modern; which offers opportunities for intensive cooperation in the field of service, support, 'in store' marketing and direct marketing. Knowing that more than 80% of all purchasing decisions are made in the store, all of the subsidiaries paid a great deal of attention to 'in store' marketing in 2006. Excellent examples of this include the successful Koga Quality stores (shop-in-shop concept) and Tunturi's matrix shop displays that won the company the POPAI (Point of Purchase Association International) award in 2006. In addition, the use of the Internet, as information and service medium, in the compilation of 'custom-made' bicycles in close collaboration with the retailers, is currently undergoing major growth.

Accell Group attaches substantial importance to a healthy and strong position for its retailers and supports their development in a very broad sense; for example, in the organization of informative and inspiring meetings on technical development and the organization of marketing and sales.

Share support activities

Annual report

Investor relations

Accell Group has been in the news regularly over the past year. The annual figures for 2005 and the half-yearly figures for 2006 were presented to the press and analysts. In addition, the Board of Directors also organized a number of international road shows for professional investors in 2006 in order to secure a clear position for the Accell Group target group on the international map. The company also featured regularly in interviews in newspapers, magazines and financial journals.

Accell Group has an active investor relations policy. The company again organized regular guided tours for investors and shareholders in 2006 and held presentations at various locations. For example, Accell Group, in collaboration with Delta Deelnemingenfonds, organized a presentation during the Day of the Investor, where it also hosted a presentation at one of the Financial Cocktails organized by Euronext and the ABN Amro bank.

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.

Accell Group shares are traded on the Eurolist of the Euronext Amsterdam. A closing price of € 26.00 on 31 December 2006 established a price increase of 28% in relation to the closing price on 31 December 2005 (€ 20.40). This price increase has a solid foundation. The Accell Group equity is continuing to enjoy the attention of its investors. The number of shares traded in 2006 amounted to approximately 2.5 million with an average number of approximately 10,000 trades a day.

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 Accell Group share information.

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 2005 the company paid out a preferential dividend of € 0.83 per ordinary outstanding share. The pay-out ratio amounted to 47.5% of the net profit and the dividend yield amounted to 4.1% (based on the 2005 closing price).

Share support activities (continued)

Following the expiry of the preference period, it transpired that the majority of the Accell Group shareholders had, once again, opted for stock dividend. A total of 65% of the 2005 dividend was paid out in shares. That percentage serves to confirm the trust its shareholders have in Accell Group and also contributed to the consolidation of the equity capital, which is an important point of departure for the further growth of the company.

Dividend proposal for 2006

A dividend with stock options or cash pay-outs at € 0.95 per share over 2006 will be proposed to the shareholders at the Annual General Meeting of Shareholders. The dividend yield, based on the stock price at the end of 2006, amounts to 3.65%. The pay-out ratio over 2006 was 47.4%.

Using a stock dividend will enable 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

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 and 2005 annual reports, 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, the 'Code') since 1 January 2005. The Code, often referred to as the Tabaksblat Code after the committee 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 justify and explain where Accell Group deviates from the principles and best practice provisions in the Code.

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, Other). 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 fulfil 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 Annual 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.

Corporate governance (continued)

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.

In 2005, the Supervisory Board drew up the remuneration policy for the Board of Directors. The outcome of the annual Hay Board Room Survey regarding the employment conditions of Dutch directors was taken into account. The remuneration policy, as drawn up by the Supervisory Board, was adopted by the Annual General Meeting of Shareholders on 21 April 2005 and was also sent to the Works Council for review. The Supervisory Board uses the policy that was adopted by the Annual General Meeting of Shareholders to determine the remuneration of the individual members of the Board of Directors. The Supervisory Board also compiles an annual remuneration report, which contains an overview of the remuneration of the individual members of the Board of Directors. A summary of the main points of the Supervisory Board's remuneration report over 2006 are included in the chapter, "Supervisory Board Report", of this annual report. The remuneration policy that was adopted by the Annual General Meeting of Shareholders and the remuneration that is currently payable to the members of the Board of Directors are in full compliance with the norms of the Code.

The Board of Directors has instituted a Bell-ringer rule, 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 fulfilment of its duties, the Supervisory Board is mainly 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 separate audit, remuneration, and selection and nomination committees. Instead, the Supervisory Board has taken responsibility for the former committees' 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).

Annual 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 chaired by the chairman of the Supervisory Board. All matters discussed and resolved in the General Meeting of Shareholders are recorded in the official minutes of the meeting.

Accell Group considers it important that as many shareholders as possible participate in the decision-making processes of the General Meeting of Shareholders. Shareholders can also be represented by proxy in the Annual General Meeting of Shareholders. The Board of Directors was particularly delighted by the fact that the Annual General Meeting of Shareholders of 20 April 2006 was attended by shareholders representing 61.6% of the total number of outstanding shares.

Annual report

Corporate governance (continued)

Corporate governance policy

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.

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, the Stichting Preferente Aandelen Accell Group will take the number of shares that will render it the holder of half of the issued (increased) capital whenever Accell Group issues cumulative B preference shares. Pursuant to a decision by the Annual General Meeting of Shareholders, dated 20 April 2006, the Board of Directors, subject to the approval of the Supervisory Board, will be entitled to issue cumulative B preference shares until 1 May 2008. An extension of the period, until 1 May 2009, will be requested at the Annual 2007 General Meeting of Shareholders.

Pursuant to the call agreement, Accell Group entitles the Stichting Preferente Aandelen Accell Group to take the number of cumulative B preference shares that will render Stichting Preferente Aandelen Accell Group the holder of half minus one share of the issued (increased) capital until 1 July 2009.

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.

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 joint 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.

Annual report

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

With the exception of Mr. Van den Belt, all the other members of the Board of Directors and the Supervisory Board currently do not fulfil management or supervisory roles at 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 subsequently decided not to appoint a secretary.

Best practice provision IV.3.1

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

Principle V.3

In view of its size, Accell Group has decided not to create its own internal accounting department as yet.

Risks and risk management

Annual report

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. In addition, the company faces a number of risks in the field of financial reporting and the application of laws and regulations. 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.

Accell Group is continuously working on further embedding the risk control and audit system into its business operations. In 2004, the company exposed the most salient operational risks by means of a risk analysis. Those risks were further analysed in 2005 by means of a cause and effect analysis. Subsequently, in 2006, the identified risks were reassessed. The outcome of the reassessment partially enabled the management to obtain insight into the backgrounds to the risks, as a consequence of which it was possible to upgrade and increase the controllability of those risks in the course of 2006.

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/or transfer the risks.

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

Risks and risk management (continued)

Internal risk control and audit system

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 for compliance with the new IFRS standards.

Financial planning cycle and management information

Each of the various operating companies is required to 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 budgets 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 various minor and major acquisitions. 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 acquisition processes. After an acquisition, 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 relatively short time period.

Annual report

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 prior to the issuance of the auditor's report with the annual accounts. 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.

Bell-ringer rule

In 2004, a Bell-ringer rule was implemented to ensure that violations of existing policy and procedures can be reported without negative consequences for the person reporting the violation.

Statement regarding the internal risk control and audit system

In accordance with Best Practice provision II.1.4 of the Code and on the grounds of the above-mentioned operations, the Board of Directors declare that the internal risk control and auditing system offers a reasonable level of security with respect to the risks posed by financial reporting, and that the financial reporting contains no inaccuracies of material importance. In the view of the Board of Directors, the system performed properly within the standards and requirements set for it, and the Board of Directors expect that it will also perform properly in the current financial year.

The Board of Directors would like to note here that the internal risk control and audit system is intended optimally to identify and control significant risks, 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.

Risks and risk management (continued)

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
Imports of bicycle components from outside Europe are subject to various types of duties. A general import duty applies (5-15%), but certain countries enjoy discount rates. In addition, an anti-dumping duty applies to imports of bicycles from China and Vietnam. The regulations also apply to imports of specific bicycle parts from China and are designed to avoid near complete bicycles from being imported as if they were components. The main purpose of the regulations is to prevent the importation of complete bicycles at unfair price levels. Bicycle manufacturers who import components that are used for in-house assembly are exempted from the latter duty. All Accell Group companies enjoy this form of exemption. The current duty for imports from China is 48.5% against 34% for imports from Vietnam. The current duty will apply until 2010. There is a chance that the duty will be extended or that it will be substituted with an alternative duty. The absence of such a duty or a substantial change to the size of the duty could result in a change in the supply and demand structure in the European bicycle markets.

Operational risks

The weather and the seasons
Sales of Accell Group products fluctuate based on prevailing weather conditions. 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, size 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, 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. Financing mainly takes place in euros. Financial derivatives are used only where the underlying financial foundations are solid.

International Financial Reporting Standards (IFRS)

As of the 2005 financial year, Accell Group has been compiling 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 income statement 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

In broad outlines, the economic prospects for 2007 are positive. Although Accell Group has also performed excellently during recent economic downturns, continuing high confidence on the part of the consumer could provide for further growth.

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 Accell Group brands continue to benefit from this 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.

Thanks to a number of acquisitions made in 2006 and the integration of and mutual cooperation between the companies in the group, Accell Group again expects to enjoy synergy benefits in 2007. 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 will possibly be able to realize further growth through acquisitions. For this reason, Accell Group continues to actively seek prospective acquisitions that fit into the group's brand profile. The criteria for the implementation of the latter policy 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 the present market prospects, it is expected that Accell Group, aside from possible unforeseen circumstances, will show further growth in turnover and operational results in 2007.

Heerenveen, the Netherlands, 1 March 2007

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

Notes to the financial figures

In 2006, the Accell Group turnover grew by 16% to € 431.7 million. Nine percent of the turnover growth was organic. The rest of the turnover growth was generated by the acquisition of Seattle Bike Supply Inc. (consolidated as per 1 March 2006) and Webena Sport Almere BV (consolidated as per 1 November 2006). The net profit in the financial year increased by 18% to € 18.4 million. The profit per share increased by 15% to € 2.00 (2005: € 1.75). The balance sheet total increased by € 58.8 million to € 242.6 million (2005: € 183.8 million).

Turnover by segment

In 2006, the turnover in the bicycles and bicycle parts and accessories segment increased by 14% to € 386.9 million (2005: € 339.9 million) as a result of, among other things, the acquisition of Seattle Bike Supply Inc. In the year under review, the company sold 917,000 bicycles; approximately 7% more than in 2005 (858,000). The average price per bicycle increased by 2% to approximately € 339 (2005: € 334). Accell Group's high-quality bicycle collection, which targets the middle and higher segments of the market, is extremely diverse, and covers the full range from children's bicycles to comfortable and luxury city bicycles and exclusive trekking and racing bikes. The segment result made out 9.5% of the total turnover (2005: 9.6%).

The turnover in the fitness segment increased by 40% to € 45.7 million (2005: € 32.5 million) in the year under review. The segment result increased from 4.4% of the turnover (2005: 4.3%). Accell Group's fitness operations target the middle and higher segments and, more specifically, the home market.

The turnover in the Netherlands grew by 12% to € 195.2 million. The turnover share, expressed as a percentage of the total turnover in the Netherlands, thereby amounts to 46% (2005: 47%). In Germany, the turnover fell by 1% to € 91.9 million, which yielded a turnover share of 21% (2005: 25%). In France the turnover also fell by 3% to € 41.0 million, which resulted in a turnover share of 9% (2005: 11%). In 2006, the other countries yielded turnover of € 103.6 million, which corresponds to a turnover share of 24% (2005: 17%).

Workforce

In 2006, the total workforce increased by an average of 1,671 employees (2005: 1,438 employees). The average wage per employee increased by 1% in 2006, while the average cost per employee fell by 1.5% in the year under review. Of the total workforce, 319 employees (2005: 172 employees) were employed based on a temporary employment contract, which is in line with Accell Group's seasonal operational pattern. The average turnover per employee in 2006 is approximately equivalent to that of 2005.

Notes to the financial figures (continued)

Costs

The increase in the turnover was accompanied by a light decrease in the added value on products. The modified product mix and increase in outsourcing resulted in a reduction of the added value of the turnover in percentage points to 36.9% (2005: 38.0%). Currency exchange risks, to which the company is exposed through the purchasing of components, are hedged on a seasonal basis. The effects of currency exchange rate advantages and disadvantages are therefore limited during the season. The personnel costs in 2006 amounted to € 66.1 million (2005: € 57.7 million). Expressed as a percentage of the turnover, the personnel costs amounted to 15.3% (2005 15.5%). The other operating costs amounted to € 58.6 million in 2006 (2005: € 52.3 million). Expressed as a percentage of the turnover, the other operating costs fell to 13.6% (2005: 14.4%). The operational margin (operating result in relation to turnover) improved to 7.0% (2005: 6.9%) in 2006. The interest charges increased by nearly 30% in 2006 as a result of higher average capital demands and the financing costs related to the acquisitions.

Balance sheet

The increased operational levels and the consolidation of the acquisitions in 2006 have resulted in an increase in the balance sheet total to € 242.6 million (2005: € 183.8 million). The effect of the acquisitions on the company's working capital was an increase, by the end of the year under review, of € 11.3 million. The effect of the acquisitions on the capital employed at the end of the year under review was € 20.5 million. The return on the capital employed in 2006 fell to 15.7% (2005: 18.6%). The long-term loan capital was € 39.0 million (2005: € 25.1 million); other bank debt amounted to € 48.2 million at the end of 2006 (2005: € 24.5 million). The increase in long-term debt (€ 13.9 million) and other bank debt (€ 23.7 million) was applied to, among other things, finance the acquisitions and organic growth. Shareholders equity at the end of 2006 amounted to € 91.9 million.
Due to the increase in the balance sheet total, the solverly ratio, based on the group capital, decreased to 37.9% (end of 2005: 42.1%) at the end of the year under review.

Annual report


2006

Annual accounts

Consolidated balance sheet at 31 december

Before profit appropriation (in thousands of euros)

Assets		2006		2005
Non-current assets				
Intangible fixed assets (1)				
Trademarks and patents	2,067		0	
Goodwill	10,344		3,881	
		12,411		3,881
Tangible fixed assets (2)				
Land and buildings	33,083		29,729	
Machinery and equipment	15,665		13,322	
		48,748		43,051
Financial fixed assets				
Subsidiaries (3)	61		0	
Loans to non-consolidated companies (3)	3,221		0	
Deferred tax assets (9)	5,724		6,063	
		9,006		6,063
Current assets				
Inventories (4)		106,550		79,792
Accounts receivable				
Trade receivables (5)	59,347		46,461	
Taxes and social securities (5)	989		774	
Financial instruments (13)	0		651	
Other receivables and accrued assets (5)	5,430		3,041	
		65,766		50,927
Cash		118		92
Total assets		242,599		183,806

The numbers at the various categories refer to the notes on pages 74 t/m 91.

Equity & liabilities

	2006	2006	2005	2005
Equity (6)				
Share capital	185		180	
Share premium reserves	13,294		12,984	
Revaluation reserves	7,636		8,415	
Hedging reserves	-1,226		456	
Translation reserves	-89		-198	
Other reserves	53,731		39,992	
Profit financial year	18,387		15,530	
		91,918		77,359
Provisions				
Provision for pensions (7)	3,862		3,655	
Employee benefits (8)	1,235		1,164	
Deferred tax liabilities (9)	3,019		3,152	
Other provisions (10)	3,483		3,301	
		11,599		11,272
Non-current liabilities (11)				
Subordinated loan	2,500		3,500	
Bank loans	36,547		21,649	
		39,047		25,149
Current liabilities				
Trade payables (12)	39,340		34,303	
Taxes and social securities (12)	1,508		2,368	
Bank overdrafts (12)	48,205		24,460	
Financial instruments (13)	1,646		0	
Other payables and accrued liabilities (12)	9,336		8,895	
		100,035		70,026
Total equity & liabilities		242,599		183,806

The numbers at the various categories refer to the notes on pages 74 t/m 91.

Consolidated income statement

(in thousands of euros)

		2006		2005
Net turnover (15)		431,730		372,106
Costs of stock change		550		-1,175
Total revenue		432,280		370,931
Cost materials and components	272,592		230,629	
Salaries (16)	53,271		45,267	
Social securities (16)	12,822		12,476	
Depreciation and amortization expenses (17)	4,894		4,557	
Other operating expenses	58,579		52,289	
		402,158		345,218
Operating profit		30,122		25,713
Profit from non-consolidated companies (3)	41		0	
Financial income and expenses (18)	-3,912		-3,020	
		-3,871		-3,020
Profit before taxes		26,251		22,693
Taxes (19)		-7,864		-7,163
Net profit		18,387		15,530
Earnings per share (21) (in euros)				
Profit per share		2.00		1.75
Weighted average number of issued shares		9,176,329		8,879,749
Profit per share (diluted)		1.98		1.72
Weighted average number of issued shares (diluted)		9,285,974		9,025,694

The numbers at the various categories refer to the notes on pages 74 t/m 91.

Consolidated statement of changes in equity

(in thousands of euros)

		Share capital	Share premium reserves	Revaluation reserves	Hedging reserves	Translation reserves	Capital reserves	Other reserves	Profit financial year	Total
2005	**Balance at 1 january 2005**	173	12,557	8,094	-1,516	-212	232	28,169	13,158	60,655
	Change in capital reserves intangible fixed assets						-232	232		0
	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
	Exchange differences arising on translation of foreign operations					14		0		14
	Change in corporate tax rate			123	-33					90
	Recognition of share-based payments							126		126
	Total direct changes in equity	173	12,557	8,415	456	-198	0	28,527	13,158	63,088
	Cash dividend							-1,647		-1,647
	Stock dividend	5	-5							0
	Options exercised	2	432							434
	Other changes							-46		-46
	Profit financial year							13,158	2,372	15,530
	Balance at 31 december 2005	180	12,984	8,415	456	-198	0	39,992	15,530	77,359
2006	**Balance at 1 january 2006**	180	12,984	8,415	456	-198	0	39,992	15,530	77,359
	Realization of revaluation reserves			-333				333		0
	Change in deferred tax tangible fixed assets			-138						-138
	Fair value adjustment financial instruments				-2,297					-2,297
	Change in deferred tax financial instruments				686					686
	Exchange differences arising on translation of foreign operations					109				109
	Change in corporate tax rate			-308	-71					-379
	Recognition of share-based payments (16)							136		136
	Total direct changes in equity	180	12,984	7,636	-1,226	-89	0	40,461	15,530	75,476
	Cash dividend (20)							-1,975		-1,975
	Stock dividend	4	-4							0
	Options exercised	1	314							315
	Other changes							-285		-285
	Profit financial year							15,530	2,857	18,387
	Balance at 31 december 2006	185	13,294	7,636	-1,226	-89	0	53,731	18,387	91,918

Consolidated cash flow statement

(in thousands of euros)

		2006		2005[1]
Operating activities				
Operating profit	30,122		25,713	
Profit from non-consolidated companies (3)	41		0	
Interest paid (18)	-4,064		-3,107	
Interest received (18)	152		87	
Corporate tax (19)	-7,864		-7.163	
Depreciation fixed assets (17)	4,894		4,557	
Share-based payment (16)	136		126	
Increase in provisions	589		362	
Operational cash flows before movements in working capital		24,006		20,575
Increase / decrease in stock	-20,284		685	
Increase in receivables	-9,438		-458	
Decrease / increase in payables	-1,086		7,756	
Increase / decrease in working capital		-30,808		7,983
Net cash flow from operating activities		-6,802		28,558
Investing activities				
Investments intangible fixed assets (2)	-10,381		-7,830	
Divestments tangible fixed assets (2)	169		447	
Investments financial fixed assets	-2,943		-261	
Acquisitions of subsidiaries (14)	-12,932		-2,407	
Net cash flow from investing activities		-26,087		-10,051
Financing activities				
New long-term loans	15,000		0	
Repayments of subordinated loans	-1,000		-1,000	
Repayments of long-term loans	-102		-598	
Dividend payments (20)	-1,975		-1,647	
Stock dividend and options exercised	315		434	
Increase / decrease in bank overdrafts	21,299		-15,973	
Other changes in equity	-622		289	
Net cash flow from financing activities		32,915		-18,495
Net cash flow		26		12
Cash at 1 januari		92		80
Cash at 31 december		118		92

1) The 2005 figures have been adjusted due to the restatements mentioned in the accounting policies. In addition, the financial instruments were kept out of the cash flow statement as this does not require the use of funds (IAS8). The investment in financial fixed assets are classified under investing activities.

Information by segment [1)]

(in thousands of euros)

	2006 Bikes + Parts and Accessories	2006 Fitness	2006 Eliminations	2006 Consolidated	2005 Bikes + Parts and Accessories	2005 Fitness	2005 Eliminations	2005 Consolidated
Net turnover third parties	386,946	44,784	0	431,730	339,887	32,219	0	372,106
Net turnover IC	0	870	-870	0	0	300	-300	0
Total net turnover	386,946	45,654	-870	431,730	339,887	32,519	-300	372,106
Segment result	36,922	1,972	0	38,894	32,687	1,378	0	34,065
	9.5%	4.4%			9.6%	4.3%		
Unallocated segment expenses				-745				-744
Unallocated corporate expenses				-8,027				-7,608
Operating profit				30,122				25,713
				7.0%				6.9%
Profit from non-consolidated companies				41				0
Interest received				152				87
Interest paid				-4,064				-3,107
Profit before taxes				26,251				22,693
Taxes				-7,864				-7,163
Net profit				18,387				15,530
Segment assets	190,233	39,576	0	229,809	146,290	27,764	0	174,054
Unallocated corporate assets				12,790				9,752
Total assets				242,599				183,806
Segment liabilities	102,506	18,606	0	121,112	79,739	12,091	0	91,830
Unallocated corporate liabilities				29,569				14,617
Subtotal liabilities				150,681				106,447
Equity				91,918				77,359
Total liabilities				242,599				183,806

1) This concerns the primary information segment. The secondary segment information is limited to the statement of the turnover per country (see note 15). As the management information system is designed at subsidiary level, a more detailed explanation of the secondary segment information would not provide reliable information.

Notes to the consolidated annual accounts

for the financial year ending 31 December 2006

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 77 and 78 of the annual accounts.

The 2006 consolidated annual accounts of Accell Group NV have been prepared in accordance with the International Accounting Standards Board (IASB) standards as approved by the European Commission and applicable as per 31 December 2006.

Accounting policies

The annual accounts have been prepared on the basis of historical costs, except for real estate, financial instruments and share-based payments, which have been stated at fair value. The accounting policies outlined below were applied consistently for all periods presented in these consolidated annual accounts.

Application of new and revised IFRS standards

Accell Group NV applied all new and amended standards and interpretations applicable to the year under review, as determined by the IASB and approved by the European Commission for the period commencing on 1 January 2006. The application of the new and amended standards did not result in any changes in the Accell Group NV reporting standards in 2006.

Accell Group NV decided against early application of all new or amended standards coming into effect after 31 December 2006 (including IFRS7).

Restatements

The 2006 annual accounts contain a number of reclassifications and adjustments. These restatements have no effect on equity and result. In accordance with IAS 8, the comparative figures over 2005 have been adjusted. The restatements concern deferred taxes, stocks, accounts receivables and net turnover. Strictly speaking, deferred taxes may no longer be balanced under the IFRS; whereby deferred tax assets are entered under financial fixed assets and deferred tax obligations under provision for deferred tax obligations. In 2006, the definition of ‘sailing goods’ was narrowed down; which resulted in an adjustment in the sailing goods item and a corresponding adjustment in trade creditors. In deviation from 2005, the turnover bonuses payable to customers were deducted from trade accounts receivable, and the other debts were adjusted accordingly. As of the beginning of 2006, certain marketing and promotional costs are classified as other operational expenses. Up to and including 2005, those expenses were deducted from the turnover.

The restatements affect the following annual accounts entries and the related ratios:

	Old 2005	New 2005
	€ x 1,000	€ x 1,000
Deferred tax assets	4,874	6,063
Inventories	76,592	79,792
Trade receivables	47,327	46,461
Deferred tax liabilities	1,963	3,152
Trade payables	31,103	34,303
Other payables and accrued liabilities	9,761	8,895
Balance sheet total	180,283	183,806
Net turnover	369,321	372,106
Other operating expenses	50,679	52,289
ROCE	18.7%	18.6%
Balance sheet total / turnover	48.8%	49.4%
Solvability (based on group capital)	42.9%	42.1%
Solvability (based on garantee capital)	44.9%	44.0%

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 of the moment 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 the moment that Accell Group NV ceases to hold a controlling interest. If necessary, the figures for the subsidiaries' financial statements are adjusted to bring the statements in line with the accounting standards applied by Accell Group NV.

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

Third-party interests in the equity and results of the group companies 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 income statement.

Subsidiaries and joint ventures with an equity participation of 50% or less and in which Accell Group NV does not have a controlling interest are carried on net equity value. Unrealized profits on intercompany transactions are eliminated pro rata based on the Accell Group NV interest in the company. Unrealized losses are also eliminated pro rata in as far as there is no indication for impairment.
A list of consolidated subsidiaries and non-consolidated subsidiaries is contained in note 3 to the consolidated financial statements.

Business combinations

Acquisitions of subsidiaries are accounted for by the purchase accounting method. On the acquisition date, the acquisition price is applied to the sum of the fair value of the assets acquired, the liabilities incurred or 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.

Foreign currencies

The balance sheet and income statement 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 income statement.
The conversion of the assets and liabilities of foreign subsidiaries takes place at the exchange rates applying at the balance sheet date. The income statements 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 income statement 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 employee benefits, 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.

Intangible fixed assets

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.

R & D expenditure

Research costs are charged directly to the income statement 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 income statement 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.

Trademarks and patents

Following the acquisition of subsidiaries, Accell Group NV capitalizes specific identifiable intangible fixed assets, such as trademarks and patents, separate from the goodwill. Separately acquired intangible fixed assets are stated at fair values. Intangible fixed assets with a limited life, such as patents, are depreciated against the income statement over the expected economic life, which is generally estimated at five years. Assets with an unlimited life, such as trademark rights, are depreciated, but are adjusted for any impairment in value, as described under goodwill.

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.

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 the income statement. 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 the income statement. When a building is sold, the related revaluation reserve is transferred to other reserves.

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

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

- Buildings: 30 – 50 years
- Plant and machinery: 3 – 10 years

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

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 prior to 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 equity 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. The ineffective part of the cash flow hedge is recorded in the income statement.

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 employee benefits

– 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.

Notes to the consolidated annual accounts (continued)

Actuarial gains and losses are reflected in the income statement if and to the extent that the amount of accumulated actuarial results that have not yet been reflected in the income statement 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 income statement 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.

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.

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 obligations 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 income statement, unless they are related to items that are directly included in shareholders' equity. In that case, the deferred taxes are also recorded in shareholders' equity.

Deferred tax assets and liabilities are 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.

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.

Notes to the consolidated annual accounts (continued)

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.

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.

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.

Annual accounts

Explanatory notes

1) Intangible fixed assets

Movements in intangible fixed assets are as follows:

2005	Development expenses	Trademarks and patents	Goodwill	Total
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Cost	786	0	2,999	3,785
Accumulated amortization / impairment charges	-554	0	0	-554
Book value 1 January 2005	232	0	2,999	3,231
Investments	0	0	882	882
Amortization	-232	0	0	-232
Changes in book value	-232	0	882	650
Cost	786	0	3,881	4,667
Accumulated amortization / impairment charges	-786	0	0	-786
Book value 31 December 2005	0	0	3,881	3,881

2006	Development expenses	Trademarks and patents	Goodwill	Total
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Cost	786	0	3,881	4,667
Accumulated amortization / impairment charges	-786	0	0	-786
Book value 1 Januari 2006	0	0	3,881	3,881
Investments	0	2,080	6,463	8,543
Amortization	0	-13	0	-13
Changes in book value	0	2,067	6,463	8,530
Cost	786	2,080	10,344	13,210
Accumulated amortization / impairment charges	-786	-13	0	-799
Book value 31 December 2006	0	2,067	10,344	12,411

The book value of the goodwill as per 1 January 2006 relates to Juncker BV, F. van Buuren & Co. BV, Tunturi BV, Lacasdail Holdings Ltd, Julius Holz GmbH & Co KG, Accell Fitness North America Inc and Dowi GmbH.

The investments in goodwill in 2006 relate to the acquisition of interests in Seattle Bike Supply Inc and Webena Sport Almere BV.
The goodwill for Webena is not final as per 31 December 2006 due to the fact that the acquisition has not been finalized. The report includes a realistic estimate of the value as per 31 December 2006. In addition, goodwill is also paid for the increase of the shares in In2Sports BV to 44% (2005: 34%).

The goodwill is reviewed annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the cash generating units are determined by calculations of value in use. The key assumptions in that regard concern the discount rates, growth rates and expected changes to the selling prices and direct costs during the period. Accell Group NV estimates discount rates using pre-tax rates that properly reflect the time value of money under current market conditions and specific risks for cash generating units.

2) Tangible fixed assets

	Land and buildings	Machinery and equipment	Total tangible fixed assets
	€ x 1,000	€ x 1,000	€ x 1,000
Fair value or cost			
At 1 January 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
At 1 January 2006	31,147	46,681	77,828
Investments	4,064	6,317	10,381
Investments following acquisitions	0	366	366
Divestments	0	-169	-169
Change revaluation	0	0	0
At 31 December 2006	35,211	53,195	88,406
Accumulated depreciation			
At 1 January 2005	698	29,754	30,452
Depreciation	720	3,605	4,325
At 1 January 2006	1,418	33,359	34,777
Depreciation	710	4,171	4,881
At 31 December 2006	2,128	37,530	39,658
Book value			
At 31 December 2006	33,083	15,665	48,748
At 31 December 2005	29,729	13,322	43,051

Accell Group N.V. has reviewed the tangible fixed assets and conclude that there was no indication at balance sheet date that some individual tangible fixed assets should be impaired.

The book value of tangible fixed assets as at 31 December 2006, if based on historical cost, less accumulated depreciation and impairments would be approximately € 40.7 million (2005: € 34.6 million).

3) Subsidiaries

The consolidated annual accounts 2006 include Accell Group N.V. in Heerenveen and the following companies.

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

Some consolidated companies that are immaterial to the balance sheet and the income statement are not included in the overview above. A full list of consolidated companies has been deposited with the Trade Register of the Chamber of Commerce in Leeuwarden.

Explanatory notes (continued)

Non-consolidated companies	Participation percentage
In2Sports B.V., Eindhoven, The Netherlands	44
Jalaccell OÜ, Tallinn, Estland	35

	Non-consolidated companies	Loans to non-consolidated companies	Total
	€ x 1,000	€ x 1,000	€ x 1,000
At 1 January 2006	0	0	0
Investments	14	0	14
Profit from non-consolidated companies	41	0	41
Other changes	6	0	6
Changes in loans	0	3,221	3,221
At 31 December 2006	61	3,221	3,282

In 2006, a loan is issued to a non-consolidated company at an interest rate of 7% per annum and with a 10-year term. The security for the loan consists of right of mortgage on the company building and right of pledge on all the other assets.

4) Inventories

	2006	2005
	€ x 1,000	€ x 1,000
Sailing goods	12,319	11,662
Raw materials	37,282	33,671
Semi-finished goods	2,718	2,449
Finished goods	54,231	32,010
	106,550	79,792

'Sailing goods' concern shipped components for which Accell Group NV obtained economic ownership as per the balance sheet date, but which have not as yet been received. The comparable figures for 2005 have been restated as explained in the accounting policies.

At balance sheet date, stock with a book value of approximately € 5.1 million is valued at lower net realizable value.

5) Accounts receivable

The book value of accounts receivable approximates the 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 contstantly monitors these risks. There is no significant concentration of credit risks since Accell Group N.V. has a large number of customers. The amounts presented in the balance sheet are net of allowances for doubtful receivables.

6) Equity

The consolidated equity is identical to that of the parent company.
The explanatory notes and movement overviews of the equity are included in the company annual accounts.

7) Provision for pensions

The provision for pensions reflected in the balance sheet mainly 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 are as follows (see next page):

7) Provision for pensions (continued)

	2006	2005
	€ x 1,000	€ x 1,000
At 1 January	3,655	3,573
Interest charged	202	199
Amortization actuarial result	41	0
Employer contributions	-136	-117
Addition due to acquisitions	100	0
At 31 December	3,862	3,655
Finance deficit 31 December	4,471	4,903
Unrecognized actuarial result	-709	-1,248
Addition due to acquisitions	100	0
At 31 December	3,862	3,655

Fund investments for the provision for pensions do not apply.
In addition, no new commitments will be allocated.

The principal assumptions applied in determing the pension commitments and investments are as follows:

	2006	2005
Discount rate	4.5 %	4.0 %
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 2005 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) Employee benefits

Employee benefits relates to provisions for employee jubilee funds. Movements in this provision are as follows:

	2006	2005
	€ x 1,000	€ x 1,000
At 1 January	1,164	1,161
Additions charged to the result	128	53
Payments	-57	-50
At 31 December	1,235	1,164

9) Deferred taxes

The deferred taxes can be split up as follows. The restatements mentioned in the accounting policies are taken into account.

	2006	2005
	€ x 1,000	€ x 1,000
Deferred tax assets	5,724	6,063
Deferred tax liabilities	3,019	3,152
Balance deferred taxes	2,705	2,911

Movements in deferred tax assets and liabilities are as follows:

	Loss carryforwards consolidated companies	Revaluation tangible fixed assets	Financial instruments	Other	Total
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
At 1 January 2005	**4,669**	**-2,871**	**697**	**1,302**	**3,797**
Change in equity	315	-86	-892	-113	-776
Change in result	-110	0	0	0	-110
At 31 December 2005	4,874	-2,957	-195	1,189	2,911
Change in equity	-654	-62	615	-239	-340
Change in result	115	0	0	19	134
At 31 December 2006	**4,335**	**-3,019**	**420**	**969**	**2,705**

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 2006, Accell Group N.V. have no tax-loss carryforwards in the Netherlands.

10) Other provions

Movements in other provisions are as follows:

	Provision for warranties	Other provisions	Total
	€ x 1,000	€ x 1,000	€ x 1,000
At 1 January 2006	**2,837**	**464**	**3,301**
Addition to provision	646	0	646
Release from provision	0	-464	-464
At 31 December 2006	**3,483**	**0**	**3,483**

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.

Annual accounts

11) Non-current liabilities

Non-current liabilities are subject to repayment as follows:

	Period to maturity < 5 years	Period to maturity > 5 years	Total
	€ x 1,000	€ x 1,000	€ x 1,000
Subordinated loan	3,500	0	3,500
Roll-over loans	15,500	4,762	20,262
Mortgage	0	0	0
Other loans	16,112	445	16,557
Subtotal	35,112	5,207	40,319
Proportion loans with a maturity period < 1 year	-1,272	0	-1,272
At 31 December 2006	33,840	5,207	39,047

The share of the non-current liabilities (€ 1,272,000), due for repayment in 2007, is included in the balance sheet under bank overdrafts.

The subordinated loan has the character of a general subordination, and an initial term of 7.5 years. The interest rate for the loan is fixed at 7.2%. The repayments of the subordinated loan are on a straight-line basis. The first repayment took place in 2003.

The roll-over loans concern, on the one hand, a 5-year standby credit facility that was issued by ABN-AMRO at the end of 2002. The other is a roll-over dollar loan issued by ABN-AMRO in 2006 with a term of 10 years. Both of these roll-over loans have variable withdrawal periods and varying interest rates based on the length of the term. Besides some general terms and conditions, no colleteral has been provided for the roll-over loans. An interest rate swap has been taken out for the roll-over loan, whereby the same interest rate of 4.2% will apply in 2006 as in previous years.

The other loans also includes a loan of € 15 million issued in 2006 by Deutsche Bank with a term of 5 years. The fixed interest rate on this loan is 4.25% per annum.

Limited securities have been issued in connection with the other loans, on the assets of a group 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) Current liabilities

The book value of current liabilities approximates their fair value. All current liabilities 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 2006 the available credit facility amounted to € 77.0 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 investing 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 hold instruments for speculative purposes.

Currency risks

Due to the international character of its operations, Accell Group N.V. is exposed to risks of buying and selling in foreign currency. This mainly applies to the purchasing of components in US dollars and Japanese yen, and sales in US 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.

Currency derivatives as at the balance sheet date will be effectuated during the first six months of 2007. Derivatives outstanding as at the balance sheet date are detailed as follows:

Currency derivative	Period to maturity	Currency	Amount
Call	January 2007 until June 2007	USD	€ 24.8 mln.
Put	January 2007 until June 2007	USD	€ 40.3 mln.
Call	January 2007 until June 2007	YEN	€ 6.2 mln.
Put	January 2007 until June 2007	YEN	€ 15.2 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 the equity. The cash flow hedge transactions entered into in 2006 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, the company took out an interest rate swap with an interest rate obligation for the coming year of approximately € 0.8 million. This instrument, which is generally available, is not specialized or considered to entail significant risk.

14) Acquisition of subsidiaries

In 2006, Accell Group NV acquired interests in Seattle Bike Supply Inc. (100%) and Webena Sport Almere BV (100%). The acquisitions are not considered significant, either individually or in total, where the scope of the acquired companies is viewed in relation to Accell Group's consolidated balance sheet total. The transactions are accounted for by the purchase method of accounting. Seattle Bike Supply Inc. and Webena Sport Almere BV are consolidated as per 1 March 2006 and 1 November 2006 respectively.

The composition of the acquired net assets is as follows:

	2006
	€ x 1,000
Intangible fixed assets	2,080
Tangible fixed assets	366
Other assets	12,526
Cash	581
Deferred taxes	215
Other payables	-8,718
	7,050
Goodwill	6,463
Acquisition price	**13,513**
Cash acquired	-581
Net cash flow from investing activities	**12,932**

The subsidiaries acquired in 2006 realized a total turnover of € 26.5 million between the time of their acquisition and the balance sheet date.

15) Net turnover

The net turnover can be split up as follows. The restatements mentioned in the accounting policies are taken into account.

	2006	2005
Turnover by product group:	€ x 1,000	€ x 1,000
Bikes	311,308	286,508
Parts and accessories	74,870	53,379
Fitness	45,552	32,219
	431,730	**372,106**

Turnover by country:	2006 € x 1,000	2005 € x 1,000
The Netherlands	195.210	173.863
Germany	91.932	93.195
France	40.986	42.395
Other EU countries	58.742	45.399
Other countries	44.860	17.254
	431.730	372.106

16) Personnel costs

Personnel costs are detailed as follows:

	2006 € x 1,000	2005 € x 1,000
Salaries	51,633	43,884
Social securities	9,422	9,377
Pension contributions	3,400	3,099
Profit sharing	1,502	1,257
Share based payments	136	126
	66,093	57,743

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

Share-based payments

The estimated fair value of unconditional option rights granted in 2006 (share-based payment transactions to be settled in equity-related instruments) amounts to € 136,000. This is included in the income statement 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: € 25.50
- exercise price: € 26.00
- expected volatility: 20-25%
- duration of the option: 3-5 years
- 'risk free' interest rate: 5%

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

The option scheme for the Board of Directors is covered in the company annual accounts.

17) Depreciation and amortization

Depreciation expenses and impairment is detailed as follows:

	2006	2005
	€ x 1,000	€ x 1,000
Amortization of intangible fixed assets	13	232
Depreciation of tangible fixed assets	4,881	4,343
Investment subsidies for tangible fixed assets	0	-18
	4,894	4,557

18) Financial income and expenses

Financial income and expenses is detailed as follows:

	2006	2005
	€ x 1,000	€ x 1,000
Interest income	152	87
Interest expenses	4,064	3,107
	-3,912	-3,020

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:

	2006 € x 1,000	2005 € x 1,000
Profit before taxes	26,251	22,693
Taxes based on weighted average applicable rate	7,991	7,345
Tax impact of:		
Non-deductible amounts	49	40
Deferred tax assets not carried forward	58	70
Adjustment of immediate taxes with regard to previous years	-137	-182
Adjustment of deferred taxes with regard to previous years	-97	-110
Taxes in income statement	7,864	7,163
Of which:		
Current taxes	7,903	7,203
Deferred taxes	-39	-40
Effective tax rate	30.0%	31.6%

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 15 May 2006 a dividend with stock option was declared of € 0.83 per share. A cash dividend of € 1,975,000 was paid on that date, and stock dividend totaling 173,823 shares were issued. With regard to the current financial year, the Board of Directors proposes a dividend with stock option of € 0.95 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:

	2006	2005
	€ x 1,000	€ x 1,000
Net profit	18,387	15,530
Weighted average number of issued shares for the earnings per share	9,176,329	8,879,749
Impact of share options on the issuance of shares	109,645	145,945
Weighted average number of issued shares (dilution)	**9,285,974**	**9,025,694**

22) Off-balance sheet disclosures

Investment commitments
At the end of 2006, Accell Group N.V. has an investment obligation to the amount of € 0.6 million for a new building in Hungary.

Operational lease commitments
The company has financial obligations arising from long-term lease commitments regarding computer equipment and cars. This obligation amounts to approximately € 2.1 million per year and has an average remaining term of 3.0 years.
The company also has financial obligations arising from long-term rental contracts. This total obligation amounts to approximately € 2.9 million per year and has an average remaining term of 5.5 years.

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

	2006	2005
	€ x 1,000	€ x 1,000
Within one year	625	700
Within two to five years	2,825	1,875
After five years	1,550	1,425
	5,000	4,000

Annual accounts

23) Other notes

In April 2004 the Netherlands Competition Authority (NMa) imposed a penalty on € 12.8 million against the Accell Group N.V. 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 N.V. the penalty amount is still out of proportion as it considers the accusations altogether unjustified.
Accell Group N.V. has therefore lodged an appeal with an independent court. The appeal is officially submitted to the District Court of Rotterdam in early march 2006. The case documents contain sufficient justification for judicial review and Accell Group N.V. is confident about the outcome. In line with IFRS standards, no provision is contained in the annual accounts for this legal dispute.

24) Subsequent events

In January 2007 a letter of intent was signed regarding the acquisition of Brasseur SA in Luik, Belgium.

25) Transactions with related parties

Intercompany transactions and balances between Accell Group N.V. and its subsidiaries have been eliminated for consolidation purposes.
In 2006 there were no intercompany transactions or balances with other related parties. Except for a loan to a non-consolidated company and two loans to members of the Board of Directors, as specified in the company annual accounts.

Company balance sheet at 31 december

Before profit appropriation (in thousands of euros)

Assets		2006		2005
Non-current assets				
Intangible fixed assets	9,110		3,747	
Tangible fixed assets	0		0	
Financial fixed assets a)	123,114		92,378	
Current assets	7,490		10,095	
Total assets		139,714		106,220

Equity and liabilities		2006		2005
Equity b)				
Shared capital	185		180	
Share premium reserves	13,294		12,984	
Revaluation reserves	7,636		8,415	
Hedging reserves	-1,226		456	
Translation reserves	-89		-198	
Other reserves	53,731		39,992	
Profit financial year	18,387		15,530	
		91,918		77,359
Non-current liabilities				
Subordinated loan	2,500		3,500	
Revolving credit facility and loans	35,262		20,000	
		37,762		23,500
Current liabilities				
Amounts payable to group companies	6,067		3,560	
Bank overdrafts	1,000		1,000	
Other payables	2,967		801	
		10,034		5,361
Total equity and liabilities		139,714		106,220

The letters at the various categories refer to the notes on pages 94 t/m 97.

Company income statement

(in thousands of euros)

	2006	2005
Profit from subsidiaries after taxes	18,888	17,132
Other profit after taxes	-501	-1,602
	18,387	15,530

Accounting policies

The company 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 income statement is therefore presented for the parent company, as permitted under article 2:402 of the Dutch Civil Code.

Subsidiaries

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

Notes to the company balance sheet

(in thousands of euros)

a) Financial fixed assets

Movements in financial fixed assets are as follows:

	2006	2005
Subsidiaries		
At 1 January	63,601	61,818
Profit	18,888	17,132
Investments / divestments	14	2,407
Other changes	-17,211	-17,756
At 31 December	65,292	63,601
Due from group companies		
At 1 January	28,777	28,277
Loans provided	40,721	24,430
Loans repaid	-11,676	-23,930
At 31 December	57,822	28,777
Total financial fixed assets	123,114	92,378

b) Equity

The authorized capital amounts to € 650,000, divided into 13,750,000 Accell Group N.V. 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, 9,251,838 ordinary shares have been issued and fully paid, so that the issued share capital amounts to € 185,036.76.

Movement schedule of equity

I. Share capital		
At 31 December 2005	180	
Stock dividend and options exercised	5	
At 31 December 2006		185
II. Share premium reserves		
At 31 December 2005	12,984	
Stock dividend and options exercised	310	
At 31 December 2006		13,294
III. Revaluation reserves		
At 31 December 2005	8,415	
Realization of the revaluation reserves	-333	
Change in deferred tax tangible fixed assets	-138	
Change in corporate tax rate	-308	
At 31 December 2006		7,636
IV. Hedging reserves		
At 31 December 2005	456	
Fair value adjustment financial instruments	-1,611	
Change in corporate tax rate	-71	
At 31 December 2006		-1,226
V. Translation reserves		
At 31 December 2005	-198	
Exchange differences arising on translation of foreign operations	109	
At 31 December 2006		-89
VI. Other reserves		
At 31 December 2005	39,992	
Change in result 2005	15,530	
Dividend payments 2005	-1,975	
Recognition of share-based payments	136	
Realization of the revaluation reserves	333	
Other changes	-285	
At 31 December 2006		53,731
VII. Profit financial year		
At 31 December 2005	15,530	
Change in result 2005	-15,530	
Profit financial year 2006	18,387	
At 31 December 2006		18,387
Total equity at 31 December 2006		91,918

The revaluation reserves, hedging reserves and translation reserves are considered legal reserves based on Article 2:373 of the Dutch Civil Code and are therefore not available for distribution to shareholders.

Notes to the company balance sheet (continued)

Remuneration of the Board of Directors and the Supervisory Board

Board of Directors

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

	Salary	Bonus	Pension contributions	Total
	in €	in €	in €	in €
R.J. Takens	298,000	137,080	107,545	542,625
H.H. Sybesma	218,000	100,280	29,314	347,594
J.M. Snijders Blok	176,000	80,960	33,545	290,505
Total	**692,000**	**318,320**	**170,404**	**1,180,724**

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.

Supervisory Board

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

	in €
S.W. Douma	35,000
D.J. Haank	9,533
J. van den Belt	19,067
J.J. Wezenaar	28,600
J.H. Menkveld	28,600
Total	**120,800**

Shares

The number of shares held by Mr. Takens and Mr. Sybesma at year-end 2006 amounts to 47,920 and 460 respectively.

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 1.2%. 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:

	Number at 01-01-2006	Issued in 2006	Exercised in 2006	Number at 31-12-2006	Average exercise price	Remaining period to maturity
Directors:						
R.J. Takens	84,735	11,500	41,000	55,235	€ 15.01	1-4 jaar
H.H. Sybesma	52,265	8,400	22,000	38,665	€ 15.24	1-4 jaar
J.M. Snijders Blok	8,945	6,800	-	15,745	€ 20.89	1-4 jaar

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 have been granted unconditionally. 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 € 26,00. The directors were offered a financing arrangement in connection with the tax consequences of the granted stock options in the past. This arrangement expired as of 1 January 2005.
At the end of the financial year some old, interest-free loans issued to Mr. Takens and Mr. Sybesma amounting to € 32,232 and € 21,683 respectively are still outstanding.
During the financial year the average share price on the exercise date of the options was € 26.90.

Off-balance sheet disclosures

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 the Dutch 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
J. van den Belt
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, 1 March 2007

Annual accounts

Other information

Stipulations of the articles of association regarding profit appropriation

Article 26 (partial)

Paragraph 4
The Board of Directors, subject to the approval of the Supervisory Board, is authorized to determine which part of the profit 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 € 0.95 per share (2005: € 0.83), 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.

Auditor’s report

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

Report on the annual accounts

We have audited the annual accounts of Accell Group N.V., Heerenveen, for the year 2006 as set out on pages 56 to 97. The annual accounts consist of the consolidated annual accounts and the company annual accounts.
The consolidated annual accounts comprise the consolidated balance sheet as at 31 December 2006, income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company annual accounts comprise the company balance sheet as at 31 December 2006, the company income statement for the year then ended and the notes.

Management’s responsibility

Management is responsible for the preparation and fair presentation of the annual accounts in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code.
This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor’s responsibility

Our responsibility is to express an opinion on the annual accounts based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual accounts.

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

Auditor's report (continued)

Opinion with respect to the consolidated annual accounts

In our opinion, the consolidated annual accounts give a true and fair view of the financial position of Accell Group N.V. as at 31 December 2006, and of its result and its cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company annual accounts

In our opinion, the company annual accounts give a true and fair view of the financial position of Accell Group N.V. as at 31 December 2006, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Emphasis of Matter

We draw attention to note 23 to the annual accounts. 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 annual accounts as a contingent liability.

Our opinion is not qualified in respect of this matter.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the annual accounts as required by 2:391 sub 4 of the Netherlands Civil Code.

Utrecht, 1 March 2007
Deloitte Accountants B.V.

M. Beelen RA

Accell Group in the last eight years[1)]

(in millions of euros, unless stated otherwise)

	2006	2005[2)]	2004	2003	2002	2001	2000	1999
	IFRS							
Net turnover	431.7	372.1	341.1	289.6	259.4	205.6	203.7	150.3
Personnel costs	66.1	57.7	53.8	45.2	38.7	33.7	35.1	27.6
Operating profit	30.1	25.7	22.8	16.6	13.8	11.4	9.7	6.0
Interest	3.9	3.0	2.8	2.6	3.2	3.6	3.0	1.4
Taxes	7.9	7.2	7.1	4.9	3.7	2.8	2.4	1.6
Net profit	18.4	15.5	13.2	9.2	6.8	5.1	4.3	3.0
Depreciation	4.9	4.6	4.4	3.9	2.8	2.3	2.3	2.2
Cash flow	23.3	20.1	17.6	13.0	9.6	7.4	6.6	5.2
Investments tangible fixed assets	10.7	8.8	7.7	10.0	5.5	5.5	2.4	3.5
Balance sheet total	242.6	183.8	173.6	134.9	112.5	117.5	96.5	79.7
Tangible fixed assets	48.7	43.1	39.0	28.9	23.8	21.4	13.3	13.3
Capital employed	192.4	138.2	137.9	109.3	97.3	102.9	84.9	70.7
Group capital	91.9	77.4	60.7	48.1	42.3	37.4	28.2	24.5
Guarantee capital	94.4	80.9	65.2	54.6	49.8	37.4	28.2	24.5
Provisions	11.6	11.3	10.0	7.0	5.9	8.5	5.7	6.2
Average number of employees (FTE's)	1,671	1,438	1,405	1,213	1,061	1,051	998	768
Number of shares issues at year-end	9,251,838	9,015,015	8,656,267	8,373,903	8,309,403	8,039,633	7,314,633	7,128,320
Weighted average number of issued shares	9,176,329	8,879,749	8,549,802	8,320,440	8,222,190	7,334,495	7,252,528	7,054,328
Market capitalization	240.5	183.9	135.9	67.8	42.2	37.0	25.9	26.8
Data per share 3) (in €)								
Group capital	10.02	8.55	6.76	5.32	4.74	4.57	3.49	3.11
Guarantee capital	10.29	8.94	7.26	6.04	5.58	4.57	3.49	3.11
Cash flow	2.54	2.22	1.96	1.44	1.07	0.90	0.81	0.65
Net profit	2.00	1.72	1.47	1.02	0.76	0.62	0.53	0.37
Dividend	0.95	0.81	0.69	0.48	0.35	0.31	0.22	0.15
Ratios (in %)								
ROCE	15.7	18.6	16.5	15.2	14.1	11.1	11.4	8.5
ROE	20.0	20.1	21.7	19.1	16.0	13.6	15.2	12.2
Operating profit/turnover	7.0	6.9	6.7	5.7	5.3	5.5	4.8	4.0
Net profit/turnover	4.3	4.2	3.9	3.2	2.6	2.5	2.1	2.0
Cash flow/turnover	5.4	5.4	5.2	4.5	3.7	3.6	3.2	3.5
Balance sheet total/turnover	56.2	49.4	50.9	46.6	43.4	57.1	47.4	53.0
Solvability (based on group capital)	37.9	42.1	34.9	35.6	37.6	31.9	29.3	30.8
Solvability (based on guarantee capital)	38.9	44.0	37.6	40.4	44.3	31.9	29.3	30.8
Pay-out ratio	47.4	47.5	47.3	47.1	46.1	49.6	41.4	38.5
Dividend yield	3.7	4.0	4.6	5.9	6.9	6.8	6.2	4.0
Share price at year-end (in €)	26.00	20.40	15.70	8.10	5.08	4.60	3.54	3.76

1) The key figures as of 2004 are calculated based on the IFRS.
2) The figures for 2005 are adjusted due to the restatement mentioned in the accounting policy.
3) The data per share are calculated based on the weighted average number of issued shares.
The data per share for the years, 1999-2005, have been adjusted for the dilution resulting from the issue of stock dividend charged to the share premium reserve in accordance with the International Financial Reporting Standards (IAS33).

The Accell Group share

Accell Group NV has been listed on the Euronext Amsterdam stock exchange since 1 October 1998. On 31 December 2006, 9,251,838 ordinary shares with a nominal value of € 0.02 were issued.

Substantial investments (Financial Supervision Act) (Wet op het Financieel Toezicht)

The following is an overview of the shareholders in Accell Group that reported investments in the Accell Group issued capital on the grounds of the Financial Supervision Act.

Date of reporting obligation	Investor with reporting obligation	Equity participation	Voting rights
1 November 2006	Aviva Plc	13.26%	13.26%
1 November 2006	Boron Investments N.V.	5.19%	5.19%
1 November 2006	R.A. Burke	7.49%	7.49%
1 November 2006	Darlin N.V.	7.40%	7.40%
1 November 2006	Delta Deelnemingenfonds N.V.	6.94%	6.94%
1 November 2006	Fortis Utrecht N.V.	5.74%	5.74%
1 November 2006	R.J.H. Kruisinga	6.90%	6.90%
1 November 2006	J.H. Langendoen	5.13%	5.13%
1 November 2006	H. Ziengs	5.08%	5.08%

Turnover in Accell Group equity in 2006*

	Number of shares	Amounts (€ x mln)	Highest price (€)	Lowest price (€)	Closing price (€)
January	186,522	3.9	21.60	20.05	21.10
February	552,575	13.8	27.25	21.01	26.75
March	253,124	6.8	27.75	26.05	27.58
April	268,469	7.9	30.95	27.30	29.49
May	202,930	5.6	29.45	24.39	26.50
June	122,195	3.1	26.80	24.70	25.55
July	277,315	6.9	26.25	23.80	24.70
August	78,709	1.9	25.00	22.62	23.38
September	148,061	3.6	25.00	23.15	24.35
October	147,376	3.6	26.00	24.00	25.26
November	73,901	1.9	26.05	25.20	25.55
December	110,125	2.83	26.05	25.25	26.00
Total	**2,421,302**	**61.81**			

* Source: Euronext

Important dates in 2007

	Date
Annual General Meeting of Shareholders (at subsidiary Batavus BV, Industrieweg 4, 8444 AK Heerenveen)	26 April 2007
Ex-dividend listing	2 May 2007
Dividend will be available for payment	22 May 2007
Publication of half-yearly figures	20 July 2007

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THE PREMIER CYCLE AND FITNESS GROUP
ACCELL GROUP