THE PREMIER CYCLE AND FITNESS GROUP

ACCELL GROUP

ANNUAL REPORT 2017

ACCELL GROUP AT A GLANCE

NET TURNOVER
€ 1.07 billion

76% Bicycles

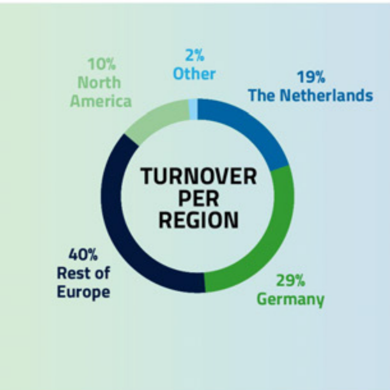
24% Bicycle parts and accessories

NET RESULT
€ 10.5 million

SOLD BIKES
1.3 million

37% Traditional bikes

63% E-bikes



19 BRANDS

18 Bicycle brands

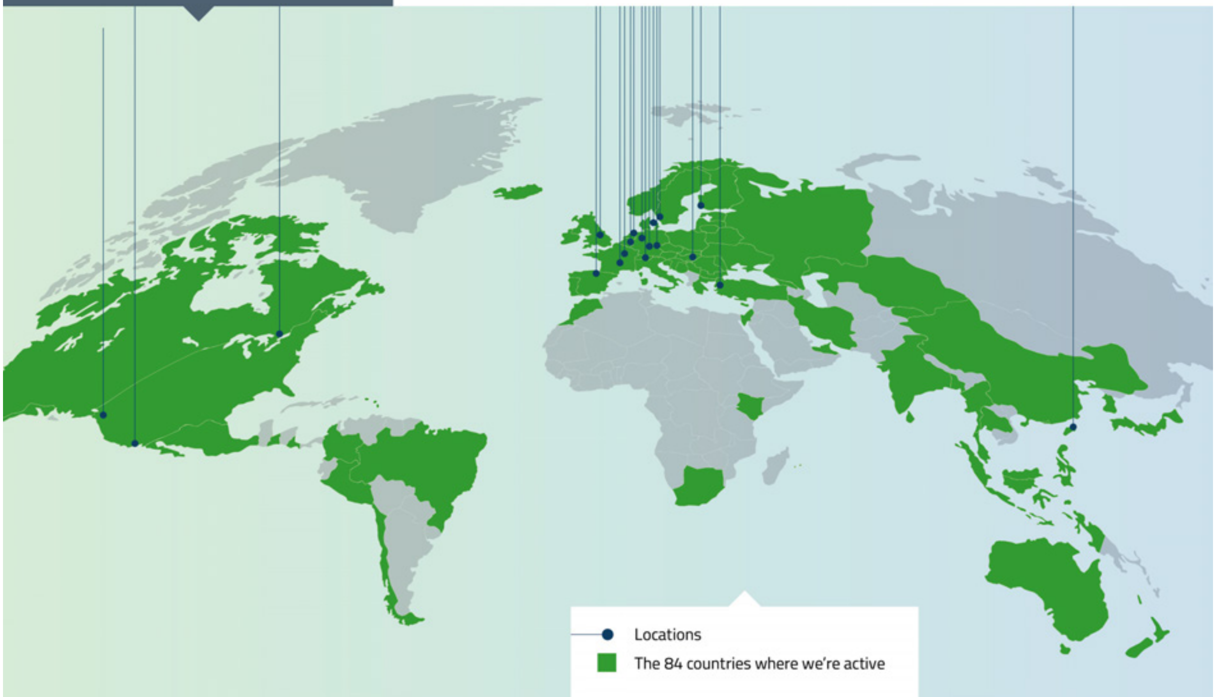
1 Brand in bicycle parts and accessories

ACTIVE IN 84 COUNTRIES

3,088
EMPLOYEES

72%
28%

ACCELL GROUP WORLDWIDE



MESSAGE FROM THE CEO

Dear reader,

Accell Group had a turbulent year in 2017, with sharply varying performances in various countries. As a group, we ultimately booked slightly higher turnover of € 1,069 million in 2017. However, a decline in gross margin and higher one-off charges resulted in a considerable drop in our operating result to € 38 million.

The trend in e-bike turnover remained positive. In 2017, e-bikes accounted for 63% of total bicycle turnover, an increase of 19% compared to 2016. We noted particular growth in the e-bike sports segment, which is important to us, and booked good results on this front in Germany and France, especially with the Lapierre, Haibike and Winora brands. Our activities in the field of bicycle parts and accessories in Europe also recorded healthy growth in turnover and a considerable improvement in the result last year.

The results of our bicycle activities in North America were disappointing. Following the loss of a key customer, we were forced to take an extra write-down on surplus bicycle inventories stocks in the fourth quarter. This resulted in additional pressure on turnover and margin and a heavy operating loss for the region. In the course of 2017, we replaced the management team in North America.

The results were also disappointing in the Netherlands, due to clear pressure on our position with the specialist retail trade. Following the implementation of our refined strategy, a new margin structure and the introduction of a selective distribution system, we made significant progress towards creating a level playing field for all dealers, and this will help to improve our relationship and cooperation with specialist retailers. We are determined to continue on this path in the Benelux.

The negative developments in North America in particular put continued pressure on the total number of bicycles sold. This pertains primarily to bicycles positioned at the lower end of the mid-segment of the market. Together with a one-off charge for the reorganisation and normalisation of the working capital, and the correction for the incorrect customs classification over the past five years, this resulted in a strong decline in the result in 2017. Excluding the impact of the developments in North America, group turnover increased by 4% to € 968 million and the segment result remained stable.

In late 2017 and early 2018, we worked on an update and further refinement of our strategy. One key change is that we will be making Accell Group even more consumer-centric by opting for a strong focus on e-bikes and a direct relationship with consumers via experience centres, e-commerce platforms and mobile bike services. We will always work on these developments via and together with our dealer network to avoid a conflict in channels.

A second significant change was the decision to coordinate and manage corporate policy more centrally, while retaining the strong local 'passion for winning' and roots. Reducing complexity, rationalisation, standardisation and innovation geared to trends such as smart technology and urban mobility will play key roles in the continued strengthening of our competitive position for the future.

The economic developments in the countries in which we are active seem positive. For Accell Group, 2018 will primarily be a year of transition. The roll-out of the refined strategy and new group structure will dominate the year. We expect to be in a position to show the initial results of the proposed reduction in complexity, together with rationalisation and standardisation this year. In addition, we will focus our efforts on the realisation of turnover recovery in the Netherlands and the turnaround in North America. We expect an increase in group turnover and a higher underlying operating result for 2018, barring unforeseen circumstances.

Finally, I would like to express my gratitude to our employees for their commitment and their considerable efforts on behalf of the company in 2017. I have complete faith in the expertise and enthusiasm of the employees I have had the pleasure of meeting since my appointment in November 2017. Together we will continue to prepare the company for the next phase of its development and growth.

Kind regards,

TON ANBEEK
Chairman of the Board of Directors Accell Group

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This is a translation of Accell Group N.V.'s Annual Report 2017, prepared in the Dutch language and in accordance with Dutch law. By the event of any difference in interpretation, the Dutch version of the Annual Report shall prevail.

ANNUAL REPORT 2017

1
OVERVIEW

1.1 PROFILE

Accell Group is an international player in the field of high-quality bicycles, bicycle parts and accessories in the middle and top segments of the market. As a group, we are market leader in Europe, one of the bigger players in North America and number one in e-bikes. We manage a portfolio of strong national and international (sports) brands, each with their own distinctive market positioning.

Well-known national brands include Batavus and Sparta in the Netherlands, Winora in Germany, Tunturi in Finland and Raleigh in the United Kingdom and North America. Examples of our well-known international sports brands include Koga, Lapierre, Haibike and Ghost. For bicycle parts and accessories, we offer our own international private label XLC along with a number of third-party brands.

Accell Group has more than 3,000 employees across 18 countries. In 2017, we sold more than 1.3 million bicycles and recorded turnover of more than € 1 billion. Accell Group shares are listed on the NYSE Euronext in Amsterdam and are included in the Small Cap Index.

1.2 OPERATING ACTIVITIES

Our product range consists of bicycles and bicycle parts and accessories. The highly complementary combination of the two product groups strengthens our client proposition and facilitates cross-selling.

Consumers who buy one of our bikes can add accessories to personalise their bike. These accessories range from children's seats, bike locks, luggage racks to navigation systems and cycling computers. Bicycles are often used intensively and this increases the sales of various parts such as tyres, lighting, derailleurs and chains that are subject to wear and tear. The growing popularity of e-bikes has also led to an increase in demand for more complex parts such as batteries, chargers and motors.

On the bicycle front, we handle everything from development and design, purchasing and assembly and distribution and sales, while bicycle parts and accessories is primarily a trading activity.

BICYCLES

BRANDS

We operate various national bicycle brands to respond to the differences in popularity, preferences and tastes that exist between countries. There are also clear differences in the perception of price, quality and service between the various countries we operate in. When it comes to our international (high-end) sports brands, consumer preferences and tastes are much more universal.

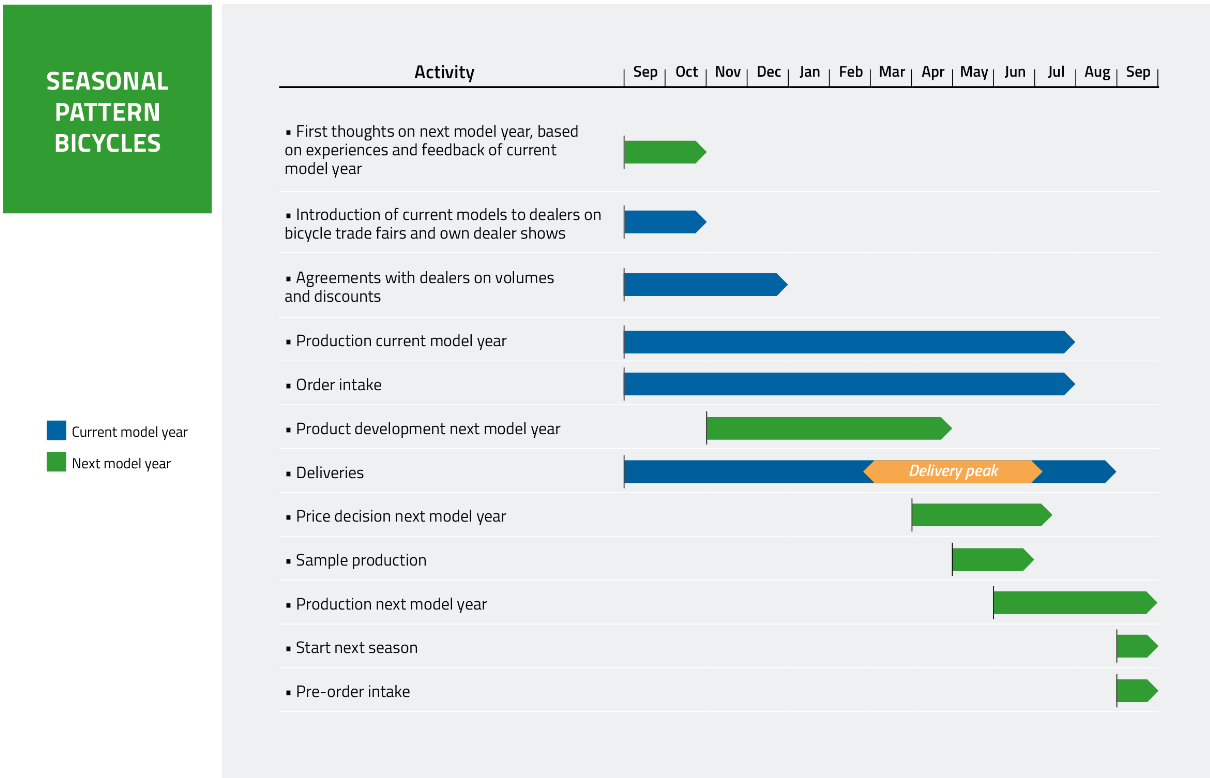
COLLECTIONS

Our brands offer collections that respond as closely as possible to the preferences and wishes of consumers. They are distinctive in terms of design and innovation, which means we are able to surprise consumers time and again.

SEASONAL PATTERN

The bicycle industry has a fixed seasonal pattern that may nevertheless vary per country. In Europe and North America, our primary markets, the bicycle season starts with the major introduction of the new collections in the months of July through September and the first deliveries for the shop floors from September through December/January. Consumer sales peak in the period from February through August, with differences per bicycle type and depending on the weather conditions.

SEASONAL PATTERN BICYCLES



DEVELOPMENT AND DESIGN

A bicycle is a lifestyle product and our bicycles stand out thanks to design and innovation. Bicycles are also increasingly a high-tech product and therefore ever more complex. We are constantly working on new applications in the field of performance enhancement by using new, more light-weight and more efficient materials. We are also working on the integration of components and accessories in the frame, as well as on increasing the functionality of our bicycles by making use of the opportunities created by the Internet of Things. Accell Group has various ongoing innovation and development programmes, both for bicycles as a product and for bicycle use. These programmes are an opportunity for us to make use of the insights we gain from consumers and whenever possible we involve them in the development process, for instance in the testing of prototypes.

PROCUREMENT AND PRODUCTION

We use professional and high-quality suppliers in Europe and Asia for the procurement of materials. Our own production is focused on assembly and spray painting. Around 65% of the bicycles we sell are finished at our own production plants. We have a number of large-scale production hubs complemented by local production facilities. The remaining 35% of the bicycles we sell are purchased as ready-made products. This includes all bicycles for the North American market (we have no bicycle production facilities in North America) and primarily children's bikes and basic models for the European market.

SALES AND DISTRIBUTION

Consumers must be able to find our bicycles where they expect to find them and be able to buy them in what they consider the best and most convenient manner. We are therefore working on an omni-channel sales model, with the specialist retail trade playing a crucial role. We are not concerned about whether consumers buy via a webshop or in a physical store. What matters is that we provide consumers with the highest levels of service and ensure that prices are fair and comparable across all channels.



BICYCLE PARTS AND ACCESSORIES

BRANDS

Brand experience is less marked among consumers when it comes to bicycle parts and accessories than for bicycles, with the exception of parts in the top segment of the market. We focus strongly on our own private label XLC, which we supplement with (top) brands from third parties.

COLLECTIONS

Our product range includes approximately 85,000 different items in the long tail and this range covers all the key price points.

SEASONAL PATTERNS

Sales of bicycle parts and accessories are relatively flat when compared to bicycles. The season runs roughly from February through November, with clear differences between countries and markets.

DEVELOPMENT AND DESIGN

Product innovation plays a modest role in the strategy for our own brand XLC. However, we constantly adapt parts and accessories to meet the product and design innovations at our bicycle brands. Specific product categories in the accessories range, such as helmets, clothing, bicycle racks, child trailers and bags do have their own distinctive style and design.

PROCUREMENT

The products sold under our own XLC brand are always selected in-house and also partly designed in-house. We frequently collaborate with suppliers we also use for other bicycle parts and accessories for either assembly or sales on the consumer market. This enables us to safeguard the high quality requirements we set for all XLC products.

DISTRIBUTION AND SALES

We focus primarily on the European market. We have our own sales organisation and advanced distribution centres in 11 countries, which together form a comprehensive network in the north, west and south of Europe. This enables us to supply our clients quickly, which is a key distinguishing factor in this market. While most consumer sales are still via specialist bicycle and sports stores, we are seeing a steady increase in the number of sales via webshops. So in effect we are shifting more and more towards an omni-channel sales approach for our bicycle parts and accessories business, just as we are on the bicycles front.

1.3 2017 HIGHLIGHTS

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1.

In March, Accell Group launched a new strategy with a clear focus on consumers. This strategy includes an omni-channel distribution model, in cooperation with the specialist retail trade. With Ton Anbeek as the new CEO, Accell Group will continue to shape this strategy, refining and translating it into a concrete strategic roadmap for 2018-2022.

2.

Ton Anbeek joined Accell as CEO and chairman of the Board of Directors in November 2017. He succeeded René Takens, who headed the company for 18 years.

3.

We received 13 international innovation and design awards for our bicycle models in the course of the year, including a Red Dot Award for the Koga E-Xite N8.

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4.

Following the elimination of the multi-sports channel, we continued to adapt and streamline the North American organisation. We also refined and boosted the transition towards a completely omni-channel model, which with fixed and mobile bike shops (Beeline) is an excellent fit with the needs and wishes of US consumers.

5.

Following in the footsteps of our North American organisation, Accell opened its first Raleigh webshop in the United Kingdom, and we are working with the specialist retail trade on a click & collect basis.

6.

Our branded bicycles now include an increasing number of parts produced by XLC, our own private label for bicycle parts and accessories. A growing number of retailers and webshops now offer consumers a high-quality and competitive alternative in the form of XLC.

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7.

In June, we opened the Lapierre Experience Center in Dijon (France). This is the second Accell-run Experience Center following the launch of De Fietser in Ede (the Netherlands). The Experience Center offers bicycle enthusiasts the opportunity to get to know the brand and try out, test and buy racing bikes, (e-)MTBs and e-bikes from the Lapierre collection.

8.

The introduction of the Sparta M8i and the Haibike eConnect in 2017 was the first addition of connected bicycle models to our collections.

9.

In celebration of the 35th birthday of the Team Aero Pro Burner, Raleigh created a replica of this much-loved BMX bike. The limited edition series of 350 bikes sold out online within an hour.


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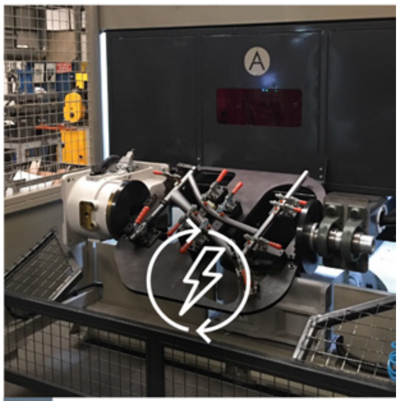
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10.

The demand for e-MTBs continues to grow and is expanding into new markets. Haibike, the undisputed market leader in the segment, benefited strongly from this development in 2017.

11.

In 2017, we donated more than 1,000 Buffalo bicycles to World Bike Relief, a project that gives children in countries such as Zambia the chance to ride a bike to school. In total, we made more than EUR 1 million available in 2017 for initiatives that contribute to making mobility more sustainable, as well as to improving health and safety and the promotion of bicycle use worldwide.

12.

As part of our sustainability strategy, we conducted energy audits at four of our larger production hubs and distribution centres. We used the outcome to identify potential improvements and to further reduce our energy consumption.


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13.

In 2017, the supply chain team went fully operational. In that context, we also launched an operation to optimise the supply chain in order to increase reliability in deliveries and reduce inventories. Inventories have declined while the value of bikes has increased.

14.

We took a new water purification installation into use at our production plant in Turkey. As a result, water used in the paint process is cleaned before it is returned to the environment.

15.

The Sparta R5TE was voted the best e-bike of the year at the 2018 Fiets Awards (Dutch Bike Awards). The R5TE has already won an award for good industrial design.

1.4 KEY FIGURES

(in euro, unless stated otherwise)

	2017	2016	2015	2014
Results (in millions of euro)				
Net turnover	1,068.5	1,048.2	986.4	882.4
Operating profit (EBIT)	38.0	60.4	58.5	44.1
Net profit	10.5	32.3	32.3	26.5
Free cash flow [1]	-4.9	61.3	-31.2	38.3
Balance sheet data (in millions of euro)				
Group equity	299.3	319.4	305.9	281.1
Net debt	161.0	147.3	200.0	152.3
Balance sheet total [5]	705.3	703.4	731.7	631.8
Capital employed [2]	486.2	494.1	532.3	461.2
Investments in property, plant and equipment	8.8	11.6	10.8	10.6
Ratios (in %)				
ROCE	7.8	12.2	11.0	9.6
ROE	3.5	10.1	10.6	9.4
Operating profit/turnover	3.6	5.8	5.9	5.0
Net profit/turnover	1.0	3.1	3.3	3.0
Data per share [3]				
Number of issued shares at year-end	26,255,179	25,834,236	25,270,327	24,864,956
Weighted average number of issued shares	26,101,222	25,623,405	25,116,249	24,685,681
Net profit	0.40	1.24	1.24	1.02
Free cash flow [1]	-0.19	2.35	-1.19	1.47
Group equity	11.47	12.27	11.75	10.81
Dividend [4]	0.50	0.71	0.69	0.58
Average number of employees (FTE's)	3,088	3,124	3,371	2,796

1) Free cash flow is defined as the balance of the net cash flow from operating- and investing activities.

2) Capital employed is the balance sheet total minus cash and cash equivalents and current non-interest bearing obligations (including current part of provisions).

3) The data per share are calculated based on the weighted average number of issued shares. The data per share for the years 2014-2016 have been adjusted for the dilution resulting from the issue of stock dividend charged to the share premium reserve in accordance with the International Financial Reporting Standards (IAS33). The adjustment factor that was applied in the reporting year for 2016 and for previous years is 0.98476.

4) The dividend per share relating to the financial year 2017 concerns the proposal to be submitted to the General Meeting of Shareholders.

5) Balance sheet total 2016 is determined after offsetting the balances in the notional cash pooling arrangements.

1.5 THE SHARE

LISTING

Stock exchange	Symbol	ISIN	Nominal value
Euronext Amsterdam	Accel	NL0009767532	€ 0.01 per share

Accell Group shares have been listed on the official market of Euronext Amsterdam since 1998 and are included in the Amsterdam Small Cap Index (AScX). The listing contributes to disciplined and transparent operations and facilitates additional access to external capital for growth financing and consequently the realisation of our ambitions.

Each ordinary share entitles the holder to one vote. To protect the continuity of (the strategy of) Accell Group and its stakeholders, the Stichting Preferente Aandelen Accell Group has the option to acquire the number of cumulative preference shares B required to make the Stichting, once it has acquired said shares, the holder of one half, less one share, of the (increased) issued and paid-up capital. We refer you to Chapter 4, Supervision and Risk Management for more detailed information.

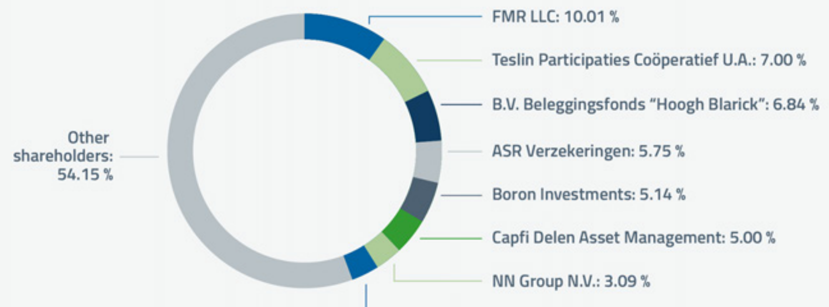
SHARE PRICE MOVEMENTS AND TRADABILITY

SHARE PRICE MOVEMENTS AND TRADABILITY

	2017	2016	2015	2014	2013
Highest price (€)	32.20	23.67	21.11	15.00	15.03
Lowest price (€)	20.41	16.80	12.97	11.70	11.67
Closing price (€)	23.43	21.91	21.07	13.60	13.40
Number of issued shares at year-end (mln)	26.3	25.8	25.3	24.9	24.4
Market capitalisation (€ mln)	615.2	566.0	532.4	338.2	327.0
Average number of shares traded per day	46,616	27,783	23,807	16,014	19,564
Average share turnover per day (€)	1,268,140	569,833	422,664	218,051	267,766

In 2017, the share price increased by 6.9%. This brought the total to 74.9% over the past five years. The share's tradability has also increased in that time. Share turnover rose by 122.5% in 2017 and 373.6% over the past five years. Market capitalisation has almost doubled over the past five years and stood at € 615.2 million at year-end 2017.

Overview shareholder base



Note: The percentages above represent real capital interests and are based on the disclosures of major holdings reported to the Dutch Financial Markets Authority AFM pursuant to the Financial Supervision Act (Wft). As soon as an interest rises to 3% or more of the issued share capital, the holder must report same. Shareholders are subsequently obliged to file a new disclosure as soon as the major holding reaches, exceeds or drops below a threshold level. This may be the case if a shareholder obtains or loses control of shares, or as a result of an increase or decrease in the company's issued capital. The thresholds for this are: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%.

DIVIDEND

DIVIDEND

	2017	2016	2015	2014	2013
Free cash flow (€)	-0.19	2.35	-1.19	1.47	-1.19
Net earnings (€)	0.40	1.24	1.24	1.02	0.73
Dividend (€)	0.50	0.71	0.69	0.58	0.51
Pay-out percentage (%)	124.0	57.1	56.0	56.8	70.0
Dividend return (%)	2.1	3.2	3.3	4.3	3.8

Note: Data per share has been calculated on the basis on the average weighted number of outstanding shares. The data per share over the years 2013-2016 have been corrected for the dilution due to the stock dividend payment charged to the share premium reserve, in accordance with International Financial Reporting Standards (IAS33). The correction factor used in the year under review for 2016 and previous years is 0.98476.

Accell Group strives for a stable dividend policy, aimed at paying out at least 40% of its net profit. Historically speaking, the dividend pay-out percentage has been around 50%. Accell Group proposes to pay an optional dividend of € 0.50 for the financial year 2017 (2016: € 0.72), in cash or shares. The dividend proposal is based on the net profit, excluding exceptional expenses in 2017. In the past five years (period 2013 through 2017), shareholders have received a combined cash and stock dividend with a value of € 78.6 million.

An optional dividend enables Accell Group to realise a higher pay-out while maintaining a strong balance sheet for the roll-out of our strategy and possible future acquisitions. This is an excellent fit with our strategy, which targets growth. In addition to a high dividend return for the shareholders, the optional dividend also enables Accell Group to improve its solvency ratio. Our dividend return and the type of dividend we pay out are competitive compared to other listed companies. In the previous four years (2013 – 2016), an average of around 51% of our shareholders opted for a stock dividend.

INVESTOR RELATIONS

Accell Group strives to provide its shareholders, potential shareholders, analysts and other financial stakeholders with all relevant strategic, financial and other material information, accurately, meticulously and in a timely fashion, to improve insight into the company, current developments and the market in which it operates.

Accell Group's financial year is the same as the calendar year and runs from January through December. Accell Group publishes its full financial results annually and semi-annually. From 2017 onwards, Accell Group only publishes interim trading updates on the company's financial and operational developments when there is reason to do so. Such publications, as well as other (non-financial) announcements, appointments and reports will always be made in accordance with the prevailing regulations and the guidelines of Euronext Amsterdam and the Dutch Financial Markets Authority (AFM).

The company organises meetings with (major) shareholders, analysts and the media for the presentation and explanation of the annual and interim results. Prior to the publication of annual and interim results, Accell Group maintains closed periods of 30 days. We have no meetings or conversations with (potential) shareholders, analysts or other financial stakeholders during these closed periods.

In the course of the year and outside the closed periods, members of the Board of Directors regularly have one-on-one meetings with (major) shareholders and interested institutional investors. It is worth noting that there is increasing awareness of and interest in Accell Group among foreign investors. The same is true for the interest shown by investors that focus on sustainability and corporate social responsibility, themes Accell Group also focuses on via its products and strategy.

You will find more information on the policy regarding bilateral contacts with investors on Accell Group's website.

AGENDA 2018

The following publication dates and other relevant dates are on the agenda for 2018:

28 March 2018	Registration date General Meeting of shareholders
17 April 2018	Final day of AGM registration shareholders
18 April 2018	Final day AGM registration intermediaries
25 April 2018 14:30 uur	General Meeting of shareholders
27 April 2018	Ex-dividend listing
30 April 2018	Registration date dividend entitlement
2 trough 15 May 2018 13.00 uur	Optional period cash or stock dividend
16 May 2018	Determination swap ratio stock dividend
18 May 2018	Dividend payable
20 June trough 20 July 2018	Closed period
20 July 2018	Publication half-year results 2018

1.6 BOARD OF DIRECTORS

The Board of Directors comprises the following members:

From left to right: Mr. Jeroen (J.M.) Snijders Blok, Mr. Hielke (H.H.) Sybesma RC, Mr. Ton (A.H.) Anbeek and Mr. Jeroen (J.J.) Both

MR. TON (A.H.) ANBEEK (1962)

Chairman of the Board of Directors (CEO)
Mr. Anbeek joined Accell Group at the end of 2017. Mr. Anbeek (1962) studied Business Administration at Rotterdam's Erasmus University and Organisational Psychology at Utrecht University. He started his professional career in 1987 at Unilever, where he held various positions in marketing and sales at various operating companies in the Netherlands and abroad through to 2006. These positions included Global Marketing Director for all Unilever fabric softener brands and Managing Director Unilever Mahgreb S.A. (Libya, Tunisia, Algeria, Morocco and Mauritania). In early 2007, he joined Royal Auping B.V. in Deventer as the company's General Director. From 2010 through October 2017, Mr Anbeek held the position of CEO of Beter Bed Holding N.V. Ton Anbeek has experience in the field of marketing, sales, retail and omni-channel e-commerce.

H.H. (HIELKE) SYBESMA (1967)

Member of the Board of Directors (CFO)
Mr. Sybesma has been Chief Financial Officer of Accell Group since 2001. Mr. Sybesma joined Accell Group in 1995 and has held a variety of financial and management positions within the company. After graduating with a degree in Business Administration from Groningen University, he worked as a financial consultant with PricewaterhouseCoopers for five years. Mr. Sybesma is a member of the Dutch Association of Registered Controllers.

J.M. (JEROEN) SNIJDERS BLOK (1959)

Member of the Board of Directors (COO)

Mr. Snijders Blok has been Chief Operating Officer of Accell Group since 2004. Mr. Snijders Blok studied Business Administration at the Twente University of Technology and joined Accell Group in 1992, initially in the Automation department. In the following years, he held the position of logistics manager at Batavus and Hercules and was later appointed Managing Director of Batavus. Following the acquisition of Sparta in 1999, he was appointed Managing Director of that subsidiary.

J.J. (JEROEN) BOTH (1964)

Member of the Board of Directors (CSCO)

Mr. Both joined Accell Group in 2015 as Chief Supply Chain Officer. After studying Economics at Groningen University, he began his professional career in 1989 at British American Tobacco. Mr. Both held various positions in supply chain, procurement and production at the company. He has extensive international experience, in both western and eastern Europe, as well as in Asia, where he was supply chain director and in charge of the introduction and management of British American Tobacco's central supply chain organisations in Moscow and Singapore.

ANNUAL REPORT 2017

2
LOOKING TO THE FUTURE

2.1 THE ROLE OF THE BICYCLE AND BICYCLE USE

The world of mobility, sports and recreation will change drastically in the years to come. Bicycles and bicycle use will play a more prominent role in this new world.

AN OVERVIEW OF KEY TRENDS AND MARKET DEVELOPMENTS

Changing purchasing behaviour among consumers, driven by digitisation

Consumers haven't changed, but they are shopping differently and want more buying convenience.

Growing individualisation and the bicycle as an extension of the user's own identity

The bicycle as a lifestyle product is gaining popularity in all age groups.

Higher life expectancy and more purchasing power mean more people stay active and mobile for longer

Cycling keeps people fit and is part of a healthy lifestyle.

New technology is increasing the functionality and attractiveness of bicycles

High-tech makes bicycles safer and smarter while retaining authentic charm.

Ever more congested cities require smarter and more sustainable solutions to traffic congestion and safety

Cycling in cities is more popular than driving a car.

Growing attention for maintaining a healthy living environment and improved air quality

Modern e-bike renders highly-polluting mopeds and scooters redundant.

Rise of the sharing economy and crucial role of bicycles in urban mobility

Smart city design and appropriate regulations encourage people to use bicycles.

From sports to leisure and from getting to work to just for fun; everything points to the fact that cycling will continue to grow in popularity in the future. Consumers will make a more conscious choice in favour of cycling as a responsible alternative mode of transport and will also make a more conscious choice between ownership and use.

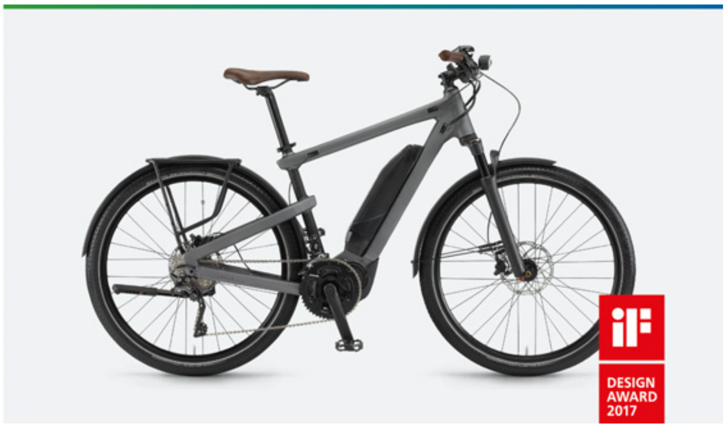
Just like cars, bicycles are increasingly a high-tech product with additional functionalities. But the bicycle is retaining its typical charm thanks to miniaturisation and the integration of technology in bicycle frames.

Traditional bicycles will increasingly be replaced by e-bikes, e-performance bikes and connected bikes that can be used for an ever increasing number of new and surprising purposes. Design and innovation are the distinguishing factors and these will gain in importance due to the growing popularity of the bike as a lifestyle product.

The bicycle continues to evolve on the basis of its sustainable and friendly image. This is partly why national and local governments around the world are so positive about bicycle use and the new opportunities bicycles offer as solutions for the problems society is facing. New policies and appropriate regulations will help ensure that this transition goes smoothly.

But in the bicycle industry too, the main focus today is on what consumers want. Brands have to be appealing, distinctive and relevant. At the same time, consumers are just as keen on bikes being easy to find (online), being given sufficient guidance and buying convenience.

The market is in flux. Players in the bicycle industry will have to abandon their traditional thinking and embrace change. We have fully aligned our new ambition with this market dynamic.



WINORA YAKUN

AWARD: IF DESIGN AWARD 2017

In flow - the Winora Yakun. Just like the eponymous Canadian river, the Winora Yakun does not only reliably wind through the urban jungle, but it also invites you at any time to leave the beaten paths. Thanks to its wide tires and powerful Yamaha PW-X drive unit with a 500 W battery, spontaneous off-road adventures are always possible. The special frame design also breaks with the accustomed: a color contrasted seat tube is elegantly comprised by the seat stays and gives the Winora Yakun a concise look. An integrated carrier, a bag concept and the preparation for a trailer coupling widen the scope for excursions - thanks to the new Lupine e-bike headlights even at night.

2.2 VISION AND MISSION

Our ambition is to become market leader in the mid and high end of the e-bike market in a consumer centric and socially responsible way.

It all starts with an all-out focus on customer satisfaction. Customers should expect us to deliver something extra, to resolve complaints quickly, reward loyalty and continue to surprise them time and again. In every step of the customer journey, we respond to what the consumer wants, and dealers play a key role in virtually every phase of that customer journey. Nothing inspires and motivates us more than satisfied consumers and dealers, with everything coming together in our new mission: 'great bikes win great likes'.

What matters is that we are and remain relevant to consumers. That is how we create a solid foundation for structural growth and long-term value creation. At the same time, this will also enable us to flesh out our leadership role on social issues, such as the improvement of the (urban) living environment, promoting traffic safety and the stimulation of a healthier lifestyle.

2.3 STRATEGY

Following the appointment of Ton Anbeek as our new CEO, we tightened the focus of the new strategy we introduced in early 2017 and translated it into a new concrete roadmap for the coming five years.

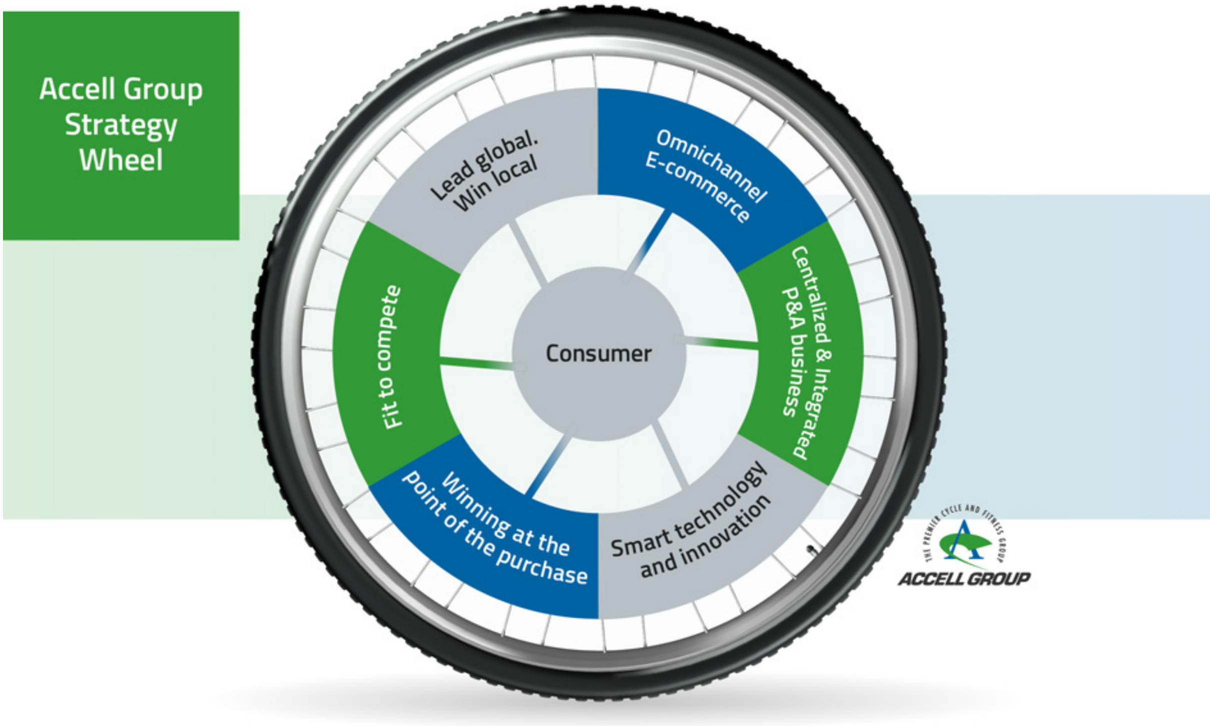
We will adjust the operational management of the group. We will separate the supply chain and production platform from the brands and structure these more smartly, increasing our focus on on-shoring. At group level, we will develop functional competencies that will support and free up local organisations. This will also help us to ensure a uniform way of working across the group and to create greater focus and room for market penetration and the perfection of plan execution within the countries themselves.

The Accell Group organisation is far too complex and we plan to reduce this complexity dramatically. A new matrix organisation will enable us to make clear choices on all aspects of our operations. We will do away with things that take too much effort, have too little potential or simply do not generate enough income. We will focus more tightly on things that will create true value in the long term.

Bicycles and bicycle parts & accessories belong together, so we will integrate these two operations with the creation of shared service centres at group level. Through the smart combination of data, we will provide every consumer with a logical and targeted supply of bicycle products and product combinations that are an excellent fit with their requirements.

This also means we will be designing our sales operations for an omni-channel approach. The choices we will make on this front will vary per region and per country. This is necessary, because in our sector we have to deal with clear differences between the markets in Europe and North America, as well as the differences between the various countries in which we are active. For instance, our omni-channel design will take into consideration matters such as how people view cycling and how bikes are used, the role of the e-bike and the scope and strength of the dealer network in a certain country. We want to respond as effectively as possible to customers' demands in every single country. The only constant will be that we always approach consumers via and in partnership with our dealers, regardless of the e-commerce platforms and other methods we may deploy.

You will also find these focal points and more in the streamlined Strategy Wheel with six new spokes. These are our strategic pillars, which are completely inter-connected and therefore complement each other. We will also make use of targeted acquisitions to flesh out this strategic approach.



EXPLANATION PER STRATEGIC PILLAR

'LEAD GLOBAL. WIN LOCAL'

Marketing, e-commerce, innovation, IT and supply chain will be managed centrally. The country organisations will focus on perfect execution of (local) plans and strategy.

'WINNING AT POINT OF PURCHASE'

A focus on the right local brand portfolio with responsibility per country/region, with suitable innovations and supported by e-commerce platforms and experience centres, will enable country organisations to improve their performance even further.

'OMNI-CHANNEL E-COMMERCE'

The correct combination of e-commerce platforms, experience centres and dealer networks will give clients the best, consistent experience regardless of their choice of channel or type of contact.

'SMART TECHNOLOGY AND INNOVATION'

A well-filled innovation pipeline is a major growth driver. Our innovations are consumer-driven and focus on matters such as new e-bike technology, smart Internet of Things applications and urban mobility.

'CENTRALISED AND INTEGRATED P&A BUSINESS '

From the consumer's point of view (innovation, e-commerce platforms and experience centres), bicycle parts and accessories are inextricably linked to bicycles. The centralisation and integration of the (central and local) bicycle business enables us to boost the customer proposition and realise more synergies and growth.

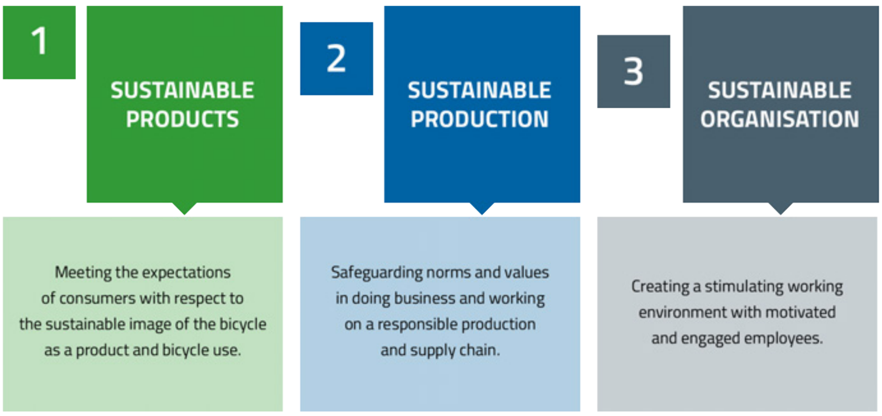
'FIT TO COMPETE'

To quickly make us even more competitive, we will reduce complexity, introduce standard product platforms, renew our IT infrastructure and focus on the availability of the correct inventories and speed of delivery.

The benefits of more centralised management and a less complex and more data-driven organisation are countless. This approach provides better support for the local entrepreneurial spirit within the group, which in turn boosts the commercial effectiveness. At the same time, it enables Accell to make better use of the benefits of scale and potential synergies. It gives us more control of key spearheads, such as the design of our omni-channel sales structure, the reduction of delivery times, lowering capital utilisation and the realisation of structural cost savings that strengthen our competitive position as a whole.

In addition, we are making things a lot easier for ourselves and we no longer have to reinvent the wheel each time. It will be easier and simpler to roll out and apply best practices and learning experiences across the group. We will be more agile, which means we will be able to respond more quickly to changes in market demand and consumers' buying preferences. And we will also be able to work effectively on the sustainable structuring of our operations.

OVERVIEW SPEARHEADS CORPORATE SOCIAL RESPONSIBILITY



Embedding corporate social responsibility integrally in our vision and strategy ensures that we explicitly take into account both commercial and sustainable considerations in every important business decision we make. After all, market opportunities for our products are by their very nature associated with people, the environment and society.

With the value creation model, we provide more insight into the added value of our business model and the strategy for all our stakeholders and society as a whole.

FINANCIAL CAPITAL

We allocate our own resources and borrowed capital to optimise the execution of our corporate activities and the roll-out of our strategy.

PRODUCTION CAPITAL

Our production platform is designed for efficiency and has been structured with a view to reducing waste and keeping our working environment safe. We have an extensive network of suppliers and manage our supply chain as much as possible on the basis of transparency and chain responsibility.

HUMAN CAPITAL

We provide suitable and challenging work for employees with all levels of education. We have room for a great diversity of people and nationalities. We maintain an open culture in which people feel at home and safe and we help employees to develop their skills and talents.

NATURAL CAPITAL

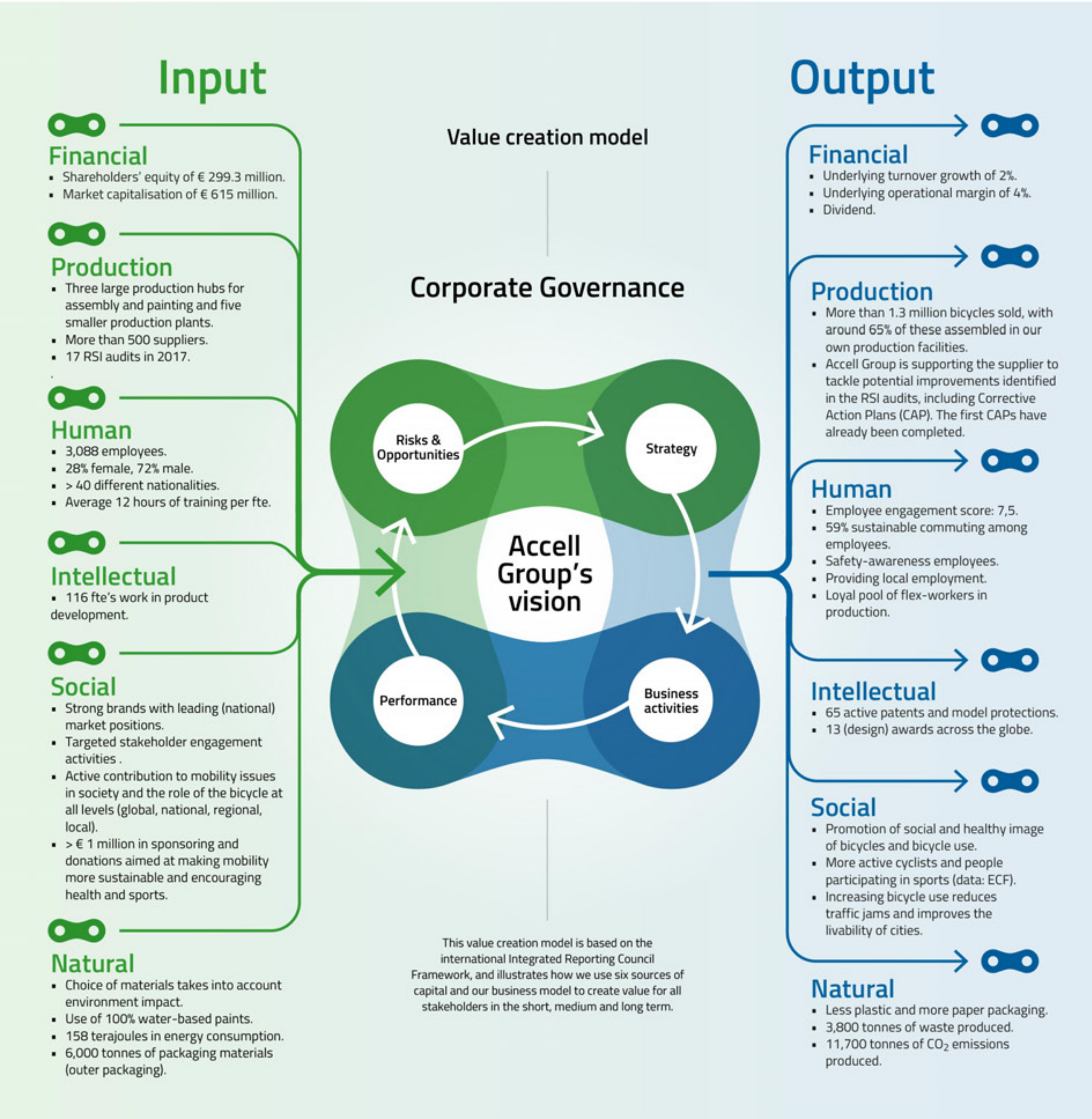
We are aware of our role and seek to minimise the ecological footprint of our products and services.

SOCIAL CAPITAL

We create social capital for our stakeholders by playing an active role in the discussion of the side-effects of increasing mobility. We work with other relevant parties to come up with ideas about how to improve to the environment in terms of issues such as traffic congestion, traffic safety, air pollution, but also in terms of personal lifestyle with a focus on health and more exercise.

INTELLECTUAL CAPITAL

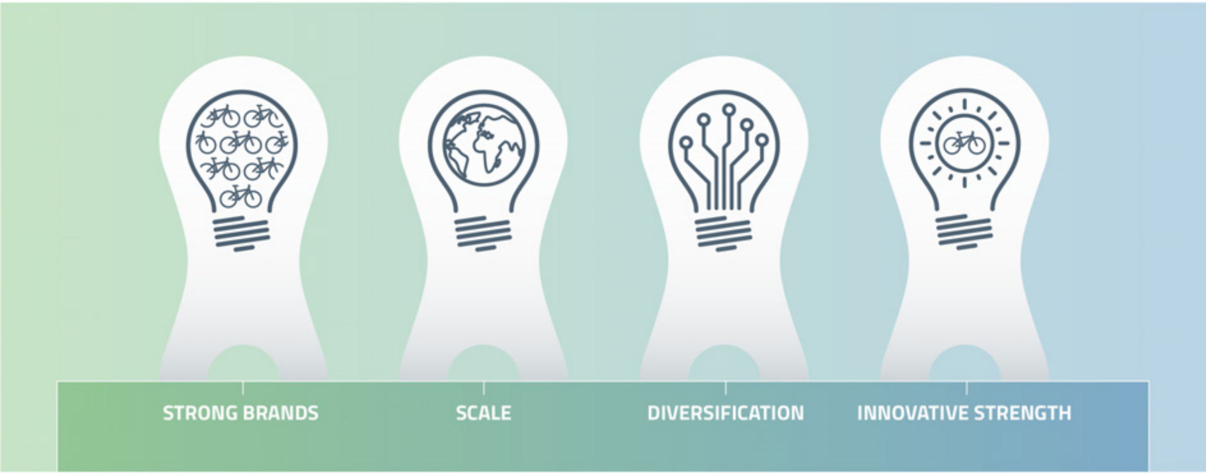
We use design and innovation to improve our products and create new products that respond effectively to consumers' preferences and functionality requirements or exceed their expectations.



2.4 COMPETENCIES

As one of the biggest players in the bicycle industry, we have unique competencies that help us stand out in a positive way when compared with both other major players and smaller players in the market. We will continue to invest in these competencies to strengthen our leading market position. The core competencies are essential for the effectiveness and resilience of the group and together form a solid foundation for the execution of our strategy.

OVERVIEW KEY COMPETENCIES



STRONG BRANDS

We have a portfolio of national and international (sports) bicycle brands with leading market positions. These stand for brand recognition and quality and give us a leading edge in the roll-out of new innovative products and mobility concepts. We focus our brands exclusively on the middle and higher market segments. And within those segments we are focusing increasingly on growth categories such as e-bikes, e-performance bikes and sports bikes, where we can clearly differentiate ourselves by providing added value.

SCALE

We are the largest bicycle manufacturer in Europe and also market leader in e-bikes. Scale provides leverage and purchasing power, and gives us the financial strength required to invest in an increasingly complex product and in the development of new bike-related mobility solutions;

DIVERSIFICATION

Our diversification across brands, countries, clients, collections and product ranges means we have well diversified revenue flows. That makes us resilient. Bicycles and bicycle parts and accessories are also complementary products and this combination will continue to strengthen our customer proposition.

INNOVATIVE STRENGTH

A decade ago, Accell was responsible for a major breakthrough in electric bicycles thanks to our revolutionary ION technology. We did this again in recent years, with the introduction of e-performance bicycles. Thanks to the strength of our organisations, we introduce numerous new technological applications for bicycles and bicycle use every single year. Innovation is in our DNA.

2.5 MEDIUM-TERM OBJECTIVES

Based on our refined strategy, we have given ourselves the following objectives for the coming five years:

NET TURNOVER ~ € 1.5 BILLION	WORKING CAPITAL MAX. 25% OF NET TURNOVER	ROCE >15%
EBIT MARGIN ~8%	ADDED VALUE / TURNOVER >31%	ENERGY CONSUMPTION REDUCTION OF AN AVERAGE 1.5% PER YEAR
		PACKAGING AND WASTE FOOTPRINT REDUCTION OF AN AVERAGE 2-4% PER YEAR

Accell Group expects the investments and costs associated with the implementation of the strategy to total € 30 - € 40 million. The aim is to realise € 60 - € 80 million in structural savings on an annual basis in 2022.

The continued refinement of the strategy will have no impact on either our financial position or our execution strength. The extension and expansion of our group financing in 2017 has given us a solid foundation for the execution of our plans. If needed, we can make use of an additional facility of around € 150 million for acquisitions. Plus the smarter structuring of our supply chain and a reduction of our working capital utilisation will enable us to free up more cash.

LAPIERRE XELIUS SL

AWARD: TAIPEI CYCLE D&I AWARDS 2017

The Xelius SL is the efficient and lightweight racing machine of choice for the FDJ cycling team. The innovative design where the rear triangle is attached to the top tube instead of the seat tube reduces the bike's weight and improves riding comfort; it is something that's not often requested by pro riders, but it's essential for long hours in the saddle! The Di2 battery is also cleverly integrated inside a support close to the BB, ensuring a lower centre of gravity for improved efficiency when standing on the pedals. Lapierre's Power Box Technology provides maximum stiffness where it matters the most, and the carbon layup is optimized for the best weight-to-stiffness ratio.

HAIBIKE SDURO ALLMTN 8.0

AWARD: IF DESIGN AWARD 2017

The SDURO AllMtn 8.0 is one of the first e-MTBs to offer networking via a mounted on-board unit. The so-called Haibike eConnect was developed by the Bavarian bicycle manufacturer and its partner Telekom Deutschland GmbH. With GPS, GSM and bluetooth available, cloud-based communication is possible. This allows for new services such as GPS-based anti-theft, tracking or route export and an automatic emergency call function that is especially important for e-MTBs. The new, lighter and more powerful SDURO Yamaha PW-X system drives the e-MTB and is integrated, together with the new Gravity Casting Interface and Skidplate, into the sporty aluminum frame.

STAKEHOLDER INTERVIEW BEELINE BIKES

HOW BEELINE BIKES IS FILLING THE GAP BETWEEN ONLINE AND OFFLINE

Beeline Bikes is changing the bike industry with a lofty objective: getting more people out riding bikes by taking a convenient bike shop experience right to customers. Brian Mikiten, owner of two 'bricks and mortar' bikes stores in Texas, immediately saw the potential and became Beeline's local franchisee. "Around 90 percent of customers coming in through Beeline are brand new to us."

Brian Mikiten, owner of two bikes stores in Texas.

YOU WERE ALREADY ARE RUNNING TWO SUCCESSFUL BIKE STORES. WHAT MADE YOU DECIDE TO BECOME A BEELINE FRANCHISEE?

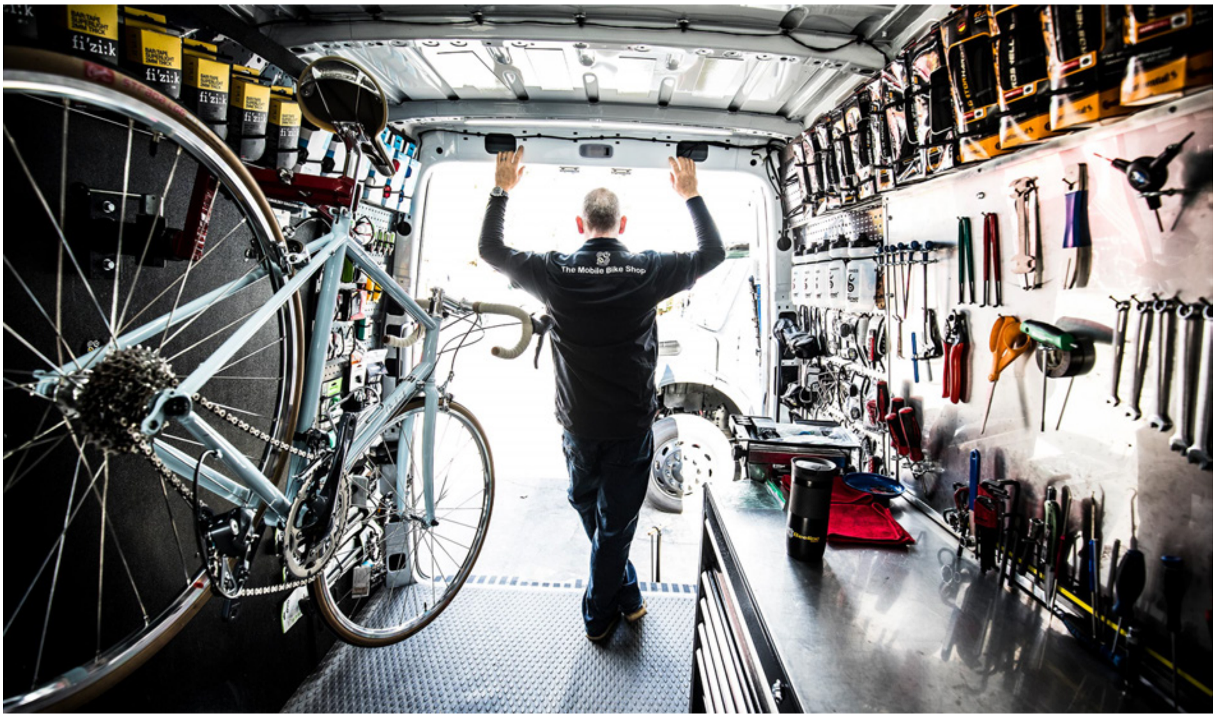
"After a long career in software engineering, I decided to return to my old passion: biking. I invested in two bike shops in San Antonio and Austin and was looking for ways to make them successful. It was clear from the start that bike sales were moving online, but consumers were frequently unhappy with the experience. I saw a lot of poorly assembled bikes coming into my stores that buyers had bought online and assembled at home. The customers had no idea how to use or take care of the bikes and started to lose interest in cycling. There was a big gap to be filled between online and offline."

WHY BEELINE BIKES?

“I wanted to offer a mobile bike service experience, consisting of three integrated parts: corporate programmes, repair & maintenance and delivery of assembled bikes. These elements reinforce each other and proved to be critical to the success. I realised that simply getting a van with some tools on the road wouldn't get me far. Becoming a Beeline franchisee offered me the opportunity to much more than that and gave me access to Beeline's exclusive delivery-deal with Accell Group. We were the first bricks & mortar store to work with Beeline and I was really impressed by their flexibility and professional approach.”

WHY IS IT IMPORTANT TO HAVE A CORPORATE PROGRAMME?

“By partnering with big corporates in the area and servicing their employees' bikes, we were able to quickly build both the category and the brand. We still attend a lot of biking and charity events, which is a great way to introduce yourself to over 50 people in one afternoon. How much time would it take me to get the same number of people to visit my store? And would I be able to reach the same people? The mobile service proved to be a highly cost effective marketing tool as well.”



IS THERE A MARKET FOR MOBILE BIKE MAINTENANCE AND REPAIR WORK?

“People are used to getting a plumber or an electrician to come to their house, so why not bike mechanic? Our customers appreciate the convenience and the personal service experience. We're not just repairing bikes. We're also teaching people how to get the most out of their bikes. If you don't know how to change a tire or make small repairs, our technicians will show you how to do it. We are actually increasing the size of the market by sharing our passion for biking, and people keep coming back to us. In fact, most of them live within a mile or two from a bike store, so they certainly don't choose us for lack of alternatives.”

HOW DOES THE DELIVERY MODEL WORK?

“When someone orders a bike on one of the Accell brand websites, they can opt for home delivery via Beeline. This option is built into the price and popular with a younger generation who practically live online. We pre-assemble the bike, deliver it to the customer and fine-tune it to make a perfect fit for each customer. As we do with our maintenance services, we really try to educate customers and make it a great experience. For example, if we know you are a woman, 29 years old, 5"8 and you ordered a blue Raleigh Amelia, we'll bring along a matching helmet, biking gloves in your size and a set of maintenance supplies. People value this tailored experience and it's a great opportunity for upselling.”

WHY DO YOU THINK THIS IS AN ATTRACTIVE MODEL FOR ACCELL GROUP?

“For a company like Accell Group and its brands, the problem with online sales is that you lose the ability to interact and talk to customers. You want people to buy your products, but you also want them to use your bikes effectively and safely. If a bike ends up unused in a garage, you are unlikely to sell any parts or accessories, not to mention an upgraded model. You've lost that customer. I think Beeline can re-establish that connection and relate to a target group that's no longer used to coming into a bike store. In turn, as a franchisee I benefit from Accell's eagerness to make this a success and actively work with us to develop this channel.”

ANNUAL REPORT 2017

3
PROGRESS AND PERFORMANCE

3.1 GROUP AND SEGMENT RESULTS

GROUP PERFORMANCE

Net turnover came in 1.9% higher at € 1,069 million in 2017 (2016: € 1,048 million). Adjusted for the sale of the parts and accessories activities in North America in 2016, organic turnover growth was 2.7%. Including the adjustment for the effect of currency exchange rates, growth came in at 3.7%.

The **added value** (net turnover less cost of materials and incoming transport costs) as a percentage of turnover came in at 28.3%. The added value was primarily impacted by the increase in the share of e-bikes, reduced margins on regular bikes and higher discounts. Added value was further pressured by overdue US import duties of on average € 0.8 million per year for the period 2013-2017, resulting in a total one-off charge of € 4 million.

During the transformation of the North American organisation, it came to light that the import classification of hybrid bikes (sports bikes combining the properties of both racing bikes and mountain bikes) had not been applied uniformly during the past years. The new local management discovered that insufficient US import duties on these bicycles were paid, because the allocation of classification codes had not been carried out scrupulously enough. The classification codes currently used are correct and the lack of uniform application in the past does not affect the operational developments. Due to the self-correction, fines do not apply. Legal interest will be charged on the amounts to be repaid, which has been included in the one-off charge.

Operating costs were 3.8% higher at € 264 million. Operating costs as a percentage of turnover came in at 24.7% (2016: 24.3%). The increase in operating costs was due to € 7 million in (budgeted) extra costs related to the implementation of the strategy. These costs are related to the strengthening of the group organisation, IT projects and the hiring of consultancy services. In addition, Accell Group took an extra charge of € 6 million related to the reorganisation and reduction of inventories in North America in the second half of 2017.

The **operating result** declined by 37.1% to € 38.0 million (2016: € 60.4 million). The decline is explained by the events in North America which had a negative impact of € 13.1 million, due to a weak operational performance and the aforementioned one-off charges related to the transformation of the local organisation. The remaining part of the decline in operating result is explained by the lower added value and the extra costs associated with the implementation of the strategy. This resulted in an EBIT margin of 3.6%.

The **financial expenses** of € 8.2 million recorded in 2017 were slightly lower than in the previous year. The extension of the group financing agreed in March 2017 resulted in improved terms and reduced interest expenses. This was offset by the accelerated write-down of the financing costs of the previous refinancing arrangements and a reduced result from the exchange rate differences on positions in foreign currencies.

The **tax rate** was higher in 2017 due to the non-cash write-down of existing tax assets in North America (€ 3.8 million) and Finland (€ 1.9 million) and the non-capitalisation of carry-forward losses in North America.

Net profit declined to € 10.5 million in 2017 (2016: € 32.3 million). This translates into net earnings per share of € 0.40 (2016: € 1.24). Excluding the one-off charges in North America (€ 10 million) and the write-down of tax assets (€ 5.7 million), earnings per share came in at € 1.00.

DEVELOPMENTS PER SEGMENT

BICYCLES

Net turnover in the bicycle segment was 3.5% higher compared to 2016, largely on the back of an increase in sales of e-bikes, and in particular the e-MTBs of the brands Haibike, Ghost and Lapierre. Accell Group noted strong growth in turnover of these bikes, especially in Europe. Sales of regular bikes declined compared to the previous year, both in sales volume and in turnover. Driven by this development, the share in turnover accounted for by e-bikes in this segment increased to 63% (2016: 55%).

Partly due to the increased focus on sales of more expensive and high-grade (e-)bikes the number of bicycles sold declined to 1,278,000 in 2017 (2016: 1,457,000). Particularly in North America, sales volumes of (regular) bikes showed a particularly strong decline compared to the previous year. The primary reason for this was the loss of sales volume and turnover from large multi-sports retail chains as well as a slight decline in turnover from the traditional specialist retailers (IBDs) as a consequence of the revised distribution strategy. Accell Group was unable to fully offset this decline in sales volume and turnover through sales via other, new channels in 2017.

The **segment result** was negatively impacted primarily by the weak performance in North America and the transformation of the local organisation in that region. However, the continued growth in e-bikes and positive developments in Germany had a positive impact on the result. Excluding the poorer results in North America, the Bicycles segment result remained stable.

PARTS & ACCESSORIES

Net turnover in parts & accessories declined in 2017 due to the termination of the parts & accessories activities in North America in 2016. Organic net turnover growth in parts & accessories came in at 0.5%. The growth in turnover was booked primarily in Europe, partly driven by the organic growth of our own XLC brand.

The **segment result** of this trading activity increased. The higher share of our own XLC brand (in Europe) in turnover made a positive contribution to the segment result on the back of the improved utilisation of procurement benefits.

DEVELOPMENTS PER REGION

In **the Netherlands**, Accell Group booked lower turnover in both bicycles and parts and accessories. Koga was the only Dutch brand to record growth in 2017. Batavus and Sparta recorded lower turnover in both regular bikes and e-bikes, particularly in the first half of 2017. With the implementation of the refined strategy, a new margin structure and the introduction of a selective distribution system, Accell Group has taken a number of significant steps towards creating a level playing field for all dealers on the basis of which the relationship and cooperation with the specialist retailers can be improved.

In **Germany**, turnover was higher on the back of increased sales volumes in electric bikes. Both the sales of Haibike and Ghost e-MTBs and the sales of Winora's traditional e-bikes were higher than in the previous year. Sales of regular bikes also declined in Germany. In addition to the higher sales of e-bikes, turnover in parts and accessories was also higher than in 2016.

In the **Rest of Europe**, increased sales of e-MTBs resulted in higher turnover. The popularity of the e-MTBs of our international brands Haibike, Lapierre and Ghost increased in virtually all European countries, and in particular in France, Austria and Spain. Sales of regular bikes declined in most countries. In virtually all European countries, turnover in parts and accessories was higher than in the previous year. Turnover in Scandinavia and Spain saw a particularly marked increase last year.

In **North America**, turnover declined. The lower turnover was primarily due to reduced sales via the multi-sports retail channel and the termination of the parts and accessories activities. Positive developments came in the form of higher turnover via new sales channels and growth in the sales of the Haibike, Raleigh and IZIP brands. In the IBD sales channel, turnover was slightly lower than in the previous year as a result of the change in distribution strategy in 2017. This was caused by a changing sales mix. Dealers bought fewer but more expensive bikes.

Turnover in **Other countries** was limited and declined due to the economic conditions in Turkey, especially in the first half of 2017. Turnover in Asian countries and Australia was more or less unchanged from 2016.

3.2 PRODUCTS AND MARKETING

Distinctive brands and collections are crucial in the battle for the hearts of consumers. We encourage bicycle use and enrich the cycling experience with state-of-the-art design and smart, surprising innovations.

But our products do not sell themselves. Today's consumers want more than a high-quality product; they also want buying convenience.

PRODUCT INNOVATION AND DESIGN

We innovate and design our products with the consumer in mind. Not only for the top models in our bicycle collections, but also for our basic and mid-range models, to ensure that we can supply top-quality bicycles at every price level and to suit the budget of every consumer.

In addition to the available technology, market research is also an important basis for innovation. We identify customer needs via consumer panels and tests.
To these we then add insights we gain from the specialist bicycle and sports retailers and target group analyses. This gives us a broad picture of how consumers use and maintain their bicycles. Based on these insights, we then move on to develop new product concepts. We subsequently involve consumers in the process again, by testing prototypes in our own experience centres. This approach boosts the success rate of our innovations and at the same time also reduces our time to market.

In 2017, we worked on various new development processes on this front. These included enhancing the performance of our e-bikes, the further integration of components and accessories in the frame and new Internet of Things applications for bicycle use.

TARGET-AUDIENCE FOCUSED DEVELOPMENT AND PERFORMANCE IMPROVEMENT

E-bikes now come in all shapes and sizes. You can find them in the category city and touring bikes, but also in mountain bikes and racing bikes, cargo and folding bike ranges. Development and design are geared to specific target groups and kinds of use. Propulsion and action radius technology are improving every year and becoming relatively less expensive. We work closely with suppliers of batteries and motors to provide the best possible target-audience focused solutions. In addition to ground-breaking innovations at the highest level, sometimes in exclusive partnerships with suppliers, we make sure that that new technology becomes more accessible for the middle segment, where volumes are greater.

INTEGRATED COMPONENTS AND ACCESSORIES

There is a great deal of demand from consumer for the integration of cables, batteries and motors in the bike frame. This also offers significant benefits in terms of design and damage reduction. Although this is frequently a matter of details, these types of innovations can have enormous impact on the visibility and image of a bike. At the same time, it does challenge our product developers in terms of complexity, producibility and maintenance-friendliness. This why we design more and more of our bikes on the basis of a holistic design vision.

INTERNET OF THINGS

The Internet of Things is opening up a completely new market. In 2017, we launched our first connected bikes, including the Sparta M8i and the Haibike eConnect. These models come with anti-theft detection and crash notification, plus they give route advice and record routes. We are only at the cradle of this development. We many more possibilities to explore, including those using computer displays. Managed centrally at group level, in 2017 a number of brands worked on the development of platforms, apps, applications and central data storage. We are focusing on applications that enhance the cycling experience and make bikes even more convenient for consumers.

URBAN MOBILITY

Together with commercial partners, national governments and local authorities, we are working on new 'mobility as a service' concepts on various fronts. For instance, for bike leasing, bike rental and sharing, but also on improving access and flow in ever-more congested cities, with a view to creating a better living environment. This includes complete concepts for the delivery of the required bicycles to the management of the bicycle fleet. This approach is enabling us to develop new revenue models with continuous income flows. We are using the partnership with Beeline Bikes in North America to explore the potential for mobile services in fields such as maintenance and repairs.

Haibike's Modular Rail System: Next level integration

Thanks to Haibike's patented Modular Rail System (MRS), it is now possible to mount various accessories on a bicycle frame in a practical and stylish fashion. A mounting rail is integrated into the downtube and this can be used to attach specially-designed and exclusive Haibike accessories, such as a bag, a drinks bottle that can be attached magnetically, an integrated lock or an extra battery pack for long distances. MRS is available from 2018 on all new Haibike models fitted with an integrated Bosch PowerTube 500 battery.

We do everything in our power to protect the innovations we release on the market every year, by using international patent and model protections. By year-end 2017, Accell Group had 65 patents and model protections in its design portfolio and an additional 10 pending patent applications.

'SAFETY FIRST'

All our products are made of high-quality materials and we are constantly on the look-out for smart solutions that increase user-friendliness and traffic safety. Every product meets the highest international safety standards, such as those laid down in ISO (World), ASTM (USA), EN (Europe) and IEC standards for electrical components. In many instances, our internal safety requirements exceed these standards.

BRAND PORTFOLIO AND COLLECTIONS

We want to offer a winning portfolio of brands in every market we are active in, which is why we work continuously on the differentiating potential of our brands. And where necessary, we reduce the number of brands available on a particular market. In 2017, we stopped producing a number of niche brands in Germany and the United Kingdom, including Sinus, Staiger and Active. These brands were produced exclusively for a special channel and were not distinctive enough.

In 2017, we made a start on rationalising a number of our brand collections. On the pretext of 'less is more' and 'good, better, best', we reduced the number of SKUs and variations. This enables us to create a more transparent range for consumers, make their choices easier and provide product ranges that respond more effectively to consumer demands, as well as realise shorter throughput times.

AWARD WINNING BIKES OF 2017

KOGA F3 6.0

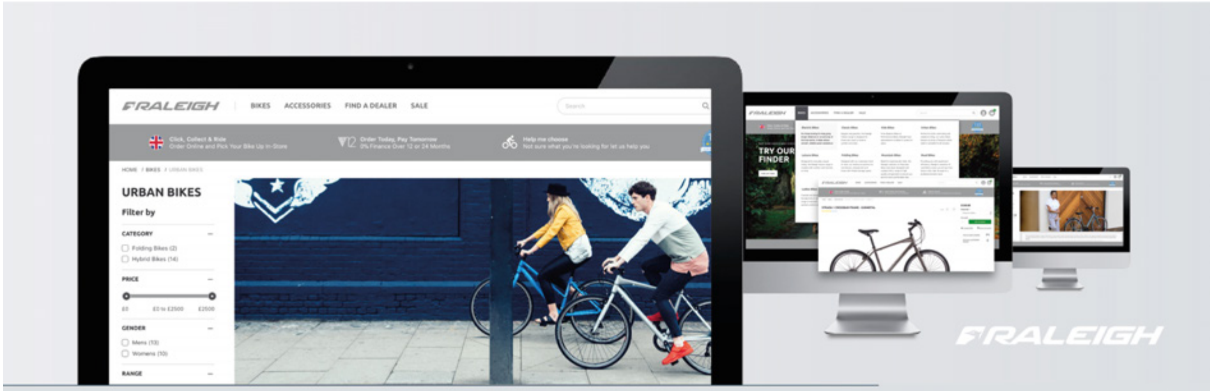
AWARD: IF DESIGN AWARD 2017 AND GOOD INDUSTRIAL DESIGN 2017

The KOGA F3 6.0 has been developed for cyclists who aim for sportiness, design and sustainable quality. The technical ingenious frame and front fork with KOGA-Crown-Connect-Technology enabled the engineers to route all cables completely internal. The look of the super-smooth-welded frame is enhanced by a combination of round and sharp edges, giving the bike a clean, sleek look. The equipment with belt-drive and internal gear hub, in combination with hydraulic disc brakes, offers ultimate cycling pleasure and low maintenance effort.

CUSTOMER JOURNEY AND OMNI-CHANNEL

In 2017, we began categorising customer target groups and their specific wishes and requirements. Taking a systematic approach, we are mapping out the selection and purchasing process (customer journey) of various types of consumers in each country. What this revealed is that the specialist retailer plays a vital role in virtually every customer journey.

We have made progress on the development of our brands' own direct-to-consumer channels. Most brand websites are currently still focused on the promotion of collections and on providing information. In 2017, we developed a blueprint at group level, on the basis of which all brand websites will in the future have a largely identical webshop architecture and a uniform CRM system. The brands will be able to offer a range of options, such as booking a test ride at a local dealership or purchasing a bicycle using click & collect. The uniform platform offers major benefits for us as a group in terms of data analysis and customising our products and services to consumers.



Raleigh opens its own webshop in UK

Raleigh has started direct-to-consumer sales in the United Kingdom, just as it already does in North America. To this end, last year Raleigh opened its own UK webshop, where customers can choose their preferred delivery: straight to their home or via a nearby specialist retailer (click & collect).

In addition to our webshops, Accell's experience centres are also an important part of our omni-channel strategy. Following the opening of De Fietser (The Cyclist) in Ede in 2016, Accell Group opened a new, more compact experience centre in France in 2017.

Lapierre opens Experience Center

Since the summer of 2017, bicycle fans have had the chance to indulge their passions at the Lapierre Experience Center in the French city of Dijon. This iconic building offers three experience environments (mountain, road and city) and offers 500 m2 of exhibition space for e-bikes, racing bikes, (e-)MTBs, city bikes and related accessories. The experience centre offers a wealth of information, expertise on technology and innovation, bike fitting and testing facilities. Visitors can also take a test ride with the help of experienced instructors, and of course they can order their new bike. We have made every effort to offer them a unique Lapierre experience. The experience centre is fully integrated with the Lapierre online sales channels and the Lapierre+ dealer network.

In 2017, we introduced a new margin model for all our distribution partners in the Netherlands. The aim of this new model to help create a more equal and fair playing field when it comes to price levels in the various sales channels we use in our omni-channel strategy. The basic premise of the model is that our partners are paid a margin that is a fairer reflection of the added value they provide.

Supplier award for KOGA

Dynamo Retail Group has named KOGA as best bicycle supplier for the second year in a row. KOGA came out on top on the basis of a survey among all Dynamo's independent dealers in the Netherlands. Dynamo operates formulas such as Bike Totaal, Profile 'de fietsspecialist' and Fietswereld and offers an extensive range of services to almost 800 bike shops in the Netherlands, Belgium and Germany.

MARKETING

Consumers often begin their purchase of a bicycle or bike-related with an online orientation. This is why we want to make sure our brands and products are visible to consumers at the start of the buying process. With this in mind, we continued to shift our marketing mix towards online in 2017 and focused a major proportion of our marketing efforts on addressing consumers directly.

DATA ANALYTICS & PERFORMANCE MEASUREMENT

In 2017, we started to harmonise how we collect the visitor statistics of our brand websites centrally. This provides us with the opportunity to create a dashboard at group level, which we can then use to gain immediate insight into the online performance of our brands.

CUSTOMER RELATIONSHIP MANAGEMENT

A strong CRM system is crucial for a consumer-centric organisation. As is it in other projects, the group organisation’s main priority is the selection of suitable suppliers and design of an effective process. This enables our operating companies to strengthen and broaden their online and offline relationship with consumers.

DIGITAL-FIRST MARKETING

Our digital marketing effort focuses primarily on increasing findability and generating leads. Via online search engine optimisation (SEO), search engine marketing (SEM) and targeted online campaigns (SEA), we guide consumers to our platforms, try to seduce them with a targeted product range and support them through the purchasing process.

Raleigh Burner campaign

In 1982, Raleigh launched the Team Aero Pro Burner, a legendary BMX bike that produced a number of great champions in the 1980s and was much loved by pros and amateurs alike. To celebrate the 35th birthday of the BMX, Raleigh rolled out a campaign around an exact replica, which it produced in a limited edition of 350 bikes. More than 7,000 bike fans participated in the pre-registration on the Raleigh website. The bike was sold out within the hour. In addition to the sales success, the Burner was primarily a way for Raleigh to ‘load’ the historic value of the brand and to make direct contact with consumers.

SPONSORING

Every year, we set ourselves the target of making more than one million euro available for local, regional and international initiatives that contribute to making mobility more sustainable, foster the health and safety of consumers and promote bicycle use worldwide. When calculating that target, we also include 30% of the amount we spend annually on professional sports sponsoring.

Our international sports brands take a selective approach to sponsoring. It increases their visibility and relevance among specific target groups and connects the brand to individual top athletes and teams that compete for prizes at the highest levels. For instance, Lapierre was materials sponsor of the French ProTour Team FDJ in 2017. Other brands are active as sponsors of professional mountain bike and downhill teams.

Cycling heroes in the broadest sense of the word not only act as ambassadors for our brands with their performances, they also promote cycling as a sport and inspire young people to take up sports and cycling.

Around the world in 80 days

In 2017, Scottish ultra-adventurer and biking hero Mark Beaumont took on the ultimate challenge of cycling around the world in 80 days. A cycling trip of 28,968 kilometres through 14 different countries. This involved cycling 386 kilometres a day, in four sessions of four hours. Mark has been associated with KOGA for 10 years and for this world record attempt he opted for a personalised version of the KOGA Kimera Premium, hand-made in Heerenveen.

"For my extreme record attempt to succeed, everything had to go plan," says Beaumont. "Only the best, most lightweight and stiffest materials were good enough." Mark managed to complete his trip in 79 days and in doing so he smashed the existing record by some 43 days! You can read more about Mark Beaumont's mission and the KOGA Kimera Premium via: koga.com/en/cycling-the-world-in-80-days

Sponsoring plays a limited role for our national bike brands, and on this front we the focus on appropriate bicycle-related local initiatives with a social character.

LEADERSHIP ROLE AND SOCIAL DIALOGUE

As a major player in the bicycle industry, we believe we have a responsibility to actively contribute to the solutions to societal challenges that are close to us. In 2017, we contributed ideas on a number of fronts about clean, healthy and safe mobility solutions in cities and their outskirts. We also played an active role in promoting fair trade and competition in the bicycle industry.

To makes its active dialogue with all the other organisations involved as effective as possible, Accell Group is affiliated with numerous national and international organisations, sector associations and initiatives that are specifically aimed at promoting health, safety and sustainable mobility. These include the WFSGI (World Federation of Sporting Goods Industry), the ECF (European Cyclists' Federation), various country organisations such as the Dutch RAI Vereniging, the French Univelo and ZIV in Germany, as well as the European umbrella organisation CONEBI. We have seats on the boards and in the committees of these organisations. [1]

[1] You can find a complete overview of our memberships and board representations in chapter 6.5.

SUPPORT EBMA FOR FAIR COMPETITION WITHIN THE EU

The EBMA (European Bicycle Manufacturers Association) advocates fair competition and as part of that effort promotes the interests of the European bicycle industry and employment in the sector. In 2017, EBMA campaigned against the unlimited import into Europe of cheap Chinese e-bikes, which are sold at consumer prices well below the EU cost price thanks to massive Chinese government subsidies. The EBMA submitted an objection to the European Commission in 2017 and has asked for measures including new anti-dumping regulations. These regulations have been in place for traditional bicycles for many years but do not yet exist for e-bikes. We support EBMA's efforts on this front and by doing help protect the roughly EUR 1 billion in investments made by European bicycle and bike parts manufacturers and the more than 90,000 jobs in our industry.

WORLD BICYCLE RELIEF

Supporter of World Bike Relief

World Bike Relief is a non-profit organisation that promotes bicycle use in developing countries. World Bike Relief opens up the world for many of the people who cannot afford any mode of transport and have to do everything on foot. The programme focuses on issuing very solid bikes (the Buffalo) to school kids, nurses and small entrepreneurs in rural areas. We wholeheartedly support this initiative and have been associated with the project for some years. In 20917, a number of our local companies set up internal and external campaigns to raise extra money. You can read more about the mission and initiatives of World Bike Relief via worldbicyclerelief.org

3.3 ORGANISATION AND EMPLOYEES

We structure our operations and processes as efficiently and responsibly as possible. We constantly balance business and commercial interests against the interests of people and the environment.

DIRECTED BY THE GROUP

We continued to bolster functional competencies at group level in 2017. The supply chain team is now at full capacity. We have changed procurement and planning processes dramatically and these are now coordinated and directed centrally. In addition, we hired more expertise in fields such as project management, IT and e-commerce.

In the context of the revised strategy, we launched a number of new projects in 2017. For instance, we began implementation of a group-wide IT platform, Accell@work, and launched the construction of a CMS data management system across all our brands to make the optimum use of the potential of our omni-channel strategy. We also made initial preparations for the launch of a centrally managed organisational structure for bicycle parts and accessories.

In 2017, we also took the first steps towards the introduction of a group-wide function-evaluation method for functions not covered by the collective labour agreement. The broad roll-out of a business simulation event is helping us to encourage new ways of collaborating and dealing with change processes in a creative and inspiring way.

Accell@work

In 2017, we launched Accell@work, a cloud-based platform that allows us to work together and communicate more quickly and more easily. This provides our employees with a modern place of work and flexible tools that suit today's way of working.

To improve Accell's response to changes in the market, the group (partly) replaced the management teams at our local companies in North America, the United Kingdom and Germany. At the end of 2017, Ton Anbeek took the helm as the group's new CEO to further shape and lead the transition of the group.

INCREASING THE SUSTAINABILITY OF PROCESSES

More centralised management also means a tighter grip on making processes within Accell Group more sustainable. We have a number of ongoing programmes on this front.

PROGRAMME	Efficiency in energy consumption	Waste reduction	Making packaging more sustainable	End-of-life recycling
TARGET	Reduction of 1.5% in annual emissions.	Reducing waste, including packaging materials, by 2% to 4% per year per bicycle, expressed in CO_2 equivalents.		No quantitative target defined.

EFFICIENCY IN ENERGY CONSUMPTION

Most of the energy we consume is used in assembly, spray painting bikes and for lighting and heating production locations and warehouses. In addition, we consume energy to transport people and parts and to distribute our products. Our production processes have now been structured to ensure that machines do not use any unnecessary electricity.

In 2017, we conducted energy audits at our larger production hubs and distribution centres. The energy audits serve as the basis for the reduction and greenification of our energy consumption, or for adjustments to previously launched initiatives.

Transition to LED

At Accell Group, we are promoting the transition from conventional to LED lighting. The benefits of LED are twofold. An LED lamp uses just 15% of the electricity used by a traditional light bulb or halogen lamp, plus LED lamps have a longer life of around 30,000 hours. The transition to LED is a phased ongoing process that reached virtually every corner of the company in 2017.

Last year, we ran audits at a number of production hubs and distribution centres to identify opportunities and the investments required to make the switch to alternative energy sources, such as solar power and residual heat from the ovens in our paint shops.

In addition to the use of alternative energy sources, we also devote attention to how employees can help to reduce our energy consumption, for instance through internal awareness campaigns and the sharing of guidelines and instructions.

We measure the effects of these programmes on our energy consumption and our CO_2 emissions on an annual basis in line with the GRI G4 guidelines. The table below includes all energy sources the organisation uses itself, so including (purchased) electricity, natural gas and any other fuels.

ENERGY CONSUMPTION AND CO_2-EMISSION

	Total energy consumption (terajoules)			Total non-biogenic CO_2 emissions (metric tons)			Total biogenic CO_2 emissions (metric tons)		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
Grey electricity	49	44	42	5,772	5,042	4,714	0	0	0
Green electricity	1	3	4	0	0	0	0	0	0
Non-renewable fuels	122	107	111	7,535	6,714	6,942	0	0	0
Renewable fuels	0	0	0	0	0	0	28	25	17
Total	173	155	158	13,307	11,756	11,656	28	25	17

In 2017, our total energy consumption expressed in Terajoules was slightly higher. However, our CO_2 emissions as a result of electricity use and fuel consumption were slightly lower, but we failed to realise our target of reducing our annual CO_2 emissions by 1.5%, as these were down by only 108 tonnes (0.9%).

WASTE REDUCTION

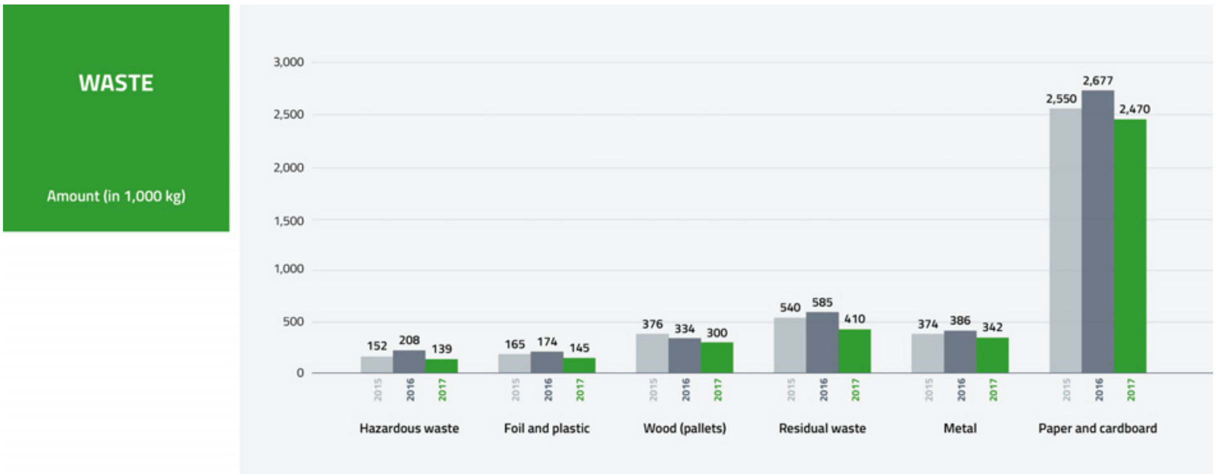
The assembly and painting of bicycles are processes that generate relatively little waste. Our programme for waste processing and reduction is aimed at maximising the separation of waste before it leaves our plants and is transported for reuse and/or recycling.

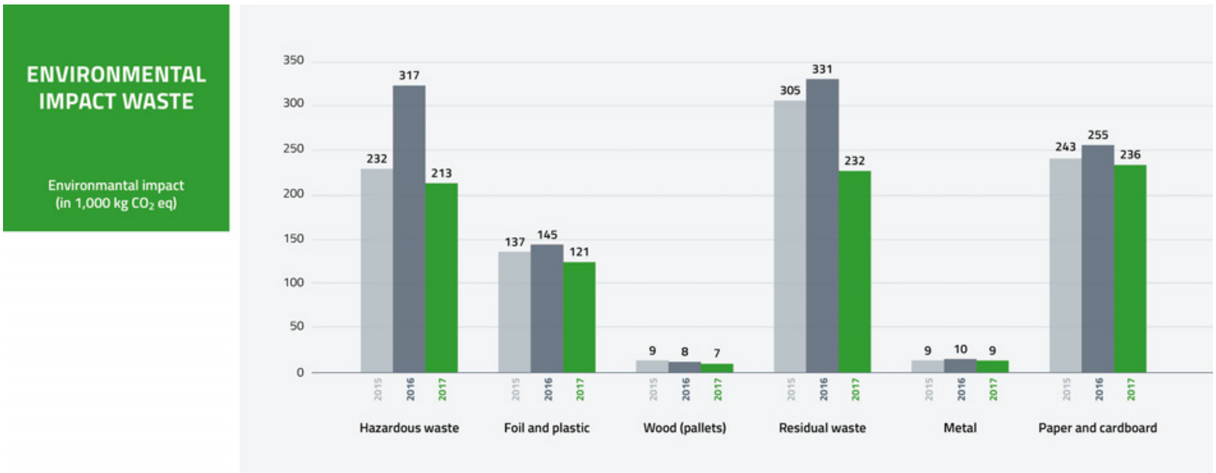
The Accell Group companies register data on waste flows at a local level. Starting in 2017, they receive support from a European partner for the registration with local and national authorities. This means we can ensure that we always operate in line with national and local legislation and regulations. We benchmark the outcome of any measurements to identify the best methods, so our local companies can exchange best practices and keep learning from each other.

Accell Group has launched various initiatives in the past to reduce the amount of waste it produces and these continued and had an impact in 2017:

- Waste water purification. Since 2016, all paint residues are filtered out of the water used in the paint shops of our production facility in the Netherlands. The water purification installation ensures that the water used is clean when it is returned to the environment. A similar water purification installation was taken into use at our production facility in Turkey in 2017.
- Use of waste compactors. Various production plants within the group use plastic and cardboard compactors. We also installed smaller presses in various locations in the Netherlands in 2017. This reduces the volume of waste to 20% of the original quantity, which results in a greater quantity of waste per container and a considerable reduction in waste transports. The compactors also mean employees no longer have to dismantle boxes themselves, which saves them a lot of time.

We monitor the impact of this on our waste reduction on an annual basis both in terms of weight and in CO_2 equivalents.





In 2017, the overall environmental impact from waste declined by 252 tonnes of CO_2 equivalents, which is equivalent to a waste reduction of around 12% per bicycle. This reduction was partly the result of adjustments to our water purification installation at our production facility in Turkey. It should also be noted that the environmental impact was higher in 2016, due to the one-off impact of the removal of a filtering installation and a recalculation of the residual waste at our Dutch production facility.

MAKING PACKAGING MORE SUSTAINABLE

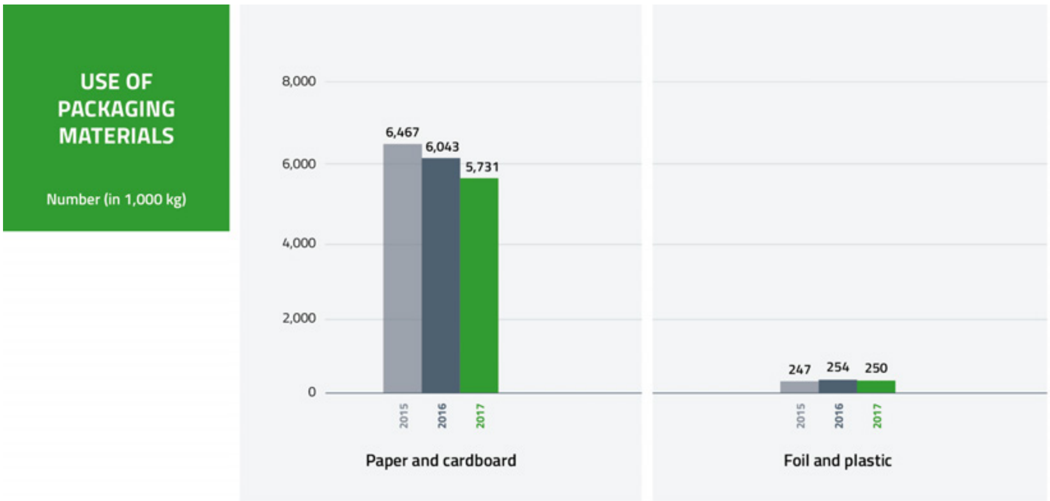
The bicycle industry uses large quantities of packaging to protect its products, and that includes us and our suppliers.

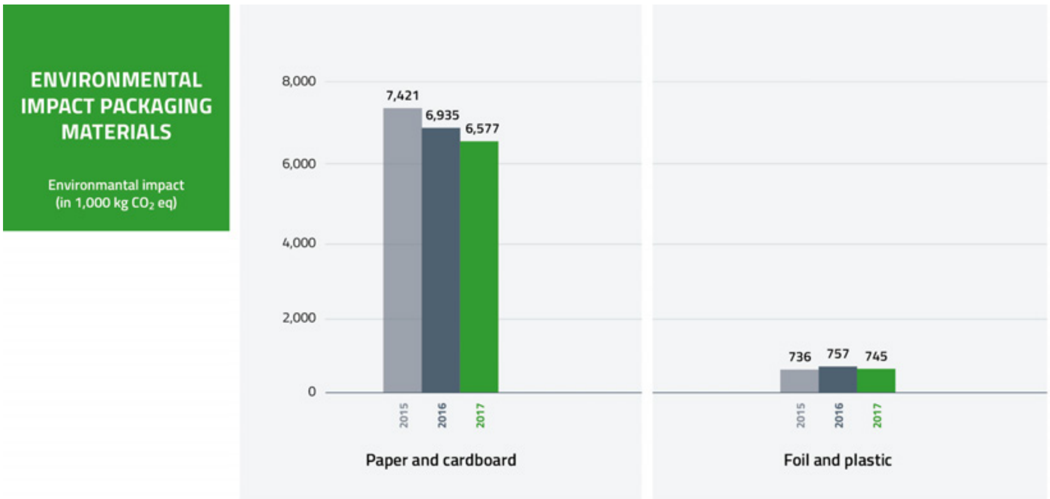
In our efforts to make packaging more sustainable, we have developed various initiatives which we continued in 2017:

- Replacing our own packaging made from fossil sources. Our own programme is aimed at replacing packaging materials from fossil sources with renewable materials. In other words, we use less plastic and more packaging based on paper and organic materials. In addition to the environmental impact, factors such as weight, stackability, uniformity, look and feel, regulations, costs and of course optimum product protection also play a role in the development of the right packaging. We benchmark the amount of packaging per bicycle internally, which produces a constant flow of new ideas on how to optimise the packaging process.

- Guidelines for incoming packaging from suppliers. With the aid of a packaging guideline, we also try to encourage suppliers to reduce their packaging volumes and to use renewable materials. Since 2017, the contacts on this front run via our supply chain organisation, which means the subject of packaging can be incorporated directly in the negotiations and agreements with suppliers. However, we have learned from experience that it is difficult for large international suppliers to deliver tailor-made solutions, even for a large client such as Accell Group.

Accell Group monitors the results of these initiatives in the annual measurement of the packaging we have used, calculated per bicycle and measured in CO_2 equivalents.





In 2017, the overall environmental impact from packaging declined by 370 tonnes measured in CO_2 equivalents. However, calculated per bicycle the impact increased by 9%. There are two separate reasons for these conflicting figures. Due to a reduction in the number of bicycles produced, the environmental impact was distributed across a smaller base. In addition, the packaging we use for parts and accessories is also included in the calculations and expressed per bicycle. The growth in our P&A activities led to an increase in the overall packaging volume, which has a strongly negative impact on the KPI per bicycle.

With a reduction of 6%, we just failed to meet the combined target of an annual 2-4% reduction in waste and packaging, measured per bicycle.

We will reconsider the reporting method so it provides a more realistic picture of the realised results.

END-OF-LIFE APPLICATIONS

The products we develop guarantee years of cycling pleasure, but they do inevitably reach the end of their useful lives and are written off. Accell believes it is important to provide the consumer with good information and an opportunity to dispose of their bicycle in the correct manner.

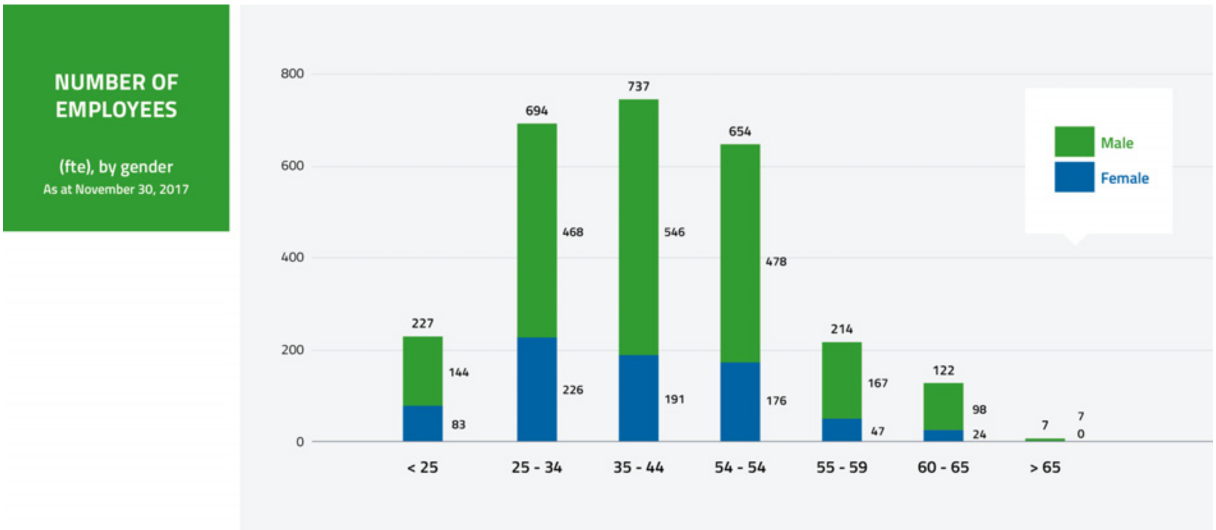
The vast majority of any bicycle consists of metals, including high-grade aluminium. Post-collection sorting makes it relatively easy to separate these metals from the waste flow. Since there is sufficient demand for metals and secondary aluminium, these products find their way into a variety of new applications. Bike tyres can also be recycled.

The collection of discarded e-bike batteries is another key area of attention for Accell. Together with organisations in Germany (GRS), Belgium (Bebat) and the Netherlands (Stibat – where Accell Group has a seat on the board), we are working on setting up and improving systems for the collection and responsible disposal of bicycle batteries. The batteries are collected via specialist retailers and following disassembly the parts are shipped to raw materials manufacturers and the base metals industry. We actively encourage and inform our dealer network to facilitate the collection of batteries.

With the rise of new user models and the shift from ownership to use, a growing number of bicycles will eventually find their way back to the manufacturers. We are proactively participating in working groups, primarily via CONEBI, in which we discuss indirect waste flows, environmental legislation and (future) applications that are linked to the creation of a circular economy.

CULTURE AND DIVERSITY

Accell Group is a multinational company with operations in 18 countries and more than 40 different nationalities. The group has an open business culture, with room for people with very different origins and backgrounds, in terms of gender, educational levels, nationality, age and sexual orientation. We do our utmost to create a working environment in which everyone feels at home and that offers room for personal ambition and development.



Many of our employees share a passion for bicycles, whether they design, produce or sell them. This automatically creates a very high level of engagement. The bicycle, the design and the technology are a constant topic of conversation across the group and constitute a major binding factor not only within the company but outside the company, too. We have countless examples of colleagues going out on (training) cycle rides and to competitive cycling events together.

That passion creates a unique connection that we consider one of our strengths. At the same time, we need to make sure it does not lead to an inward-looking focus. We are fully focused on consumers and we will also have to adapt our cooperation as a team and our individual way of working to that focus. Success on this front lies in the small but certainly not insignificant details.

A GOOD EMPLOYER

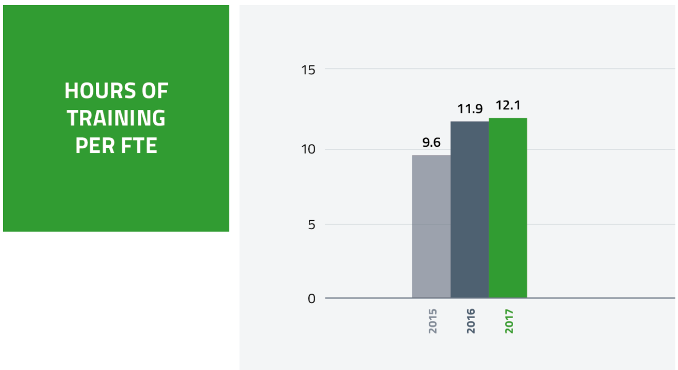
Within the group, Accell Group has multiple programmes that build on our open corporate culture, passion for the product and our ambition to be an attractive employer with room for entrepreneurship, personal development and growth.

TALENT AND LEADERSHIP DEVELOPMENT

For a number of years now we have been devoting extra attention to talent development and leadership within the group. Not only do we want to find the best people to fill current vacancies, we also want to recruit tomorrow's leaders today. In 2016, we launched the internal programme 'Talent Review'. This helps us to identify promising talents in our organisation and prepare them for a management role in the group, which includes suitable coaching and training courses.

If we are to execute our new strategy successfully, it is crucial for us to have the right competencies in-house, for instance in areas such as IT, data engineering and e-commerce. To that end, we recruited many new talents at group and local level in 2017.

Our products are also increasingly complex and require more expertise in the field of advanced software, connectivity and electrical engineering. We are therefore raising our investments in know-how, for instance, by increasing the average number of training hours per employee to 15 in 2018.



With an average of 12.1 training hours per FTE, we achieved our target of 10 hours in 2017, but we are raising the bar for 2018.

INCREASING EMPLOYEE SATISFACTION

We want to focus more on employee satisfaction as a group. We are convinced that a pleasant and stimulating working environment with personal attention for our employees creates a strong bond with the company and greater engagement in the realisation of our shared ambition. This is why we offer our people the opportunity to give something back to society at their own initiative and based on their passion for cycling.

BMX track for bikers community in Kent

In Kent, a city in the US state of Washington, we are building a BMX track for the local community right next door to the Accell North America (ANA) head office. A team of ANA's product developers came up with the idea and subsequent design for the track. Volunteers from across the organisation then came forward to actually build the track. The track will give the local bike culture a boost and give young mountain bikers and BMX enthusiasts a safe space to hone their skills.

In 2016, we conducted our first employee satisfaction survey. This was a pilot project at three local companies, which together represent 12% of the group's total number of employees. The response rate was high at 80%, which is also indicative of the level of engagement.

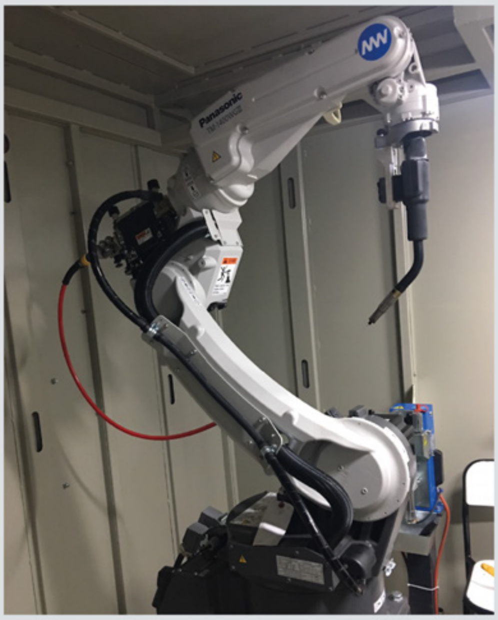
EMPLOYEE SATISFACTION SURVEY

Satisfaction	Engagement	Enthusiasm
7,5	7,5	6,9

Based on the successful pilot, we decided to start conducting the survey across the whole of Accell Group and we made the preparations for the survey in 2017. The first group-wide survey will be conducted in the first half of 2018 and we will then repeat the survey every two years.

IMPROVING HEALTH AND SAFETY

The health and safety of our employees is a priority for Accell Group. Our production plants and warehouses are the locations with the highest chances of an accident. We therefore devote considerable attention on the work floor to accident-prevention and providing clear instructions for the safe operation of machines and tools and how to lift heavy items responsibly.



Safe use of welding equipment

This year, our Turkish production facility started testing the use of a welding robot for the production of frames. We conducted extensive safety tests before testing it production. For instance, we immediately made sure that the robot cannot be operated by employees when it is in use. In addition, we once again took stock of the health and safety risks linked to manual welding. Based on that analysis, all 45 employees who come into contact with welding equipment at that facility attended an extra safety training course last year.

All our locations comply with national health and safety legislation and regulations. Every company has someone specifically responsible for health and safety matters, and this person monitors compliance with regulations and devotes attention to additional improvements to health and safety aspects. This includes matters such as ergonomic working postures, prevention of RSI complaints and dealing with work pressure.

Accell Group wants to be a trendsetter in the bicycle industry when it comes to a sustainable and responsible design for our production processes. To this end, we focus on aspects such as using the most state-of-the-art and most employee-friendly assembly and painting techniques.

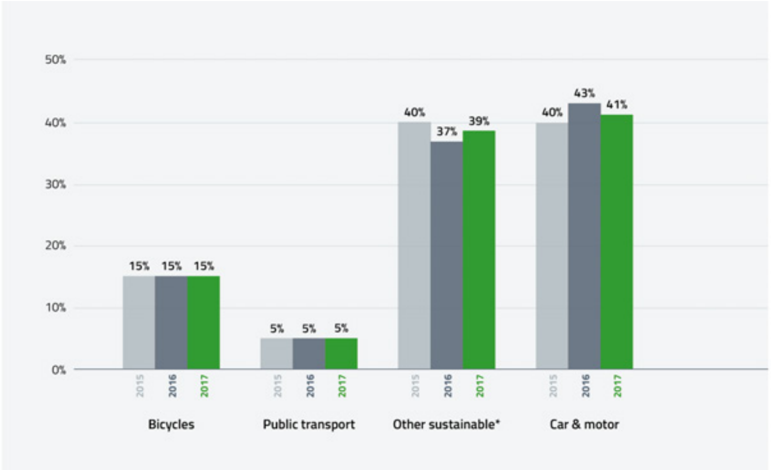
In addition to a healthy and safe working environment, we also stimulate awareness among our employees in the broadest sense, as well as encouraging a healthy lifestyle.

SUSTAINABLE COMMUTING

We encourage our employees to choose sustainable and healthy ways to commute to work. Our objective is for more than 50% of our employees to use a collective and/or sustainable mode of transport to commute to work. In 2017, 59% of our employees used a sustainable mode of transport for their daily commute, compared with 57% in 2016.

COMMUTING IN 2017

(in percentage of employees)

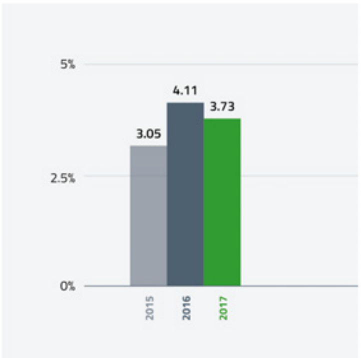


* The category 'Other sustainable' includes the following transport options: carpool, elektrical car, by foot, working from home.

Absenteeism as a result of illness declined to 3.73% in 2017. Absenteeism as a result of accidents rose to 0.13% in 2017. It should be noted that these were all minor incidents. Although no major accidents occurred and the percentage is relatively low, safety and accident prevention remain a key priority. After all, every accident is one too many.

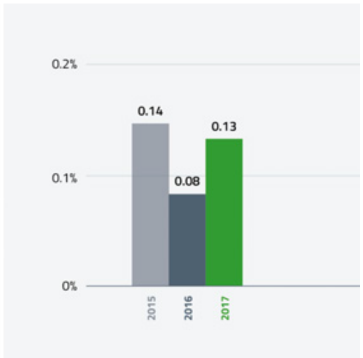
PERCENTAGE OF ABSENTEEISM IN WORKING HOURS

AS A PERCENTAGE OF TOTAL WORKING HOURS



PERCENTAGE ABSENTEEISM

DUE TO ACCIDENTS



PARTICIPATION AND REPRESENTATION

Within the group we make sure that employees can have their say. We want the most open and transparent dialogue possible with our employees' representative bodies. In the Netherlands, Germany and France, representation is largely organised by means of the companies' own works councils.

In 2017, we worked on setting up a works council for our employees at group level, a process which we will formalise in 2018. We also maintained contacts with the trade unions at various levels in the group throughout the year. Of our total workforce, 64% are covered by a collective labour agreement.

AWARD WINNING BIKES OF 2017

KOGA E-XITE N8

AWARD: RED DOT AWARD

The e-bike Koga E-Xite N8 combines a high performance with sportiness and an elegant look. The particularly smooth welded aluminium frame integrates brake cables and derailleur gears, such as the low maintenance Shimano Nexus 8 speed premium internal gear hub, as well as lighting cables and electric components, thus keeping them protected from the weather. The high-quality Koga Feathershock fork suspension and powerful Bosch motor, positioned in the centre of the bicycle, ensure optimal weight distribution and a good ride.

3.4 SUPPLY CHAIN

Omni-channel sales and the increasing complexity of bicycles require a different supply chain structure. To this end, some year ago we started developing a completely new framework for supply chain management and the creation of a supply chain team at group level. In 2017, we filled the final vacancies in the supply chain and the team, which comprises around 20 professionals in the field of procurement and planning, is now fully operational.

A more centrally directed supply chain has major benefits on multiple fronts.

1. REDUCTION OF DELIVERY TIMES AND INCREASING DELIVERY RELIABILITY

- More flexibility to respond to consumer demand and preferences across the season
- Improved and faster service to consumers and dealerships
- More even inventory development across the season and lower stocks at dealerships
- Less having to say 'no'

2. USE OF SCALE AND PROCUREMENT BENEFITS

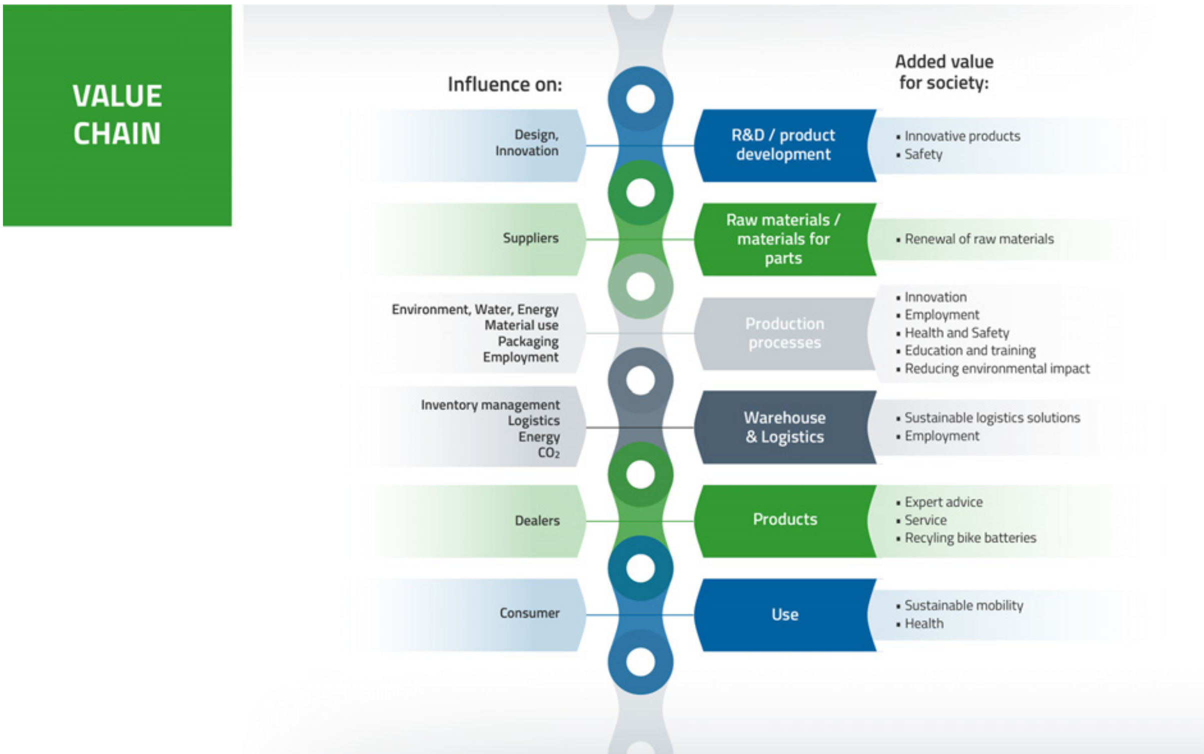
- Stronger negotiating position as a group vis-a-vis suppliers
- Better agreements and purchasing terms
- Structural cost savings
- More cooperation with suppliers in the field of innovation
- Greater control of chain responsibility and sustainability aspects

3. REDUCTION OF WORKING CAPITAL

- Reduced capital utilisation inventories throughout the year
- Improved capital efficiency and cash conversion

IMPLEMENTATION NEW SUPPLY CHAIN FRAMEWORK

Accell Group developed the new supply chain framework in close cooperation with the brands and their procurement, marketing and product development teams.



PLANNING

In 2017, we began work on the implementation of a Sales & Operations Planning (S&OP) process. The purpose of this process is to improve the alignment between sales forecasts and inventories and available production capacity. In line with the introduction of the S&OP process, we have also started organising workshops with a number of suppliers to exchange planning information. These workshops have provided us with improved insights into the entire supply chain, the dependencies and bottlenecks. This intensive cooperation and exchange of know-how has in some instances already resulted in improved reliability of deliveries and reduced delivery times. Suppliers have responded positively to the workshops and the greater transparency we provide, which makes us a trendsetter in the sector.

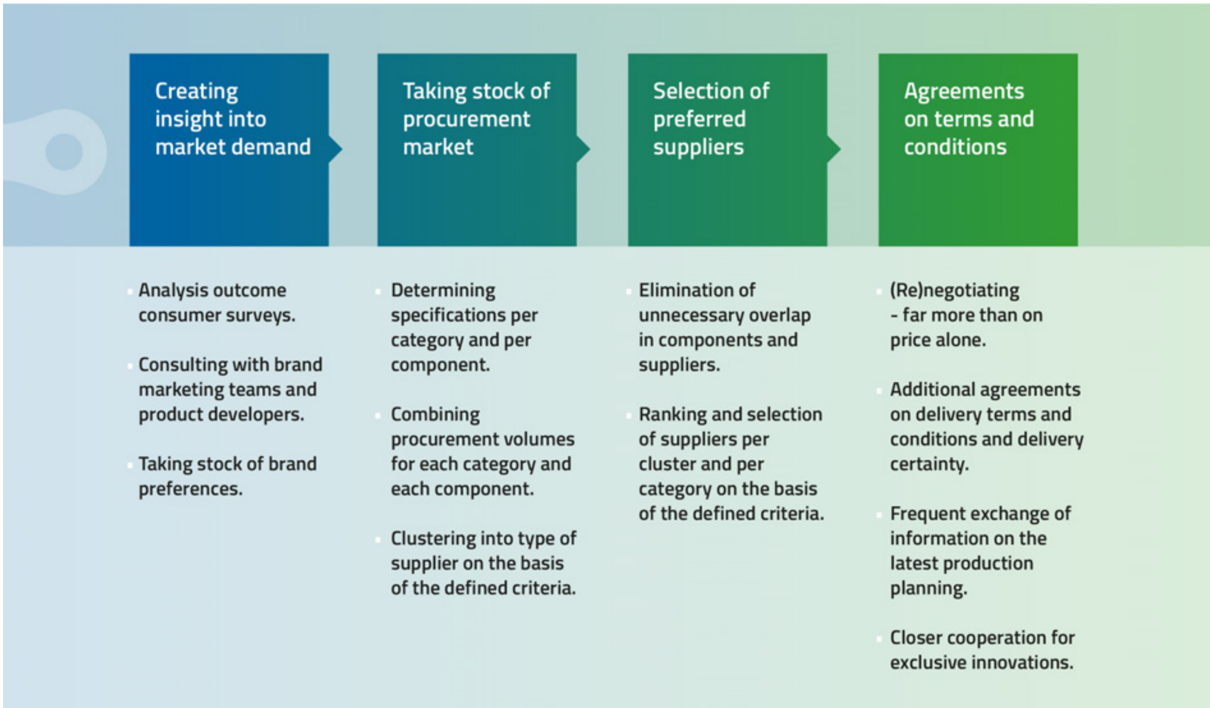
PROCUREMENT

In 2017, we structured our procurement entirely on the basis of category management. Per category, we took stock of both the internal needs of the various Accell brands and the external market. Based on the outcome, for each category we outlined the potential for more efficient and lower-cost procurement as a group. At this point, implementation processes are underway in various areas and the cooperation with the Accell brands will be key factor in the success of this project.

In order to make data collection faster, more uniform and more accurate, we began standardising our master data pertaining to both suppliers and components. This is a key prerequisite to increasing our insight into the components used and to improving our procurement contracts on the basis of these insights. In terms of planning, we worked with the brands to create clearer insight into market demand. The insights we gained into consumer preferences can be translated into models we can use to align our production and supply chain to current demand ever more quickly and more effectively.

More complex bicycle is an extra challenge for supply chain management

In the coming years, the ever growing complexity of bicycles will create an additional challenge for supply chain management. The integration of what are frequently more expensive components (such as batteries, motors and displays) and connectivity will lead to more advanced frames, and the use of more digital technology and electronics in our bicycles. This creates an extra challenge in terms of optimising our supply chain.



We have noticed that by combining procurement volumes, we are immediately more visible to our suppliers as an important client.

ONSHORING

The majority of our components were acquired in Asia the traditional way in 2017. In order to increase delivery reliability and further reduce delivery times, we are looking at ways to reduce the distance between the production and inventory management of our suppliers and our key markets in Europe and North America.

In 2017, we conducted exploratory talks with various suppliers on this subject. In concrete terms, this has resulted in a number of projects with one of our suppliers, who has invested in the construction of a new and fully-automated production facility for aluminium frames in Portugal. This is not the only initiative we are following with great interest. We are also discussing production and inventory management in Europe with a number of other parties.

CHAIN RESPONSIBILITY

Our scale puts us in a position to encourage other players in the supply chain to respect human rights, sound labour practices and environment protection. In the talks with suppliers about agreements and purchasing terms, which we now conduct at group level, we also include our terms and guidelines with respect to chain responsibility.

We have our own code of conduct and we ask all our suppliers to subscribe to that code. Some 90% of the main international suppliers have now responded positively to this request. We consider certain parts of corporate social responsibility as pre-competitive and wherever possible we look to collaborate with our industry peers and sector organisations. For example, we do this on the compliance with agreements front by means of audits.

SUPPLIER AUDITS

We conduct audits among suppliers under the umbrella of the WFSGI (World Federation of the Sporting Goods Industry). This approach is known as the 'Responsible Sport Initiative' (RSI). Based on a risk analysis and in consultation with procurement, each year we determine which suppliers will be audited. As a group, we want to conduct at least 15 audits a year.

The audits are conducted by an externally accredited organisation. In 2017, we added someone to our own team who is in charge of supervising the progress of the audits and monitoring and implementing improvements.

In 2017, we had a total of 17 audits conducted at suppliers and therefore achieved our target. The main findings of these audits were comparable with previous audits and are often related to buildings (such as escape routes, fire prevention and storage of chemicals) and the handling of personnel and wage administration and keeping to the correct working hours. We work with the supplier to make improvements on the basis of a Corrective Actions Plan. At some suppliers, these actions plans have now been successfully implemented.

AUDITS FOR CHEMICAL SUBSTANCES

Audits for chemical substances at our suppliers are conducted on an ongoing basis. These substances are used to paint parts such as the frame and front fork, and they are also used in plastic components such as saddles and handlebar grips. Whenever possible, we use 100% water-based paints and alternative substances without hazardous components.

We operate in compliance with REACH (Registration, Evaluation, Authorisation and Restriction of Chemical substances) and aim to use only registered substances in the right conditions and with the right protective measures in place. We have our own test laboratory in Hungary to check whether components and parts comply with legislation. We also ask our suppliers to sign a REACH compliance statement.

In 2017, our REACH laboratory tested a total of 116 complete products and components, on which the lab conducted a total of 540 analyses. These new and existing products were selected based on risk estimates. The lab found (often small) deviations in 25% of the cases, and it was generally possible to resolve these issues quickly in consultation with the supplier involved.

3.5 FINANCIAL STRENGTH AND CAPITAL EFFICIENCY

The net **working capital** came in at € 315 million in 2017, 2.9% higher than in 2016. Inventories were up 3.7% at € 334 million. Accounts receivable were € 127 million, compared with € 138 million in 2016. Accounts payable were lower than in the previous year, at € 146 million.

Although working capital was up slightly compared to the previous year, the movements in working capital were positive. As such, the number of bicycles in stock fell by 8% (24,000) compared to the previous year. The fact that the value of inventories was higher in 2017 than in 2016 was due to the higher average cost price per bicycle, which was 11% higher than in the previous year. The higher cost price was due to the greater share of e-bikes in the inventories. The higher inventories are needed to make sure Accell Group can respond to the greater demand for these bicycles in the first quarter of 2018. In conjunction with these higher inventory of e-bikes, the value of inventories of components is also higher, because the company maintains higher inventories of e-bike components and components for more expensive bikes. In addition, accounts receivable were lower than in the previous year despite higher turnover in the fourth quarter. While Accell Group procured less, accounts payable per year-end 2017 were slightly below the level of 2016, due to the longer payment terms negotiated with suppliers.

Total **net debt**, comprising interest-bearing loans, bank credits and cash and cash equivalents, stood at € 161 million at year-end 2017, up from € 147 million at year-end 2016, largely due to the movements in working capital. Excluding one-off charges, EBITDA declined by 22.5% to € 59.1 million. This resulted in a **net debt / EBITDA** (excl. one-off charges) ratio of 2.7, a worsening compared to the previous year.

Shareholders' equity stood at € 299 million, which resulted in a solvency ratio of 42.4% (2016: 45.4%). The change in the shareholders' equity of € 20.1 million was largely due to the result for the period (+€ 10.5 million), dividend payments (-/- € 6.7 million), the valuation of financial instruments (-/-€ 10.3 million) and currency exchange rate differences (-/-€ 13.5 million)

3.6 MANAGEMENT AGENDA AND OUTLOOK

Cycling will remain popular for mobility, recreational and sports purposes in the years to come. Accell Group expects to remain a leader in the market with it high-quality products and to be in a position to continue to add innovations to make cycling even more attractive for various purposes.

In the light of the refined strategy Lead Global. Win Local, 2018 will be a key transitional year that will be dominated to a large extent by a reduction in complexity and centralisation of management in areas such as (e-)commerce, innovation, supply chain, human resources and IT. This will accelerate the realisation of a more efficient operational processes, will improve utilisation of scale and synergy potential, and strengthens the execution power in the various regions. In addition, Accell Group will actively seek increases in scale via acquisitions that fit the strategy.

For 2018, Accell Group expects to see an improvement in the results in North America on the back of the omni-channel strategy and the strong growth in the e-bike market. In Europe, we expect continued growth in turnover as a result of higher sales of e-bikes and high-end regular bikes. Based on this and barring unforeseen circumstances, Accell Group expects an increase in group turnover and a higher underlying operating result for 2018.

DEVELOPMENTS AFTER THE BALANCE SHEET DATE

BOARD CHANGES

Hielke Sybesma (CFO) decided after 23 years to leave the company as of 1 May 2018 and will step down from the Board of Directors as of 25 April. The search for a successor to Hielke Sybesma has started.

Jeroen Snijders Blok (COO) resigns from the Board of Directors at his own request as of 25 April 2018, while retaining his current activities and reporting directly to the CEO. The responsibility for the production sites has recently been transferred to Jeroen Both (CSCO).

Jeroen Hubert has been appointed Chief Commercial Officer (CCO) as of 1 March 2018. Jeroen reports to the CEO and is responsible for marketing, innovation, (e)commerce and retail / experience centers. He has previously gained extensive experience in the aforementioned areas at Pepsico, Friesland Campina, Wehkamp and Ikea.

AWARD WINNING BIKES OF 2017

VAN NICHOLAS SKEIRON

AWARD: EUROBIKE GOLD WINNER AWARD 2017

The Skeiron has state-of-the-art technical functionalities, putting this model ahead of the pack in terms of titanium racing bike technology. The premise for the design of this model was innovation through integration. The frame provides optimum stiffness at the four major stress points through the use of press-fit cranks, an oval down tube, a tapering headset and a hydro-formed seatstay and other innovations.

AWARD WINNING BIKES OF 2017

SPARTA M8TI E-BIKE

AWARD: GOOD INDUSTRIAL DESIGN 2017

Sparta's M8Ti electric bike is a multi-purpose bike, fit for both commuting and touring. The ION motor, placed in the middle of the bike, has an integrated battery and contributes to stability and riding comfort. The same goes for the front fork and seat post suspension. Sparta's electronic ION system registers the riding experience and adapts this immediately to optimise the motor.

'WE ARE TRYING TO CREATE A PARTNERSHIP THAT IS UNIQUE IN PROFESSIONAL CYCLING'

For more than 15 years, Lapierre has been the official materials supplier of the Groupama-FDJ Cycling Team. A partnership that has taken Lapierre bikes to stage wins on the Tour de France, the Vuelta and the Giro. Marc Madiot, two-time winner of Paris-Roubaix and nowadays the manager of the team, talks about the secret behind one of the longest lasting partnerships in professional cycling.

Marc Madiot, nowadays manager of the Groupama-FDJ Cycling Team

WHAT IS THE ORIGIN OF THE COLLABORATION BETWEEN GROUPAMA-FDJ AND LAPIERRE?

"Back in 2002, we were not just looking for a company that would just supply us with materials or funding, but for a cycling brand that wanted to build a long lasting partnership with us. With Lapierre, there was not only a shared heritage and a good fit between our brands, but also a strong personal connection. I have known Gilles Lapierre for a long time and I think we share not just a passion for cycling but also a vision on sponsorship. Our partnership is now entering its seventeenth year."

WHAT MAKES THIS PARTNERSHIP UNIQUE?

"The strong level of R&D collaboration is really what sets this collaboration apart. Our own engineers are based in the village of Besancon, which is just a short drive away from Lapierre's home base in Dijon. This makes it easy to exchange ideas and keep an open dialogue during all stages of the development process. Everything we do is with a very clear goal in mind: helping our riders win races."

WHY ARE GOOD MATERIALS SO IMPORTANT?

"For a race cyclist, the bike is not just an extension, but almost a part of his body. This requires a perfect fit, which is the result of a lot of small details coming together. But it would be a mistake to think about it purely from a scientific perspective, there is also strong psychological factor. If you can trust the quality of your materials for the full 100%, you are able to put all your energy in the race. That is a state of mind."

Thibaut Pinot, one of the cyclists of the Groupama-FDJ Cycling Team.

HOW DOES THE INNOVATION PROCESS WORK?

"For Lapierre, the Groupama-FDJ-sponsorship is their primary platform for innovation. We work closely together on product development and testing, pushing the boundaries of performance. A good example is the new Shock Absorption Technology (SAT) on the Endurance models, which protects riders from shocks on uneven terrain. This technology was developed specifically to navigate the cobblestones in famous classics such as Paris-Roubaix and the Tour of Flanders. Another good example are the aerodynamic features on the Aircode and Aerostorm models. These innovations are now also applied in the commercial product lines."

WHAT CAN WE EXPECT FROM GROUPAMA-FDJ AND LAPIERRE IN 2018?

“The new sponsor contract with Groupama allows us to increase our budget and be even more ambitious than before. We want to win some stages in the Tour and the Giro this year and be successful in the spring classics. In fact, I have high hopes for a victory in Paris-Roubaix. While such victories are important for the racers, the team and our sponsors, we strive for long term success. Ultimately, this is also what we try to do with Lapierre: to make constant progress and create something unique.”

THE PREMIER CYCLE AND FITNESS GROUP

ACCELL GROUP

ANNUAL REPORT 2017

4

SUPERVISION AND RISK MANAGEMENT

4.1 SUPERVISORY BOARD

The Supervisory Board consists of the following members:

From left to right: Mr. P.B. (Peter) Ernsting, Mr. A.J. (Ab) Pasman and Mr. J. (Jan) van den Belt.

MR. A.J. (AB) PASMAN (1950)

Chairman

Mr. Pasman (Dutch nationality) was appointed to the Supervisory Board and as Chairman of same on 22 April 2010. Mr. Pasman was a member of the Board of Directors of Koninklijke Grolsch N.V. from 2003 to 2008 and was appointed chairman of said board in 2004. He is a member of the Supervisory Boards of the following companies: Berenschot Holding B.V. and Westland Kaas Groep B.V. Mr. Pasman was reappointed in 2014. His term of office runs until the Annual General Meeting of Shareholders due to be held in the spring of 2018.

MR. J. (JAN) VAN DEN BELT (1946)

Deputy chairman

Mr. Van den Belt (Dutch nationality) was appointed to the Supervisory Board on 20 April 2006. He was CFO and member of the Board of Directors of Océ N.V. until the end of October 2008. Mr. Van den Belt is a member of the Supervisory Boards of Attero Holding N.V., N.V. Holmatro, as well as a member of the Executive Board of Stichting Continuïteit Ahold Delhaize. In addition, he was a (deputy) member of the Enterprise Chamber of the Amsterdam Court of Appeal until June 2016. Mr. Van den Belt qualifies as an expert in the field of financial reporting and the auditing of financial statements as meant in article 2, section 3 of the Resolution to install an audit committee. Mr. Van den Belt was reappointed in 2010 and 2014. Mr. Van den Belt's (final) term of office runs until the Annual General Meeting of Shareholders due to be held in the spring of 2018.

MR. P.B. (PETER) ERNSTING (1958)

Mr. Ernsting (Dutch nationality) was appointed to the Supervisory Board at the General Meeting of Shareholders of 28 April 2011. Mr. Ernsting was appointed at the nomination of the Supervisory Board after a recommendation from the Central Works Council. Mr. Ernsting was until December 2016 Senior Vice President, Group Supply Chain, and member of the Executive Committee at Carlsberg. Mr. Ernsting previously held a number of management positions at Unilever N.V., both in the Netherlands and abroad. Mr. Ernsting was reappointed in 2015. Mr. Ernsting's term of office runs until the Annual General Meeting of Shareholders due to be held in the spring of 2019.

4.2 REPORT OF THE SUPERVISORY BOARD

INTRODUCTION

The world is changing, consumers are changing and Accell Group is adapting to those changes. The year under review was particularly busy and exciting. A change in leadership, the refinement of the strategy and the start of the strategy implementation all contributed to a very challenging year for the group.

In February 2017, it was decided in mutual consultation that René Takens would step down as CEO and Chairman of the Board of Directors following the general Meeting of Shareholders in April 2017. Parallel to this, the Supervisory Board launched a procedure to select and recruit a new CEO and the type of leader who would be a good fit with the next phase of the company's development.

The company presented its refined strategy together with the publication of the annual results in March 2017. At the same time, agreement was reached on an improved and expanded group financing facility, which gave the company a solid foundation for the implementation of its strategy.

Accell Group subsequently put the search for a new CEO and the ongoing strategy implementation on hold shortly after both these processes had been launched when Pon Holdings made a non-binding, conditional offer for a public bid on Accell Group. This is a process that requires a great deal of care and in that sense also demanded considerable attention from both the Supervisory Board and the Board of Directors.

There were several exploratory discussions with Pon Holdings. We studied and assessed all the key aspects of their non-binding and conditional proposal, while taking into consideration the interests of all our stakeholders. The Supervisory Board and Board of Directors together concluded that the final proposal on the table failed to fully reflect the future value creation of Accell Group based on the recently refined strategy and the medium-term targets the company had presented. Pon Holdings has subsequently ceased its approach.

The uncertainty created by Pon Holdings' approach delayed both the search for a new CEO and the implementation of the refined strategy. At the time of the General Meeting of Shareholders in April 2017, we were not yet able to put forward a new CEO to succeed Mr. Takens. At the end of the General Meeting, the Supervisory Board appointed Hielke Sybersma as interim CEO and Chairman of the Board of Directors, a position which he combined with his activities as CFO for a part of the year.

In the summer of 2017, we subsequently found a new CEO in Ton Anbeek, who at that time was CEO of BeterBed Holding. Mr. Anbeek started at Accell Group on 1 November 2017 with the task of further developing and implementing the refined strategy. Mr. Anbeek brings ample experience to this task in fields such as marketing, sales, retail and omni-channel e-commerce and a style of leadership that is well suited to the transitional phase Accell Group is currently in and the longer-term development of the group.

SUPERVISION

In 2017, the Supervisory Board [1] supervised the management and general course of events within Accell Group [2]. The Supervisory Board was responsible for the procedure for the selection and recruitment of the new CEO and provided the Board of Directors with advice on various fronts.

All members of the Supervisory Board are independent in the sense of the Code [3]. The composition of the Supervisory Board is such that it covers a broad range in terms of background, know-how and competencies. As such, the composition safeguards a critical attitude in the execution of joint tasks, while each member has sufficient time for their responsibilities within the Supervisory Board.

The General Meeting of Shareholders in April 2017 reappointed Mr. Aad Kuiper for a second four-year period. However, in October 2017 Mr. Kuiper indicated that he would not complete this term and resigned his tasks with immediate effect due to the pressure of activities elsewhere. Following the resignation of Mr. Kuiper, the Supervisory Board temporarily has only three members.

	Start current term	End current term
Mr. Ab Pasman (Chairman)	2014	2018
Mr. Jan van den Belt (Vice chairman)	2014	2018
Mr. Peter Ernsting	2015	2019
Mr. Aad Kuiper[1]	2017	2021

[1] Until October 19, 2017

Under the existing schedule, the current terms of Mr. Ab Pasman (Chairman) and Mr. Jan van den Belt (Vice chairman) expire at the General Meeting of Shareholders in April of 2018. Mr. Pasman has made himself available for a third term, of two years [4]. The Supervisory Board would like to nominate Mr. Pasman for re-appointment in view of the need for continuity after the many changes in the Board of Directors and the Supervisory Board over the past year. Mr. Van den Belt has completed his third term of four years and will therefore retire.

The company is currently looking for candidates to replace both Mr. Kuiper and Mr. Van den Belt, which will restore the Supervisory Board to its full complement of four members. The Board will nominate a female and a male candidate to fill these vacancies. The appointment of two new supervisory directors and the re-appointment of Mr. Pasman are on the agenda for the Annual General Meeting of Shareholders to be held on 25 April 2018.

Accell Group does not currently meet the norm for the division of seats on the Board of Directors and the Supervisory Board. The Supervisory Board acknowledges the value of a more even balance of men and women in the company's management and does its utmost in the recruitment and selection process to find female candidates for executive and supervisory positions. At the same time, gender is ultimately just one aspect of diversity. The qualifications of a certain candidate and the requirements for fulfilling the role in the company are obviously also important aspects when filling a vacancy. In any event, the Supervisory Board is pleased to have a good female candidate to nominate for appointment as a supervisory director at the upcoming shareholders meeting. At the same time, Accell Group will continue to work on the realisation of a balanced division of seats on its boards.

Although Accell Group sets great store by diversity, the company does not have a fixed diversity policy. In practice, Accell Group is working on creating more diversity at every level of the organisation. This has the broad support of both central and local management. This year, Accell Group will draw up a more explicit diversity policy.

MEETINGS AND WORKING VISITS

In 2017, the Supervisory Board held 33 physical meetings (2016: 7) and many additional conference calls. A total of 14 meetings were held in the presence of the Board of Directors. The internal auditor attended one meeting and the external auditor attended two.

In addition to the physical meetings and conference calls, the Supervisory Board also made a joint visit to Lapierre in France, and the Chairman of the Supervisory Board also visited Winora in Germany.

	Presence at meetings
Mr. Ab Pasman	100%
Mr. Jan van den Belt	100%
Mr. Peter Ernsting	97%
Mr. Aad Kuiper	94%

The large number of meetings in 2017 was entirely due to the transitional phase Accell Group is currently in, all the changes this entails and the approach made by Pon Holdings. In 2017, the Supervisory Board discussed and reviewed the following matters:

- Market trends and developments and the commercial and financial course of events, with special attention being devoted to sales in the Netherlands, the reorganisation in North America and the impact of the insecure situation in Turkey.
- The annual budget and quarterly adjustments.
- The quarterly reports and the budget for 2018.
- The more detailed definition of the refined long-term strategy and objectives, the extra investments, the associated key risks and the progress of the strategy implementation.
- The assessment of the expanded and extended group financing and the terms and covenants set by the consortium of banks.
- The advances made by Pon Holdings with respect to a possible acquisition of Accell Group, the response, the subsequent steps and the evaluation of all financial and non-financial aspects of the indicative non-binding proposal, which the parties eventually failed to reach agreement on, after which Pon withdrew its proposal.
- The assessment of possible strategic partnerships and acquisitions that are a good fit with the refined strategy.
- The structure of a more centralised management and the streamlining of operational and logistical processes, procedures and IT systems.
- The assessment of the general risks of the company's operations, the operation of the risk management systems and internal controls.
- The assessment of the composition and functioning of the Board of Directors as a whole and the members individually, including the remuneration of the Board of Directors and the remuneration report.
- The selection criteria for a new CEO in light of the refined strategy, the structure of the recruitment process

for a new CEO and the actual recruitment of candidates in cooperation with a specialised executive search agency.
- The role of Accell Group and its products in a broad social context and progress made in making production and logistical processes more sustainable, plus the reporting on same.
- Review of the effectiveness of the current governance structure and amended guidelines pursuant to the Dutch Corporate Governance Code of 2016.
- The proposed appointment of KPMG as the external auditor for the financial year 2018.

The Supervisory Board's plenary meetings also discussed all the preparatory activities and recommendations of its committees and subsequently reached decisions on same.

The Chairman of the Supervisory Board maintained close contacts with the interim CEO and other members of the Board of Directors, in particular regarding the approach made by Pon Holdings. In addition, there were numerous informal contacts between the members of the Supervisory Board and members of the Board of Directors throughout the year.

Partly in view of the situation at the end of the year, with the resignation of Mr. Kuiper and the temporary staffing of the Supervisory Board with only three members, the board conducted only a limited self-assessment for 2017. During a highly dynamic year with various dossiers and dilemmas requiring considerable extra attention, the Supervisory Board collaborated intensively and closely both at team level and on an individual level with open and direct lines of communications.

The performance of the Supervisory Board is assessed in cooperation with a specialised external third party every three years. The board will conduct this assessment once again in 2019. The board will conduct the usual self-assessment in 2018.

COMMITTEES

The Supervisory Board has two committees: the audit committee and the selection and remuneration committee. These committees carry out their tasks on the basis of regulations [6] adopted by the Supervisory Board. The Supervisory Board appoints the members of the committees from its members.

	Audit committee	Selection and remuneration committee
Mr. Ab Pasman		Member
Mr. Jan van den Belt	Chairman	
Mr. Peter Ernsting	Member	Interim chairman[2]
Mr. Aad Kuiper[1]		Chairman

[1] Until 19 October 2017

[2] From 19 October 2017, to replace Mr. Kuiper

AUDIT COMMITTEE

The audit committee supports the Supervisory Board in the execution of its supervisory tasks and in the preparation of decision-making in the fields of financial reporting, risk management and internal control.

The committee met five times in 2017 (2016: five times). The internal auditor attended four meetings and the external auditor attended three of the meetings.

During its meetings, the committee discussed a range of important topics, including the determination of the medium-term objectives, the extra investments required for the roll-out of the refined strategy, the disappointing financial performance in the first half of 2017, the structure of the finance and IT functions and the possibility of supply chain financing.

Other matters the audit committee focused on in 2017 were:

- Compliance with internal procedures for the drawing up and publication of the annual report, the annual financial statements and the interim report.
- The effectiveness of internal procedures that ensure that all important financial information reaches the management, to safeguard the timeliness, completeness and accuracy of the external financial reporting.
- Analysis and assessment of the financial performance on a quarterly basis.
- The effectiveness of the internal risk management and control systems, the implementation of the internal control improvements, compliance with international and local laws and regulations and the operation of codes of conduct.
- The progress in the improvement plan instigated following the Taiwan incident.
- The choices in accounting directives, the application of new rules and the effects of same.
- The structure of the internal audit plan and the audit plan of the external auditor.
- The assessment of internal and external audits, follow-up of recommendations and compliance with the introduction of desired improvements.
- Review of the budgets for 2018 and the sharing of the findings.
- The structuring and expansion of the internal audit function.
- Guiding the implementation of the One Finance programme.
- The relationship with the external auditor.

As the external auditor, KPMG did not outline any serious shortcomings in its management letter for 2017, but it did include a number of recommendations. These recommendations related in particular to the authorisation for access to systems. Accell Group has set up a specific project to remedy any shortcomings in this area. In addition, the external auditor stressed the need for stringent application of the GDRP privacy regulations and devoted specific attention to subjects that are relevant to forming an opinion on the financial statements and the introduction of IFRS 15. With respect to the 2017 financial statements, the external auditor devoted specific attention to revenue recognition, deferred tax assets, the valuation of goodwill and trademark rights, risk of fraud and the valuation of inventories and trade receivables and investigation on import duties in the United States. The audit also devoted attention to financing and compliance with covenants, as well as tax accounting, financial instruments and currency exchange risks.

The internal auditor visited local Accell Group companies in 2017 and arrived at a number of recommendations, primarily focused on strengthening the internal control framework. The follow-up to these recommendations was realised according to plan. The group will add expertise in the field of IT audit to the internal audit department.

Based on the preparatory work of the audit committee and the findings of both the internal and external auditors, the Supervisory Board approved the Board of Director's in control statement as included in section 4.5. [7]

SELECTION AND REMUNERATION COMMITTEE

This committee supports the Supervisory Board in the execution of its supervisory tasks and the preparation of decision-making in the field of selection and appointment procedures for members of the Supervisory Board and Board of Directors, the remuneration policy and the level of remuneration and employment contract terms for members of the Board of Directors.

The selection and remuneration committee met eight times in 2017 (2016: five times). Key subjects that required the attention of the committee were the departure of the Chairman of the Board of Directors and the recruitment of his successor.

Other matters the selection and remuneration committee focused on in 2017 were:

- Review of the Kornferry/Hay report (February 2017).
- Arrangements and agreements relating to the departure of the Chairman of the Board of Directors, Mr. Takens.
- Preparations for the assessment of the functioning of the members of the Board of Directors in 2016.
- Putting forward proposals for the fixed and variable bonuses of the members of the Board of Directors for 2016.
- Preparing the evaluation of the remuneration of the members of the Board of Directors for 2016.
- Preparing the 2017 remuneration report.

The Supervisory Board discussed and adopted the remuneration package for the Board of Directors for 2017 on 9 March 2017. At the same time, the Board also determined the bonuses for the 2016 financial year, which were included in the 2016 financial statements.

Based on the preparatory work of the committee, the Supervisory Board discussed and adopted the 2017 remuneration report [8]. The remuneration of the Board of Directors is in line with the policy adopted by the General Meeting of Shareholders on 24 April 2008 and amended most recently on 22 April 2010.

FINANCIAL STATEMENTS AND DIVIDEND

The Supervisory Board approved the 2017 financial statements on 9 March 2018. KPMG has issued an unqualified auditor's report. On 25 April 2018, the financial statements will be submitted to the General Meeting of Shareholders for adoption.

The General Meeting of Shareholders will also be asked to approve the payment of an optional dividend in line with the dividend policy of € 0.50 per share. The dividend proposal is related to the earnings per share excluding one-off charges, which puts the pay-out ratio at 50%. The pay-out ratio based on the reported earnings per share amounts to 124%.

CORPORATE GOVERNANCE

The Supervisory Board attaches great importance to effective corporate governance, with an emphasis on independence, responsibility and transparency. The Board closely monitors key developments in the field of corporate governance. [9]

As a sign of its appreciation, the Supervisory Board would like to express its gratitude to all stakeholders for their commitment. The Board extends a special word of gratitude to the company's employees, who have shown enormous dedication and enthusiasm in working on the many changes in the group. They are vital to the successful realisation of Accell Group's ambitions and long-term strategy.

The Supervisory Board

Ab Pasman
Jan van den Belt
Peter Ernsting

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[1] For more information on the composition of the Supervisory Board and the background and areas of expertise of the individual members, we refer you to section 4.1 of this annual report.

[2] The Regulations of the Supervisory Board can be found in section 4.3 of this annual report and on Accell Group's corporate website. Accell Group has separate regulations for the audit committee and the selection & remuneration committee, which you will also find on the corporate website.

[3] Dutch Corporate Governance Code 2016

[4] In line with the new guidelines of the revised Dutch Corporate Governance Code 2016, which proposes a third and a possible fourth term for Supervisory Board members of two years each.

[5] Pursuant to articles 2:166 en 2:391 section 7 of the Dutch Civil Code, large Dutch public limited companies (N.V.s) like Accell Group are obliged to take into consideration as much as possible a balanced distribution between men and women on the Board of Directors and the Supervisory Board when making appointments, nominations and in drawing up profile outlines. This balanced distribution infers that at least 30% of the seats on the Board of Directors and the Supervisory Board should be occupied by women (and at least 30% occupied by men).

[6] These regulations have been published on the Accell Group website: www.accell-group.com

[7] An extensive discussion of the risk factors and internal risk management is available in section 4.4 Risk management of this report.

[8] The 2017 remuneration report and all the components of the remuneration is available on the corporate website. For the exact amounts of the remuneration of the members of the Board of Directors, we refer you to the notes to the financial statements included in this report (section 5.7, note 26).

[9] For a description of Accell Group's corporate governance structure and the company's application of the Dutch Corporate Governance Code by the company, we refer to section 4.3 of this report.

4.3 GOVERNANCE & COMPLIANCE

Accell Group attaches great importance to good corporate governance. The Board of Directors and the Supervisory Board are responsible for the corporate governance structure of Accell Group and for compliance with the Dutch Corporate Governance Code (the 'Code'). In this management report, we report for the first time on the basis of the new Code adopted in 2016.

This section of the report shall first describe the corporate governance structure of Accell Group and shall subsequently explain from which best practice provisions of the Code Accell Group deviates.

CORPORATE GOVERNANCE STRUCTURE

GENERAL

Accell Group is public limited liability company applying the full two-tier board structure. The corporate governance structure of Accell Group is laid down in the company's articles of association and in the law. The full text of the articles of association can be found on Accell Group's website (www.accell-group.com in the section 'Corporate Governance/Articles of Association').

BOARD OF DIRECTORS

The Board of Directors is responsible for the management of Accell Group and for the continuity of the company and its associated enterprise. The Board of Directors is accountable to the Supervisory Board and to the General Meeting of Shareholders (the 'General Meeting') on these issues. In the performance of its tasks, the Board of Directors is guided by the interests of the company and its associated enterprise. The Board of Directors focuses in particular on the long-term value creation of the company and its associated enterprise and in doing so weighs the relevant interests of the stakeholders.

The Board of Directors is responsible for the identification and management of the risks associated with the company's business operations and strategy. Accell Group has adequate internal risk management and control systems. This report includes a section titled 'Risk management' (section 4.4), which describes the internal risk management and control systems in more detail.

Certain important resolutions of the Board of Directors require the approval of the Supervisory Board, such as resolutions on major investments, share issues and the establishment and/or termination of long-term alliances between Accell Group and other companies. The General Meeting's approval is required for resolutions of the Board of Directors that involve significant changes to the identity or character of the company or the enterprise.

On 25 April 2017, the General Meeting granted the Board of Directors a mandate to acquire shares in the company's own capital. The mandate was granted under the following conditions:
- the authorisation would be valid for 18 months (until 1 November 2018);
- the Supervisory Board's approval would be required for the acquisition of shares in the company's own share capital;
- the number of shares would be at most 10% of the issued share capital; and
- the acquisition price would be at most 110% of the average share price on the preceding five trading days.

The agenda for the General Meeting of Shareholders of 25 April 2018 includes a proposal to once again grant the Board of Directors an authorisation to acquire shares in the company's own share capital under the same conditions as those set out above and on the understanding that the authorisation will be valid until 1 November 2019.

Resolutions to issue shares are adopted by the General Meeting, insofar as and as long as it has not designated another company body. The pre-emptive rights can be limited or excluded by the company body authorised to adopt resolutions on the issuance of shares, provided that said authorisation is granted expressly to that company body.

On 25 April 2017, a resolution of the General Meeting of Shareholders extended the period during which the Board of Directors is authorised, with the approval of the Supervisory Board, to:
- issue ordinary shares up to a maximum of 10% of the outstanding share capital, and
- limit or exclude the pre-emptive rights upon the issuance of ordinary shares.

to 1 November 2018.

The agenda for the General Meeting of Shareholders of 25 April 2018 includes a proposal to extend this term to 1 November 2019.

The Board of Directors represents the company insofar as the law does not stipulate otherwise. Each member of the Board of Directors also has the authority to represent the company.

The Supervisory Board determines the number of the members of the Board of Directors and appoints and dismisses the members of the Board of Directors. The Board of Directors currently comprises four members. The Supervisory Board has appointed one of the members as chairman of the Board of Directors.

The Supervisory Board determines the remuneration of the individual members of the Board of Directors, with due observance of the remuneration policy adopted by the General Meeting of Shareholders most recently on 22 April 2010. Each year, the Supervisory Board compiles a remuneration report, which contains an explanation of the remuneration of the individual members of the Board of Directors.

The remuneration report of the Supervisory Board for 2017 is available via the website (in the section 'Corporate Governance/Remuneration').

BATAVUS FONK

AWARD: GOOD INDUSTRIAL DESIGN 2017

Batavus' Fonk is a typical city bike without frills. The cables for brakes and gears run through the frame, which makes them less vulnerable when parked. The Aerline lighting, which was developed especially for the Fonk, is permanently on and also has a standstill function that contributes to visibility in traffic.

SUPERVISORY BOARD

The Supervisory Board has been tasked with the supervision of the policy of the Board of Directors and the general course of affairs in Accell Group and its associated enterprise. In the performance of its tasks, the Supervisory Board also focuses on the effectiveness of the internal risk management and control systems and the integrity and quality of the company's financial reporting. In addition, the Supervisory Board provides the Board of Directors with advice. In the performance of its tasks, the Supervisory Board is guided by the interests of Accell Group and its associated enterprise and in doing so weighs the relevant interests of all of the the company's stakeholders. The Supervisory Board receives all the information required for the performance of its tasks from the Board of Directors in a timely manner.

The Supervisory Board has drawn up regulations which include, among other things, the distribution of its tasks and its operating methods. The regulations also include a section on its interaction with the Board of Directors and the General Meeting. The regulations were amended in line with the new Code and adopted by means of a resolution of the Supervisory Board dated 15 December 2017. The regulations can be found on the Accell Group website (in the section 'Corporate Governance/Supervisory Board').

The Supervisory Board consists of at least three members. The General Meeting appoints the members of the Supervisory Board based on nominations drawn up by the Supervisory Board. The General Meeting can reject the nomination with an absolute majority of the votes cast, representing at least one-third of the issued share capital. If the nomination is rejected, the Supervisory Board shall draw up a new nomination. In the event that the General Meeting fails to appoint the nominee and also fails to reject the nomination, the Supervisory Board shall appoint said nominee. The Supervisory Board announces the nominations simultaneously to the General Meeting and the Works Councils of Accell Nederland B.V. and Accell IT Services B.V. The General Meeting and the Works Councils are entitled to recommend nominees to the Supervisory

Board for appointment as members of the Supervisory Board. The Supervisory Board will fill the nominations for one-third of the number of members of the Supervisory Board with persons recommended by the Works Councils, unless the Supervisory Board objects to said recommendation and provides grounds for the same.

A member of the Supervisory Board shall resign no later than on the day of the first annual General Meeting of Shareholders held four years after his appointment and immediately after the end of said meeting. A resigning member of the Supervisory Board may be reappointed immediately. The members of the Supervisory Board receive a remuneration to be determined by the General Meeting.

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

The Supervisory Board has appointed from its midst an audit committee comprising Mr. J. (Jan) van den Belt (chairman) and Mr. P.B. (Peter) Ernsting, and a selection/remuneration committee comprising Mr. P.B. (Peter) Ernsting (chairman) and Mr. A.J. (Ab) Pasman.

These committees are tasked with preparatory activities as part of the decision-making process of the Supervisory Board. By means of a resolution dated 15 December 2017, the Supervisory Board established revised regulations for the audit committee and the selection/remuneration committee. These regulations can be found on the website (in the section 'Corporate Governance/Supervisory Board').

The Supervisory Board has drawn up a profile of its size and composition, taking into account the nature and operations of Accell Group and the desired expertise and background of the members of the Supervisory Board. The profile was most recently established by means of a Supervisory Board resolution dated 21 July 2011 and is available on the Accell Group website (in the section 'Corporate Governance/Supervisory Board'). The Supervisory Board has appointed from its midst a chairman and a deputy chairman. The Supervisory Board aims to align the experience and expertise of its members effectively with the nature, activities and strategy of Accell Group. The Supervisory Board's composition is such that the members are able to operate independently and critically, vis-à-vis each other, the Board of Directors and any company interest whatsoever.

COMPOSITION BOARD OF DIRECTORS AND SUPERVISORY BOARD

Although the Supervisory Board strives for a balanced distribution of seats between men and women on the Board of Directors and the Supervisory Board, it has proven difficult to find suitable female candidates for open vacancies. In any future appointments of managing directors, Accell Group will continue to strive for a balanced composition of the Board of Directors. Accell Group will also continue to strive for a balanced mix in the composition of the Supervisory Board in terms of age and gender, as is laid down in the profile for the Supervisory Board. The profile is available on Accell Group's website.

GENERAL MEETING OF SHAREHOLDERS

Key powers, such as powers regarding resolutions to amend the articles of association, legal mergers and spin-offs, and the adoption of the annual accounts reside with the General Meeting. In addition, the General Meeting adopts 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. Minutes of the General Meeting of Shareholders are kept. Accell Group considers it important that as many shareholders as possible participate in the decision-making processes of the General Meeting of Shareholders.

Shareholders and others entitled to vote are therefore given the opportunity to appoint proxies or to extend voting instructions ahead of the General Meeting of Shareholders. The Board of Directors is pleased with the high level of attendance at the General Meetings of Shareholders in recent years. At the General Meeting of Shareholders held on 25 April 2017, 53.3% of the total number of outstanding shares was either present or represented.

EXTERNAL AUDITOR

The General Meeting appoints the external auditor. The external auditor reports its findings related to the audit of the annual accounts simultaneously to the Board of Directors and the Supervisory Board and records the results of its findings in a report. During the General Meeting of Shareholders the external auditor may be questioned about its report regarding the true and fair nature of the annual accounts and the external auditor attends said meeting and is authorised to speak at the same for that purpose. KPMG Accountants N.V. has been the external auditor for Accell Group since 2016. The Supervisory Board has put forward KPMG Accountants N.V. for reappointment as external auditor for the financial year 2018. The reappointment of the external auditor is on the agenda for the General Meeting of Shareholders of 25 April 2018.

TAX POLICY

Accell Group operates in compliance with all relevant laws and regulations. Tax payments Accell Group makes are largely related to corporate income tax, turnover tax, payroll taxes and social security premiums. Accell Group's guiding principle is to pay taxes in the various countries in proportion to the operating results realised in the country in question.

Internal transactions are settled on the basis of the 'at arm's length' principle. Periodically, Accell Group has consultations with the Dutch tax authorities, during which they discuss important fiscal aspects and developments. If necessary, Accell Group discusses important fiscal aspects with the tax authorities in advance. Risks pertaining to taxes are part of Accell Group's internal risk management and control systems. Compliance with fiscal laws and regulations is considered a compliance risk.

CODES OF CONDUCT

The Board of Directors has established an internal code of conduct incorporating the basic principles that apply to how employees of Accell Group and all of its group companies are expected to conduct themselves. The complete text of this Internal Code of Conduct is available on the Accell Group website (in the section 'Corporate Governance').

Accell Group has laid down its requirements for parties involved in the production and sourcing process in a code of conduct for suppliers. These requirements relate to, among other things, issues including the prohibition of child labour, involuntary labour and discrimination, safety requirements, environmental requirements and labour conditions. The code of conduct for suppliers is available via the Accell Group website (in the section 'Corporate Governance').

WHISTLE-BLOWER REGULATIONS

The Board of Directors has established whistle-blower regulations and published same on the Accell Group website (in the section 'Corporate Governance'), so employees can report on alleged irregularities within Accell Group and its associated companies without harming their legal position. These regulations were recently amended.

INSIDER TRADING REGULATION

The Insider Trading Regulation established by the Board of Directors aims to provide rules to support the legal provisions aimed at preventing insider trading. The basic premise of the Insider Trading Regulation is that people should not conduct or recommend transactions in Accell Group shares and other Accell Group financial instruments if they are in possession of inside information, such in accordance with Regulation (EU) no. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation). By virtue of the Insider Trading Regulation, persons with a reporting obligation (including members of the Board of Directors and the Supervisory Board) and the so-called designated persons at Accell Group are subject to various closed trading periods, announced by the Compliance Officer, in which they are not allowed to conduct any transactions, regardless of whether they are in possession of inside information or not. In line with the Insider Trading Regulation, persons with a reporting obligation and designated persons must report any transactions they have conducted to the Compliance Officer. Those with a reporting obligation must also report their transactions to the Dutch Authority for the Financial Markets (AFM).

On 12 December 2014, the Supervisory Board established a regulation that includes a number of provisions related to the possession of and transactions in securities by members of the Board of Directors and of the Supervisory Board, other than those issued by their ‘own’ company. This is the regulation as referred to in the last sentence of best practice provision 2.7.2 of the Code.

PROTECTIVE MEASURE

To protect the continuity of (the policy of) Accell Group and its stakeholders, Accell Group entered into an option agreement with Stichting Preferente Aandelen Accell Group in May 2015. This agreement replaced the previous agreement dating from December 1998, which was later amended in April 2009.

Pursuant to the option agreement, Stichting Preferente Aandelen Accell Group shall have the right at any time to acquire such number of cumulative preference shares B as are required to make Stichting Preferente Aandelen Accell Group, after the acquisition of said shares, the holder of one half, less one share, of the (increased) issued share capital. Stichting Preferente Aandelen Accell Group can exercise this right at any time in the event that it believes there is a threat to the independence and/or the identity and/or the continuity of (the policy of) the company, the associated enterprise and any parties involved in the same. The option can be exercised, among other things, to 1) prevent or delay (the threat of) a public bid on the shares in the share capital of the company that is deemed hostile, and/or 2) to prevent or oppose an unwanted concentration of voting rights in the General Meeting of Shareholders, and/or 3) to resist any unwanted influence or pressure from shareholders who wish to change the strategy of the Board of Directors. In these cases, the issuance of cumulative preference shares B enables the company and its Board of Directors and Supervisory Board to determine their point of view vis-a-vis the bidder/hostile shareholder and any plans they may have, to investigate alternatives and to defend the interests of the company and those of its stakeholders. Within six months after any issue of cumulative preference shares B, the Board of Directors shall convene a General Meeting of Shareholders to inform the shareholders regarding the state of affairs and discuss the same with said shareholders.

Pursuant to the option agreement, Stichting Preferente Aandelen Accell Group has been granted the right to submit a request for an inquiry (as meant in article 2:345 of the Dutch Civil Code) to the Enterprise Chamber of the Amsterdam Court of Appeal.

The main object of Stichting Preferente Aandelen Accell Group, which has its registered offices in Heerenveen, is to represent the interests of Accell Group and its associated enterprise, such including enterprises which are carried out by the companies with which it is affiliated in a group and all parties involved in the same. In the performance of this task, Stichting Preferente Aandelen Accell Group shall do its utmost to safeguard the interests of Accell Group and its associated enterprise and all parties involved in the same, while at the same time doing its utmost to resist any influences that may affect the independence and/or the continuity and/or the identity of the company and its associated enterprise in conflict with those interests. The managing board of Stichting Preferente Aandelen Accell Group comprises three members, being Mr. M.P. (Marco) Nieuwe Weme, Mr. B. (Bart) van der Meer, and Mr. A.J.M. (Naud) van der Ven. In the opinion of the company and in the opinion of Stichting Preferente Aandelen Accell Group, Stichting Preferente Aandelen Accell Group is independent from the company within the meaning of article 5:71, section 1 under c of the Dutch Financial Supervision Act (Wft).

COMPLIANCE WITH THE CODE

As of the financial year 2017, we are reporting for the first time on the new Dutch Corporate Governance Code adopted on 8 December 2016. In the past Accell Group has complied with and currently complies with most of the principles and best practice provisions of the previous and current version of the Code, insofar as these are applicable to the company. In view of the nature, size and character of the Accell Group organisation, the company believes that it is in its own best interest to deviate from the best practice provisions listed below. The following explains why and to what extent Accell Group deviates from said provisions:

BEST PRACTICE PROVISION 2.2.1

On the basis of this provision, the maximum term of appointment for directors is four years. However, two of the current members of the Board of Directors were appointed for an indefinite period of time before 2005, when this provision first came into effect. Accell Group has decided to respect the contractual status quo of these current members of the Board of Directors. The appointments of members of the Board of Directors after that date, Mr. J.J. (Jeroen) Both in 2015 and Mr. A.H. (Ton) Anbeek in 2017, are for a term of four years.

BEST PRACTICE PROVISION 2.2.2

On the basis of this provision, a member of the Supervisory Board is appointed for a four-year period and may then be reappointed once for another four-year period. The member of the Supervisory Board may then subsequently be reappointed for a period of two years, which appointment may then be extended for a maximum period of two more years. At the General Meeting of Shareholders to be held on 25 April 2018, the Supervisory Board intends to nominate Mr. A.J. (Ab) Pasman, who has been a member of the Supervisory Board for eight years, for reappointment for a period of two years. The reasons for this proposed reappointment are explained in the report of the Supervisory Board in section 4.2 of this report.

BEST PRACTICE PROVISION 2.3.10

Until recently Accell Group did not comply with this provision. Until mid 2017, the company had a secretary to the Board of Directors. This role was limited to providing support for the Board of Directors. As of early 2018, the Supervisory Board is supported by a company secretary, who has been assigned the tasks outlined in best practice provision 2.3.10 of the Code.

BEST PRACTICE PROVISION 3.1.2 (VI)

The scheme for conditional shares stipulates a three-year reference period before the unconditional allocation. Following unconditional allocation, the shares must be held for at least two years. Although the formal period between conditional and unconditional allocation is two years, the reference period for unconditional allocation is three years and the Supervisory Board believes the term stipulated by the entire scheme is sufficiently long to secure the commitment of the members of the Board of Directors to the company and its associated interests.

BEST PRACTICE PROVISION 4.2.3

Accell Group does not comply with one aspect of this provision: not all analyst meetings and presentations to investors can be followed in real time via webcasting, conference calls or other means. In view of its shareholder structure, Accell Group has chosen to make its annual results presentation without webcasting. This has been shown to benefit the discussion about the results.

BEST PRACTICE PROVISION 4.3.2

Accell Group does not offer shareholders the opportunity to issue proxies and/or voting instructions to an independent third party prior to the General Meeting of Shareholders. The company has chosen not to comply with this provision to avoid incurring the costs associated with hiring an independent third party. However, Accell Group does offer shareholders the opportunity to issue proxies and/or voting instructions to the company itself.

TRANSACTIONS INVOLVING CONFLICTS OF INTEREST

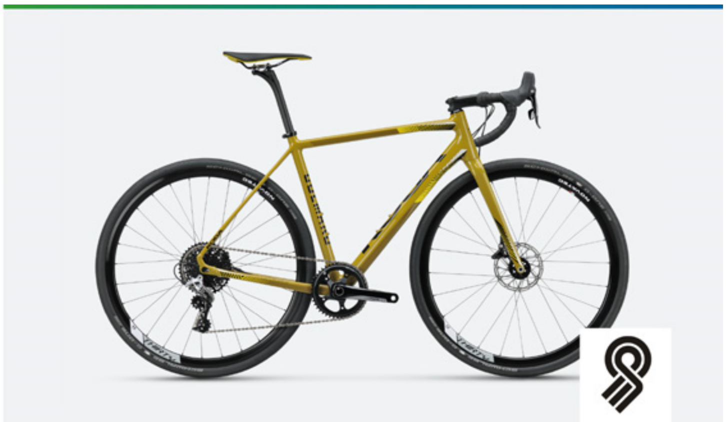
In the financial year 2017, there were no transactions involving a conflict of interest with members of the Board of Directors or of the Supervisory Board or with majority shareholders as provided for in best practice provisions 2.7.4 and 2.7.5 of the Code. The regulations for the Supervisory Board include rules on how to deal with (potential) conflicts of interest involving members of the Board of Directors or of the Supervisory Board and the external auditor in relation to Accell Group and stipulate which transactions require the approval of the Supervisory Board.

DECREE ARTICLE 10 OF THE TAKEOVER DIRECTIVE

The following is an overview of the information required under article 1 of the Decree article 10 of the Takeover Directive:

- The company's authorised share capital amounts to € 1,200,000 divided into 120,000,000 shares with a nominal value of € 0.01 each, divided into 55,000,000 ordinary shares, 5,000,000 cumulative preference shares F, and 60,000,000 cumulative preference shares B. As of 9 March 2018, the issued and paid-up capital of Accell Group amounts to € 262,828.74 divided into 26,282,874 ordinary shares with a nominal value of € 0,01 each.
- The company has no statutory or contractual limitation on the transfer of shares, with the exception of the statutory blocking provision with respect to the transfer of cumulative preference shares F.
- An overview of substantial shareholdings in Accell Group is included in section 1.5 Accell shares.
- There are no shares with special control rights issued by the company.
- Accell Group does not have a monitoring mechanism for an employee share scheme.
- There are no limitations or terms on the execution of the voting rights attached to ordinary shares. There are no depositary receipts for shares issued with the cooperation of the company.
- The company is not aware of any agreements involving a shareholder of the company that may limit the transfer of shares or that may limit the voting rights.
- The provisions for the appointment and dismissal of members of the Board of Directors and the Supervisory Board and for the amendment of the articles of association are incorporated in the articles of association of the company, which can be consulted on the Accell Group website (in the section 'Corporate Governance').
- The powers of the Board of Directors and in particular its power to issue shares in the company and acquire shares in the company's own share capital are described in section 4.3 of this report.
- A number of agreements between the company and its lenders include the provision that the lenders have the right to terminate the agreements and to reclaim the loans issued prematurely in the event of a substantial change in the control over the company following a public bid as meant in article 5:70 of the Dutch Financial Supervision Act (Wft).
- The company is not aware of any agreements with members of the Board of Directors or employees that provide for a payment in the event that the employment is terminated following a public bid as meant in article 5:70 of the Dutch Financial Supervision Act (Wft).

AWARD WINNING BIKES OF 2017



KOGA COLMARO ALLROAD

AWARD: GOOD INDUSTRIAL DESIGN 2017

KOGA's Colmaro Allroad combines the characteristics of a racing bike and a mountain bike. This aluminium endurance racer is fitted with disc brakes and has invisible attachment points for the optional mudguards. The cables for the brakes and derailleurs run through the frame for better protection.

4.4 RISK MANAGEMENT

There are inherent risks in Accell Group's business activities and organisation. Accell Group may fail to meet strategic, operational and financial objectives in full and the company also faces risks in the field of financial reporting and the application of laws and regulations. The extent to which the company is willing to run these risks in trying to achieve its goals differs per risk category. Accell Group has a relatively high risk appetite with respect to innovation, development and marketing. At the same time, the company has a low risk appetite on the product safety front. Where possible, Accell Group has transferred the risks it is unwilling to take on independently to an insurance company. The management of risk is an important part of the tasks of the company's management, the aim being to have a positive impact on the extent to which the company realises its objectives. Below you will find an explanation how Accell Group has organised its risk management and the main risks the company faces.

RISK MANAGEMENT SYSTEM

THE RISK MANAGEMENT SYSTEM COMPRISES THE FOLLOWING COMPONENTS:

- identifying and weighing the risks associated with the various strategic alternatives and formulating realistic objectives and related control mechanisms;
- identifying and evaluating the main strategic, operational, financial and compliance risks and the potential impact of same on the company;
- developing a coherent system of measures to control, limit, avoid or transfer risks. The risk management system is tailored to the size and decentralised structure of the company.

Despite the risk management and control system, material errors, fraud or illegal acts may occur. The system therefore does not provide absolute certainty that objectives will be realised, but was developed to achieve a reasonable level of assurance with regard to the effectiveness of internal controls pertaining to financial and operational risks that may affect the organisation's objectives.

ORGANISATION

The Board of Directors takes stock of and analyses the risks associated with the strategy and activities of the company and its associated enterprise. The Board determines the risk appetite and decides which measures to introduce to mitigate risks. Based on the risk analysis, the Board of Directors implements and maintains suitable internal risk management and control systems. Where relevant, these systems are integrated in Accell Group's operating processes and are known to those for whose work they are relevant. The Board of Directors monitors the operation of the internal risk management and control systems. This monitoring covers all material control measures geared towards strategic, operational, financial and compliance risks. The Board of Directors discusses the risk management with the audit committee.

Market and operational risk management is organised at operating company level, while the organisation of the supply chain and HRM is increasingly managed at group level. Management and control measures related to acquisitions, treasury, financial reporting, tax and legal issues are centralised at group level. Accell Group has a decentralised management philosophy, in which local targets are determined in consultation between the Board of Directors and the management of the operating companies. The company monitors progress through the financial planning cycle and management information, the risk analysis and regular visits by the Board of Directors and other group-level employees to the operating companies.

RISK ANALYSIS

The Board of Directors and the management of the operating companies periodically draw up analyses of the strategic, operational, financial and compliance risks. For the purposes of the risk analysis, Accell Group conducts a detailed inventory of internal and external risks which the members of the Board of Directors and the management of the subsidiaries assess individually in terms of their potential impact on the company. The company also assesses the control measures related to the main risks. The aim of the Board of Directors is to continuously assess the system and make any necessary improvements. The Board of Directors periodically discusses the main risks with the Supervisory Board.

FINANCIAL PLANNING CYCLE AND MANAGEMENT INFORMATION

The various operating companies draw up strategic plans each year based on the main developments in the company's operating environment. Once harmonised and approved, these plans are translated into annual budgets. The Board of Directors discusses the consolidated strategic plan and budget with the Supervisory Board. Management information reports are compiled on a daily, weekly and monthly basis. Prognoses are drawn up at least three times a year. The actual results are reviewed and compared to budgets and prognoses on a monthly basis and the outcome is reported to the Board of Directors.

INTERNAL RISK MANAGEMENT AND CONTROL SYSTEM

To safeguard the quality of the company's financial reporting and operational controls, Accell Group works with a clear administrative organisation and internal controls. The internal control system is largely embedded in the company's information systems.

RISK MANAGEMENT MANUAL

In 2015, Accell Group drew up a risk management manual, which devotes attention to the risk management system and the organisation, as well as to risk identification, risk assessment and plans of action. This manual will be amended in 2018 following the review of the risk management system.

FINANCIAL ADMINISTRATION GUIDELINES

Financial department staff are provided with guidelines and instructions pertaining to the structure and maintenance of the financial administration and reporting systems. Details of these are provided in a reference document. The guidelines and instructions comply with prevailing IFRS standards.

INTERNAL AUDITING

The internal auditor carries out his tasks on the basis of a detailed internal audit plan, a predetermined assessment framework and the Accell Group Internal Control Framework. The Accell Group Internal Control Framework outlines the inherent risks for each process and the related internal control measures. The internal audit generates findings and recommendations that are used to reinforce the internal controls. The findings and recommendations are shared with the members of the Board of Directors and are subject to fixed follow-up deadlines. It has been agreed with the Supervisory Board's audit committee that the internal auditor reports any high-priority findings directly to the committee. This also applies to the follow-up on previous high-priority findings. The follow-up on high-priority findings is a regular item on the agenda of the audit committee meetings.

The Accell Group Internal Control Framework also includes embedded internal procedures, guidelines and management regulations that could have a financial impact. The company has drawn up management regulations to involve the Board of Directors in important decentralised decisions and for it to approve such decisions, frequently in writing.

In recent years, the company has conducted internal audits at various Accell Group subsidiaries and devoted attention to group-wide control measures. The subject of fraud is discussed with the local management, as well as in regular consultations with the CFO, as part of the internal audit plan. The subject of fraud risk management is an item on the agenda of the controllers meeting and in consultations between the Board of Directors and the Supervisory Board. This helps to bring the responsibility for the prevention and detection of fraud risk to the attention of local management and to share this responsibility with them.

In 2018, the company will continue to develop the Accell Group Internal Control Framework and its group-wide control measures. Data analysis is used as a control tool within Accell Group's internal audit department. The aim is to use data analysis for continuous monitoring, with a view to obtaining indicators from IT systems, processes and control measures, which are collated, checked and monitored on a regular basis. The internal auditor will also review the risk management system and facilitate the 2018 risk analysis. In addition to the previously mentioned regular internal audits, the Board of Directors or the audit committee can request specific ad-hoc audits. In 2017, the company decided to add two members to the internal audit department. Accell group expects to fill these positions in 2018.

EXTERNAL AUDITOR

The external auditor draws up an annual audit plan. In the context of the audit of the financial statements, the external auditor conducts an assessment of the structure and presence of the most important internal controls of the business processes. The external auditor reports the outcome of this assessment in a formal management letter. The most important findings are discussed with the plenary Board of Directors and also with the Supervisory Board's audit committee (partly in the absence of the Board of Directors).

LETTER OF REPRESENTATION

Each year, the directors of subsidiaries sign a Letter of Representation, a detailed statement pertaining financial annual reports and the presence and functioning of the internal control systems. For this detailed statement, the company has drawn up a checklist of subjects that is also signed annually by other members of the management of the Accell Group subsidiaries.

SPARTA R5TE

AWARD: GOOD INDUSTRIAL DESIGN 2017

Sparta's R5Te is an electric touring bike in which the five gears and the motor have been integrated into the back wheel. This sports bike is fitted with hydraulic disc brakes and has a rubber belt instead of a chain, which prevents stains on the rider's clothing. The removable battery is half-integrated into the bike's frame and can be charged at home.

OTHER RISK MANAGEMENT MEASURES:

- Accell has an internal code of conduct, which was updated by the Board of Directors of Accell Group and approved by the Supervisory Board in 2013. This internal code of conduct applies to all Accell Group employees and is available on the Accell Group corporate website;
- The basic rules for the directors of Accell Group's operating companies have been laid down in management regulations. These include detailed regulations related to internal decision-making and communications;
- Accell has a whistle-blower regulation, which was updated and adopted by the Board of Directors of Accell Group and approved by the Supervisory Board in 2017, following changes in legislation in Netherlands. The whistle-blower regulation has been published on the Accell Group corporate website and ensures that any violations of existing policy and procedures can be reported without any negative consequences for the person reporting the violation;
- In 2015, the company implemented an earlier decision to organise the supply chain at group level, to give the company more control of the availability of products for sale, and to reduce working capital, especially in inventories. To this end, in 2015 the company added a Chief Supply Chain Officer (CSCO) to the Board of Directors and has since set up a department with some 20 employees.

MAIN RISKS AND MITIGATION OF THESE RISKS

The results of Accell Group are affected by the general economic conditions and the economic outlook of the countries in which the company is active. The conditions in the key purchasing markets also play a role. We divide the risks into the following categories: strategic, operational, financial and compliance risks. Social and environmental risks have been integrated in these categories with a view to integrated reporting. Following overview is not an exhaustive list of risks to which the company is exposed. Additionally, some risks are listed only once, while they may fit into various risk categories.

STRATEGIC RISKS

CHANGES IN THE MARKET
The bicycle purchasing behaviour of consumers and the role of the specialist retail trade have changed dramatically in recent years. Many products are now also available online. There is a risk of channel competition. In addition, society is moving in the direction of circular enterprise, with the key trends a shift towards possession rather than use and the use of sustainable materials.

Mitigation of the risk
Accell Group devotes considerable attention to market positioning and innovation to inspire consumer preferences for our products. Accell wants to ensure that its products are available via all outlets, both offline and online, where consumers want to make their purchases or close their rental or user agreement. Retail trade can play a service role on this front. Accell Group's refined strategy has a strong focus on this front. Accell Group is tightening its IT policy to increase the focus on consumer services and consumer data.
We also devote attention to the end-of-life stage of our bicycles, for instance by setting up collection systems for used batteries.

ACQUISITIONS
Accell Group's strategy is partly dependent on acquisitions. However, it is possible that acquisitions may fail to meet expectations and the goals set. This pertains to estimates and assessments made during the acquisition process, as well as to integration following the acquisition. Furthermore, it is possible that Accell Group will not be able to execute its acquisition strategy because it fails to acquire sufficient suitable companies.

Mitigation of the risk
Accell Group uses its extensive internal knowledge and experience, as well as external experts. The Board of Directors is always directly involved in an acquisition. The Supervisory Board is an active partner in the acquisition process and must approve acquisitions.
Some acquisitions require the approval of the company's consortium of banks.
New companies are generally integrated into the group in the short term. Accell is constantly on the look-out for and in touch with potential acquisition candidates.
The changing conditions in the worldwide economy and changing financing opportunities may make it more difficult or even impossible to finance acquisitions. Buyers with greater capital resources may be at an advantage in those situations.

OPERATIONAL RISKS

MARKETING AND DEVELOPMENT

Accell Group's brand strategy demands continuous innovation and development of attractive products, partly driven by developments at its competitors. Accell Group also has to meet this challenge in the long term. There is a risk that Accell Group will fail to develop and market sufficiently innovative products. Potential changes in consumer awareness of brands and products also play a role in this.

Mitigation of the risk

Accell Group continuously invests in the development of its brands and products. The availability of talented and motivated managers and staff is a key factor in this respect. Accell Group periodically assesses the management teams of the companies.

HUMAN RECOURCE MANAGEMENT

Strong leadership is required to successfully execute the company's strategy. This makes a lack of sufficient leadership qualities and a lack of focus a risk to the implementation of the strategy.

Mitigation of the risk

To enable the management of Accell Group to implement the strategy effectively, and overcome the related strategic and operational challenges, we will:

- Recruit with a more intensive focus on strategic capabilities (such as planning, procurement, IT, marketing, innovation and project management).
- Conduct and follow up on the Accell employee engagement survey.
- Introduce the 'Accell Talent Review' programme to create personal development plans and intervene on an individual basis where necessary.
- Adjust the short-term bonus scheme for seniormanagement, by making a clear connection between the performance of Accell Group and local and personal successes.

COMPETITION

The bicycle sector is marked by fierce competition between existing providers and the chance that new providers and sector-related products can enter the market at any time. There is a risk that Accell Group is unable to predict the behaviour of (potential) competitors sufficiently or unable to respond effectively to same. Sales via different channels may lead to pricing differences. There is a risk that Accell Group brands may lose markets due to a lack of options on the product pricing front.

Mitigation of the risk

Accell Group invests a great deal of time and money in market research, the outcome of which is used in the decision-making process.

SEASONAL SALES AND LOGISTICAL RISKS

Turnover is highly sensitive to seasonal influences. Bicycles are sold primarily in the spring and summer. There is a risk that the company will not be able to adapt quickly enough, which could put pressure on timely deliveries. The weather may also affect seasonal sales. Poor weather in the spring and/or particularly hot or bad weather in the summer may have a negative impact on the demand for bicycles. This may result in surplus stock at the end of the season, which then needs to be sold at a discount.

Mitigation of the risk

Accell Group uses seasonal production and sales plans and aims to continuously improve the predictability of its sales. Long supply lines combined with the unpredictability of the weather and sales can result in higher inventory levels. The company therefore aims to be as flexible as possible in its response to changes in supply and demand during the season. An annual collection is less important in online sales. Product innovations can be introduced throughout the entire season.

The introduction of a supply chain organisation at Group level enables more effective control of the planning, which in turn increases availability and helps prevent the build-up of surplus inventories. Accell Group does not use hedging products to cover the impact of the weather.

COMPLIANCE RISKS

PRODUCT LIABILITY

Defects in products may result in injury to and claims from end users. These can result in physical injury to the consumer on the one hand, and financial damage and/or damage to the company's reputation on the other. People's growing awareness of their rights as consumers is a key development in this respect.

Mitigation of the risk

The company takes great care to ensure the quality and safety of its products. This includes the use of standards based in part on laws and regulations, test and control systems and recall scenarios. Accell Group has a low level risk appetite on the product safety front. In addition, Accell Group maintains close contacts with government bodies and advocacy groups to safeguard and improve the safety of bicycles.

IMPORT DUTIES

Imports of bicycle components from outside Europe and the United States are subject to various types of duty. These include a general import duty (5-15%), on which certain countries enjoy a discount. In addition, imports of bicycles from China to Europe are subject to anti-dumping duties. The current duty for imports from China is 48.5%. This regulation also applies to imports of specific bicycle components from China, to prevent the import of near-complete bicycles in the guise of components. The main purpose of the regulations is to prevent the import of complete bicycles at unfair price levels. The absence of such duties, or a substantial change to the level of the duty, could result in changes to the supply and demand structure in European bicycle markets.

Mitigation of the risk

Bicycle manufacturers that import components for in-house assembly are exempt from this duty. All the Accell Group production companies in Europe are exempt.

Accell Group positions its bicycle range in the higher market segment. In terms of strategic positioning in this segment, quality and the speed of a company's response to market developments are key factors. The share of assembly costs in the total cost price of bicycles in the higher segment is limited. This reduces the impact of a potential termination or substantial reduction of the import duty.

SUPPLY CHAIN

Components are largely produced in Asian countries. The fact that these countries differ from us in terms of how they view of social and environmental aspects entails a risk of damage to the company's reputation.

Mitigation of the risk

Suppliers must sign Accell Group's Code of Conduct. We also audit our primary suppliers in terms of social and environmental aspects in accordance with an audit system developed by the bicycle industry.

FINANCIAL RISKS

CURRENCY AND INTEREST RATE

The company's turnover, profit and cash flow are subject to exchange rate fluctuations in (partly) non-functional currencies. This pertains primarily the US dollar and to a lesser extent the Japanese yen, the British pound, the Taiwanese dollar and the Chinese yuan. Changes in interest rates also affect the company's results and cash flow.

Mitigation of the risk

Accell Group seeks to minimise the impact of non-functional currencies and controls the transaction risk by using derivatives to cover its currency needs. All derivatives used have an underlying economic basis. This principle is applied strictly to prevent potentially speculative positions. Accell Group has an active interest rate policy, partly through the use of interest rate swaps.

FINANCING RISK

The company is partly financed via a bank facility, which is used to absorb the impact of seasonal fluctuations in working capital, or to finance (smaller) acquisitions. There is a risk that the company will not be able to obtain the required financial resources, or will be unable to obtain those resources on time, to meet its financial obligations, which may endanger the growth of the company.

Mitigation of the risk

Accell Group mitigates this risk with a committed group financing facility, which has been agreed with a number of solid financing parties. The facility is in line with the characteristics of the company and provides the financing parties with sufficient transparency and security. The conditions of the committed facility are explained in more detail in the financial statements (section 5.6, point 3) of this annual report.

IMPROVEMENTS PLANNED FOR 2018

Accell Group's risk management system is embedded in the organisation and the company has continued to extend and improve the system in recent years. The company has scheduled the following actions and/or improvements for 2018:

- A review of the risk management system as a result of the previously announced changes to the organisation related to the refined group strategy;
- Re-evaluation of the main risks, using input from the operating companies, the Board of Directors and the Supervisory Board to assess whether the currently identified risks and associated risk appetite are still fit for purpose;
- A more explicit definition of the company's risk appetite;
- Further integration of the risks related to sustainability, with specific attention for both the human and environmental aspects of same;
- Involving the audit function in the assessment of the follow-up to control measures and the assessment of risks.
- Improving the structure and effectiveness of control processes related to the determination and payment of import duties.

4.5 IN CONTROL STATEMENT

In accordance with Best Practice provision 1.4.3 of the Dutch Corporate Governance Code, and taking into account the aforementioned, the Board of Directors states that:

i. the report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems;

ii. the aforementioned systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies;

iii. based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis; and

iv. the report provides information on those material risks and uncertainties that are relevant to the expectation of the company's ability to continue as a going concern for a period of twelve months after the preparation of this report.

With reference to article 5:25c, section 2, under c of the Financial Supervision Act and with due observance of the above, and based on the audit of the financial statements by the external auditor, the Board of Directors states that:
- the financial statements as included in chapter 5 of this report provide a true representation of the assets, liabilities and the financial position as at 31 December 2017, as well as the profit and cash flows for the financial year 2017 of Accell Group N.V. and the companies included in the consolidation;
- the annual report provides a true representation of the situation on 31 December 2017, and the course of business at the company and at companies included in the consolidation during the financial year 2017.

This annual report describes the material risks Accell Group N.V. faces. The Board of Directors wishes to note that the internal risk management and internal control system is intended to identify and control significant risks to which the company is exposed, taking into account the nature and scope of the organisation.

Such a system does not provide absolute certainty that objectives will be realised. Nor is it possible to completely prevent potential material errors, damage, fraud or the violation of statutory regulations. The actual effectiveness of these systems can only be assessed on the basis of the results across a longer period of time.

'COOPERATION IS CRUCIAL'

Accell Group is working to tackle bicycle theft in cooperation with Dutch anti-vehicle theft foundation StAVc (Stichting Aanpak Voertuigcriminaliteit), the police, government agencies, educational institutions and other manufacturers. Mojgan Yavari, who is a police chief inspector and has been seconded to StAVc as the national coordinator for the Dutch national Bicycle Theft Action Plan, talks about the importance of cooperation, the use of bait bikes and the rise of connected bikes.

JUST HOW BIG IS THE BICYCLE THEFT PROBLEM?

'Bicycle theft is a persistent problem, but it is quite difficult to gauge the exact scope of the problem. Based on police reports and available data, we suspect that about half a million bikes are stolen in the Netherlands every year. That number is a rough estimate because people are not particularly willing to file a police report and the registration system is far from perfect. Bicycle theft is not a uniquely Dutch problem, but because bikes are so deeply woven into our daily lives, the social impact is huge.'

Mojgan Yavari, police chief inspector and national coordinator for the Bicycle Theft Action Plan.

IS BICYCLE THEFT MORE LIKELY TO BE OPPORTUNISTIC OR PART OF ORGANISED CRIME?

‘Over the last decade, we have seen a clear shift from opportunistic theft to organised gangs with a highly professional approach. This is clearly related to the rise of more advanced and more expensive e-bikes and sports bikes. These bikes are very attractive targets for bicycle thieves. Thanks to the growing attention for sustainability and the changing position of the bicycle in the mobility chain, bicycles are increasingly popular all over the world. Criminals have also noticed this trend and are deliberately looking for brands and models that are in demand.’

HOW IS BICYCLE THEFT BEING TACKLED, AND WHAT IS ACCELL GROUP'S ROLE IN THIS?

‘The action plan against bicycle theft is based on close cooperation between police, government agencies, educational institutions, manufacturers and insurers. Under the umbrella of the Dutch anti-vehicle theft foundation StAVc, but we also share insights and best practices in a cooperative initiative like 'Tour de Force'. While every party involved has their own reasons and goals, we all benefit from reducing bicycle theft and increasing the chances that thieves will be caught. I know Accell Group as a company that attaches great value to cooperation and is always a driving force behind initiatives such as this. Accell Group also provides us with bait bikes.’

“We're using bait bikes to map out routes and create offender profiles.”

HOW ARE BAIT BIKES BEING USED?

‘Working with the Public Prosecutors office, local police units are placing bait bikes fitted with track & trace devices in strategic locations where bike theft is known to be common. If a bike is stolen, we can immediately arrest the thieves, but we can also choose to follow the bike. So we're using bait bikes to map out routes and create offender profiles. Bait bikes also act as a deterrent to bike thieves.’

Research on the use of bait bikes

Bait bikes are an effective tool for tackling bike theft, according to a study by Tilburg University published in 2017. Local authorities that used bait bikes saw the number of reported bike thefts fall by an average of 40 percent.

WHERE CAN IMPROVEMENTS STILL BE MADE?

‘When people file a report on a stolen bike, nine out of ten times they don't know the frame number. And it's often hard to get information on other features. That's not surprising, but it does limit the effectiveness of any search. Within the Tour de Force initiative, we're considering setting up a central registration system where we can log unique features. The best case scenario would be for this information to be available in an app, which people can use to file a report with the push of a button. This would improve the quality of police reports, which in turn would increase the chances of catching bike thieves and the percentage of retrieved bikes. Until then, I recommend that everyone document the features of their bike and always report thefts.’

HOW DOES THE RISE OF THE CONNECTED BIKE AFFECT HOW BIKE THEFT IS HANDLED?

‘The connected bikes appearing on the market right now are all provided with track & trace devices. Owners can follow their bike live using an app. This is making it easier to locate stolen bikes, but it also means that roles of the people involved in the approach to bicycle theft are changing.’

ACCELL GROUP

THE PREMIER CYCLE AND FITNESS GROUP

ANNUAL REPORT 2017

The original financial statements were drafted in Dutch. This document is an English translation of the original. In the case of any discrepancies between the English and the Dutch text, the latter will prevail.

5

FINANCIAL STATEMENTS

5.1 CONSOLIDATED BALANCE SHEET

(in thousands of euro)

	notes	31-12-17	31-12-16
ASSETS			
Property, plant and equipment	*8*	69,373	71,672
Goodwill	*9*	57,075	59,102
Other intangible fixed assets	*10*	41,814	44,857
Equity-accounted investees	*11*	8,304	6,947
Net defined benefit asset	*17*	14,960	14,489
Deferred tax assets	*19*	3,437	7,142
Other financial assets		2,832	538
Non-current assets		**197,795**	**204,747**
Inventories	*12*	333,564	321,553
Trade receivables	*13*	127,128	137,855
Other receivables		22,668	22,188
Other financial instruments	*22*	-	6,049
Cash and cash equivalents	*14*	24,123	49,421
Current assets		**507,483**	**537,066**
Total assets		**705,278**	**741,813**

The figures following the various items refer to the notes

	notes	31-12-17	31-12-16
EQUITY			
Share capital	*15*	263	258
Share premium		43,219	43,734
Reserves		255,839	275,388
Total equity		**299,321**	**319,380**
LIABILITIES			
Interest-bearing loans	*16*	100,533	47,173
Net defined benefit obligation and other long-term employee benefits	*17*	8,531	8,861
Deferred tax liabilities	*19*	11,820	13,334
Provisions	*20*	4,267	4,044
Deferred revenue	*21*	1,190	1,201
Non-current liabilities		**126,341**	**74,613**
Revolving credit facility and interest-bearing loans	*16*	40,008	61,619
Bank overdrafts	*16*	44,630	87,901
Current tax liabilities		412	9,879
Trade payables		145,740	153,198
Other current liabilities		34,058	27,322
Provisions	*20*	4,291	4,826
Deferred revenue	*21*	947	1,313
Other financial instruments	*22*	9,530	1,762
Current liabilities		**279,616**	**347,820**
Total liabilities		**405,957**	**422,433**
Total equity & liabilities		**705,278**	**741,813**

The figures following the various items refer to the notes

5.2 CONSOLIDATED INCOME STATEMENT

(in thousands of euro)

	notes	2017	2016
Net turnover	1	**1,068,473**	**1,048,152**
Raw materials and consumables		-766,464	-733,348
Personnel expenses [1)]	2	-125,785	-121,781
Depreciation, amortization and impairment losses	3	-11,073	-10,340
Other operating expenses [1)]	4	-127,142	-122,287
Operating result		**38,009**	**60,396**
Financial income	5	625	679
Financial expenses	5	-8,834	-8,952
Net finance cost		**-8,209**	**-8,273**
Income from equity-accounted investees, net of tax	11	385	571
Profit before taxes		**30,185**	**52,695**
Income tax expense	6	-19,684	-20,403
Net profit		**10,501**	**32,292**

Earnings per share (in euro)			
Earnings per share	7	0.40	1.24
Weighted average number of issued shares		26,101,222	25,623,405
Earnings per share (diluted)		0.40	1.23
Weighted average number of issued shares (diluted)		26,266,976	25,790,571

The figures following the various items refer to the notes

5.3 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euro)

		2017	2016
Net profit		**10,501**	**32,292**
Items that will never be reclassified to profit or loss			
Remeasurement of the defined benefit liability (asset)	*17*	326	-3,675
Related tax	*19*	-129	-1,798
Items that are or may be reclassified subsequently to profit or loss			
Foreign operations - foreign currency translation differences		-13,651	-6,359
Cash flow hedges - effective portion of changes in fair value		-21,526	1,666
Cash flow hedges - reclassified to profit or loss		7,807	1,182
Related tax	*19*	3,430	-712
Total comprehensive income		**-13,242**	**22,597**

The figures following the various items refer to the notes

5.4 CONSOLIDATED CASH FLOW STATEMENT

(in thousands of euro)

	notes	2017	2016
Cash flows from operating activities			
Profit for the period		10,501	32,292
Adjustments for:			
- Depreciation, amortisation and (reversal of) impairments	3	11,073	10,348
- Net finance cost	5	8,209	8,273
- Income from equity-accounted investees, net of tax	11	-385	-571
- Equity-settled share-based payment transactions		-71	-61
- Gain on sale of property, plant and equipment	3	-	-8
- Tax expense	6	19,684	20,403
		49,011	**70,676**
Change in:			
- Inventories		-25,612	13,532
- Trade and other receivables		5,058	-4,766
- Trade and other payables		10,212	17,390
- Provisions, employee benefits and deferred revenue		-906	7,149
Cash flows from operations		**37,763**	**103,981**
Interest paid		-6,800	-9,342
Taxes paid		-23,449	-19,162
Cash from operating activities		**7,514**	**75,477**
Cash flow from investing activities			
Interest received		622	556
Dividends received	11	99	218
Proceeds from sale of property, plant and equipment		455	111
Acquisition of subsidiaries, net of cash acquired		-	-681
Acquisition of property, plant and equipment	8	-8,770	-11,598
Acquisition of intangible fixed assets	10	-403	-1,192
Acquisition of other financial fixed assets		-4,072	-1,597
Development expenditure	10	-382	-33
Net cash from (used in) investing activities		**-12,451**	**-14,216**
Free cash flows [1)]		**-4,937**	**61,261**
Cash flow from financing activities			
Proceeds from interest-bearing loans	16	85,488	-
Repayment of interest-bearing loans	16	-45,819	-12,632
Dividends paid		-6,740	-8,793
Proceeds from revolving credit facility	16	100,950	49,050
Repayment of revolving credit facility	16	-110,000	-115,000
Net cash from (used in) financing activities		**23,879**	**-87,375**
Net increase (decrease) in cash and bank overdrafts		**18,942**	**-26,114**
Cash and bank overdrafts at 1 January	14	-38,480	-13,365
Effect of exchange rate fluctuations on cash and bank overdrafts held		-969	999
Cash and bank overdrafts at 31 December	14	**-20,507**	**-38,480**

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

The figures following the various items refer to the notes

5.5 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of euro)

	Share capital	Share premium	Hedging reserve	Translation reserve	Other legal reserve	Other reserve	Total equity
Balance as at 1 January 2016	**253**	**44,264**	**1,079**	**-2,473**	**5,005**	**257,813**	**305,941**
Total comprehensive income							
Net profit	-	-	-	-	-	32,292	32,292
Other comprehensive income	-	-	2,136	-6,359	-	-5,473	-9,696
Total comprehensive income	**-**	**-**	**2,136**	**-6,359**	**-**	**26,819**	**22,597**
Transactions with owners of the Company							
Dividends paid	-	-	-	-	-	-18,215	-18,215
Stock dividends	5	-5	-	-	-	9,422	9,422
Share-based payments	-	-525	-	-	-	464	-61
Other changes	-	-	-	-	1,975	-2,278	-303
Total	**5**	**-530**	**-**	**-**	**1,975**	**-10,607**	**-9,157**
Balance as at 31 December 2016	**258**	**43,734**	**3,215**	**-8,832**	**6,980**	**274,025**	**319,380**

	Share capital	Share premium	Hedging reserve	Translation reserve	Other legal reserve	Other reserve	**Total equity**
Balance as at 1 January 2017	**258**	**43,734**	**3,215**	**-8,832**	**6,980**	**274,025**	**319,380**
Total comprehensive income							
Net profit	-	-	-	-	-	10,501	**10,501**
Other comprehensive income	-	-	-10,289	-13,651	-	197	**-23,743**
Total comprehensive income	**-**	**-**	**-10,289**	**-13,651**	**-**	**10,698**	**-13,242**
Transactions with owners of the Company							
Dividends paid	-	-	-	-	-	-18,616	**-18,616**
Stock dividends	5	-5	-	-	-	11,876	**11,876**
Share-based payments	-	-510	-	-	-	439	**-71**
Other changes	-	-	-	-	-4,276	4,270	**-6**
Total	**5**	**-515**	**-**	**-**	**-4,276**	**-2,031**	**-6,817**
Balance as at 31 December 2017	**263**	**43,219**	**-7,074**	**-22,483**	**2,704**	**282,692**	**299,321**

5.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

1. GENERAL INFORMATION

Accell Group N.V. ("Accell Group") in Heerenveen, the Netherlands, is the holding company of a group of legal entities. An overview of the data required pursuant to articles 2:379 and 2:414 of the Netherlands Civil Code is enclosed in note 11 Subsidiaries of the financial statements. Accell Group with its group of companies is internationally active in the design, development, production, marketing and sales of innovative and high-quality bicycles, bicycle parts and accessories.

2. BASIS OF PREPARATION

A. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and with Section 2:362(9) of the Netherlands Civil Code.

The consolidated financial statements were authorized for issue by the Board of Directors on 9 March 2018.

B. BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date:

- derivative financial instruments measured at fair value: measured at fair value through other comprehensive income: measurement at fair value;
- the net defined benefit obligation (asset): measured at the fair value of plan assets, less the present value of the defined benefit obligation.

C. FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements are presented in euro, which is Accell Group's functional currency.

D. USE OF ESTIMATES

In preparing these consolidated financial statements, Accell Group has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2017 is included in the following notes:

- Note 17 – measurement of defined benefit obligations: key actuarial assumptions;
- Note 19 – recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used;
- Notes 9 and 10 – impairment test: key assumptions underlying recoverable amounts, including the recoverability of development costs;
- Note 20 – recognition and measurement of provisions: key assumptions about the likelihood and

magnitude of an outflow of resources.

Measurement of fair values

A number of Accell Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or a liability, Accell Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1:* quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2:* inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3:* inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Accell Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 18 – share-based payment arrangements;
- Note 22 – financial instruments - fair values and risk management.

E. CHANGES IN ACCOUNTING POLICIES

There were no changes in accounting policies, effective from 1 January 2017, that materially impact Accell Group.

3. SIGNIFICANT ACCOUNTING POLICIES

Accell Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

A. BASIS OF CONSOLIDATION

BUSINESS COMBINATIONS

Accell Group accounts for business combinations using the acquisition method when control is transferred to Accell Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

SUBSIDIARIES

Subsidiaries are entities controlled by Accell Group. Accell Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

LOSS OF CONTROL

When Accell Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any non-controlling interests and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

INTERESTS IN EQUITY-ACCOUNTED INVESTEES

Accell Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which Accell Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which Accell Group has joint control, whereby Accell Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are recognized initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include Accell Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

TRANSACTIONS ELIMINATED ON CONSOLIDATION

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of Accell Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

B. REVENUE

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. For sales of bicycles, parts and accessories, usually transfer occurs when the product is delivered to the customer's warehouse; however, for some international shipments the transfer occurs on loading the goods onto the relevant carrier at the port. Generally, for such products the customer has no right of return.

C. FINANCE INCOME AND FINANCE COSTS

The Group's finance income and finance costs include:

- interest income;
- interest expense;

- bank fees;
- dividend income;
- the foreign currency gain or loss on financial assets and financial liabilities;
- the gain on the remeasurement to fair value of any pre-existing interest in an acquiree in a business combination;
- (reversal of) impairment losses recognized on financial assets (other than trade receivables).

Interest income or expense is recognized using the effective interest method. Dividend income is recognized in profit or loss on the date that Accell Group's right to receive payment is established.

D. FOREIGN CURRENCY

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated to the respective functional currencies of group companies at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are not translated again at a later stage.

Foreign currency differences are generally recognized in profit or loss. However, foreign currency differences arising from the translation of qualifying cash flow hedges to the extent the hedges are effective are recognized in OCI.

FOREIGN OPERATIONS

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into euro at exchange rates at the reporting date. The income and expenses of foreign operations are translated into euro at the exchange rates at the dates of the transactions.

Foreign currency differences are recognized in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If Accell Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When Accell Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

If the unwinding of a monetary balance, which is either collectable from or payable to a foreign operation is neither planned nor probable in the foreseeable future, than the foreign currency differences of this monetary balance is considered part of the net investment in the foreign operation. Accordingly these currency differences are included in other comprehensive income and recorded in the translation reserve.

HEDGE OF A NET INVESTMENT IN FOREIGN OPERATION

Accell Group applies no hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and Accell Group's functional currency (euro).

E. EMPLOYEE BENEFITS

SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if Accell Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

SHARE-BASED PAYMENT TRANSACTIONS

The grant-date fair value of equity-settled share-based payment awards granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

DEFINED CONTRIBUTION PLANS

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

DEFINED BENEFIT PLANS

Accell Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for Accell Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses and the return on plan assets (excluding interest), are recognized immediately in OCI. Accell Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. Accell Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

OTHER LONG-TERM EMPLOYEE BENEFITS

Accell Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

F. INCOME TAX

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

CURRENT TAX

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

DEFERRED TAX

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves. Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which Accell Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

G. INVENTORIES

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out (fifo) principle. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

H. PROPERTY, PLANT AND EQUIPMENT

RECOGNITION AND MEASUREMENT

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

DEPRECIATION

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Buildings	40 year
Plant and equipment	3 - 12 year

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

I. INTANGIBLE ASSETS AND GOODWILL

RECOGNITION AND MEASUREMENT

Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Trademarks

Trademarks, commonly arising on the acquisition of subsidiaries, are measured at cost less accumulated impairment losses. The acquired trademarks are positioned in the middle and upper segments and mostly have a long history and tradition in the local and international markets in which they operate. The trademarks have an indefinite useful life; based on an analysis of all the relevant factors there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for Accell Group.

Research and development

Expenditure on research activities is recognized in profit or loss as incurred. Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and Accell Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

Other intangible assets

Other intangible assets, including customer relationships, patents and trademarks, that are acquired by Accell Group and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

SUBSEQUENT EXPENDITURE

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

AMORTIZATION

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Goodwill and trademarks are not amortized.

The estimated useful lives for current and comparative periods are as follows:

Customer lists	10 - 20 year
Licenses	10 year
Patents	5 year
Software	3 - 5 year
Development expenditure	3 - 5 year

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

J. FINANCIAL INSTRUMENTS

Accell Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets and loans and receivables.

Accell Group classifies non-derivative financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities.

NON-DERIVATIVE FINANCIAL ASSETS AND FINANCIAL LIABILITIES – RECOGNITION AND DERECOGNITION

Accell Group initially recognizes loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date when Accell Group becomes a party to the contractual provisions of the instrument.

Accell Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by Accell Group is recognized as a separate asset or liability.

Accell Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, Accell Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

NON-DERIVATIVE FINANCIAL ASSETS – MEASUREMENT

Financial assets at fair value through profit or loss

A financial asset is classified as at 'fair value through profit or loss' if it is classified as held for trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any interest or dividend income, are recognized in profit or loss.

Held-to-maturity financial assets

These assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

Loans and receivables

These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

NON-DERIVATIVE FINANCIAL LIABILITIES – MEASUREMENT

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Accell Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Derivatives are initially measured at fair value; any directly attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in OCI and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss. The amount accumulated in equity is retained in OCI and reclassified to profit or loss in the same period or periods during which the hedged forecast cash flows affects profit or loss or the hedged item affects profit or loss.

If the forecast transaction is no longer expected to occur, the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

SHARE CAPITAL

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognized as a deduction from equity. Income tax relating to transaction costs of an equity transaction are accounted for in accordance with IAS 12.

K. IMPAIRMENT

NON-DERIVATIVE FINANCIAL ASSETS

Financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to Accell Group on terms that Accell Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost.

Financial assets measured at amortized cost

Accell Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics. In assessing collective impairment, Accell Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. When Accell Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

Equity-accounted investees

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognized in profit or loss, and is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

NON-FINANCIAL ASSETS

At each reporting date, Accell Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and trademarks are tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units. Goodwill arising from a business combination is allocated to (groups of) cash generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of an asset or cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit, and then to reduce the carrying amounts of the other assets in the cash generating unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

L. PROVISIONS

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

M. CASH FLOW STATEMENT

Accell Group has centralized its cash management with the execution of payments in the operations by group companies. Accell Group consists of manufacturing entities, trading companies and hybrids, which for example all start building up inventories for the season at different moments in time resulting in a varying demand for liquidity. The centralized cash management aims to optimize the cash allocation within Accell Group, where excess cash in the one entity is made to use in the other entity.

The cash management includes cash pools, cash and bank overdrafts. The centralized cash management, including foreign exchange management, is executed with these instruments. Long-term bank loans and a revolving credit facility are held for financing purposes.

Cash pools are an important element of cash management. The cash pools are made available by banks that participate in the syndicate that provided the group financing. The cash pools consist of a large number of bank accounts with fluctuating balances per account. On a monthly basis it are different bank accounts that forms the credit balance (gross) and debit balance (gross) per cash pool. The net balance of a single cash pool, if overdrawn, reduces the available amount from the revolving credit facility, has the same conditions as the revolving credit facility and is repayable on demand. As a result the cash pools have a hybrid nature; on the one hand it is a cash management tool and on the other hand it has a bridging nature at specific times.

Besides the cash pools Accell Group has 'standard' bank accounts and bank overdrafts at its disposal; 'standard' means that these accounts are no part of a cash pool. These accounts however only represent a limited part of the net cash balance. One part of the bank accounts and bank overdrafts are with banks from the syndicate that provided the group financing; the other part is with local banks for specific purposes.

All together the cash pools, cash and bank overdrafts reflect Accell Group's cash management and are the components of the item cash and bank overdrafts in the cash flow statement. Cash flows exclude movements between items that constitute the cash and bank overdrafts because these components are part of Accell Group's cash management rather than part of its operating, investing and financing activities.

4. NEW AND REVISED STANDARDS NOT YET ADOPTED

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018, which Accell Group has not applied in preparing these consolidated financial statements:

IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9, was published in July 2014 and subsequently endorsed by the European Union on 9 November 2017. IFRS 9 includes revised guidance on classification and measurement of financial instruments, including a new expected credit loss impairment model for calculating impairment on financial assets, and new general hedge accounting requirements. This standards replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. Accell Group will implement IFRS 9 per 1 January 2018 using the modified retrospective approach, meaning that the 2017 comparative figures in the 2018 financial statements will not be restated. Any impact of IFRS 9 will be recognized directly in equity per 1 January 2018.

Accell Group assessed the impact of the new standard and concludes that the impact is immaterial:

- With regard to the revised classification and measurement principles, IFRS 9 contains three classification categories: 'measured at amortized cost', 'fair value through other comprehensive income' (FVOCI) and 'fair value through profit and loss' (FVPL). The standard eliminates the existing IAS 39 categories: 'loans and receivables', 'held to maturity' and 'available-for-sale'. Accell Group has neither investments classified as 'held to maturity' nor assets currently classified as 'available-for-sale' and for the other categories IFRS 9 brings no change in measurement for Accell Group.
- With regard to the expected loss model on trade receivables Accell Group concludes that the impact on Accell Group's future consolidated income statement is expected to be immaterial as the standard requires provisions to be recorded earlier and the initial impact of this timing difference is recorded in equity upon implementation. The initial impact recorded in equity per 1 January 2018 is also immaterial.
- For the new hedging requirements of IFRS 9 Accell Group concludes that all current hedging relationships will continue to qualify as hedging relationships upon application of IFRS 9.
- Under the current standard, if a hedge of a forecast transaction later results in the recognition of a non-financial item, then an entity has an accounting policy choice to:
  - treat the associated gains and losses that were accumulated in the cash flow hedge reserve as a basis adjustment; or
  - retain these amounts in the reserve and reclassify them to profit and loss as the asset acquired or liability assumed affects profit and loss.
- Accell Group currently opts to retain the gains and losses from hedges of forecast purchase transactions later resulting in inventories in the cash flow hedge reserve and reclassify them to profit and loss as the inventories acquired affects profit and loss (via cost of sales). IFRS 9 removes this accounting policy choice and requires to transfer these gains and losses from the cash flow hedge reserve to the initial cost of the related inventories as an adjustment to the basis. Per 1 January 2018 the basis adjustment results in a downward adjustment of € 4 million (1%) to the carrying amount of total inventories, which is mainly due to the development of the EUR/USD and EUR/JPY exchange rates over 2017. The basis adjustment for next reporting periods cannot be estimated as it is the result of future developments in the hedged items, hedging instruments and foreign exchange rates.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

In May 2014, the International Accounting Standards Board issued IFRS 15 'Revenue from Contracts with customers', which was subsequently endorsed by the European Union on 22 September 2016. IFRS 15 establishes a framework for determining whether, how much and when revenue is recognized from contracts with customers. IFRS supersedes existing standards and interpretations related to revenue. Accell

Group will apply the new standard as per 1 January 2018. For implementation the full retrospective method will be applied, meaning prior period financial information will be restated if impacted.

Accell Group assessed the impact of the new standard and concludes that the impact is immaterial:

- With respect to the recognition standards Accell Group concludes that the majority of its contracts are contracts with customers in which the sale of goods is generally expected to be the only performance obligation. The revenue recognition will still occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the bicycles, parts and accessories, consistent with its current practice. With respect to its performance obligations, Accell Group considered its warranty obligations. Accell Group provides warranties for general repairs and does not provide extended warranties or maintenance services in its contracts with customers. As such, Accell Group concludes that such warranties are assurance-type warranties which will continue to be accounted for under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', consistent with its current practice. Therefore, Accell Group concludes that the recognition standard under IFRS 15 will have an immaterial impact on the consolidated financial statements.
- With respect to the measurement principles it is relevant that some contracts with customers provide customer programs and incentive offerings, including special pricing agreements, promotions, advertising allowances and other volume-based incentives. Currently, Accell Group recognizes revenue from the sale of bicycles, parts and accessories measured at the fair value of the consideration received or receivable, net of accruals for customer incentives and for sales and return (if the customer is provided the right of return). If revenue cannot be reliably measured, Accell Group defers revenue recognition until the uncertainty is resolved. Such provisions give rise to variable consideration under IFRS 15, and will be required to be estimated at contract inception. IFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. Accell Group concludes it will continue to assess individual contracts to determine the estimated variable consideration and related constraint. The measurement principles under IFRS 15 will have an immaterial impact on the Company's consolidated financial statements.
- IFRS 15 provides presentation and disclosure requirements, which are more detailed than under current standards.

Accell Group evaluated the available practical expedients of IFRS 15 and concludes that these options have no material impact on Accell Group's revenue recognition. The practical expedients will therefore not be applied.

IFRS 16 LEASES

IFRS 16 'Leases' was published in January 2016 and subsequently endorsed by the European Union on 9 November 2017. IFRS 16 establishes a revised framework for determining whether a lease is recognized in the (consolidated) balance sheet. The standard replaces existing guidance on leases, including IAS 17. Accell Group will implement IFRS 16 per 1 January 2019 by applying the modified retrospective method, meaning that the 2018 comparative figures in the 2019 financial statements will not be restated to show the impact of IFRS 16. In selecting which practical expedients to apply Accell Group will focus on reducing the complexity of implementation.

Under the new standard lease contracts will be recognized on Accell Group's balance sheet and subsequently depreciated on a straight line basis. The liability recognized on transition is measured based on the discounted future cash flows and the future interest will be recorded in interest expenses. Lease expenses currently recorded in the income statement will be therefore replaced by depreciation and interest expenses for all lease contracts within the scope of the standard.

The financial impact of the new standard on Accell Group will be material. As an indication a reference is made to note 24 Off-balance sheet commitments, which includes the operational lease commitments. Management does not expect the implementation of IFRS 16 to impact Accell Group's ability to meet the bank covenants. The impact of IFRS 16 is excluded from the financial covenants.

OTHER STANDARDS AND INTERPRETATIONS

Amended standards (IFRS 1, IFRS 2, IAS 28 and IAS 40) and new interpretations (IFRIC 22 and IFRIC 23) are not expected to have a significant impact on Accell Group's financial statements.

5.7 NOTES

1. OPERATING SEGMENTS

Accell Group has the operational segments Bicycles and Parts & accessories. The risk and return profile of each segment is determined by the nature of the activities and products that are produced.

Information related to each reportable segment is set out below. The earnings before interest and taxes is used to measure the performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

A. INFORMATION ABOUT REPORTABLE SEGMENTS

	Bicycles		Parts & accessories	
	2017	2016	2017	2016
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
External revenues	812,687	785,536	255,786	262,616
Inter-segment revenue	19,438	32,243	18,284	19,958
Segment revenue [1)]	**832,125**	**817,779**	**274,070**	**282,574**
Segment profit (loss) before interest and tax [1) 2)]	**41,079**	**56,385**	**19,376**	**17,493**
Depreciation and amortization	7,647	7,350	2,534	2,901
Share of profit (loss) of equity-accounted investees	385	571	-	-
Segment assets [1)]	**545,282**	**537,171**	**128,064**	**146,508**
Equity-accounted investees	8,304	6,947	-	-
Capital expenditure	6,828	9,876	2,175	1,639
Segment liabilities [1)]	**174,702**	**187,126**	**35,657**	**33,865**

1) As a result of the strategic redirection of Etablissement Th. Brasseur S.A. (Belgium) the related revenues, results and net assets are reported in the segment Bicycles as of 2017. The impact on the segment Bicycles (Parts & accessories) is: revenues +1% (4%), profit before interest and tax < 1% (< 1%) and net assets < 1% (< 1%).

2) The result of Parts & accessories includes € 1.4 million transaction profit from the sale of the fitness business of Tunturi Hellberg Oy Ltd, related trademarks and inventories.

B. RECONCILIATION OF INFORMATION ON REPORTABLE SEGMENTS

	2017	2016
	€ x 1,000	€ x 1,000
i. Revenues		
Total revenue of reportable segments	1,106,196	1,100,353
Elimination of inter-segment revenue	-37,723	-52,201
Consolidated revenue	**1,068,473**	**1,048,152**
ii. Profit before tax [1)]		
Total profit (loss) before interest and tax of the reportable segments	60,455	73,878
Unallocated amounts:		
- Interest income	625	679
- Interest expenses (incl. financing cost)	-8,834	-8,952
- Other corporate expenses	-22,061	-12,910
Consolidated profit before tax	**30,185**	**52,695**
iii. Assets [1)]		
Total assets for reportable segments	673,346	683,679
Other unallocated amounts	31,932	58,134
Consolidated total assets	**705,278**	**741,813**
iv. Liabilities		
Total liabilities of reportable segments	210,359	220,991
Other unallocated amounts	195,598	201,442
Consolidated total liabilities	**405,957**	**422,433**

1) As of 2016 equity-accounted investees and the related income are allocated to the operational segments.

GEOGRAPHICAL INFORMATION

Geographical segments are based on the physical location of the assets. The sales to external customers reported in the geographical segments are based on the geographical location of the customers.

	Net turnover		Non-current assets [1)]	
	2017	2016	2017	2016
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
The Netherlands	202,663	223,608	32,955	33,792
Germany	312,797	265,937	51,063	50,394
Other Europe	426,594	404,719	73,112	73,556
North America	101,526	118,577	13,078	14,787
Other countries	24,893	35,311	9,191	10,588
Total	**1,068,473**	**1,048,152**	**179,399**	**183,116**

1) The deferred tax assets and the net defined benefit asset are, in accordance with IFRS 8.33b, excluded from non-current assets.

2. *PERSONNEL COSTS*

Personnel costs are comprised of the following:

	2017	2016
	€ x 1,000	€ x 1,000
Wages and salaries	99,638	96,457
Social security charges	13,854	13,649
Pension contributions	6,436	6,344
Profit sharing	1,418	985
Share based payments	439	464
Other personnel costs	3,999	3,882
Personnel expenses	**125,785**	**121,781**

3. *DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES*

Depreciation, amortization and impairment losses comprise the following:

	2017	2016
	€ x 1,000	€ x 1,000
Amortization of intangible assets	1,204	909
Impairment losses on intangible assets	-	669
Depreciation of property, plant and equipment	9,869	8,770
Capital gain on sale of tangible fixed assets	-	-8
Depreciation costs	**11,073**	**10,340**

4. OTHER OPERATING EXPENSES

	2017	2016
	€ x 1,000	€ x 1,000
Selling expenses	66,815	65,754
General and administrative expenses	17,641	18,245
Lease and contingent rent	8,369	7,825
Research & delelopment expenses	1,762	1,770
Other	32,555	28,693
Other operating expenses	**127,142**	**122,287**

5. NET FINANCE COST

Financial income and expenses comprise the following:

	2017	2016
	€ x 1,000	€ x 1,000
Interest income	-625	-679
Interest expenses	6,912	7,502
Bank fees	836	2,334
Currency results	1,086	-884
Net finance cost	**8,209**	**8,273**

The policy regarding interest and currency risks is covered in note 22 Financial instruments - fair values and risk management

6. TAXES

The effective corporate income tax charge comprises the following:

	2017	2016	2017	2016
	€ x 1,000	€ x 1,000	%	%
Current taxes	14,106	18,973		
Deferred taxes	5,578	1,430		
Taxes in income statement	**19,684**	**20,403**		
Taxes based on the weighted average applicable rate	8,179	13,158	27.1	25.0
Participation exemption	-2,322	-199	-7.7	-0.4
Benefits from tax facilities	-134	-1,284	-0.4	-2.4
Deferred tax assets not carried forward	7,307	5,214	24.2	9.9
Derecognition of deferred tax assets	5,651	1,779	18.7	3.4
Adjustment of current taxes of prior years	834	465	2.8	0.9
Adjustment of deferred taxes of prior years	82	11	0.3	0.0
Other effects, including on-deductible amounts	87	1,259	0.3	2.4
Taxes in income statement	**19,684**	**20,403**	**65.2**	**38.7**

The effective tax rate consists of the reported tax charge for the current year, divided by the profit before taxes. The effective tax rate in 2017 amounts to 65.2% (2016: 38.7%). The tax rate was negatively impacted by not recognizing deferred taxes assets from new tax losses in North America and the derecognition of carry forward losses and other deferred taxes in North America and Finland.

7. EARNINGS PER SHARE

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

	2017	2016
Profit for earnings per share (net profit accruing to Accell Group N.V.'s shareholders)	€ 10,501,325	€ 32,292,400
Number of issued shares as per balance sheet date	26,255,179	25,834,236
Weighted average number of shares for the earnings per share	26,101,222	25,623,405
Potential impact of share options and conditional shares on the issuance of shares	165,754	167,166
Weighted average number of issued shares (diluted)	26,266,976	25,790,571
Reported earnings per share	€ 0.40	€ 1.26
Reported earnings per share (diluted)	€ 0.40	€ 1.25
Adjustment factor according to IAS 33	1.00000	0.98476
Earnings per share financial year	€ 0.40	€ 1.24
Earnings per share financial year (diluted)	€ 0.40	€ 1.23

8. PROPERTY, PLANT AND EQUIPMENT

Changes in property, plant and equipment are as follows:

	Land and buildings	Machinery and equipment	Total property. plant and equipment
	€ x 1,000	€ x 1,000	€ x 1,000
Cost			
Balance at 1 January 2016	**65,075**	**115,692**	**180,767**
Investments	1,157	10,441	11,598
Investments as a result of business combinations	-	-	-
Divestments	-5	-102	-107
Currency translation differences	-587	-233	-820
Balance at 1 January 2017	**65,640**	**125,798**	**191,438**
Investments	2,219	6,551	8,770
Investments as a result of business combinations	-	-	-
Divestments	-	-455	-455
Currency translation differences	-265	-480	-745
Balance at 31 December 2017	**67,594**	**131,414**	**199,008**
Accumulated depreciation			
Balance at 1 January 2016	**21,035**	**89,961**	**110,996**
Depreciation	1,236	7,534	8,770
Balance at 1 January 2017	**22,271**	**97,495**	**119,766**
Depreciation	1,386	8,483	9,869
Balance at 31 December 2017	**23,657**	**105,978**	**129,635**
Carrying amount			
Balance at 1 January 2017	**43,369**	**28,303**	**71,672**
Balance at 31 December 2017	**43,937**	**25,436**	**69,373**

Land and buildings with a carrying amount of € 4.6 million per 31 December 2017 have been pledged to security; on the one hand to the trustees of the UK pension fund (€ 3.0 million) and on the other hand to security of a bank loan (€ 1.6 million).

9. GOODWILL

Changes in goodwill are as follows:

	2017 € x 1,000	2016 € x 1,000
Cost		
Balance at 1 January	**61,408**	**60,495**
Investments as a result of business combinations	-	315
Currency translation differences	-2,027	598
Balance at 31 December	**59,381**	**61,408**
Accumulated impairments		
Balance at 1 January	**2,306**	**2,306**
Impairments	-	-
Balance at 31 December	**2,306**	**2,306**
Carrying amount		
Balance at 1 January	**59,102**	**58,189**
Balance at 31 December	**57,075**	**59,102**

Goodwill is tested annually for impairment or more frequently if there are indications of impairment losses. For the purposes of this test, goodwill is allocated to cash-generating units. Allocation is made to the (group of) cash-generating units that is expected to benefit from the business combination from which the goodwill arose. The cash-generating units used in the assessment correspond with the operational segments.

The carrying amount of goodwill (with an indefinite useful life) on segment level is divided as follows:

	2017 € x 1,000	2016 € x 1,000
Bicycles	40,113	41,181
Parts & accessories	16,962	17,921
Balance at 31 December	**57,075**	**59,102**

The following main assumptions are used in determining the value in use of the segments Bicycles and Parts & accessories and are based on historical experiences in specific markets and countries:

- turnover growth, based on the historical average of the last 3 years, for Bicycles respectively Parts & accessories of 7.5% *(2016: 10.0%)* respectively of 3.1% *(2016: 5.4%)*;
- operating margin, based on the average of the last 3 years, for Bicycles respectively Parts & accessories of 6.9% *(2016: 6.8%)* respectively of 6.6% *(2016: 4,5%)*;
- working capital, based on the current ratio in relation to turnover, for Bicycles respectively Parts & accessories of 31.0% *(2016: 29.5%)* respectively of 22.9% *(2016: 25.5%)*;
- a perpetual growth rate of 1.5% *(2016: 1.4%)* is used for the estimates of the future cash flow after the initial period of 5 years;
- a post-tax weighted average cost of capital of 7.6% *(2016: 7.6%)* was used for the discounting of the cash flows. The discounting rate applied corresponds with a pre-tax weighted average cost of capital of 10.1% *(2016: 9.8%)*.

The impairment test in 2017 shows a substantial headroom in goodwill. Accell Group believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed the recoverable amount of the cash-generating units.

10. OTHER INTANGIBLE FIXED ASSETS

The changes in other intangible fixed assets are as follows:

	Trademarks	Customer lists and licenses	Other	Total other intangible assets
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Cost				
Balance at 1 January 2016	**41,833**	**5,859**	**5,053**	**52,745**
Investments	-	-	1,225	1,225
Investments as a result of business combinations	-	-	-	-
Currency translation differences	319	-192	27	154
Balance at 1 January 2017	**42,152**	**5,667**	**6,305**	**54,124**
Investments	-	-	785	785
Investments as a result of business combinations	-	-	-	-
Currency translation differences	-2,334	-185	-105	-2,624
Balance at 31 December 2017	**39,818**	**5,482**	**6,985**	**52,285**
Accumulated depreciation				
Balance at 1 January 2016	**3,350**	**958**	**3,381**	**7,689**
Amortization	-	105	804	909
(Reversal of) Impairment losses	-73	742	-	669
Balance at 1 January 2017	**3,277**	**1,805**	**4,185**	**9,267**
Amortization	-	362	842	1,204
(Reversal of) Impairment losses	-	-	-	-
Balance at 31 December 2017	**3,277**	**2,167**	**5,027**	**10,471**
Carrying amount				
Balance at 1 January 2017	**38,875**	**3,862**	**2,120**	**44,857**
Balance at 31 December 2017	**36,541**	**3,315**	**1,958**	**41,814**

As per 31 December 2016 trademarks mainly consist of the valuation of the brands Raleigh and Diamondback from the acquisition of Raleigh Cycle (€ 22.4 million) as well as Ghost (€ 9.4 million). Furthermore brands from the acquisitions of SBS, Brasseur, Hellberg, Carraro, Currie and Van Nicholas are valued for a total amount of € 4.7 million.

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

	2017	2016
	€ x 1,000	€ x 1,000
Bicycles	36,541	38,375
Parts & accessories [1]	-	500
Balance at 31 December	**36,541**	**38,875**

1) The trademarks of the segment Parts & accessories decline by € 0.5 million due to the reporting of Etablissement Th. Brasseur S.A.(België) in the segment Bicycles as of 2017.

The trademarks are tested annually for impairment, or more frequently if there are indications of impairment losses. The principal assumptions used in the annual impairment test include the budgeted expectations regarding the turnover of the trademarks, royalty fees of the trademarks and discounting of the cash flows applying the post-tax weighted average cost of capital of 7.6% *(2016: 7.6%)*, which corresponds with a pre-tax weighted average cost of capital of 10.1% *(2016: 9.8%)*. For the trademarks generating cash flows in North America a post-tax weighted average cost of capital of 8.3% *(2016: 8.4%)*, which corresponds with a pre-tax weighted average cost of capital of 10.8% *(2016: 9.6%)*. This testing has led to no impairment loss in 2017.

The customer lists and licenses consist of the Turkish dealer network, an extension of a licensing agreement and the customer list of Comet. The useful life of these respective assets is estimated at 20 years, 10 years and 20 years and are amortized as from 2012, 2013 and 2015 onwards.

The other intangible fixed assets relate to software, development expenditure in connection with the patents and development mainly relating to the development of electric bicycles.

Amortization expenses and impairment losses are accounted for in the income statement within depreciation.

11. SUBSIDIARIES

The consolidated financial statements 2017 include Accell Group N.V., in Heerenveen, as well as the financial information of the following companies.

	Participation Percentage
Consolidated subsidiaries	
Accell Bisiklet A.S., Manisa, Turkey	100%
Accell Hunland Kft, Toszeg, Hungary	100%
Accell IT B.V., Heerenveen, the Netherlands	100%
Accell Nederland B.V., Heerenveen, the Netherlands	100%
Accell North America Inc, Kent, Washington, United States of America	100%
Accell Suisse AG, Alpnach Dorf, Switzerland	100%
ATC Ltd (Taiwan Branch), Taipei, Taiwan	100%
ATC Ltd, Hong Kong, People's Republic of China	100%
Comet Distribuciones Commerciales S.L., Urnieta, Spain	100%
Cycle Services Nordic ApS, Odense, Danmark	100%
Cycles Lapierre S.A.S., Dijon, France	100%
Cycles France-Loire S.A.S., Saint-Cyprien, France	100%
Delta Metal Technology Ltd, Shenzhen, People's Republic of China	100%
E. Wiener Bike Parts GmbH, Sennfeld, Germany	100%
Etablissement Th. Brasseur S.A., Liège, Belgium	100%
Ghost-Bikes GmbH, Waldsassen, Germany	100%
Raleigh UK Ltd, Nottingham, United Kingdom	100%
Swissbike Vertriebs GmbH, Alpnach Dorf, Switserland	100%
Tunturi-Hellberg Oy Ltd, Turku, Finland	100%
Vartex AB, Varberg, Sweden	100%
Winora Staiger GmbH, Sennfeld, Germany	100%

Subsidiaries that are immaterial to the consolidated financial statements are not included in the overview above. A complete list of subsidiaries is filed with the Trade Register of the Chamber of Commerce in Leeuwarden, the Netherlands.

Equity-accounted investees (i)	2017	2016
Atala SpA, Monza, Italy (i)	50%	50%
Beeline Bikes Inc., Delaware, United States of America (ii)	32%	19%
Jalaccell OÜ, Tallinn, Estonia (iii)	0%	35%
Raleigh SA (Pty) Ltd, Kensington, South Africa (iv)	20%	20%
Velosophy B.V., Utrecht, Nederland (ii)	35%	38%

(i) Atala SpA is a joint venture active in the development and sales of bicycles under its own brands.

(ii) Beeline Bikes, Inc. is an associate that is active in the reparing and sales of bicycles.

(iii) Jalaccell OÜ (35%) set up for the assembly and storage of fitness equipment, has been liquidated per 1 September 2017.

(iv) Raleigh SA (Pty) Ltd is an associate that is active in the marketing and sales of bicycles.

(v) Velosophy B.V. is an associate that is active in the marketing and sales of of high quality, electric carrier bicycles.

These associates and joint ventures are of strategic nature; the voting rights are equal to the percentage interest held.

The changes in the non-consolidated companies are as follows:

	2017	2016
	€ x 1,000	€ x 1,000
Balance at 1 January	6,947	4,981
Investments	1,334	1,516
Dividend	-99	-218
Net income	385	571
Currency translation differences	-264	97
Balance at 31 December	**8,304**	**6,947**

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

	2017	2016
	€ x 1,000	€ x 1,000
Total assets	15,886	12,262
Total liabilities	11,235	7,973
Total turnover	26,016	24,222
Total share in net income and impairments thereof	385	571

12. INVENTORIES

	2017	2016
	€ x 1,000	€ x 1,000
Components for the purpose of production	157,436	145,460
Work in progress	2,748	2,882
Trading and finished products	173,380	173,210
Balance at 31 December	**333,564**	**321,553**

During 2017 inventories were written down by € 9.5 million to lower net realizable value *(2016: € 5.2 million)*. At balance sheet date inventories with a carrying amount of approximately € 21,2 million *(2016: € 16,6 million)* are valued at lower net realizable value. Inventories furthermore include goods in transit of € 68.0 million *(2016: € 62.2 million)* related to shipped goods for which Accell Group had acquired the economic ownership, but which have not yet been received.

The costs of inventory that are recorded as an expense during the financial year amounts to € 805.6 million *(2016: € 778.9 million)*.

13. TRADE RECEIVABLES

	2017	2016
	€ x 1,000	€ x 1,000
Trade receivables	137,352	147,371
Provision for impairment of receivables	-10,224	-9,516
Balance at 31 December	**127,128**	**137,855**

The nominal value of the trade receivables is considered close to equal to the fair value. Trade receivables are non-interest-bearing and, depending on the season, are governed by a 30-150 day term of payment. The provision for credit losses is determined on the basis of an individual assessment of overdue trade receivables. The policy regarding credit risks is covered in note 22 Financial instruments - fair values and risk management.

14. CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS

	2017	2016
	€ x 1,000	€ x 1,000
Cash and cash equivalents	24,123	49,421
Bank overdrafts	-44,630	-87,901
Cash and bank overdrafts in the cash flow statement	**-20,507**	**-38,480**

15. EQUITY

The consolidated equity is equal to the equity in the company financial statements. The notes and movement schedules of equity are included in the company financial statements.

16. INTEREST-BEARING LOANS

This note provides information about the contractual terms and conditions of the outstanding interest-bearing loans and borrowings. For more information about Accell Group's exposure to interest rate risk a reference is made to note 22 Financial instruments – fair values and risk management.

	2017	2016
	€ x 1,000	€ x 1,000
Unsecured bank loans [1]	98,471	47,158
Other bank loans	2,062	15
Non-current interest-bearing liabilities	**100,533**	**47,173**
Current portion unsecured bank loans [1]	-	12,500
Current portion other bank loans	8	69
Total current portion of interest-bearing loans	**8**	**12,569**
Revolving credit facility	40,000	49,050
Bank overdrafts	44,630	87,901
Total other interest-bearing liabilities	**84,630**	**136,951**
Current interest-bearing liabilities	**84,638**	**149,520**

1) In the refinancing in 2017 the pledge on the trade receivables and inventories of the Dutch, German, English and US group companies is cancelled.

The terms and conditions of outstanding interest-bearing bank loans are as follows:

				2017		2016	
	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
				€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Unsecured bank loan [1]	EUR	1.8%	2022	85,000	83,671	45,750	44,908
Unsecured bank loan [1]	EUR	5.7%	2022	15,000	14,800	15,000	14,750
Other bank loans	EUR	1.4%	2027	2,070	2,070	84	84
Total interest-bearing loans				**102,070**	**100,541**	**60,834**	**59,742**

1) In the refinancing in 2017 the pledge on the trade receivables and inventories of the Dutch, German, English and US group companies is cancelled.

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Liabilities			Equity		Total
	Bank overdrafts used for cash management purposes	Revolving credit facility	Interest-bearing loans	Share capital / premium	Reserves	
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Balance at 1 January 2017	**87,901**	**49,050**	**59,742**	**43,992**	**275,388**	**516,073**
Changes in financing cash flows:						
Proceeds from loans and borrowings	-	100,950	87,056	-	-	188,006
Transaction costs related to loans and borrowings	-	-	-1,568	-	-	-1,568
Repayment of borrowings	-	-110,000	-45,819	-	-	-155,819
Dividend paid	-	-	-	-	-6,740	-6,740
Total changes from financing cash flows	**-**	**-9,050**	**39,669**	**-**	**-6,740**	**23,879**
The effect of changes in foreign exchange rates	-3,023	-	-	-	-	-3,023
Other changes liability-related:						
Change in bank overdrafts	-40,248	-	-	-	-	-40,248
Interest expenses minus interest paid	-	-	1,130	-	-	1,130
Total liability-related other changes	**-43,271**	**-9,050**	**40,799**	**-**	**-6,740**	**-18,262**
Total equity-related other changes	**-**	**-**	**-**	**-510**	**-12,809**	**-13,319**
Balance at 31 December 2017	**44,630**	**40,000**	**100,541**	**43,482**	**255,839**	**484,492**

In 2017 Accell Group concluded a financing agreement with a syndicate of six (international) banks for a total group financing. The participating banks in the syndicate are ABN AMRO Bank, BNP Paribas, Deutsche Bank, HSBC, ING Bank and Rabobank. The financing consist of € 100 million of unsecured bank loans and a revolving credit facility of € 275 million (working capital financing), of which € 100 million is a season facility, for an initial period of 5 years. The financing agreement includes an extension option to be requested at the first and/or second anniversary of the agreement. The termination date could be extended with 12 months at each of the anniversary dates.

Existing guidelines for financial ratios are:

- Term loan leverage ratio, that is determined by bank loans divided by normalized EBITDA. The term loan leverage ratio shall not exceed 2.5 (quarterly).
- Solvency ratio, that is determined by net assets divided by balance sheet total, both adjusted for intangible fixed assets and the related deferred taxes. The solvency ratio shall equal or exceed 25% (semi-annually).

Bank loans mean the total amount of interest-bearing loans via banks or other financial institution's.

EBITDA means operating result (EBIT) after adding back any amount attributable to the amortization or depreciation of assets and including income from equity-accounted investees. Normalized EBITDA, in respect of a relevant period, EBITDA for that relevant period adjusted by:

- including EBITDA of a business combination acquired during the relevant period for that part of the relevant period prior to its becoming a business combination;
- excluding EBITDA attributable to any member of Accell Group (or to any business) disposed of during the relevant period prior to its disposal;
- including, at the election of Accell Group, extraordinary costs incurred in the relevant period including reorganization expenses, impairments of fixed assets and expenses related to the disposal of assets of discontinued operations.

Accell Group fully complies with the terms and conditions of the covenants as per 31 December 2017 as well as per 31 December 2016.

17. DEFINED BENEFIT PENSION PLANS AND OTHER LONG-TERM EMPLOYEE BENEFITS

	2017	2016
	€ x 1,000	€ x 1,000
Net defined benefit asset	-14,960	-14,489
Total employee benefit asset	**-14,960**	**-14,489**
Net defined benefit obligation	6,341	6,583
Other long-term employee benefits	2,190	2,278
Total employee benefit liabilities	**8,531**	**8,861**

DEFINED BENEFIT PLAN

Accell Group funds defined benefits for qualifying employees. The main defined benefit plan is the plan in the United Kingdom (UK), which accounts for approximately 92% of the defined benefit obligation and for more than 99% of the plan assets. The UK plan is subject to UK laws and is administered by a separate fund that is legally separated from the UK group company. The trustees of this fund are appointed by the company. Pension benefits are related to the member's final salary at retirement and their length of service. Since December 2002, the defined benefit section of this pension scheme has been closed to future accrual. On the basis of the deed and rules of the UK plan the company has an unconditional right in the form of refunds when there is a surplus and the fund has no further obligations or in case when there is a surplus at the time when the plan is wound up.

The UK plan exposes the company to actuarial risks such as market risk, interest rate risk and inflation risk. The scheme does not expose the company to any unusual scheme-specific risk. The scheme's investment strategy is to invest approximately 37% in matching assets (index related UK government bonds gilts and investment property bonds) and approximately 63% in return seeking assets (being diversified growth funds and bond portfolios). This strategy reflects the scheme's risk profile and the trustees' and company's attitude to risks. The returns from the return seeking assets are not achieved solely by direct investment in return seeking assets, but the equity linked bond portfolio allow exposure to equity type returns using futures backed by collateral in the form of index-linked UK government bonds.

In addition, Accell Group sponsors a funded defined benefit plan for qualified employees in Taiwan, a fixed unfunded defined benefit plan in Germany and an unfunded defined benefit plan in Hong Kong. The defined benefit plans of Accell Group have no contributions from employees anymore, because the plans are mainly frozen.

The actuarial calculations pursuant to IAS 19 were carried out at 31 December 2017 by actuaries of certified actuarial firms. The principal assumptions used for the purposes of the actuarial valuations are based on the following weighted averages:

	2017 UK plan	2017 Other	2016 UK plan	2016 Other
Discount rate	2.3%	1.6%	2.6%	1.8%
Expected rates of salary increase	2.0%	0.4%	3.5%	0.5%
Inflation	2.6%	1.7%	2.7%	1.8%
Average longevity at retirement age for current pensioners (years):				
Males	21.4	18.6	21.2	18.4
Females	23.4	22.1	23.3	21.7
Average longevity at retirement age for current employees (years):				
Males	23.6	20.9	23.3	20.5
Females	25.8	24.3	25.6	23.8

Amounts recognized in the income statement in respect of these defined benefit plans are as follows:

	2017 € x 1,000	2016 € x 1,000
Current service cost	39	19
Past service cost and losses (gains) from settlements	-	527
Administration expense	157	177
Net interest expense (income)	-252	-519
Total expenses defined benefit plans	**-56**	**204**

Amounts recognized in other comprehensive income in respect of these defined benefit plans are as follows:

	2017 € x 1,000	2016 € x 1,000
Remeasurement on the net defined benefit obligation (asset):		
Return on plan assets (excluding amounts included in net interest expenses)	-2,631	-7,059
Actuarial losses (gains) from changes in demographic assumptions	-	374
Actuarial losses (gains) arising from changes in financial assumptions	2,353	10,741
Actuarial losses (gains) arising from experience adjustments	-48	-33
Adjustments for restrictions on the defined benefit asset	-	-
Prior year(s) presentation adjustment	-	-348
Remeasurement net defined benefit plans	**-326**	**3,675**

The defined benefit obligation and fair value of plan assets are specified as follows:

At 31 December 2016	UK plan	Other	Total
	€ x 1,000	€ x 1,000	€ x 1,000
Present value of funded pension obligation	77,210	916	78,126
Minus: Fair value of plan assets	-91,699	-594	-92,293
Deficit/ (surplus)	**-14,489**	**322**	**-14,167**
Present value of unfunded defined benefit obligations	-	6,261	6,261
Funded status	**-14,489**	**6,583**	**-7,906**
Restrictions on assets recognised	-	-	-
Net defined benefit obligation (asset) as per 31 December 2016	**-14,489**	**6,583**	**-7,906**

At 31 December 2017	UK plan	Other	Total
Present value of funded pension obligation	74,415	724	75,139
Minus: Fair value of plan assets	-89,375	-450	-89,825
Deficit/ (surplus)	**-14,960**	**274**	**-14,686**
Present value of unfunded defined benefit obligation	-	6,067	6,067
Funded status	**-14,960**	**6,341**	**-8,619**
Restrictions on assets recognised	-	-	-
Net defined benefit obligation (asset) as per 31 December 2017	**-14,960**	**6,341**	**-8,619**

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

	UK plan	Other	Total
	€ x 1,000	€ x 1,000	€ x 1,000
Balance at 1 January 2016	78,220	12,431	90,651
Current service cost	-	19	19
Interest cost	2,404	136	2,540
Actuarial (gains) and losses arising from changes in demographic assumptions	370	4	374
Actuarial (gains) and losses arising from changes in financial assumptions	10,720	21	10,741
Actuarial (gains) and losses arising from experience adjustments	-	-33	-33
Liabilities extinguished on settlements	-	-5,094	-5,094
Exchange differences on foreign plans	-11,022	58	-10,964
Benefits paid	-3,482	-365	-3,847
Defined benefit obligation at 31 December 2016	**77,210**	**7,177**	**84,387**
Current service cost	-	39	39
Interest cost	1,904	128	2,032
Actuarial (gains) and losses arising from changes in demographic assumptions	-	-	-
Actuarial (gains) and losses arising from changes in financial assumptions	2,294	59	2,353
Actuarial (gains) and losses arising from experience adjustments	-	-48	-48
Liabilities extinguished on settlements	-	-	-
Exchange differences on foreign plans	-3,114	-111	-3,225
Benefits paid	-3,879	-454	-4,333
Defined benefit obligation at 31 December 2017	**74,415**	**6,790**	**81,205**

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

	UK plan	Other	Total
	€ x 1,000	€ x 1,000	€ x 1,000
Balance at 1 January 2016	98,406	6,261	104,667
Interest income	3,051	8	3,059
Remeasurement gain (loss):			
Return on plan assets (excluding amounts included in net interest expense)	7,062	-3	7,059
Plan assets distributed on settlements	0	-5,627	-5,627
Contributions from the employer	513	18	531
Administration expense	177	-	177
Exchange differences on foreign plans	-14,028	41	-13,987
Benefits paid	-3,482	-104	-3,586
Fair value of the plan assets at 31 December 2016	**91,699**	**594**	**92,293**
Interest income	2,277	7	2,284
Remeasurement gain (loss):			
Return on plan assets (excluding amounts included in net interest expense)	2,634	-3	2,631
Plan assets distributed on settlements	-	-	-
Contributions from the employer	489	23	512
Administration expense	158	-	158
Exchange differences on foreign plans	-4,003	-31	-4,033
Benefits paid	-3,879	-140	-4,019
Fair value of the plan assets at 31 December 2017	**89,375**	**450**	**89,825**

The fair value of the plan assets is categorized as follows:

	2017	2016
	€ x 1,000	€ x 1,000
Index-linked gilts	5,335	20,334
Liability driven investment	17,745	8,812
Corporate bonds	11,504	5,621
Property bonds	11,248	11,201
Absolute return bonds	21,309	21,652
Diversified growth funds	21,727	21,084
Cash and cash equivalents	957	3,589
Total debt securities and equity investments	**89,825**	**92,293**

The fair values of the above equity investments and debt securities are determined based on quoted market prices in active markets. The actual return on plan assets was € 4.9 million in 2017 *(2016: € 10.1 million)*.

The average duration of the defined benefit obligation is 16 years as per 31 December 2017 *(2016: 16 years)*.

Significant actuarial assumptions for the determination of the defined benefit obligation are the discount rate and the expected salary increase. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions at the end of the reporting period. In the analyses the interdependence of inputs has not been considered:

- if the discount rate is 0.1 % higher, the defined benefit obligation would decrease by € 1.3 million;
- if the discount rate is 0.1 % lower, the defined benefit obligation would increase by € 1.3 million;

- if the expected salary growth increases by 0.1%, the defined benefit obligation would increase by € 0.6 million;
- if the expected salary growth decreases by 0.1%, the defined benefit obligation would decrease by € 0.6 million.

The sensitivity analyses are prepared at the end of the reporting period using the same methods as applied in the defined benefit obligation in the balance sheet. The sensitivity analyses may not be representative of the actual change in the defined benefit obligation. It is unlikely that the changes in the assumptions would occur in isolation of one another as some of the assumptions are correlated.

Accell Group expects to make a contribution of € 0.5 million in 2018 with regard to the defined benefit plans.

OTHER LONG-TERM EMPLOYEE BENEFITS

Other long-term employee benefits relate to the provision for future anniversary bonuses and resignation payments in some countries. The provision is based on contractual obligations and assumptions with respect to expectations of death and resignation. Provisions for deferred employee benefits and warranty obligations are expected to have a duration between one and five years.

18. SHARE-BASED PAYMENTS

Accell Group has a restricted share plan and an option plan.

Restricted share plan

Accell Group has a restricted share plan whereby conditional shares can be granted to the members of the Board of Directors and to directors of subsidiaries who contribute significantly to the result of Accell Group. Both share plans are share-based payments plans with vesting conditions. The grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. The conditions have been incorporated into the fair value at grant date by applying a discount to the valuation obtained.

The shares that have been conditionally granted are comprised of the following:

	Number at 31-12-16	Number at 31-12-17	Granting date	Expiry date	Share price at granting date	Fair value at granting date
Conditional shares						
Conditional shares granted in 2015 [1]	46,069	8,050	4-3-2015	3 jaar	€ 15.92	€ 109,000
Conditional shares granted in 2016 [2]	47,301	44,661	24-2-2016	2-3 jaar	€ 18.96	€ 425,000
Conditional shares granted in 2017	-	29,643	9-3-2017	2-3 jaar	€ 22.05	€ 346,000

1) A total of 35,119 shares are granted to members of the Board of directors in 2017 and 2,900 conditional shares expired due to resignation of a director of a subsidiary.

2) Due to the resignation of a director of a subsidiary 2,640 conditional shares have been expired .

The fair value will be charged to the income statement according to the straight-line method spread over the period between grant date and the time that the shares become unconditional, whereby adjustment will be made for the expected number of shares to be distributed.

Option plan

The company has an 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.

Below an overview is provided on the number and movement in stock option entitlements:

	Number at 31-12-16	Number at 31-12-17	Granting date	Expiry date (years)	Exercise price	Fair value at granting date	Average exercise price
Options							
Granted in 2014	7,950	7,950	26-02-14	3-8	€ 14.13	€ 2.13	n/a
Granted in 2015	28,150	28,150	4-03-15	3-8	€ 15.92	€ 1.90	n/a
Granted in 2016 [1]	37,700	25,250	24-02-16	3-8	€ 18.96	€ 2.39	n/a
Granted in 2017	-	22,050	9-03-17	3-8	€ 22.05	€ 2.71	n/a

Of the stock option entitlements 12,450 expired due to the termination of employment of Mr. Takens.

The options granted are specified in note 26 Related parties. Only the options granted in 2014 are exercisable at 31 December 2017.

The fair value of the employee share options has been measured using an option valuation model (Black-Scholes-Merton). Service and non-market performance conditions attached to the transactions were not taken into account in measuring fair value.

The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payment plans were as follows:

	2017	2016
Expected volatility (weighted-average)	22.16%	23.84%
Expected life (weighted-average)	3.9	3.8
Expected dividends	3.30%	3.40%
Risk-free interest rate (based on government bonds)	0.67%	0.28%

Expected volatility has been based on an evaluation of the historical volatility of the Accell Group N.V.'s share price, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience and general option holder behavior.

The reconciliation to personnel expenses is as follows:

	2017	2016
	€ x 1,000	€ x 1,000
Conditional shares management 2014	36	49
Conditional shares management 2015	38	52
Conditional shares management 2016	48	-
Conditional shares Board of Directors 2014	-	116
Conditional shares Board of Directors 2015	156	156
Conditional shares Board of Directors 2016	101	-
Options Board of Directors	60	91
Total expense recognized in personnel expenses	**439**	**464**

In the event of full exercise of the option entitlements granted to date and the vesting of the conditional shares the number of issued shares would increase by 0.6%. According to company policy, the options and shares granted are not covered by the company's purchase of its own shares. In case of equity-settlement new shares are issued by the company at the moment options are exercised.

19. DEFERRED TAXES

Deferred taxes comprise the following:

	2017	2016
	€ x 1,000	€ x 1,000
Deferred tax assets	3,437	7,142
Deferred tax liabilities	11,820	13,334
Net deferred taxes	**-8,383**	**-6,192**

The movement in the deferred tax assets and deferred tax liabilities is as follows:

	Loss carry forwards consolidated companies	Other deferred taxes	Total deferred tax assets	Revaluation of property. plant and equipment	Financial instruments	Trademark valuation	Other deferred taxes	Total deferred tax liabilities
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Balance at 1 January 2016	**6,653**	**2,016**	**8,669**	**-1,787**	**-360**	**-6,266**	**-3,163**	**-11,576**
Added through business combination	-	-	-	-	-	-	-	-
Charged through other comprehensive income	-	-	-	-	-712	-	-1,798	-2,510
Charged through income statement	-3,638	1,907	-1,731	38	-	-39	302	301
Change in income tax rate	-	-	-	-	-	-	-	-
Transfer from/to current tax	19	-	19	-	-	-	2	2
Currency translation differences	107	78	185	12	-	-11	448	449
Balance at 31 December 2016	**3,141**	**4,001**	**7,142**	**-1,737**	**-1,072**	**-6,316**	**-4,209**	**-13,334**
Added through business combinations	-	-	-	-	-	-	-	-
Charged through other comprehensive income	-	2,358	2,358	-	1,072	-	-129	943
Charged through income statement	-1,965	-3,751	-5,716	57	-	-42	123	138
Change in income tax rate	-	-	-	-	-	-	-	-
Transfer from/to current tax	-262	200	-62	-	-	-	87	87
Currency translation differences	-34	-251	-285	6	-	195	145	346
Balance at 31 December 2017	**880**	**2,557**	**3,437**	**-1,674**	**-**	**-6,163**	**-3,983**	**-11,820**

At 31 December 2017 deferred tax assets are recognized in respect of carry forward losses of € 0.9 million *(2016: € 3.1 million)* and temporary differences of € 2.6 million *(2016: € 4.0 million)*. Due to disappointing

results, combined with the restructuring of the business, there is insufficient assurance on the period in which the tax benefits from the carry forward losses and the deductible temporary differences in North America and Finland can be realized. For these reasons the carry forward losses and other deferred taxes in North America and Finland are derecognized.

For some subsidiaries Accell Group has insufficient assurance that future taxable profits will be available to realize the related tax benefits of carry forward losses of € 90.2 million *(2016: € 78.9 million)*. As a result no deferred tax assets are recognized for these carry forward losses. These unused carry forward losses are mainly carry forward losses in North America and the United Kingdom and partially relate to the global results of the Raleigh group before the acquisition by Accell Group in 2012. The carry forward period of these unused tax benefits is 1-5 years for € 1.6 million, 5-10 years for € 5.3 million, 10-20 years for € 45.9 million and indefinite for 37.4 million.

20. PROVISIONS

	Warranties	Other provisions	Total
	€ x 1,000	€ x 1,000	€ x 1,000
Balance at 1 January 2017	7,305	1,565	8,870
Provisions used during the year	-6,473	-1,176	-7,649
Provisions made during the year	6,499	1,035	7,534
Provisions reversed during the year	-45	-59	-104
Currency translation differences	-89	-4	-93
Balance at 31 December 2017	**7,197**	**1,361**	**8,558**
Non-current	3,439	828	4,267
Current	3,758	533	4,291

Warranty provisions represent the estimated costs under warranty obligations for goods delivered and services rendered as at balance sheet date. The provision is based on estimates using historical warranty information. The provision for warranty obligations are expected to have a duration between one and five years. Other provisions mainly relate to a an environmental provision, a provision for anti-dumping duties and a number of small provisions with a duration of less than one year.

21. DEFERRED REVENUE

	Deferred revenue	
	31-12-17	31-12-16
	€ x 1,000	€ x 1,000
Non-current	1,190	1,201
Current	947	1,313
Balance at 31 December 2017	**2,137**	**2,514**

Deferred revenue consists of receipts in respect of extended warranty to be realized in the coming five years.

22. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

A. ACCOUNTING CLASSIFICATION AND FAIR VALUES

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		2017 Carrying amount				Fair value
		Fair value - hedging instruments	Loans and receivables	Other financial liabilities	Total	Level 2
	notes	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Interest rate swaps used for hedging		-	-	-	-	-
Forward exchange contracts used for hedging		-	-	-	-	-
Financial assets measured at fair value		**-**	**-**	**-**	**-**	**-**
Trade and other receivables		-	149,795	-	149,795	-
Cash and cash equivalents	*14*	-	24,123	-	24,123	-
Financial assets not measured at fair value		**-**	**173,918**	**-**	**173,918**	**-**
Interest rate swaps used for hedging		191	-	-	191	191
Forward exchange contracts used for hedging		9,339	-	-	9,339	9,339
Financial liabilities measured at fair value		**9,530**	**-**	**-**	**9,530**	**9,530**
Unsecured bank loans	*16*	-	-	98,471	98,471	-
Other bank loans	*16*	-	-	2,070	2,070	-
Revolving credit facility	*16*	-	-	40,000	40,000	-
Bank overdrafts	*16*	-	-	44,630	44,630	-
Trade and other payables		-	-	179,798	179,798	-
Financial liabilities not measured at fair value		**-**	**-**	**364,969**	**364,969**	**-**

	Note	2016 Carrying amount Fair value - hedging instruments	Loans and receivables	Other financial liabilities	Total	Fair value Level 2
		€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Interest rate swaps used for hedging		-	-	-	-	-
Forward exchange contracts used for hedging		6,049	-	-	6,049	6,049
Financial assets measured at fair value		**6,049**	**-**	**-**	**6,049**	**6,049**
Trade and other receivables		-	160,043	-	160,043	-
Cash and cash equivalents	*14*	-	49,421	-	49,421	-
Financial assets not measured at fair value		**-**	**209,464**	**-**	**209,464**	**-**
Interest rate swaps used for hedging		1,762	-	-	1,762	1,762
Forward exchange contracts used for hedging		-	-	-	-	-
Financial liabilities measured at fair value		**1,762**	**-**	**-**	**1,762**	**1,762**
Secured bank loans	*16*	-	-	59,658	59,658	-
Other bank loans	*16*	-	-	84	84	-
Revolving credit facility	*16*	-	-	49,050	49,050	-
Bank overdrafts	*16*	-	-	87,901	87,901	-
Trade and other payables		-	-	180,520	180,520	-
Financial liabilities not measured at fair value		**-**	**-**	**377,213**	**377,213**	**-**

B. MEASUREMENT OF FAIR VALUES

i. Valuation techniques

The fair value of the other financial instruments is determined on the basis of other inputs than quoted rates/prices that are observable (level 2). For the determination generally accepted valuation methods are used. The determined value in this way is equal to the price at which the derivative can be sold in a transparent market.

Forward exchange contracts

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

Interest rate swaps

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

Other financial liabilities

Discounted cash flows are used as valuation technique. The valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate.

ii. Transfers between Level 1 and 2

There were no transfers from Level 1 to Level 2 or from Level 2 to Level 1 in 2017 (and 2016).

C. FINANCIAL RISK MANAGEMENT

Accell Group has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk;
- market risk.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of Accell Group's risk management framework. Accell Group's risk management policies are established to identify and analyze the risks faced by Accell Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Accell Group's activities. Accell Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with Accell Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by Accell Group. Accell Group's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures; the results are reported to the Audit Committee.

i. Credit risk

Credit risk is the risk of financial loss to Accell Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Accell Group's receivables from customers. The carrying amount of financial assets represents the maximum credit exposure.

Trade and other receivables

Accell Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate. Further details of concentration of revenue are included in note 1 Operational segments. There is no significant concentration of credit risks within Accell Group, as Accell Group has a large number of customers. No customers comprise 10% or more of the turnover.

Accell Group has established a credit policy under which sales to large customers must be insured with an external credit insurance company. Smaller customers are analyzed individually for creditworthiness before Accell Group's standard payment and delivery terms and conditions are offered and a credit limit is established. Any sales exceeding those limits require approval of the Board of Directors.

In general goods are sold subject to retention of title clauses, so that in the event of non-payment Accell Group may have a secured claim. Accell Group does not otherwise require collateral in respect of trade and other receivables.

Accell Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

At 31 December 2017, the ageing of trade receivables that were not impaired was as follows:

	2017	2016
	€ x 1,000	€ x 1,000
Neither past due nor impaired	108,355	112,901
Past due 1-90 days	11,404	12,954
Past due 90-150 days	1,187	2,476
Past due more than 150 days	1,686	3,262
Total at 31 December	**122,632**	**131,593**

Accell Group has agreed various specific and, to a limited extent, individual terms of payment with its customers that differ depending on the nature of the goods delivered and that can also differ per country. Due to the seasonal nature of the activities, customers are offered so-called winter terms, whereby the customer can opt for an extra payments discount or a longer payment period. This is customary in the business.

Management believes that the unimpaired amounts that are past due days are still collectible in full, based on historic payment behavior and extensive analysis of customer credit risk, including underlying customers' credit ratings if they are available.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2017	2016
	€ x 1,000	€ x 1,000
Balance at 1 January	9,516	7,972
Amounts written of	-1,891	-1,889
Impairment losses recognized	3,025	3,348
Effect of movement in exchange rates	-426	85
Balance at 31 December	**10,224**	**9,516**

The impairment loss at 31 December 2017 relate to several customers that have indicated that they are not expecting to be able to pay their outstanding balances, mainly due to economic circumstances.

Cash and cash equivalents

Accell Group held cash and cash equivalents of € 24,123 thousand at 31 December 2017 *(2016: € 49,421 thousand)*. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated B+ to AA-, based on Fitch or S&P ratings.

Derivatives

The derivatives are entered into with bank and financial institution counterparties, which are rated BB to AA-, based on Fitch or S&P ratings.

Guarantees

Accell Group's policy is to provide financial guarantees only to subsidiaries.

ii. Liquidity risk

Liquidity risk is the risk that Accell Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Accell Group's approach to managing liquidity is to ensure, as far as possible and taking into account the seasonal nature of its business, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Accell Group's reputation.

In the funding of Accell Group, a distinction is made between long-term (core) funding and the seasonal credit facility. The solvency and liquidity of Accell Group are ensured all times by rolling liquidity planning and a liquidity reserve in form of cash and cash equivalents and € 275 million revolving credit facility that is committed. Interest would be payable at the rate of Euribor plus 65-170 basis points.

Exposure to liquidity risk

The following are the remaining contractual maturities of the non-derivative financial liabilities and the derivative financial assets and liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments on interest-bearing loans and excluding the impact of netting agreements:

2017

			Contractual cash flows			
		Carrying amount	Total	< 1 jaar	1-5 year	> 5 year
		€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Revolving credit facility	*16*	-40,000	-40,000	-40,000	-	-
Bank overdrafts	*16*	-44,630	-44,630	-44,630	-	-
Unsecured bank loans	*16*	-98,471	-110,471	-2,512	-107,959	-
Other bank loans	*16*	-2,070	-2,338	-29	-116	-2,193
Trade and other payables		-179,798	-179,798	-179,798	-	-
Non-derivative financial liabilities		**-364,969**	**-377,237**	**-266,970**	**-108,074**	**-2,193**
Interest rate swaps used for hedging (net)		-191	-4	-4	-	-
Forward exchange contracts used for hedging (net)		-9,339	-9,339	-9,339	-	-
Derivative financial liabilities (assets)		**-9,530**	**-9,343**	**-9,343**	**-**	**-**

2016

		Carrying amount	Total	< 1 year	1-5 year	> 5 year
			Contractual cash flows			
		€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Revolving credit facility	*16*	-49,050	-49,050	-49,050	-	-
Bank overdrafts	*16*	-87,901	-87,901	-87,901	-	-
Secured bank loans	*16*	-59,658	-63,538	-13,947	-33,721	-15,870
Other bank loans	*16*	-84	-87	-72	-15	-
Trade and other payables		-180,520	-180,520	-180,520	-	-
Non-derivative financial liabilities		**-377,213**	**-381,096**	**-331,490**	**-33,736**	**-15,870**
Interest rate swaps used for hedging (net)		-1,762	-803	-799	-4	-
Forward exchange contracts used for hedging (net)		6,049	6,049	6,049	-	-
Derivative financial liabilities (assets)		**4,287**	**5,246**	**5,250**	**-4**	**-**

The inflows/(outflows) disclosed in the above table represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes and which are not usually closed out before contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash-settled.

As disclosed in note 16 Interest-bearing loans, Accell Group has a bank loan that contains a loan covenant. A future breach of covenant may require Accell Group to repay the loan earlier than indicated in the above table. The interest payments on variable interest rate loans in the table above reflect market forward interest rates at the reporting date and these amounts may change as market interest rates change. Except for these financial liabilities, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

iii. Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates – will affect Accell Group’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Accell Group uses derivatives to manage market risks. All such transactions are carried out within the guidelines set by the Board of Directors. Generally, Accell Group seeks to apply hedge accounting to manage volatility in profit or loss.

Currency risk

Accell Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currencies of Group companies. The functional currencies of Group companies are primarily the euro (EUR) and the US Dollar (USD). The currencies in which these transactions are primarily denominated are EUR, USD, JPY, TWD, GBP and CNY.

At any point in time, Accell Group hedges 80% of its estimated foreign currency exposure in respect of forecast sales and purchases over the season (July-June). Accell Group uses forward exchange contracts to hedge its currency risk, all with a maturity of less than one year from the reporting date. Such contracts are generally designated as cash flow hedges.

Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of Accell Group, primarily EUR, but also USD and GBP. In addition, interest on borrowings is denominated in the currency of the borrowing. This provides an economic hedge without derivatives being entered into and therefore hedge accounting is not applied in these circumstances.

In respect of other monetary assets and liabilities denominated in foreign currencies, Accell Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Accell Group's investments in subsidiaries are not hedged.

Interest rate risk

In managing interest risk Accell Group aims to reduce the impact of short-term fluctuations on earnings. Over the longer term, however, permanent changes in interest rates would have an impact on profit.

Accell Group opts for a mix of fixed and variable interest rates in its financing operations, combined with the use of interest rate instruments. Over 2017 Accell Group ensured that its interest rate risk exposure of its interest-bearing secured bank loans and part of its revolving credit facility was at fixed rate. This was achieved by borrowing at a float rate and using interest rate swaps as hedges of the variability in cash flows attributable to interest rate risk. For the remainder of the funding a floating interest rate exposure profile was maintained.

In 2018 the current interest rate swaps will mature. Accell Group will enter into a new interest swap to ensure that its interest rate risk exposure of its interest-bearing bank loan is at fixed rate. For the remainder of the funding a floating interest rate exposure profile will be maintained. Accell Group's interest rate position over 2018 will be weighted more towards fixed than floating.

Sensitivity analysis

A reasonably possible strengthening (weakening) of the USD, JPY and TWD against the euro at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

A reasonably possible change of 100 basis points in interest rates at the reporting date would have affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Profit and loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
	2017			
USD (5% movement)	4,150	-4,587	3,698	-4,087
JPY (5% movement)	1,842	-2,036	1,801	-1,991
TWD (5% movement)	548	-605	528	-583
Unhedged variable interest rate instruments (100 basis point movement)	-846	846	-	-

D. DERIVATIVE ASSETS AND LIABILITIES DESIGNATED AS CASH FLOW HEDGES

The following table indicates the periods in which the cash flows associated with cash flow hedges are expected to occur and the carrying amounts of the related hedging instruments.

2017	Carrying amount	Expected cash flows Total	< 1 year	1-5 year
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Forward exchange contracts				
Assets	70	165,572	165,572	-
Liabilities	-9,409	-174,911	-174,911	-
Interest rate swaps				
Assets	-	-	-	-
Liabilities	-191	-191	-191	-
Total	**-9,530**	**-9,530**	**-9,530**	**-**

2016	Carrying amount	Expected cash flows Total	< 1 year	1-5 year
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Forward exchange contracts				
Assets	7,958	154,594	154,594	-
Liabilities	-1,909	-148,546	-148,546	-
Interest rate swaps				
Assets	-	-	-	-
Liabilities	-1,762	-1,762	-1,571	-191
Total	**4,287**	**4,287**	**4,478**	**-191**

E. CAPITAL MANAGEMENT

There were no major changes in Accell Group's approach to capital management during the year. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital as well as the level of dividends to ordinary shareholders.

In order to achieve this overall objective, the Accell Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period.

23. DIVIDEND

The dividend in respect of financial year 2016 was determined at € 0.72 per share or as stock dividend during the General Meeting of Shareholders of 25 April 2017. After the period in which shareholders could report their preference, 64% of the shareholders opted for the stock dividend. On 16 May 2017 € 6.7 million was distributed as cash dividend and 399,871 shares were issued as stock dividend and added to issued share capital.

The Board of Director proposes to make available to the shareholders a dividend with stock option of € 0.50 per share with respect to the current year, whereof € 0.40 from the profit after tax for 2017 and € 0.10 from the other reserve. The dividend proposal is subject to approval by the General Meeting of Shareholders on 25 April 2018 and is not reflected as a liability in these financial statements.

24. OFF-BALANCE SHEET COMMITMENTS

The total off-balance sheet commitments consist of:

	Total 2017	< 1 year	1-5 year	> 5 year	Total 2016
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Operational lease commitments	27,394	9,690	17,552	152	30,805
Property, plant and equipment ordered	214	204	10	-	145
Other off-balance sheet commitments	10,471	4,191	5,503	777	5,045
Total	**38,079**	**14,085**	**23,065**	**929**	**35,995**

Accell Group has financial commitments arising from operational lease agreements on land and buildings, IT equipment, machinery and cars for use in de ordinary course of business. The other off-balance sheet commitments include among other financial commitments in respect of marketing and merchandising.

25. CONTINGENT ASSETS AND LIABILITIES

Accell Group's most significant contingent assets and liabilities are described below.

At 31 December 2017, Accell Group has issued a guarantee to the trustees of the UK defined benefit plan a group guarantee, whereby in case of a bankruptcy of the UK subsidiary, Accell Group will guarantee possible deficits in the UK scheme to a maximum amount of £ 8.7 million. Furthermore Accell Group has issue a rental guarantee, whereby in case of a bankruptcy of the Dutch subsidiary, Accell Group will guarantee possible lease payments to a maximum amount of € 1.9 million. The other contingent liabilities include a number of custom guarantees, bank guarantees and rental guarantees totaling to € 1.7 million.

Per 31 December 2017 Accell holds a contingent claim of € 1.0 million.

26. RELATED PARTIES

IDENTIFICATION OF RELATED PARTIES

Accell Group has related party relationships with its associates and joint ventures (refer to note 11 Subsidiaries) and with the Board of Directors and Supervisory Board.

REMUNERATION OF THE BOARD OF DIRECTORS AND THE SUPERVISORY BOARD

Board of Directors

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 financial statements relate to the financial year and depend on the targets set by the Supervisory Board. For 2017 a bonus varying between 9% and 50% of the salary has been paid out.

At the end of 2017 Mr. Anbeek holds 2,000 shares of Accell Group N.V., Mr. Sybesma holds 16,748 shares and Mr. Snijders Blok holds 38,802 shares and Mr. Both holds 768 shares.

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

	Salary	Termination agreement	Bonus	Pension contributions	Share-based payments	Total 2017	Total 2016
	in €	in €	in €	in €	in €	in €	in €
T. Anbeek [1]	79,333	-	39,667	18,333	-	137,334	-
R.J. Takens [2] [3]	476,000	1,106,466	42,840	194,667	51,515	1,871,487	881,769
H.H. Sybesma [4]	426,480	-	32,940	74,614	100,383	634,417	632,711
J.M. Snijders Blok	310,000	-	27,900	76,107	82,323	496,330	534,697
J. Both	310,000	-	27,900	61,173	82,323	481,396	494,896
Total	**1,601,813**	**1,106,466**	**171,247**	**424,894**	**316,544**	**3,620,964**	**2,544,073**

1) Mr. Anbeek is appointed as CEO and Chairman of the Board of Directors as of 1 November 2017.

2) Mr. Takens resigned as CEO and Chairman of the Executive Board on 25 April 2017and remained involved with Accell Group as advisor over 2017. In the termination agreement a severance payment of € 948 duizend has been agreed as well as the payment of four months of salary in 2018.

3) In 2017 a refund of pension contributions unduly withheld of € 181 thousand was recognized in relation to the remuneration of Mr. Takens. This refund was an expense to the employer and therefore not included in the table above.

4) Including an allowance for Mr. Sybesma for the role as interim-CEO for the period 26 April till 1 November 2017.

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

	Number at 01-01-17	Issued in 2017	Expired in 2017	Number at 31-12-17	Average exercise price beginning of period	Average exercise price at year-end	Weighted average term at year-end
T. Anbeek	-	-	-	-	-	-	-
R.J. Takens	27,500	-	12,450	15,050	€ 17.08	€ 15.53	0.33
H.H. Sybesma	21,100	8,350	-	29,450	€ 17.08	€ 18.49	5.97
J.M.Snijders Blok	17,350	6,850	-	24,200	€ 17.08	€ 18.48	5.97
J.J. Both	7,850	6,850	-	14,700	€ 18.96	€ 20.40	6.63
Total	**73,800**	**22,050**	**12,450**	**83,400**			

Internal pay ratio

The pay ratio of the Board of Directors compared to the average employee compensation during 2017 is 15:1 *(2016: 17:1)*. The pay ratios can vary over time as a result of the Accell Group's annual performance. This performance impacts the remuneration of the Board of Directors more than of all other employees.

The ratio consists of the average remuneration of the Board of Directors compared to the average cost of all other employees of Accell Group. The average remuneration of the Board of Directors is calculated from the sum of the fixed salary, short-term incentives, share based payments, pensions and other benefits of the four members of the Board of Directors. The average cost of all other employees is calculated from the personnel costs (note 2) and the average number of employees during the year (3,088 FTE) minus four.

Resignation of Mr. Takens as CEO and Chairman of the Executive Board in 2017

Mr. Takens has resigned from the Executive Board following the Annual General Meeting on 25 April 2017. A severance payment of € 948 thousand as well as the payment of four months of salary in 2018 have been agreed in accordance with the employment contract and recognized in the 2017 income statement. After his resignation from the Executive Board Mr. Takens remained involved with Accell Group as advisor until 31 December 2017. The disclosed remuneration comprises both his period as CEO and Chairman of the Executive Board and his period as adviser.

Due to the ending of his employment contract Mr. Takens will not be able to meet the service condition of the options granted in 2016 and the conditional shares granted in 2017; these will not vest. The conditional shares granted in 2016 and conditional options granted in 2014 and 2015 will continue to vest at their regular vesting dates.

Board changes after balance sheet date

Mr. Sybesma (CFO) decided after 23 years to leave the company as of 1 May 2018 and will step down from the Board of Directors as of 25 April. Mr. Snijders Blok (COO) resigns from the Board of Directors at his own request as of 25 April 2018, while retaining his current activities and reporting directly to the CEO. The responsibility for the production sites has recently been transferred to Mr. Both (CSCO). Mr. Hubert has been appointed Chief Commercial Officer (CCO) as of 1 March 2018. He reports to the CEO and is responsible for marketing, innovation, (e)commerce and retail / experience centers.

Supervisory Board

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

	2017	2016
	in €	in €
A.J. Pasman	63,004	52,488
J. van den Belt	48,239	40,730
P.B. Ernsting	48,239	40,730
A. Kuiper [1]	35,239	40,730
Total	**194,721**	**174,678**

1) Resigned as a member of the supervisory Board on 19 October 2017.

ASSOCIATES AND JOINT VENTURES

The transactions during the financial year and balances outstanding at year-end between group companies and associates and joint ventures are presented below:

	Transaction values for the year		Balance outstanding at year-end	
	2017	2016	2017	2016
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Sale of goods and services				
Atala SpA	3,371	2,269	660	51
Velosophy B.V.	28	-	1	-
Raleigh South Africa	62	-	43	-
Purchase of goods				
Atala SpA	3,488	2,881	670	20
Beeline Bikes, Inc.	146	6	18	-
Dividends received				
Atala SpA	99	50	-	-
Velosophy B.V.	-	168	-	-

The amounts outstanding are not provided for and will be settled in cash and cash equivalents. No guarantees have been given or received. No expense has been recognized for bad or doubtful debts in respect of the amounts owed by related parties. All sales and purchases are prices on an arm's length basis. Transactions and balances between Accell Group and its non-consolidated companies have not been eliminated for consolidation purposes.

27. AUDITOR FEES

The total costs for the services rendered by KPMG Accountants N.V. consist of:

	KPMG Accountants N.V.	Other KPMG network	Total KPMG	KPMG Accountants N.V.	Other KPMG network	Total KPMG
			2017			2016
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Audit of the financial statements	591	527	1,118	373	494	867
Other audit assignments	-	-	-	-	-	-
Tax services	-	29	29	-	23	23
Other non-audit services [1]	5	-	5	-	-	-
Total costs	**596**	**556**	**1,152**	**373**	**517**	**890**

1) The other non-audit services in 2017 include agreed-upon procedures.

5.8 COMPANY BALANCE SHEET

Before profit appropriation (in thousands of euro)

	notes	31-12-17	31-12-16
ASSETS			
Property, plant and equipment		752	867
Goodwill	*28*	9,996	10,939
Other intangible assets		575	317
Deferred tax assets		2,358	-
Financial fixed assets	*29*	403,701	412,391
Non-current assets		**417,382**	**424,514**
Loans to group companies	*31*	136,434	35,697
Receivables from group companies	*32*	2,049	2,856
Current tax assets		4,252	2,862
Other receivables		7,278	7,831
Other financial instruments	*33*	-	6,049
Cash and cash equivalents		-	26,904
Current assets		**150,013**	**82,199**
Total assets		**567,395**	**506,713**
EQUITY			
Share capital		263	258
Share premium		43,219	43,734
Hedging reserve		-7,074	3,215
Translation reserve		-22,483	-8,832
Other legal reserve		2,704	6,980
Other reserves		272,191	241,733
Unappropriated result		10,501	32,292
Total equity	*30*	**299,321**	**319,380**
PROVISIONS			
Provisions		**15**	**545**
LONG-TERM LIABILITIES			
Interest-bearing loans	*34*	98,471	47,158
Loans from group companies	*35*	1,100	1,100
Deferred tax liabilities		-	1,283
Long-term liabilities		**99,571**	**49,541**
CURRENT LIABILITIES			
Bank overdrafts		36,513	35,744
Revolving credit facility	*34*	40,000	49,050
Interest-bearing loans	*34*	-	12,500
Loans from group companies	*31*	68,341	22,559
Liabilities to group companies	*32*	11,519	11,181
Other current liabilities		2,585	4,451
Other financial instruments	*33*	9,530	1,762
Current liabilities		**168,488**	**137,247**
Total equity and liabilities		**567,395**	**506,713**

The reference numbers following the various items refer to the notes to the company financial statements.

5.9 COMPANY INCOME STATEMENT

(in thousands of euro)

	notes	2017	2016
Net turnover	36	**4,034**	**3,576**
Other expenses	37	-17,367	-7,045
Total operating expenses		**-17,367**	**-7,045**
Operating profit		**-13,333**	**-3,469**
Financial income		2,521	2,179
Financial expenses		-5,496	-1,365
Net finance cost	38	**-2,975**	**814**
Profit before taxes		**-16,308**	**-2,655**
Income tax expense		4,771	222
Income from subsidiaries, net of tax	29	22,038	34,725
Net profit		**10,501**	**32,292**

The reference numbers following the various items refer to the notes to the company financial statements.

5.10 NOTES TO THE COMPANY FINANCIAL STATEMENTS

A. General

The company financial statements are part of the 2017 financial statements of Accell Group N.V..

B. Basis of preparation

The company financial statements have been prepared in accordance with Title 9, Book 2 of the Netherlands Civil Code. For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its company financial statements, Accell Group makes use of the option provided in section 2:362(8) of the Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the company financial statements of Accell Group are the same as those applied for the consolidated EU-IFRS financial statements. A reference is made to paragraph 5.6 Notes to the consolidated financial statements for a description of these principles.

i. Reclassification

In order to enable comparability with 2017 the 2016 figures are reclassified. It concerns the following reclassifications:

- Loans to group companies of € 35,7 million from financial fixed assets to current assets;
- Loans from group companies of € 22,6 million from long-term liabilities to current liabilities.

ii. Participating interests in group companies

Participating interests in group companies are accounted for in the company financial statements according to the net equity value, with separate presentation of the goodwill component under intangible fixed assets.

iii. Result of participating interests

The share in the result of participating interests consists of the share of Accell Group in the result of these participating interests. Results on transactions involving the transfer of assets and liabilities between Accell Group and its participating interests and mutually between participating interests themselves, are eliminated to the extent that they can be considered as not realized.

28. GOODWILL

Changes in goodwill are as follows:

	2017 € x 1,000	2016 € x 1,000
Cost		
Balance at 1 January	10,939	4,342
Investments as a result of business combinations	-	-
Legal restructuring	-	5,059
Currency translation differences	943-	1,538
Balance at 31 December	**9,996**	**10,939**
Accumulated impairments		
Balance at 1 January	-	-
Impairments	-	-
Balance at 31 December	**-**	**-**
Carrying amount		
Balance at 1 January	**10,939**	**4,342**
Balance at 31 December	**9,996**	**10,939**

29. FINANCIAL FIXED ASSETS

Changes in financial fixed assets are as follows:

	2017	2016
	€ x 1,000	€ x 1,000
Subsidiaries		
Balance as at 1 January	374,695	304,698
Profit of participating interests	22,038	34,725
Investments (divestments)	1,150	62,055
Received dividend participating interests	-	-13,603
Translation differences	-12,707	-7,351
Other comprehensive income	197	-5,830
Legal restructuring	-	2,078-
Other movements	-337	2,079
Balance as at 31 December	**385,036**	**374,695**
Loans to group companies		
Balance as at 1 January	37,696	79,039
Loans provided	-	16,606
Loans repaid	-19,031	-57,946
Translation differences	-	-3
Balance as at 31 December	**18,665**	**37,696**
Total financial fixed assets	**403,701**	**412,391**

The long-term loans to group companies are provided as long-term financing and are interest-bearing (3%).

30. SHAREHOLDERS' EQUITY

The movement schedule of shareholders' equity is as follows:

	Share capital	Share premium	Hedging reserve	Translation reserve	Other legal reserve	Other reserve	Unappropriated result	Total equity
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Balance at 1 January 2016	**253**	**44,264**	**1,079**	**-2,473**	**5,005**	**225,527**	**32,286**	**305,941**
Net profit	-	-	-	-	-	-	32,292	32,292
Other comprehensive income	-	-	2,136	-6,359	-	-5,473	-	-9,696
Total comprehensive income	**-**	**-**	**2,136**	**-6,359**	**-**	**-5,473**	**32,292**	**22,596**
Transfer to other reserve	-	-	-	-	-	32,286	-32,286	-
Dividends paid	-	-	-	-	-	-18,215	-	-18,215
Stock dividends	5	-5				9,422	-	9,422
Share-based payments	-	-525	-	-	-	464	-	-61
Other changes	-	-	-	-	1,975	-2,278	-	-303
Balance at 31 December 2016	**258**	**43,734**	**3,215**	**-8,832**	**6,980**	**241,733**	**32,292**	**319,380**

	Share capital	Share premium	Hedging reserve	Translation reserve	Other legal reserve	Other reserve	Unappropriated result	**Total equity**
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	**€ x 1,000**
Balance at 1 January 2017	**258**	**43,734**	**3,215**	**-8,832**	**6,980**	**241,733**	**32,292**	**319,380**
Net profit	-	-	-	-	-	-	10,501	**10,501**
Other comprehensive income	-	-	-10,289	-13,651	-	197	-	**-23,743**
Total comprehensive income	**-**	**-**	**-10,289**	**-13,651**	**-**	**197**	**10,501**	**-13,242**
Transfer to other reserve	-	-	-	-	-	32,292	-32,292	**-**
Dividends paid	-	-	-	-	-	-18,616	-	**-18,616**
Stock dividends	5	-5	-	-	-	11,876	-	**11,876**
Share-based payments	-	-510	-	-	-	439	-	**-71**
Other changes	-	-	-	-	-4,276	4,270	-	**-6**
Balance at 31 December 2017	**263**	**43,219**	**-7,074**	**-22,483**	**2,704**	**272,191**	**10,501**	**299,321**

Accell Group has issued share options (refer to note 18 of the consolidated financial statements).

Ordinary shares

On 31 December 2017 the authorized capital consists of 55,000,000 ordinary shares, 5,000,000 preference shares F and 60,000,000 preference shares B, each with a nominal value of € 0.01. Of these, 26,255,179 *(2016: 25,834,236)* ordinary shares have been issued and duly paid at 31 December 2017, as a result the issued and paid-up share capital amounts to € 262,552.

Share premium reserve

The share premium concerns the income from the issuing of shares in so far as this exceeds the nominal value of the shares (above par income).

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Translation reserve

The legal translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Other legal reserves

Other legal reserves consist of a legal reserve for participating interests and a legal reserve for capitalized development costs.

The legal reserve for participating interests, which amounts to € 2,300 thousand *(2016: € 6,947 thousand)*, pertains to participating interests that are accounted for according to the equity accounting method. The reserve represents the difference between the participating interests' retained profit and direct changes in equity, as determined on the basis of Accell Group's accounting policies, and the share thereof that Accell Group may distribute. The legal reserve is determined on an individual basis.

In accordance with applicable legal provisions, a legal reserve for the carrying amount of € 404 thousand *(2016: € 33 thousand)* has been recognized for capitalized development.

Proposal for profit appropriation (Unappropriated result)

The Board of directors proposes to appropriate the profit after tax for 2017 in full for dividend distribution. The 2017 result after tax is presented as unappropriated profit in shareholders' equity.

Dividend

The Board of Director proposes to make available to the shareholders a dividend with stock option of € 0.50 per share with respect to the current year, whereof € 0.40 from the profit after tax for 2017 and € 0.10 from the other reserve. The dividend proposal of € 13.1 million is subject to approval by the General Meeting of Shareholders on 25 April 2018 and is not reflected as a liability in these financial statements. The dividends have not been provided for and there are no income taxes consequences.

The dividend in respect of financial year 2016 was determined at € 0.72 per share or as stock dividend during the General Meeting of Shareholders of 25 April 2017. After the period in which shareholders could report their preference, 64% of the shareholders opted for the stock dividend. On 16 May 2017 € 6.7 million was distributed as cash dividend and 399,871 shares were issued as stock dividend and added to issued share capital.

31. LOANS TO AND FROM GROUP COMPANIES

The short-term loans to and from group companies relate to current accounts arising from cash management within Accell Group N.V. The loans are interest-bearing (3m Euribor plus margin).

32. RECEIVABLES FROM AND LIABILITIES TO GROUP COMPANIES

The receivables from and liabilities to group companies are current receivables and current liabilities (no interest).

33. OTHER FINANCIAL INSTRUMENTS

A reference is made to note 22 Financial instruments – fair values and risk management of the consolidated financial statements for the note on other financial instruments; other financial instruments consist of forward exchange contracts (financial liabilities) of € 9.3 million *(2016: € 6.0 million of financial assets)* and interest rate swaps (financial liabilities) of € 0.2 million *(2016: € 1.8 million)*, both used for hedging purposes.

34. INTEREST-BEARING LOANS AND REVOLVING CREDIT FACILITY

A reference is made to notes 16 Interest-bearing loans and 22 Financial instruments – fair values and risk management of the consolidated financial statements for the note on interest-bearing loans of € 98.5 million *(2016: € 59.7 million)* and the revolving credit facility of € 40,0 million *(2016: € 49.1 million)*. For the note on Accell Group's policies in respect of liquidity risk and market risk, consisting of currency risk and interest risk, a reference is made to note 22 Financial instruments – fair values and risk management of the consolidated financial statements.

35. LOANS FROM GROUP COMPANIES

The long-term loans from group companies are provided as long-term financing and are interest-bearing (5%).

36. NET TURNOVER

Net turnover comprises charges to group companies with regard to management fees.

37. OTHER EXPENSES

Other expenses amount to € 17.4 million *(2016: € 7.0 million)* and comprises among others personnel expenses, implementation cost of the strategy, IT-related expenses, advisory expenses, auditor fees, treasury income and expenses and travel expenses.

Accell Group N.V. has an average number of 52 employees in 2017 *(2016: 33)*. Wages and salaries, social security charges and pension contributions amounts to € 8.1 million, € 0.4 million and € 1.0 million in 2017 *(2016: € 5.2 million, € 0.3 million and € 0.6 million)*.

38. NET FINANCE COST

Financial income amounts to € 2.5 million (2016: € 2.2 million) and mainly comprises interest income related to loans to group companies. The financial expenses amount to € 5.5 million in 2017 (2016: € 1.4 million) and include interest expenses, currency results and bank fees.

39. OFF-BALANCE SHEET ASSETS AND LIABILITIES

Off-balance sheet commitments

Accell Group N.V. has financial commitments of € 1.1 million arising from operational lease agreements on land and buildings, IT equipment and cars for use in de ordinary course of business.

Several liability and guarantees

The legal entity Accell Group N.V. has issued declarations of joint and several liabilities for debts arising from the actions of Dutch consolidated participating interests. Notices 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.

In addition, at 31 December 2017 guarantees for approximately € 12.3 million *(2016: approximately € 14.2 million)* on behalf of consolidated participating interests. Also declarations of joint and several liabilities are issued for debts to suppliers arising from the purchasing transactions of consolidated participating interests to suppliers.

Fiscal unity

The Company constitutes the fiscal unity 'Accell Group N.V.' with its subsidiaries for corporate income tax purposes and value added tax; the standard conditions prescribe that each of the companies is liable for the corporate income tax payable by all companies belonging to the fiscal unity.

40. REMUNERATION OF THE BOARD OF DIRECTORS AND THE SUPERVISORY BOARD

The emoluments, including pension costs as referred to in Section 2:383(1) of the Netherlands Civil Code, charged in the financial year to Accell Group N.V. and group companies amounted to € 3.6 million *(2016: € 2.5 million)* for the Board of Directors, and € 195 thousand *(2016: € 175 thousand)* for supervisory directors. For details on the remuneration of the Board of Directors and Supervisory Board a reference is made to note 26 Related parties of the consolidated financial statements.

The remuneration also includes employee options granted to managing directors amounting to € 60 thousand *(2016: € 91 thousand)*. A reference is made to note 18 Share-based payments of the consolidated financial statements for a note on the option plan.

Supervisory Board
A.J. Pasman, voorzitter
J. van den Belt, vice-voorzitter
P.B. Ernsting
A. Kuiper

Board of Directors
R.J. Takens, CEO
H.H. Sybesma, CFO
J.M. Snijders Blok, COO
J.J. Both, CSCO

Heerenveen, March 9, 2018

THE PREMIER CYCLE AND FITNESS GROUP
ACCELL GROUP

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6
OTHER INFORMATION

6.1 PROFIT APPROPRIATION PURSUANT TO THE ARTICLES OF ASSOCIATION

Article 25 (partial)

Paragraph 4
The Board of Directors, subject to the approval of the Supervisory Board, is 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
The profit then remaining shall be at the disposal of the general meeting of shareholders for the holders of ordinary shares. Pursuant to a proposal of the Board of Directors that has been approved by the Supervisory Board, the general meeting of shareholders may resolve that all or part of a dividend distribution to the holders of ordinary shares shall be made in shares in the share capital of the company instead of cash.

6.2 INDEPENDENT AUDITOR'S REPORT

To: the General Meeting of Shareholders and the Supervisory Board of Accell Group N.V.

Report on the audit of the financial statements included in the annual report 2017

OUR OPINION

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of Accell Group N.V. as at 31 December 2017 and of its result and its cash flows for 2017, in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- the accompanying company financial statements give a true and fair view of the financial position of Accell Group N.V. as at 31 December 2017 and of its result for 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

WHAT WE HAVE AUDITED

We have audited the financial statements 2017 of Accell Group N.V. based in Heerenveen. The financial statements include the consolidated financial statements and the company financial statements.

The consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2017;
- the following consolidated statements for 2017: the income statement, the statement of comprehensive income, cash flow statement and statement of changes in equity and;
- the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2017;
- the company income statement 2017; and
- the notes comprising a summary of the accounting policies and other explanatory information.

BASIS FOR OUR OPINION

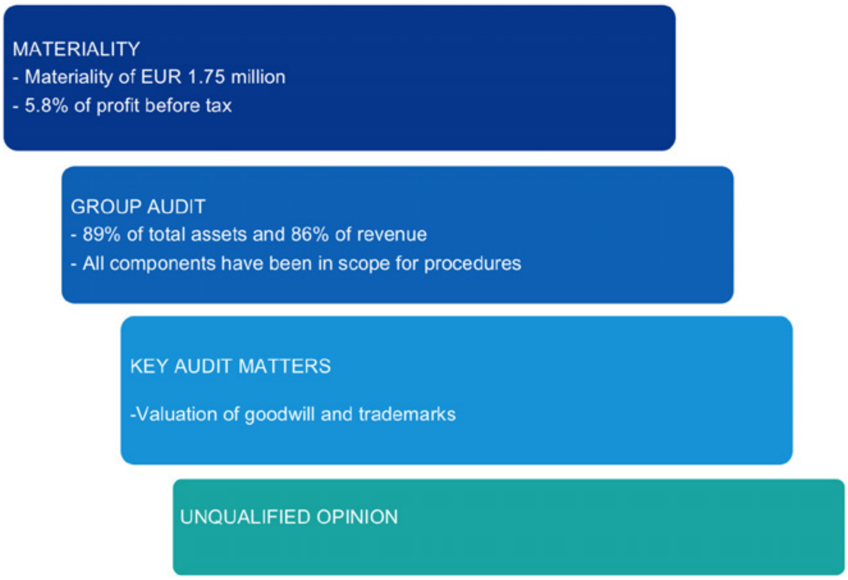
We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Accell Group N.V. in accordance with the EU Regulation on specific requirements regarding statutory audits of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit Firms Supervision Act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

AUDIT APPROACH

Summary



Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 1.75 million (2016: EUR 2.6 million). The materiality is determined with reference to profit before tax. We consider profit before tax as the most appropriate benchmark as the main stakeholders are primarily focused on profit before tax. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Board of Directors and the Supervisory Board that misstatements in excess of EUR 87,000 which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Accell Group N.V. is at the head of a group of components. The financial information of this group is included in the consolidated financial statements of Accell Group N.V.

Based on the size and/or risk profile of the group components or activities, we have performed full scope audit procedures on the financial information for the key group components in the Netherlands, Germany, France, the UK, Turkey and Hungary. We performed audit of specific items for the group components in the

United States and specified audit procedures related to inventory in Spain, Sweden, Denmark, Belgium, Finland and France. In addition, we have performed specific audit procedures at group level aimed at goodwill, trademarks, current and deferred taxes and derivatives. Overall, this has resulted in a coverage of 86% of the total revenue and 89% of the balance sheet total. The remaining 14% of the total revenue and 11% of the balance sheet total concern a number of reporting components, each accounting for less than 5% of the total revenue or balance sheet total. For these remaining components, we have performed a number of procedures, including analytical reviews, to substantiate our judgement that there are no relevant risks of material misstatement.

The group audit team provided detailed instructions to all component auditors who were part of the group audit, covering the significant audit areas, including the relevant risks of material misstatement and set out the information required to be reported back to the group audit team. The group audit team has made site visits to France, the UK and Turkey and has audited the Dutch group component. Regardless of whether group components were visited, there have been telephone conferences with the local auditors for most group components and, where considered necessary, with local management. During the site visits, the planning of our audit, our risk assessment, our audit approach and the key audit findings and objectives were discussed. In France, the UK and Turkey file reviews were performed.

By performing the procedures mentioned above at group and local entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the financial statements.

The audit coverage as stated in the section summary can be further specified as follows:

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the the Board of Directors and the supervisory board.The key audit matters are not a comprehensive reflection of all matters discussed.

Compared to the previous year, we no longer included the valuation of deferred tax assets as a key audit matter due to the decreased interest and as a result valuation of goodwill and trademark remains.This matter is addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Valuation of goodwill and trademarks

Description

Goodwill and trademarks amount to EUR 57.0 million and EUR 36.5 million respectively as at 31 December 2017. Under EU-IFRS, the Company is required to test the amount of goodwill and trademarks with an indefinite life for impairment at least annually. The impairment tests performed by management were significant to our audit due to the complexity of the assessment process and judgements and assumptions involved which are somewhat subjective.
At Accell goodwill is allocated to the cash generating units (CGUs) which are similar as the operating segments (parts & accessories and bikes). The Company uses assumptions with regard to the expected future market and economic developments based on the historical 3 year average.
For trademarks an impairment test has been performed for each trademark, in which Accell used the expected revenue development and royalty income for the respective trademark.

Our response

For our audit we assessed and tested management's key assumptions, the weighted average cost of capital ('WACC') and the model used by the Company.
We compared the assumptions with external data, such as expected inflation percentages, growth percentages for specific markets and royalty percentages, and by analysing sensitivities in the group's valuation model.
We included a valuation specialist in our team to assist us with our audit procedures. We specifically focused on the sensitivity in the available headroom (difference between the recoverable amount and the carrying amount) for the cash generating units and trademarks for which we evaluated whether a reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount. We also assessed whether the Company's disclosures as included in note 9 and 10 in the financial statements are adequate based on EU-IFRS.

Our observation

Based on our procedures performed we consider the Company's key assumptions to be within the acceptable range and determined that the Company's disclosures meet the requirements of EU-IFRS.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- board report contains chapters

- Overview
- Looking to the future
- Progress and performance
- Supervision and Risk Management

- other information.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The Board of Directors is responsible for the preparation of the other information, including the Management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Engagement
We were engaged by the General Meeting of Shareholders as auditor of Accell Group N.V. on 21 April 2016, as of the audit for the year 2016 and have operated as statutory auditor ever since that financial year.

No prohibited non-audit services
We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audits of public-interest entities.

DESCRIPTION OF THE RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Responsibilities of the Board of Directors and the Supervisory Board for the financial statements
The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Directors is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Board of Directors is responsible for assessing the Accell Group N.V.'s ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Directors should prepare the financial statements using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Accell Group N.V. or to cease operations, or has no realistic alternative but to do so. The Board of Directors should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A further description of our responsibilities for the audit of the financial statements is included in the appendix of this auditor's report. This description forms part of our auditor's report.

Amstelveen, 9 March 2018
KPMG Accountants N.V.

T. van der Heijden RA

Appendix: Description of our responsibilities for the audit of the financial statements

APPENDIX

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among other things:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit 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 Accell Group N.V.'s internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- concluding on the appropriateness of the use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Accell Group N.V.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group components. Decisive were the size and/or the risk profile of the group components or operations. On this basis, we selected group components for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audits of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

6.3 HISTORICAL SUMMARY

(in millions of euro, unless stated otherwise)

	2017	2016	2015	2014	2013	2012	2011	2010
Net turnover	1,068.5	1,048.2	986.4	882.4	849.0	772.5	628.5	577.2
Personnel expenses	125.8	121.8	122.9	107.4	106.6	101.6	80.6	76.6
Operating profit (EBIT)	38.0	60.4	58.5	44.1	33.9	32.7	34.8	46.4
Financial income and expenses	-8.2	-8.3	-9.1	-8.8	-11.7	-6.9	-7.8	-4.2
Taxes	19.7	20.4	16.2	9.3	3.7	2.6	3.1	5.8
Net profit	10.5	32.3	32.3	26.5	19.0	23.3	40.3	36.4
Depreciation	11.1	10.3	10.1	8.9	8.7	8.2	7.4	7.5
Free cash flow [1]	-4.9	61.3	-31.2	38.3	-30.9	-19.9	16.9	-1.1
Investments in property, plant and equipment	8.8	11.6	10.8	10.6	6.8	22.8	11.2	6.2
Balance sheet total [6]	705.3	703.4	731.7	631.8	582.1	589.7	434.0	383.9
Property, plant and equipment	69.4	71.7	69.8	68.1	65.1	71.2	64.1	59.6
Capital employed [2]	486.2	494.1	532.3	461.2	449.6	407.5	349.2	301.2
Group equity	299.3	319.4	305.9	281.1	240.0	239.8	214.6	180.4
Net debt	161.0	147.3	200.0	152.3	183.5	143.8	115.7	100.5
Provisions	31.0	33.6	33.2	34.0	32.7	28.9	22.5	23.3
Average number of employees (FTEs)	3,088	3,124	3,371	2,796	2,926	2,776	2,234	1,877
Number of issued shares at year-end	26,255,179	25,834,236	25,270,327	24,864,956	24,402,849	23,863,432	21,094,760	20,609,012
Weighted average number of issued shares	26,101,222	25,623,405	25,116,249	24,685,681	24,195,467	22,897,471	20,905,497	20,385,290
Market capitalization	615.2	566.0	532.4	338.2	327.0	317.6	297.4	389.5
Data per share [3](in euros)								
Group equity	11.47	12.27	11.75	10.81	9.24	9.55	9.04	7.64
Free cash flow	-0.19	2.35	-1.19	1.47	-1.19	-0.79	0.71	-0.05
Net profit	0.40	1.24	1.24	1.02	0.73	0.93	1.70	1.54
Dividend [4]	0.5	0.71	0.69	0.58	0.51	0.68	0.81	0.74
Closing price of share	23.43	21.91	21.07	13.60	13.40	13.31	14.10	18.90
Ratios (in %)								
ROCE	7.8	12.2	11.0	9.6	7.5	8.0	10.0	15.4
ROE	3.5	10.1	10.6	9.4	7.9	9.7	18.8	20.2
Operating profit/turnover	3.6	5.8	5.9	5.0	4.0	4.2	5.5	8.0
Net profit/turnover	1.0	3.1	3.3	3.0	2.2	3.0	6.4	6.3
Free cash flow/turnover	-0.5	5.8	-3.2	4.3	-3.6	-2.6	2.7	7.6
Balance sheet total/turnover [6]	66.0	67.1	74.2	71.6	68.6	76.3	69.1	66.5
Solvency (based on group capital) [6]	42.4	45.4	41.8	44.5	41.2	40.7	49.5	47.0
Net debt/ EBITDA [5]	3.3	2.1	2.8	2.8	4.0	3.3	1.9	1.9
Pay-out ratio	124.3	57.1	56.0	56.8	70.0	74.1	47.8	47.9
Dividend yield (including dilution [3])	2.1	3.2	3.3	4.3	3.8	5.1	5.7	3.9

1) Free cash flow is defined as the balance of the net cash flow from operating- and investment activities.

2) Capital employed is the balance sheet total minus cash and cash equivalents and current non-interest bearing obligations (including current part of provisions).

3) The data per share are calculated based on the weighted average number of issued shares. The data per share for the years 2010-2016 have been adjusted for the dilution resulting from the issue of stock dividend charged to the share premium reserve in accordance with the International Financial Reporting Standards (IAS33). The adjustment factor that was applied in the reporting year for 2016 and for previous years is 0.98476.

4) The dividend per share relating to the financial year 2017 concerns the proposal to be submitted to the General Meeting of Shareholders.

5) EBITDA is based on the operating profit adjusted with one-off items.

6) Balance sheet total and solvency 2016 are determined after offsetting the balances in the notional cash pooling arrangements.

6.4 MATERIALITY AND SUSTAINABLE DEVELOPMENT GOALS

MATERIALITY DETERMINATION

Some years ago, Accell Group drew up a list of relevant aspects on the bases of a dialogue with its stakeholders and aspects that are relevant in society and the (bicycle) market. In 2016, Accell adjusted the list slightly and placed it in a matrix.

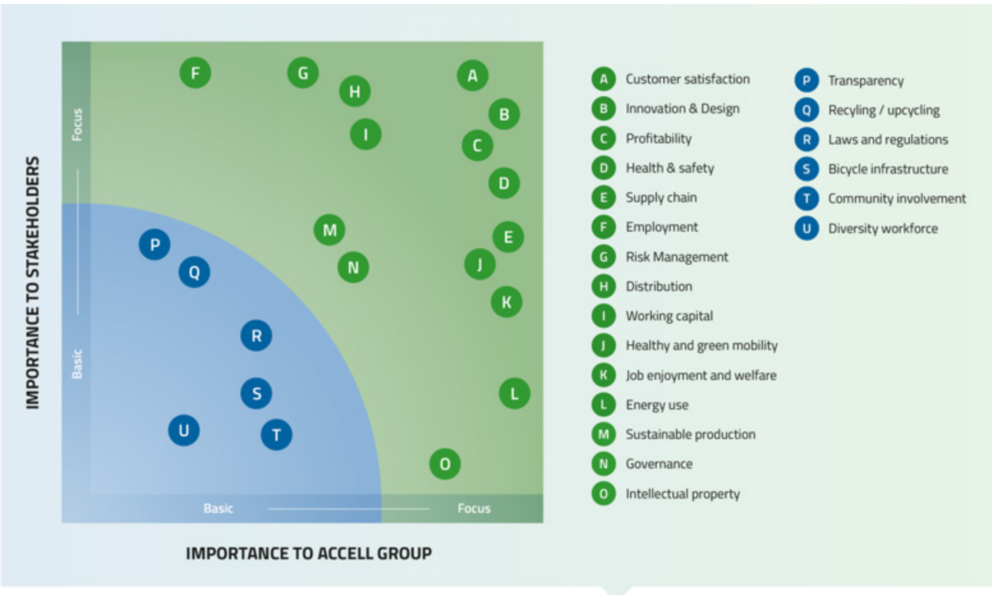
At the end of 2017, Accell Group used an online survey, via research bureau GFK, to put these aspects to around 150 external stakeholders (business partners, specialist retail network, (local) government authorities, sector associations and advocacy groups, suppliers and analysts/shareholders), plus 100 internal stakeholders. In addition, Accell sent a questionnaire to some 4,500 consumers from GFK's consumer panel in France, Germany and the Netherlands.

In the online survey, the material aspects of the materiality matrix of 2016 (including explanation) were put to the respondents. We asked them to indicate for each aspect to what extent the respondent believed it has an impact on the group they represent, society as a whole and on Accell Group. Respondents were also asked to rank the various aspects in terms of importance and had the chance to add what they believed to be missing aspects.

The purpose of the survey is to gain insight into which aspects are truly important (material) to Accell Group in the eyes of both internal and external stakeholders and to identify potential risks or opportunities. This feedback will be used as input to tighten Accell Group's (CSR) policy and action points.

The outcome of the online survey will be discussed during a round table session at board level in early 2018 to arrive at a final ranking. The (current) highly material aspects are described in the table below.

Material aspects for the report



	DEMARCATION INSIDE AND OUTSIDE THE ORGANISATION:	STAKEHOLDER GROUPS THAT PRIORITISE THIS ASPECT:	KEY FIGURES AND PERFORMANCE INDICATORS:
A **CUSTOMER SATISFACTION**	▪ In addition to satisfaction with a high-quality product, buying convenience and availability, good information and a focus on customer safety, both in terms of regulations and product development and in use, are important factors that make an implicit contribution to client satisfaction.	▪ Consumers ▪ Retail trade network ▪ Accell Group companies.	▪ No indicators at group level. Brands have their own methods for monitoring this.
B **INNOVATION & DESIGN**	▪ Providing distinctive products that surprise customers without compromising on safety and sustainability.	▪ Accell Group companies ▪ Consumers ▪ Retail trade network ▪ Industry bodies.	▪ Number of prizes and awards ▪ Number of patents and model protections.
C **PROFITABILITY**	▪ Improving profitability by implementing our strategy, and always from the perspective of customer satisfaction, so this actually bolsters our relevance in the long term, rather than undermining it.	▪ Shareholders and Banks ▪ Accell Group companies.	▪ Net turnover ▪ EBIT margin ▪ Net profit ▪ ROCE.
D **HEALTH & SAFETY**	▪ Compliance with legislation and regulations, but first and foremost attention to improving the health and safety culture within the company.	▪ Employees ▪ Public Sector ▪ Industry organisations ▪ Accell Group companies.	▪ Hours of absenteeism ▪ Hours of absenteeism as a result of accidents.
E **SUPPLY CHAIN**	▪ Optimisation of the supply chain to increase reliability of deliveries and reduce lead times and respond more effectively to changes in consumer demand. Accept responsibility as an important player in the mobility chain to encourage sustainable operations among partners on both the suppliers' side and the distribution side.	▪ Shareholders and Banks ▪ Public sector ▪ Industry organisations ▪ Suppliers ▪ Accell Group companies.	▪ Assessment suppliers in terms of employment practices, human rights and environment ▪ Number of REACH assessments and % deviations.
F **EMPLOYMENT**	▪ Providing a socio-economic contribution in the regions by providing local employment in a broad spectrum of activities. We do not necessarily demand more than is required for the job, which creates opportunities for people with less education and people with difficulties accessing the labour market.	▪ Employees ▪ Public sector ▪ Industry organisations ▪ Accell Group companies.	▪ Number of employees & various categorisations.
G **RISK MANAGEMENT**	▪ Continuous safeguarding and monitoring of the effectiveness of our risk management and internal control systems, for the optimum management of risks to the company and to the environment.	▪ Shareholders and Banks ▪ Public sector ▪ Accell Group companies.	▪ Qualitative indicators.
H **DISTRIBUTION**	▪ Creation of the maximum coherence between offline and online channels, geared towards providing the best possible service to consumers in every possible way.	▪ Consumers ▪ Retail trade network ▪ Accell Group companies.	▪ No indicators at group level. Brands have their own monitoring methods.

	DEMARCATION INSIDE AND OUTSIDE THE ORGANISATION:	STAKEHOLDER GROUPS THAT PRIORITISE THIS ASPECT:	KEY FIGURES AND PERFORMANCE INDICATORS:
I **WORKING CAPITAL**	▪ Optimisation of working capital should ensure a healthy balance between the capital required to deliver what customers want and the availability of cash to enable investments in the strategy.	▪ Shareholders and Banks ▪ Accell Group companies.	▪ Turnover rate stocks, receivables, payables ▪ Working capital as % of turnover ▪ ROCE.
J **HEALTHY AND GREEN MOBILITY**	▪ Playing a leadership role when it comes to increasing sustainability in mobility, reducing congestion, reducing CO2 emissions and improving the living conditions in urbanised areas. Playing a proactive role in society to promote more exercise, sports and a healthier lifestyle, safety in terms of cycling conditions, infrastructure and bicycle products.	▪ Retail trade network ▪ Shareholders and Banks ▪ Industry organisations ▪ Accell Group companies ▪ Consumers ▪ Public sector ▪ Suppliers.	▪ % sustainable commuter traffic ▪ Amount in sponsoring.
K **WORK SATISFACTION AND WELFARE**	▪ Providing an open and professional culture in combination with an inspiring working environment that suits the personal abilities, talents and ambitions of employees. Providing good training and career prospects with attention for personal circumstances, health and with care for a safe working environment.	▪ Employees ▪ Accell Group companies ▪ Public sector.	▪ Hours of absenteeism ▪ Number of hours of training and education ▪ Employee evaluation in terms of satisfaction, engagement and enthusiasm.
L **ENERGY CONSUMPTION**	▪ Reducing energy consumption primarily in assembly, paint shops, lighting and heating of our production facilities, warehouses and offices.	▪ Accell Group companies ▪ Public sector ▪ Industry organisations ▪ Shareholders and Banks.	▪ Amount of energy consumption ▪ Amount of emissions.
M **SUSTAINABLE PRODUCTION**	▪ Production of bicycles with the lowest possible impact on the environment, reduction of waste and energy consumption, attention paid to the use of packaging and safe materials.	▪ Industry organisations ▪ Suppliers ▪ Public sector ▪ Accell Group companies ▪ Shareholders and Banks.	▪ Environmental burden packaging materials ▪ Environmental burden waste.
N **GOVERNANCE**	▪ Compliance with a sound governance policy means making responsible choices in political, social, economic and ethical terms and communicating this transparently.	▪ Employees ▪ Shareholders and Banks ▪ Public sector ▪ Industry organisations ▪ Suppliers ▪ Accell Group companies.	▪ Qualitative indicators.
O **INTELLECTUAL PROPERTY**	▪ Recording and protecting intellectual property rights (such as patents), related to our brands and the technologies and designs of our bikes.	▪ Shareholders and Banks ▪ Accell Group companies.	▪ Number of patents and model protections ▪ Qualitative indicators to combat counterfeiting and patent infringements.

SUSTAINABLE DEVELOPMENT GOALS

Accell Group also recognises the importance of the Sustainable Development Goals (SDGs) drawn up by the United Nations. As a first step, we have determined the goals that we can contribute to as an organisation and the extent to which we do so already. In 2018, we will continue to refine our CSR strategy and that will also include our contribution to the SDGs.

- Bicycles are naturally contributing to good health and well-being. By promoting sustainable commuting Accell Group stimulates their employees to be in good health.
- Not only does the product stimulate physical activities, but it can also help in reducing CO_2-emissions of mobility. Accell Group contributes to safer traffic and less pollution.
- We encourage our suppliers to live up to our social and environmental standards.

- Accell Group stimulates personal development by offering sufficient education hours in a year. An average of 15 hours of education per year is the standard from 2018 on.
- Accell Group sponsors the World Bicycle Relief in their goal to educate young people in developing countries.

- Due to the labor-intensity of the product and the fact that most of the suppliers are based in developing countries, Accell Group automatically contributes to economic growth and work. With the RSI audits we make sure this work is in line with our standards.
- Accell Group supports organizations in their lobby for a level-playing field and wants to stimulate economic growth in a fair way.

11 SUSTAINABLE CITIES AND COMMUNITIES

- The nature of the product contributes to a sustainable city and healthier communities. Safe and clean cities are necessary for the users of our product.
- Accell Group contributes in providing access to sustainable and safe traffic, not only by producing bicycles, but also by sponsoring local, regional and international initiatives.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

- For a responsible use of bicycles, a safe and sustainable product is needed. Accell Group contributes to the development of the highest safety standards, of which our products fulfill to.
- AAccell Group aims to reduce their waste, packaging and energy consumption and is working towards a sustainable and socially compliant supply chain.

17 PARTNERSHIPS FOR THE GOALS

- By being a member of several initiatives and committees, Accell Group helps in promoting open trade, increasing exports of developing countries and enhance international support for capacity-building in developing countries.

6.5 NETWORKS AND STAKEHOLDER DIALOGUE

We maintain a constant dialogue with our stakeholders and ensure that we follow up on any issues that are raised in that dialogue.

ROLE IN SOCIETY

With a view to the role we see for ourselves in society, we are affiliated with various national and international industry organisations and initiatives. These initiatives are varied and include efforts to encourage the use of innovative and green mobility solutions for short and middle distances, such as the (electric) bicycle, reducing congestion and improving traffic safety and the quality of life in urban areas and attention for a healthy lifestyle and more exercise.

Below you will find a complete overview of the industry and advocacy organisations where we have a seat on the board or for which we actively participate in working groups.

BOARD AND WORKING GROUPS PARTICIPATION

Consumer safety

- ISO / TC 149 (Technical Committee of the International Organization for Standardization). Including participation in the working group:
  - ISO TC 149/SC1 WG15 (Electric Power Assisted Cycles)
- CEN TC 333 Cycles (Technical Committee of the European Committee for Standardization). Including participation in the working groups:
  - CEN/TC 333/WG 5 (Electric Power Assisted Cycles)
  - CEN/TC 333/WG 8 (Composite material used in bicycles)
- CENELEC (European Committee for Electrotechnical Standardization). Including participation in the working groups:
  - CLC/TC21X/WG5 (safety requirements lithium batteries for LEV)
  - IEC/ISO TC69/JPT 61851-3LEV (joint Project team of IEC and ISO)
  - NEC 21-35 (Dutch Electrotechnical Committee / Cells and Batteries)

- NEN (Dutch Standards Institution) commission NC 330 043 Bicycles
- TSE (Turkish Standards Institution) / MTC - Mirror Technical Committees

Theft prevention

- Steering committee Platform Bicycle Theft
- Technical committee foundation ART (bicycle locks)

Bicycle industry – healthy & green mobility

- Board CONEBI (Confederation of European Bicycle Industries)
- Board RAI Vereniging (Dutch mobility sector association), sector bicycles
- Board Univelo (French industry association)
- Board LEVA (Light Electric Vehicle Association)
- Board BPSA (Bicycle Product Suppliers Association)
- Board UVT (Finnish outdoor industry association)
- Board FAPIC (Norwegian industry association)
- Board MKKSZ (Hungarian industry association)
- Team leader Tour de Force (Technology team)

Health & sustainability

- Central Board WFSGI (World Federation of the Sporting Goods Industry)
  - Board World Sports Forum
  - Advisory Board World Cycling Forum
  - Bicycle committee
  - CSR committee
- Board Stibat (Dutch Battery recycling foundation)
- Board People for Bikes (USA)
- Board Cycling Industry Club

DIAVELO CARQON

AWARD: TAIPEI CYCLE D&I AWARDS 2017

The carQon is Accell Group's new holistic design approach to a high-end cargo bike. The new carQon cargo bike is extremely easy to handle when driving around corners. There is a patented carving mechanism underneath the frame. It is like riding a normal bicycle where you use your body to control the steering rather than actually turning the handlebar. The carQon bike is equipped with a Brose high torque motor for maximum torque and performance. The battery is the latest version of Protanium's patented in-the-frame battery.

STAKEHOLDER INITIATIVES

Below is an overview of the frequency of our contacts and how we maintain regular contact with our main stakeholder groups, together with the main subjects addressed in these contacts. We determined who our most important stakeholders are by putting all our stakeholders in a matrix and prioritising them. The Board of Directors has approved the matrix.

OUR STAKEHOLDERS AND HOW WE COMMUNICATE WITH THEM :

CONSUMERS - CYCLISTS
People who currently own an Accell Group bicycle or will do so in the future.

Communication with consumers and cyclists
We reach the consumers target group with a mix of online and offline distribution channels and via specialist bicycle and sports retailers. Our brands are active online and on social media for both marketing and informative purposes. We stay in touch with our target group via consumer panels on subjects such as design, functionality, service and buying convenience.

RETAIL TRADE NETWORK
Specialist bicycle and sports retailers that sell Accell Group bicycles and parts and accessories.

Communication with the retail trade network
Accell Group companies are in almost daily contact with the specialist bicycle and sports retailers in our network via the visits from their sales representatives. We support the retail trade on a growing number of fronts and regularly provide workshops on our latest products and technological applications. We see and talk to specialist retailers at large (international) trade fairs. In addition, we organise annual events for the retail trade, including events on changes in the bicycle industry, especially on the distribution front and maintain a dialogue with the sector in dealer panels.

(LOCAL) GOVERNMENT BODIES - REGULATORS
Government bodies responsible for (inter)national regulations and legislation and provincial and local authorities responsible for dealing with mobility issues in society. Regulators include the Dutch Financial Markets Authority AFM with respect to our stock exchange listing, as well as the Dutch Consumer & Markets Authority with respects to matters such as competition and product quality.

Communication with (local) government bodies and regulators
Accell Group actively engages with various national and local government authorities, both via industry organisations and at its own initiative. We discuss various subjects if and when there is a direct or indirect reason to do so, including innovative mobility solutions to improve traffic flows in cities. We are in contact with regulators primarily when there is a need to do so.

NATIONAL AND INTERNATIONAL INDUSTRY ORGANISATIONS SUCH AS WFSGI, EBMA, CONEBI, RAI VERENIGING (NL), ZIV (DE) AND UNIVELO (FR)

National and international groups with an involvement in Accell Group's products, such as ECF, de *fietsersbond* cyclists' union (NL) and ADAC (GER).

Communication with national and international industry organisations

Accell Group and its companies have a seat on the boards of various industry associations. In addition, we regularly operate in unison with advocacy groups and engage with these organisations at bicycle events and trade fairs. Within the industry bodies, we frequently act in unison with these organisations in matters including (bicycle-related) social mobility issues and regulation, such as regulations and legislation pertaining to bicycles and traffic safety.

SUPPLIERS

Companies that deliver bicycles, bicycle parts and accessories or services to Accell Group, either directly or indirectly.

Communication with suppliers

Accell Group maintains frequent contacts with its suppliers. We organise special workshops with our largest and most critical suppliers, in which we share insights and look for ways to work together even more closely. We also see national and international trade fairs as a good way to make and maintain contacts.

ACCELL GROUP COMPANIES

Companies that are now part of our group or will be in the future.

Communication with Accell Group companies

In addition to the regular daily contacts regarding the company performance, Accell Group organises special consultations within the group two or three times a year on important subjects such as innovation, corporate social responsibility, human resources, supply chain and distribution. Depending on the subject, these discussions are attended by representatives from our companies from different fields, such as general management, R&D, marketing, after-market, production, procurement, human resources and control (finance). One example of such a consultation structure is the ACSI network (Accell Corporate Sustainability Network), which includes the manager responsible for sustainability at each company in the group. The ACSI network is supported from the holding company and directed by the Chief Operations Officer.

EMPLOYEES

People with an open-ended, temporary or flexible contract at Accell Group or one of our companies, and their families.

Communication with employees

Accell Group supports regular consultations with the publication of a number of internal newsletters on a range of group-level themes or themes relevant to the companies themselves. One example is a special semi-annual newsletter on corporate social responsibility. For employees, our press releases, newsletters and the annual report are the main news sources for following developments within the group. In addition, each year Accell Group organises a number of group-level or local meeting with its works councils and the trade unions. Every two years, we conduct an employee engagement survey.

SHAREHOLDERS - ANALYSTS

Current and potential shareholders and analysts.

Communication with shareholders and analysts

Accell Group maintains frequent contact with this target group throughout the year. This includes sessions for analysts and investors and our annual shareholders meeting. We take part in national and international conferences and roadshows. In addition, each year we publish an annual report, annual and interim results press releases, trading updates and other press releases on significant developments within the group. We also maintain contact with various media, organise press meetings and periodic interviews to clarify our reporting. Significant subjects in the year under review included our competitive position, our strategy and our operational performance.

6.6 EMPLOYEE DATA

In 2017, the number of employees declined to 2,656 FTEs (measurement date 30 November). The tables below show how the employees are divided in terms of region, gender, age and type of contract. All figures have been rounded off to improve readability. This may result in small rounding differences.

AGE OF EMPLOYEES (FTE)

As at November 30, 2017

	Europe			North America			Asia		
Age (year)	Female	Male	Subtotal	Female	Male	Subtotal	Female	Male	Subtotal
< 25	77	130	206	0	0	0	6	14	20
25 - 34	177	402	579	9	21	30	40	45	85
35 - 44	161	464	626	9	18	27	21	64	85
45 - 54	159	418	577	8	27	35	9	33	42
55 -59	42	161	203	4	5	9	1	1	2
60 -65	21	93	115	3	4	7	0	1	1
> 65	0	7	7	0	0	0	0	0	0
Subtotal	637	1,675	2,313	33	75	108	77	158	235

	Worldwide		
Age (year)	Female	Male	Total
< 25	83	144	226
25 - 34	226	468	694
35 - 44	191	546	738
45 - 54	176	478	654
55 -59	47	167	214
60 -65	24	98	123
> 65	0	7	7
Total	747	1,908	2,656

TYPE OF CONTRACT EMPLOYEES (FTE)

As at November 30, 2017

		Europe			North America			Asia		
		Female	Male	Subtotal	Female	Male	Subtotal	Female	Male	Subtotal
Permanent	Part-time	77	40	117	0	0	0	0	0	0
	Full-time	466	1,465	1,931	33	75	108	76	158	234
Temporary	Part-time	12	12	24	0	0	0	1	0	1
	Full-time	83	158	241	0	0	0	0	0	0
	Subtotal	637	1,675	2,313	33	75	108	77	158	235

		Worldwide		
		Female	Male	Total
Permanent	Part-time	77	40	117
	Full-time	575	1,698	2,273
Temporary	Part-time	13	12	25
	Full-time	83	158	241
	Total	747	1.908	2,656

TYPE OF CONTRACT (FTE) IN 2017

As at November 30, 2017

	Europe			North America			Asia		
	Female	Male	Subtotal	Female	Male	Subtotal	Female	Male	Subtotal
Accell employees	637	1,675	2,313	33	75	108	77	158	235
Temporary employees*			246			0			0
Total			2,558			108			235

	Worldwide		
	Female	Male	Total
Accell employees	747	1,908	2,656
Temporary employees*			246
Total			2,901

* Temporary employee: a person working for a company that supplies services to Accell Group (no employment contract with Accell Group)

In 2017, Accell Group recorded absenteeism of 3.73 % due to sick leave and 0.13 % due to workplace accidents. The table shows the division of absenteeism due to illness and accidents in terms of region and gender.

ABSENTEEISM IN HOURS EN RELATIVE*

As at November 30, 2017

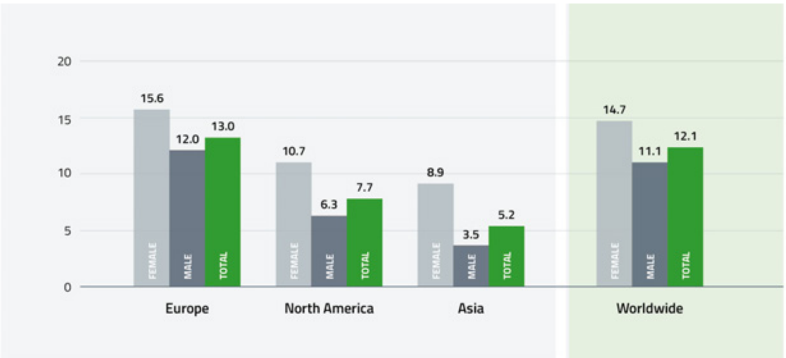
		Europe		North America		Asia		Worldwide	
		Hours	Rate	Hours	Rate	Hours	Rate	Hours	Rate
Total Sick leave	Female	55,570	4.45%	203	0.30%	1,339	0.87%	57,112	3.88%
	Male	130,617	3.99%	390	0.25%	6,320	2.00%	137,327	3.66%
	Subtotal	186,186	4.12%	593	0.26%	7,659	1.63%	194,438	3.73%
Due to accidents	Female	1,122	0.09%	640	0.93%	0	0.00%	1,762	0.12%
	Male	3,974	0.12%	0	0.00%	952	0.30%	4,926	0.13%
	Subtotal	5,096	0.11%	640	0.28%	952	0.20%	6,688	0.13%

* Relative: expressed as the period of absence divided by the total work time.

In 2017, the average number of training hours per employee increased to 12.1 hours per FTE. The tables show the division of training hours in terms of region, gender and type of employee.

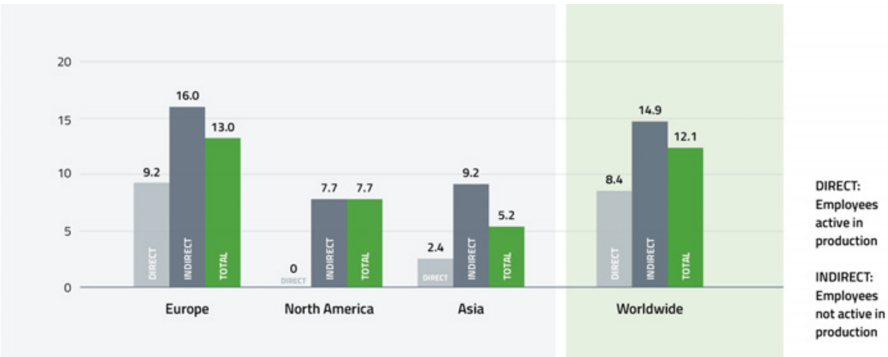
TRAINING HOURS PER FTE: MALE-FEMALE

As at: November 30, 2017



TRAINING HOURS PER FTE: CONTRACT TYPE

As at: November 30, 2017



AWARD WINNING BIKES OF 2017

PININFARINA E-VOLUZIONE

AWARD: IF DESIGN AWARD 2017

An electric bike able to make a real evolution. In design. In technology. In performance. In comfort. e-Voluzione is the first electric bike born from the collaboration between Pininfarina and Diavelo, a member of the Accell Group. The partnership combines the long Pininfarina heritage in designing sporting cars and the vocation to research eco-friendly solutions with Diavelo, a member of the Accell Group, and its state-of-the-art technology in the bicycle sector. e-Voluzione is innovative from several standpoints.

6.7 SCOPE OF THE REPORTING

This report offers an overview of the main developments and the performance of Accell Group in 2017 and is based on subjects highly material to Accell Group. All the reported data pertain to the 2017 financial year that ran from 1 January to 31 December. Non-financial data is reported for the period 1 December 2016 to 30 November 2017.

REPORTING FRAMEWORK AND DATA COLLECTION

With this integrated report, we demonstrate how our efforts on both financial and non-financial fronts enhance each other. How our focus on both profit and on people & planet ensures long-term value creation. The financial data in this report is generated by a standardised and automated reporting system. The internal control system safeguards the reliability of these financial data. The external auditor also audits the financial statements that are part of this report. In doing so, the external auditor also determined whether the notes to the financial performances in the report are a fair representation of the financial statements.

The data related to corporate social responsibility is collected once a year. The collected data and reporting is not verified by the external auditor. In 2017, the sustainability-related data collection covered 98% of Accell Group's operations. This percentage is determined by dividing the number of employees of the companies from which data is collected by the total number of employees. The quantitative and qualitative information related to corporate social responsibility is based on qualitative interviews and quantitative data requests submitted to the managers responsible for CSR at our companies. The team responsible for CSR at group level checks the data by means of a plausibility check. The various business units and staff departments then review and check the contents of the report.

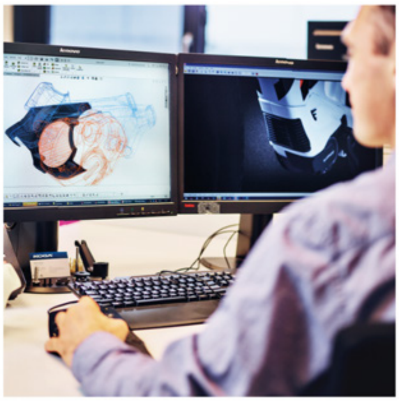
DEVIATIONS FROM THE 2016 SUSTAINABILITY REPORT

While collecting data for 2017, we found that a number of statements for 2016 with respect to energy consumption, CO_2 emissions and waste were missing. This information has been adjusted in the database, and this report reflects the corrected data for 2016. As a result, some tables may deviate from those published in the 2016 annual report. This decision was made to ensure we provide a correct picture of the developments across the years.

6.8 REPORTING STANDARDS AND GUIDELINES

The following standards, policies and guidelines have been applied in full or in part in this report:

- Integrated Reporting framework. Accell Group applies several fundamental concepts, guidelines and content elements of the Integrated Reporting framework of the International Integrated Reporting Council (IIRC) in its reporting.
- International Financial Reporting Standards. Accell Group's financial reporting is based on the International Financial Reporting Standards (IFRS). All Accell Group companies and the group itself comply with these standards.
- Global Reporting Initiative. The Global Reporting Initiative (GRI) is the international standard in the field of sustainability reporting. The Accell Group report has been drawn up on the basis of GRI G4 'Core'.
- Dutch Corporate Governance Code. Compliance with the Dutch Corporate Governance code is described in chapter 4.3 Governance & compliance of this report. We report on this subject on the basis of the 'comply or explain' principle and have adapted our reporting to comply with the amended code.
- EU directive for reporting non-financial information and information regarding diversity. As of the 2017 reporting year, there are tightened legal requirements for transparency regarding non-financial information in the annual reports of large public interest entities. We report on this on the basis of the 'comply or explain' principle.



GRI TABLE

GRI Indicator	Description	Reference
Strategy and analysis		
G4-1	A statement from the most senior decision maker in the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability	Message from the CEO
Organizational profile		
G4-3	Name of the organization	Accell Group
G4-4	Primary brands, products and services	1.1 Profile
G4-5	Location of the organization's headquarters	6.10 Addresses
G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	At a Glance
G4-7	Nature of ownership and legal form	5.6 Notes to the consolidated financial statements
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	At a Glance
G4-9	Report the scale of the reporting organization	At a Glance
G4-10	Structure of the employee directory	6.6 Employee data
G4-11	Percentage of total employees covered by collective bargaining agreements	63%
G4-12	Description of the organization's supply chain	3.4 Supply chain
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	6.7 Scope of the reporting
G4-14	Report whether and how the organisation addresses the precautionary approach or principle	3.2 Products and marketing
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	6.5 Networks and stakeholder dialogue
G4-16	Memberships of associations (such as industry associations) and of national or international advocacy organizations	6.5 Networks and stakeholder dialogue
Identified material aspects and bounderies		
G4-17	All entities included in the organizations consolidated financial statements or equivalent documents	5.6 Notes to the consolidated financial statements
G4-18	Explain the process for defining the report content and the Aspect Boundaries	6.4 Materiality matrix
G4-19	List all the material Aspects identified in the process for defining report content	6.4 Materiality matrix
G4-20	Report the Aspect Boundary within the organization for each material Aspect	6.4 Materiality matrix
G4-21	Report the aspect Boundary outside the organization for each material Aspect	6.4 Materiality matrix
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	6.7 Scope of the reporting
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	6.7 Scope of the reporting
Stakeholder engagement		
G4-24	List of stakeholder groups engaged by the organization	6.5 Networks and stakeholder dialogue
G4-25	Basis for identification and selection of stakeholders with whom to engage	6.5 Networks and stakeholder dialogue
G4-26	Organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	6.5 Networks and stakeholder dialogue
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	6.5 Networks and stakeholder dialogue

GRI Indicator	Description	Reference
Report profile		
G4-28	Reporting period (such as fiscal or calendar year) for information provided	2017
G4-29	Date of most recent previous report (if any)	2016
G4-30	Reporting cycle (such as annual, biennial)	Annual
G4-31	Contact point for questions regarding the report or its contents	www.accell-group.com
G4-32	a. Report the 'in accordance' option the organization has chosen b. Report the GRI Content Index for the chosen option (see tables below)	Core
G4-33	Report the organization's policy and current practice with regard to seeking external assurance for the report	5 Financial statements
Governance		
G4-34	Governance structure of the organization, including committees of the highest governance body responsible for decision-making on economic, environmental and social impacts	1.6 Board of Directors
Ethics and integrity		
G4-56	Describe the organization's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	4.3 Governance & compliance
Economic		
Economic performance		
DMA	DISCLOSURES ON MANAGEMENT APPROACH: A. Report why the Aspect is material. Report the impacts that make this Aspect material B. Report how the organization manages the material Aspect or its impacts C. Report the evaluation of the management	2.3 Strategy
G4-EC1	Direct economic value generated and distributed	2.3 Strategy
Environment		
Materials		
DMA	DISCLOSURES ON MANAGEMENT APPROACH: A. Report why the Aspect is material. Report the impacts that make this Aspect material B. Report how the organization manages the material Aspect or its impacts C. Report the evaluation of the management	3.3 Organisation and employees
G4-EN1	Materials used by weight or volume	3.3 Organisation and employees
Energy		
DMA	DISCLOSURES ON MANAGEMENT APPROACH: A. Report why the Aspect is material. Report the impacts that make this Aspect material B. Report how the organization manages the material Aspect or its impacts C. Report the evaluation of the management	3.3 Organisation and employees
G4-EN3	Energy consumption within the organization	3.3 Organisation and employees
Emissions		
DMA	DISCLOSURES ON MANAGEMENT APPROACH: A. Report why the Aspect is material. Report the impacts that make this Aspect material B. Report how the organization manages the material Aspect or its impacts C. Report the evaluation of the management	3.3 Organisation and employees
G4-EN15	Direct Greenhouse Gas (GHG) emissions (scope 1)	3.3 Organisation and employees
G4-EN16	Energy indirect Greenhouse Gas (GHG) emissions (scope 2)	3.3 Organisation and employees
Waste		
DMA	DISCLOSURES ON MANAGEMENT APPROACH: A. Report why the Aspect is material. Report the impacts that make this Aspect material B. Report how the organization manages the material Aspect or its impacts C. Report the evaluation of the management	3.3 Organisation and employees
G4-EN23	Total weight of waste by type and disposal method	3.3 Organisation and employees

GRI Indicator	Description	Reference
Supplier environmental assessment		
DMA	DISCLOSURES ON MANAGEMENT APPROACH: A. Report why the Aspect is material. Report the impacts that make this Aspect material B. Report how the organization manages the material Aspect or its impacts C. Report the evaluation of the management	3.4 Supply chain
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	3.4 Supply chain
SOCIAL		
Occuptaional health and safety		
DMA	DISCLOSURES ON MANAGEMENT APPROACH: A. Report why the Aspect is material. Report the impacts that make this Aspect material B. Report how the organization manages the material Aspect or its impacts C. Report the evaluation of the management	3.3 Organisation and employees
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days and absenteeism and total number of work related fatalities, by region and by gender	3.3 Organisation and employees
Training and education		
DMA	DISCLOSURES ON MANAGEMENT APPROACH: A. Report why the Aspect is material. Report the impacts that make this Aspect material. B. Report how the organization manages the material Aspect or its impacts. C. Report the evaluation of the management	3.3 Organisation and employees
G4-LA9	Average hours of training per year per employee by gender, and by employee category	3.3 Organisation and employees
Supplier assessment for labor practices		
DMA	DISCLOSURES ON MANAGEMENT APPROACH: A. Report why the Aspect is material. Report the impacts that make this Aspect material. B. Report how the organization manages the material Aspect or its impacts. C. Report the evaluation of the management	3.4 Supply chain
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	3.4 Supply chain
Human rights		
Supplier human rights assessment		
DMA	DISCLOSURES ON MANAGEMENT APPROACH: A. Report why the Aspect is material. Report the impacts that make this Aspect material B. Report how the organization manages the material Aspect or its impacts C. Report the evaluation of the management	3.4 Supply chain
G4-HR11	Significant actual and potential negative impacts on human rights in the supply chain and actions taken	3.4 Supply chain
Other material aspects		
Healthy and green mobility		
DMA	DISCLOSURES ON MANAGEMENT APPROACH: A. Report why the Aspect is material. Report the impacts that make this Aspect material B. Report how the organization manages the material Aspect or its impacts C. Report the evaluation of the management	3.3 Organisation and employees
Accell indicator	Amount of sponsoring	3.3 Organisation and employees
Accell indicator	% sustainable commuting	3.3 Organisation and employees
Consumer safety		
DMA	DISCLOSURES ON MANAGEMENT APPROACH: A. Report why the Aspect is material. Report the impacts that make this Aspect material B. Report how the organization manages the material Aspect or its impacts C. Report the evaluation of the management	3.2 Products and marketing
Job enjoyment and welfare		
DMA	DISCLOSURES ON MANAGEMENT APPROACH: A. Report why the Aspect is material. Report the impacts that make this Aspect material B. Report how the organization manages the material Aspect or its impacts C. Report the evaluation of the management	3.3 Organisation and employees
Chemical substances		
DMA	DISCLOSURES ON MANAGEMENT APPROACH: A. Report why the Aspect is material. Report the impacts that make this Aspect material B. Report how the organization manages the material Aspect or its impacts C. Report the evaluation of the management	3.4 Supply chain
Accell indicator	Number of Reach investigations and % deviations	3.4 Supply chain

SUMMARY TABLE EU DIRECTIVE ON THE DISCLOSURE OF NON-FINANCIAL INFORMATION AND INFORMATION ON DIVERSITY

Current/foreseeable impacts (GRI-indicator)	Material aspect	Reference
Environmental		
Energy use (G4-EN3)	Energy consumption	3.3 Organisation and employees
Greenhouse gas emissions (G4-EN 15 and 16)	Energy consumption	3.3 Organisation and employees
Use of materials (G4-EN1 and 23))	Sustainable production	3.3 Organisation and employees
Sustainable commuting (Accell indicator)	Healthy & green mobility	3.3 Organisation and employees
Environmental impact of suppliers (G4-EN33)	Supply chain	3.4 Supply chain
Social & Employee		
Diversity policy (BoD and SB)	Governance	4.2 Report of the Supervisory Board and 4.3 Governance & compliance
Labour conditions (G4-LA15)	Supply chain	3.3 Organisation and employees and 3.4 Supply chain
Health & safety (G4-LA6)	Health & safety	3.3 Organisation and employees
Work satisfaction and welfare (G4-LA9)	Work satisfaction & welfare	3.3 Organisation and employees
Respect for human rights (G4-HR11)		
Respect for human rights (G4-HR11)	Supply chain	3.4 Supply chain
Anti-corruption		
Anti-corruption	Governance	4.3 Governance & compliance
Bribery		
Bribery	Governance	4.3 Governance & compliance

6.9 BRANDS

OUR BRANDS IN BICYCLES

Haibike (1995) is the inventor of the e-mountain bike. It offers sports bikes, including a range of e-performance models, marked by a strong focus on ground-breaking design and innovation. The Haibike range varies from sports bikes for beginners to top-quality professional competition bikes and racing bikes and mountain bikes for special purposes (such as downhill, free ride and cross country).

haibike.de

Raleigh (1887) is a global icon. Its roots are in Nottingham in the UK and the brand is now sold in many countries. The company's timeless British character and its rich history in professional cycling are constantly used in the marketing of the brand. It's good for the user and good for the environment. Raleigh offers bikes for a broad public, from children's bikes to professional racing bikes, and quality and reliability are always the top priority. Raleigh bikes represent fun, family feeling, fitness and community spirit, plus they are reasonably priced.

raleigh.co.uk

raleighusa.com

ENJOY THE ENERGY

Sparta (1917) is the pioneer in electric bikes and is market leader in e-bike innovations in the Netherlands. Sparta continuously works on technology-driven product development and on tapping into new target groups and market segments for e-bike use. Thanks to the company's use of Internet of Things (IoT) technology, Sparta's e-bike range is particularly attractive for the modern urban cyclist.

www.sparta.nl

Carraro (1924) is a classic Italian brand in the top market segment for touring and racing bikes. A Carraro bike represents the peak of technology, top performance, reliability and innovative design.

carrarocicli.com

Loekie (1980) makes the best and safest bikes for children in the three to seven year age group. Whether it's a cool boy's bike or a pink children's bike for real princesses, Loekie always strives for top quality at a reasonable price.

loekie.nl

Ghost's (1993) trendsetting models stand out thanks to the application of innovative technology and a finish that includes small but very attractive details. The success of the Ghost Factory Racing Team and the Ghost AMR competition has done a lot to boost the prominence of this German brand.

ghost-bikes.com

Lapierre (1946) represents top performance, top quality and ground-breaking innovations with French flair. The Pro Tour Road Team and a World Cup DH Team have recorded numerous successes on Lapierre bikes. Lapierre's manufacturers proved their extensive technical know-how in developing the Overvolt e-bike models. The brand embodies passion and performance, both on the road and off-track.

cycles-lapierre.fr

Redline Bicycles (1974) is a leading brand in the off-road sports bikes segment. The brand manufactures technically advanced models for the BMX, cyclo cross and mountain bike segments. Redline also has a large range of popular parts and accessories for the BMX enthusiast. The brand is sold primarily via independent bicycle retailers in North America.

redlinebicycles.com

Winora (1914) was founded more more than a century ago and is known in Germany as a creator of bikes for the whole family, from the smallest children's bike to sports touring bikes, but also the latest e-bike models. Bikes by Winora are modern, top quality and sustainable

winora.de

Raleigh Electric (1997) is known for its broad range of high-quality, stylish, technologically advanced e-bikes. Raleigh Electric (formerly Currie Technologies) is one of the oldest and most experienced developers and distributors of e-bikes in the American market. The range consists of models that meet their customers' need for an affordable alternative for mobility, recreation, exercise and simply enjoyment.

currietech.com

Diavelo (2012) is a Danish e-bike brand that is best known for its 'Danish Design', both in terms of the shape and its use of colour. In its five-year existence, Diavelo has already won 20 prizes. Their Pininfarina Evoluzione is probably the best-looking e-bike in the world.

diavelo.dk

pininfarina-evoluzione.com

Nishiki (1965) offers touring bikes, ATBs and racing bikes in the top market segment. The brand embodies innovation, quality and functionality. The Finnish design, ground-breaking in terms of ergonomics and use of colour, speaks directly to the imagination of professionals and enthusiasts who really want to set themselves apart.

nishiki.com

nishiki.fi

KOGA

LOVE YOUR BIKE

Koga(1974) is a premium brand with a sporting nature. The company was founded in 1974 and ever since has always operated on the basis of its company philosophy. Central to this philosophy is the development and construction of hand-made, exclusive, high-quality and technically advanced bikes. Continuous innovation and an intensive relationship with top athletes and pro teams in international cycle sports are the building blocks of the brand.

koga.com

DIAMONDBACK

Diamondback (1977) is one of the world's pioneers in BMX bikes. Diamondback offers a broad range of innovative products for every bike market segment, and helps cyclists discover and push their limits. The brand embodies the creation of value and quality in every price class and category.

diamondback.com

BATAVUS

Batavus (1904) has been around for 113 years and is seen as one of the strongest and most prominent brands in the Netherlands. Not only does Batavus offer the most comfortable and sustainable high-quality bikes, it also develops smart, easy-to-use applications that make cycling safer and more fun for cyclists. Batavus devotes continuous attention to design, which helps keep its collection contemporary.

batavus.com

TUNTURI

Tunturi (1922) is a well-known bicycle brand in the Nordic market, with a wide collection, from classic- to e-bicycles, that clearly stands out from the average product ranges in Nordics. Tunturi is seen as most wanted and best quality brand in Finland amongst consumers.

tunturi.fi

Van Nicholas

Van Nicholas (1999) is a Dutch brand that specialises in the design and manufacture of high-quality titanium sports bikes. A team of true professionals guarantees the quality of this truly exceptional collection of bikes and accessories. The brand embodies the creation of the ultimate cycling experience for every individual user. Passion, dedication and a constant drive for perfection make this brand what it is.

vannicholas.com

Atala

Atala (1921) is a renowned Italian bicycle brand that embodies cycling comfort and reliability. The brand offers a broad range of sports bikes, children's bikes and city bikes for a broad public. Atala has its own distribution network of independent specialist dealers all over Italy.

atala.it

OUR BRAND IN BIKE PARTS

XLC (1998) is Accell Group's young, globally exclusive brand for bicycle parts and accessories. At XLC, they believe bicycles offer energy and a feeling of freedom. They enhance this unique cycling feeling by offering readily available, reliable and affordable parts and accessories for every bike.

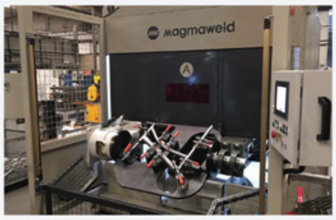
xlclovecycling.nl

xlc-parts.com

OUR COMPANY BRANDS IN BIKE PARTS

Accell Bisiklet (1992) established in Manisa, close to İzmir, is the biggest bicycle producer in Turkey. The company produces Carraro, Ghost, Lapierre and other licensed brand bikes for the Turkish market and a wide range of bicycles for the European market. Accell Bisiklet is also distributor of XLC and other exclusive brand parts & accessories in Turkey. Since 2011 Accell Bisiklet is a member of Accell Group.

accellbisiklet.com.tr



Raleigh (1887) is a global icon. Its roots are in Nottingham in the UK and the brand is now sold in many countries. The company's timeless British character and its rich history in professional cycling are constantly used in the marketing of the brand. It's good for the user and good for the environment. Raleigh offers bikes for a broad public, from children's bikes to professional racing bikes, and quality and reliability are always the top priority. Raleigh bikes represent fun, family feeling, fitness and community spirit, plus they are reasonably priced.

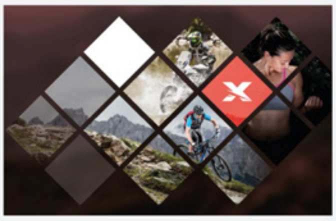
raleigh.co.uk
raleighusa.com

Juncker Bike Parts (1912) is one of the biggest distributors of bicycle parts and accessories in the Benelux. Its product line consists of almost 15,000 articles produced by more than 200 different brands. Bicycle stores can order parts and accessories 24/7 via the Accentry online order system. The strength of Juncker's proposition is built on its broad range, up-to-date stock information, ease of ordering and speed of delivery (within 24 hours). This allows customers to minimise their stock costs. In addition to the (often exclusive) distribution of a large number of well-known brands, Juncker also markets and sells the Accell XLC brand. Juncker Bike Parts also constantly expands its range of services to bicycle stores, including solutions for store and workplace lay-out.

junckerbikeparts.nl

Vartex AB (1948) is a company with over 50 years of experience in bike business, that develops, distributes and markets products that promote local transport, well-being and new experiences. A product range that combines well-known international brands as Batavus, Lapierre and XLC gives compeDDve benefits that makes Vartex an excepDonally strong and flexible contender. Vartex is a well-known distributor of bike parts and accessories.

vartex.se



Cycle Service Nordic (1990) is the distributor of bicycle parts and accessories produced by SRAM and others in Scandinavia. The company has branches in Denmark, Sweden, Norway and Finland. Cycle Service Nordic's customers are specialist dealers, bicycle manufacturers and wholesalers.

cycleservicenordic.com

Tunturi-Hellberg Ltd Tunturi Ltd has been manufacturing the well-known bicycle brand Tunturi since 1922 for Nordic markets. Tunturi manufactures also another well-known bicycle brand, Nishiki since 2010. Tunturi is also representing all Accell Group bicycle brands in Finland and is a wellknown distributor of bike parts and accessories.

tunturi.fi

Comet (1886) is the biggest supplier of high-quality bicycle parts and accessories in Spain and a top-five player in France. Comet has an impressive number of distribution licences for well-known brands.

comet.es

Batavus Bäumker GmbH in Rheine (Germany) was founded in 1931. Right from the start, the company was active as an importer and wholesaler, with a strong focus on high-quality bikes (Batavus and Green's), bicycle parts (XLC and others) and accessories. The company also became a specialist in introducing Dutch bicycle products into the market. The company has been a member of Accell Group since 2010.

www.batavus-baeumker.com

Brasseur (1913) is the exclusive distributor of high-quality bicycle parts, accessories and bicycle brands in Belgium, primarily aimed at the French-speaking part of the country. The company works closely with Juncker Bike Parts and E. Wiener Bike Parts.

cyclesdiamond.be

viper-sconcept.eu

brasseur-bicycles.com

Atala (1921) is a renowned Italian bicycle brand that embodies cycling comfort and reliability. The brand offers a broad range of sports bikes, children's bikes and city bikes for a broad public. Atala has its own distribution network of independent specialist dealers all over Italy.

atala.it

E. Wiener Bike Parts (1914) is a well-known brand in Germany and France as a supplier of bicycle parts and accessories. Thanks to a large number of distribution licences, E. Wiener Bike Parts offers a one-stop shop for French and German retailers.

bike-parts.de

OTHER

Accell also carries the bicycle brands Diamond (BE), Viper (BE), Whistle (Italy and Turkey) and Greens (DE) and the parts and accessories brand RSP (UK).

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6.11 COLOPHON

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CFF Communications - Amsterdam, The Netherlands
Mattmo Creative - Amsterdam, The Netherlands
Good Company - Rotterdam, The Netherlands

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Mattmo Creative - Amsterdam, The Netherlands

PRODUCTION & DISTRIBUTION

Printweb Media B.V. - Nieuwegein, The Netherlands

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