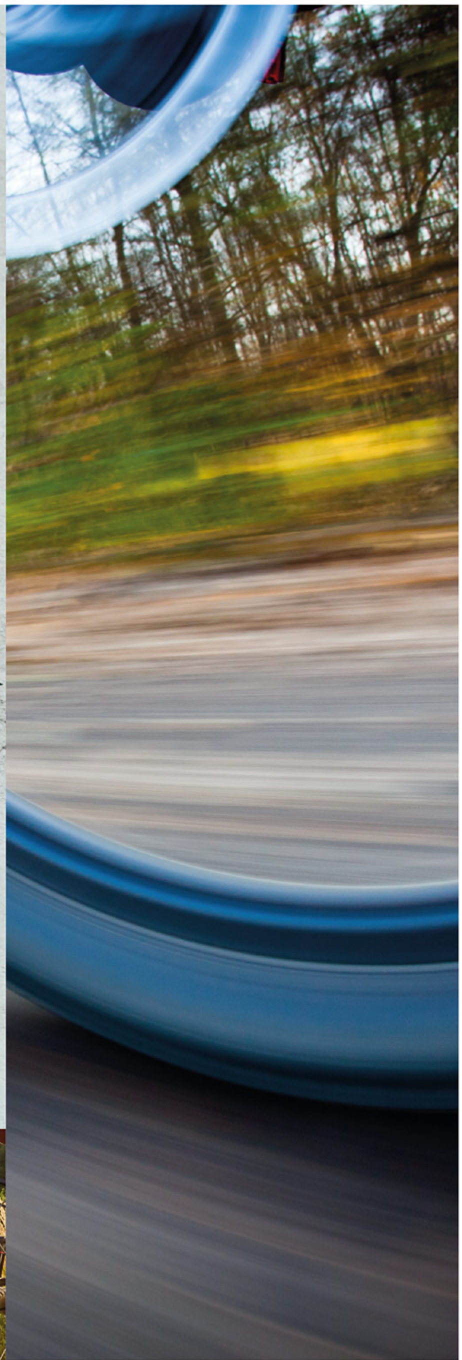
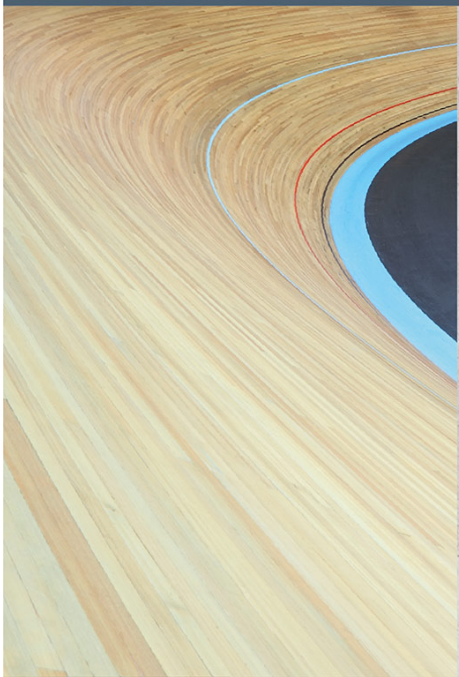
ANNUAL REPORT

2019

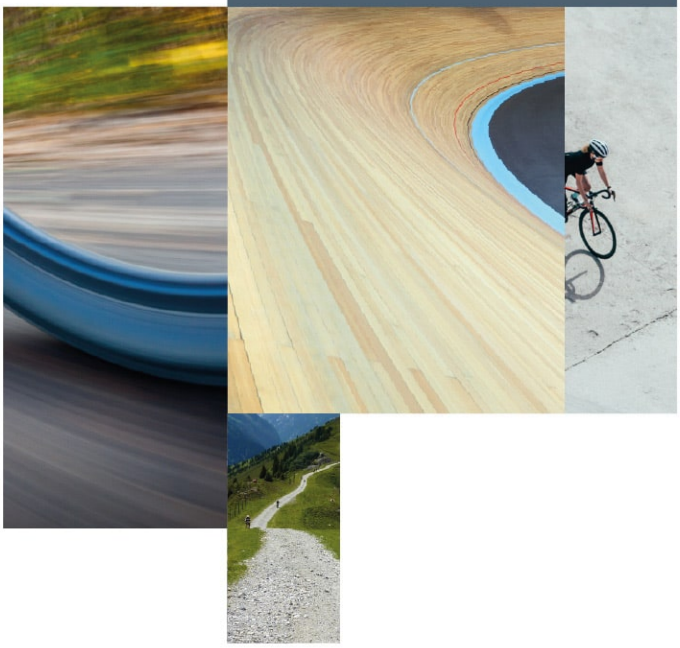




THE PREMIER CYCLE GROUP

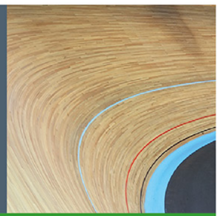
ACCELL GROUP

ANNUAL REPORT
2019

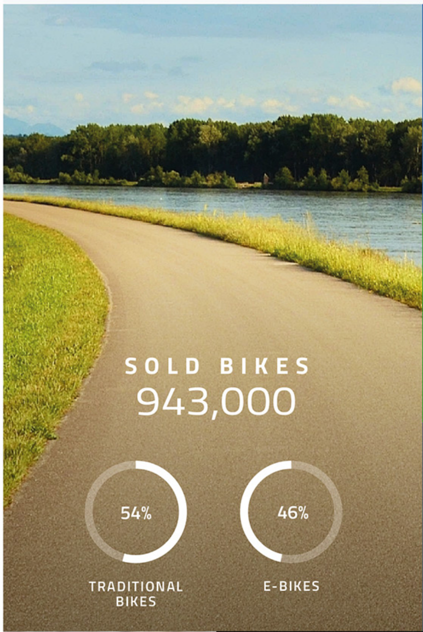


ACCELL GROUP AT A GLANCE

11
STRATEGIC BRANDS



NET RESULT
€ 2.8 MILLION

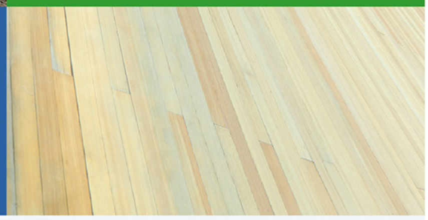


SOLD BIKES
943,000

54% TRADITIONAL BIKES

46% E-BIKES

NET TURNOVER
€ 1.111 BILLION



24% BICYCLE PARTS AND ACCESSORIES

76% BICYCLES

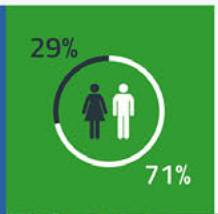
96%
OF BICYCLES SOLD ARE PRODUCED IN GROUPS OWN PRODUCTION FACILITIES

ACCELL GROUP WORLDWIDE

20 LOCATIONS

● Accell Group locations

3,410
EMPLOYEES

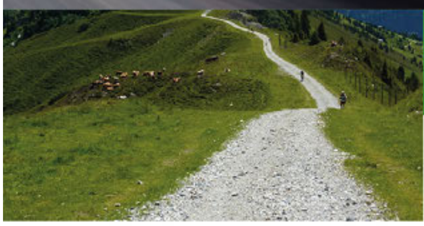


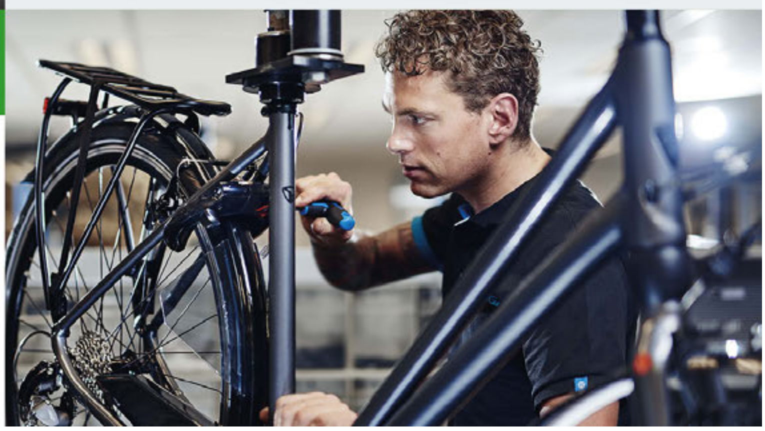
PROFILE

We believe that cycling moves the world forward. We design simple and smart solutions in order to create a fantastic cycling experience for everyone who uses our bikes.

Accell Group makes bicycles, bicycle parts and accessories. We are the European market leader in e-bikes and second largest in bicycle parts and accessories. With numerous leading European bicycle brands under one roof. These brands were built by pioneers for whom the best was not good enough. We still embody the entrepreneurial spirit of those family businesses to this day. We keep pushing ourselves to create high-quality, high performance, cutting-edge products driven by the continuous exchange of know-how and craftsmanship.

Well-known bicycle brands in our portfolio include Haibike, Winora, Ghost, Batavus, Koga, Lapierre, Raleigh, Sparta, Babboe and Carqon. XLC is our brand for bicycle parts and accessories. Accell Group employs approximately 3,400 people across 18 countries. Our bikes and related products are sold to dealers and consumers in more than 80 countries.





OPERATING ACTIVITIES

We design simple and smart solutions inspired by people.

People are the inspiration for everything we do. We design bicycles, parts and accessories that harness human muscle power. We want to constantly push the limits of what is possible.

Design is all about thinking in solutions that are both smart and simple and that make life easier and more fun for cyclists. Our aim is to make smart things so simple that they appeal to everyone. This is what will enable us to transform bicycles and the entire industry as we move into the future of mobility. And that is no empty promise. Just think of the introduction of the e-bike and e-mountain bike. We have turned the business on its head more than once in the past and we will continue to do so in the future.

KOGA KINSEI - OLYMPIC TRACK BIKE

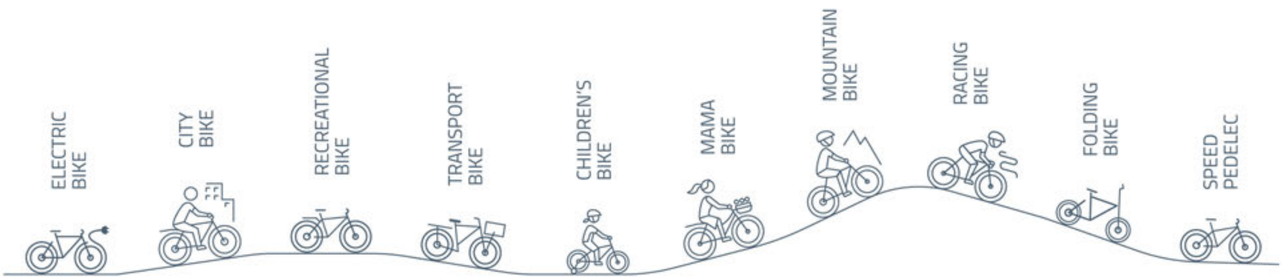
Thanks to our size and our wide range of brands, we really can make a difference. We have a world of experience, knowledge and craftsmanship at our fingertips, putting us in the perfect position to come up with the mobility solutions of the future.

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

BICYCLES

Brands

Thanks to our wide range of leading European brands, we can respond to the different needs and preferences of consumers in each country. When it comes to our high-end sports brands such as Lapierre, Koga and Haibike consumer preferences and tastes are much more universal.



Collections

Our brands offer distinctive collections in terms of design and innovation, enabling us to continue to surprise consumers. We are there for everyone, from young to old. Whether you want full-out sports performance, take your children to school every day with the cargo bike or prefer an afternoon tour with your friends or family, we want to exceed your expectations. Our ultimate goal? To offer everyone a cycling experience they will not forget.

Seasonal pattern

The bicycle industry has a fixed seasonal pattern. The European cycling season starts with the high-profile introduction of the new collections in July, followed by delivery of the bikes to the dealers in the second half of the year. Consumer sales peak between February and August, with differences per bicycle type and per country and are influenced by weather conditions.

Development and design

The bicycle is a lifestyle product and we differentiate ourselves through distinctive designs and high levels of innovation. Bicycles are also fast becoming an increasingly high-tech product, making each new generation an even greater challenge. We are constantly working on new applications in the field of performance enhancement, using new, more lightweight and more efficient materials. We use smart methods to integrate electric drive components and accessories in the frame and we continuously increase 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 by involving them in the development process, for instance in the testing of our prototypes.

Procurement and production

We source our materials from professional high-quality suppliers in Europe, Asia and Turkey. Our own production is focused on assembly and spray painting. 96% of the bicycles we sell are finished at our own production plants. We have a number of large-scale production hubs complemented by smaller local production facilities. The remaining 4% of the bicycles we sell are purchased as ready-made products.

Distribution and sales

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. This is why we are working on an omnichannel sales model, with the specialist retail trade playing a crucial role. It does not matter to us whether consumers buy via a webshop or in a physical store. What matters to us is that we provide consumers with the highest level 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. We focus strongly on our own international private label XLC, which we supplement with top brands from third parties.

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

Seasonal pattern
Sales of bicycle parts and accessories have a more flat pattern when compared to bicycles but are also characterized by a seasonal higher peak in spring and summer affected by weather and differences in countries.

Development and design
Product innovation plays a modest role in the strategy for our own XLC brand. However, we constantly adapt our range of 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
Products sold under our own XLC brand are always selected in-house and we also design a number of products in-house. We frequently collaborate with well-known suppliers for either assembly or sales on the consumer market. This is how we safeguard the high-quality requirements we set for all XLC products.

Distribution and sales - fast delivery
We focus primarily on the European market with our own sales organisation and advanced distribution centres in 11 countries. Together they form a comprehensive network in the north, west and south of Europe. This enables us to supply our clients quickly which is a key differentiating factor in this market. While most consumer sales are still via specialist bicycle and sport stores, we are seeing a steady increase in the number of sales via webshops. We are shifting more and more towards an omnichannel approach for parts and accessories sales, just as we are on the bicycle front.

MESSAGE FROM THE CEO

Dear reader,

Last year was another important year of transition for the Accell Group. In the first full year of implementing the refined strategy we introduced in 2018 - 'Lead global. Win local' - our European business recorded solid turnover growth of 7.5%, with higher added value now at 30.7%, and higher EBIT of € 60.0 million.

All regions showed strong growth except the DACH region, which recorded 1.8% turnover growth due to delayed innovations (incl. Haibike Flyon) and lack of product availability. The Netherlands in particular successfully restored growth and profit on the back of successful innovation, promotions and winning the e-bike of the year 2019 award.

Our cargo bike business Velosophy outperformed the market with a 47% annualised growth with gross margin well above group average. Building on a great team effort in 2019, from 2020 onward we will produce all cargo bike frames in Turkey and assemble and spray paint all cargo bikes in Heerenveen. This will pave the way for shorter lead times, more savings, higher margins and an even more competitive consumer proposition (colours/graphics).

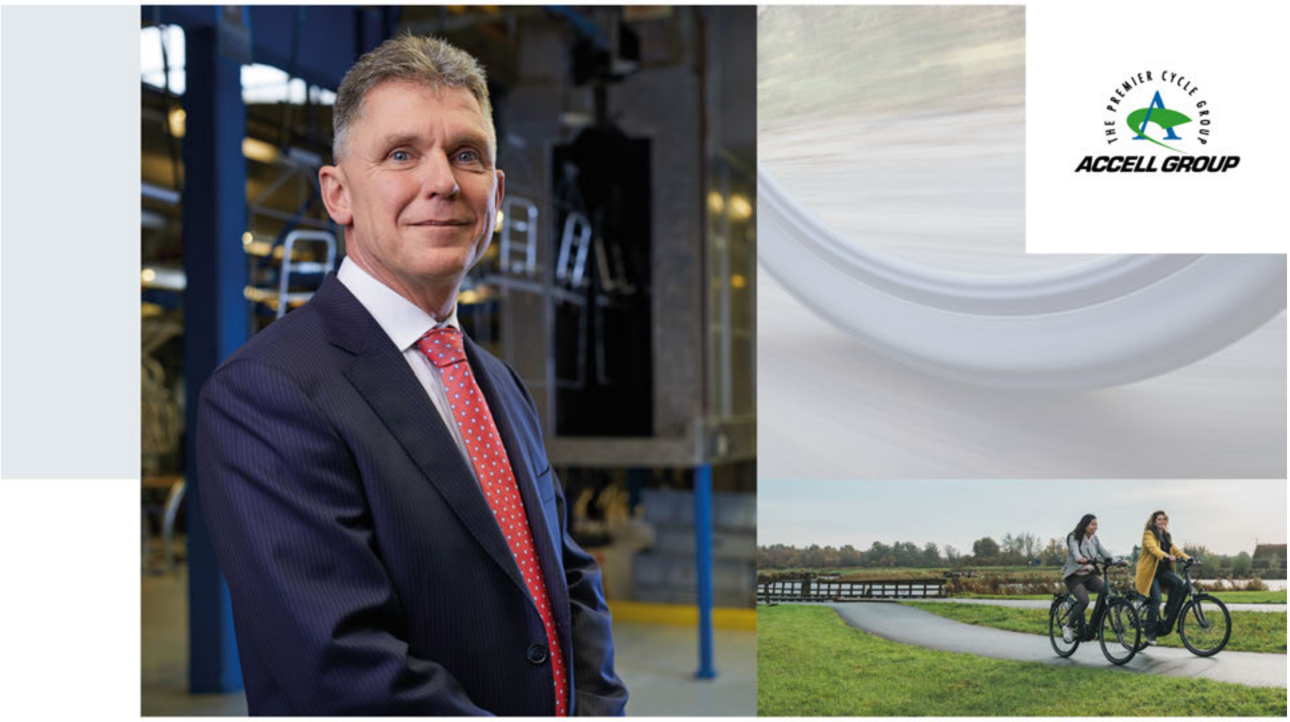
In the second half of 2019, we sold our loss making North American operations (around 6% of total turnover and net losses of € 18.8 million in 2018) following a decision taken at the end of 2018. This will enable us to focus fully on our profitable and growing European business from 2020 onwards. Following this divestiture, the Group's return on capital employed is now 11.4%.

The e-bike trend was once again very positive in 2019. E-bikes accounted for 79% of our overall bicycle turnover in 2019 (74% in 2018). This constitutes a 13.8% increase in e-bike sales compared to 2018. The bicycle parts and accessories operations in Europe also performed well in 2019 and recorded a solid increase in turnover.

Our group bike sales volume declined in 2019, mainly due to the sales of our North American business. Our European business saw a decline in sales volumes of -0.8% to 943,000 bicycles sold. The decline in the sales of regular bikes also continued.

We achieved another € 13 million of supply chain savings in 2019, € 6 million of which ended up in our bottom line. The main drivers of these savings were a strong focus on reducing complexity in our ranges, the implementation of our platform strategy (frame families) and further rationalisation in our supply chain and business footprint.

We booked progress in terms of both product availability and the 'in-full, on-time' delivery of innovations in 2019, although there is still plenty of room for improvement. The Haibike Flyon sets the new standard in e-MTB performance. Unfortunately, we had to delay the production until November 2019, which resulted in a shift in sales from 2019 to 2020. Product availability issues due to weak forecast accuracy, combined with this innovation delay, resulted in temporarily higher levels of component stocks and working capital towards the end of the year (32.4% of turnover at year-end 2019).



On the IT front, we defined a roadmap for the enhancement of our ERP / CRM systems and our digital platforms. We also rolled out a new CRM B2C platform in all our regions, in addition to the first go-live of our single brand platform in all regions (Haibike). In 2020, we will focus our resources on the harmonisation of our data and processes across brands, products and countries.

Finally, we refined our Corporate Social Responsibility (CSR) strategy for the coming five years. We care about the Earth and people, which is why our ambition is to make sure that everything we do helps to build a better world and that we are part of the solution to the challenges we all face. Cycling contributes to a better life, better living conditions and a better environment. Within CSR, we will continue to focus on reducing our environmental footprint through responsible production, the reduction of our energy consumption, the transition towards sustainable energy and, for example, reducing single-use plastics.

Summing up, we are seeing improved results and promising developments in many areas within the group, clearly demonstrating that we are on track to deliver our long-term financial targets. Our focus is now on additional performance improvements by continuing to optimise our processes, especially in the areas of sales & operations planning, speeding up innovation delivery and data/process harmonisation. In 2020, we will continue to work on the transition of our business and on continued growth of both our top and bottom lines. Main drivers of growth in 2020 are innovations like Haibike Flyon, a new high end e-cargo bike under the brand Carqon, Ghost Nirvana, Lapierre Aircode, business to business opportunities like the bikes for the Dutch police and bike leasing in general.

Last but not least, I would like to thank all our staff and our partners for their commitment, hard work and loyalty in 2019.

Ton Anbeek
Chairman of the Board

TABLE OF CONTENTS

1

ACCELL GROUP IN 2019

2

STRATEGY 'LEAD GLOBAL. WIN LOCAL'

3

REPORT OF THE BOARD OF MANAGEMENT

4

CORPORATE GOVERNANCE

5

REPORT OF THE SUPERVISORY BOARD

6

FINANCIAL STATEMENTS

7

OTHER INFORMATION

8

ADDITIONAL DISCLOSURES

1 ACCELL GROUP IN 2019

1.1 FACTS AND FIGURES 2019

JANUARY

Our Supervisory Board announces the strengthening of its Board initiating the search for a new chairman.

Haibike XDURO AllMtn FLYON wins the Design & Innovation Award.

MARCH

Dutch Mobility Association RAI votes the Sparta M8B as the E-bike of the year 2019 and Juncker Bike parts wins the Innovation Award with SRAM Red AXS.

Accell Group publishes its annual results for the year 2018 which show that the 'Lead Global. Win Local' strategy is starting to pay off in its core markets.

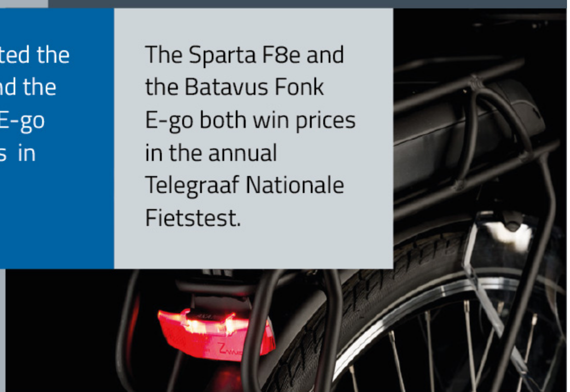
Shareholders of Accell Group approve all agenda items at the Annual General Meeting of Shareholders and appoints Mr. Rob ter Haar Chairman of our Supervisory Board.

APRIL

Accell Group and Fletcher Hotels sign a contract for the delivery of Sparta e-bikes to the Dutch hotel chain expanding its market position in the business market for bike rentals.

Consumers voted the Sparta M8B and the Batavus Fonk E-go as best e-bikes in the annual AD Fietstest.

The Sparta F8e and the Batavus Fonk E-go both win prices in the annual Telegraaf Nationale Fietstest.



MAY

KOGA PACEB10 wins the IF Design Award.

Accell Group announces the conversion ratio of its stock dividend for the financial year 2018.

Public transport company HTM from The Hague purchases Batavus city bikes from Accell.

JUNE

French Velovert Magazine names Lapierre's Zesty AM 5, MTB of the year.

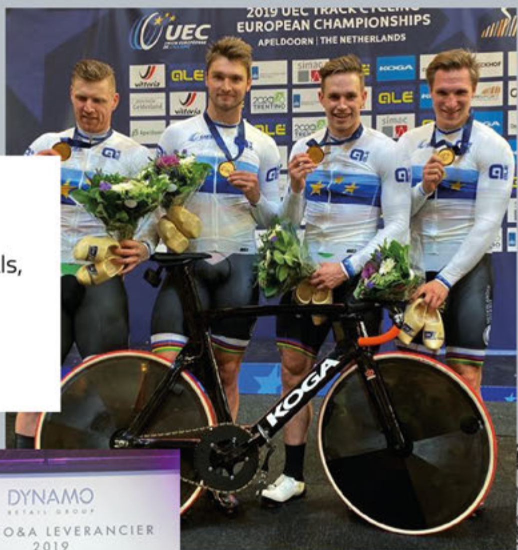
JULY

Accell Group sells its Canadian brand registrations of Raleigh, Diamondback, Redline and IZIP to Canadian Tire Corporation.

Accell Group publishes the results of the first half of 2019.

AUGUST

August: Accell Group sells its loss making US business to private equity firm Regent.



OCTOBER

During the European Track championships the Dutch National team wins 11 medals, among which five golden medals, on their new KOGA Kinsei bike.

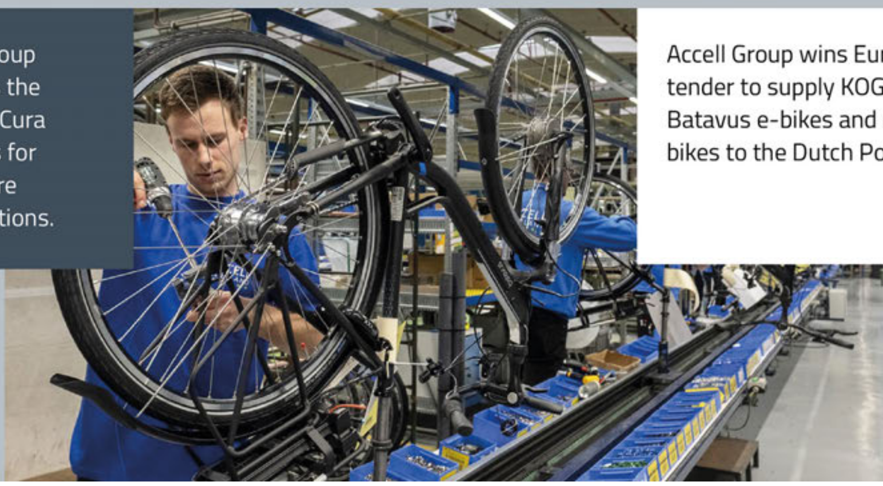
KOGA E-Nova EVO PT wins the GIO design award 2019.

NOVEMBER

Juncker Bike Parts awarded as 'Best P&A supplier 2019' by Dynamo Retail Group.

DECEMBER

Accell Group launches the Batavus Cura Zorgfiets for home care organisations.



Accell Group wins European tender to supply KOGA and Batavus e-bikes and regular bikes to the Dutch Police.

1.2 BOARD OF MANAGEMENT

The Board of Management of Accell Group consists of three members: Ton Anbeek (CEO), Ruben Baldew (CFO) and Jeroen Both (CSCO).

From left to right: Ruben (R.S.) Baldew, Ton (A.H.) Anbeek and Jeroen (J.J.) Both.

TON (A.H.) ANBEEK (1962) - 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 a number of 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 omnichannel e-commerce.

RUBEN (R.S.) BALDEW RC (1977) - CFO

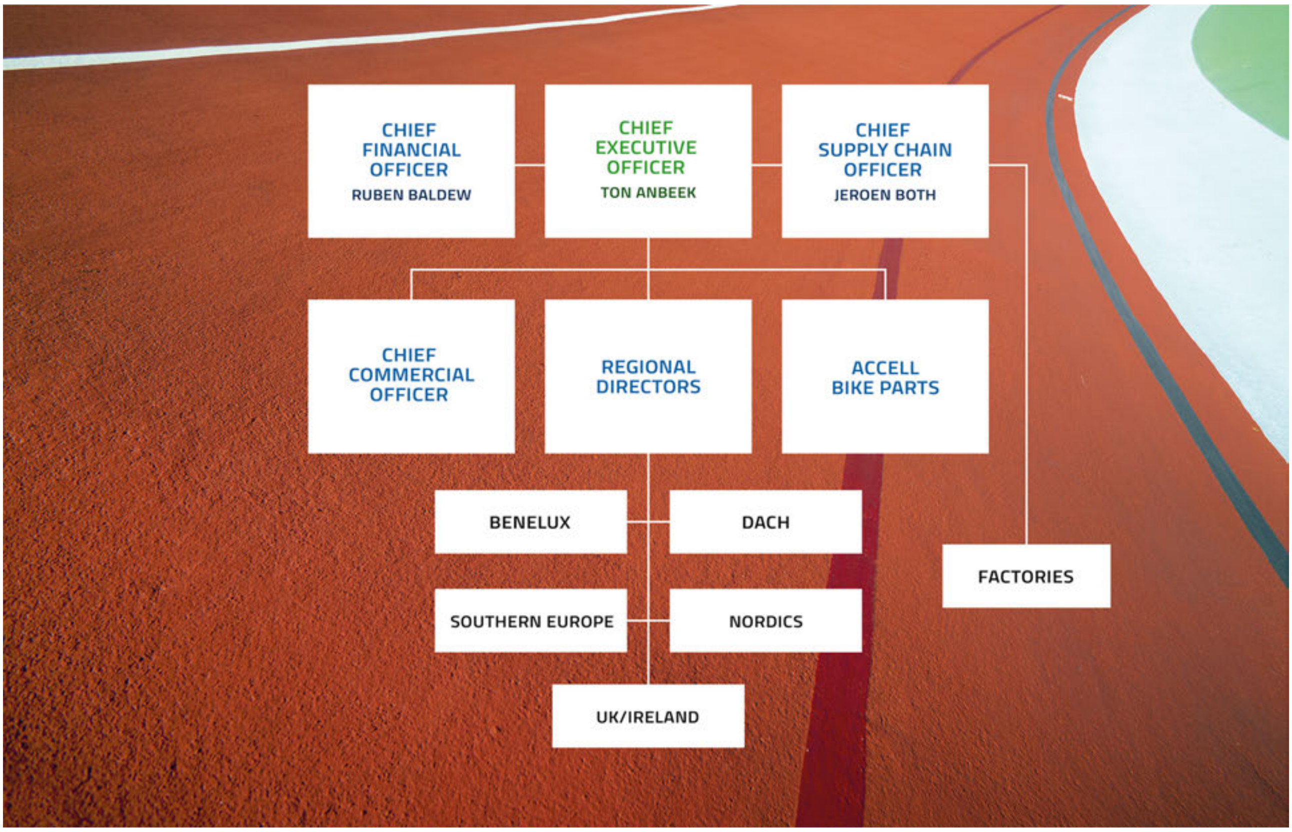
Ruben Baldew joined Accell Group as Chief Financial Officer on 1 November 2018. He studied tax law at Leiden University and completed a post-doctoral programme to become a qualified Chartered Controller at Maastricht University. Mr. Baldew started his professional career in 2001 at Unilever, where he held various financial positions in a number of countries. He has worked as a finance partner in the supply chain, procurement, marketing and sales. Mr Baldew's positions at Unilever included financial director for the European laundry detergents and care products supply chain. He was appointed financial director of Unilever Benelux in 2014 and later held the same position at Unilever Thailand.

JEROEN (J.J.) BOTH (1964) - 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.

1.3 ORGANISATIONAL STRUCTURE

Since 2018, we operate under a new structure with a centralised commercial, supply chain and IT function.



In this structure, the Chief Executive Officer is responsible for Innovation, while the Chief Commercial Officer is responsible for marketing, e-commerce and retail and the Chief Supply Chain Officer is responsible for the global supply chain, including production facilities and planning.

Accell Group is active in two segments: bicycles and bicycle parts and accessories. Our bicycle business is organised in a regional structure, with each region focusing on the perfect execution of commercial plans. We placed our bicycle parts and accessories business under a single centralised management in Accell Bike Parts, to create the right conditions and synergies that will enable continued profitable growth in this segment and for our company as a whole.

1.4 THE SHARE

STOCK EXCHANGE LISTING

STOCK EXCHANGE	SYMBOL	ISIN	NOMINAL VALUE
Euronext Amsterdam	Accell	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 gives us improved access to external capital for growth financing and consequently contributes to 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 Corporate governance for more detailed information.

SHARE PRICE MOVEMENTS AND TRADABILITY

	2019	2018	2017	2016	2015
Highest price (€)	26.20	24.25	32.20	23.67	21.11
Lowest price (€)	18.44	15.02	20.41	16.80	12.97
Closing price (€)	25.80	18.84	23.43	21.91	21.07
Number of issued shares at year-end (mln)	26.8	26.6	26.3	25.8	25.3
Market capitalisation (€ mln)	691.5	501.1	615.2	566.0	532.4
Average number of shares traded per day	28,704	72,183	46,616	27,783	23,807
Average share turnover per day (€)	648,293	1,344,495	1,268,140	569,833	422,664

In 2019, the share price increased by 36.9%. In the period year-end 2015 through year-end 2019, the overall increase in the share price was 22.4%. Share turnover decreased with 52% in 2019 and increased by 53% compared with 2015. Market capitalisation increased by 38% in 2019 to €691.5 million at year-end.

OVERVIEW SHAREHOLDER BASE

Date of last notification	Party obliged to notify	Capital amount in %	Voting rights in %
September 30, 2019	Norges Bank	3.37%	3.37%
November 20, 2018	W.N. Pon	20.05%	20.05%
July 6, 2017	Teslin Participaties Coöperatief U.A.	7.00%	7.00%
April 12, 2017	B.V. Beleggingsfonds "Hoogh Blarick"	6.84%	6.84%
October 6, 2008	ASR Verzekeringen N.V.	5.75%	5.75%

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

	2019	2018	2017	2016	2015
Net earnings (€)	0.10	0.76	0.39	1.22	1.22
Dividend (€)	0.30	0.50	0.49	0.70	0.68
Pay-out percentage (%)	285.9	65.3	124.3	57.1	56.0
Dividend return (%)	1.2	2.6	2.1	3.2	3.2

Note: The data per share is calculated on the basis of the weighted average number of outstanding shares. The figures for 2015 through 2018 have been adjusted to reflect the dilution resulting from the issue of a stock dividend charged against the share premium reserve, in line with International Financial Reporting Standards (IAS33). The correction factor used in the year under review for 2018 and preceding years is 0.99266.

Accell Group strives for a stable dividend policy, with the aim of 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 € 0.30 for the financial year 2019 (2018: € 0.50), in cash or shares. The dividend proposal is based on the net profit excluding outcome study North America (-/- € 38.4 million), the deferred tax asset (+ € 21.4 million) and other one off's (-/- € 0.8 million). Normalised earnings per share are € 0.77. The dividend proposal is equal to 286% of earnings per share and 39% of above normalised earnings per share.

Our dividend return and the type of dividend we pay out are competitive compared to other listed companies. In the previous four years (2015 through 2018), an average of around 49% 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 and conference calls with (institutional) investors, analysts and gives interviews to 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 have regular 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 with a 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 shareholders on Accell Group's corporate website.

BATAVUS

BATAVUS (1904) HAS BEEN AROUND FOR 115 YEARS AND IS ONE OF THE STRONGEST AND BEST KNOWN DUTCH BIKE BRANDS. BATAVUS NOT ONLY MAKES EXTREMELY COMFORTABLE AND DURABLE HIGH-QUALITY BICYCLES, IT ALSO DESIGNS SMART AND USEFUL INNOVATIONS THAT MAKE CYCLING SAFER AND MORE FUN.

2 STRATEGY ‘LEAD GLOBAL. WIN LOCAL’

2.1 KEY TRENDS AND MARKET DEVELOPMENTS

Bicycles in general and e-bikes in particular are increasingly considered an important part of the solution to congestion in cities, safer city transport, CO_2 reduction and healthier lifestyles.

Various European governments are encouraging the use of e-bikes by offering tax breaks. The European Union and various individual European countries are making subsidy schemes available to improve the infrastructure for cyclists both within and outside cities and to stimulate innovation. Investments in infrastructure are the biggest long-term growth driver in the cycling business after electrification, backed up by the European Commission’s announcement in late December of last year on the New Green Deal for Europe: improving the well-being of people and making Europe climate neutral. This initiative will clearly support the roll-out of cleaner, cheaper and healthier forms of private and public transport.

In 2019, the European Union decided to introduce anti-dumping duties for a five-year period on e-bikes imported from China. This was due to Chinese state subsidies and other significant market distortions, which have helped create an unequal playing field for the European bicycle manufacturing industry. On top of this, the EU also extended duties on regular bike imports from China for another five-year period.

The popularity of e-bikes is set to continue long into the future. The market is still growing in virtually all Western countries. Demand for regular e-bikes and e-performance bikes (B2C) is on the rise, but we are also seeing strong growth in demand for e-cargo bikes (B2B and B2C). Leasing, rental and bike-sharing concepts are popping up everywhere. In countries that offer substantial tax breaks to users and employers (Germany and Belgium), bike leasing is taking off, boosting e-bike market growth. Successful rental concepts seem to be having the biggest impact on the second-hand bike markets in larger (student) cities. If anything, bike-sharing schemes are helping to convert people from driving to cycling in cities, which is boosting total bike market growth.

Bicycles have evolved into a highly popular lifestyle product. More than ever before, strong brands and distinctive designs are making the difference in the likes of sports and urban biking. Smart internet technology and handy apps for connected bikes are enriching the bicycle experience and continue to make bicycles better and safer in all kinds of ways.

2.2 CORPORATE PURPOSE: 'WE BELIEVE CYCLING MOVES THE WORLD FORWARD'

We strongly believe that people have the power to change the world for the better. And they will do this partly through cycling. Because cycling inspires many of us every single day to achieve more with our muscle power and innovative potential.

Cycling helps to give people a better life. Simply because more exercise makes everyone happier, fitter and results in better performance all day long. Cycling clears your head and gives you room to laugh and enjoy your day.

Cycling is bigger than the cyclist that smiles at his neighbour and really connects with his neighbourhood. It is by far the most sustainable mode of transportation and it helps create liveable towns and cities. Without traffic jams, noise and air pollution.

Cycling is the best ticket we have today to a healthier environment. Bikes offer the most energy-efficient way to get around, while taking up little space on roads. The production of bikes requires fewer materials than any other vehicle, with the lowest environmental impact per kilometre.

As one of Europe's leading bicycle manufacturers, making a real and lasting contribution to a liveable world is ingrained in our DNA. If we manage to make just one bicycle part more sustainable, it has an impact on millions of bikes. Our ambition is to help the world progress with every innovation we come up with.

We want to continue to build on our sustainable and profitable business by always being part of the solution with our bicycles. For our people, for society and for the planet. Every single day.

2.3 GOALS

We formulated the following general annual goals for Accell Group:

CORPORATE SOCIAL RESPONSIBILITY

INCREASE NET PROFIT

INCREASE MARKET SHARE

HEALTHY BALANCE SHEET

INCREASE DEALER AND CONSUMER SATISFACTION

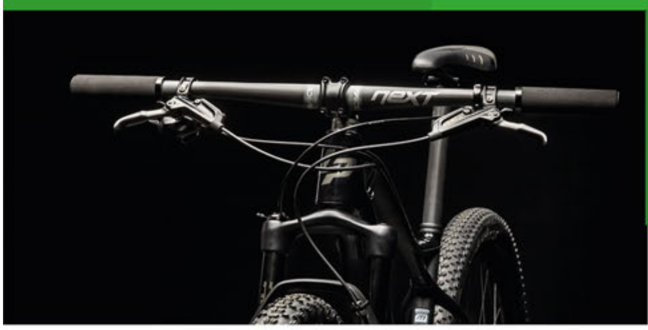
If we translate these goals into the concrete financial targets we want to achieve in 2022, it looks as follows:

NET TURNOVER
~ € 1.4 - € 1.5 BILLION

ADDED VALUE / NET TURNOVER
>31%

ROCE
>15%

TRADE WORKING CAPITAL / NET TURNOVER
<25%



OPERATING RESULT / NET TURNOVER (EBIT MARGIN)
8.0%

Accell Group is targeting average organic annual turnover growth of around 7-8%.

2.4 UPDATE ON OUR STRATEGY 2018-2022

Our strategy - 'Lead global. Win local' - consists of six strategic thrusts. The execution of the strategy and the associated transition of Accell Group are on track. We launched a variety of initiatives within all six thrusts, some of which have been completed and some of which are works in progress. Find below an update on our strategic pillars.

LEAD GLOBAL. WIN LOCAL

- Since the end of 2018, our new central/regional leadership team has been fully in place, with a strong mix of experience and knowledge from inside and outside the bike, parts & accessories industry.
- Our Babboe cargo brand continued to grow in the B2C segment at a rapid pace right across Europe. Under the Carqon brand, we launched a high-end e-cargo bike in Q4 2019, followed by a larger introduction across Europe in H1 2020. We also entered the B2B cargo bike market in 2019 and expect 'last mile' delivery in congested cities to become a strong growth pillar.
- We divested our loss-making US marketing/sales organisation in Q3 2019, eliminating our profit loss and cash drain. In the US market, our global brands Haibike, Raleigh and Ghost are now sold through a distributor.

WINNING AT THE POINT OF PURCHASE

- We have now completed the implementation of selective distribution agreements in nearly all our regions, preventing channel conflicts. By mid-2020, we expect to have completed this initiative and signed agreements in all our regions.
- Babboe, Batavus, Ghost, Haibike, Koga, Lapierre, Raleigh, Sparta, Winora and Carqon are our strategic bicycle brands. For each individual region, we have established a strategic brand portfolio consisting of 4-5 bicycle brands.
- In 2019, we started a process of cross regional sales transfers to make sure every region is completely responsible for its own strategic brand portfolio.
- We introduced a centralised sales and operations planning process (S&OP) in 2019. In 2020, we aim to continue to improve our operational effectiveness on the S&OP front. With a strong focus on the top 20 models in every brand and an additional reduction of complexity in models and stock keeping units.
- We intensified our focus on B2B sales, resulting in various major local sales wins, with the Dutch National Police order being a prime example. We will extend this into 2020 and beyond.
- We have completed a new private lease concept (launched in early 2020) for Batavus, Koga and Sparta in the Netherlands, with more opportunities for leasing to continue into 2020, particularly in Belgium and Germany.

CONSUMER CENTRIC OMNICHANNEL

- We established a central e-commerce team.
- We launched our first revised single-brand platform/website in 2019, with a B2C CRM system rolled out across countries.
- We defined an IT roadmap for the enhancement of our ERP and CRM systems and our digital platforms. Before fully implementing these new systems and platforms, we decided to first harmonise our (product) data and processes consistently across all our different bike and P&A businesses.
- We shifted the launch of our new multi brand platform to 2021, due to our decision to first focus on data harmonisation. The same applies to the experience centres and the roll-out of our mobile bike service.

INNOVATION

- In 2019, we introduced the Haibike Flyon, the Lapierre eZesty, the Lapierre e-Xelius and the new high-end Carqon cargo e-bike. We used our tried and tested Winora platform for the introduction of new models from numerous other brands.
- Our Innovation & Technology department's highest priority is delivery of innovations in full and on time.
- On the connected bikes front, we are co-developing new concepts with identified technology partners to gain experience in the field of the Internet of Things. We intend to use these innovations to augment the bicycle experience and convince more consumers to get cycling, both for health reasons and sustainable mobility purposes.
- We also continued to innovate and experiment in areas such as re-use, minimising material use and end-of-life solutions. We have already started to minimise the use of plastic in our packaging.

CENTRAL PARTS AND ACCESSORIES (P&A)

- We have strengthened our P&A organisation and the teams are now fully in place, both centrally and locally.
- We have added several brands to our portfolio driving profitable growth in this segment.
- We have strengthened our commercial and logistical competitive advantages in P&A, for instance by extending cut-off times and adding new brands and products to our portfolio.
- We have readied the COMET P&A business in Spain to become the main distribution hub for the entire Southern European region
- We made a start on data and process harmonisation across the different P&A businesses, to create the right conditions and synergies that will help us realise continued profitable and solid growth in the offline and online segments in the future.
- We are increasing the use of our own, rapidly growing, XLC brand in our own bike brands, boosting our aftermarket growth on this front.
- We recorded overall strong growth in our P&A business, with additional sales coming from on-line players.

FIT TO COMPETE

- We are targeting minimum savings of € 60 million in our supply chain over a period of five years (2022 versus 2017). These savings will be driven by three concrete initiatives, and will make a positive contribution primarily to our added value:
  - Reduction in complexity. At year-end 2019, we had achieved the 40% reduction target in terms of models and stock-keeping units in the Benelux. Other regions are close to a 30% reduction versus year-end 2017. The plan is to make additional complexity reductions, focusing on the top-20 models per brand in line with the Pareto

principle.

- Standardisation of product platforms (including bicycle frames) geared towards lifestyle and e-bike sports. In 2019, we created our first standard product platforms.
- Rationalisation of the supply chain footprint and business complexity in general. We closed and/or sold several businesses in 2019, including Delta Metal, Protanium and Brasseur.
- We achieved € 13 million in supply chain savings in 2019, half of which ended up in the bottom line (same in 2018). In 2020, we expect to realise additional savings of € 10 - € 14 million, with a comparable immediate contribution to our result.
- We want to work in a socially responsible manner throughout our supply chain. In 2019, this included frequent audits of suppliers on social and environmental aspects, based on our risk profile and the interests of Accell Group, with attention devoted to more efficient energy use and a transition to energy from renewable sources.

VALUE CREATION MODEL

The value creation model below shows how we use our business model to create added value and for which stakeholders (including society as a whole).

CAPITAL COURSE

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.

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.

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.

Natural capital

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

VALUE CREATION MODEL

INPUT

FINANCIAL
- Shareholders' equity of € 323.2 million.
- Market capitalisation of € 691.5 million.

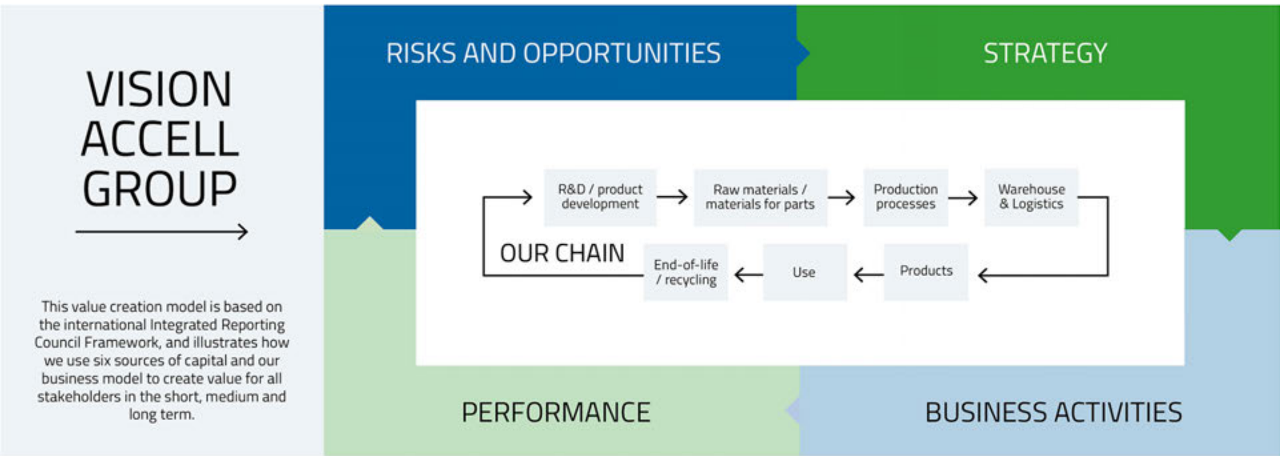
PRODUCTION
- Three large production hubs for assembly and painting and five smaller production plants.
- More than 500 suppliers.
- 20 RSI audits in 2019.

SOCIAL
- Strong brands with leading (national) market positions.
- Targeted stakeholder engagement activities.
- Active contribution to mobility issues in society and the role of the bicycle at all levels (global, national, regional, local).
- Currently 900K in sponsoring and donations aimed at making mobility more sustainable and encouraging health and sports.

HUMAN
- 3,410 employees.
- 29% female, 71% male.
- > 40 different nationalities.
- Average 13.7 hours of training per FTE.

NATURAL
- Choice of materials takes into account environmental impact.
- Use of 100% water-based paints.
- 151.5 terajoules in energy consumption.
- 4,600 tons of packaging materials (outer packaging).

INTELLECTUAL
- 135 FTE's work in product development.



OUTPUT

FINANCIAL
- Turnover growth of 8%.
- Operational margin of 5%.
- Dividend.

PRODUCTION
- 943,000 bicycles sold, with 96% assembled in our own production facilities.
- Accell Group is helping suppliers to tackle potential improvements identified in the RSI audits, including Corrective Action Plans (CAP).

SOCIAL
- Promotion of social and healthy image of bicycles and bicycle use.
- Increasing bicycle use reduces traffic jams and improves the liveability of cities.

HUMAN
- 56% sustainable commuting by employees.
- Safety awareness employees.
- Providing local employment.
- Loyal pool of flexworkers in production.

INTELLECTUAL
- 52 active patents and model protections.
- 19 (design) awards across the globe.

NATURAL
- Less plastic and more paper packaging.
- 4,300 tonnes of waste.
- 16,300 tonnes of CO_2-eq emissions produced (including packaging).

IMPACT

THE BUSINESS
- Development & growth.
- Leadership in the industry.
- Good reputation as an employer.
- Responsible & efficient production.

OUR PEOPLE
- Personal growth & development.
- Pride and engagement.
- Income & well-being.

SUPPLIERS
- Innovation and cooperation.
- Continuity and economic growth.

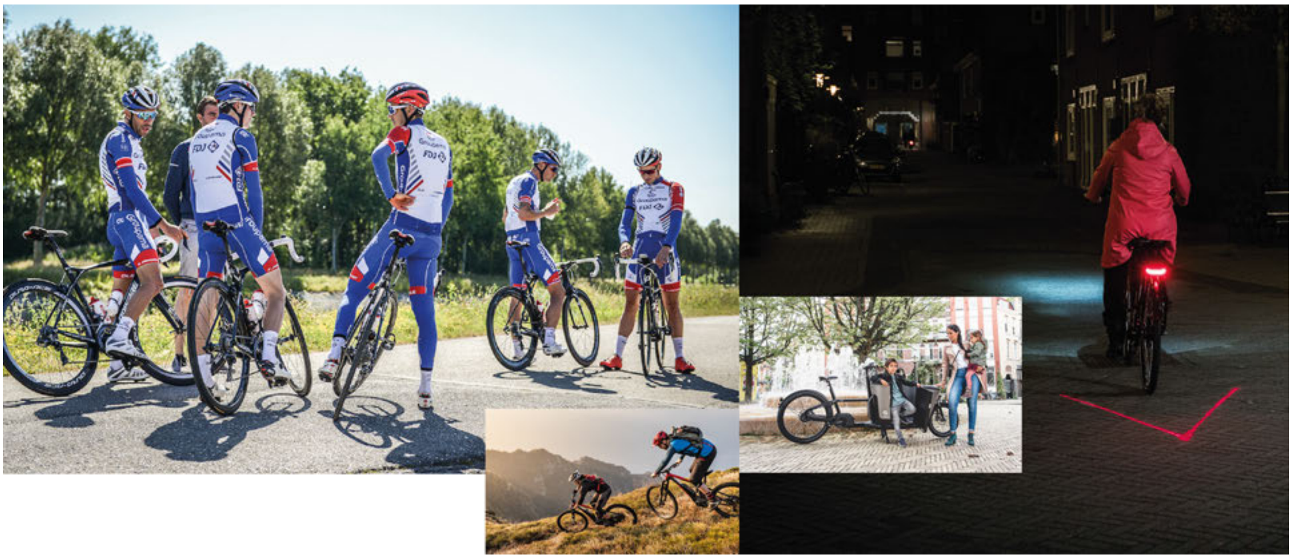
CONSUMER
- Safe and healthy transport.
- Leisure and fitness.
- Responsible consumption: stimulating and supporting reduced congestion in cities.

SOCIETY
- Taxes & investments.
- Innovation and know-how development.
- Employment.
- Healthy & clean transport.
- Increased liveability in cities.
- Improving public health.

2.5 CORE COMPETENCIES

People power everything we design and do. We really get under the skin of what cyclists value and how they move. Only then can you propel athletes towards Olympic gold or the yellow jersey. Only then can you get millions of people moving.

People make the difference within our organisation and how we make our products. Thanks to the passion and dedication of everyone at Accell Group, we can create products with an attention to detail and level of quality that any competitor will find hard to match. As pioneers, we are constantly looking for new products and services. Every single day, we ask ourselves what do all those millions of cyclists want and every time we come up with an unprecedented solution.



ACCELL GROUP'S THREE CORE COMPETENCIES ARE:

- Our **leading European brands** in lifestyle and sports under one roof. Every single day, we step up our efforts to create high-quality, cutting-edge products, driven by the optimal exchange of know-how and craftsmanship.
- We are the number one bicycle manufacturer and the market leader in e-bikes and e-cargo bikes in Europe. We are the European number two in bicycle parts and accessories. This gives us considerable **purchasing power** and **financial strength**, which enables us to invest in the development of new bike-centric mobility solutions.
- Finally, our **innovative strength**. We are particularly strong in innovation in the sports and e-cargo segment and we once again succeeded in setting the new standard for e-mountain bikes with the Haibike Flyon, which we introduced in November 2019. We work with start-ups, universities and innovative suppliers to make bikes smarter and to roll-out new concepts more quickly.

2.6 TOP-FOUR VALUE CREATION DRIVERS FOR SHAREHOLDERS

The key value creation drivers for shareholders in our business model are:

1. Average annual organic turnover (and volume) growth of around 7% to 8%, largely driven by a constant flow of innovations in e-bikes, smart technology and urban mobility solutions.

2. Improvement in added value to at least 31% in 2022, driven by a reduction in complexity, the standardisation of platforms and supply chain footprint rationalisation. These three initiatives should generate a minimum of € 60 million in cost savings in five years (2018-2022).

3. We expect to reduce our fixed costs as a percentage of turnover in the coming years, as a result of cost savings at both central and local levels, combined with turnover growth.

4. Working capital improvement (as a percentage of turnover), due to improvements in stock-keeping driven by the reduction in complexity, better forecasting, focus on our client payments and offering supply chain finance solutions to our suppliers.

KOGA

KOGA (1974) IS A PREMIUM BRAND WITH A SPORTY CHARACTER. SINCE ITS FOUNDATION IN 1974, KOGA HAS BEEN SYNONYMOUS WITH THE DEVELOPMENT AND PRODUCTION OF EXCLUSIVE BIKES, THAT ARE BOTH HIGH QUALITY AND TECHNICALLY ADVANCED. THIS INTERNATIONAL BRAND IS BUILT ON CONTINUOUS INNOVATION AND CLOSE RELATIONSHIPS WITH TOP ATHLETES AND PROFESSIONAL TEAMS IN THE INTERNATIONAL WORLD OF COMPETITIVE CYCLING.

3 REPORT OF THE BOARD OF MANAGEMENT

3.1 GROUP PERFORMANCE

Last year was another important year of transition for the Accell Group. In the first full year of implementing the refined strategy - 'Lead global. Win local' - our core European business recorded solid turnover growth of 7.5% in line with our historical average growth in the period 2014 - 2018. In the second half of 2019, we sold our loss-making North American (discontinued) operations following a decision taken at the end of 2018. This will enable us to focus fully on our profitable and growing European (continuing) operations from 2020 onwards.

in millions of euro	2019	2018
Net turnover	**1,111.0**	**1,033.3**
Other income	12.3	-
Net sales growth% vs py	7.5%	6.1%
Added value	341.5	312.2
Added value%	30.7%	30.2%
Added value bps vs py	53	82
OPEX	-291.6	-258.2
General overhead previously allocated to discontinued operations	-2.3	-2.5
EBIT	**60.0**	**51.4**
EBIT%	5.4%	5.0%
Net finance costs	-9.3	-7.6
Income from equity-accounted investees, net of tax	0.4	10.9
Result from sale of subsidiaries	-0.1	-
Income tax expense	8.2	-15.7
Result from discontinued operations, net of tax	-56.5	-18.8
Net profit	**2.8**	**20.3**
- Net profit from continuing operations	59.3	39.0
- Net profit from discontinued operations	-56.5	-18.8
Diluted earnings per share from continuing operations (in €)	2.21	1.47
Diluted earnings per share including discontinued operations (in €)	0.10	0.76

in millions of euro	2019	2018
EBIT reported	**60.0**	**51.4**
One-off	-5.1	4.9
EBIT excl. one-off	**54.8**	**56.3**
TWC% rolling net sales	32.4%	26.3%
TWC in bps vs py	611	-310

FINANCIAL HIGHLIGHTS

Net turnover came in at € 1,111 million in 2019, compared with € 1,033 million in 2018. Growth accelerated to 7.5% up from 6.1% in 2018 and was in line with the average growth rate over the past five years, with every organisation and region contributing.

Growth was driven by e-bike +11% and (e-)cargo bike +47%[1] sales. Traditional bike sales were down 13% in value, and now represent only 16% of net turnover. Growth was held back in 2019 by delayed introductions of a number of new innovative bike models. Volumes declined due to lower sales of traditional bicycles in Turkey. In all main regions, volumes stabilised or increased.

in millions of euro	2019	2018	Growth%
Accell - Bikes Europe	845.5	784.6	7.8%
Benelux	220.3	205.4	7.3%
DACH	429.0	421.2	1.8%
Other Core	161.4	148.1	9.0%
Velosophy	34.7	9.8	
Accell - Parts	265.5	248.7	6.8%
Accell Group - Continuing operations	**1,111.0**	**1,033.3**	**7.5%**

Net turnover of 'Accell - Bikes Europe' is based on physical location of entity

Net sales development growth in the Benelux outpaced market growth and came in at 7.3% thanks to an improved product availability and the introduction of various award-winning and innovative new e-bike models. Examples are Sparta M8B e-bike of the year in 2019 and Batavus Finez bike of the year in 2020. Growth in the DACH region (+1.8%) was hampered by delayed innovations of Haibike and Ghost e-MTB models. Other European markets showed good growth of 9.0% driven by strong Raleigh and Lapierre sales and growth in Scandinavia (mainly Finland and Denmark). Our Parts & Accessories business recorded growth of 6.8%. In (e-)cargo, Velosophy with its main brand Babboe continued to perform very well with 47% growth in Europe.

Added value increased by 53 bps to 30.7%, driven by positive mix effects and the fact that supply chain savings offset inflation of materials costs.

Relative to net turnover operating expenses increased to 26.2% from 25.0% in 2018, mainly due to additional – yet planned – investments and costs related to the implementation of the strategic agenda and one-off (and accounting) effects related to the divestment of the North American operations.

EBIT[2] came in at € 60.0 million (5.4% of net sales), up 16.6% compared with 2018. EBIT included the following one-offs in 2019:

- + € 6.0 million net benefit:
  - Income of + € 11.4 million as a result of CTC deal;
  - Write-off of -/- € 5.4 million as a result of Regent deal.
- -/- € 0.8 million: mainly related to restructurings.

Excluding these one-offs, EBIT came in at € 54.8 million (4.9% of net turnover), a slight decline of € 1.5 million or -/- 2.6% compared with 2018.

DISCONTINUED OPERATIONS AND IMPACT DISPOSAL NORTH AMERICA

In August 2019 Accell completed the strategic review of its North American operations, which resulted in the sale and transfer of the loss making US business including the worldwide registrations (excluding the Canadian brand registrations) of the Diamondback, Redline and IZIP brands to the Alta Cycling Group LLC, a portfolio company of Regent LP. Taking into consideration the sale and transfer of the Canadian brand registrations of Raleigh, Diamondback, Redline and IZIP to the Canadian Tire Corporation Limited ('CTC') in July 2019, this meant the North American operations were substantially liquidated as per that date. Subsequently, the closely linked Beeline operations were sold and transferred to a group of investors led by the StrataFusion Group in October 2019. Accell Group will sell its international Raleigh, Haibike and Ghost brands in the United States through the Alta Cycling Group.

in millions of euro	Discontinued operations	Continued operations
Operational result excluding corporate general overhead and one-off	-12.1	
Gain from sale of the Canadian brand registrations	3.0	11.4
Net transaction result on the sale of discontinued operations and sale Diamondback	-31.8	-5.4
Reclassification of foreign currency translation reserve	-7.9	
Closing and restructuring costs	-7.8	
Income tax expense	0.0	21.4
Net profit	**-56.5**	

The loss from discontinued operations amounted to € 56.5 million in 2019 and can be broken down as follows:

- Operational losses of € 12.1 million reflecting the operational result during the year excluding one-off costs related to the discontinuation of business[3].
- A loss related to the outcome of the North America strategic study amounting to € 38.4 mio and consisting of:
  - a gain from the sale of the Canadian brand registrations to CTC with € 3.0 million reported under discontinued operations and € 11.4 million reported under continued operations (other income);
  - a loss on the sale of the discontinued US operations including transaction costs totalling € 31.8 million. The transaction result in continued operations was a loss of € 5.4 million (write off of brands in operating expenses);
  - a reclassification of the cumulative translation reserve of -/- € 7.9 million[4]
  - closing and restructuring costs of € 7.8 million.

In addition, Accell currently expects qualification for the requirements of the Dutch liquidation loss facility to be probable resulting in a deferred tax asset recognition of € 21.4 million.

Footnotes

[1] On an annualised basis as Velosophy (Babboe) was acquired in mid-2018. [2] In accordance with IFRS accounting standards concerning discontinued operations the allocation of general corporate overhead expenses has been adjusted. EBIT from continuing operations include the corporate overhead expenses which were previously charged to the discontinued operations. 2018 numbers have been corrected accordingly. This was € 2.3 million in 2019 and € 2.5 million in 2018. [3] As required by IFRS the corporate overhead expenses previously allocated to the discontinued operations are reported in the result of continuing operations, which contributes € 2.3 million to the operational result of the discontinued business (and € 2.1 million per H1 2019). [4] The substantial liquidation of business required a reclassification of cumulative translation adjustments of -/- € 7.9 million on the net US$ investment from the translation reserve to the other reserves via the income statement.

3.2 FINANCIAL STRENGTH AND CAPITAL EFFICIENCY

Working capital came in at € 360 million versus € 289 million the previous year. As a percentage of net turnover, working capital increased to 32.4%, compared with 26.3% at year-end 2018. A major part of the increase as a percentage of net sales was driven by delayed innovations and lower-than-forecast sales. Average working capital was up 70 bps.

Inventories increased by € 47 million to € 387 million. The increase was driven by net sales growth, which was in turn driven by an average price increase due to the growth in the sales of in e-bikes and e-bike parts. In addition, innovation delivery at the end of the year was delayed (with components already in stock) and sales delivery was lower than forecast stock. Average inventory as a percentage was up by 260 bps. As a percentage of net turnover, inventories increased to 34.8% (year-end 2018: 31.0%).

Accounts receivable had risen to € 141 million at year-end 2019, from, € 128 million at year-end 2018. A major part of this increase was driven by net sales growth. Receivables as a percentage of net turnover increased to 12.7% (2018: 11.7%).

Accounts payable declined by € 12 million to €167 million, which is the equivalent of 15.1% of net turnover (year-end 2018: 16.5%). Part of this decline was due to different phasing, with average accounts payable up by 230 bps.

Total **net debt**, comprising interest-bearing loans, borrowings and cash and cash equivalents, corrected for IFRS 16, increased to € 235 million (year-end 2018: € 151.8 million), largely due to the increase in working capital.

Shareholders' equity remained flat (+ € 0.8 million) at € 323.2 million, largely as a result of the addition of net profit (+ € 2.8 million), dividend payments (-/- € 8.5 million), hedging instruments (-/- € 3.2 million), currency translation adjustment (+ €1.7 million) and reclassification of currency translation via income statement (+ € 7,9 million). The **solvency rate** stood at 37.6% at year-end 2019 (year-end 2018: 42.3%).

Overall **Return on Capital Employed (ROCE)** was 11.4%, compared with 10.8% the previous year, thanks to increased EBIT offsetting higher working capital. Corrected for IFRS 16 and one-offs, ROCE was 10.6% versus 11.8% the previous year.

3.3 RISK MANAGEMENT

In the execution of its business activities, Accell Group is faced with inherent risks. Risks in the area of meeting its strategic, operational, and financial objectives, as well as financial reporting and the application of laws and regulations. The extent to which the company is willing to run these risks, i.e. its risk acceptance, has been determined per risk category.

Accell Group has a relatively balanced risk acceptance with respect to innovation, development and marketing. At the same time, the risk acceptance for product safety is none. Risk mitigation has been realised by transferring risk to an insurance company, as well as through other mitigating measures. Accell Group has opted for a proactive risk management approach, anchored in operating processes throughout the organisation.

RISK MANAGEMENT FRAMEWORK

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

We are aiming for greater automation of our internal controls at group level. And we want to embed our entire administrative organisation more strongly in this internal control system. In 2020, the risk management framework and internal control framework will be further developed and adjusted based upon the new structure and more centralised processes.

This risk management framework 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 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 structure of the company.

Accell Group employs a risk management approach that identifies and mitigates risks at all levels of the organisation. The Board of Management determines the risk acceptance and decides on risk mitigation.

Accell Group's risk management framework does not provide absolute certainty that all risks can be prevented/mitigated. The purpose is to provide 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.

RISK AWARENESS AND CULTURE

Employees are expected to be aware of and feel responsible for the risks while carrying out their work. They must abide by the applicable general code of conduct and comply with applicable laws and regulations and policies.

Employee risk awareness is continuously enhanced through targeted communication and training. The responsibility for implementing control measures is delegated to employees with responsibility for risk management in a specific area (for example, a process, system, asset or information). Accell Group stimulates a culture in which weak areas in its risk management programmes or control measures can be transparently reported and effectively dealt with.

GOVERNANCE (LINES OF DEFENCE)

The Board of Management has final responsibility for effectively controlling risks. To support the Board of Management, the responsibilities for risk management are delegated in accordance with the three lines of defence model (see table).

THREE LINES OF DEFENCE MODEL

LINES OF DEFENCE	INTRODUCTION	RESPONSIBILITY
First Line	Management carries primary responsibility for establishing and managing risks on a daily basis. In addition, management maintains a system of effective internal management measures designed to limit these risks.	Individual managers and the management teams of regions and/or operating companies.
Second Line	Supports management in developing, maintaining and monitoring the effectiveness of risk management processes and systems. Furthermore, the second line defines the risk management framework, policies and procedures.	Risk management and Internal Control, Compliance and Legal Affairs.
Third Line	Ensures that the structure and the operational effectiveness of the internal management measures, including risk management activities carried out by first and second line functions, are objectively evaluated.	Internal Audit (central).

To be able to evaluate the effectiveness of measures, the central departments (second line) regularly inform the Board of Management about the progress and outcomes of the various risk management programmes. Internal Audit independently reports to the Board of Management and to the Audit Committee about the effectiveness of the risk management and internal control framework, policies and procedures. The Audit Committee informs the Supervisory Board of the Company. The role of the Audit Committee is described in section 5.5 of this Annual Report.

Key risks from all regions and key central functions are reviewed by the Board of Management. Based on the risk analysis, the Board of Management implements and maintains internal risk management and control systems. Where relevant, these systems are integrated in Accell Group's operating processes and we ensure that employees are conversant with these systems. The Board of Management monitors the operation of the systems. This monitoring covers all material control measures related to our key risks. The Board of Management discusses the risk management outcome with the Audit Committee at least twice each year.

Market and operational risk management is organised at regional 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, HR, tax and legal issues are organised at group level.

As part of the refined strategy, management is now more centralised, a new region structure has been put in place with a new strategic brand portfolio and the bicycle parts and accessories business is now organised under a single management. This creates more consistency and direction for innovation, marketing and distribution.

The internal audit team carries out its tasks on the basis of a detailed internal audit plan and an internal control framework. This framework outlines the inherent risks per process and the associated internal control measures. The Audit Committee defines the responsibility and scope of the internal audit function and approves the internal audit plan.

RISK MANAGEMENT IMPROVEMENTS

Various improvements were made to the risk management process over the course of 2019:

- Accell Group revitalised its risk management programme, putting its new strategy at the centre. This programme includes both top-down and bottom-up analysis and assessment of the company's risks. With an initial start in 2018, this programme continued in earnest in 2019. Accell Group established its standard risk register, with periodical assessments and monitoring of the likelihood and impact (i.e. risk) per strategic thrust;
- Given the importance of the risk management framework, a dedicated Internal Control manager was appointed in 2019;
- The central organisation and the regions are now responsible for delivering input to the risk management process;
- In 2019, Accell Group installed a Code of Conduct committee. This committee handles incidents and complaints, and advises the Board of Management on any (disciplinary) measures to be taken. A policy Compliance Incidents Handling and Investigation Procedure has been implemented.

RISK PROFILE

Global developments in the area of trade and politics affect the markets in which the Accell Group operates. This may involve trade barriers in the form of protectionism or political and social tensions. In addition, laws and regulations are subject to constant change and complexity is constantly increasing.

Multi-jurisdictional legislation and regulations such as import duties, anti-dumping rules, the UK Bribery Act as well as Trade Sanctions and Export Controls have increased Accell's risk profile in recent years.

KEY RISKS AND MITIGATION OF THESE RISKS

Accell Group is active in a significant number of countries. As a result, the Company is potentially exposed to a large number of risks and trends. For example, 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 Group's key purchasing markets also play a role.

Risks have been categorised in: strategic, operational, financial and compliance risks. Social and environmental risks have been integrated in these categories with a view to integrated reporting. The Board of Management has identified risks that can be considered the largest risks on the basis of probability of occurrence and/or impact. The following overview represents the key risks, including the mitigating measures, to which the company is exposed. Some risks may only be listed once, while they may fit into more than one risk category.

STRATEGIC RISK

CHANGES IN THE MARKET	RISK ACCEPTANCE	MITIGATION OF THE RISK
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 use rather than possession and the use of sustainable materials.	**BALANCED** The Company is prepared to accept a moderate level of risk, as long as this does not threaten the Company's market share.	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. The specialist retail trade can play a service role in this. Accell Group's refined strategy has a strong focus on this front. We also devote attention to the end-of-life stage of the bicycles, for instance by setting up collection systems for batteries. Through selective distribution contracts, risk of channel and price conflict are mitigated (and price erosions on our brands). Next to that Accell will develop/determine a dedicated online portfolio/brand.

STRATEGIC RISK

ACQUISITIONS	RISK ACCEPTANCE	MITIGATION OF THE RISK
Accell Group's strategy is partly realised via 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 the subsequent integration of the acquired companies. Furthermore, it is possible that Accell Group will not be able to execute its acquisition strategy because it fails to acquire sufficient suitable companies.	**BALANCED** The Company is prepared to accept a moderate level of risk, as long as this does not threaten the Company's market share.	Accell Group uses its extensive internal knowledge and experience, as well as external experts. The Board of Management is always directly involved in any acquisition. The Supervisory Board is an active partner in the acquisition process and must approve acquisitions. In 2018, we further formalised the information exchange between the Board of Management and the Supervisory Board with respect to 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 and the progress of the integration is assessed against the business cases drawn up at the time of the acquisition. 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 conditions.

STRATEGIC RISK

CREATING ONE GLOBAL BUSINESS TEMPLATE	RISK ACCEPTANCE	MITIGATION OF THE RISK
Accell Group shifts from a decentralized organisation model to a central guided matrix organisation. Creating one global business template is a complex challenge. There is a risk that change management and implementing the new way of working will take more time and impact short term results.	**BALANCED** The Company accepts moderate risks of operational malfunction, provided this does not adversely affect customers or the Company's market share.	It starts with defining the target operating model, adjustment of the supporting processes and the application landscape. A harmonized set of process descriptions, roles and responsibilities and master data (integral design) must be created to enable a smooth deployment. The targets per region, which relate primarily to sales and distribution, are determined in consultation between the Board of Management and the regional management. We have set cost savings targets for 2018-2022. The company monitors progress through the financial planning cycle and management information, the risk analysis and regular visits by the Board of Management and other group-level employees to the various regions. Accell Group's various companies draw up strategic plans each year, partly based on the main trends and developments in their region and the local environment. Once harmonised and approved, these plans are translated into annual budgets. The Board of Management discusses the consolidated strategic plan and budget with the Supervisory Board. Management information reports are compiled on a 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 Management. Already started in 2019 and continued in 2020 the focus on the change agenda will be further developed. In addition to the required organisational adjustments, the Board of Management intents to set more priorities in the sequentiality of the change process with the support of the change manager hired in mid-2018. The monitoring of the implementation of the strategy is done by setting priorities and the step-by-step roll-out is realized by defining milestones in time and monitoring the realized position. These milestones include amongst others the drafting of central process descriptions, the formalization of roles and responsibilities in the matrix organisation including functional descriptions and the enhancements of the ERP systems. In addition the data governance model was redefined and adopted in 2019. The purpose of this governance model is to centrally manage a data layer that is used by all companies within Accell Group. Part of this model is the use of data standards and policies.

OPERATIONAL RISK

MARKETING AND DEVELOPMENT	RISK ACCEPTANCE	MITIGATION OF THE RISK
Accell Group's brand strategy demands continuous innovation and the 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.	**BALANCED** The Company is prepared to accept a moderate level of risk, as long as this does not threaten the Company's market share.	Strong innovation linked to the brand identities of Accell brands will be critical to distinguish and differentiate our brands. Roles and responsibilities have been determined in the R&D process. The Board of Management has milestones meetings. The R&D lead reports direct to the CEO and newly formed innovation board.

OPERATIONAL RISK

HUMAN RESOURCE MANAGEMENT	RISK ACCEPTANCE	MITIGATION OF THE RISK
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 our strategy.	**BALANCED** The Company is prepared to accept a moderate risk level, as long as the strategic long-term goals are not threatened as a result.	Accell Group invests continuously 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 its central and regional management teams, we have taken the following actions: ▪ The Accell long-term incentive plan to gain the commitment of the senior management with a view to the realisation of long-term value creation has been established in 2019. ▪ The short-term bonus scheme for senior management has been adjusted, by making a clear connection between the performance of Accell Group and local and personal performance. This will include fixed performance indicators and personal targets. ▪ Where possible we are encouraging flexi-working, including stimulating working at home and making extra work spaces available in various locations in Amsterdam and Heerenveen. ▪ Recruitment of key staff continues with a more intensive focus on strategic capabilities. The "Accell Talent Review" programme to create personal development plans is producing the first results with the appointment of internally developed talent in key roles.

OPERATIONAL RISK

COMPETITION	RISK ACCEPTANCE	MITIGATION OF THE RISK
The bicycle sector is marked by fierce competition between existing providers and the chance that new providers and sector-related products are entering the market at any time. There is a risk that Accell Group is unable to predict the behaviour of (potential) consumers sufficiently or unable to respond effectively to same. There is a risk that Accell Group brands may lose markets due to a lack of options on the product pricing front.	**BALANCED** The Company is prepared to accept a moderate level of risk, as long as this does not threaten the Company's market share.	Strong innovation (on time, in full) is critical to distinguish from the competition. A more focussed assortment will lead to better availability. Through market research and market visit reports Accell Group spends a great deal of time in understanding the latest trends, the outcome of which is used in the decision-making process.

OPERATIONAL RISK

SEASONAL SALES AND LOGISTICAL RISKS	RISK ACCEPTANCE	MITIGATION OF THE RISK
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. More complex innovations can cause that you miss the season. This may result in surplus stock at the end of the season, which then needs to be sold at a discount.	**BALANCED** The Company is prepared to accept a moderate risk level, as long as the strategic long-term goals are not threatened as a result.	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. Our supply chain organisation at group level focuses on improved planning, which increases availability and prevents the unnecessary build-up of inventories. We do not use derivatives to hedge against the impact of the weather. A centralised planning process implemented in 2019 will be further developed. The S&OP (sales & operations planning) will be rolled out in 2020 to further improve the understanding of a strong forecast, the readiness of innovations and model and sku (stock keeping units) reduction. Forecast accuracy and bias are tracked and discussed in the S&OP meetings. Models have been cut and platforms are rolled out. Accell Group will continue to develop tracking and monitoring KPI's on the different key drivers of S&OP. Including reduction of complexity and a focussed demand planning.

COMPLIANCE RISK

PRODUCT LIABILITY	RISK ACCEPTANCE	MITIGATION OF THE RISK
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.	**NONE** Consumers' safety must not be endangered under any circumstances. Accell Group maintains a high product quality and safety standards.	Accell Group takes great care to ensure the quality and safety of its products. This includes the use of standards in laws and regulations, test and control systems and recall scenarios. Accell Group maintains close contacts with government bodies and advocacy groups to safeguard and improve the safety of bicycles. In 2019 Accell appointed a Group Director "Quality and Compliance". All regions and factories have their "own" quality teams overseen by a small group quality team headed by the Group Director. A comprehensive approach and roadmap was developed to align and improve the standards regarding quality and compliance across the group. This comprehends bicycles, bicycle components and "parts and accessories".

COMPLIANCE RISK

NON-COMPLIANCE	RISK ACCEPTANCE	MITIGATION OF THE RISK
The risk that Accell Group is non-compliant with applicable laws and regulations, which may adversely affect Accell's reputation and expose it to financial losses. Accell Group's appetite for regulatory compliance risk is very low and our ambition is to strive for full compliance with legal and regulatory requirements.	**LOW** Accell Group aims to at all times comply with applicable laws and regulations.	Accell is committed to comply with laws and regulations in the various countries in which it operates. We support the principle of free enterprise and fair competition. Accell Group recognizes that the risk of non-compliance (by both third parties and its own staff) might increase given the current economic and political climate. This requires appropriate measures. Accell has established policies and procedures aimed at compliance with applicable law and regulations. Accell Group adapts to local situations by building strong local entities and developing a proper approach in coping with dilemmas within the boundaries of applicable laws and responsible conduct (Code of Ethics, see below). Internal Audit carries out regular reviews to identify risks and to ensure that adequate systems to manage those risks are in place. Changes in applicable laws and regulations are analysed and when necessary, appropriate changes are implemented. In 2020, Accell Group will focus on further communication of its Code of Ethics and training of all employees, to improve awareness and compliance.

A Code of Conduct committee has been founded (consisting of the group HR, Legal and Internal Audit) which i.e. will deal with internal investigations and handling of alleged breaches of our Code of Ethics, and an anonymous whistle blower telephone line will be installed. A breach of the Code of Ethics can lead to sanctions, including termination of employment. Each year, members of the Supervisory Board, the Board of Management, and all employees with managerial responsibilities are required to confirm in writing that they have complied with the Code of Ethics.

The basic rules for the directors of our local companies have been laid down in management regulations (last update effective 1 Jan 2019) that have been shared with the management teams in the regional and country operations. These rules pertain to f.e. mandatory involvement of the Board of Management in and documenting authorisation of important decisions.

Finance staff is provided with guidelines and instructions, including controls, pertaining to the structure and maintenance of the financial administration and reporting systems. The guidelines and instructions comply with prevailing IFRS standards.

Accell Group annually conducts internal audits at various local companies with a focus on group-wide control measures where. the subject of fraud is discussed with local management. The internal audit team uses data analysis for auditing and fraud detection purposes (continuous monitoring). The subject of fraud risk management is an item on the agenda of the global controllers meeting and in regular consultation with the CFO and between the Board of Management and the Supervisory Board. This helps to raise awareness of the responsibility for the prevention and detection of fraud risk across the company. Specific ad hoc investigations are also carried out by Internal Audit at the request of the Board of Management or the Audit Committee.

Each year, the directors of Accell's local companies sign a Letter of Representation, a detailed statement pertaining to the integrity of their annual financial reports and the existence and functioning of their internal control systems. Underpinning this statement, a detailed checklist of subjects is signed annually by their local managers.

COMPLIANCE RISK

CHAIN RESPONSIBILITY	RISK ACCEPTANCE	MITIGATION OF THE RISK
Accell sources a large parts of its components from suppliers all over the world. This dependency on supply of components and the potential impact on the environment can impose risks on Accell's reputation.	**LOW TO NONE** The Company accepts limited risks regarding the chain responsibility.	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. Accell Group does business in accordance with laws and regulations including labor laws, privacy regulations, accounting standards, tax laws, health and safety regulations as well as governance and periodic filing requirements, applicable in the jurisdictions in which it operates.

COMPLIANCE RISK

ENVIRONMENTAL RISK	RISK ACCEPTANCE	MITIGATION OF THE RISK
Given the increase in environmental exposure Accell Group evaluates its vulnerability, preparedness and response in managing emerging and unforeseen environmental risks. One of the main environmental exposures is the climate change which is projected to cause economic losses due to future flooding. Which might impact the future production capacity at Accell Groups own three main production facilities.	**BALANCED** Accell Group aims to limit the impact of unforeseen malfunctions on its business operations. The risk of natural disasters will always be present, in spite of continuous efforts designed to limit such risks.	Accell Group evaluates its environmental risk as part of its formal risk management program and discusses the exposure in frequently held sessions with the insurance broker. With growing risks, not all risks are typically covered under the liability protection. In an effort to further manage the risk of business interruption, for example the flooding risk, Accell Group will develop in 2020 a disaster prevention plan (DPP) for each factory, consisting amongst others of fire protection measures, battery storage rooms, safety and evacuation training. Further an emergency sourcing plan (ESP) will be developed across the factories including paint shops and assembly. ESP also entails supply restore timings and alternative usages of components within reasonable timings. Accell Group assessed the potential flooding risk of its current Asian supplier base. The current risk of flooding at the factory premises of the Asian suppliers is limited. Furthermore Accell Group established a disaster recovery plan for all major IT disruptions on the primary data center.

FINANCIAL RISK

CURRENCY AND INTEREST RATES	RISK ACCEPTANCE	MITIGATION OF THE RISK
The company's turnover, profit and cash flow are subject to exchange rate fluctuations in (partly) non-functional currencies. This pertains primarily to 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.	**BALANCED** The Company is prepared to accept a moderate impact of external developments on its financial position.	Accell Group seeks to minimise the impact of non-functional currencies and controls the transaction risk by using derivatives to hedge its currency requirements. 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, which includes the use of interest rate swaps.

FINANCIAL RISK

FINANCING	RISK ACCEPTANCE	MITIGATION OF THE 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.	**LOW TO NONE** The Company is prepared to accept a limited risk level.	Accell Group mitigates this risk with a committed group financing facility, which has been agreed with a number of solid financing parties (consortium of banks). 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 section 6.6, Notes to the financial statements, of this annual report.

IMPROVEMENTS PLANNED FOR 2020

Accell Group's risk control system is embedded in the organisation and the company has continued to extend and improve the system in recent years. The company is planning the following actions and/or improvements for 2020:

- Implementation of a speak-up line. On 7 October 2019, the European council adopted new rules on whistle-blower protection. The European Directive on Whistleblower Protection will soon be officially published (already adopted by all bodies). A high level of protection will be offered to those whistle-blowers who have the courage to speak up. A good internal reporting platform will be crucial to provide a low-threshold to report misconduct internally. Accell Group will in the first half of 2020 implement a speak-up line.
  A speak-up line is an external system for handling reports of wrongdoing and to report code of conduct breaches. The advantage of such an external service provider is that employees are protected and able to report the code of conduct breach anonymously. Accell Group is in the process of requesting proposals from companies specialised in digital ethics and compliance solutions to provide a speak-up line. The whistle-blower regulation, which is available on our corporate website, will be updated accordingly.
- Further embedding whistle-blower line and integrity committee.
- A communication plan will be established (including tone at the top, cascading down), including dilemma training and e-learning courses. Part of this communication plan will also be the further roll-out of the Accell set of values.
- Strengthening the local compliance officers network.
- Annual sign-off of the certificate of compliance with respect to the code of conduct.
- Establishing of the legal compliance house with up-to-date policies.
- Compliance standard will be part of the internal audits.

MANAGEMENT STATEMENT

The Board of Management has final responsibility for controlling the risks associated with corporate goals and the reliability of external (financial) reporting. The Board of Management is also responsible for assessing the effectiveness of the controls aimed at preventing or mitigating such risks.

The Board of Management has assessed the performance of the internal management and control measures. Based on this assessment, the Board of Management concluded that:

- The report provides sufficient insight into the shortcomings and functioning of the internal risk management and control systems;
- The above-referenced systems provide a reasonable degree of certainty that the financial reporting does not contain any material misstatements as at the end of the financial year 2019;
- In accordance with the current state of affairs, the financial reporting has been prepared on a going concern basis; and
- The report includes a statement of the material risks and uncertainties that are relevant to the expected continuity of the Company for a period of twelve months following the preparation of the report.

The system of tasks for the internal risk management and control systems and the ensuing findings, recommendations and measures are discussed with the Audit Committee, the Supervisory Board and the external auditor.

XLC

x-cellent bike components

XLC (1998) IS THE GLOBAL EXCLUSIVE BRAND FOR ACCELL GROUP'S BICYCLE PARTS AND ACCESSORIES. AT XLC, THEY APPRECIATE THAT BIKES GIVE PEOPLE ENERGY AND A SENSE OF FREEDOM. THEY BACK UP THIS UNIQUE FEEL FOR CYCLING WITH A RANGE OF EASILY ACCESSIBLE, GOOD QUALITY AND AFFORDABLE PARTS AND ACCESSORIES FOR ALL KINDS OF BICYCLES.

3.4 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 Management 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;
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 sub 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 Management as a whole and the persons responsible for these matters, Mr. Ton Anbeek (CEO), Mr. Ruben Baldew (CFO) and Mr. Jeroen Both (CSCO) state that, to the best of their knowledge:

- the financial statements as included in chapter 6 of this report provide a true representation of the assets, liabilities and the financial position as at 31 December 2019, as well as the profit for the financial year 2019 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 2019, and the course of business at Accell Group and at companies included in the consolidation for the 2019 financial year and the annual report includes a description of the material risks Accell Group N.V. faces.

The Board of Management 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.

Board of Management,
Ton Anbeek (CEO)
Ruben Baldew (CFO)
Jeroen Both (CSCO)

3.5 MANAGEMENT AGENDA AND OUTLOOK

We continue to see strong growth momentum in Europe driven by electrification, government incentives and investments in infrastructure.

We see improved results of our continuing operations and promising developments in many areas within the group, clearly demonstrating that we are on track to deliver our medium-term financial targets. With the majority of our additional investment related to the strategy 'Lead Global. Win Local' behind us, our focus is now fully on perfect execution and continuous optimisation of our processes, especially in the areas of sales & operations planning, our innovation process and data harmonisation.

Main drivers of growth in 2020 will be innovations such as Dutch bike of the year Batavus Finez, Haibike Flyon, Lapierre Xelius, Ghost Superfit and the new high-end e-cargo bike under the Carqon brand, B2B opportunities similar to the high volume deal for the Dutch National police, bike leasing in general and last but not least strong promotions.

We believe to be well on track to meet our medium term financial targets. Based on our management agenda we expect further growth of net turnover and EBIT (excluding one off's) under normal operating conditions. However the full impact of the Corona crisis on our business is unclear yet and we are monitoring the situation closely. Risk mitigating action are being taken. Our current inventory levels provide for some buffer but we anticipate longer delivery times for certain components which may delay the introduction of several new innovative bike models.

3.6 OUR BRANDS

We have a strategic focus on 11 European brands: Haibike, Lapierre, Winora, Ghost, Batavus, Sparta, Koga, Raleigh, Babboe, Carqon and the parts and accessories brand XLC, which are sold in five regions: Benelux, DACH (Germany, Austria, Switzerland), SEU (Spain, France, Portugal), UK/Ireland and the Nordics. Accell Group sold the brands Diamondback, IZIP and Redline in 2019 as part of the divestment of the North American business.

Winning brands

Accell Group has conducted in-depth consumer research in all its selected regions and this serves as the foundation for our commercial growth strategy. We have used the findings to define clear target groups and consumer demands and to clearly define our brand positioning in our markets. In 2019, we devoted a great deal of attention to reallocating our marketing spend, with a sharp focus on growth-driving initiatives.

One example was the increased activation of our longstanding Lapierre sponsorship with professional cycling team Groupama-FDJ.

THIBAUT PINOT,
CYCLING TEAM GROUPAMA-FDJ

The marketing campaign reached over nine million people, tripling the number of unique visitors to the Lapierre website and made a major contribution to higher Lapierre sales. Another example is the Batavus activation in the Netherlands, which resulted in 10% sales growth and an increase in market share in the first half of 2019. Premium brand KOGA also garnered a great deal of international publicity through the launch of its revolutionary KOGA 'KINSEI' track bike. The 'KINSEI' will also be the Olympic track bike for the Dutch national track team at the 2020 Tokyo games. In 2019, we also laid the foundation for the continued growth of the world's best known bicycle brand, Raleigh, with clear positioning that steers innovation, communication and distribution. In 2020, we will take this one step further with enhanced product design, a range of new products and targeted marketing initiatives. On top of this, for 2020 we are planning a number of marketing initiatives for various brands, such as a large-scale brand campaign for Haibike with new product innovations, battery upgrade activation for Batavus and influencer and ambassador activation with Lapierre, aimed at increasing the appeal of these brands beyond their traditional borders in 2020.

Innovation

For each of the strategic brands, we have defined specific bike models that meet consumer needs in the best possible way and should result in higher rotation on the shop floor, which in turn will be good for both dealers and Accell Group. In addition, we have significantly reduced the number of models, colours and sizes (by up to 40% in some regions) and introduced product platforms that can be used by various brands across the regions. This has reduced complexity in the supply chain and production and will have a positive impact on availability and margins. We have used our innovation strategy and the new brand books to define new product design strategies and new innovation concepts, the first of which we will be launching in 2020.

In the cargo bike segment, we are seeing increasing demand for our Babboe brand. The launch of our new premium cargo brand, Carqon, has also been very well received judging by the high order intake at dealers.

Consumer-centric strategy
We are transforming Accell Group from several standalone operating companies to regional marketing and sales units inspired by our new consumer-centric corporate strategy. As many of our brands have a long history of being primarily product and sales driven, it will take time and effort to build a truly consumer-centric culture right across our organisation. However, we believe that creating genuine customer empathy is about identifying a customer's emotional needs and understanding the reasons behind those needs. The next step is to respond effectively and appropriately with the right innovations, designs, colours, pricing, customer care, warranties and new services. In 2020, we will continue to invest in data quality, data management systems and the implementation of technology to monitor, segment and profile customers. We will also start a leadership programme to cultivate our values and the right mindset among our employees.

Contribution to society
We firmly believe that people have the power to make the world a better place. Nothing leverages human power and ingenuity like cycling. Cycling contributes to a better life, better living conditions and a better environment for everyone. As one of the largest bicycle manufacturers in the world, our ambition - and our duty – is to contribute to a better world in everything we do, because we care about the planet and its people.

In 2019, we invested both time and money in various sustainability initiatives, including new, clean and safe mobility solutions. Last year, we invested over € 900,000 in the sponsorship of cycling tracks, the promotion of cycling and support for a number of social causes. This figure also includes 30% of our professional sports sponsorship. After all, creating sporting heroes encourages people to be more active and engage in sports themselves.

As a major stakeholder in the bicycle industry, we are engaged in an active dialogue and are affiliated with various national and international organisations, industry associations and initiatives that are specifically aimed at promoting cycling (health), safety and sustainable mobility. These include the World Federation of Sporting Goods Industry (WFSGI), the European Cyclists' Federation (ECF), the Cycling Industries Europe (CIE) and the Confederation of the European Bicycle Industries (CONEBI), which includes the RAI Association in the Netherlands, the Univelo in France and the Zweirat Industrie Verband in Germany. We also work closely with the Dutch Road Safety Council and the German road safety organisation Verkehrswacht. One example of our contribution to society at large is our support for World Bicycle Relief, which is a non-profit organisation that sets up local social workplaces for the production of bicycles in developing counties and donates these bicycles to people in need to improve their access to education, healthcare and work.

3.7 PROCESSES AND INFORMATION TECHNOLOGY

As part of our strategy and 'fit to compete' pillar, we continued the optimisation of our supply chain and operations at group level. This approach includes all our business processes, such as procurement, planning, logistics and manufacturing (assembly). In 2019, we appointed a Global Quality Assurance and Compliance Director to further optimise and professionalise quality and compliance.

MINIMISING THE ENVIRONMENTAL FOOTPRINT OF OUR OPERATIONS
Corporate social responsibility is in the heart of everything we do and for our processes this means full attention to minimising the environmental footprint of our operations, including our footprint due to energy use and single-use plastic, waste generated and carbon emissions generated. We contribute to the global efforts to combat climate change by reducing our carbon footprint. We take measures to contribute to the Paris Agreement's goal of limiting the global average temperature increase to well below 2 degrees Celsius above pre-industrial levels.

Within the carbon footprint programme, we focus on optimising our supply chain, transport (for example by transferring production to Europe and reducing air transportation), energy use and on realising our ambition towards sustainable energy of our premises by 2030.

As we aim to minimise our environmental footprint, we also focus on eliminating single-use (SU) plastics in our operations, both upstream from our suppliers and downstream to our dealers and consumers. To underline our ambitions, we have defined a new set of sustainability targets for 2025:

- Reduction of carbon footprint:
  - A 20% reduction in energy use, compared to base year 2018, in terajoules relative to turnover;
  - With 60% of all our owned premises to run on sustainable energy towards close to 100% in 2030.
- Reduction of single-use (SU) plastics, with special attention devoted to eliminating fossil-based plastics:
  - 100% SU plastic-free packaging of Accell bicycles, parts & accessories;
  - 50% reduction of SU plastics in transport packaging from our suppliers;
  - Banning the use of SU plastics in our offices and organisation;
- Sustainability to be fully integrated in our New Product Initiation process.

In addition to our ambitions on the sustainability front, we are targeting more than € 60 million savings in our supply chain over five years (from 2017). The key drivers of this initiative are:

- Complexity reduction in models, components and stock-keeping units;
- Standardisation of product platforms;
- Rationalisation of manufacturing footprint;
- Increased manufacturing and logistics efficiency;
- Procurement – category management.

SALES AND OPERATIONAL PLANNING (S&OP)

In 2019, the S&OP process was in place in all five regions. The regional S&OP meeting is headed by the Regional Director with teams from sales, marketing, supply chain, finance and research & development. The teams at the meeting review demand, supply plans, new product introductions, product availability and complexity reduction programmes.

As part of the S&OP process, last year we continued to expand the supplier collaboration programme to include more intensive information exchange with suppliers on planning. The aim of this programme is to increase delivery reliability, reduce lead times and lower the stocks of components. The number of suppliers participating in the programme quadrupled, with particularly intensive involvement from our largest suppliers and suppliers with the highest delivery risks. In more concrete terms, this translated into the following results for 2019:

- An improvement of over 10% in the reliability of deliveries from our main suppliers to our factories.
- The implementation of various new collaborative planning initiatives, with a marked shift in supplier mindsets from reactive (issue solving) to pro-active (issue avoidance).
- Increased forecast sharing, which cut lead times with our main frame-suppliers.
- Increased use of pre-production agreements with our main suppliers to ensure on-time deliveries in peak season.
- A significant (65%) reduction in the stocks of obsolete components.

We believe there is ample room for further improvement. In 2020, we will continue to improve our S&OP, focusing on the top 20 models per brand and per region. The objective of the regional S&OP meetings is to improve the availability of the right products by reducing complexity and by optimising sales forecasting by reducing bias and errors. On a group level, we still see opportunities to improve on:

- Forecasting with a strong focus on our top models;
- Reduction of Sales Forecast bias and error;
- (Re-) Allocation of volumes across regions, in particular for our international brands.

NEW PRODUCT INITIATION (NPI)

In 2019, we continued with the introduction and management of the NPI process. This process is now applied at all three of our innovation centres – Sports, Lifestyle and Cargo. The NPI process has four phases, Ideation, Feasibility, Capability and Launch. We use this primarily for our more complex products with a high proportion of components developed in house and that requires intensive cooperation between the various specialist teams.

The NPI process is supervised by the Innovation Board headed by the Director of Innovation and Technology. This board decides on new initiatives and research & development projects on a monthly basis. The prioritisation and allocation of people and resources to the NPI projects is based primarily on commercial considerations.

We implemented the NPI process in 2019 and delivered a total of 30 projects to market through this process. Major innovation projects delivered included: Haibike Trekking with a Bosch Generation 4 engine, Haibike Flyon, Batavus Finez Powertube, Pack'd and V-light (a new rear light that projects a V-shape onto the ground), Lapierre Overvolt AM, E-Sensium and Zesty TR, Ghost Lector and the Superfit concept. Unfortunately, we continued to experience delays in the delivery of innovations in 2019. We have therefore made a more rigorous execution of our revised innovation process a key priority for 2020.

In 2019, we took the first steps toward the introduction of common platforms, including our common frame platforms, which improve efficiencies and lower our cost base. We launched the first standardised platforms and will follow with several more in 2020.

In the years ahead, our design team and the Innovation Board will be devoting more attention to sustainability. This will cover a wide range of topics, from design and materials used to reduce our carbon footprint, to more circular business models. Our ambition is to have sustainable elements in every newly launched innovation by 2025.

PROCUREMENT

In 2019, we continued the roll-out of our category strategies for the various component groups. In addition to reducing the number of components we use on the basis of total cost of ownership criteria and the utilisation of benefits of scale by operating as a group, we see supplier collaboration as an ever more important key driver of our performance. Sharing demand forecasts and securing production capacity is especially important for (e-bike) frames, as production capacity is not available in abundance.

In 2019, we stepped up the alignment with our own Asian procurement team in Taipei, in particular for order management efficiency and supplier performance management. Pro-actively managing suppliers in terms of delivery performance is key, as we are seeing clear geo-political shifts with suppliers increasingly relocating production from China to other Southeast Asian countries like Vietnam and Cambodia. To deal with these uncertainties and to contribute to the reduction of our carbon footprint, we continued our initiatives to source closer to our production locations in Europe.

One example is the strategic cooperation we now have with Belgium-based innovator REIN4CED for the automated production of high-end carbon fibre bicycle frames. Working with REIN4CED has enabled us to produce carbon frames commercially in Europe for the first time, giving us significant logistic and sustainability advantages and increased supply chain flexibility and efficiency.

Other efforts, like those on the indirect procurement front, have focused primarily on supporting our IT team on various projects, as well as on packaging, also aimed at reducing the amount of single-use plastics, and travel initiatives. These efforts have resulted in improved transparency on costs and spending in these particular categories. This approach also resulted in immediate savings and the further professionalisation of our relationships with our suppliers.

In 2019, we generated supply chain savings of € 13 million, including € 7 million cost avoidance savings.

LOGISTICS

As of 2019, we manage our group logistics centrally, in close collaboration with our local logistics operations. Our aim is to create a synchronised network of distribution centres, which will make it possible to maximise availability to the market and minimise operational costs by optimising all transport routes and by making use of best practices in our warehouses.

Sustainability and efficient logistics go hand in hand. The optimisation of our packaging and direct shipments from our factories to our distribution warehouses will enables us to cut as much as 50%-80% on costs/CO_2 emissions on certain routes. Connecting our distribution warehouses in a network will enable us to create cross-regional availability for our products within agreed lead times.

The consolidation of our spend on inbound logistics enables us to negotiate better rates, higher service levels and to maximise our use of existing transport space. This includes modes of transport, whether truck, rail, air or sea. We aim to transport our products in the most sustainable way possible. In 2019, we put out our first tenders and signed the first deals.

PRODUCTION

In 2019, we created the Operational Manufacturing Team, with the aim of aligning supply chain and manufacturing standards across all our factories to increase efficiency and manufacturing quality. Every factory has its own operational excellence programme with set KPI targets, which we monitor and discuss on a monthly basis. We took a number of significant steps to increase safety and efficiency (on average 10%) and manufacturing compliance to plan. The improvement in the compliance to plan led to a significant increase in product availability, while also improving end-of-the-line quality across all our factories.

Production footprint

Based on the production footprint analysis we performed in 2018, last year we made major progress in in terms of closing and/or selling businesses in 2019. We sold our frame factory in China – Delta Metal –to one of our partners for frame production. A large part of the workforce was transferred to the new owner.

Other business sold or closed included Protanium (the Netherlands) and Brasseur (Belgium). We also completed the demolition of our vacated Andrézieux factory and warehouses in France. The land is planned to be sold in 2020.

In 2019, we started to build up production facilities for Babboe in Heerenveen and transferred the assembly of Babboe from Asia to Heerenveen. We moved the production of Babboe steel frames to our factory in Turkey.

In 2020, we will continue with the rationalisation of our production footprint. We will also transfer the painting of frames and components from Asia to our production locations in Europe. This will also make our products more sustainable, as all of our European plants work exclusively with 100% water-based paints and all paint residues are filtered out of the water from our paint shops. Our water purification installations ensure all the water used is returned to the environment in a clean state.

Energy
Most of our energy consumption is related to our main production facilities in Netherlands, Turkey and Hungary, where we assemble and paint our products. We use ISO 14001 (environmental management) to monitor and improve the environmental performance of our plants. Our production plants in Turkey and Hungary have already been certificated and our Dutch facility has started the certification process, which we expect to finalise in 2020.

In 2019, we completed our research into the benefits of installing solar panels on the roof of our production plant in Heerenveen and we will sign the contract in early 2020. This is a major step towards our ambition to reduce our carbon footprint. We expect the changes to the construction of the roof and the installation of the solar panels to take one year. In 2020, we will also start investigating the possibility of installing solar panels on our Hungarian production facility.

In addition to transition to the use of energy from renewable sources, our goal is to reduce our energy consumption by 20% by 2025. To help us achieve this goal, we perform energy audits, we replace old equipment and use LED lighting and motion sensors to reduce energy wastage. The Environment Health and Safety (EHS) team uses the energy audits to define and initiate improvement measures and then monitors the progress during the year. We report annually at group level. The EHS team also plays an important role in reducing the impact of our waste on the environment.

The table below outlines all the energy sources our organisation uses, including natural gas and other fuels and fuel used to transport people and products, including the percentage of sustainable electricity consumed.

ENERGY CONSUMPTION WITHIN ORGANISATION (IN TERAJOULES)

	2018	2019
	terajoules	terajoules
FROM NON-RENEWABLE SOURCES		
Fuel*	105.3	103.1
Purchased electricity	39.7	33.9
Other purchased energy**	8.0	9.0
TOTAL NON-RENEWABLE ENERGY CONSUMPTION	**153.0**	**146.0**
FROM RENEWABLE SOURCES		
Fuel / biomass heating	0.1	0.2
Purchased electricity / self generated electricity	3.3	5.4
TOTAL RENEWABLE ENERGY CONSUMPTION	3.5	5.5
TOTAL	**156.4**	**151.5**
PERCENTAGE OF ELECTRICITY FROM RENEWABLE SOURCES	**8%**	**14%**

Data is derived from the financial administration. Data has been extrapolated where necessary.

* Fuel includes heavy fuel oil, diesel, organisation Petrol, LPG, natural gas.

** Other purchased energy is purchased heating in the Netherlands and Norway (not included in report 2018).

Reference period 1 December 2018 - 30 November 2019.

Including all major Accell Group companies and premises.

Our energy consumption declined in 2019 and the percentage of sustainable electricity increased because some of our companies have switched to purchasing sustainable electricity.

We measure and report the results of our energy use and CO_2 emissions in accordance with the Global Reporting Initiative (GRI) Standards and the Greenhouse Gas (GHG) protocol. These Standards divide emissions into three groups; scope 1 for all direct emissions due to fuel consumption by company-owned facilities and vehicles; scope 2 for purchased electricity, steam, heating and cooling for own use and; scope 3 for all other indirect emissions created by upstream and downstream activities such as business travel by car, lease car and use of packaging material.

LAPIERRE

LAPIERRE (1946) STANDS FOR TOP SPORTING PERFORMANCES, TOP QUALITY AND GROUND-BREAKING INNOVATIONS WITH A TOUCH OF FRENCH PANACHE. THE PRO TOUR ROAD TEAM AND A WORLD CUP DH TEAM HAVE BEEN HUGELY SUCCESSFUL RIDING LAPIERRE BICYCLES.
THE LAPIERRE BIKE MAKERS HAVE PROVEN THEIR IMMENSE TECHNICAL KNOW-HOW WITH THE DEVELOPMENT OF THE OVERVOLT E-BIKE MODELS. THE LAPIERRE BRAND STANDS FOR PASSION AND PERFORMANCE, BOTH ON THE ROAD AND OFF-TRACK.

GHG EMISSIONS (TONS CO_2-EQ)

	2018	2019
SCOPE 1		
Stationary combustion (company facilities)	4,626	4,423
Biogenic emissions	16	17
Fleet (owned cars, lorries)*	131	156
SCOPE 2		
Electricity**	4,266	3,655
Heating & cooling	470	508
SCOPE 3		
Business travel by car (employee-owned)	85	92
Lease cars	1,638	1,694
Use of packaging materials	6,328	5,696
TOTAL	**17,605**	**16,241**

Source conversion factors: Dutch list of energy carriers and standard CO_2 emission factors 2017 (fuel), Defra 2018 (transport), IEA 2017 (electricity). CO_2 conversion databases packaging: EPA 2014, Eurostat 2016 and 2017, Ecoinvent 3.3. Data is derived from the financial administration and experience-based estimates. Data has been extrapolated where necessary.

* Includes the electricity use of company-owned vehicles.

** Excludes the electricity use of company-owned vehicles.

Reference period 1 December 2018 - 30 November 2019.

Including all major Accell Group companies and premises.

Single-use plastics, packaging and waste

Accell Group has been targeting the reduction of the impact of waste and packaging for many years, as an integral part of its sustainability drive. Following the Life Cycle Analysis (LCA) of our products that we performed in 2012 and 2017, we identified reducing the impact of our packaging as the next major issue we need to address, besides the reduction of the materials and energy we use to create and transport our bicycles. Due to new insights into the impact of (single-use) plastics in packaging on our environment, we decided to switch our focus from a general reduction to the elimination of plastics in our packaging by 2025.

In 2019, we redesigned our bicycle packaging for e-bikes for the brands Haibike, Winora, Ghost and Lapierre produced in Germany and Hungary. Our new, innovative smaller bike transportation box is 100% SU plastic-free. This results in higher transport loading volumes due to the smaller volume of the boxes themselves, while it also improves logistics handling due to a special compartment for additional parts and the manual. The box also provides better bicycle protection, which in turn reduces the costs incurred due to damage. In 2020, we will extend the new design and lessons learned from this project to packaging for other bicycles. In 2019, we also made a start on the switch from plastic tape to paper tape for sealing our packaging, plus reducing the plastic in our XLC brand packaging and replacing plastic bags with transparent and biodegradable glassine bags.

As part of our effort to reduce the amount of plastics in the packaging we receive from our suppliers, we have put this subject on the agenda of the procurement team meetings with our suppliers. Step by step, we will start projects with our suppliers to reduce the use of fossil-based plastics in their transport packaging aimed at achieving a 50% reduction in 2025. We will monitor progress by measuring the amount of plastic waste coming from our three major production hubs.

Monitoring and reporting on the waste streams within the group will remain on the agenda of our EHS team. In addition to reducing waste, we see the separation of waste as equally important to the creation of a circular economy. The only way to become truly circular is to maximise the separation of waste into different waste streams, so materials can be reused for new products. In addition to the EHS team, the senior management at our production hubs and local organisations also play an important role in eliminating SU plastics. With the support of our CSR and change experts, we have launched workshops to develop local CSR programmes to contribute to our goals, and to make sustainability an integral part of our daily business.

The table below outlines the processing of our waste. Our primary aim is to reduce the amount of residual waste. This waste stream is either incinerated or goes to landfill and does not contribute the creation of a circular economy.

WASTE PRODUCTION & PROCESSING

			WASTE (in 1,000 kg)	REUSE & RECOVERY (% of total weight)	RECYCLING (% of total weight)	INCENARATION (% of total weight)	LANDFILL (% of total weight)
	2017	2018	2019	2019	2019	2019	2019
MATERIAL							
Paper and paperboard	2,476	2,603	2,918		100%		
Metals	342	305	365		100%		
Rubber	0	1	5		100%		
Wood (pallets)	300	277	262	34%	66%		
Foil and plastic	145	140	190		90%	1%	9%
Residual waste	390	456	440		3%	43%	53%
Hazardous waste	139	137	127		1%	99%	
TOTAL	**3,794**	**3,921**	**4,306**	**2%**	**84%**	**7%**	**6%**

Data is derived from the waste processor. For readability purposes, percentage less than 1% are not shown.
Reference period 1 December 2018 - 30 November 2019. Including all major Accell Group companies and premises.

Circular economy

Creating a circular economy is not something we can do in isolation. To create real impact on this vital subject, we need to team up with industry partners and our peers. As one of the significant players in the market, and one that accepts its responsibility, we will take a leadership role in the industry on this topic, just as we have in the past on other sustainability topics like the end-of-life of batteries and the development of the social audit platform for the bicycle industry.

We are currently in the process of initiating an expert group on Corporate Social Responsibility (CSR) under the umbrella of European industry organisations CONEBI and CIE. Within this industry-wide group of experts, we will discuss the fundamental issues of the circular economy and find solutions to make our industry even more sustainable.

QUALITY AND COMPLIANCE

In 2019, we appointed a Group Director Quality and Compliance. All our regional operations and production facilities have their 'own' quality teams overseen by a small group-level quality team headed by the Group Director Quality and Compliance. We have developed a comprehensive approach and roadmap to align and improve the standards related to quality and compliance across the group for all our products and activities.

Audits of chemical substances

We conduct internal audits at our local companies on chemical substances from our suppliers. These substances are used to paint parts such as frames and front forks. They are also used in plastic components such as saddles and handlebar grips. In 2019, our REACH laboratory tested a total of 108 components, on which the lab conducted a total of 648 analyses. The products are selected on the basis of the risk profile of the product. Deviations were found in 6.5% of cases. In all these instances, we worked with the supplier to find a solution.

In 2020, we will continue to implement our quality road map and invest in our test facilities.

RESPONSIBILITY IN THE SUPPLY CHAIN

Supplier audits

Under the umbrella of the World Federation of Sporting Goods Industry (WFSGI), Accell Group was one of the founding members of the Responsible Sport Initiative (RSI). Through the RSI, we cooperate with other companies in the bicycle industry to share social audits and have the same standards, which helps us to prevent audit fatigue among our suppliers.

The content of the social audits is based on the WFSGI Code of Conduct and includes general international standards for labour rights, and work and building safety.

We select the supplier locations we audit on the basis of country risk and risk to the continuity of our business. We assess countries every year on the basis of the BSCI Country Risk Classification, CPI, ITUC global rights index and the SA8000 risk assessment.

Audits are conducted by external auditing companies and our suppliers are always given advance notice. The auditor drafts a report, and if they identify issues these are captured in the Corrective Action Plan (CAP). We manage the follow-up on the CAP directly.

To achieve our goal of ensuring international social & safety standards, we gradually audit and re-audit all of our key risk suppliers. To accomplish this, we plan to audit at least 20 facilities per year. In 2019, we achieved this target, as we completed 20 audits. For 2020, we are aiming to increase the number of audits to 30, to ensure we can achieve our ambition to have all our key suppliers in risk countries audited every three to four years by 2025.

The results of the social and environmental audits were comparable to those in recent years. As in the previous year, the most common issues related to emergency safety of buildings, personnel administration, working hours and personal protective equipment for workers. The audits did not reveal any critical issues (such as child labour) that were not resolved immediately by the suppliers. Together with the other companies in the Responsible Sport Initiative (RSI), we are working on Corrective Action Plans to resolve these issues.

The RSI audits are additional to the Accell 'Code of Conduct for suppliers', which we ask all our suppliers to sign and comply with. In 2019, we asked our key component suppliers to renew their commitment to this Code of Conduct and all these suppliers confirmed their commitment.

INFORMATION TECHNOLOGY

In 2019, we continued with our strategy to streamline and centralise our application portfolio. We used the Accell Group holding company as a pilot for a new group Enterprise Resource Planning (ERP) system. Lessons learned from this pilot will be taken on board in the roll-out of our future CRM and ERP programme. An important part of this programme will be to facilitate our 'Lead Global. Win Local' strategy and the mitigation of risks in our current systems.

We also made progress in the professionalisation of the dependencies between our applications by centralising the management of the integration between these applications. This increases transparency, reduces complexity and supports further roll-outs, both for ERP, but also for other applications such as our digital portfolio.

Our strengthened data team has defined our group data strategy and has set standards and procedures for data use and processing. Driving data harmonisation and defining key processes across the group will be the foundation of our future IT and digital strategy. Meanwhile, from an internal control point of view, we strengthened the 'segregation of duties' set-up in our legacy systems. In addition, we implemented numerous business initiatives, including voice picking in various warehouses, our bicycle lease functionality for the Netherlands and the support of internal sales transfers.

We also continued the roll-out of our central platform for cooperation and communication - the so-called Accell@Work platform.

From a GDPR point of view, we further strengthened our governance, among other things by assigning local data protection officers, by implementing our internal and external data processing agreements and by reviewing and updating our external websites.

On the customer-facing side, we implemented a new platform for Customer Relationship Management (CRM) for Business to Consumers in all our regions. We also successfully delivered a brand new e-commerce platform for our Haibike brand.

3.8 ORGANISATION AND PEOPLE

'The journey continues'

In line with the Accell Group strategy, we made a step change in the adaptation and adoption of the new organisation in 2019. The goal is to create a more agile, efficient and consumer-centric business with a deep commitment to sustainability and people.

In 2019, we made only minor changes to the 2018 matrix design. These were changes in reporting lines, meeting attendees and communication cascades; changes that demonstrate our pragmatic approach during the implementation. The overall structure of business regions with a strong commercial focus and a well-equipped centralised hub remains untouched and is now well established. Despite this success, we did see some signs of project overload and immediately intervened, changing the priority attached to large number of initiatives. This increased the focus on those projects with the highest consumer and commercial impact, such as innovation and marketing-related projects.

During the year, we organised numerous highly interactive workshops to optimise the finer details of how we work together, how we communicate and how we reach out to each other. This also created a much stronger networked organisation.

Transition

In 2019, the strategy roll-out had an impact on all our units, teams and people. The support for the strategic direction and our people's passion for bicycles and brands helped to smoothen the transition process. We put leadership teams in place at every level of the organisation and strengthened cooperative links across countries. We also established more similar job and roles definitions across teams. Dedicated support was provided for specific projects and organisational changes that were more complex or had a greater impact on the transition.

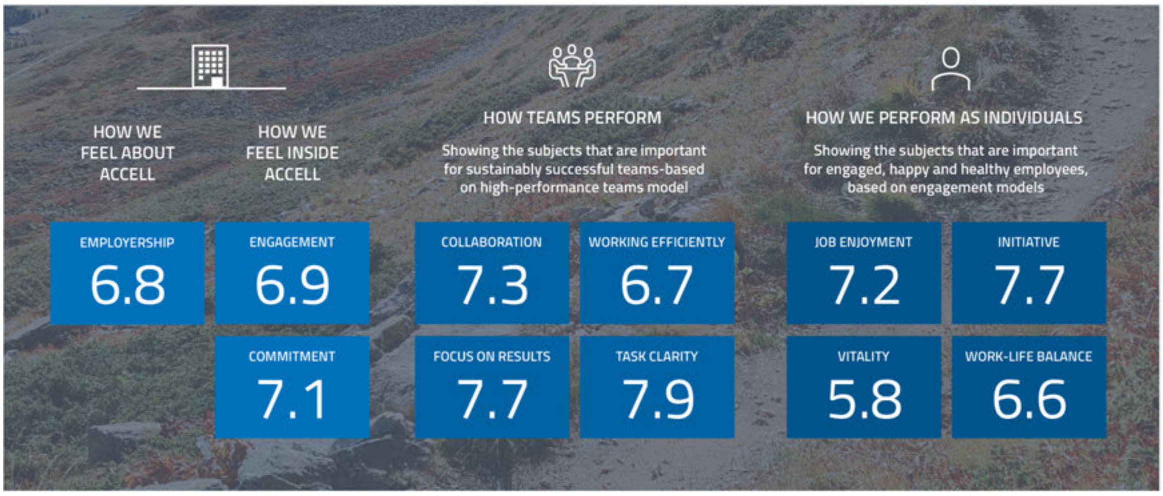
Employee representation

We very much appreciate the continued and constructively critical support we receive from our employee representation bodies. During our regular meetings, we discussed a great many issues, leading to improved proposals and implementation processes. Examples include organisational changes, the set-up and results of the Employee Engagement Survey and the pilot for the 360-degree feedback system. The works councils in the Netherlands also interacted in various sessions with the Accell Group Supervisory Board.

Employee engagement survey

As anticipated in the outlook for 2019, it has taken some time for the dust to settle. For this reason, in March we conducted the first ever Accell Group-wide employee engagement survey (EES). More than 72% of our staff on the payroll responded to the invitation to participate in the EES. Yet again, the results show that Accell staff welcome the new strategy, organisation and spirit of cooperation. The commitment of people to their roles and the organisation remains very strong in a period of change.

EMPLOYEE ENGAGEMENT SURVEY



It was also clear from the EES results that we still face a number of leadership challenges, in terms of the need to continuously improve communications, staff appreciation and recognition. These challenges are translated under the heading of “Vitality”; the desire to improve how Accell staff experiences pressure at work, regain energy and increase the influence on their work content and work pace.

We cascaded the EES results down through the organisation and identified specific actions for 2019 and 2020. We will repeat the EES at year-end 2020 to measure progress against targets set. We have also included these targets in the non-financial performance targets for Accell Group senior management.

People projects
We embedded a number of pilots and initiatives in our overall HR strategy of ‘Simply the best bike company to work for’. These include the introduction of a renewed 360-degree feedback system, the first steps towards defining the foundation for an integrated HR information system, our talent review and talent acquisition approach, CSR workshops and many more. We will continuously update successful programmes, such as the Accell Onboarding programme.

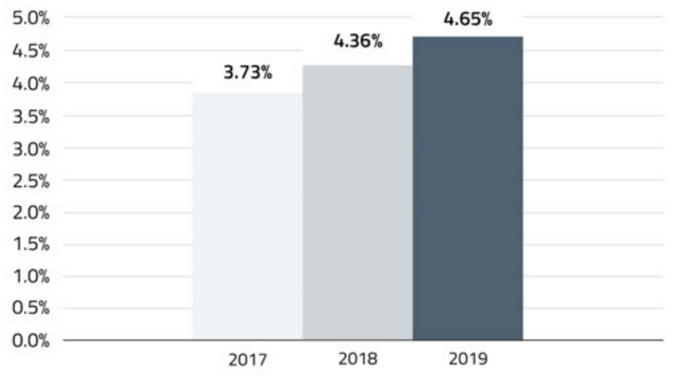
In particular, we would like to highlight the efficient and creative approach taken by our largest subsidiaries in Turkey, Hungary and the Netherlands in terms of new initiatives in the recruitment, training and development of a highly diverse group of new colleagues, all of whom we warmly welcome. Accell the Netherlands received special recognition for its efforts and won ‘High achiever Social Entrepreneurship’ award. This award was granted by third-party initiator TNO, on the basis of external audits and is an encouragement to continue on our road to becoming ‘Simply the best bike company to work with’. In this context, we see the growth in the group of female professionals at Accell as an encouraging sign that we are on the right track on this front.

Our continued attention to health and safety at work resulted in a number of new initiatives at our major subsidiaries. In general terms, we continue to stress the importance of basic discipline, good training and the attentiveness of all our people. We firmly believe that investments in impactful healthcare initiatives more than pay off in the long run. For instance, last year we offered our staff based in the Netherlands a personal feedback session on lifestyle and health issues, with the help of a third-party consultancy. The staff response to the invitation and session was positive. Despite this and other initiatives, we did have a number of lost-time accidents[1], which we carefully scrutinised to avoid future repetition. In the course of 2019, we tightened reporting procedures and incident definitions. This resulted in a statistical increase in incidents reported. Safety teams now have more accurate data available, enabling them to focus on incident root causes and initiate new measures. The new reporting and follow-up process is anchored in the responsibilities of the Board of Management.

[1] ‘A lost-time incident is characterized by loss of working time as the result of an injury at work

PERCENTAGE OF ABSENTEEISM

As a percentage of total working hours of all Accell Staff on payroll



Figures are including absenteeism due to accidents.

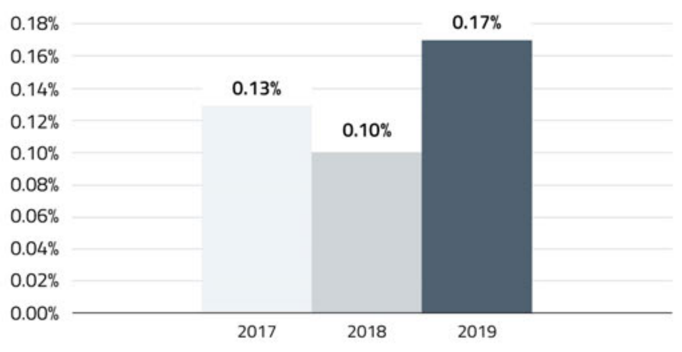
Data are from various HR information systems.

Reference period 1 December 2018 - 30 November 2019.

Including all major Accell Group companies.

PERCENTAGE OF ABSENTEEISM DUE TO ACCIDENTS

As a percentage of total working hours of all Accell staff on payroll



Data are from various HR information systems.

Reference period 1 December 2018 - 30 November 2019.

Including all major Accell Group companies.

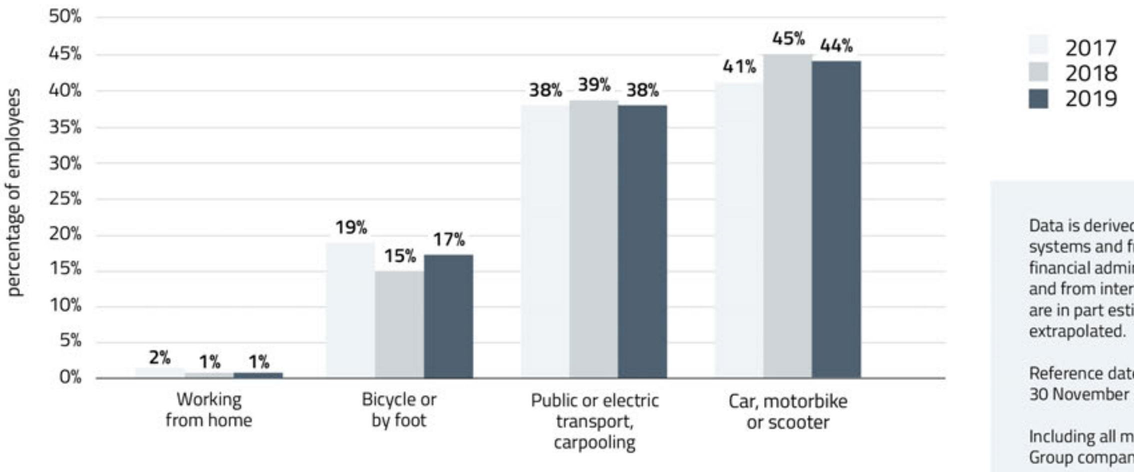
The absenteeism percentage increased in 2019. In the period ahead, we will be devoting our full attention to reversing this trend. Analysis shows that next to the influence of ‘standard influenza’ and improved reporting on lost time incidents on the absenteeism score there has been an increase in long-term sickness cases which have a considerable impact on the reported trend. We continue to strive for our ambition of zero accidents (compared to 144 accidents in 2019) and encourage exercise and healthy living for all our staff.

In 2019, we continued to devote attention to reducing emissions from commuting and the reduction of air travel.

We encourage the use of our own bicycles for commuting to work wherever we can. We also make use of changes in local tax regulations if these make it beneficial to provide staff with bikes.

COMMUTING

In percentage of employees



Data is derived from HR systems and from the financial administration, and from interviews, and are in part estimated and extrapolated.

Reference date is 30 November 2019.

Including all major Accell Group companies.

Our goal is to provide 15 hours of training per employee per year. After increasing to 13.3 hours in 2018 (2017: 12.1 hours), this increased to 13.7 hours per FTE in 2019. We will continue to invest in the training and education of our staff in the years ahead.

TRAINING HOURS (PER FTE)

YEAR	2017	2018	2019
	12.1	13.3	13.7

Data is derived from HR systems and from the financial administration, and from interviews, and are in part estimated and extrapolated.

Reference period 1 December 2018 - 30 November 2019.

Including all major Accell Group companies.

Labour market

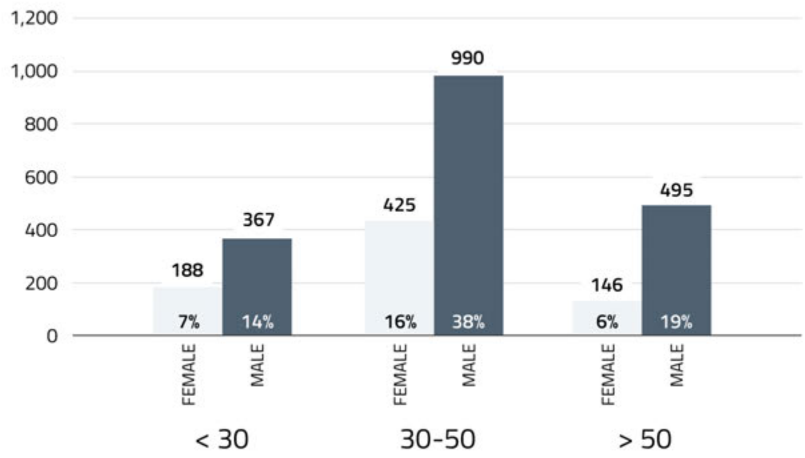
Over the past few years, we have seen a reversal on the labour market. From a surplus of well-trained and educated people in many functional areas, Europe has quickly developed a shortage of specialists, for instance in IT, Engineering, design, logistics and e-commerce.

One of our major advantages in the recruitment and retention of talent is the natural appeal of our products and brands, as well as our solid reputation as an employer in the regions we operate in. The fact that most of our subsidiaries are not based in European economic hotspots is occasionally a minus.

The recruitment of new colleagues from the Ukraine for our Hungarian subsidiary is one example of our creativity and pragmatism. This tactic enabled the team in Hungary to recruit new colleagues from Ukraine to tackle a local shortage of experienced mechanics for our production facilities in Hungary. This boosted productivity by more than 50% in this important production hub.

Generally, the increased availability of female professionals in all functional areas is helping us to gradually move towards achieving our ambitious gender diversity goals. We developed and broadened our Diversity and Inclusion policy and practices last year. As part of this, we set up a dedicated task force, to design and help implement a creative and relevant approach to a wide range of diversity and inclusion-related issues. As a first step, our ambition is to have female professionals account for at least 40% of our (senior) management compared to 23% now.

NUMBER OF EMPLOYEES (FTE'S)



Reference date 30 November 2019.

Data are from various HR information systems.

In Europe as a whole, total salaries are rising significantly. This rise is sometimes driven by government measures, such as inflation correction (Turkey, Hungary), or is part of a collective labour agreement (the Netherlands) on which we have limited influence. To control cost development, we have installed a new process to authorise increases in the number of FTEs. In terms of salaries, Accell Group continues to aim for the median position in any relevant peer comparison.

Priorities for 2020

We will continue with our organisational transition at a steady pace. As the motto for 2020 is 'Getting the basics right', we will continue to launch initiatives to increase organisational efficiency and effectiveness.

An important part of this will be our preparations for the roll-out of new business systems and our group HR information system. Also on the agenda are the modernisation of our staff benefits programme, the 2020 employee engagement survey, the Accell Purpose workshops and the activation of a large number of CSR programmes and initiatives

More specifically, we are moving forward on our multi-year programme to achieve:

- A continuous improvement of our employee engagement survey scores on participation, people satisfaction and engagement;
- A representation of 40% female professionals in (senior) management roles;
- An increased training target to an average of 24 hours/year per FTE;
- A continued rise in productivity throughout the business.

GHOST

THE TRENDSETTING BICYCLES PRODUCED BY GHOST (1993) STAND OUT THANKS TO THEIR INNOVATIONS AND TECHNOLOGIES THAT ARE DESIGNED TO PUT PEOPLE FIRST. THE SPORTING SUCCESSES OF THE GHOST FACTORY RACING TEAM AND THE GHOST AIVIR COMPETITION BOOST THE AWARENESS OF THIS INTERNATIONALLY ACTIVE BRAND WITH GERMAN ROOTS.

4 CORPORATE GOVERNANCE

Accell Group attaches great importance to good corporate governance. The Board of Management 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'). This section of the report describes Accell Group's corporate governance structure.

4.1 GENERAL

Accell Group N.V. ("Accell Group" or "the Company") is a public limited liability Company (Naamloze Vennootschap) under Dutch law, that applies a two-tier board structure comprising a Board of Management, composed of managing directors, and a Supervisory Board, composed of supervisory directors. The Supervisory Board supervises the Board of Management and ensures that external experience and knowledge is embedded in the Company's conduct. The two boards are independent of each other and are ultimately accountable to the General Meeting of shareholders ("General Meeting"). Accell Group's corporate governance is laid down in the Company's articles of association and rules of the Board of Management and Supervisory Board, which can be found on our website.

BOARD OF MANAGEMENT

The Board of Management is charged with the day to day management and is responsible for the continuity of the Company and its affiliated enterprise, as well as for achieving its goals, objectives, strategy and results. The Board of Management is accountable to the Supervisory Board and the General Meeting. In the performance of its tasks, the Board of Management is guided by the long-term value creation of the Company and takes into account the stakeholder interests that are relevant in this context. The Board of Management determines the strategy for realising the long-term value creation of the Company and informs the Supervisory Board on the determination of this strategy in a timely manner. The Board of Management is also responsible for the identification and management of the risks associated with the Company's strategy and activities. To this end, Accell Group has an internal risk management and control system. For more detailed information, please see section 3.3 'Risk Management' of this report.

Certain significant resolutions of the Board of Management require the approval of the Supervisory Board. These include resolutions on major investments, issuance of shares and the establishment and/or termination of long-term alliances with other companies. The General Meeting's approval is required for resolutions of the Board of Management that involve significant changes to the identity or character of the Company or its business.

On 24 April 2019, the General Meeting granted the Board of Management the authority to repurchase Accell Group shares. The authorisation was granted under the following conditions:
- the authorisation would be valid for 18 months (until 24 October 2020);
- the Supervisory Board's approval would be required for the acquisition of Accell Group shares;
- the number of shares would never exceed 10% of the issued share capital; and
- the acquisition price would never exceed 110% of the average share price on the preceding five trading days.

The agenda for the General Meeting of 22 April 2020 includes a proposal to again grant the Board of Management the authority to acquire Accell Group shares under the same conditions as those set out above, such for a period of 18 months. If that authorisation is granted, it will replace the authorisation granted by the General Meeting of 24 April 2019.

Resolutions on the issuance of shares are adopted by the General Meeting, insofar as and if it has not designated another corporate body. The pre-emptive rights can be limited or excluded by the corporate body authorised to adopt resolutions on the issuance of shares, provided that said authorisation is granted expressly to that corporate body. On 24 April 2019, a resolution of the General Meeting extended the period to 24 October 2020, during which the Board of Management 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 pre-emptive rights upon the issuance of ordinary shares.

The agenda for the General Meeting of 22 April 2020 includes a proposal to renew this term to 22 October 2021. If that authorisation is granted, it will replace the authorisation granted by the General Meeting on 24 April 2019.

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

The Supervisory Board determines the number of the members of the Board of Management, appoints members of the Board of Management and also has the power to suspend and dismiss members of the Board of Management. Before any dismissal will take place, the General Meeting will be consulted.

Pursuant to the Code, members of the Board of Management are appointed for a maximum term of four years, and their contract is an agreement of assignment (overeenkomst van opdracht). Their term of appointment ends after the conclusion of the first General Meeting, to be held in the fourth year after the year in which they were appointed. Members of the Board of Management can be re-appointed for a further four-year period.

The members of the Board of Management jointly manage the Company and are in principle jointly and severally liable for such management. Subject to the approval of the Supervisory Board, each member of the Board of Management may have its personal and primary responsibilities. The Board of Management currently has three members: T. (Ton) Anbeek (CEO), who was appointed by the Supervisory Board as Chairman of the Board of Management, R. (Ruben) Baldew (CFO) and J. (Jeroen) Both (CSCO).

The operation of the Board of Management is subject to rules of internal procedure of the Board of Management, outlining in detail on how the Board of Management operates and its relationship with the Supervisory Board, shareholders and the Works Council. These rules, which are approved by the Supervisory Board, can be found on the Company's website (under 'Corporate Governance').

Based on a proposal prepared by the Selection and Remuneration Committee, the Supervisory Board determines the remuneration of the individual members of the Board of Management, with due observance of the remuneration policy adopted by the General Meeting in 2010. The main elements of the contracts with members of the Board of Management are published on the Company's website in accordance with the Code. Each year, the

Supervisory Board compiles a remuneration report, which contains an explanation of the remuneration of the individual members of the Board of Management.

At the General Meeting of 22 April 2020, the Supervisory Board will propose a new remuneration policy for the Board of Management. The proposed remuneration policy as well as the remuneration report 2019, are available via the website (under 'Corporate Governance/Remuneration'). Pursuant to the new bill implementing the revised European Shareholder Rights directive the 2019 remuneration report of the Board of Management will be put on the agenda of the General Meeting for an advisory vote. The new remuneration policy will be proposed for adoption, for which a majority of at least 75% of the votes cast at the General Meeting is needed.

The Company does not provide any personal loans or guarantees to members of the Board of Management, managers or to other employees. Accell Group has the usual indemnity and insurance arrangements in relation to normal company business, and these arrangements cover members of the Supervisory Board, the Board of Management, managers and other employees.

SUPERVISORY BOARD

The Supervisory Board supervises and advises the Board of Management on the performance of its management tasks and supervises the overall development of the Company. In the performance of its tasks, the Supervisory Board is guided by the interests of Accell Group and its affiliated enterprise and takes into account the stakeholder interests that are relevant in this context. The members of the Supervisory Board regularly discuss the long-term value creation strategy, its execution and the associated key risks, while paying specific attention to the effectiveness of the internal risk management and control systems and the integrity and quality of the Company's financial reporting. The Board of Management provides the Supervisory Board with all the information it requires to perform its tasks and does so in a timely manner.

In its periodic meetings with the Board of Management, the Supervisory Board discusses a number of subjects, including the general state of affairs, as well as financial reporting based on the operational plan for the year under review (half-yearly and annual reports, interim financial statements, balance sheets, income statements, cash flow statements and capital investments). The agenda also includes subjects such as major investments and/or divestments, management developments, human resources, the relationship with shareholders, the dividend proposal, the independent auditor's management letter and follow-up actions, setting the operational plan with the operational and financial goals for the next year and approval of the strategy at least every fifth year.

At least once a year, the Supervisory Board discusses the progress of the strategy and the principal risks connected to the business, the Board of Management's assessment of the organisation and operation of the internal risk management and control systems, as well as any significant changes to those systems.

The Supervisory Board has drawn up regulations, which include the distribution of its tasks and its operating methods. The regulations also include a section on its interaction with the Board of Management and the General Meeting. The current regulations were adopted by means of a resolution dated 4 March 2020. The regulations can be found on the Accell Group website (under 'Corporate Governance/Supervisory Board').

The Supervisory Board is composed 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. In the event of vacancies, the Supervisory Board announces the nominations simultaneously to the General Meeting and the Works Councils of Accell Nederland B.V., Accell IT Services B.V. and the Joint Works Council of Accell Operations B.V. and Accell 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, in general, resign no later than on the day of the first General Meeting held four years after their appointment and immediately after the end of said meeting. A resigning member of the Supervisory Board may be reappointed immediately in accordance with the Company's articles of association and the internal regulations of the Supervisory Board.

The members of the Supervisory Board receive a remuneration to be determined by the General Meeting. Pursuant to the new bill implementing the revised European Shareholder Rights directive, a remuneration policy for the Supervisory Board will be proposed at the General Meeting of 22 April 2020. That Remuneration Policy will be proposed for adoption (voting item). A majority of at least 75% of the votes cast at the General Meeting is needed to adopt the Remuneration Policy. The remuneration report 2020 of the Supervisory Board will be put on the agenda of the General Meeting in 2021 for an advisory vote.

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

As from 1 January 2020 onwards, the Supervisory Board again consists of four members and has appointed two committees from its midst, each with two members. The Audit Committee comprises Ms. D. (Daniëlle) Jansen Heijtmajer (chair) and Mr. G. (Gert) van de Weerdhof. The Selection/Remuneration Committee comprises Mr. P.B. (Peter) Ernsting (chairman) and Mr. R. (Rob) ter Haar.

These committees are tasked with preparatory activities as part of the decision-making process of the Supervisory Board. By means of a resolution dated 4 March 2020, the Supervisory Board established revised regulations for the audit committee and the selection/remuneration committee. These regulations can be found on the website (under 'Corporate Governance/Supervisory Board'). It is the task of the committees to support and advise the Supervisory Board concerning the items that are under the committees' responsibility and to prepare the Supervisory Board's decisions regarding those items. The Supervisory Board as corporate body remains responsible for how it performs its tasks and for the preparatory work carried out by the committees. The committees submit reports on all their meetings to the Supervisory Board.

The Supervisory Board has drawn up a profile of its size and composition, taking into account the nature, size 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 (under 'Corporate Governance/Supervisory Board'). The Supervisory Board has appointed from its midst a chair and a vice chair, and is assisted by a Company Secretary. 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 can operate independently and critically, vis-à-vis each other, the Board of Management and any Company interest whatsoever. The Company is responsible for an introduction programme for persons appointed to the Supervisory Board.

COMPOSITION BOARD OF MANAGEMENT AND SUPERVISORY BOARD

The Board of Management and Supervisory Board are composed in such a way that the required expertise, background, and competencies are independently represented to ensure it can fulfil its tasks effectively. With respect to the distribution of seats on the Board of Management and Supervisory Board, the Supervisory Board strives for diversity in terms of education, professional experience, age and gender. The appointments to the Supervisory Board and the Board of Management in 2018 increased the diversity of both bodies. However, despite the steps taken the current composition is not yet sufficiently balanced. In 2020, the Company will launch a diversity policy followed by a programme, with the aim of working towards an improvement in the diversity of the broader Accell organisation and a more balanced composition of these bodies in future appointments.

GENERAL MEETING

Key powers, such as powers regarding resolutions to amend the articles of association, substantial legal mergers and/or spin-offs that change the character of the Company, 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 Management and Supervisory Board and sets the remuneration for the Supervisory Board. The dividend policy and discharge of the Board of Management and Supervisory Board are also regular items on the agenda of the General Meeting. Reports on shareholders' meetings are provided to the shareholders, as stipulated in the Code. Within 15 calendar days after each General Meeting, the results of the votes per agenda item are published on the Company's website. A General Meeting is convened at least once a year and is chaired by the chairman of the Supervisory Board.

Accell considers it important that as many shareholders as possible participate in the decision-making processes of the General Meeting and those entitled to vote are therefore given the opportunity to appoint proxies or to extend voting instructions ahead of the General Meeting. The engagement of many shareholders, participation in the decision-making process and the level of attendance at the General Meetings in recent years ensure that the corporate governance system operates effectively. At the General Meeting held on 24 April 2019, 69.3% of the total number of issued shares was either present or represented.

FINANCIAL REPORTING, THE EXTERNAL AND THE INTERNAL AUDITOR

The Board of Management is responsible for the quality and completeness of the financial reports that are published. Before being presented to the General Meeting for adoption, annual financial statements as prepared by the Board of Management must be examined by an external certified public auditor.

The General Meeting has the authority to appoint the external independent auditor. The Supervisory Board nominates the auditor for (re-)appointment by the General Meeting once a year, taking into account the advice of the Audit Committee, while giving due consideration to the Board of Management 's considerations. The external auditor attends all Audit Committee meetings and the meetings of the Supervisory Board in which the annual financial statements are to be approved and in which the year-end report of the external auditor is discussed. Prior to publication, the external independent auditor reports its findings related to the audit of the annual accounts simultaneously to the Board of Management and the Supervisory Board and records the results of its findings in a statement. During the General Meeting, the external auditor will be present and may be questioned about its statement regarding the true and fair nature of the annual accounts.

KPMG Accountants N.V. has been nominated and appointed as the external independent auditor for Accell Group since 2016. The Supervisory Board has put forward KPMG Accountants N.V. for reappointment as external auditor for the financial years 2020 and 2021 on the agenda for the General Meeting of 22 April 2020.

Accell Group has an internal audit function, which operates under the responsibility of the Board of Management, with lines to the CEO, CFO, and the Audit Committee. The role of the internal audit function is to assess the design and the operation of the internal risk management and control systems. The scope of work of the internal audit function is regulated in an Internal Audit Charter. In line with the Code, both the appointment and dismissal of the Head of Internal Audit shall be submitted to the full Supervisory Board for approval, with a recommendation issued by the Audit Committee. In line with the Code, the Board of Management and the Audit Committee are involved in the preparation and approval of the annual internal audit plan. The annual internal audit plan is submitted to the Board of Management and Supervisory Board for approval. Internal Audit reports are discussed with the Audit Committee in the presence of the external auditor.

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 based on 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.

CODES OF CONDUCT

The Board of Management established a new internal code of conduct in 2018. This Code of Conduct incorporates the desired conduct expected of everyone within Accell Group every day. The Code of Conduct also includes instructions and recommendations on how employees should conduct themselves in certain specific situations. The full text of the internal code of conduct is available on the Accell Group website (under 'Corporate Governance').

Accell Group has laid down its requirements for suppliers and other parties involved in the production and sourcing process in a separate code of conduct. These requirements relate to 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 on the Accell Group website (under 'Corporate Governance').

WHISTLE-BLOWER REGULATIONS

The Board of Management has established whistle-blower regulations, an internal compliance committee and an internal investigation procedure; in early 2020, a whistle-blower line operated by an external professional party will become operational, so employees can (anonymously) report alleged irregularities without harming their legal position. Relevant documents can be found on the Accell Group website (under 'Corporate Governance').

INSIDER TRADING REGULATION

The Insider Trading Regulation established by the Board of Management 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 the Council of 16 April 2014 on market abuse (Market Abuse Regulation).

Pursuant to the Insider Trading Regulation, persons with a reporting obligation (including members of the Board of Management 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 executed to the Compliance Officer. Those with a reporting obligation must also report their transactions to the Dutch Financial Markets Authority (AFM).

On 12 December 2014, the Supervisory Board established a regulation that includes several provisions related to the possession of and transactions in securities by members of the Board of Management 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.

TRANSACTIONS INVOLVING POTENTIAL CONFLICTS OF INTERESTS

Any form of appearance or conflicting interests between the Company and members of the Board of Management and/or Supervisory Board members must be avoided. Decisions to enter into transactions that might lead to a conflict of interest on the part of a member of the Board of Management and that are of material importance to the

Company and/or the member of the Board of Management in question must be approved by the Supervisory Board.

In the financial year 2019, there were no transactions involving a conflict of interest with members of the Board of Management or 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 Management or the Supervisory Board and the external auditor in relation to Accell Group and stipulate which transactions require the approval of the Supervisory Board.

ANTI-TAKEOVER MEASURES

The Supervisory Board will be involved closely and in a timely fashion in the process concerning any offer for shares in the Company, and the Board of Management and the Supervisory Board will immediately discuss any request from a competing third-party bidder to examine Company information.

As regards the protective provisions against undesirable developments that might affect the independence, continuity and/or identity of the Accell group of companies, the Company has the possibility of issuing cumulative preference shares B. A call option has been issued to the Stichting Preferente Aandelen Accell Group for those cumulative preference shares B.

For more detailed information regarding anti-takeover measures we refer to section 4.2 Stichting Preferente Aandelen Accell Group.

4.2 STICHTING PREFERENTE AANDELEN ACCELL GROUP

The Stichting Preferente Aandelen Accell Group (the Accell Group preference share trust) has its registered office in Heerenveen and its goal is to protect the interests of Accell Group NV, hereinafter also referred to as the Company, and its associated enterprise, including the enterprises 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.

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

Pursuant to the option agreement, Stichting Preferente Aandelen Accell Group shall have the right at any time to acquire such a 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 (following the issue of shares). Stichting Preferente Aandelen Accell Group can exercise this right at any time – partially or entirely up to the aforementioned maximum – in the event that it believes there is a threat to the independence and/or the identity and/or the continuity of (the strategy 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 Management.

In these cases, the issuance of cumulative preference shares B enables the Company and its Board of Management and Supervisory Board to determine their standpoint 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 Management shall convene a General Meeting of Shareholders to inform the shareholders regarding the current status and discuss the same with said shareholders.

Pursuant to article 2:346 section 1 sub e of the Dutch Civil Code, the Company has granted the Stichting Preferente Aandelen Accell Group the authority to submit a written request to the Enterprise Chamber of the Amsterdam Court of Appeal to initiate an inquiry into the policy and the general affairs of the Company, within the meaning of article 2:345 of the Dutch Civil Code.

The board of Stichting Preferente Aandelen Accell Group comprises three members, namely Mr. M.P. (Marco) Nieuwe Weme (Chairman), 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 sub c of the Dutch Financial Supervision Act (Wft).

Members can consult the website of Stichting Preferente Aandelen Accell Group via:
www.stichtingpreferenteaandelenaccellgroup.com.

4.3 COMPLIANCE WITH THE CODE

At the end of 2019, we made an assessment of Accell Group's compliance with the Code. Actions were taken to optimise and safeguard the compliance with the best practices, by updating the charters, policies and organising an annual calendar with topics for Board of Management and Supervisory Board meetings. This has resulted that Accell Group fully applies and complies with the principles and best practices of the Code (insofar as these are applicable to the Company) except for the following one exception:

Best practice provisions 2.1.5 and 2.1.6

These best practice provisions describe the existence of a diversity policy, as well as accountability on diversity. Although Accell Group acknowledges the benefits of diversity and made steps in this respect in 2018 with fulfilling the vacancies in the Board of Management and Supervisory Board, the effects are still limited. Therefore early 2020 an internal taskforce was formed and a diversity policy has been approved by the Board of Management. The taskforce has been asked to prepare a diversity program for Accell Group to be launched ultimately mid-2020.

Decree article 10 of the Takeover Directive

The following is an overview of the information required under article 1 of the Decree on 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 5 March 2020, the issued and paid-up capital of Accell Group amounted to € 268,027.51 divided into 26,802,751 ordinary shares with a nominal value of € 0.01 each. Only ordinary shares have been issued. The ordinary shares are traded on the Euronext Amsterdam stock exchange.

- The following rights attached to the shares into which the Company's capital is divided follow from the articles of association and the Dutch Civil Code. There is no difference in the voting rights attached to an ordinary share, a cumulative preference share F and a cumulative preference share B. As all shares have the same nominal value (€ 0.01), every issued and outstanding share of a class gives the right to cast one (1) vote in the General Meeting and to cast one (1) vote in the meeting of holders of that specific class. Ordinary shares and cumulative preference shares F may only be issued against payment in full. Preference shares B may be issued against partial payment. Holders of ordinary shares and holders of cumulative preference shares F do have a pre-emptive right in respect of new ordinary shares and new cumulative preference shares F to be issued, unless restricted or excluded pursuant to a resolution of the competent corporate body. Holders of ordinary shares and holders of cumulative preference shares F do not have a pre-emptive right in respect of new cumulative preference shares B to be issued. Holders of preference shares B do not have a pre-emptive right in respect of shares to be issued. The relevant financial rights attached to the shares concerns the application of the profits in relation to the classes of cumulative preference shares (if issued). These rights follow from article 25 of the articles of association.

A brief summary of that article will be given:

- From the profit realised in any financial year (and if there are not enough profits as far as possible from the distributable reserves), an amount will first be distributed on the cumulative preference shares B. That amount will be 3.5% of the average of the refinancing interest determined by the European Central Bank. A dividend (and if there are not enough profits, as much as possible from the distributable reserves) will be distributed on the cumulative preference shares F of a certain series, related to the arithmetic average of the effective return on government loans. Subsequently, the Board of Management shall determine with the approval of the Supervisory Board what part of the profit will be added to the reserves. The part of the profit that remains thereafter is at the disposal of the General Meeting, subject to the provision that no further dividends have to be distributed on the cumulative preference shares B and F.
- 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. According to the articles of association, the transfer of cumulative preference shares F requires the approval of the Board of Management.
- An overview of substantial interests in the equity of Accell Group, which have at the time of preparing this management report been reported under the provisions concerning the reporting of controlling interests under the disclosure of the Dutch Financial Supervision Act (Wft), is included in section 1.4 The Share.
- The Company has not issued any shares with special controlling rights.
- 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 General Meeting appoints the members of the Supervisory Board, based on a recommendation from the Supervisory Board. The Supervisory Board appoints the members of the Board of Management. A more detailed explanation of the appointment and dismissal of members of the Board of Management and the Supervisory Board can be found in the articles of association of the Company. Resolutions to amend the articles of association and to dissolve the Company may only be adopted by the General Meeting pursuant to a proposal of the Board of Management and subject to approval of the Supervisory Board. Resolutions of the General Meeting to amend the articles of association and to dissolve the Company may be taken with a majority of the votes cast, but if less than half of the issued capital is represented the resolutions have to be taken with a majority of at least two/thirds of the votes cast.

- Resolutions on the issuance of shares are adopted by the General Meeting, insofar as and if it has not designated another corporate body. The pre-emptive rights can be limited or excluded by the corporate body authorised to adopt resolutions on the issuance of shares, provided that said authorisation is granted expressly to that corporate body. On 24 April 2019, a resolution of the General Meeting extended to 24 October 2020 the period during which the Board of Management is authorised, with the approval of the Supervisory Board, to: (i) issue ordinary shares up to a maximum of 10% of the outstanding share capital, and (ii) limit or exclude pre-emptive rights upon the issuance of ordinary shares. See also section 4.1 of this report.
- On 24 April 2019, the General Meeting granted the Board of Management the authority to repurchase Accell Group shares. The authorisation was granted under the following conditions: (i) the authorisation would be valid for 18 months (until 24 October 2020), (ii) the Supervisory Board's approval would be required for the acquisition of Accell Group shares, (iii) the number of shares would not exceed 10% of the issued share capital and (iv) the acquisition price would not exceed 110% of the average share price on the preceding five trading days. See also section 4.1 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 Management 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).

CARQON

CARQON IS A NOVEL DUTCH BRAND WITH THE AMBITION TO SET A NEW QUALITY STANDARD IN THE CATEGORY OF CARGO BIKES. CARQON OFFERS YOUNG, AMBITIOUS PARENTS AND ENTREPRENEURS THE ULTIMATE CARGO BIKE IN TERMS OF SAFETY, COMFORT, FUNCTIONALITY AND DESIGN. CARQON WILL BE ASSEMBLED IN HEERENVEEN AND INTRODUCED H1 2020.

5 REPORT OF THE SUPERVISORY BOARD

It is our pleasure to present the report of the Supervisory Board for 2019, which provides an overview of the activities undertaken by us over the past 12 months.

5.1 SUPERVISORY BOARD

ROB (R.) TER HAAR (1950)

Chairman

Mr. Ter Haar (Dutch) was appointed to the Supervisory Board and as Chairman on 24 April 2019. Rob ter Haar has ample experience as a non-executive board member with companies in the Netherlands and abroad. He served as a member of the supervisory boards of companies including FrieslandCampina, Univar, Maxeda and Sperwer, and was chairman of the supervisory boards of Unibail-Rodamco, Parcom, Mediq and VvAA. Previously, he was CEO of Hagemeyer and De Boer Unigro. Mr. Ter Haar started his career with Procter & Gamble in marketing and was appointed general manager at Mölnlycke and SaraLee | D.E. He currently holds supervisory or advisory positions with a number of non-listed companies and foundations. His term of office runs until the General Meeting due to be held in the spring of 2023.

GERT (G.) VAN DE WEERDHOF (1966)

Vice-chairman

Mr. Van de Weerdhof (Dutch) was appointed to the Supervisory Board on 25 April 2018. Since 2017, he has been a member and chairman of the supervisory board of Ctac N.V. and a member of the supervisory board of Sligro N.V. He has also been a member of the supervisory board of Wereldhave N.V. since 2016. In the period 2013-2016, Mr. van de Weerdhof was CEO of RFS Holland Holding / Wehkamp B.V. and between 1992 and 2013 held various management, marketing and sales positions at Esprit B.V., Pearle Europe B.V., PepsiCo International and Procter & Gamble Benelux N.V. Mr. van de Weerdhof was appointed for a term of four years. His term of office runs until the General Meeting due to be held in the spring of 2022.

PETER (P.B.) ERNSTING (1958)
Mr. Ernsting (Dutch) was appointed to the Supervisory Board at the General Meeting of 28 April 2011. Mr. Ernsting was appointed at the nomination of the Supervisory Board following a recommendation from the Works Councils. Until October 2017, Mr. Ernsting was 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 2019 for a third term of two years, his term of office runs until the General Meeting due to be held in the spring of 2021.

DANIËLLE (D.) JANSEN HEIJTMAJER (1960)
Ms. Jansen Heijtmajer (Dutch) was appointed to the Supervisory Board on 25 April 2018. Since 2014, she has been with FrieslandCampina, where she currently holds the position of global process director finance, shared services, enterprise risk management & internal control, and real estate. Prior to this, Ms. Jansen Heijtmajer spent 23 years in various finance positions at Shell, including vice president group pensions, in countries including the UK and the US. In addition to her membership of the Supervisory Board of Accell Group, Ms. Jansen Heijtmajer also chairs the supervisory board of Aegon Nederland and is a member of the supervisory council of the Regional Public Broadcasting foundation. She is also a member of the EMFC curatorium of Amsterdam Business School. Ms. Jansen Heijtmajer qualifies as an expert in the field of financial reporting and the auditing of financial statements as stipulated in article 2, section 3 of the decree establishing audit committees (Besluit instelling auditcommissie). Ms. Jansen Heijtmajer was appointed for a term of four years. Her term runs until the General Meeting due to be held in the spring of 2022.

5.2 FOCUS ITEMS 2019

5.2.1 GENERAL
In its oversight of the management of the business, the Supervisory Board dedicated a good deal of time monitoring the progress made by Accell's leadership with the implementation of the strategic plan 2018-2022. One notable topic of discussion was the divestment of the North American activities, which was monitored closely in 2019.

The successful completion of the major transition programme initiated in 2018 is seen as crucial for the long-term success of Accell Group. Up until 2018, Accell Group organised its international operations on a decentralised basis. To capture the benefits of scale inherent in the international footprint of our business and to accelerate the speed of innovation, two years ago the Company embarked on a major transition programme with the aim of bundling its dispersed resources to create a joint development, supply chain and marketing organisation. The responsibility for customer relationships remains firmly lodged in the operating units.

This approach will enable Accell Group to service its markets with product innovations faster and at lower costs. In an expanding and increasingly dynamic market, speed of innovation and our ability to stay ahead of competition is of the essence.

We recognise that none of this is easy. It involves major changes in ways of working, a redesign of business processes and a significant cultural shift. This requires an investment in people, production capacity, a shared IT infrastructure and e-commerce approach.

As the Supervisory Board, we realise that it will take time for this effort to be fully reflected in the Company's cost base, revenues and cash flow. We support the Board of Management in its actions to complete the roll-out of this transition programme. In our view, the quality of the execution is more important than speed of implementation.

With the arrival of the new CFO in late 2018, in 2019 Accell Group redesigned its financial processes to support our new organisational model. Topics like business planning, forecasting, working capital and data management are getting much needed attention.

The Supervisory Board welcomed the efforts by the Board of Management to strengthen its risk management. The attention devoted to the various corporate social responsibility programmes is resulting in good traction; the progress will also be reflected in the long-term performance indicators of the new remuneration policy for the Board of Management that will be proposed in April 2020. Last but not least, the group-wide code of conduct programme will be further embedded during 2020.

5.2.2 OVERVIEW ACTIVITIES AND MEETINGS

The Supervisory Board held twelve plenary meetings in 2019, ten according to a schedule and two additional meetings. We held five closed meetings, in the absence of the Board of Directors, either preceding or following our regular meetings.

Between meetings, the Chairman maintained intensive contact, both in person and by telephone, with the CEO, CFO, as well as with the General Counsel & Company Secretary. Similarly, the chairpersons of the Audit committee and the Selection and Remuneration committee were in frequent contact with, as applicable, the CEO, CFO, the Human Resources director, the Company Secretary & General Counsel and the Internal Auditor. The discussions in the Board were largely based on documents and presentations by the Board of Management and/or advisors. By way of preparation, many subjects were discussed in advance in one of the Board's committee meetings.

Throughout 2019, Board attendance was high, with members rarely absent.

PRESENCE AT MEETINGS

	2019
Mr. Rob ter Haar*	100%
Mr. Ab Pasman**	83%
Mr. Peter Ernsting	100%
Ms Danielle Jansen Heijtmajer	100%
Mr. Gert van de Weerdhof	100%

* *In function since April 2019*
** *Stepped down on 31 December 2019*

At the meetings with the Board of Management, the Supervisory Board was updated on a number of recurring items, such as news regarding Accell Group, financial performance, net working capital developments and financial forecasts, the tracking of bank covenant ratios, reports on the operating companies, developments in the markets in which Accell Group operates, business projects, divestments and, more specifically, North America and acquisition opportunities. Other matters discussed included the 2018 annual report and financial statements, the reserve and dividend policy and the dividend proposal over 2018, plus the 2019 interim report and 2019 interim statements. In the Supervisory Board meeting held in March 2019, we assessed the performance rating of the bonuses for 2018, the granting of performance-based shares and the 2019 bonus criteria for the Board of Management. We take a close interest in investor relations, trading updates, share price developments and the composition of the shareholder base, which we evaluate on a regular basis, along with feedback from investor roadshows. Press releases related to the Company's performance were discussed prior to publication. In 2019, the internal documentation ("*draaiboek*") related to a (hostile) takeover approach was updated.

Throughout 2019, we closely monitored progress and provided advice on the 'Lead Global, Win Local' strategy. The strategy requires numerous adjustments, including changes in the field of internal governance, new processes and new ways of working, new competencies and new talent, which will stretch the organisation and its people.

We also paid attention to the scope and details of the transaction and the completion of the disposal of the loss-making operations in North America, progress on the centralised digital and IT roadmap, the structure and activities of (central) marketing, the innovation process and the progress made in the cost savings process. In line with the refined strategy, in the year under review we also discussed various potential acquisitions.

Three of the Supervisory Board meetings were largely dedicated to sessions with the management of Accell Benelux, the innovation team, human resources, DACH, supply chain, parts and accessories, finance and IT, marketing and UK & Ireland, in which they presented their business. In December 2019, the Supervisory Board visited Velosophy, which Accell Group acquired in 2018, and in October we attended a meeting of the Accell Leadership Forum. One of the Supervisory Board members visited the company's operations in Asia. These interactions provided us with valuable insights into the roll-out of the refined strategy.

In its meeting of January 2020, the Supervisory Board agreed on the overall conclusion that the company's risk and control systems are in place and working. However, culture and discipline remain crucial in achieving a well-functioning risk management and control system.

In the context of the annual results 2019, in the meeting of the Supervisory Board held on 5 March 2020 we discussed and agreed with the 2019 annual report and financial statements, the reserve and dividend policy and the dividend proposal over 2019. We also assessed the performance rating of the bonusses for 2019, the granting of performance-based shares and we set the 2020 short and long term remuneration criteria for the Board of Management.

5.2.3 COMPOSITION OF THE SUPERVISORY BOARD AND THE BOARD OF MANAGEMENT

The members of the Supervisory Board collectively represent a broad range of experience and expertise and ensure an effective coverage in terms of background and know-how, to provide support and to monitor Accell Group critically during the ongoing transition.

As from 1 January 2020 onwards, the Supervisory Board comprises four members.

In the General Meeting of 24 April 2019, Mr. Rob ter Haar was appointed as a member and chairman of the Supervisory Board for a period of four years. This appointment was initiated to reinforce the Supervisory Board, to enable it to closely monitor the process of change in the company in line with its refined strategy. The appointment was also prompted by a request to this effect from the shareholders at the General Meeting in October 2018.

In April 2019, following the appointment of Mr. Ter Haar, the Supervisory Board was temporarily expanded to five members.

At the same date, Mr. Ab Pasman stepped down from his position as Chairman of the Supervisory Board. He remained a member of the Supervisory Board until the end of 2019, after which he resigned. In recognition of the nine years he served on the Board, including five years as Chairman, the Supervisory Board would like to express its appreciation to Mr. Pasman for his long-term commitment, dedication and contributions to the Company.

In line with the rotation schedule, Mr. Peter B. Ernsting resigned from his position as member of the Supervisory Board at the General Meeting held on 24 April 2019, after having served the company for eight years. Given the number of changes in the composition of the Supervisory Board (and the Board of Management) over the past few years, the General Meeting followed the nomination made by the Supervisory Board, taking into account the enhanced right of recommendation of the Works Councils, to ensure continuity and a smooth transition of responsibilities, and re-appointed Mr. Ernsting on 24 April 2019 for a third term of two years.

The composition of the Board of Management did not change in 2019. At the end of the General Meeting held on 24 April 2019, Mr. Jeroen Both was re-appointed as a member of the Board of Management for another four-year term. In his role as CSCO, Mr. Both is primarily responsible for the management of the central supply organisation and as such he plays an important role in the execution of the strategy.

5.2.4 SELF-ASSESSMENT SUPERVISORY BOARD

Following the Supervisory Board's self-assessment in 2018, performed under the leadership of an external board facilitator, we held an (internal) follow-up self-assessment meeting in mid-2019, partly in view of the new composition of our Board. In that meeting, we reflected on our own performance, the composition of the Supervisory Board, and that of the committees. We arrived unanimously at positive assessments of all the items considered and we did not identify any real bottlenecks or serious weaknesses, although we did discuss some minor suggestions for improvements. We also decided to appoint a General Counsel & Company Secretary to assist both the Supervisory Board and the Board of Management in their activities. The Supervisory Board also concluded that almost all the items identified in the previous assessment in 2018 were addressed.

5.2.5 CORPORATE GOVERNANCE

The Supervisory Board meets the requirements of the Dutch Corporate Governance Code on independence. It also complies with the rules to the effect that its members do not hold more than five supervisory board positions at “large” publicly listed Dutch companies. This gives the members sufficient time to fulfil their responsibilities properly, both individually and as a team.

In chapter 4 of this Annual Report, the governance structure of the Company is described, and one deviation from the principles and best practice provisions of the Corporate Governance Code is explained. The Supervisory Board currently does not comply with the standard for a balanced division of the seats on either the Board of Management or the Supervisory Board, but aims to improve this in the search for new members, together with diversity in general. For that purpose, the Company has initiated a project to develop a group-wide diversity programme with the ambition to launch this programme by mid-2020, after which implementation will take place. The Supervisory Board meets the requirements of the Code regarding the independence of its chairman, the other Supervisory Board members and the Board as a whole.

In 2019, there were no material transactions with conflicts of interest involving the Board of Management or Supervisory Board members.

5.2.6 2019 FINANCIAL STATEMENTS AND DIVIDEND

The Board of Management has prepared this annual report, including the 2019 financial statements. KPMG, the external auditor, has issued its unqualified independent auditor report, which can be found on in section 7.1 of this annual report. The Supervisory Board discussed the 2019 financial statements with the Board of Management and the external auditor KPMG Accountants N.V. in its meeting of 5 March 2020 and we concluded that we agree with the 2019 financial statements.

The members of the Supervisory Board and Board of Management have signed the 2019 financial statements pursuant to their statutory obligation under article 2:101.2 of the Dutch Civil Code. The members of the Board of Management have also issued the statements required under section 5:25c.2.c of the Financial Markets Supervision Act (Wet op het Financieel Toezicht).

We recommend that the General Meeting (i) adopts the 2019 financial statements, (ii) approves the proposal to distribute a dividend of € 0.30 per ordinary share, to be paid out in cash or in shares at the option of shareholders, and (iii) discharges the members of the Board of Management for their management of the Company and its affairs in 2019, and the members of the Supervisory Board for their supervision of said management.

5.2.7 CONCLUDING REMARKS

Last year was the first full year of Accell Group's transition programme. Despite the time and energy dedicated to its implementation, the business continued to perform well and offers more potential for the future.

The relationship between the Supervisory Board and the Board of Management, as well as other senior management, is constructive and transparent.

Without the support of everyone in the Accell organisation, the company would not be able to achieve its goals and ambitions. We would like to express our gratitude for the tremendous efforts made by all employees to keep the Company's operations running, while at the same time helping to realise the required changes. We also wish to thank Accell Group's business partners for their patience as the Company strives to improve the quality of its products and services.

In 2020, Accell Group will continue on its strategic path. The Supervisory Board is confident that we have the leadership and the people in place to achieve our objectives and create long-term sustainable value for all our stakeholders.

Heerenveen, the Netherlands, 5 March 2020

Rob ter Haar, Chairman
Gert van de Weerdhof, Vice-chairman
Peter Ernsting
Danielle Jansen Heijtmajer

5.3 SELECTION AND REMUNERATION COMMITTEE

The Selection and Remuneration 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 the Board of Management, the remuneration policy and the level of remuneration and employment contract terms for members of the Board of Management.

In 2019, the Selection and Remuneration committee consisted of Mr. Ernsting (chair) and Mr. Pasman (member). As of 1 January 2020, Mr. Ter Haar assumed the position of member of this committee, as Mr. Pasman resigned from his position as Supervisory Board member per 31 December 2019. The composition of the Committee is in line with the provisions of the Dutch Corporate Governance Code.

In 2019, the Committee met 10 times (2018: eight times) and was also in frequent contact by telephone. All the members of the Committee were present at the meetings.

PRESENCE AT MEETINGS

	2019
Mr. Ernsting (chair)	100%
Mr. Pasman (member)	100%

The search for and the nomination of a new chairman to the Supervisory Board in early 2019 and the preparations for a new remuneration policy for the Board of Management, following new legislation in line with the EU Shareholder Rights Directive, were key focal points for the committee last year.

Other matters the Selection and Remuneration committee focused on in 2019 included:

- The re-appointment of Mr. J. Both as member of the Board of Management and Chief Supply Chain Officer (CSCO);
- The assessment of the competitive remuneration position of members of the Board of Management with the assistance of an external advisor (Korn Ferry);
- Preparations for and the initiation of the assessment of the functioning of the Board of Management in 2018;
- Drawing up the proposals regarding the variable remuneration of the members of the Board of Management for 2018, based on the 2018 performance and the applicable criteria;
- Drawing up a proposal for the vesting and granting of long-term incentive shares to the Board of Management and other senior staff members in 2019;
- Putting forward proposals regarding the fixed remuneration, and criteria for the variable short-term remuneration of the members of the Board of Management for 2019;
- Succession planning process within the company;
- Discussions on and preparations for a new incentive share plan for senior management (excluding the Board of Management);
- Drawing up the 2019 remuneration report, which explains how the remuneration policy was implemented in practice;
- Preparations for the definition of the remuneration policy for the Supervisory Board, to be presented at the General Meeting in April 2020.

The Supervisory Board discussed and adopted the remuneration package for the Board of Management for 2019 on 7 March 2019. At the same time, the Supervisory Board also determined the variable remuneration over the 2018 financial year, which were included in the 2018 financial statements.

Based on the preparatory work of the committee, the Supervisory Board discussed and adopted the 2019 remuneration report in its meeting in March 2020. This report will be presented to the General Meeting on 22 April 2020 for an advisory vote. The full remuneration report 2019 can be found in section 5.4 of this Annual Report and on Accell Group's website.

The remuneration of the Board of Management is in line with the policy adopted by the General Meeting on 24 April 2008 and amended most recently on 22 April 2010. The updated remuneration policy for the Board of Management and Supervisory Board, based on articles 2:135 and 2:135a of the Dutch Civil Code, will be presented for adoption at the General Meeting of 22 April 2020. The updated remuneration policies can be found as an attachment to the agenda of the General Meeting of 22 April 2020 and on Accell Group's website.

5.4 REMUNERATION REPORT BY THE SUPERVISORY BOARD OF ACCELL GROUP N.V. OVER 2019

INTRODUCTION

The Supervisory Board of Accell Group N.V., upon the recommendation of the Selection and Remuneration Committee, determines the remuneration of the members of the Board of Management.

In April 2008, the General Meeting adopted a remuneration policy including a share scheme regarding the remuneration of the Board of Management of Accell Group N.V. During the Annual General Meeting of 22 April 2010 a technical adjustment to the 2008 remuneration policy was adopted and the share scheme for the Management Board included in this policy was approved. Both policy documents are the current remuneration policy which applied in 2019 (the 'Remuneration Policy').

This Remuneration Report outlines the implementation of the current Remuneration Policy with respect to the remuneration of the members of the Board of Management in 2019. It also includes an overview of the remuneration of the members of the Supervisory Board.

This Remuneration Report will be presented at the General Meeting of 22 April 2020 for an advisory vote.

ACCELL GROUP'S PERFORMANCE IN 2019

The performance of the continuing operations of Accell Group improved across the board in 2019. Net turnover increased by 7.5% to € 1,111 million with contributions from all regions and with e-bike and (e-)cargo bike sales as main growth drivers. Added value was up 53 bps to 30.7% and EBIT came in 16.6% higher at € 60.0 million. Excluding one-offs EBIT decreased 2.6% to € 54.8 million. The loss on discontinued operations is € 56.5 million.

The completion of the strategic review of Accell Group's North American operations, resulting in the sale of the lossmaking US business was an important focus area in 2019 and affected the total results of Accell Group. These results are important performance criteria for the members of the Board of Management, on which a large part of their remuneration is based; such criteria will be explained further below in this Remuneration Report. The completion of the strategic review was also one of the individual performance criteria for two members of the Board of Management.

As other financial performance criteria, besides net turnover and EBITDA, such as Average Trade Working Capital and ROCE, impact the remuneration of the members of the Board of Management, the development of these criteria in 2019 are highlighted in this Remuneration Report.

The Trade Working Capital as a percentage of the net turnover increased by 611 bps to 32.4%, mainly due to higher inventory as a result of delayed innovations and lower than forecasted sales in the second half of the year. Average trade working capital increased by 70 bps to 31.3% in 2019.

In 2019, ROCE reported came in at 11.4% (2018: 10.8%); after normalisation and excluding IFRS 16 impact ROCE arrived at 10.6% (2018: 11.8%). The decrease in adjusted ROCE was mainly due to increased working capital.

In 2019, the Board of Management consisted of three members, Mr. A.H. Anbeek, Mr. R.S. Baldew and Mr. J.J. Both. In April 2019, the Supervisory board reappointed Mr. J.J. Both as a member of the Board of Management and Chief Supply Chain Officer. In this context the contract for services with Mr. Both was extended for another four years through to May 2023. The Supervisory Board informed the General Meeting of this (intended) reappointment at the Annual General Meeting of 24 April 2019.

In the meantime the remuneration policy for the Board of Management has been updated, and a remuneration policy for the Supervisory Board has been drafted. Both remuneration policies will be presented to the General Meeting for adoption in April 2020.

REMUNERATION POLICY

The Remuneration Policy is intended to enable Accell Group to attract and retain qualified candidates for the Board of Management, candidates who possess both the necessary qualities and the required background. The Remuneration Policy is also intended to serve as a challenge, to ensure continued focus on the realisation of long-term value creation, good performance and the shareholder value of the company, to motivate executives and to retain high performers.

In setting the level and the structure of remuneration, factors such as profit developments, share price movements and other developments relevant for the company and its stakeholders are taken into consideration. For instance, the objective of the short-term variable incentive is to support Accell Group's strategy and includes financial and individual performance criteria. The financially driven criteria determine 80% of the variable incentive and reflect the financial priorities of Accell Group N.V. The remaining 20% are individual performance criteria, related to the most important (non-)financial goals of Accell Group's strategy which are selected annually at the discretion of the Supervisory Board in consultation with the Board of Management. The long-term variable incentives serve to align the interests of the members of the Board of Management with the long-term interests of shareholders. Each year, members of the Board of Management receive conditional performance shares, which will vest after three years, subject to the achievement of a set of preliminary financial performance criteria over three financial years. Following the receipt of the shares, the members of the Board of Management must retain them for at least two years.

To realise the above mentioned principles, it is the intention to position the remuneration packages at a competitive level in the Dutch remuneration market for executives of medium-sized companies. In order to adjust for differences in size and level of complexity within the various companies that comprise this market, the remuneration packages of members of the Board of Management of Accell Group N.V. are positioned around the median for executives with comparable positions in terms of responsibility for a group of companies comparable with respect to size (enterprise value, revenue and number of employees) and complexity to Accell Group N.V.

The Supervisory Board regularly reviews all remuneration elements in order to ensure that it meets the goals of the remuneration of Board of Management as set above. The Supervisory Board makes use of an external expert to compare the total remuneration of the members of the Board of Management of Accell Group, including their elements with common market practices. The last time the Supervisory Board has commissioned an external expert in this context is 2017.

Based on new Dutch legislation in line with the revised EU Shareholders' Rights Directive, the Supervisory Board and its Selection and Remuneration Committee evaluated the need to update and adjust the current remuneration policy for the Board of Management. The Supervisory Board was supported in this exercise by an external consultant, who conducted an independent benchmarking on compensation levels and best practices regarding remuneration policies, and by Accell Group's HR department. An updated remuneration policy will be presented for adoption at the General Meeting of 22 April 2020.

TOTAL REMUNERATION OF MEMBERS OF THE BOARD OF MANAGEMENT IN 2019

The total remuneration of the members of the Board of Management of Accell Group consists of four elements:
1. Fixed remuneration;
2. Short-term variable incentive;
3. Long-term variable incentive; and
4. Fringe benefits and benefits of a pension scheme.

Please find details of the four elements of the total remuneration payable by Accell Group to its members of the Board of Management below.

1. Fixed remuneration

The fixed remuneration (including holiday allowance) is set by the Supervisory Board for a period of three years (exceptions possible). Once a year, on 1 January, the fixed remuneration is adjusted taking into account the performance of the individual member of the Board of Management, the developments in the market regarding remuneration and developments in remuneration in event this remuneration is below the average level for the position.

Should the fixed remuneration of an individual director be below the average level for the position upon entering employment, the Supervisory Board will then decide on the further growth path in remuneration.

At its discretion, the Supervisory Board may adjust the remuneration of a member of the Board of Management annually, based on its assessment of the state of the company and the performance of individual members of the Board of Management, thus acting in the spirit of the relevant regulations. The Supervisory Board is thus authorised to adjust the remuneration, both upward and downward.

2. Short-term variable incentive

The short-term variable incentive is payable in cash and is limited to a maximum of 50% of the fixed remuneration.

At the start of 2019, the Supervisory Board set the performance criteria in consultation with the members of the Board of Management. The 2019 performance criteria consisted of financial targets and individual targets:

80% financial performance criteria:

- Maximum of 40% for earnings per share growth in 2019, compared with the earnings per share growth in the two preceding financial years;
- Maximum of 15% for reported EBITDA growth in 2019 compared to the budgeted EBITDA for said financial year;
- Maximum of 25% average working capital improvement as percentage of the turnover in 2019 compared to the lowest percentage of the average working capital in the preceding two financial years.

20% individual targets:

- For the CEO and CFO:
  - Sale of Accell Group's business in North America; remuneration dependent of timing realization;
  - Revenue growth 2019: remuneration dependent on achieving threshold, budget or performance over budget. Revenue below threshold will not result in a short-term bonus.
- For CSCO:
  - Procurement savings: remuneration dependent of achieving threshold, budget or over budget.
  - Revenue growth 2019: remuneration dependent on achieving threshold, budget or over budget. Revenue threshold budget will not result in a short-term bonus.

These individual targets were set at the beginning of 2019 and confirmed with the members of the Board of Management.

3. Long-term variable incentive

The total remuneration includes long-term variable incentives that consist of a combination of share options and shares that are awarded conditionally. The long-term variable incentive is limited to 100% of the fixed remuneration.

Share options

The number of options that is awarded is determined by dividing a maximum of half of the fixed remuneration of the relevant member of the Board of Management by the exercise price of the options. The exercise price of the options is equal to the average of the closing rates of the Accell Group share on the last five trading days prior to the day on which the options are awarded. Following receipt of the options, they vest immediately, but the members of the Board of Management must retain them for at least three years (the lock-up period), in order to strengthen the link between the interests of the Board of Management and those of the shareholders. After the lock-up period, there is an exercise period of five years.

Options will be awarded in event the Return of Capital Employed is at least at the level of the pre-tax Weighted Average Cost of Capital as is recorded in the financial statements for the respective financial year.

Shares awarded conditionally

Conditional shares are awarded in accordance with the share scheme that is part of the Remuneration Policy.

The conditional shares have an underlying value (number times share price at the time the shares are awarded conditionally) equal to a maximum of 50% of the fixed remuneration. The maximum number of conditional shares awarded, is determined by dividing half of the fixed remuneration of the relevant member of the Board of Management by the average of the closing prices of the Accell Group share over the last five trading days prior to the day on which the shares are awarded. The percentage of the conditionally awarded shares that are awarded definitively shall be determined on the basis of the shareholder return of Accell Group N.V. (TSRA, Total Shareholder Return of Accell Group N.V.) compared with the shareholder return on shares included in the Amsterdam Midcap Index of Euronext in Amsterdam (TSRM, Total Shareholder Return of the Midcap) for a continuous period of three years. In the event that TSRA is equal or below TSRM, no shares are awarded. The maximum percentage is 125% if TSRA is 13% higher than TSRM. Following the definitive receipt of the shares the members of the Board of Management must retain them for at least two years.

4. Fringe benefits and benefits of a pension scheme
The fringe benefits awarded by Accell Group N.V. to members of the Board of Management are aligned to those of other employees in line within the level of their responsibility. These include an expense allowance, a health insurance premium reduction, accident insurance, disability schemes and a company car (if applicable).

Accell Board of Management members participate in the Accell pension scheme (insured via a third party pension insurance company) up to the maximum set by the tax authorities; the pension premium is paid by Accell Group. In addition, Board of Management members participate in a net pension or available contribution scheme. Accell has agreed a specific amount per year with each of the members of the Board of Management as contribution to the net pension scheme.

Accell Group has not provided loans or guarantees to members of the Board of Management.

REMUNERATION OF THE MEMBERS OF THE BOARD OF MANAGEMENT IN 2019
In accordance with the Remuneration Policy, which has been explained above, the total remuneration of the members of the Board of Management in 2019 is shown in table 1 below.

TABLE 1 - REMUNERATION OF MEMBERS OF THE BOARD OF MANAGEMENT FOR 2019

		1. Fixed Remuneration			2. Variable remuneration		3. Extra_ordinary items in €	4. Pension expense in €	5. Total Remuneration in €	6. Proportion of fixed and variable remuneration
Name of member of the Board of Management, position	Year	Base Salary in €	Fees in €	Fringe Benefits in €	One-Year variable in €	Multi-year variable in €				
A.H. Anbeek, CEO	2019	484,000	0	14,213	96,800	57,848	0	119,558	772,419	64.5%
	2018	476,000	0	14,213	206,743	14,955	0	119,108	831,019	59.0%
R.S. Baldew, CFO	2019	380,000	0	16,869	171,000	11,841	0	59,873	639,583	62.1%
	2018	63,333	0	2,811	31,667	0	0	10,419	108,230	61.1%
J.J. Both, CSCO	2019	320,000	0	17,661	64,000	65,627	0	68,983	536,271	63.0%
	2018	315,000	0	18,678	33,390	74,731	0	68,858	510,657	65.3%
H.H. Sybesma	2019	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
	2018	129,875	0	N.A.	N.A.	N.A.	1,154,096	26,986	1,310,957	N.A.
J.M. Snijders Blok	2019	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
	2018	317,585	0	N.A.	N.A.	N.A.	48,611	86,226	452,422	N.A.
R.J. Takens	2019	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
	2018	N.A.	N.A.	N.A.	16,819	N.A.	279,073	N.A.	295,892	N.A.

1) In 2019, Mr. Anbeek and Mr. Both received an increase of 1.7% on their fixed remuneration.

2) In 2019, Mr. Anbeek and Mr. Both each received a short-term variable incentive of 20% of their fixed remuneration. Half of this short-term variable incentive results from Messrs. Anbeek and Both realising their individual performance criteria as set at the start of 2019. The financial performance target regarding the EBITDA was achieved (delivering 0.9%), the other financial performance targets were not achieved due to the strategic decision to end the Accell Group activities in North America which impacted Accell Group's financial results. The Supervisory Board has used scenario analyses to calculate the outcomes of the short-term variable incentives and decided to grant both Mr. Anbeek and Mr. Both a discretionary variable incentive of 9.1% of their fixed remuneration, given their efforts made to successfully conclude the strategic divestment of the North America activities. The Supervisory Board regards the goals of the Remuneration Policy to be fully served by granting this discretionary variable incentive.

3) Based on an existing arrangement between Accell Group and Mr. R.S. Baldew, he was entitled to a short- term variable incentive in cash of 50% of the fixed remuneration for one year starting at 1 November 2018 until 31 October 2019. For November and December 2019 Mr. Baldew received a short-term variable incentive of 20% of his fixed remuneration. Half of this short-term variable incentive results from Mr. Baldew realizing his individual performance criteria as set at the beginning of 2019. The financial performance target regarding the EBITDA was achieved, the other financial performance targets were not achieved due to the strategic decision to end the Accell Group activities in North America which impacted Accell Group's financial results. The Supervisory Board has used scenario analyses to calculate the outcomes of the short-term variable incentives and decided to grant Mr. Baldew a discretionary variable incentive of 9.1% of his fixed remuneration, given his effort made to successfully conclude the strategic divestment of the North America activities.

4) Mr. Baldew was appointed as CFO per 1 November 2018. His fixed remuneration in 2018 and 2019 was based on an amount of EUR 380,000 per year.

5) The members of the Board of Management are also appointed as director of several daughter companies of Accell Group. The members of the Board of Management do not receive remuneration based on fulfilling activities in these positions as director.

6) Accell Group has a restricted share plan whereby conditional shares can be granted to the members of the Board of Management. This share plan is a share-based payment plan 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 are incorporated in the fair value at grant date by applying a discount to the value obtained. The fair value will be charged to the income statement according to the straightline 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.

7) The former members of the Board of Management, Mr. R.J. Takens, Mr. H.H. Sybesma and Mr. J.M. Snijders Blok, did not receive any remuneration in 2019.

Share options

In 2019 Mr. Anbeek received 0 options, Mr. Baldew 1,650 options and Mr. Both 0 options.
For details regarding the awarding and vesting of the options in 2019, you are referred to table 2.

TABLE 2 - SHARE OPTIONS AWARDED OR DUE TO THE MEMBERS OF THE BOARD OF MANAGEMENT FOR THE REPORTED FINANCIAL YEAR

Name of member Board of Managent, position	The main conditions of share option plans							Information regarding the reported financial year						
								Opening Balance	During the year		Closing Balance			
	1. Specification of Plan	2. Performance Period	3. Award Date	4. Vesting Date	5. End of Holding Period	6. Exercise Period	7. Strike price of share	8. Share options awarded prior to the beginning of the year	9. Share options awarded	10. Share options vested	11. Share options subject to a performance condition	12. Share options awarded and unvested	13. Share options subject to a holding period	14. Share options that are available to be exercised
A.H. Anbeek, CEO	TSRA vs TSRM	08-03-2018	08-03-2018	08-03-2018	08-03-2021	5 years	21.68	1,850	0	0	0	0	1,850	0
R.S. Baldew, CFO	TSRA vs TSRM	06-03-2019	06-03-2019	06-03-2019	06-03-2022	5 years	19.58	0	1,650	1,650	0	0	1,650	0
J.J. Both, CSCO	TSRA vs TSRM	08-03-2018	08-03-2018	08-03-2018	08-03-2021	5 years	21.68	2,950	0	0	0	0	2,950	0
	TSRA vs TSRM	09-03-2017	09-03-2017	09-03-2017	09-03-2020	5 years	22.05	6,850	0	0	0	0	6,850	0
	TSRA vs TSRM	24-02-2016	24-02-2016	24-02-2016	24-02-2019	5 years	18.96	7,850	0	0	0	0	0	7,850
							Total	19,500	1,650	1,650	0	0	13,300	7,850

1) The conditions for awarding and vesting share options were not met in 2019. Therefore Mr. A.H. Anbeek and Mr. J.J. Both did not receive any share options in 2019.

2) Based on the arrangement between Accell Group NV and Mr. R.S. Baldew, he received 1,650 share options.

3) The performance period is one day, given the fact that the award date and the vesting date is the same day.

4) The former members of the Board of Management, Mr. R.J. Takens, Mr. H.H. Sybesma and Mr. J.M. Snijders Blok, did not receive any remuneration, including options, in 2019.

Conditionally awarded shares

In 2019 Mr. Anbeek was granted 12,155 conditional shares, Mr. Baldew 1,617 conditional shares and Mr. Both 8,044 conditional shares.
In addition, Mr. Both received 1,632 shares (see also note 1 to table 3).

For details regarding the awarding and vesting of the shares for 2019, you are referred to table 3.

TABLE 3 - SHARES AWARDED OR DUE TO THE MEMBERS OF THE BOARD OF MANAGEMENT FOR THE REPORTED FINANCIAL YEAR

Name of member Board of Management, position	The main conditions of share option plans					Information regarding the reported financial year					
						Opening Balance	During the year		Closing Balance		
	1. Specification of Plan	2. Performance Period	3. Award Date	4. Vesting Date	5. End of Holding Period	6. Shares awarded prior to the beginning of the year	7. Shares awarded	8. Shares vested	9. Shares subject to a performance condition	10. Shares awarded and unvested at year end	11. Shares subject to a holding period
A.H. Anbeek, CEO	Shares awarded conditionally	06-03-2019 - 06-03-2021	06-03-2019	06-03-2021	06-03-2023	0	12,155	0	0	12,155	N.A.
	Shares awarded conditionally	08-03-2018 - 08-03-2020	08-03-2018	08-03-2020	08-03-2022	1,830	0	0	0	1,830	N.A.
R.S. Baldew, CFO	Shares awarded conditonally	06-03-2019 - 06-03-2021	06-03-2019	06-03-2021	06-03-2023	0	1,617	0	0	1,617	N.A.
J.J. Both, CSCO	Shares awarded conditonally	06-03-2019 - 06-03-2021	06-03-2019	06-03-2021	06-03-2023	0	8,044	0	0	8,044	N.A.
	Shares awarded conditonally	08-03-2018 - 08-03-2020	08-03-2018	08-03-2020	08-03-2022	7,265	0	0	0	7,265	N.A.
	Shares awarded conditonally	09-03-2017 - 09-03-2019	09-03-2017	09-03-2019	09-03-2021	6,802	0	3,401	3,401	0	1,632
					Total	15,897	21,816	3,401	3,401	30,911	1,632

1) Of the shares conditionally awarded in 2017 to Mr. Both, 50% of 3,401 were vested in 2019, based on the current criterion of the comparison between the TSRA and TSRM (as explained above). The other 3,401 shares were forfeited. In the end, Mr. Both received 1,632 shares based on deduction in connection with income taxes.

2) The former members of the Board of Management, Mr. R.J. Takens, Mr. H.H. Sybesma and Mr. J.M. Snijders Blok, did not receive any remuneration (including shares) in 2019.

REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD 2019

In April 2017, the General Meeting resolved that the remuneration of a member of the Supervisory Board amounts to EUR 52,000 per year and that of the chair of the Supervisory Board amounts to EUR 68,000 per year. In April 2019, the Supervisory Board submitted a proposal to the General Meeting to increase the remuneration of the chair to EUR 96,000 per year given the increase in the activities and time to be spent by the chair of the Supervisory Board closely monitoring the implementation of the strategy. The General Meeting adopted the abovementioned proposal to increase the remuneration of the chair of the Supervisory Board on 24 April 2019.

In addition to the (fixed) remuneration as explained above, the members of the Supervisory Board receive a reimbursement of specific expenses. The members of the Supervisory Board are not entitled to any variable remuneration.

For details on the remuneration of the members of the Supervisory Board, see table 4.

TABLE 4 - REMUNERATION OF SUPERVISORY BOARD MEMBERS FOR 2019

Name of Supervisory member	Year	Fixed Remuneration in €	Expenses in €	Variable Remuneration in €	Total Remuneration in €
R. ter Haar (chair)	2019	64,000	214	N.A.	64,214
	2018	N.A.		N.A.	N.A.
G. van de Weerdhof	2019	52,000	1,170	N.A.	53,170
	2018	37,500		N.A.	37,500
D. Jansen Heijtmajer	2019	52,000	785	N.A.	52,785
	2018	37,500		N.A.	37,500
P.B. Ernsting	2019	52,000	3,961	N.A.	55,961
	2018	52,000		N.A.	52,000
A.J. Pasman	2019	57,437	1,995	N.A.	59,432
	2018	68,000		N.A.	68,000
J. van der Belt	2019	0	0	N.A.	0
	2018	17,333		N.A.	17,333

1) Mr. Ter Haar was appointed as chair of the Supervisory Board as per 24 April 2019.

2) Ms. D. Jansen Heijtmajer and Mr. G. van de Weerdhof were appointed as members of the Supervisory Board on 25 April 2018.

3) Mr. A.J. Pasman resigned as chairman of the Supervisory Board as per 24 April 2019 and remained a member of the Supervisory Board until 31 December 2019.

4) Mr. J. van den Belt resigned as a member of the Supervisory Board on 25 April 2018.

ANY USE OF THE RIGHT TO RECLAIM

In line with applicable legislation and the Dutch Corporate Governance Code, the Supervisory Board has the discretionary authority to recover remuneration awarded based on incorrect financial or other data. This claw back clause also includes cases of a serious violation and/ or material breaches of the Accell Group N.V. Code of Conduct. In 2019 the Supervisory Board did not make use of this claw back clause.

DEROGATIONS AND DEVIATIONS FROM THE REMUNERATION POLICY AND FROM THE PROCEDURE FOR ITS IMPLEMENTATION

The implementation of the Remuneration Policy with respect to the remuneration of the members of the Board of Management in 2019 is in accordance with such Remuneration Policy, except for the discretionary variable incentive explained in notes 2 and 3 to table 1.

COMPARATIVE INFORMATION ON THE CHANGE OF REMUNERATION AND COMPANY PERFORMANCE

The pay ratio based on continuing operations of the Board of Management compared to the average employee remuneration in 2019 is 15:1 (Continuing operations 2018: 15:1). The pay ratios can vary over time as a result of the variable short-term and long-term incentives related to Accell Group's annual performance. This variable components may impact the remuneration of the Board of Management more than that of the other employees.

The ratio consists of the average remuneration of the Board of Management compared to the average cost of all other employees of Accell Group. The average remuneration of the Board of Management is calculated from the sum of the fixed remuneration, short-term incentives, share-based payments, pensions and other benefits of the three members (3 Fte) of the Board of Management. The average cost of all other employees is calculated based on (a) the personnel costs as included in section 6.7.4. (Personnel Expenses) of the 2019 financial statements minus the remuneration of the Board of Management and (b.) the average number of employees during the year (3,410 FTE) minus three.

Developments in remuneration

Table 5 set out below aims to provide insight into Accell Group's performance over the past five years and the development of the remuneration.

TABLE - 5 COMPARATIVE TABLE OVER THE REMUNERATION AND COMPANY PERFORMANCE OVER THE LAST FIVE REPORTED FINANCIAL YEARS (RFY)

Annual change	2015	2016	2017	2018	2019	Information regarding the RFY
Members of Board of Management remuneration						
Total Remuneration CEO	907,151	881,769	902,355	831,019	772,419	
Total Remuneration CFO	648,572	632,711	634,417	639,583	639,583	
Total Remuneration CSCO	505,781	494,896	481,396	510,657	536,271	
Total Remuneration COO	549,767	534,697	496,330	403,811	N.A.	
Company performance						
Net profit	32.3	32.3	10.5	20.3	2.8	In millions of euro
Net turnover	986,402	1,048,200	1,068,500	1,094,300	1,111,028	In thousands of euro
Total FTE Accell Group	3,371	3,124	3,088	3,327	3,410	
Average remuneration of on a full time equivalent basis of employees other members Board of Management						
Employees of the company	38.5	38.2	40.0	41.6	43.4	In thousands of euro

1) The composition of the Board of Management changed in the past five years. A new position has been created (CSCO) in 2015 and a position was discontinued (COO) in 2018. Further, the composition of the members of the Board of Management changed by introducing Mr. Anbeek as the new CEO in November 2017 and Mr. Baldew as CFO in November 2018. These changes makes it difficult to make a complete and clean comparison for the total remuneration of the members of the Board of Management. Within this context, the termination benefits, received by the former CEO and CFO have been left out in the calculation of the total remuneration of CFO and CEO as shown in table 5. Also an adjustment of the total remuneration for the CFO in 2018 and for the CSCO in 2015 was made due to the fact that these members of the Board of Management started to fulfill their position during a respective financial year.

INFORMATION ON SHAREHOLDER VOTE

In 2019 an advisory vote on the remuneration report was not yet required. As from 2020 the Remuneration Report will include information on the shareholder vote on the remuneration report.

5.5 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 controls.

The Audit Committee consists of the financial expert and at least one other member of the Supervisory Board. In 2019, this committee consisted of Ms. Jansen Heijtmajer (chair) and Mr. Van de Weerdhof (member). The chair of the Audit Committee is the first point of contact for the external auditor should the latter find any irregularities in the company's financial reporting.

In 2019, the Audit Committee met five times (2018: five times) and all members were present at said meetings. All the meetings of the committee were also attended by the CFO, the Group Finance Director and the internal and external auditors.

PRESENCE AT MEETINGS

	2019
Ms. Jansen Heijtmajer (chair)	100%
Mr. Van de Weerdhof (member)	100%

The chair of the Committee had regular contact with the CFO to discuss focus items such as the financial performance, the divestment of the North American operations, the progress on IT implementation and other business risks and matters. Similarly, the chair was in regular contact with the head of internal audit to discuss any issues and audit findings. The Committee shared its main deliberations and findings in the Supervisory Board meeting following the audit committee meeting.

In the year under review, the audit committee executed the regular preparatory tasks and responsibilities, which were recurring items in most of the committee meetings, and were related to the:

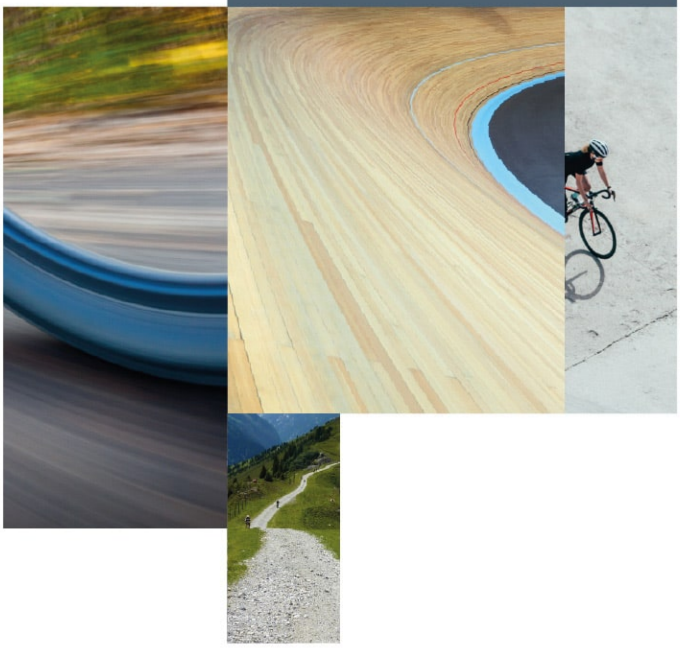
- Company's financial performance and progress on budget and financial forecasts;
- Integrity and quality of the financial reporting;
- Effectiveness of the internal risk management control systems and its embedding in the Company;
- Discussion of the financial statements, the "in control statement" and the external auditor's report on 2018;
- Compliance with relevant bank covenants;
- Relationship with the internal auditor and external auditor, including the independence of the external auditor, as well as the progress on follow-up actions related to key audit findings and other recommendations in the management letter and in internal audit reports;
- Review and approval of the 2019 audit plan and related fee proposal as presented by the external auditor, as well as the effectiveness of the external audit process in 2018;
- Advice on the nomination for the reappointment of the external auditor;
- Annual evaluation of the internal audit function;
- Coordination of and advice on the internal audit plan;
- Assessment of 2020 budget;
- Effects of and preparations and progress in the alignment with new legislation and regulations;
- The 2019 annual report and financial statements, as well as the "in control statement" and the external auditor's report were discussed in the Audit Committee meeting held on 4 March 2020.

In 2019, the Audit Committee also discussed the embedding of the risk management and internal control framework implemented in 2018, as well as the status of action programmes on a number of prioritised risks. These were recurring items in all of the committee's meetings. Other specific topics of discussion in 2019 included the development of working capital, as well as costs, the implementation and operation of the new ERP system, and items related to the tax control framework.

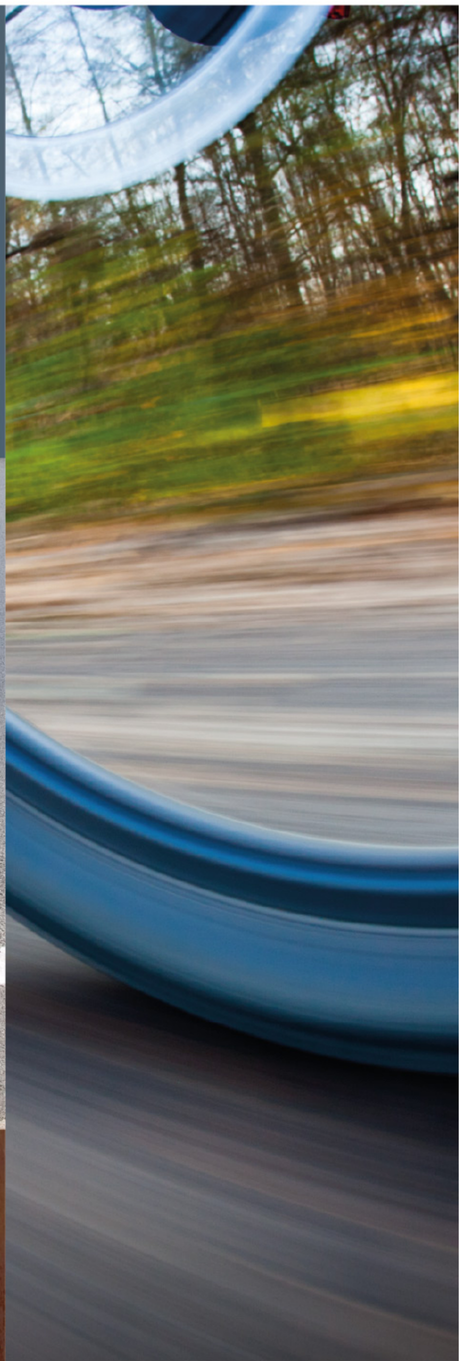
The Committee spend specific time and attention to the liquidation and de-consolidation of the company's North American operations and the impact of this divestment on the company's balance sheet, the recruitment of a new internal auditor, the recruitment of a new IT director and the overall professionalisation of the finance and IT functions in the context of the refined strategy. The Committee is pleased to note that progress was made and these matters were substantially completed. The Committee also devoted specific attention to cyber security, also in view of the General Data Protection Regulation.

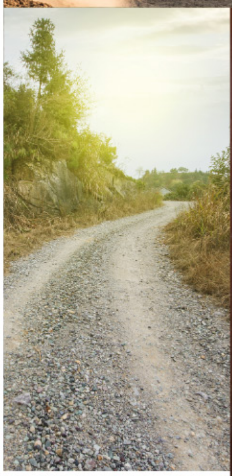
ANNUAL REPORT

2019



FINANCIAL STATEMENTS
2019





THE PREMIER CYCLE GROUP
ACCELL GROUP

6.1 CONSOLIDATED BALANCE SHEET

(in thousands of euro)

	Notes	31-12-19	31-12-18
ASSETS			
Property, plant and equipment	*6.10.1*	64,426	66,512
Right-of-use assets	*6.10.2*	29,796	-
Goodwill and other intangible assets	*6.10.3*	132,617	138,719
Equity-accounted investees	*6.10.4*	5,469	5,379
Net defined benefit asset	*6.11.3*	22,383	19,644
Deferred tax assets	*6.15.2*	25,848	2,696
Other financial assets	*6.10.5*	4,369	3,212
Non-current assets		**284,907**	**236,162**
Inventories	*6.8.1*	386,830	340,014
Trade and other receivables	*6.8.2*	171,649	149,730
Current tax receivables		1	387
Other financial instruments	*6.12*	4,284	8,913
Cash and cash equivalents	*6.9.1.2*	11,482	26,708
Current assets		**574,246**	**525,752**
Total assets		**859,154**	**761,914**

The figures following the various items refer to the notes. The explanatory notes form an integral part of the financial statements.

	Notes	31-12-19	31-12-18
EQUITY			
Share capital	*6.9.2*	268	266
Share premium		42,314	42,468
Reserves		280,614	279,657
Total equity		**323,196**	**322,391**
LIABILITIES			
Provisions	*6.11.1*	5,041	6,056
Contingent consideration	*6.11.2*	-	2,662
Borrowings	*6.9.1.1*	75,100	100,190
Lease liabilities	*6.9.1.3*	22,240	-
Net defined benefit obligation and other long-term employee benefits	*6.11.3*	8,718	8,258
Deferred tax liabilities	*6.15.2*	16,794	18,922
Deferred revenue	*6.11.4*	1,185	1,215
Non-current liabilities		**129,078**	**137,303**
Provisions	*6.11.1*	5,996	4,655
Contingent consideration	*6.11.2*	2,889	2,407
Borrowings	*6.9.1.1*	126,868	49,404
Lease liabilities	*6.9.1.3*	7,983	-
Deferred revenue	*6.11.4*	486	1,307
Trade payables and other current liabilities	*6.8.3*	210,918	212,918
Current tax liabilities		3,842	1,228
Other financial instruments	*6.12*	3,296	1,416
Bank overdrafts	*6.9.1.2*	44,603	28,885
Current liabilities		**406,880**	**302,220**
Total liabilities		**535,958**	**439,523**
Total equity & liabilities		**859,154**	**761,914**

The figures following the various items refer to the notes. The explanatory notes form an integral part of the financial statements.

6.2 CONSOLIDATED INCOME STATEMENT

(in thousands of euro)

	Notes	2019	2018 [1]
Continuing operations			
Net turnover	6.7.1	**1,111,028**	**1,033,286**
Other income	6.7.2	12,282	-
Cost of materials and consumables	6.7.3	-769,493	-721,127
Personnel expenses	6.7.4	-150,053	-135,751
Depreciation, amortization and impairment losses	6.7.5	-26,180	-11,328
Net impairment losses on financial assets	6.8.2	-2,233	-1,447
Other operating expenses	6.7.6	-115,394	-112,225
Operating result		**59,956**	**51,408**
Net finance cost	6.9.3	-9,262	-7,573
Income from equity-accounted investees, net of tax	6.10.4	424	10,899
Result on the sale of subsidiaries	6.16.2	-60	-
Profit before taxes from continuing operations		**51,058**	**54,735**
Income tax expense	6.15.1	8,241	-15,697
Result after taxes from continuing operations		**59,299**	**39,038**
Discontinued operations			
Result after taxes from discontinued operations	6.16	-56,495	-18,766
Net profit		**2,804**	**20,271**
Earnings per share (in euro)			
Basic earnings per share from continuing operations	6.7.7	2.22	1.47
Basic earnings per share including discontinued operations	6.7.7	0.10	0.77
Diluted earnings per share from continuing operations	6.7.7	2.21	1.47
Diluted earnings per share including discontinued operations	6.7.7	0.10	0.76

1) 2018 figures have been restated due to the classification of discontinued operations (see note 6.16.1)

The figures following the various items refer to the notes. The explanatory notes form an integral part of the financial statements.

6.3 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euro)

	Notes	2019	2018
Net profit		**2,804**	**20,271**
Items that will never be reclassified to profit or loss			
Remeasurement of the defined benefit liability (asset)	*6.11.3*	165	5,783
Fair value gain/(loss) on hedging instruments entered into for cash flow hedges subject to basis adjustment	*6.12*	-3,268	10,221
Related tax	*6.15.2*	671	-4,586
Items that are or may be reclassified subsequently to profit or loss			
Foreign operations - foreign currency translation differences		1,689	-1,921
Fair value gain/(loss) arising on cash flow hedges	*6.12*	-1,375	-1,446
Cumulative gains/(losses) on cash flow hedges reclassified to income statement	*6.12*	542	695
Reclassification of currency translation differences to profit or loss	*6.16.1*	7,888	-
Related tax	*6.15.2*	208	188
Total comprehensive income		**9,324**	**29,205**
Attributable to continuing operations		57,931	47,971
Attributable to discontinued operations		-48,607	-18,766

The figures following the various items refer to the notes. The explanatory notes form an integral part of the financial statements.

6.4 CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of euro)

	Notes	2019	2018
Cash flows from operating activities			
Profit for the period		2,804	20,271
Adjustments for:			
- Depreciation, amortisation and (reversal of) impairments	*6.10.1*	27,599	12,372
- Loss on divestment of intangible assets (US business)		2,290	-
- Loss on divestments of property, plant and equipment (US business)		543	-
- Net finance cost	*6.9.3*	9,262	7,573
- Income from equity-accounted investees, net of tax	*6.10.4*	-424	-10,513
- Equity-settled share-based payment transactions		40	-566
- Gain on sale of property, plant and equipment	*6.10.1*	-351	-26
- Gain on the sale of trademarks (Canada)		-14,341	-
- Loss on the sale of subsidiaries		1,506	-
- Recycling of currency translation adjustment on sale of subsidiaries		7,888	-
- Tax expense	*6.15.1*	-8,256	15,621
		28,560	**44,733**
Change in:			
- Inventories		-44,761	-9,043
- Trade and other receivables		-22,809	-1,940
- Trade and other payables		-1,779	30,370
- Provisions, employee benefits and deferred revenue		-1,166	2,816
Cash flows from operations		**-41,955**	**66,936**
Interest received [1]		3,125	1,703
Interest paid		-10,618	-7,954
Taxes paid		-13,197	-16,253
Cash from operating activities		**-62,645**	**44,432**
of which is attributable to discontinued operations		-23,322	-5,703

1) As of 2019 the interest received is presented as a cash flow from operating activities instead of investing activities (2018 amount has also been restated)

The figures following the various items refer to the notes. The explanatory notes form an integral part of the financial statements.

	Notes	2019	2018
Cash flow from investing activities			
Dividends received from equity-accounted investees	*6.10.4*	343	174
Proceeds from sale of property, plant and equipment		2,046	155
Acquisition of property, plant and equipment	*6.10.1*	-9,301	-6,257
Acquisition of intangible assets	*6.10.3*	-4,234	-3,034
Proceeds from sale of intangible assets		-	87
Proceeds from the sale of trademarks (Canada)		14,341	-
Acquisition of other financial fixed assets		-1,949	-666
Disposal of other financial fixed assets		542	-
Development expenditure	*6.10.3*	-759	-1,295
Free cash flows [1]		**-61,616**	**33,596**
Proceeds from sales of subsidiaries		360	-
Acquisition of subsidiairies, net of cash acquired		-	-17,648
Net cash from (used in) investing activities		**1,389**	**-28,484**
of which is attributable to discontinued operations		2,965	-3,426
Cash flow from financing activities			
Proceeds from interest-bearing loans	*6.9.1.1*	-	-
Transaction costs related to loans and borrowings	*6.9.1.1*	-175	-192
Repayment of term loan and other loans	*6.9.1.1*	-25,201	-308
Payment of lease liabilities	*6.9.1.3*	-10,401	-
Dividends paid		-8,532	-7,371
Contingent consideration paid		-2,443	-
Proceeds from revolving credit facility	*6.9.1.1*	134,090	93,629
Repayment of revolving credit facility	*6.9.1.1*	-55,000	-85,469
Net cash from (used in) financing activities		**32,337**	**289**
of which is attributable to discontinued operations		-954	-4,072
Net increase (decrease) in cash and bank overdrafts		**-28,919**	**16,237**
Cash and bank overdrafts at 1 January		-2,177	-20,507
Effect of exchange rate fluctuations on cash and bank overdrafts held		-2,025	2,093
Cash and bank overdrafts at 31 December		**-33,121**	**-2,177**

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

Cash reconciliation

	2019	2018
	€ x 1,000	€ x 1,000
Cash and cash equivalents	11,482	26,708
Bank overdrafts	-44,603	-28,885
Cash and bank overdrafts in the cash flow statement	**-33,121**	**-2,177**

The figures following the various items refer to the notes. The explanatory notes form an integral part of the financial statements.

6.5 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of euro)

	Share capital	Share premium	Hedge reserve	Translation reserve	Other legal reserve	Other reserve	Total equity
Balance as at 1 January 2018	**263**	**43,219**	**-7,074**	**-22,483**	**2,704**	**282,692**	**299,321**
Initial application IFRS 9	-	-	2,615	-	-	-805	1,810
Revised balance as at 1 January 2018	**263**	**43,219**	**-4,459**	**-22,483**	**2,704**	**281,887**	**301,131**
Total comprehensive income							
Net profit	-	-	-	-	-	20,271	20,271
Other comprehensive income	-	-	7,103	-1,921	-	3,752	8,934
Total comprehensive income	**-**	**-**	**7,103**	**-1,921**	**-**	**24,023**	**29,205**
Transactions with owners of the Company							
Dividends paid	-	-	-	-	-	-13,141	-13,141
Stock dividends	3	-3	-	-	-	5,770	5,770
Share-based payments	-	-748	-	-	-	182	-566
Other changes	-	-	-	2,220	569	-2,797	-8
Total	**3**	**-751**	**-**	**2,220**	**569**	**-9,986**	**-7,945**
Balance as at 31 December 2018	**266**	**42,468**	**2,644**	**-22,184**	**3,273**	**295,925**	**322,391**

	Share capital	Share premium	Hedge reserve	Translation reserve	Other legal reserve	Other reserve	Total equity
Balance as at 1 January 2019	**266**	**42,468**	**2,644**	**-22,184**	**3,273**	**295,925**	**322,391**
Total comprehensive income							
Net profit	-	-	-	-	-	2,804	**2,804**
Other comprehensive income	-	-	-3,076	9,577	-	18	**6,519**
Total comprehensive income	**-**	**-**	**-3,076**	**9,577**	**-**	**2,823**	**9,324**
Transactions with owners of the Company							
Dividends paid	-	-	-	-	-	-13,302	**-13,302**
Stock dividends	2	-2	-	-	-	4,770	**4,770**
Share-based payments	-	-152	-	-	-	192	**40**
Other changes	-	-	-	1	-658	630	**-27**
Total	**2**	**-154**	**-**	**1**	**-658**	**-7,710**	**-8,519**
Balance as at 31 December 2019	**268**	**42,314**	**-432**	**-12,607**	**2,615**	**291,037**	**323,196**

6.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2019.

6.6.1 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 Dutch Civil Code is enclosed in note 6.20.3. 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.

6.6.2 BASIS OF PREPARATION

A | General

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 Dutch Civil Code;
- were authorized for issue by the Board of Management on 5 March 2020;
- have been prepared on a historical cost basis unless otherwise stated;
- are presented in euros, which is Accell Group's functional currency;
- are rounded to the nearest thousand, unless otherwise indicated. Calculations in the tables are based on unrounded figures; as a result, rounding differences can occur.

Accell Group has changed the presentation of the consolidated financial statements compared with 2018 to improve readability and provide more relevant information earlier on in the report. These changes have no impact on accounting policies, nor on the amounts recognized; only the presentation format and the order of the notes have changed. Prior year comparative figures have been adjusted for these changes. The changes made are:

- the order of the notes has changed to better align with key management information;
- accounting policies have been moved to the relevant note if this relates to a specific line item in the income statement or balance sheet;
- in the balance sheet, separate line items have been integrated into one line item:
  - Goodwill and other intangible assets are now one line item;
  - Trade receivables and other receivables are now one line item;
  - Interest-bearing loans and the revolving credit facility have been changed into borrowings; and
  - Trade payables and other current liabilities are now one line item.

Restatement 2018

The 2018 consolidated income statement has been restated due to the classification of North America as a discontinued operation (see note 6.16.1). All disclosures regarding the consolidated income statement are only for continuing operations. However, the consolidated balance sheet and the disclosures to the consolidated balance sheet include both continuing operations and discontinued operations.

Furthermore a reclassification, for comparison purposes only, took place for the costs of obsolete raw materials and semi-finished goods.

Income statement	2018	To discontinued operations	Reclassification	2018 Adjusted (continued operations)
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Net turnover	1,094,292	-61,006	-	1,033,286
Cost of material and consumables	-769,786	50,014	-1,355	-721,127
Personnel expenses	-145,030	9,280	-	-135,751
Depreciation, amortization and impairment losses	-12,347	1,018	-	-11,328
Net impairment losses on financial assets	-1,062	-385	-	-1,447
Other operating expenses	-133,115	19,535	1,355	-112,225
Operating result	**32,952**	**18,456**	**-**	**51,408**
Net finance cost	-7,573	-	-	-7,573
Income from equity-accounted investees, net of tax	10,513	386	-	10,899
Profit before taxes from continuing operations	**35,892**	**18,842**	**-**	**54,735**
Income tax expense	-15,621	-76	-	-15,697
Result after taxes from continuing operations	**20,271**	**18,766**	**-**	**39,038**
Loss after taxes from discontinued operations	-	-18,766	-	-18,766
Net profit				**20,271**

B | 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 2019 is included in the following notes:

NOTE 6.10.3 | intangible assets impairment test: key assumptions underlying recoverable amounts, including the recoverability of development costs;
NOTE 6.11.1 | recognition and measurement of provisions: key assumptions about the likelihood and magnitude of an outflow of resources;
NOTE 6.11.3 | measurement of defined benefit obligations: key actuarial assumptions;
NOTE 6.14 | financial instruments - fair values;
NOTE 6.15.2 | recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used;
NOTE 6.17.4 | share based payments estimates regarding the number of conditional shares that will vest (performance criteria and continuation of employment);

C | Changes in accounting policies

The amendments and annual improvements to IFRS standards effective from 1 January 2019 did not have an impact on the Accell Group's financial statements because they are clarifications or depend on future changes/transactions, with the exception of IFRS 16 Leases, which had a material impact.

Accell Group adopted IFRS 16 using the modified retrospective approach, which means that the prior-year figures have not been adjusted. As a lessee, Accell Group is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

In contrast to the presentation of operating lease expenses until 2018, depreciation charges on right-of-use assets and the interest expense from unwinding of the discount on the lease liabilities are recognized in the income statement. The ability to meet bank covenants is not impacted by the implementation of IFRS 16, because IFRS 16 is excluded in the covenants. Although IFRS 16 has no impact on the cash position, it will impact the classification within the statement of cash flows: improvement of 'net cash flow from operating activities' due to the cancellation of lease costs and integration of the reimbursement of the lease liability in 'net cash flow from financing activities'.

Accell Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- applied the recognition exemption for low value assets (less or equal to € 5,000);
- applied the exemption to not recognize right-of-use assets and lease liabilities for lease terms shorter than 12 months;
- applied a single discount rate to a portfolio of leases with similar characteristics;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application;
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The following table shows the impact on the consolidated balance sheet using a weighted-average discount rate of 1.67%. Line items not affected by the change have not been included.

Balance sheet	31 December 2018	IFRS 16	1 January 2019
	€ x 1,000	€ x 1,000	€ x 1,000
Right-of-use assets	-	32,639	32,639
Lease liabilities	-	-32,618	-32,618
Provisions	-10,711	-14	-10,725
Trade payables and other current liabilities	-212,918	-7	-212,925

Impact on the financial statements

The reconciliation of operating lease commitments (off-balance sheet commitments at 31 December 2018) to lease liabilities recognized at 1 January 2019 is as follows:

	€ x 1,000
Operational lease commitments at 31 December 2018	35,036
Excluded low value assets and short term leases	-143
Extension and termination options reasonably certain to be exercized (net)	92
Estimated cost of dismantling and removing the asset	16
Discounting impact	-2,317
Other	-66
Lease liabilities recognized at 1 January 2019	**32,618**

Further financial impact for the period can be found in note 6.9.1.3 and note 6.10.2 of these financial statements 2019.

Mandatory upcoming changes and early adoption
Accell Group has opted for the early adoption of amendments to IFRS 9, IAS 39 and IFRS 7 due to interest rate benchmark reform that are mandatory as of 1 January 2020. The amendments relate to temporary exceptions from the application of specific hedge accounting requirements and specific disclosures regarding the use of these temporary exceptions due to uncertainties arising from interest rate benchmark reform. Due to the application of these amendments Accell Group can continue applying its current cash flow hedge accounting policies. Other upcoming amendments that are mandatory as of 1 January 2020 are not expected to have a material impact on the consolidated financial statements.

6.6.3 GENERAL ACCOUNTING POLICIES

This section describes Accell Group's general accounting policies relating to the consolidated financial statements and notes as a whole. If an accounting policy relates specifically to a note (balance or transaction) it is presented within the relevant note. Accell Group has applied these accounting policies consistently to all periods presented in these consolidated financial statements, taking into account the mentioned accounting policy changes in note 6.6.2C.

A | Basis of consolidation

The consolidated financial statements are prepared as a consolidation of the financial statements of Accell Group N.V. and its subsidiaries. Subsidiaries are entities controlled by Accell Group. Accell Group controls an entity when it has power over the investee, is exposed or has the right to variable returns from its involvement with that entity and has the ability to affect those returns through its power over the entity. Control is generally obtained by ownership of more than 50% of the voting rights.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by Accell Group.

When Accell Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, as well as 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. This fair value becomes the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

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 | Foreign currency

Foreign currency transactions
Transactions in foreign currencies are translated to the respective functional currencies of group companies using the exchange rates at the transaction date.

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 other comprehensive income (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, 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 a foreign operation
Accell Group does not apply hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and Accell Group's functional currency (euro).

C | Off-setting financial instruments
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.

D | Statement of cash flows
The statement of cash flows is prepared using the indirect method. Dividends paid are included in financing activities as well as the payment of the principal portion of lease liabilities. Dividends received are classified as investing activities. Interest paid and interest received is classified as an operating activity.
Accell Group has centralized its cash management with the execution of payments in the operations by group companies. Cash management includes cash pools, cash and bank overdrafts and these are components of the item cash and bank overdrafts in the cash flow statement.

6.7 PERFORMANCE

6.7.1 OPERATING SEGMENTS

Accell Group indentified the following three operating segments: Bikes, Parts and Corporate/Eliminations. The table below provides information on these reportable segments:

	Bikes	Parts	Corporate/ Eliminations	Consolidated
	2019	2019	2019	2019
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
External net turnover	845,390	265,530	108	1,111,028
Inter-segment net turnover	10,206	7,187	-17,394	-
Segment net turnover	**855,596**	**272,718**	**-17,286**	**1,111,028**
Other income	12,262	2	18	12,282
Contribution profit	**103,668**	**15,259**	**-6,849**	
Allocated cost central functions	-41,124	-6,966	-4,032	
Segment profit (loss) before interest and tax	**62,544**	**8,293**	**-10,881**	**59,956**
Net finance cost				-9,262
Share of profit (loss) of equity-accounted investees				424
Result on the sale of subsidiaries				-60
Consolidated profit (loss) before tax from continuing operations	**62,544**	**8,293**	**-10,881**	**51,058**
Segment assets	880,972	144,015	-165,833	859,154
Segment liabilities	429,985	118,135	-12,162	535,958
Depreciation and amortization	18,398	5,719	2,064	26,180
Capital expenditure	6,595	3,735	3,804	14,133

	Bikes [1]	Parts [1]	Corporate/ Eliminations [1]	Consolidated [1]
	2018	2018	2018	2018
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
External net turnover	784,326	248,677	283	1,033,286
Inter-segment net turnover	11,350	3,992	-15,342	0
Segment net turnover	**795,676**	**252,669**	**-15,059**	**1,033,286**
Other income	-	-	-	-
Contribution profit	**74,882**	**13,241**	**4,866**	
Allocated cost Corporate	-26,268	-5,548	-9,766	
Segment profit (loss) before interest and tax	**48,614**	**7,693**	**-4,899**	**51,408**
Net finance cost				-7,573
Share of profit (loss) of equity-accounted investees				10,899
Consolidated profit (loss) before tax from continuing operations	**48,614**	**7,693**	**-4,899**	**54,735**
Segment assets	773,087	116,202	-127,375	761,914
Segment liabilities	364,455	89,003	-13,935	439,523
Depreciation and amortization	6,955	3,327	1,046	11,328
Capital expenditure	6,316	2,256	1,613	10,185

1) The Bikes Non-core segment identified in 2018 was discontinued in 2019 (see note 6.16.1) and corresponding information for earlier periods has therefore been restated.

Geographical information

The sales to external customers reported in the geographical segments are based on the geographical location of the company and on the location of the customer. Both are reported for continuing operations thus excluding the net turnover from discontinued operations (see note 6.16.1).

	Net turnover based on company location		Net turnover based on location of customer	
	2019	2018	2019	2018
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
The Netherlands	260,525	218,471	222,354	192,661
Germany	549,865	544,358	404,310	370,353
Other Europe	276,560	242,811	464,355	445,774
North America	-	-	1,248	2,099
Other countries	24,079	27,646	18,761	22,399
Total	**1,111,028**	**1,033,286**	**1,111,028**	**1,033,286**

Geographical asset information is based on the physical location of the assets at 31 December:

	Non-current assets [1)]	
	2019	2018
	€ x 1,000	€ x 1,000
The Netherlands	92,939	74,605
Germany	55,664	52,589
Other Europe	77,502	72,566
North America [2)]	-	5,255
Other countries	10,572	8,806
Total	**236,677**	**213,821**

1) The deferred tax assets and the net defined benefit asset are, in accordance with IFRS 8.33b, excluded from non-current assets.
2) Due to the sale of the activities and working capital of Accell North America and the sale of Beeline (see note 6.16.1) there were no non-current assets at 31 December 2019.

Accounting policies

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Management, which is considered to be Accell Group's chief operating decision-maker. The reportable segments Bikes and Parts are the main pillars of Accell Group and are supported by the central functions in the Corporate segment. Both the segments Bikes and Corporate report directly to the Board of Management, with dedicated regional directors for Bikes. The segment Parts is managed by one dedicated director, who reports to the Board of Management, and is directly accountable for the functioning of the segment's assets, liabilities and results. The Board of Management reviews the performance of the segments via internal management reports on a monthly basis. Performance of the regional Bike directors and the Parts director is measured based on contribution profit, as included in the internal management reports. The central functions, which report directly to the Board of Management, include procurement, marketing, innovation & technology (R&D), IT, e-commerce, HR and central G&A. The related cost are allocated to the reportable segments on a reasonable basis.

Unallocated result items comprise net finance expenses, share of profit (loss) of equity-accounted investees and result on the sale of subsidiaries.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

Revenue

The majority of Accell Group's contracts are contracts with customers in which the sale of goods is generally expected to be the single performance obligation. The timing of the transfer of control varies depending on the individual terms of the sales agreement. For sales of bicycles, parts and accessories, transfer usually occurs when the product is delivered to the customer. However, for some international shipments the transfer occurs when the goods are loaded onto the relevant carrier at the port. Generally, the customer has no right of return for such products. Revenue is recognized at the point in time when control of the goods is transferred.

Accell Group provides warranties for general repairs and does not provide extended warranties or maintenance services in its contracts with customers. The warranties serve to guarantee that the bicycle, part or accessory functions as intended and meets the agreed specifications. As such, these warranties are assurance-type warranties which are accounted for under Provisions.

Some contracts with customers provide for customer programmes and incentive offerings, including special pricing agreements, promotions, advertising allowances and other volume-based incentives. Accell Group recognizes revenue from the sale of bicycles, parts and accessories measured at the consideration received or receivable, net of accruals for customer incentives and returns (if the customer has a right of refund). If revenue cannot be reliably measured, Accell Group defers revenue recognition until the uncertainty is resolved.

Accounting estimates

Accell Group makes estimates in the determination of discount accruals, included in trade receivables. When discounts are provided to customers, these reduce the transaction price and consequently the revenue. The conditional discounts in revenue are estimated based on accumulated experience supported by historical and current sales information. Expected sales volumes are determined taking into account (historical) sales patterns and other relevant information. A discount accrual is recognized for expected volume and year-end discounts payable to customers in relation to sales made until the end of the reporting period.

6.7.2 OTHER INCOME

Other income amounted to € 12.3 million in 2019 and consisted of an € 11.4 million gain from the sale of the Canadian intellectual property rights of the Raleigh, Diamondback, Redline and IZIP bike brands, a gain of € 0.5 million from the sale of intellectual property rights related to the activities of Protanium (Netherlands) and a gain of € 0.4 million mainly from the sale of a building (Brasseur, Belgium). The total gain from the sale of the Canadian intellectual property rights amounted to € 14.4 million (US$ 16 million) and based on the location of the companies generating cash flows via these intellectual property rights a gain of € 11.4 million was allocated to continuing operations and € 3.0 million to discontinued operations.

Accounting policy

Other income is reported on an accrual accounting basis, meaning when the revenues are incurred not necessarily when they are received.

6.7.3 COST OF MATERIALS AND CONSUMABLES

	2019	2018 1)
	€ x 1,000	€ x 1,000
Materials	740,732	698,495
Freight and inbound costs	16,623	13,567
Warranty provisioning	8,544	6,566
Obsolete raw materials and semi finished goods 2)	1,629	1,355
External assemblies	1,964	801
Other expenses	-	343
	769,493	**721,127**

1) The figures for 2018 have been restated due to the classification of discontinued operations (see note 6.16.1).

2) As of 2019, these costs are included in the cost of materials instead of other operating expenses. The 2018 figures have been restated.

Accounting policy

Cost of materials and consumables are recognized in the same period as the revenues to which they relate e.g. when Accell Group sells goods (bikes or bike parts and accessories) or performs services. Expenses are recognized based on accrual accounting. Meaning when the expenses are incurred, not necessarily when they are paid.

6.7.4 PERSONNEL COSTS

Personnel costs are comprised of the following:

	Notes	2019	2018 [1]
		€ x 1,000	€ x 1,000
Wages and salaries		122,649	109,242
Social security charges		14,402	13,915
Pension contributions		6,787	7,700
Share based payments	6.17.4	192	182
Other personnel costs		6,024	4,711
Personnel expenses		**150,053**	**135,751**

1) The figures for 2018 have been restated due to the classification of discontinued operations (see note 6.16.1).

The average number of employees (FTE) was 3,410 (2018: 3,227).

Accounting policy

All expenses are reported on an accrual accounting basis, meaning when the expenses are incurred (services are received) not necessarily when they are paid. For more details on accounting policies regarding pension contributions and share-based payments see note 6.11.3 and note 6.17.4 respectively.

6.7.5 DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

Depreciation, amortization and impairment losses comprise the following:

	Notes	2019	2018 [1]
		€ x 1,000	€ x 1,000
Amortization of intangible assets	6.10.3	2,752	1,230
Impairment losses on intangible assets	6.10.3	-	1,703
Depreciation of property, plant and equipment	6.10.1	8,695	8,439
Depreciation of right-of-use assets	6.10.2	9,301	-
Gains & losses from lease modifications (remeasurement)	6.10.2/6.9.1.3	-17	-
Capital loss on sale of tangible fixed assets [2]	6.10.1	10	-44
Capital loss (gain) on sale of intangible assets	6.10.3	5,440	-
Depreciation costs		**26,181**	**11,328**

1) The figures for 2018 have been restated due to the classification of discontinued operations (see note 6.16.1).

2) As of 2019 gains on the sales of tangible fixed assets are presented in 'other income'. The prior year figures have not been restated (€ 63).

Accounting policy

For the accounting policy on amortization, impairment and divestment losses on intangible assets see note 6.10.3. For depreciation of property, plant and equipment see note 6.10.1 and for depreciation of right-of-use assets see note 6.10.2.

6.7.6 OTHER OPERATING EXPENSES

	2019	2018 [1)]
	€ x 1,000	€ x 1,000
Selling expenses	69,630	58,224
General and administrative expenses	10,390	11,890
Lease and contingent rent	1,729	7,679
Research & development expenses	3,134	1,512
Maintenance and Energy	5,068	4,524
Audit and advising costs	8,679	11,359
ICT costs	9,347	7,293
Other [2)]	7,417	9,743
Other operating expenses	**115,394**	**112,225**

1) The figures for 2018 have been restated due to the classification of discontinued operations (see note 6.16.1).

2) As of 2019 costs related to obsolete raw materials and semi finished goods are included in the cost of materials instead of other operating expenses.The prior year figures have been restated (€ 1.4 million).

Selling expenses mainly include marketing costs, freight costs, other (outbound) logistics costs, delcredere costs and platform fees. For more details on lease expenses, see note 6.9.1.3.

Accounting policy

All expenses are reported on an accrual accounting basis, meaning when goods are received or services are provided, not necessarily when they are paid.

6.7.7 EARNINGS PER SHARE

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

	2019	2018
Net profit accruing to Accell Group N.V.'s shareholders		
- from continuing operations (€ x 1,000)	59,299	39,038
- from discontinued operations (€ x 1,000)	-56,495	-18,766
Total net profit (€ x 1,000)	**2,804**	**20,271**
Number of issued shares as per 31 December	26,802,751	26,597,354
Weighted average number of basic shares for the earnings per share	26,726,268	26,474,308
Potential impact of share options and conditional shares on the issuance of shares under the share based payments program	55,291	51,107
Weighted average number of issued shares (diluted)	**26,781,559**	**26,525,415**
Reported basic earnings per share from continuing operations (€ x 1)	2.22	1.47
Reported basic earnings per share from discontinued operations (€ x 1)	-2.11	-0.70
Total reported basic earnings per share (€ x 1)	**0.10**	**0.77**
Reported diluted earnings per share from continuing operations (€ x 1)	2.21	1.47
Reported diluted earnings per share from discontinued operations (€ x 1)	-2.11	-0.71
Total reported diluted earnings per share (€ x 1)	**0.10**	**0.76**
Adjustment factor according to IAS 33	1.000	0.993
Total earnings per share financial year (€ x 1)	0.10	0.77
Total earnings per share financial year (diluted) (€ x 1)	0.10	0.76

HAIBIKE

HAIBIKE (1995) INVENTED THE E-MOUNTAIN BIKE (E-MTB). HAIBIKE PRODUCES A RANGE OF SPORTY BIKES, WITH A FOCUS ON E-PERFORMANCE MODELS DEFINED BY GROUND-BREAKING DESIGN AND INNOVATION. THE INTERNATIONAL PRODUCT RANGE VARIES FROM SPORTS BIKES FOR EVERYDAY USERS TO TOP-QUALITY PROFESSIONAL RACING BIKES, TOGETHER WITH SPECIAL-PURPOSE RACING AND MOUNTAIN BIKES FOR DOWNHILL, FREE RIDE AND CROSS-COUNTRY CYCLING.

6.8 WORKING CAPITAL

	2019	2018
	€ x 1,000	€ x 1,000
Inventory	386,830	340,014
Trade receivables	140,740	128,343
Trade payables	-167,530	-179,125
Trade working capital (TWC)	**360,040**	**289,231**
Other receivables	30,909	21,387
Other current liabilities	-43,389	-33,793
Working capital	**347,561**	**276,825**

The working capital movement in comparison to 2018 includes the divestment of the US business (see note 6.16.1).

6.8.1 INVENTORIES

	2019	2018
	€ x 1,000	€ x 1,000
Components for the purpose of production	193,119	175,761
Semi-finished goods	2,831	2,313
Trading and finished products	190,880	161,939
Balance at 31 December	**386,830**	**340,014**

In 2019, Accell Group wrote down inventories by € 4.0 million to lower net realizable value (2018: € 4.1 million) of which € 1.7 million is recognized as cost of materials and consumables (2018: € 1.9 million) and € 2.3 million as other operating expenses (2018: € 2.2 million). In 2019 Accell Group reversed write-downs of € 1.4 million (2018: € 1.3 million) recognized as a reduction of cost of materials and consumables of € 0.1 million (2018: € 0.2 million) and € 1.3 million as a reduction of other operating expenses (2018: € 1.1 million). At the balance sheet date inventories with a carrying amount of approximately € 9.3 million (2018: € 12.3 million) were valued at lower net realizable value. Furthermore, inventories include goods in transit of € 70.3 million (2018: € 78.2 million) related to shipped goods for which Accell Group had acquired the economic ownership, but which have not yet been received.

Accounting policy

Inventories are measured at the lower of cost, using the first-in first-out (fifo) principle, and net realizable value. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

6.8.2 TRADE AND OTHER RECEIVABLES

	2019	2018
	€ x 1,000	€ x 1,000
Trade receivables	140,740	128,343
Other receivables	30,909	21,387
Total	**171,649**	**149,730**

Trade receivables
Trade receivables consists of:

	2019	2018
	€ x 1,000	€ x 1,000
Trade receivables	150,141	137,092
Allowance for credit losses	-9,401	-8,749
Balance at 31 December	**140,740**	**128,343**

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 to 150-day payment term.

The group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. On that basis, the loss allowance was determined as follows:

	2019			
	Weighted-average loss rate	Trade receivables - gross	Credit loss allowance	Trade receivables - net
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Current (not past due)	-0.2%	119,949	-237	119,712
Past due 0-90 days	-15.3%	16,759	-2,561	14,198
Past due 91-360 days	-16.5%	7,711	-1,273	6,438
Past due over 360 days	-93.2%	5,722	-5,330	392
Total at 31 December		**150,141**	**-9,401**	**140,740**

	2018			
	Weighted-average loss rate	Trade receivables - gross	Credit loss allowance	Trade receivables - net
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Current (not past due)	-0.2%	108,964	-271	108,693
Past due 0-90 days	-2.3%	14,259	-329	13,930
Past due 91-360 days	-23.5%	6,518	-1,531	4,987
Past due over 360 days	-90.0%	7,351	-6,618	733
Total at 31 December		**137,092**	**-8,749**	**128,343**

The loss allowances for trade receivables reconciles to the opening loss allowances as follows:

	2019	2018
	€ x 1,000	€ x 1,000
Balance at 1 January	8,749	10,224
Initial application IFRS 9	-	805
Restated balance at 1 January	**8,749**	**11,029**
Added through business combination	-	138
Amounts written of	-4,511	-3,560
Credit losses recognized [1]	5,066	1,062
Effect of movement in exchange rates	98	80
Balance at 31 December	**9,401**	**8,749**

1) € 2,233 thousand is attributable to continuing operations and € 2,832 thousand is attributable to discontinued operations in 2019.

Other receivables

The other receivables can be specified as follows:

	2019	2018
	€ x 1,000	€ x 1,000
VAT receivable	7,301	6,248
Import duties receivable	35	-
Other taxes and social charges	99	220
Receivables from non-consolidated companies	261	201
Prepayments suppliers	4,311	2,963
Prepayments other	1,873	1,937
Bonus receivable	4,841	4,169
Receivables related to the sale of discontinued operations	3,600	-
Other current assets	8,589	5,649
Balance at 31 December	**30,909**	**21,387**

Other receivables were assessed for impairment and impairment was deemed immaterial.

Accounting estimates trade receivables

For trade receivables, Accell Group applies a simplified approach to the calculation of expected credit losses by recognizing a loss allowance based on lifetime expected credit losses at each reporting date. Individually significant trade receivables are tested for impairment on an individual basis. The remaining trade receivables are assessed collectively in groups that share similar credit risk characteristics and the days past due. Accell Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Accell Group makes estimates in the determination of discount accruals, included in trade receivables. When discounts are provided to customers, these reduce the transaction price and consequently the revenue. The conditional discounts in revenue are estimated based on accumulated experience supported by historical and current sales information. Expected sales volumes are determined taking into account (historical) sales patterns and other relevant information. A discount accrual is recognized for expected volume and year-end discounts payable to customers in relation to sales made until the end of the reporting period.

Accounting estimates other receivables

For other receivables, Accell Group establishes an impairment loss allowance on a collective and individual assessment basis, by considering past events, current conditions and forecasts of future economic conditions using the general approach under IFRS 9.

Bonus receivables is the best estimate of the expected amount to be received from suppliers and are based on (annual) agreements. The bonus is usually a fixed or graduated percentage of the purchase value and advance payments received. When receipt of a bonus can be expected with a reasonable level of certainty, it is reflected in the carrying value of inventory or cost of goods sold.

Accounting policies

Trade and other receivables are held in order to collect the related cash flows. These receivables are measured at fair value and subsequently at amortized cost less any impairment losses. Trade and other receivables are derecognized when substantially all risks and rewards are transferred or if Accell Group does not retain control over the receivables.

Impairment losses related to financial assets are presented separately in the consolidated income statement. When Accell Group considers that there are no realistic expectations of recovering a trade receivable, the relevant amount is written off. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with Accell Group, and a failure to make contractual payments for a period longer than 360 days past due. 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.

6.8.3 TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	2019	2018
	€ x 1,000	€ x 1,000
Trade payables	167,530	179,125
VAT payable	9,165	7,868
Import duties payable	996	980
Taxes on wages and social charges	3,339	4,501
Payables to non-consolidated companies	158	9
Personnel-related liabilities	11,625	9,311
Freight cost payable	438	500
Claims payable	290	291
Other invoices receivable	8,345	4,134
Interest and bank cost payable	591	1,501
Other current liabilities	8,442	4,698
Balance at 31 December	**210,918**	**212,918**

Accell Group operates two supply chain finance programmes that enable participating suppliers to discount their invoices for earlier payment with a participating bank based on individual contractual agreements between the supplier and the participating bank. Trade payables at 31 December 2019 include an amount of € 22.4 million (2018: €22.1 million) related to the participating suppliers.

Accounting judgement

Accell Group has analyzed its supply chain finance programmes to determine whether it should derecognize its original liability, the trade payable to the supplier, and recognize a new interest-bearing liability to the bank. Based on the analysis of (a) the extinguishment criteria of the trade payable and/or (b) if the term of the trade payable had been substantially modified, Accell Group concluded that payment obligations to participating suppliers should remain in trade payables.

Accounting policy

Trade payables and other current liabilities are initially recognized at fair value (less any directly attributable transaction costs) and subsequently measured at amortized cost. 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 and the obligation can be estimated reliably. Trade payables and other liabilities are derecognized when the contractual obligation is either discharged or cancelled or has expired.

6.9 NET DEBT AND EQUITY

This note provides information on the contractual terms and conditions of the outstanding interest-bearing loans, other borrowings and net debt components and equity.

6.9.1 NET DEBT

	2019	2018
	€ x 1,000	€ x 1,000
Borrowings (non current)	75,100	100,190
Borrowings (current)	126,868	49,404
Total borrowings	**201,968**	**149,594**
Bank overdrafts	44,603	28,885
Cash and cash equivalents	-11,482	-26,708
Net debt excluding lease liabilities	**235,088**	**151,771**
Lease liabilies (non current)	22,240	-
Lease liabilities (current)	7,983	-
Net debt	**265,312**	**151,771**

6.9.1.1 Borrowings

Borrowings can be specified as follows:

					2019		2018
	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
Term loan	EUR	1.6%	2024	60,000	58,820	85,000	83,750
Term loan (Schuldschein)	EUR	3.8%	2024	15,000	14,900	15,000	14,850
Revolving credit facilities - Part I	EUR	variable		116,558	116,558	46,050	46,050
Borrowings under Group financing agreement				**191,558**	**190,278**	**146,050**	**144,650**
Other bank loans (secured)	EUR	1.4%	2027	1,574	1,574	1,800	1,800
Revolving credit facilities - Part II	EUR	mixed		10,115	10,115	3,144	3,144
Total borrowings				**203,248**	**201,968**	**150,994**	**149,594**

Other borrowings

In December 2016 Accell Group entered into a financing agreement for its Lapierre Experience Centre, which is a secured loan (mortgage) of € 1.6 million as per 31 December 2019. Furthermore Accell Group has maintained its Turkish revolving credit facilities since 2017, which qualify as carve-out and permitted financial indebtedness in the Group financing agreement (€ 10.1 million).

Borrowings under Group financing agreement

In 2017, Accell Group entered into a financing agreement with a syndicate of six banks for the financing of the group. The banks participating in the syndicate are ABN AMRO Bank, BNP Paribas, Deutsche Bank, HSBC, ING Bank and Rabobank. The financing is unsecured and at 31 December 2019 consisted of € 75 million in term loans (after a voluntary repayment of € 25 million in the first quarter of 2019) and a revolving credit facility of € 275 million (working capital financing), of which € 100 million in seasonal facility from December to July, for an initial period of five years. An optional (uncommitted) accordion facility for the sum of € 150 million forms part of the existing financing agreement.

At the start of 2019 Accell Group exercised the second extension option extending the financing agreement by another 12 months to March 2024. The initial extension option was exercised in 2018.

TERMS AND CONDITIONS

The terms and conditions of the Group financing agreement are as follows:

The financial ratios in the financing agreement are:

- Term loan leverage ratio;
- Solvency ratio.

In addition, a 'borrowing reference' applies, which is a dynamic limit on working capital financing.

Accell Group complied with the terms and conditions of the financial ratios at 31 December 2019, at 31 December 2018 as well as for all interim test dates.

Term loan leverage ratio

The term loan leverage is determined by dividing the designated outstanding loans under the financing agreement by normalized EBITDA. The term loan leverage ratio may not exceed 2.5 (tested on a quarterly basis over the previous twelve months).

The 'designated loans outstanding under the financing agreement' include the outstanding amounts under the € 75 million term loan (including Schuldschein) and the working capital financing insofar as used for the acquisition of companies (excluding acquired working capital). The latter is permitted with the approval of the bank syndicate.

EBITDA is the result from operating activities (EBIT) plus the amount of the amortization and depreciations on assets and the share in the result of non-consolidated participating interests. Normalized EBITDA is, with respect to a certain period, the EBITDA in that period adjusted for:

- EBITDA of acquired companies during the relevant period for the part of that period prior to the time of acquisition;
- EBITDA attributable to a group company (or any part of Accell Group) sold during the relevant period for the part prior to the date of sale;
- On the instructions of Accell Group, exceptional costs incurred in the relevant period including reorganization costs, impairment losses on fixed assets or costs associated with the sale of assets related to discontinued operations.

Solvency ratio
The solvency ratio is determined by net assets divided by balance sheet total, both adjusted for intangible assets and related deferred taxes. Solvency ratio may not be less than or equal to 25% (tested on a half-yearly basis over the previous twelve months).

Borrowing reference
The borrowing reference states that the net debt, after deduction of the outstanding amounts under the € 75 million term loan (including Schuldschein) and the working capital financing used for approved acquisitions, may not exceed the lowest of:

a. The sum of:
i. The highest of 50% of the carrying amount of the qualifying inventories minus the total trade creditors of Accell Group and zero; and
ii. 65% of the carrying amount of the qualifying trade debtors;
b. The revolving credit facility made available under the financing agreement.

Reconciliation of movements of borrowings to cash flows arising from financing activities 2019

	Revolving credit facilities	Term loans	Other bank loans	Total
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Balance at 1 January 2019	**49,194**	**98,600**	**1,800**	**149,595**
Changes in financing cash flows:				
Proceeds from loans and borrowings	134,090	-	-	134,090
Transaction costs related to loans and borrowings	-	-175	-	-175
Repayment of borrowings	-55,000	-25,000	-201	-80,201
Total changes from financing cash flows	**79,090**	**-25,175**	**-201**	**53,713**
The effect of changes in foreign exchange rates	-1,610	-	-6	-1,616
Other changes liability-related:				
Changes as a result of the sale of subsidiaries	-	-	-18	-18
Interest expenses minus interest paid	-	295	-	295
Total liability-related other changes	**77,480**	**-24,880**	**-226**	**52,374**
Total equity-related other changes	**-**	**-**	**-**	**-**
Balance at 31 December 2019	**126,674**	**73,720**	**1,574**	**201,968**

Reconciliation of movements of borrowings to cash flows arising from financing activities 2018

	Revolving credit facilities	Term loans	Other bank loans	Total
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Balance at 1 January 2018	**40,000**	**98,471**	**2,070**	**138,471**
Changes in financing cash flows:				
Proceeds from loans and borrowings	93,629	-	-	93,629
Transaction costs related to loans and borrowings	-	-192	-	-192
Repayment of borrowings	-85,469	-	-308	-85,777
Total changes from financing cash flows	**8,160**	**-192**	**-308**	**7,659**
The effect of changes in foreign exchange rates	1,034	-	3	1,037
Other changes liability-related:				
Changes as a result of business combinations	-	-	35	35
Change in bank overdrafts	-	-	-	-
Interest expenses minus interest paid	-	321	-	321
Total liability-related other changes	**9,194**	**129**	**-270**	**9,053**
Total equity-related other changes	**-**	**-**	**-**	**-**
Balance at 31 December 2018	**49,194**	**98,600**	**1,800**	**149,594**

Accounting policy

Borrowings are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these borrowings are measured at amortized cost using the effective interest method. Revolving credit facilities, bank overdrafts and cash and cash equivalents are initially recognized at fair value and subsequently at amortized cost.

6.9.1.2 Bank overdrafts, cash and cash equivalents

Accell Group's centralized cash management, including foreign exchange management, is executed with cash pools, cash and bank overdrafts. Term loans and revolving credit facilities are held for financing purposes. The centralized cash management aims to optimize the cash allocation within Accell Group, where excess cash in one entity is made to use in another entity.

Cash pools are an important element of cash management. The cash pools are made available by banks that participate in the syndicate that provides the group financing. The cash pools consist of a large number of bank accounts with fluctuating balances per account. On a monthly basis, different bank accounts form 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, cash pools are of a hybrid nature; on the one hand they are a cash management tool and on the other hand they have a bridging nature at specific times.

In addition to the cash pools Accell Group has other regular bank accounts and bank overdrafts at its disposal. However, these accounts 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 provide the group financing; the other part is with local banks for specific purposes.

6.9.1.3 Lease liabilities

	2019
	€ x 1,000
Lease liabilities non-current	22,240
Lease liabilities current	7,983
Lease liabilities at 31 December	**30,223**
Lease liabilities at 1 January	32,618
Lease payments	-10,401
Divestments as a result of outgoing business combinations	-142
Divestments from discontinuation of business	-2,396
Additions	5,694
Reassessment of lease liabilities and lease modifications	4,088
Unwind of the discount on the lease liabilities	618
Effect of foreign exchange rate changes	174
Currency translation	-31
Lease liabilities at 31 December	**30,223**

The corresponding right-of-use assets are disclosed in note 6.10.2.

The cash flows from the following items are not included in the lease liabilities at 31 December:

	2019
	€ x 1,000
Extension options	4,383
Termination options	-1,624
Leases not yet commenced but to which Accell Group is committed	418

The following costs related to leases are included in the income statement:

	Continued operations	Discontinued operations	2019
	€ x 1,000	€ x 1,000	€ x 1,000
Depreciation of right-of-use assets (depreciations)	9,301	893	10,194
Unwind of the discount on the lease liabilities (net finance cost)	549	69	618
Loss (gain) related to lease modifications (depreciations)	-17	-23	-40
Foreign exchange loss (gain) on lease liabilities (net finance cost)	174	-	174
Impairment of right-of-use assets (depreciations)	-	-	-
Short-term leases (other operating expenses)	1,682	-26	1,657
Leases of low-value assets (other operating expenses)	47	-	47
Total	**11,737**	**913**	**12,650**

Accounting estimates and judgements

Accell Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The lease term includes periods covered by an option to extend or to terminate early if Accell Group is reasonably certain to exercise that option.

The incremental borrowing rate is determined each quarter based on current market interest rates per lease term and lease currency adjusted for Accell Group's annual budgeted loan spread, because all Accell Group financing is coordinated centrally.

Accounting policy

A right-of-use asset and a lease liability are recognized at the lease commencement date. The lease liability is initially measured at the present value of the lease payments that have not been paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Accell Group's incremental borrowing rate. Generally, the incremental borrowing rate ('IBR') is used as the discount rate. Subsequently, the lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from among other things a change in an index or rate, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or if the carrying amount of the right-of-use asset is reduced to zero an impairment loss is recognized in profit or loss.

6.9.2 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 (see note 6.20.4).

Capital management

There were no major changes in Accell Group's approach to capital management in the year under review. The Board of Management's policy is to maintain a strong capital base, 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.

To achieve this overall objective, the Accell Group's capital management aims, among other things, to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. There were no breaches in the financial covenants of any interest-bearing loans and borrowing in period under review.

Accounting policy

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 the transaction costs of an equity transaction are accounted for in accordance with IAS 12.

6.9.3 NET FINANCE COST

Financial income and expenses comprise the following:

	2019	2018
	€ x 1,000	€ x 1,000
Interest income	-3,116	-1,715
Interest expenses	10,869	7,704
Bank fees	997	951
Currency results	511	633
Net finance cost	**9,262**	**7,573**

The policy regarding interest and currency risks is covered in note 6.13.

Accounting policy

Interest income or expenses are recognized as they accrue, 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.

6.10 NON-CURRENT ASSETS

6.10.1 PROPERTY, PLANT AND EQUIPMENT

Changes in property, plant and equipment are as follows:

	Land and buildings	Machinery and equipment	Under construction	Total property, plant and equipment
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Cost				
Balance at 1 January 2018	**66,857**	**86,573**	**1,272**	**154,702**
Investments	545	3,707	2,005	6,257
Investments as a result of business combinations	-	219	-	219
Divestments	-34	-60	-35	-129
From / to under construction	185	1,138	-1,323	-
Currency translation differences	-84	-203	5	-282
Balance at 1 January 2019	**67,469**	**91,373**	**1,924**	**160,767**
Investments	749	5,322	3,230	9,301
Divestments	-4,107	-213	-27	-4,347
Divestments from discontinuation of business	-	-3,689	-	-3,689
Divestments as a result of outgoing business combinations	-	-977	-	-977
From / to under construction	588	472	-1,060	-
Currency translation differences	110	9	-	119
Balance at 31 December 2019	**64,809**	**92,297**	**4,067**	**161,174**
Accumulated depreciation				
Balance at 1 January 2018	**23,460**	**61,868**	**-**	**85,328**
Depreciation	1,288	7,638	-	8,926
Balance at 1 January 2019	**24,748**	**69,506**	**-**	**94,254**
Depreciation [1)]	1,377	7,548	-	8,925
Divestments	-2,619	-55	-	-2,674
Divestments from discontinuation of business	-	-3,112	-	-3,112
Divestments as a result of outgoing business combination	-	-645	-	-645
Balance at 31 December 2019	**23,506**	**73,242**	**-**	**96,748**
Carrying amount				
Balance at 1 January 2019	**42,722**	**21,867**	**1,924**	**66,513**
Balance at 31 December 2019	**41,304**	**19,055**	**4,067**	**64,426**

1) Total depreciation for 2019 includes € 8,695 thousand attributable to continuing operations and € 230 thousand attributable to discontinued operations.

Land and buildings with a carrying amount of € 4.7 million per 31 December 2019 (2018: € 4.4 million) have been pledged as security; on the one hand to the trustees of the UK pension fund in the amount of € 3.0 million (2018: € 2.9 million) and on the other hand as security of a bank loan in the amount of € 1.7 million (2018: € 1.6 million).

Property under construction at 31 December 2019 represents € 3.1 million for Wiener Bike Parts (offices) and € 1.0 million for Accell Hunland (employee facilities). Both assets are not yet ready for use.

The divestments relate the sale of a Brasseur building (Belgium), the demolition of a Cycles France Loire building (France), the outgoing business combination of Delta Metal Technology Ltd (production facility, China) and the discontinued operations in North America.

Accounting estimates and judgement

Estimates are required to determine the (remaining) useful lives of fixed assets. Useful lives are determined based on an asset's age, the frequency of its use, repair and maintenance policy, technological changes in production and expected restructurings.

The expected residual value is estimated per asset item and is the higher of the expected sales prices or the scrap value. The residual value is estimated based on recent market transactions involving the sale of similar items or on its material scrap value.

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives as Accell Group believes that straight-line depreciation most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Accounting policy

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

The estimated useful lives of property, plant and equipment are as follows:

Buildings	40 year
Machinery and equipment	3 - 12 year

Property, plant and equipment is derecognized when it is sold or scrapped. Gains on sales are presented in other income (see note 6.7.2*) and losses on sales are included in depreciation.*

6.10.2 RIGHT-OF-USE ASSETS

	Buildings	Machinery and equipment	Other tangible fixed assets	Total RoU assets
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Right-of-use assets at 1 January 2019	25,724	987	5,927	32,639
Divestments as a result of outgoing business combinations	-138	-	-	-138
Divestments from discontinuation of business	-2,240	-	-134	-2,374
Additions	1,097	411	4,279	5,787
Depreciation for the period [1]	-6,686	-381	-3,127	-10,194
Reassessment of lease liabilities and lease modifications	4,445	-12	-334	4,099
Currency translation	-27	-11	16	-22
Right-of-use assets at 31 December 2019	**22,176**	**994**	**6,626**	**29,796**

1) Total depreciation includes € 9,301 thousand attributable to continuing operations and € 893 thousand attributable to discontinued operations.

The lease liabilities are disclosed in note 6.9.1.3.

Accounting estimates and judgement.

At the inception of a contract, Accell Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. Accell Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Right-of-use assets are depreciated to the earlier of the end of the useful life of the asset or the lease term using the straight-line method as Accell Group believes that this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend or to terminate early if Accell Group is reasonably certain to exercise that option.

Accounting policy

At the lease commencement date a right-of-use asset and a lease liability are recognized. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset. The assets are depreciated over the lease term which currently varies from two to ten years. Right-of-use assets are tested for impairment.

6.10.3 GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill	Brands	Customer lists and licenses	Software and development cost	Total intangible assets
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Cost					
Balance at 1 January 2018	**59,381**	**39,818**	**5,482**	**6,985**	**111,666**
Investments	-	-	-	4,242	4,242
Investments as a result of business combinations	24,208	10,509	-11	2,420	37,126
Currency translation differences	1,051	997	-171	32	1,909
Balance at 1 January 2019	**84,640**	**51,324**	**5,300**	**13,679**	**154,943**
Investments	-	-	-	4,993	4,993
Divestments	-	-5,375	-	-	-5,375
Divestments from discontinuation of business	-	-2,199	-	-3,121	-5,320
Currency translation differences	439	801	-41	61	1,260
Balance at 31 December 2019	**85,079**	**44,551**	**5,259**	**15,612**	**150,501**
Accumulated depreciation					
Balance at 1 January 2018	**2,306**	**3,277**	**2,167**	**5,027**	**12,777**
Amortization	-	289	235	1,106	1,630
Impairment losses (reversal of)	-	614	680	523	1,817
Balance at 1 January 2019	**2,306**	**4,180**	**3,082**	**6,656**	**16,224**
Amortization [1]	-	693	325	2,101	3,119
Divestments from discontinuation of business	-	-	-	-1,458	-1,458
Balance at 31 December 2019	**2,306**	**4,873**	**3,407**	**7,299**	**17,885**
Carrying amount					
Balance at 1 January 2019	**82,334**	**47,144**	**2,218**	**7,023**	**138,719**
Balance at 31 December 2019	**82,773**	**39,678**	**1,852**	**8,313**	**132,617**

1) € 2,752 thousand is attributable to continuing operations and € 367 thousand is attributable to discontinued operations.

(A) Goodwill

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

The carrying amount of goodwill at segment level is divided as follows:

	2019	2018
	€ x 1,000	€ x 1,000
Bikes	65,411	65,101
Parts	17,362	17,233
Balance at 31 December	**82,773**	**82,334**

Goodwill impairment testing
The following main assumptions are used to determine the value-in-use of the segments Bikes and Parts and are based on expected developments in specific markets and countries and the forecasted impact for Accell Group:

	Bikes	Bikes	Parts	Parts
	2019	2018	2019	2018
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Expected average annual, organic turnover growth in the plan period 2020-2022	9,9%	5,6%	6,2%	8,4%
Expected average operating margin in the plan period 2020-2022	7,8%	7,5%	4,2%	6,8%
Trade working capital, based on the current ratio in relation to turnover	33,1%	28,4%	25,5%	28,4%

After the plan period 2020-2022, cash flows are extrapolated using a perpetual growth rate of 0.2% (2018: 1.1%) which is equal to the risk free interest rate. The cash flows are discounted using a post-tax weighted average cost of capital of 6.9% (2018: 7.3%). The discounting rate applied corresponds with a pre-tax weighted average cost of capital of 9.3% (2018: 9.8%). The impairment test in 2019 showed a substantial headroom in goodwill for Bikes and sufficient headroom for Parts.

Sensitivity to changes in the main assumptions
Neither a 50 basis points adverse change in operating margin and a 100 basis points higher discount rate resulted in a materially different outcome of the impairment test. Accell Group believes that any reasonably possible change in the main assumptions would not cause the carrying amount to exceed the recoverable amount of the cash-generating units Bikes or Parts.

Accounting estimates and judgements
The cash flow projections used in the value-in-use calculation for goodwill impairment testing contain various estimates and judgements (see table above). The robustness of the outcome of the goodwill impairment is tested via a sensitivity analysis on the main assumptions.

Accounting policy
Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. Goodwill is tested annually for impairment. Impairment losses are recognized in profit or loss and are not reversed. On disposal of a cash-generating unit the carrying amount of the goodwill attributed to that cash generating unit is taken into account in calculating the book profit or loss.

(B) Brands

The brands recognized at 31 December 2019 are included in the operating segment Bikes and consist primarily of the Raleigh (€ 18.6 million), Babboe (€ 9.4 million) and Ghost (€ 9.4 million) brands. Furthermore the Nishiki, Carraro and Van Nicholas brands are valued for a total amount of € 2.3 million. During 2019 Accell discontinued its North American operations, which resulted in the divestment of the Redline and IZIP brands (€ 2.2 million). The related financial impact is included in the result from discontinued operations (see note 6.16.1). In addition the Diamondback brand was divested in August 2019, which resulted in a loss of € 5.4 million.

With exception of the relatively young brand Babboe (2007), which has a definite useful life of 15 years, all brands have indefinite useful lives as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for Accell Group. The brands with indefinite useful lives are positioned in the middle and upper segments and have a long history and tradition in the regional and international markets in which they operate.

Brand impairment testing

In the annual impairment testing for brands with indefinite life Accell Group applies the income approach to determine the value-in-use. It is a technique by which fair value is estimated based on cash flows that the brand can be expected to generate over its useful life and uses valuation techniques to convert future cash flows or earnings to a single present amount (discounted). The valuation technique applied by Accell Group is the Relief-from-Royalty method, which is a common present value technique for valuing marketing-related intangibles such as brands. The income concept of this method is based on projected royalty savings. It assumes that if the subject brand was not in control of Accell Group, a royalty would have to be paid to a third party to (develop and) use a comparable alternative intangible asset.

In Accell Group's brand impairment model the valuation base is set at sales, tax payments are deducted and the present value of the hypothetical royalty savings (ranging from 2.6%-4.0% in 2019; 2.8%-4.0% in 2018) are calculated by applying a post-tax weighted average cost of capital of 6.9% (2018: 7.3%), which corresponds with a pre-tax weighted average cost of capital of 9.3% (2018: 9.8%). If applicable the tax amortization benefit is considered. Based on the value-in-use the 2019 impairment test showed sufficient headroom for all tested brands.

Accounting estimates and judgements

The cash flow projections used in the value-in-use calculation for brand impairment testing contain various estimates and judgements. Useful lives are estimated based on the market position of the brands and include an analysis of all relevant factors to determine whether there is a foreseeable limit to the period over which the asset is expected to generate net cash inflows.

Accounting policy

A brand is a group of complementary assets such as trademarks (or service mark) and its related trade name, formulas, recipes and technological expertise. Accell recognizes as a single asset a group of complementary intangible assets comprising a brand if the individual fair value of the complementary assets are not reliably measurable. Brands, commonly arising on the acquisition of subsidiaries, are measured at cost less any accumulated depreciation and accumulated impairment losses. Brands can have an indefinite or definite useful life.

Brands with an indefinite useful life are tested annually for impairment, or more frequently if there are indications of impairment losses (same for a brand with definite life), by comparing its recoverable amount with its carrying amount. The recoverable amount is the higher of its fair value less cost to sell less cost of disposal and its value in use.

Brands with a definite useful life are amortized on a straight-line basis over the estimated useful life. Accell Group believes that straight-line depreciation most closely reflects the expected pattern of consumption of the future economic benefits embodied in the brand. Amortization method and useful lives are reviewed at each reporting date and adjusted if appropriate.

(C) Customer lists and licenses

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. There were no impairment losses in 2019.

Accounting estimates and judgements

Useful lives are determined based on the estimated remaining useful life of the customer relationships or the period of the contractual arrangements.

Accounting policy

Customer relationships and licenses that are acquired by Accell Group and have definite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is calculated to write off the cost of these assets less their estimated residual values (nil) using the straight-line method over their estimated useful lives from the date they are available for use.

Amortization expenses and impairment losses are accounted for in the income statement within depreciation. Amortization methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit or loss. 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.

(D) Software and development cost

These include capital expenditure on both software and development. In 2019 Accell Group invested € 4.2 million in software, which mainly related to ERP, CRM and single brand platforms, and capitalized € 0.8 million of development cost related to cargo-bikes and e-bikes. In addition, in 2019 Accell Group discontinued its North American operations, which resulted in the divestment of the software (€ 1.7 million). The related financial impact is included in the result from discontinued operations (see note 6.16.1).

Accounting estimates and judgements

Useful lives are determined based on the estimates regarding technical and commercial developments.

Accounting policy

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.

Software is measured at cost less accumulated amortization and accumulated impairment losses. Amortization is calculated to write off the cost of intangible assets less their estimated residual values (nil) using the straight-line method over their estimated useful lives from the date they are available for use.

Amortization is calculated to write off the cost of intangible assets less their estimated residual values (nil) using the straight-line method over their estimated useful lives from the date they are available for use. Amortization expenses and impairment losses are accounted for in the income statement within depreciation. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit or loss. 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.

Accounting estimates and judgements

The estimated useful lives are as follows:

Brands	Indefinite or 15 year
Customer lists	10 - 20 year
Licenses	10 year
Software	3 - 7 year
Development costs	3 - 5 year

6.10.4 EQUITY-ACCOUNTED INVESTEES

	Notes	2019	2018
Equity-accounted investees			
Atala SpA, Monza, Italy [1]		50%	50%
Raleigh SA (Pty) Ltd, Kensington, South Africa [2]		20%	20%
Urbanvision BV, Amersfoort, The Netherlands [3]		32%	35%

1) Atala SpA is a joint venture active in the development and sale of bicycles under its own brands.
2) Raleigh SA (Pty) Ltd is an associate that is active in the marketing and sale of bicycles.
3) Urbanvision BV is an associate that holds a 40% share in Carver BV ('s Gravendeel).

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

The changes in the equity-accounted investees were as follows:

	2019	2018
	€ x 1,000	€ x 1,000
Balance at 1 January	5,380	8,304
Investments	-	698
Dividend [1]	-343	-523
Net income	424	1,321
Remeasurement gain / (loss) on previously held equity interest	-	9,192
Fair value of equity interest held before the business combination	-	-13,603
Currency translation differences	8	-10
Balance at 31 December	**5,469**	**5,380**

1) Velosophy distributed a non-cash dividend of € 349 thousand in 2018.

Summary of the financial data for the interests in equity accounted investees:

	Atala SpA 2019	2018	Raleigh SA 2019	2018	Urbanvision BV 2019	2018
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Assets	13,823	13,596	553	633	802	728
Liabilities	10,151	9,957	232	425	21	-85
Turnover	19,469	19,720	1,415	1,874	-	-
Share in net income	363	678	106	78	-45	-50
Share presented	50%	50%	20%	20%	32%	35%

Accounting policy

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 initially recognized 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.

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 is a favourable change in the estimates used to determine the recoverable amount.

6.10.5 OTHER FINANCIAL ASSETS

The other financial assets of € 4.4 million mainly consists of agreed upon postponed considerations to be received from the sale of fitness business of Tunturi Hellberg Oy in 2017 (€ 1.1 million) and Delta Metal in 2019 (€ 1.0 million), a postponed receivable with new large bike business clients of € 1.0 million, a prepayment made for the demolition of a building and the depollution of the land that will be compensated by the government (€ 0.4 million) and a 10% investment in a company (€ 0.5 million).

Accounting estimates and judgements

On each reporting date the impairment of other financial assets is determined using the general impairment model of IFRS 9 which estimates the credit losses over 12 months. The credit losses over the lifetime of the asset are only determined in the event of a significant increase in credit risk (e.g. more than 30 days overdue, change in credit rating). Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Accounting policies

Other financial assets are measured at fair value and subsequently at amortized cost less any impairment losses.

RALEIGH

THE RALEIGH (1887) BRAND IS A GLOBAL ICON. ITS ROOTS LIE IN THE ENGLISH CITY OF NOTTINGHAM AND THE BRAND IS NOW SOLD IN MANY COUNTRIES AROUND THE WORLD. TIMELESS BRITISH IMAGE AND THE COMPANY'S RICH HISTORY ARE A CONSTANT IN THE COMPANY'S MARKETING OF THE BRAND. RALEIGH SUPPLIES BICYCLES FOR A WIDE USER BASE, FROM CHILDREN'S BIKES TO CITY BIKES, ALWAYS RECOGNISABLE THANKS TO THEIR RELIABILITY. RALEIGH BICYCLES STAND FOR FUN AND UNIQUENESS AT AFFORDABLE PRICES.

6.11 OTHER NON-CURRENT LIABILITIES

6.11.1 PROVISIONS

	Warranties	Other provisions	Total
	€ x 1,000	€ x 1,000	€ x 1,000
Balance at 1 January 2019	**8,647**	**2,064**	**10,711**
Change in IFRS accounting policy	-	14	14
Divestments from discontinuation of business	-625	-	-625
Provisions used during the year	-6,688	-1,033	-7,721
Provisions made during the year	8,790	2,508	11,298
Provisions reversed during the year	-55	-306	-361
Reclassification expected credit loss loan commitment (see note 6.16.1)	-	-2,300	-2,300
Currency translation differences	20	1	21
Balance at 31 December 2019	**10,089**	**948**	**11,037**
Non-current	4,408	632	5,041
Current	5,680	316	5,996

Warranty provisions represent the estimated costs under warranty obligations for goods delivered and services rendered as at the balance sheet date. The provision for warranty obligations are expected to have a duration of between one and five years. Other provisions mainly relate to an environmental provision and some smaller restructuring provisions with a duration of less than one year. Accell Group does not form a provision for product liability, but this risk is insured.

Accounting estimates and judgements

Accell Group needs to make estimates to determine the likelihood and timing of potential cash outflows. On the product liability front, Accell Group judges that the chance of cash outflows are highly unlikely, but has nevertheless insured this risk, so no product liability provisions are deemed necessary. The estimates of warranty provisions are based on historical warranty information. For large restructurings, management assesses the timing of the costs to be incurred, which influences the classification as current or non-current liabilities.

Accounting policy

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.

A provision for restructuring is recognized when a detailed and formal restructuring plan has been approved, and the restructuring has either commenced or has been announced publicly. Future operating losses are not provided for. The provision includes the benefit commitments in connection with early retirement and redundancy schemes.

6.11.2 CONTINGENT CONSIDERATION

	2019	2018
	€ x 1,000	€ x 1,000
Non-current	-	2,662
Current	2,889	2,407
Balance at 31 December	**2,889**	**5,069**

The fair value of the contingent consideration arrangement of Velosophy at 31 December 2019 is € 2.9 million (2018: 5.1 million) and will be paid in the first quarter of 2020. The contingent consideration relates at 31 December 2019 to Babboe and Carqon. Key assumptions include a discount rate of 9.3% and the realisation of the minimum EBITDA for the maximum earn-out payment.

Accounting estimates

The fair value of the contingent consideration arrangement is estimated by applying the income approach using significant not observable market inputs (see key assumptions mentioned above).

Accounting policy

The contingent consideration in respect of the Velosophy acquisition is currently the only non-derivative financial liability at fair value through profit and loss.

6.11.3 DEFINED BENEFIT PENSION PLANS AND OTHER LONG-TERM EMPLOYEE BENEFITS

	2019	2018
	€ x 1,000	€ x 1,000
Net defined benefit asset	-22,383	-19,644
Total employee benefit asset	**-22,383**	**-19,644**
Net defined benefit obligation	6,394	6,211
Other long-term employee benefits	2,324	2,048
Total employee benefit liabilities	**8,718**	**8,258**

Defined benefit plan United Kingdom

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 91% 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 38% in matching assets and cash (index related UK government bonds gilts and investment property bonds) designed to hedge against movements in the liabilities due to changes in interest rates and inflation expectations. Approximately 62% of assets were invested in growth assets designed to provide the expected return of the strategy (being diversified growth funds, bond portfolios and property). At the beginning of January 2020 the trustees divested all holdings in the M&G Secured Property Income Fund and temporarily held the assets in the BMO Sterling Liquidity fund until they were invested into the M&G Alpha Opportunities fund at the beginning of February 2020. As gilt yields fell significantly the LDI portfolio distributed cash to bring the leverage back to desired levels, leaving a 7% cash allocation. This is being utilised to meet liquidity requirements of the scheme and naturally de-leverages the LDI portfolio. The trustees will look to invest the funds in 2020 when recalibrating the LDI portfolio following the valuation. This strategy reflects the scheme's risk profile and the trustees' and company's attitude to risks.

GMP-equalization United Kingdom

In line with the 2018 Lloyds judgement which ruled that GMPs must be equalized across males and females, 2.2% was added to the liabilities at the measurement date. This is consistent with last year's approach. If the allowance for GMP equalisation is changed to something other than 2.2%, the impact must be recognized through other comprehensive income.

Other defined benefit plans

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. Accell Group's defined benefit plans no longer involve contributions from employees anymore, because the plans are mainly frozen.

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

	2019 UK plan	2019 Other	2018 UK plan	2018 Other
Discount rate	1.9%	0.8%	2.6%	1.6%
Expected rates of salary increase	2.0%	0.1%	2.0%	0.4%
Inflation	2.4%	1.6%	2.6%	1.7%
Average longevity at retirement age for current pensioners (years):				
Males	21.4	20.1	21.2	18.9
Females	24.4	23.4	23.2	22.4
Average longevity at retirement age for current employees (years):				
Males	23.3	22.7	23.1	21.2
Females	26.5	25.6	25.3	24.6

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

	2019	2018
	€ x 1,000	€ x 1,000
Current service cost	31	2
Past service cost and losses (gains) from settlements	-	1,377
Administration expense	16	45
Net interest expense (income)	-424	-229
Total expenses defined benefit plans	**-377**	**1,195**

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

	2019	2018
	€ x 1,000	€ x 1,000
Remeasurement on the net defined benefit obligation (asset):		
Return on plan assets (excluding amounts included in net interest expenses)	-7,628	1,878
Actuarial losses (gains) from changes in demographic assumptions	1,647	-1,405
Actuarial losses (gains) arising from changes in financial assumptions	5,668	-2,698
Actuarial losses (gains) arising from experience adjustments	148	-3,558
Adjustments for restrictions on the defined benefit asset	-	-
Prior year(s) presentation adjustment	-	-
Remeasurement net defined benefit plans	**-165**	**-5,783**

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

At 31 December 2018	UK plan	Other	Total
	€ x 1,000	€ x 1,000	€ x 1,000
Present value of funded pension obligation	63,943	562	64,505
Minus: Fair value of plan assets	-83,587	-314	-83,901
Deficit/ (surplus)	**-19,644**	**248**	**-19,396**
Present value of unfunded defined benefit obligations	-	5,963	5,963
Funded status	**-19,644**	**6,211**	**-13,433**
Restrictions on assets recognised	-	-	-
Net defined benefit obligation (asset) at 31 December 2018	**-19,644**	**6,211**	**-13,433**

At 31 December 2019	UK plan	Other	Total
	€ x 1,000	€ x 1,000	€ x 1,000
Present value of funded pension obligation	72,585	81	72,666
Minus: Fair value of plan assets	-94,926	-125	-95,051
Deficit/ (surplus)	**-22,341**	**-44**	**-22,385**
Present value of unfunded defined benefit obligation	-	6,394	6,394
Funded status	**-22,341**	**6,350**	**-15,991**
Restrictions on assets recognised	-	-	-
Net defined benefit obligation (asset) at 31 December 2019	**-22,341**	**6,350**	**-15,991**

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 2018	74,415	6,790	81,205
Current service cost	-	2	2
Past service costs, including (gains)/losses from curtailments	1,377	0	1,377
Interest cost	1,646	107	1,753
Actuarial (gains) and losses arising from changes in demographic assumptions	-1,405	-	-1,405
Actuarial (gains) and losses arising from changes in financial assumptions	-2,777	79	-2,698
Actuarial (gains) and losses arising from experience adjustments	-3,567	9	-3,558
Liabilities extinguished on settlements	-518	-	-518
Exchange differences on foreign plans	-786	22	-764
Benefits paid	-4,442	-484	-4,926
Defined benefit obligation at 31 December 2018	**63,943**	**6,524**	**70,467**
Current service cost	-	31	31
Past service costs, including (gains)/losses from curtailments	-	-	-
Interest cost	1,654	103	1,757
Actuarial (gains) and losses arising from changes in demographic assumptions	1,642	5	1,647
Actuarial (gains) and losses arising from changes in financial assumptions	5,042	626	5,668
Actuarial (gains) and losses arising from experience adjustments	0	148	148
Liabilities extinguished on settlements	0	-	0
Exchange differences on foreign plans	4,077	24	4,101
Benefits paid	-3,773	-986	-4,759
Defined benefit obligation at 31 December 2019	**72,585**	**6,475**	**79,060**

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 2018	89,375	450	89,826
Interest income	1,978	4	1,982
Remeasurement gain (loss):			
Return on plan assets (excluding amounts included in net interest expense)	-1,893	15	-1,878
Plan assets distributed on settlements	-	-	-
Contributions from the employer	85	9	94
Administration expense	-45	-	-45
Assets distributed on settlements	-518	-	-518
Exchange differences on foreign plans	-953	2	-951
Benefits paid	-4,442	-166	-4,608
Fair value of the plan assets at 31 December 2018	**83,587**	**314**	**83,901**
Interest income	2,178	3	2,181
Remeasurement gain (loss):			
Return on plan assets (excluding amounts included in net interest expense)	7,613	15	7,628
Plan assets distributed on settlements	-	-	-
Contributions from the employer	125	14	139
Administration expense	-16	-	-16
Assets distributed on settlements	-	-	-
Exchange differences on foreign plans	5,212	12	5,224
Benefits paid	-3,773	-233	-4,006
Fair value of the plan assets at 31 December 2019	**94,926**	**125**	**95,051**

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

	2019	2018
	€ x 1,000	€ x 1,000
Index-linked gilts	-	-
Liability driven investment	20,597	22,529
Corporate bonds	12,151	10,736
Property bonds	12,564	11,610
Absolute return bonds	22,259	20,369
Diversified growth funds	20,582	17,806
Cash and cash equivalents	6,898	851
Total debt securities and equity investments	**95,051**	**83,901**

The fair values of the above equity investments and debt securities are determined based on quoted market prices in active markets. The average duration of the defined benefit obligation is 17 years at 31 December 2019 (2018: 17 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. interdependence of inputs were not taken into account in the analyses:

	2019	2018
	€ x 1 million	€ x 1 million
Impact on defined benefit obligation		
Discount rate + 0.1%	-0,9	-0,9
Discount rate - 0.1%	1,0	1,0
Expected salary growth + 0.1%	0.5	0,6
Expected salary growth - 0.1%	-0.5	-0,6

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 € 0.1 million with regard to the defined benefit plans in 2020.

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. The provision for deferred employee benefits is expected to have a duration of between one and five years.

Accounting estimates and judgements

To make the actuarial calculations for the defined benefit plans, Accell Group needs to make use of assumptions for discount rates, future pension increases and life expectancy as described in this note. The actuarial calculations are made by external actuaries based on inputs from observable market data, such as corporate bond returns and yield curves to determine the discount rates used, mortality tables to determine life expectancy and inflation numbers to determine future salary and pension growth assumptions.

Accounting policies

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 comprises actuarial gains and losses and the return on plan assets (excluding interest), are recognized immediately in other comprehensive income. 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.

6.11.4 DEFERRED REVENUE

	2019	2018
	€ x 1,000	€ x 1,000
Non-current	1,185	1,215
Current	486	1,307
Balance at	**1,671**	**2,522**

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

Accounting policy

The extended warranty fee received from insurance companies (a fee per insurance contract sold) is taken to deferred revenue and released to profit or loss over the time of the committed warranty service period on a straight-line basis.

6.12 DERIVATIVES AND HEDGE ACCOUNTING

Accell Group has the following derivative financial instruments:

	2019	2018
	€ x 1,000	€ x 1,000
Current assets		
Forward exchange contracts - cash flow hedges	4,284	8,913
Current liabilities		
Forward exchange contracts - cash flow hedges	-1,431	-370
Interest rate swaps - cash flow hedges	-1,865	-1,046
Total	**988**	**7,497**

Accounting estimates
Accell Group makes estimates to determine the fair value of derivative financial instruments (see accounting policies in note 6.14*).*

Accounting policy
Accell Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures and not as speculative investments. 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 recognized in profit or loss except when the derivate is designated as a qualifying cash flow hedging instrument. Derivatives are presented as assets when the fair value is positive and as liabilities when the fair value is negative.

i. Classification of derivatives
Derivatives are only used for economic hedging purposes and not as speculative investments. The accounting policy for the cash flow hedges is set out in section iv.

ii. Hedge reserves

The hedge reserve relates to cash flow hedges and can be specified as follows:

	Cost of hedging	Spot component of currency forward	Interest rate swaps	Total cash flow hedge reserve
	€ x 1.000	€ x 1.000	€ x 1.000	€ x 1.000
Balance at 1 Januari 2019	**-**	**-3,422**	**779**	**-2,643**
Change in fair value of hedging instrument recognized in OCI	-2,215	-7,083	1,374	-7,924
Reclassified to the cost of inventory	897	11,487	-	12,384
Reclassified to profit or loss (ineffectiveness)	5	-	-	5
Reclassified from OCI to profit and loss - included in the cost of materials	183	-	-	183
Reclassified from OCI to profit and loss - included in the net finance cost	-	-	-547	-547
Deferred tax	283	-1,101	-207	-1,025
Balance at 31 December 2019	**-848**	**-119**	**1,399**	**432**

	Spot and forward component of currency forward	Interest rate swaps	Total cash flow hedge reserve
	€ x 1,000	€ x 1,000	€ x 1,000
Balance at 31 December 2017	**6,930**	**144**	**7,074**
Initial application IFRS 9	-2,615	-	-2,615
Revised balance at 1 January 2018	**4,315**	**144**	**4,459**
Change in fair value of hedging instrument recognized in OCI	-14,926	1,446	-13,480
Reclassified to the cost of inventory	4,705	-	4,705
Reclassified to profit or loss (ineffectiveness)	-95	-	-95
Reclassified from OCI to profit and loss - included in the net finance cost	-	-600	-600
Deferred tax	2,579	-211	2,368
Balance at 31 December 2018	**-3,422**	**779**	**-2,643**

In the year under review, there were no reclassifications from the cash flow hedge reserve to profit or loss with respect to the foreign currency forwards.

iii. Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

Forward exchange contracts

For hedges of foreign currency purchases, the group enters into hedge relationships where the critical terms of the hedging instrument exactly match the terms of the hedged item. The group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer exactly match the critical terms of the hedging instrument, the group uses the hypothetical derivative method to assess effectiveness.

In hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecast transaction changes from the original estimate, or if there are changes in the credit risk of Accell Group or the derivative counterparty. In 2019 99% of the hedges were effective.

Interest rate swap
Accell Group holds an interest rate swap that has the same critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. Accell Group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps.

Hedge ineffectiveness for interest rate swaps is assessed using the same principles as for hedges of foreign currency purchases. Due to the upcoming interest rate benchmark reform, Accell Group has opted to the early adoption of the exceptions set out in the amendments to IFRS 9 so current cash flow hedging can be continued. Accell Group has interest rate swaps in a cash flow hedging relationship with an underlying notional amount of € 85 million with Euribor as the interest rate benchmark. The hedged item also has Euribor as the interest rate benchmark. The impact, on the transition date to a new interest rate benchmark, on the financial statements of Accell Group is not expected to be material as the switch to the new benchmark will be at the same moment in time for the hedging instrument and the hedged item because the same counterparty is involved.

Ineffectiveness may occur due to:

- the credit value/debit value adjustment on the interest rate swaps not matching the loans, and
- differences in critical terms between the interest rate swaps and loans.

There was no ineffectiveness with respect to the interest rate swaps in 2019 and 2018, because all critical terms matched during the years.

iv. Accounting policy
When a derivative is designated and qualifies as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income (OCI) and accumulated in the hedging reserve. The cost of hedging is a separate component in the cash flow hedging reserve and reflects the gain or loss on the portion excluded from the designated hedging instrument that relates to the forward element of forward contracts. It is initially recognised in other comprehensive income and accounted for similarly to gains or losses in the cash flow hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- When the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), the deferred hedging gains and losses (including forward points) are included in the initial cost of the asset. The deferred amounts are ultimately recognized in profit or loss as the hedged item affects profit or loss through cost of materials.
- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognized in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

6.13 FINANCIAL RISK MANAGEMENT

This note explains Accell Group's exposure to financial risks and how these risks could affect its future financial performance. Current year profit and loss information has been included where relevant to add further context.

Financial risk management is predominantly controlled by the central treasury department ('Group Treasury') under policies approved by the Board of Management. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the group companies. The Board of Management provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and use of derivative financial instruments.

When all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. This will effectively result in the recognition of interest expense at a fixed interest rate for the hedged floating rate loans and inventory at the fixed foreign currency rate for the hedged purchases.

RISK	EXPOSURE ARISING FROM	MEASUREMENT	MANAGEMENT
Market risk - foreign exchange	▪ Future commercial transactions ▪ Recognized financial assets and liabilities not denominated in functional currencies	▪ Cash flow forecasting ▪ Sensitivity analysis	▪ Foreign currency forwards
Market risk - interest rate	▪ Long-term borrowings at variable rates	▪ Sensitivity analysis	▪ Interest rate swaps
Credit risk	▪ Cash equivalents ▪ Trade receivables ▪ Derivative financial instruments	▪ Aging analysis ▪ Credit rating	▪ Credit limits ▪ Title of retention ▪ Credit insurance for customers open balance > € 100k ▪ Strict receivable collection and management
Liquidity risk	▪ Borrowings and other liabilities	▪ Cash flow forecasting	▪ Availability of committed credit lines and borrowing facilities

A. Market risk

i. Foreign exchange risk

Exposure

Accell Group's exposure to foreign currency risk from recognized financial assets and liabilities not denominated in functional currencies at the end of the reporting period is limited as the significant exposure to USD, JPY and TWD are respectively 87%, 80% and 100% hedged with foreign currency forwards.

Instruments used
Accell Group operates internationally and is exposed to foreign exchange risk, primarily the USD, JPY and TWD. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated

in a currency that is not the functional currency of the relevant group entity. The risk is measured through a forecast of highly probable purchase transactions denominated in foreign currencies. The risk is hedged with the objective of minimizing the volatility of Accell Group's currency cost of highly probable forecast inventory purchases.

Accell Group's risk management policy is to hedge between 75% and 100% of its forecasted purchases in foreign currencies up to 12 month in advance (July until June), subject to a review of the cost of implementing each hedge.

For the year ended 31 December 2019, approximately 96% (2018: 89%) of inventory purchases were hedged in respect of foreign currency risk. At 31 December 2019 100% (2018: 99%) of forecasted inventory purchases during the first six month of 2020 qualified as 'highly probable' forecast transactions for hedge accounting purposes.

Accell Group uses foreign currency forwards to hedge its exposure to foreign currency risk. Under the group's policy the critical terms of the forwards must align with the hedged items.

Only the spot component of the FX forwards is designated in the hedge relationships and the fair value change is accounted for in the hedge reserve (as far as the hedging relation is effective). The spot component is determined with reference to relevant spot market exchange rates. The differential between the contracted forward rate and the spot market exchange rate is defined as the forward points. It is discounted, where material. When the critical terms of the FX forward match the hedge item, the forward component is accounted for as cost of hedging. When there is a mismatch in critical terms, the forward component is recognized as cost of hedging to the extent that the forward element is related to the hedged item (aligned forward element). The remainder is recognized in the income statement.

Hedge of net investment in foreign entity

Due to its international operations Accell Group holds net investments in foreign operations, mainly in USD, CHF, GBP and TRY and to a smaller extend in TWD and CNY, and as such is exposed to foreign exchange risk. The risk management strategy is not to hedge the foreign exchange risk in net investments in foreign operations.

Effects of hedge accounting on the financial position and performance

The effects of the foreign currency related hedging instruments on Accell Group's financial position and performance are as follows:

	2019	2018	2019	2018	2019	2018	2019	2018
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
	USD		JPY		TWD		Other	
Foreign currency forwards								
Hedge ratio	1:1	1:1	1:1	1:1	1:1	1:1	1:1	1:1
Carrying amount	1,375	6,136	737	2,215	1,480	54	-739	138
Notional amount	96,250	135,085	6,792,338	9,110,000	846,000	561,000		
Maturity date	Jan 2020 - Jun 2020	Jan 2019 - Dec 2019	Jan 2020 - Jun 2020	Jan 2019 - Jun 2019	Jan 2020 - Jun 2020	Jan 2019 - Jun 2019	Jan 2020 - Jun 2020	Jan 2019 - Dec 2019
Weighted average hedge rate for the year (including forward points)	1.19	1.17	128.39	126.59	35.31	34.90		

ii. Cash flow and fair value interest rate risk

Accell Group's main interest rate risk arises from borrowings at variable rates, which expose the group to cash flow interest rate risk. Accell Group manages its exposure to interest rate risk through the proportion of fixed and variable rate net debt in its total net debt portfolio. Such a proportion is determined once each year by the Board of Management on the recommendation of Group Treasury as part of the annual budget process. In 2019 and 2018, Accell Group's borrowings at variable rate were mainly denominated in euro.

Accell Group's borrowings and receivables are carried at amortized cost. The borrowings are periodically contractually repriced (see below) and to that extent are also exposed to the risk of future changes in market interest rates. The exposure of Accell Group's borrowing to interest rate changes and the contractual re-pricing dates of the borrowings at the end of the reporting period are as follows:

	2019		2018	
	€ x 1,000	% of total loans	€ x 1,000	% of total loans
Bank overdrafts	44,603	18%	28,885	16%
Other borrowings - repricing dates:				
6 month or less	178,398	72%	130,079	73%
6-12 months	6,995	3%	2,750	2%
1-5 years	15,000	6%	15,000	8%
Over 5 years	1,574	1%	1,765	1%
Total interest-bearing liabilities	**246,571**	**100%**	**178,479**	**100%**

An analysis by maturities is provided in note 6.9.1. The percentage of total loans shows the proportion of loans that are currently at variable rates in relation to the total amount of borrowings.

Instruments used by the group

The swap currently in place cover approximately 37% (2018: 53%) of the variable loan principal outstanding. The fixed interest rates of the swap is 0.64% (2018: 0.64%) and the variable margins of the loans are between 1.2% and 1.85% (2018: 1.0% and 1.85%) above the 3-month EURIBOR which at the end of the reporting period was -0.38% (2018: -0.31%).

The swap contracts require settlement of net interest receivable or payable every 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

Effects of hedge accounting on the financial position and performance

The effects of the interest rate swap on the financial position and performance are as follows:

	2019	2018
	€ x 1,000	€ x 1,000
Interest rate swaps		
Hedge ratio	1:1	1:1
Carrying amount	-1,865	-1,046
Notional amount	85,000	85,000
Maturity date	Mar 2024	Mar 2024
Weighted average hedged rate for the year (excluding margin):	0.64%	0.64%

iii. Sensitivity

In respect of foreign exchange risk Accell Group is primarily exposed to changes in the EURUSD, EURJPY and EURTWD exchange rates. The sensitivity of the profit or loss to changes in the exchange rates arises mainly from USD and JPY denominated financial instruments and the impact on other components of equity arises from foreign forward exchange contract designated as cash flow hedges. The impact of foreign exchange risk from net investment risk is ignored.

In respect of interest rate risk, profit or loss is sensitive to higher/lower interest expenses from borrowings as a result of changes in interest rates. Equity changes as a result of an increase/decrease in the fair value of the cash flow hedges of borrowings through other comprehensive income.

	Profit before tax		Equity	
	Strengthening	Weakening	Strengthening	Weakening
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
	2019		2019	
USD (5% movement) [1]	1,189	-1,314	7,711	-8,522
JPY (5% movement) [1]	1,124	-1,242	4,402	-4,865
TWD (5% movement) [1]	8	-9	2,154	-2,381
Unhedged variable interest rate instruments (100 bps movement) [1]	-987	2,213	-524	1,176

1) Holding all other variables constant.

B. Credit risk

Credit risk arises from cash and cash equivalents and favorable derivative financial instruments with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

i. Risk management

Credit risk is managed on a group basis. For banks and financial institutions, only independently rated parties with a rating between B+ to AA- based on Fitch or S&P ratings are accepted.

If wholesalers and retailers are independently rated, these ratings are used. Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Management. Line management regularly monitors compliance with the credit limits set for wholesalers and retailers. Wholesalers and retailers with accounts receivables balances greater than € 0.1 million are required to be insured through Accell Group's global credit insurance programme. Sales to consumers are required to be settled in cash or using major credit cards, mitigating credit risk.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The derivative contracts are entered into with banks and financial institution counterparties that are rated BBB+ to AA-, based on Fitch or S&P ratings.

ii. Impairment of financial assets
Accell Group’s trade receivables are subject to the simplified expected credit loss model (see note 6.8.2), while other financial assets, other receivables and cash and cash equivalents are subject to the general impairment requirements of IFRS 9. The identified impairment loss was deemed immaterial.

C. Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. Due to the dynamic nature of the underlying businesses, Group Treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of Accell Group’s liquidity reserve (comprising the undrawn borrowing facilities below) and cash on the basis of expected cash flows. This is generally carried out at local level in Accell Group's operating companies in accordance with practice and limits set by Group Treasury. These limits vary by location to take into account the liquidity of the market in which the operating entity operates. In addition, Accell Group’s liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

i. Financing arrangements
Accell Group has access to the following undrawn borrowing facilities at the end of the reporting period:

	2019	2019	2019	2018	2018	2018
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
	Limit	Usage	Undrawn	Limit	Usage	Undrawn
Committed	350,000	231,347	118,653	375,000	172,122	202,878
Uncommitted	21,000	15,224	5,776	21,000	6,357	14,643
Total	**371,000**	**246,571**	**124,429**	**396,000**	**178,479**	**217,521**

Out of the € 275 million revolving credit facility, as set out in note 6.9.1, € 75 million is allocated to bank overdraft facilities. The bank overdraft facilities may be drawn at any time and are committed at the same tenor as the long-term funding facilities. The overview of committed and uncommitted borrowing facilities excludes the optional (uncommitted) accordion facility for the sum of € 150 million.

ii. Maturities of financial liabilities
The tables below shows an analysis of Accell Group’s financial liabilities into relevant maturity groupings based on their contractual maturities for:

- all non-derivative financial liabilities, and
- net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

		2019				
			Contractual cash flows			
		Carrying amount	Total	< 1 year	1-5 year	> 5 year
	Notes	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Lease liabilities	*6.9.1*	30,223	32,653	7,983	20,686	3,984
Revolving credit facility	*6.9.1*	-126,674	-126,674	-126,674	-	-
Bank overdrafts	*6.9.1*	-44,603	-44,603	-44,603	-	-
Terms loans (including Schuldschein)	*6.9.1*	-73,720	-81,348	-1,527	-79,821	-
Other bank loans	*6.9.1*	-1,574	-1,662	-214	-858	-590
Trade and other payables	*6.8.3*	210,918	210,918	210,918	-	-
Non-derivative financial liabilities		**-5,429**	**-10,715**	**45,884**	**-59,993**	**3,394**
Interest rate swaps used for hedging (net)	*6.12*	-1,865	-2,278	-540	-1,738	-
Forward exchange contracts used for hedging (net)	*6.12*	2,853	2,853	2,853	-	-
Derivative financial liabilities (assets)		**988**	**575**	**2,313**	**-1,738**	**-**

		2018				
			Contractual cash flows			
		Carrying amount	Total	< 1 year	1-5 year	> 5 year
	Notes	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Revolving credit facility	*6.9.1*	-49,194	-49,194	-49,194	-	-
Bank overdrafts	*6.9.1*	-28,885	-28,885	-28,885	-	-
Terms loans (including Schuldschein)	*6.9.1*	-98,600	-110,155	-2,185	-7,570	-100,400
Other bank loans	*6.9.1*	-1,800	-1,907	-244	-887	-776
Trade and other payables	*6.8.3*	-212,918	-212,918	-212,918	-	-
Non-derivative financial liabilities		**-391,397**	**-403,059**	**-293,426**	**-8,457**	**-101,176**
Interest rate swaps used for hedging (net)	*6.12*	-1,046	-2,835	-540	-2,160	-135
Forward exchange contracts used for hedging (net)	*6.12*	8,543	8,543	8,543	-	-
Derivative financial liabilities (assets)		**7,497**	**5,708**	**8,003**	**-2,160**	**-135**

6.14 FAIR VALUE MEASUREMENT

1. 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.

		2019 Carrying amount				
		Fair value - hedging instruments	Loans and receivables	Other financial liabilities	Total fair value	Fair value hierarchy
	Notes	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	
Forward exchange contracts used for hedging	*6.12*	4,284	-	-	4,284	Level 2
Financial assets measured at fair value		**4,284**	**-**	**-**	**4,284**	
Other financial assets	*6.10.5*	-	4,369	-	4,369	
Trade and other receivables	*6.8.2*	-	171,649	-	171,649	
Cash and cash equivalents		-	11,482	-	11,482	
Financial assets not measured at fair value		**-**	**187,501**	**-**	**187,501**	
Interest rate swaps used for hedging	*6.12*	1,865	-	-	1,865	Level 2
Forward exchange contracts used for hedging	*6.12*	1,431	-	-	1,431	Level 2
Contingent consideration	*6.11.2*	-	-	2,889	2,889	Level 3
Financial liabilities measured at fair value		**3,296**	**-**	**2,889**	**6,185**	
Term loans	*6.9.1*	-	-	58,820	58,820	
Term loan (Schuldschein)	*6.9.1*			14,900	16,308	Level 2
Other bank loans (secured)	*6.9.1*	-	-	1,574	1,574	
Lease liabilies	*6.9.1*	-	-	30,223	30,223	
Revolving credit facility	*6.9.1*	-	-	126,674	126,674	
Bank overdrafts	*6.9.1*	-	-	44,603	44,603	
Trade payables and other current liabilities	*6.8.3*	-	-	210,918	210,918	
Financial liabilities not measured at fair value		**-**	**-**	**487,712**	**489,120**	

	Notes	2018 Carrying amount Fair value - hedging instruments	Loans and receivables	Other financial liabilities	Total fair value	Fair value hierarchy
	Notes	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	
Forward exchange contracts used for hedging	*6.12*	8,913	-	-	8,913	Level 2
Financial assets measured at fair value		**8,913**	**-**	**-**	**8,913**	
Other financial assets	*6.10.5*	-	3,212	-	3,212	
Trade and other receivables	*6.8.2*	-	149,730	-	149,730	
Cash and cash equivalents			26,708		26,708	
Financial assets not measured at fair value		**-**	**179,650**	**-**	**179,650**	
Interest rate swaps used for hedging	*6.12*	1,046	-	-	1,046	Level 2
Forward exchange contracts used for hedging	*6.12*	370	-	-	370	Level 2
Contingent consideration	*6.11.2*	-	-	5,069	5,069	Level 3
Financial liabilities measured at fair value		**1,416**	**-**	**5,069**	**6,485**	
Term loans	*6.9.1*	-	-	83,750	83,750	
Term loan (Schuldschein)	*6.9.1*			14,850	16,718	Level 2
Other bank loans (secured)	*6.9.1*	-	-	1,800	1,800	
Revolving credit facility	*6.9.1*	-	-	49,194	49,194	
Bank overdrafts	*6.9.1*	-	-	28,885	28,885	
Trade payables and other current liabilities	*6.8.3*	-	-	212,918	212,918	
Financial liabilities not measured at fair value		**-**	**-**	**391,397**	**393,265**	

2. Transfers between Level 1 and 2

There were no transfers from Level 1 to Level 2 or from Level 2 to Level 1 in 2019 (and 2018).

Accounting estimates regarding fair value measurement

i. Valuation techniques

The fair value of the forward exchange contracts and interest rate swaps is determined on the basis of inputs other than observable quoted rates/prices (level 2). Generally accepted valuation methods are used to determine fair value. The value determined in this way is equal to the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants.

Forward exchange contracts

Values are determined using the discounted future cash flow model. The fair value is determined using (interpolated) quoted forward exchange rates at the reporting date and discounted with the appropriate discount factor derived from the appropriate swap curve.

Interest rate swaps

Values are determined using the discounted future cash flow model. The market value of a swap is calculated as the sum of two different loans. In the event of a fixed – floating swap, the interest on the first loan is based on a fixed rate, while the interest on the second loan is based on a floating rate. Each individual loan (also known as the leg of a swap) has its own market value. This market value is the sum of the individual future cash flows, discounted by the appropriate discount factor. The individual future cash flows are based on the rate of the contract (fixed leg) or on a forward interest rate curve (floating leg). The fair value is subject to a credit risk adjustment that reflects the credit risk of Accell Group and of the counterparty.

Contingent consideration

The determination of the fair value of the contingent consideration is explained in note 6.11.2.

Other financial liabilities

Values are determined using the discounted cash flow model. The valuation model takes into account the present value of expected payment, discounted using a risk-adjusted discount rate.

ii. Measurement of fair values

A number of Accell Group's accounting policies and disclosures require fair value measurement, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or a liability, Accell Group uses observable market data as much 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 occurred.

6.15 TAX

6.15.1 INCOME TAX

The effective corporate income tax charge comprises the following:

	2019	2018 [1]	2019	2018
	€ x 1,000	€ x 1,000	%	%
Current taxes	16,226	16,357		
Deferred taxes	-24,467	-660		
Taxes in income statement	**-8,241**	**15,697**		
Taxes based on the weighted average applicable rate	12,790	16,404	25.0	30.0
Participation exemption	1,897	-323	3.7	-0.6
Exempted revaluation profit	-	-2,372	0.0	-4.3
Benefits from tax facilities	-147	-31	-0.3	-0.1
Deferred tax assets not carried forward	861	670	1.7	1.2
Derecognition of deferred tax assets	186	462	0.4	0.8
Recognition of deferred tax assets	-22,942	-	-44.9	0.0
Previously unrecognized tax assets recouped	-	-75	0.0	-0.1
Adjustment of current taxes of prior years	-658	145	-1.3	0.3
Adjustment of deferred taxes of prior years	-	-156	0.0	-0.3
Adjustment in tax rate	-394	-32	-0.8	-0.1
Non-deductible amounts	166	1,005	0.3	1.8
Taxes in income statement	**-8,241**	**15,697**	**-16.1**	**28.7**

1) Figures for 2018 have been restated due to the classification of discontinued operations (see note 6.16.1).

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 2019 amounted to -16.1% (2018: 28.7%). The calculated weighted average tax rate of 25.0% mainly declines to the effective tax rate of -16.1% due to the recognition of the deferred tax assets of € 21.4 million for the application of the Dutch liquidation loss facility regarding US business (-41.9%) and the Finnish business (-3.0%). The main offsetting effect comes from the participation exemption, which increases the effective tax rate (+3.7%) as it includes the cumulative translation loss on the net US$ investment (see note 6.16.1). See note 6.15.2 for more details on the recognition of the deferred tax assets.

Accounting policy

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 other comprehensive income.

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.

6.15.2 DEFERRED TAXES

Deferred taxes comprise the following:

	2019	2018
	€ x 1,000	€ x 1,000
Deferred tax assets	25,848	2,696
Deferred tax liabilities	-16,794	-18,922
Net deferred taxes	**9,054**	**-16,226**

The movement in the deferred tax assets was as follows:

	Loss carry forwards consolidated companies	Financial instruments	Net defined benefit obligation	Other long-term employee benefits	Inventory valuation	Other deferred taxes	Total deferred tax assets
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Restated balance as at 1 January 2018	**880**	**1,486**	**-**	**-**	**-**	**199**	**2,565**
Charged through other comprehensive income	-	-	915	438	342	-	1,695
Charged through other comprehensive income	-	-1,486	18	-	-	-	-1,468
Charged through income statement	83	-	-45	15	-41	-33	-21
Change in income tax rate	-	-	-	-	-	-	-
Transfer from/to current tax	-	-	-	-	-	-	-
Currency translation differences	-15	-	-	-52	-8	-	-75
Balance at 31 December 2018	**948**	**-**	**888**	**401**	**293**	**166**	**2,696**
Outgoing business combinations	-53	-	-	-	-	-	-53
Charged through other comprehensive income	-	144	179	-	-	-	323
Charged through income statement	23,012	-	-43	83	-117	-33	22,902
Change in income tax rate	-	-	-	-	-	-	-
Transfer from/to current tax	-	-	-	-	-	-	-
Currency translation differences	-3	-	-	-15	-2	-	-20
Balance at 31 December 2019	**23,904**	**144**	**1,024**	**469**	**174**	**133**	**25,848**

The movement in the deferred tax liabilities was as follows:

	Revaluation of property, plant and equipment	Financial instruments	Trademark valuation and customer lists	Net defined benefit asset	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
Balance at 1 January 2018	**-1,674**	**-**	**-6,163**	**-4,149**	**166**	**-11,820**
Added through business combination	-	-	-2,706	-	-511	-3,217
Reclassification	-	-	-	-915	-780	-1,695
Charged through other comprehensive income	-	-881	-	-2,049	-	-2,930
Charged through income statement	34	-	516	181	-24	707
Change in income tax rate	-	-	50	-	-	50
Transfer from/to current tax	-	-	-	-	-	-
Currency translation differences	8	-	-59	57	-23	-17
Balance at 31 December 2018	**-1,632**	**-881**	**-8,362**	**-6,875**	**-1,172**	**-18,922**
Added through business combinations	-	-	-	-	467	467
Reclassification	-	-	-		-	-
Charged through other comprehensive income	-	881	-	-325	-	556
Charged through income statement	386	-	670	-222	350	1,184
Change in income tax rate	-	-	394	-	-	394
Transfer from/to current tax	-	-	-	-	-	-
Currency translation differences	6	-	-63	-397	-19	-473
Balance at 31 December 2019	**-1,240**	**-**	**-7,361**	**-7,819**	**-374**	**-16,794**

Deferred tax assets and deferred tax liabilities are offset for the right-of-use assets and lease libilities.

Unrecognized tax assets

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 € 45.5 million (2018: € 126.3 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 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 30 years for € 1.1 million and indefinite for € 44.4 million. As Accell Group will apply the Dutch liquidation loss facility, the carry forward losses of US of € 83.9 million are no longer disclosed.

Recognised liquidation loss
In 2019, Accell Group reached agreement with a private equity firm on the sale of its loss making US business of Accell North America Inc. Accell Group incurred a liquidation loss of € 168.3 million. Accell Group currently expects qualification for the requirements of the Dutch liquidation loss facility to be probable.

Management has determined that the full recoverability of cumulative tax losses is uncertain. However, management considers it probable that future taxable profits will be available against which such losses can be used. Based on the five-year business plan, profitability gained in the past and current estimates of future taxable profits, management recognizes a taxable effect of € 95.5 million (tax impact: € 21.4 million).

Unrecognised liquidation loss
For the remaining liquidation loss regarding the sale of US business of Accell North America, Inc. of € 72.8 million. At this point in time, management considers that it is not probable that these losses can be offset against future taxable profits. However, management is exploring possibilities of realistic tax planning opportunities that are consistent with Accell Group's business strategy. The expiry date of the tax losses for which no deferred tax asset has been recognized is 31 December 2026.

Accounting estimates and judgements
The tax legislation in the countries in which Accell Group operates is often complex and subject to interpretation. Judgement is required to determine the current and deferred income tax position. New information may become available that causes Accell Group to change its judgement regarding the adequacy of existing tax liabilities and the recoverability of deferred tax assets; such changes will impact the income tax expense in the period that such a determination is made.
Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Accounting policy
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 Accell Group is not 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.

6.16 ACQUISITIONS AND DISPOSALS

6.16.1 DISCONTINUED OPERATIONS

On 18 December 2018 Accell Group announced new steps to create a more performance focused, consumer centric bike and parts company. The most important decisions were to focus on the European core business and to run the North America business as a separate (non-core) business enabling focus on elimination of profit dilution. It meant the start of a strategic review of the North America business, in which various scenarios were considered varying between continuation of business via a heavily restructured organization to full liquidation of the companies.

On 7 August 2019 Accell Group announced the completion of the strategic review of its North American operations, which resulted in the sale and transfer of the loss making US business including the worldwide registrations of the Diamondback, Redline and IZIP brands (excluding Canada) to the Alta Cycling Group LLC, a portfolio company of Regent LP. Taking in consideration the earlier announced sale and transfer of the Canadian brand registrations to the Canadian Tire Corporation Limited ('CTC') it meant the North American operations were substantially liquidated per that date. As a consequence the closely related Beeline operations were sold as well on 11 October 2019 to a group of investors led by the StrataFusion Group.

All together the net loss from discontinued operations adds up to € 56.5 million in 2019 (2018: € 18.8 million), which excludes net finance cost which are accounted for in full in continuing operations. The result from continuing operations in 2019 is impacted by the outcome of the strategic review as well. The table below provides a breakdown of the impact for both discontinued operations and continuing operations in 2019 (see note 6.15.2 for the tax impact), as well as the re-presented disclosure for 2018:

	2019	2019	2018
	Discontinued operations	Continuing operations	Discontinued operations
	€ x 1,000	€ x 1,000	€ x 1,000
Net turnover	37,542		61,006
Allocated corporate general overhead expenses [1]	-2,252		-2,544
Operational result (normalized, refer to items below)	-14,357		-21,001
Operational result excluding corporate general overhead [1]	**-12,105**	**-2,252**	**-18,456**
Gain on sale of the Canadian brand registrations	3,021	11,379	-
Net transaction result on the sale of discontinued operations and sale Diamondback	-39,672	-5,375	-
Closing and restructuring costs	-7,754		-
Income from equity-accounted investees, net of tax	-		-386
Income tax expense	15	21,400	76
Net profit (loss) from discontinued operations	**-56,495**		**-18,766**

1) The operational result 2018 of -/-€ 18,456 thousand reconciles with the segment loss before interest, tax and allocated corporate general overhead expenses of segment Bikes non-core as reported in the Annual Report 2018 (with exception of an € 18 thousand difference due to different exchange rates used for adjusting for corporate general overhead expenses).

	2019	2019	2018
	Discontinued operations	Continuing operations	Discontinued operations
	€ x 1,000	€ x 1,000	€ x 1,000
Earnings per share (in euro)			
Basic earnings per share from discontinued operations	-2.11		-0.71
Diluted earnings per share from discontinued operations	-2.11		-0.71

Operational result from discontinued operations
The operational loss from discontinued operations of € 12.1 million (2018: € 18.5 million loss) include a net turnover of € 37.5 million (2018: € 61.0 million) and exclude as 'normalization' the closing and restructuring costs as well as the gain from the sale of the Canadian brand registrations. As required the corporate general overhead expenses previously allocated to the discontinued operations are reported in the result of continuing operations, which contributes € 2.3 million positively to the operational result of the discontinued business (2018: € 2.5 million).

Sale of Canadian brand registrations
On 12 July 2019 Accell Group reached agreement on the sale of its Canadian brand registrations of Raleigh, Diamondback, Redline and IZIP to Canadian Tire Corporation ('CTC') for US$ 16.0 million (€ 14.3 million) after Canadian sales tax of 13%. The gain was allocated to discontinued operations for € 3.0 million and for € 11.4 million to continuing operations (see note 6.7.2) based on the revenue distribution of the companies involved. At 31 December 2019 an amount of US$ 1.5 million (€ 1.3 million) is in escrow, which is excepted to be released at the end of July 2020.

Sale of US businesses
On 6 August 2019 Accell Group sold, net of debt and including ongoing commitments, the US business of Accell North America Inc. ‘as is’ in a single transaction to the Alta Cycling Group LLC ('Alta') including the worldwide registrations (excl. Canada) of the Diamondback, Redline and IZIP brands (see note 6.10.3). As part of the agreement Accell Group financed US$ 9.0 million of the trade payables transferred, of which US$ 5.0 million was repaid in December and the final tranche of US$ 4.0 million (€ 3.6 million) is due early March 2020. The purchase price for the business transferred was US$1, but Alta will pay to Accell 15% of the operating profits for each calendar year in the period beginning 1 January 2022 and ending on 31 December 2026, with a maximum amount of US$ 15.0 million. The net assets transferred were € 26.6 million. At 31 December 2019 Accell Group considers a future cash inflow from the earn-out possible, but does not recognize the contingent asset as the (accounting) criteria are not met. The transaction related expenses were € 1.4 million.

As part of the agreement Accell Group and Alta Cycling Group agreed upon a continuing relationship, in which Accell Group provides supply chain services (as an agent) and financing services (as a payment agent) and Alta Cycling Group is granted a license and exclusive distribution rights for the brands Raleigh, Ghost and Haibike for the 24 months following the business transfer. For the financing commitment given an expected credit loss of € 2.3 million is considered in the net transaction result. At 31 December 2019 the related (gross) receivable from Alta Cycling Group is US$ 11.8 million (€ 10.6 million), which is mainly due to ongoing commitments transferred per 6 August 2019.

On 11 October 2019 Accell Group transferred 100% of its shares in Beeline Bikes Inc. to Beeline Bikes Acquisition Company LLC, an investment vehicle of a group of investors led by Ken Stratford, CEO of StrataFusion Group. The purchase price for the business transferred was US$ 1 thousand, but the purchaser will pay to Accell Group 15% of the operating profits for each calendar year in the period beginning 1 January 2021 and ending on 31 December 2024. At 31 December 2019 Accell Group considers a future cash inflow from this earn-out possible, but does not recognize the contingent asset as the (accounting) criteria are not met. The net assets transferred were € 1.5 million.

Due to the substantial liquidation of its US business Accell Group was required (IFRS) to reclassify its cumulative translation loss of € 7.9 million on its net US$ investment from the translation reserve to the other reserves via the income statement.

Closing and restructuring costs

In the period August - December 2019 the restructuring and closing cost amounted to € 7.8 million, which include the cost of the conditional retention plan announced in December 2018, severance costs and severance benefits for employees that did not transfer and cost of discontinuation of business (insurance product liability).

Specification of the net transaction result on the sale of discontinued operations

€ x 1.000	Sale of US business 1)	Sale of Beeline 2)	Total impact discontinued operations
	€ x 1,000	€ x 1,000	€ x 1,000
Non-current assets	5,233	1,603	6,836
Inventories	25,218	-	25,218
Trade receivables	7,639	31	7,670
Other receivables	448	90	538
Cash and cash equivalents	0	226	227
Non-current liabilities	(3,022)	(504)	(3,525)
Trade payables	(8,526)	-	(8,526)
Other liabilities	(395)	(0)	(395)
Total net assets transferred	**26,596**	**1,447**	**28,042**
Cash consideration	-	1	1
Fair value of contingent consideration	-	-	-
Total consideration received	**-**	**1**	**1**
Gross transaction result on the sale of discontinued operations	**(26,596)**	**(1,446)**	**(28,041)**
Consultancy and legal costs	(1,442)	-	(1,442)
Expected credit loss on loan commitment	(2,300)	-	(2,300)
Reclassification of foreign currency translation reserve	(7,888)		(7,888)
Loss before tax	**(38,226)**	**(1,446)**	**(39,672)**
Income tax on loss	-	-	-
Net transaction result on the sale of discontinued operations	**(38,226)**	**(1,446)**	**(39,672)**
Cash consideration	-	1	1
Less: cash and cash equivalents transferred	-	226	226
Net cash inflow (outflow) on disposal	**-**	**(225)**	**(225)**

1) on 6 August 2019
2) on 11 October 2019

The remaining balance sheet line items at 31 December 2019 in the US are run-off line items and are therefore not held for sale.

Accounting policy

Discontinued operations comprise those activities that were disposed of during the period (or that were classified as held for sale at the end of the period), and represent a separate major line of business or geographical area that can be clearly distinguished for operational and financial reporting purposes. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. The income and expenses from discontinued operations are presented in the income statement as profit or loss from discontinued operations below the profit or loss from continuing operations. Corresponding disposal gains or losses are contained in the profit or loss from discontinued operations. The prior-year figures in the income statement are adjusted accordingly *and net cash flows attributable to the operating, investing and financing activities of discontinued operations are disclosed separately in the cash flow statement.*

6.16.2 DISPOSALS

In January 2019, an agreement was reached on the sale of Delta Metal Technology Ltd. This China-based company manufactures around 123 thousand frames for the benefit of Accell Group and also reported third-party revenue of € 0.8 million in 2018 (segment Bikes Core). Component production does not belong to the strategic activities of Accell Group and in combination with the perspective of sustained cost increases, the divestment process has accelerated. The transfer of shares took place on 1 December 2019 at net book value and had no adverse effect on net turnover and had minor negative impact of € 60 thousand on the result; presented as result on the sale of subsidiaries in the consolidated income statement.

6.17 OTHER

6.17.1 DIVIDEND

The dividend in respect of financial year 2018 was determined at € 0.50 per share or as stock dividend during the General Meeting of Shareholders of 24 April 2019. After the period in which shareholders could report their preference, 36% of the shareholders opted for the stock dividend. On 17 May 2019 € 8.5 million was distributed as cash dividend and 196,691 shares were issued as stock dividend and added to issued share capital.

The Board of Management proposes to make available to the shareholders a dividend with stock option of € 0.30 per share with respect to the current year. The dividend proposal is subject to approval by the General Meeting of Shareholders on 22 April 2020 and is not reflected as a liability in these financial statements.

6.17.2 OFF-BALANCE SHEET COMMITMENTS

The total off-balance sheet commitments, presented at nominal value, consist of:

	Total 2019	< 1 year	1-5 year	> 5 year	Total 2018
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Operational lease commitments	711	374	330	7	35,036
Property, plant and equipment ordered	1,080	1,080	-	-	50
Marketing and merchandising commitments	2,060	2,055	5	-	3,792
Other off-balance sheet commitments	10,382	3,169	7,213	-	11,594
Total	**14,233**	**6,679**	**7,548**	**7**	**50,472**

Accell Group has commitments from operating lease agreements for buildings and land, IT equipment, machinery and vehicles for use in its normal business operations. The commitments arising from marketing and merchandising are primarily related to sponsoring obligations. The other liabilities not included in the balance sheet mainly include software licensing commitments and commitments related to e-commerce initiatives.

6.17.3 CONTINGENT ASSETS AND LIABILITIES

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

Earn-outs

As at 31 December 2019, Accell Group holds a contingent liability for a conditional compensation for post combination services, with a maximum of € 1.5 million, which is payable to Velosophy management. The compensation is conditional on certain revenue and EBITDA targets for the start-ups Centaur Cargo and Carqon.

In the Stock Purchase Agreement between Accell North America and Beeline Bikes Acquisition Company, LLC is included an earn-out arrangement of 10% of the operation profit for each calendar year during the term 01.01.2021 - 31.12.2024.

In the Asset Purchase Agreement between (among others) Accell North America and Alta Cycling Group LLC is included an earn-out arrangement of 15% of the operating profits for each calendar year during the term 01.01.2022 - 31.12.2026, with a maximum amount of US$ 15 million.

Other contingent assets and liabilities

Per 31 December 2019 Accell Group holds a contingent claim of € 0.9 million in respect of custom duties and a contingent warranty claim of € 0.6 million. Furthermore there are a number of corporate/ parent guarantees, provided in the ordinary course of its business and a number of rental guarantees (€ 0.3 million).

6.17.4 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 Management 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 comprise the following:

	Number at 31-12-18	Number at 31-12-19	Granting date	Expiry date	Share price at granting date	Fair value at granting date
Conditional shares						
Conditional shares granted in 2016 [1)]	7,020	-	24-2-2016	3 jaar	€ 18.96	€ 113,000
Conditional shares granted in 2017 [2)]	14,542	2,280	9-3-2017	2-3 jaar	€ 22.05	€ 208,000
Conditional shares granted in 2018 [3)]	10,045	10,045	8-3-2018	2-3 jaar	€ 21.68	€ 100,000
Conditional shares granted in 2019 [4)]	-	21,816	6-3-2019	2-3 jaar	€ 19.58	€ 178,000

1) All conditional shares of directors vested in 2019.

2) Due to the early departure of two directors 5,460 conditional shares vested early, 3,401 conditional shares were paid to a member of the Board of Management and 3,401 conditional shares were forfeited.

3) A total of 9,095 shares were conditionally granted to members of the Board of Management in 2018 and 950 to directors of a subsidiaries.

4) All conditional shares were granted to members of the Board of Management.

The fair value will be charged to the income statement according to the straight-line method spread over the period between the grant date and the time that the shares are made unconditional, whereby adjustment will be made for the expected number of shares to be distributed. After final award, a lock-up period of two years applies for members of the Board of Management and three years for directors of subsidiaries.

Option plan

The company has an option scheme for the Board of Management. The Supervisory Board bases awards pursuant to the option scheme on the realization of the targets agreed with the Board of Management. The outstanding and granted option rights are explained and specified in note 6.17.5.

The fair value of the employee share options was 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 the grant date of the equity-settled share-based payment plans were as follows:

	2019	2018
Expected volatility (weighted-average)	27.73%	24.27%
Expected life (weighted-average)	3.9	3.9
Expected dividends	2.70%	2.10%
Risk-free interest rate (based on government bonds)	0.22%	0.71%

Expected volatility was based on an evaluation of the historical volatility of the Accell Group N.V.'s share price, in particular over the historical period commensurate with the expected term. The expected term of the instruments is based on historical experience and general option holder behaviour.

The reconciliation to personnel expenses is as follows:

	2019	2018
	€ x 1,000	€ x 1,000
Conditional shares management 2015	-	38
Conditional shares management 2016	48	48
Conditional shares management 2017	6	6
Conditional shares Board of Management 2016	-	31
Conditional shares Board of Management 2017	41	41
Conditional shares Board of Management 2018	89	-
Options Board of Management	8	18
Total expense recognized in personnel expenses	**192**	**182**

In the event of the full exercise of the option entitlements granted to date and the vesting of the conditional shares the number of issued shares would increase by 0.2% (2018: 0.2%). According to company policy, the options and shares granted are not covered by the company's purchase of its own shares. In the event of equity-settlement, new shares are issued by the company at the moment options are exercised.

Accounting policy

The grant-date fair value of equity-settled share-based payment awards granted to employees is 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.

6.17.5 REMUNERATION OF THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD

Board of Management

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 2019 a bonus varying between 20% and 45% of the salary will be paid.

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

	Salary	Fringe benefits (lease car)	Termination benefit	Bonus	Pension contributions	Share-based payments	Total 2019	Total 2018
	in €	in €	in €	in €	in €	in €	in €	in €
A.H. Anbeek	484,000	14,213	-	96,800	119,558	57,848	772,419	831,019
R.S. Baldew [1]	380,000	16,869	-	171,000	59,873	11,841	639,583	108,230
J. Both	320,000	17,661	-	64,000	68,983	65,627	536,271	510,657
R.J. Takens [2]	-	-	-	-	-	-	-	295,892
H.H. Sybesma [3]	-	-	-	-	-	-	-	1,310,957
J.M. Snijders Blok [4]	-	-	-	-	-	-	-	452,422
Total	**1,184,000**	**48,743**	**-**	**331,800**	**248,414**	**135,316**	**1,948,273**	**3,509,177**

1) Mr. Baldew started on 1 November 2018.
2) Mr. Takens resigned on 25 April 2017.
3) Mr. Sybesma resigned on 25 April 2018.
4) Mr. Snijders Blok stepped down from the Board on 25 April 2018 while remaining his other duties until his resignation on 31 December 2018.

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

	Award date	Number at 01-01-19	Issued in 2019	Exercised 2019	Forfeited in 2019	Number at 31-12-19	Exercise price	Expiration date	Liability at 31-12-19
A.H. Anbeek	8-3-2018	1,850	-	-	-	1,850	21.68	8-3-2026	6,697
R.S. Baldew	6-3-2019	-	1,650	-	-	1,650	19.58	6-3-2027	5,247
J.J. Both	8-3-2018	2,950	-	-	-	2,950	21.68	8-3-2026	10,679
J.J. Both	9-3-2017	6,850	-	-	-	6,850	22.05	9-3-2025	18,564
J.J. Both	24-2-2016	7,850	-	-	-	7,850	18.96	24-2-2024	18,762
		19,500	**1,650**	**-**	**-**	**21,150**			**59,948**

After awarding the options, the options vest immediately but remain in lock-up for three years. After the lock-up period there is an exercise period of five years. At 31 December 2019 the intrinsic value of the options is € 109,421 as the share price of Accell Group N.V. was € 25.80, which is higher than the exercise prices of the options.

The conditional shares that have been granted comprise the following:

	Award date	Number at 01-01-19	Granted in 2019	Vested 2019	Forfeited in 2019	Number at 31-12-19	Vesting date	Fair value at award date	Liability at 31-12-19
A.H. Anbeek	6-3-2019	-	12,155	-	-	12,155	6-3-2021	99,185	49,592
A.H. Anbeek	8-3-2018	1,830	-	-	-	1,830	8-3-2020	16,531	16,531
R.S. Baldew	6-3-2019	-	1,617	-	-	1,617	6-3-2021	13,195	6,597
J.J. Both	6-3-2019	-	8,044	-	-	8,044	6-3-2021	65,639	32,820
J.J. Both	8-3-2018	7,265	-	-	-	7,265	8-3-2020	65,627	65,627
J.J. Both	9-3-2017	6,802	-	3,401	3,401	-	9-3-2019	62,510	-
		15,897	**21,816**	**3,401**	**3,401**	**30,911**		**322,687**	**171,167**

After vesting there is a lock-up period for the shares of two years for the shares.

At the end of 2019 Mr. Anbeek held 7,000 shares in Accell Group N.V. and Mr. Both held 7,399 shares.

Internal pay ratio

The pay ratio from continuing operations of the Board of Management compared to the average employee compensation during 2019 is 15:1 (2018 adjusted: 15:1). 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 Management more than that of all other employees.

The ratio consists of the average remuneration of the Board of Management compared to the average cost of all other employees of Accell Group. The average remuneration of the Board of Management is calculated from the sum of the fixed salary, short-term incentives, share based payments, pensions and other benefits of the three members (3 FTEs) of the Board of Management. The average cost of all other employees is calculated from the personnel costs (see note 6.7.4) and the average number of employees during the year (3,410 FTEs) minus 3.

Supervisory Board

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

	2019	2018
	in €	in €
R. ter Haar [1]	64,000	-
J. van den Belt	-	17,333
P.B. Ernsting	52,000	52,000
D. Jansen Heijtmajer [2]	52,000	37,500
A.J. Pasman [3]	57,437	68,000
G. van de Weerdhof [2]	52,000	37,500
Total	**213,437**	**212,333**

1) Assigned as chairman of the Supervisory Board on 24 April 2019.
2) Assigned as a member of the Supervisory Board on 25 April 2018.
3) Resigned as chairman on 24 April 2019 and remained as a member of the Supervisory Board until 31 December 2019.

6.17.6 RELATED PARTIES

Identification of related parties

In addition to the Board of Management and the Supervisory Board (see note 6.17.5) Accell Group recognizes related party relationships with its associates and joint ventures (see note 6.20.3).

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	
	2019	2018	2019	2018
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Sale of goods and services				
Atala SpA	4,284	5,146	261	201
Raleigh South Africa	-	23	-	-
Purchase of goods				
Atala SpA	3,916	3,989	158	9
Dividends received				
Atala SpA	343	174	-	-

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.

6.17.7 AUDITOR FEES

The total costs for the services rendered by KPMG Accountants N.V. and its network consist of:

	KPMG Accountants N.V.	Other KPMG network	Total KPMG	KPMG Accountants N.V.	Other KPMG network	Total KPMG
			2019			2018
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Audit of the financial statements	754	463	1,217	691	538	1,229
Other audit assignments	20	2	23	-	10	10
Tax services	-	19	19	-	15	15
Other non-audit services	-	-	-	-	-	-
Total costs	**775**	**484**	**1,259**	**691**	**563**	**1,254**

6.17.8 SUBSEQUENT EVENTS

Corona virus outbreak

The full impact of the Corona virus outbreak on our business is unclear yet and we are monitoring the situation closely. Risk mitigating actions are being taken. Our current inventory levels provide for some buffer but we anticipate longer delivery times for certain components which may delay the introduction of several new innovative bike models.

New long term incentive plan

At 1 January 2020, 15,291 Accell Group N.V. shares were conditionally granted under a new long term incentive plan for a selected group of executives. The costs will be expensed in the income statement on a linear basis during the vesting period.

SPARTA

SPARTA (1917) IS THE PIONEER IN THE DUTCH ELECTRIC BICYCLE MARKET ON THE E-INNOVATION FRONT. SPARTA WORKS CONTINUOUSLY ON TECHNOLOGY-DRIVEN PRODUCT DEVELOPMENT, WHILE SIMULTANEOUSLY EXPLORING NEW TARGET GROUPS AND NEW MARKET SEGMENTS FOR E-BIKES. THE USE OF INTERNET OF THINGS TECHNOLOGIES MAKE THE E-BIKE RANGE PARTICULARLY ATTRACTIVE TO THE MODERN CITY CYCLIST.

6.18 COMPANY BALANCE SHEET

Before profit appropriation (in thousands of euro)

	Notes	31-12-19	31-12-18
ASSETS			
Property, plant and equipment		530	625
Right-of-use-assets		120	-
Goodwill	*6.20.1*	10,502	10,330
Other intangible assets		39	132
Deferred tax assets	*6.20.2*	21,544	-
Financial fixed assets	*6.20.3*	497,830	460,327
Other investments		178	-
Non-current assets		**530,743**	**471,414**
Loans to group companies	*6.20.7*	268,787	141,208
Receivables from group companies	*6.20.6*	2,434	22,000
Current tax assets		1,014	1,106
Other receivables		430	690
Other financial instruments	*6.20.8*	4,284	8,913
Cash and cash equivalents		-	6
Current assets		**276,949**	**173,923**
Total assets		**807,692**	**645,337**
EQUITY			
Share capital		268	266
Share premium		42,314	42,468
Hedging reserve		-432	2,644
Translation reserve		-12,607	-22,184
Other legal reserve		2,615	3,273
Other reserves		288,234	275,653
Unappropriated result		2,804	20,271
Total equity	*6.20.4*	**323,196**	**322,391**
PROVISIONS			
Provisions	*6.20.5*	**72,857**	**9,351**
LONG-TERM LIABILITIES			
Borrowings	*6.20.9*	73,720	98,600
Loans from group companies		-	2,226
Lease liabilities		120	-
Deferred tax liabilities		-	881
Long-term liabilities		**73,840**	**101,707**
CURRENT LIABILITIES			
Revolving credit facility	*6.20.9*	110,000	40,000
Loans from group companies	*6.20.7*	188,154	136,964
Liabilities to group companies	*6.20.6*	360	14,653
Other current liabilities		1,333	1,584
Other financial instruments	*6.20.8*	3,296	1,416
Bank overdrafts		34,656	17,271
Current liabilities		**337,799**	**211,888**
Total equity and liabilities		**807,692**	**645,337**

The reference numbers following the various items refer to the notes to the company financial statements. The explanatory notes form an integral part of the financial statements.

6.19 COMPANY INCOME STATEMENT

(in thousands of euro)

	Notes	2019	2018
Net turnover	*6.20.10*	**-**	**1,449**
Personnel expenses	*6.20.11*	-2,390	-3,816
Other expenses	*6.20.12*	-2,894	-7,159
Total operating expenses		**-5,284**	**-10,975**
Operating profit		**-5,284**	**-9,526**
Financial income		4,851	9,881
Financial expenses		-1,944	-2,845
Net finance cost	*6.20.13*	**2,907**	**7,036**
Profit before taxes		**-2,377**	**-2,490**
Income tax expense	*6.20.2*	22,611	310
Income from subsidiaries, net of tax		-9,542	22,451
Reclassification of foreign currency translation reserve	*6.20.4*	-7,888	-
Net profit		**2,804**	**20,271**

The reference numbers following the various items refer to the notes to the company financial statements. The explanatory notes form an integral part of the financial statements.

6.20 NOTES TO THE COMPANY FINANCIAL STATEMENTS

A. General
The company financial statements are part of the 2019 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 Dutch Civil Code. To set the principles for the recognition and measurement of assets and liabilities and the determination of the result for its company financial statements, Accell Group makes use of the option provided in section 2:362(8) of the Dutch 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 note 6.6 Notes to the consolidated financial statements for a description of these principles.

i. Result of participating interests
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.

Participations with a negative net asset value are valued at nil. If Accell Group N.V. guarantees the debts of the relevant participations, a provision is formed.

ii. 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.

6.20.1 GOODWILL
Changes in goodwill were as follows:

	2019	2018
	€ x 1,000	€ x 1,000
Cost		
Balance at 1 January	10,330	9,996
Investments as a result of business combinations	-	-
Currency translation differences	172	334
Balance at 31 December	**10,502**	**10,330**
Accumulated impairments		
Balance at 1 January	-	-
Impairments	-	-
Balance at 31 December	**-**	**-**
Carrying amount		
Balance at 1 January	**10,330**	**9,996**
Balance at 31 December	**10,502**	**10,330**

6.20.2 DEFERRED TAX ASSETS

Deferred tax assets mainly consist of € 21.4 million for a liquidation loss (see note 6.15.2 Deferred taxes of the consolidated financial statements).

6.20.3 FINANCIAL FIXED ASSETS

Changes in financial fixed assets were as follows:

	Notes	2019	2018[1]
		€ x 1,000	€ x 1,000
Subsidiaries			
Balance at 1 January		417,200	385,036
Initial application IFRS 9		-	-805
Revised balance at 1 January		**417,200**	**384,231**
Profit of participating interests		-9,542	22,451
Investments (divestments)		-	1,503
Received dividend participating interests		-	-
Translation differences		1,517	-2,135
Actuarial gains and losses		18	3,752
Legal restructuring		-	2,381
Reclassification subsidiary to provision	*6.20.5*	63,506	9,351
Repayments of semi-permanent loans		-21,532	0
Other movements		2,925	-4,334
Balance as at 31 December		**454,093**	**417,200**
Loans to group companies			
Balance at 1 January		43,127	18,665
Loans provided		1,720	25,662
Loans repaid		-1,110	-1,200
Translation differences		-	-
Balance at 31 December		**43,737**	**43,127**
Total financial fixed assets		**497,830**	**460,327**

The long-term loans to group companies are provided as long-term financing and are interest-bearing with an interest rate of 2.6% (2018: 2.4%).

The 2019 consolidated financial statements include Accell Group N.V., in Heerenveen, as well as the financial information of the following companies:

Consolidated subsidiaries	*Notes*	Participation Percentage
Accell Bisiklet Sanayi ve Ticaret 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 [1)]	*6.16.1*	100%
Accell Suisse AG, Alpnach Dorf, Switzerland		100%
Accell Asia Ltd (Taiwan Branch), Taipei, Taiwan		100%
Accell Asia Ltd, Hong Kong, People's Republic of China		100%
Babboe B.V., Amersfoort, the Netherlands		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%
E. Wiener Bike Parts GmbH, Sennfeld, Germany		100%
Etablissement Th. Brasseur S.A., Liège, Belgium [2)]		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%

1) The business activities of Accell North America Inc. were sold in 2019 and the remaining positions are in run-off.
2) The business activities of Etablissement Th. Brasseur S.A. were terminated or transferred to Accell Netherlands in 2018.
Delta Metal was sold on 1 December 2019.

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.

6.20.4 SHAREHOLDERS' EQUITY

The movement schedule of shareholders' equity for 2019 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 2019	**266**	**42,468**	**2,644**	**-22,184**	**3,273**	**275,653**	**20,271**	**322,391**
Net profit	-	-	-	-	-	-	2,804	2,804
Other comprehensive income	-	-	-3,076	9,577	-	18	-	6,519
Total comprehensive income	**-**	**-**	**-3,076**	**9,577**	**-**	**18**	**2,804**	**9,323**
Transfer to other reserve	-	-	-	-	-	20,271	-20,271	-
Dividends paid	-	-	-	-	-	-13,302	-	-13,302
Stock dividends	2	-2	-	-	-	4,770	-	4,770
Share-based payments	-	-152	-	-	-	192	-	40
Other changes	-	-	-	1	-658	630	-	-27
Balance at 31 December 2019	**268**	**42,314**	**-432**	**-12,607**	**2,615**	**288,232**	**2,804**	**323,196**

The movement schedule of shareholders' equity for 2018 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 2018	**263**	**43,219**	**-7,074**	**-22,483**	**2,704**	**272,191**	**10,501**	**299,321**
Initial application IFRS 9	-	-	2,615	-	-	-805	-	1,810
Revised balance as at 1 January 2018	**263**	**43,219**	**-4,459**	**-22,483**	**2,704.00**	**271,386**	**10,501**	**301,130**
Net profit	-	-	-	-	-	-	20,271	20,271
Other comprehensive income	-	-	7,103	-1,921	-	3,752	-	8,934
Total comprehensive income	**-**	**-**	**7,103**	**-1,921**	**-**	**3,752**	**20,271**	**29,205**
Transfer to other reserve	-	-	-	-	-	10,501	-10,501	-
Dividends paid	-	-	-	-	-	-13,141	-	-13,141
Stock dividends	3	-3	-	-	-	5,770	-	5,770
Share-based payments	-	-748	-	-	-	182	-	-566
Other changes	-	-	-	2,220	569	-2,797	-	-8
Balance at 31 December 2018	**266**	**42,468**	**2,644**	**-22,184**	**3,273**	**275,653**	**20,271**	**322,391**

Accell Group has issued share options (note 6.17.4 Share-based payments of the consolidated financial statements).

Ordinary shares
On 31 December 2019 the authorized capital consists of 55,000,000 ordinary shares, 5,000,000 cumulative preference shares F and 60,000,000 cumulative preference shares B, each with a nominal value of € 0.01. Of these, 26,802,751 (2018: 26,597,354) ordinary shares have been issued and duly paid at 31 December 2019, as a result the issued and paid-up share capital amounts to € 268,028.

Share premium reserve
The share premium is 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. In 2019 there has been a reclassification of € 7,888 to the income statement regarding the US discontinued 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 amounted to € 1.9 million (2018: € 1.4 million), 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 € 0.7 million (2018: € 1.9 million) has been recognized for capitalized development in the Netherlands.

Proposal for profit appropriation (Unappropriated result)
The Board of Management proposes to the General Meeting that the result after tax for 2019 of € 2.8 million (profit) should be allocated as follows: to pay out an amount of € 8.0 million as an optional dividend, equivalent to € 0.30 per share (2018: € 0.50) and to retrieve the remaining amount of € 5.2 million from the other reserves. The 2019 result after tax is presented as unappropriated profit in shareholders' equity.

Dividend
The Board of Management proposes to make available to the shareholders a dividend with stock option of € 0.30 per share with respect to the current year. The dividend proposal of € 8.0 million is subject to approval by the General Meeting of Shareholders on 22 April 2020 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 the financial year 2018 was determined at € 0.50 per share or as stock dividend during the General Meeting of Shareholders of 24 April 2019. After the period in which shareholders could report their preference, 36% of the shareholders opted for the stock dividend. On 17 May 2019 € 8.5 million was distributed as cash dividend and 196,691 shares were issued as stock dividend and added to issued share capital.

6.20.5 PROVISIONS
In 2019 and 2018 the negative net asset value of Accell North America Inc. was included under the provisions.

6.20.6 RECEIVABLES FROM AND LIABILITIES TO GROUP COMPANIES
The receivables from and liabilities to group companies are current receivables and current liabilities (no interest).

6.20.7 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 (3 months Euribor plus margin).

6.20.8 OTHER FINANCIAL INSTRUMENTS

See note 6.12 Derivatives and hedge accounting, note 6.13 Financial risk management and note 6.14 Fair values measurement of the consolidated financial statements for the note on other financial instruments; other financial instruments consist of forward exchange contracts (net financial asset) of € 2.9 million (2018: € 8.5 million) and interest rate swaps (financial liabilities) of € 1.9 million (2018: € 1.0 million), both used for hedging purposes.

6.20.9 BORROWINGS AND REVOLVING CREDIT FACILITY

See note 6.9 Net debt, note 6.13 Financial risk management and note 6.14 Fair value measurement of the consolidated financial statements for the note on borrowings of € 73.7 million (2018: € 98.6 million) and the revolving credit facility of € 110.0 million (2018: € 40.0 million). For the note on Accell Group's policies in respect of liquidity risk and market risk, consisting of currency risk and interest risk, see note 6.13 Financial risk management of the consolidated financial statements.

6.20.10 NET TURNOVER

In 2018 the net turnover comprised charges to group companies with regard to management fees.

6.20.11 PERSONNEL EXPENSES

Personnel expenses pertain solely to the Board of Management. The remuneration of the Board of Management, including pension charges as referred to in Section 2: 383, subsection 1 of the Dutch Civil Code, charged in the financial year to Accell Group N.V. amounted to € 1.9 million (2018: € 3.5 million) and to € 0.2 million (2018: € 0.2 million) for the members of the Supervisory Board. For details on the remuneration of the Board of Management and the Supervisory Board see note 6.17.5 Remuneration of the Board of Management and the Supervisory Board of the consolidated financial statements.

Personnel costs also include an amount of € 54 thousand (2018: € 92 thousand) for conditional shares and nil (2018: € 38 thousand) for social security costs for directors of group companies. For details on this conditional share plan, see note 6.17.4 Share-based payments of the consolidated financial statements.

6.20.12 OTHER EXPENSES

In 2019 the other expenses include IT costs, consultancy costs, audit costs and travel expenses. In 2018 there were also strategy implementation costs.

6.20.13 NET FINANCE COST

Financial income amounted to € 4.9 million (2018: € 9.9 million) and mainly comprises results from treasury activities for group companies and interest income related to loans to group companies. The financial expenses amounted to € 1.9 million (2018: € 2.8 million) and included interest expenses, bank fees and currency results on bank balances and overdrafts.

6.20.14 CONTINGENT ASSETS AND LIABILITIES

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.

At 31 December 2019, Accell Group N.V. holds a group guarantee to the trustees of the UK defined benefit plan, whereby in the event of a bankruptcy of the UK subsidiary, Accell Group N.V. guarantees any deficits in the UK pension scheme up to a maximum of £ 8.7 million. In addition, Accell Group has provided a rental guarantee, whereby in the event of a bankruptcy of the Dutch subsidiary, Accell Group guarantees any rental income up to a maximum of € 1.3 million. The other contingent liabilities consist of a number of smaller customs guarantees, bank guarantees and rental guarantees totalling € 4.5 million.

In addition, declarations of joint and several liability have been issued for debts to suppliers arising from the purchase transactions of consolidated participating interests.

Earn-outs
Per 31 December 2019 Accell Group holds a contingent liability for a conditional compensation for post combination services, with a maximum of € 1.5 million, which is payable to Velosophy management. The compensation is conditional on certain revenue and EBITDA targets for the start-ups Centaur Cargo and Carqon.

In the Stock Purchase Agreement between Accell North America and Beeline Bikes Acquisition Company, LLC is included an earn-out arrangement of 10% of the Operation Profit for each calendar year during the term 01.01.2021 - 31.12.2024.

In the Asset Purchase Agreement between (amongst others) Accell North America and Alta Cycling Group LLC is included an earn-out arrangement of 15% of the for each calendar year during the term 01.01.2022 - 31.12.2026, with a maximum amount of US$ 15 million.

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.

6.20.15 SUBSEQUENT EVENTS

Corona virus outbreak
The full impact of the Corona virus outbreak on our business is unclear yet and we are monitoring the situation closely. Risk mitigating actions are being taken. Our current inventory levels provide for some buffer but we anticipate longer delivery times for certain components which may delay the introduction of several new innovative bike models.

New long term incentive plan
At 1 January 2020, 15,291 Accell Group N.V. shares were conditionally granted under a new long term incentive plan for a selected group of executives. The costs will be expensed in the income statement on a linear basis during the vesting period.

Supervisory Board
R. ter Haar, chairman
G. van de Weerdhof, vice-chairman
P.B. Ernsting
D. Jansen Heijtmajer

Board of Management
A.H. Anbeek, CEO
R.S. Baldew, CFO
J.J. Both, CSCO

Heerenveen, 5 March 2020

7 OTHER INFORMATION

7.1 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 2019 INCLUDED IN THE ANNUAL REPORT

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 2019 and of its result and its cash flows for the year then ended, 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 2019 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

WHAT WE HAVE AUDITED

We have audited the financial statements 2019 of Accell Group N.V. (the company or Accell) based in Heerenveen. The financial statements include the consolidated financial statements and the company financial statements.

The consolidated financial statements comprise:

1. the consolidated balance sheet as at 31 December 2019;
2. the following consolidated statements for 2019: the income statement, the statements of comprehensive income, changes in equity and cash flows; and
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. the company balance sheet as 31 December 2019;
2. the company income statement for 2019; and
3. 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 '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

- Materiality of EUR 2.75 million
- 5.4 % of profit before tax from continuing operations

Group audit

- 92% of total assets
- 85% of revenue
- All significant components have been in scope for audit procedures

Key audit matters

- Disposal of the US businesses
- Valuation of deferred tax asset related to the liquidation losses of Accell North America

Opinion

Unqualified

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 2.75 million (2018: EUR 2.0 million). The materiality is determined with reference to profit before tax from continuing operations (5.4%). We consider profit before tax from continuing operations as the most appropriate benchmark because the main stakeholders are primarily focused on profit before tax from continuing operations. 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 Management and the Supervisory Board that misstatements that impact the income statement in excess of EUR 137,500, 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 financial statements of Accell Group N.V..

Our group audit mainly focused on significant components. 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 specified audit procedures related to inventory in Spain, Sweden, Denmark, Belgium and Finland. In addition, we have performed specific audit procedures at group level aimed at amongst others the discontinued operations, deferred taxes, goodwill and other intangible assets and derivatives. Overall, this has resulted in a coverage of 85% of the total revenue and 92% of the balance sheet total. The remaining 15% of the total revenue and 8% 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 Turkey and the United Kingdom 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 Turkey and the United Kingdom 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:

Total assets

Audit of the complete reporting package	Specified audit procedures
89%	3%

Revenue

Audit of the complete reporting package	Specified audit procedures
85%	0 %

Audit scope in relation to fraud

In accordance with the Dutch Standards on Auditing we are responsible for obtaining a high (but not absolute) level of assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error.

As part of our risk assessment process we have evaluated events or conditions that indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud ('fraud risk factors') to determine whether fraud risks are relevant to our audit. During this risk assessment we made use of our own forensic specialist.

In accordance with the auditing standard we evaluated the fraud risks that are relevant to our audit:

- fraud risk in relation to the overstatement of revenue, specifically on fraudulent (non-routine) journal entries (a presumed risk)
- fraud risk in relation to management override of controls (a presumed risk)

We communicated identified fraud risks throughout our team and remained alert to any indications of fraud throughout the audit. This included communication from the group to component audit teams of relevant fraud risks identified at group level.

Our audit procedures included an evaluation of the design and implementation of internal controls relevant to mitigate these fraud risks and supplementary substantive audit procedures.

This included inquiries of management, detailed testing of high risk journal entries and an evaluation of key estimates and judgement by management.

In determining the audit procedures we made use of the Company's evaluation in relation to fraud risk management (prevention, detections and response), including the set-up of ethical standards to create a culture of honesty.

As part of our evaluation of instances of fraud, we inquired the Company's Code of Conduct Committee members regarding reported incidents and/or speak-up reports and, if applicable, follow up by management.

We communicated our risk assessment and audit response to management and the Audit Committee of the Supervisory Board. Our audit procedures differ from a specific forensic fraud investigation, which investigation often has a more in-depth character. Our procedures to address fraud risk related to revenue recognition did not result in the identification of a key audit matter.

We do note that our audit is based on the procedures described in line with applicable auditing standards and are not primarily designed to detect fraud.

Audit scope in relation to non-compliance with laws and regulations

We have evaluated facts and circumstances in order to assess laws and regulation relevant to the company. In this evaluation we made use of our own forensic specialist.

We identified laws and regulations that could reasonably be expected to have a material effect on the financial statements based on our general understanding and sector experience, through discussion with relevant management and those charged with governance, and evaluating the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to component audit teams of relevant laws and regulations identified at group level. The potential effect of these laws and regulations on the financial statements varies considerably:

- Accell is subject to laws and regulations that directly affect the financial statements including taxation and financial reporting standards (including related company legislation). We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items; and
- Accell is subject to many other laws and regulations where the consequences of non-compliance could have an indirect material effect on amounts recognized or disclosures provided in the financial statements, or both, for instance through the imposition of fines or litigation.

Based on the Company's nature of operations and their geographical spread, the area's that we identified as those most likely having such an indirect effect include laws and regulations regarding competition, employment, health and safety and environmental.

Auditing standards limit the required audit procedures to identify non-compliance with laws and regulations that have an indirect effect to inquiring of relevant management and inspection of board minutes and regulatory and legal correspondence, if any. Through these procedures, we did not identify any actual or suspected non-compliance. We considered the effect of actual or suspected non-compliance as part of our procedures on provisions and disclosures of contingent liabilities.

Our procedures to address compliance with laws and regulations did not result in the identification of a key audit matter.

Our audit is not primarily designed to detect non-compliance with laws and regulations and that management 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, including compliance with laws and regulations.

The more non-compliance with indirect laws and regulations (irregularities) is distant from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify such instances.

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 Board of Management and the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were 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 these matters. In comparison to prior year's audit the valuation of goodwill and brands is not considered a key matter anymore. The disposal of the US businesses and the valuation of the deferred tax asset related to the liquidation losses of Accell North America are new key audit matters.

Disposal of the US businesses

Description

The sale of the US businesses is considered a significant unusual transaction, which requires management judgement and has significant impact on the 2019 financial statements, including the accounting for the disposal of US businesses as discontinued operations.

Our response

- Test of design and implementation of controls related to the accounting for the disposal of the US businesses
- Inspection of agreements and assessment if management's accounting treatment for the disposal of the US businesses is appropriate and the net transaction result on the sale of the discontinued operations is accurate.
- Perform tests of detail on the calculation of the components of the result after tax from discontinued operations, including performing statistical sampling procedures on net turnover and expenses included in the operational result and inspection of a sample of documents to verify the accuracy of the transaction, closing and restructuring costs.
- Evaluation of the appropriateness of management's assumptions and judgements, including the allocation of results between discontinued and continuing operations, and the determination of the transactions results including contingent assets and liabilities.
- Evaluation of the related disclosure (note 6.16) in relation to the requirements of EU-IFRS.

Our observation

The results of our procedures were satisfactory and we determined that the related disclosure meets the requirements of EU-IFRS.

Valuation of deferred tax asset related to the liquidation losses of Accell North America

Description

For the deferred tax asset of EUR 21.4 million that relates to the liquidation losses of Accell North America Inc., the risk exists that it does not meet the requirements of the Dutch liquidation loss facility and that future fiscal profits will not be sufficient to fully recover the deferred tax asset recognized.

Recognition of deferred tax assets relies on the exercise of significant judgement by management in respect of assessing whether the requirement of the Dutch liquidation loss facility will be met, and the assessment of the sufficiency of future taxable profits and the probability of such future taxable profit being generated.

We identified the recognition of deferred tax assets as a key audit matter because of its significance to the consolidated financial statements and because of the significant management judgement and estimation required.

Our response

- Involvement of tax specialist to assess that the tax treatment is in accordance with Dutch tax regulations.
- Test of design and implementation of controls on the accounting for the deferred tax asset related to the

liquidation losses of Accell North America.

- Evaluation of management's judgements and estimates in relation to the deferred tax asset including management's assumption that the qualification for the requirements of the Dutch liquidation loss facility and the availability of sufficient future taxable profits against which the deferred assets will be realized is probable.
- Verification that the projections agree to the strategic plan, evaluation of the historical accuracy of forecasts by backtesting and analyzing the sensitivities in the projections.
- Evaluation of the related disclosure (note 6.15) in relation to the requirements of EU-IFRS.

Our observation

Based on our procedures performed we consider management's judgements and estimates to be within a reasonable range. We determined that the related disclosure meets 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.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- 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 less than the scope of those performed in our audit of the financial statements.

The Board of Management is responsible for the preparation of the other information, including the information as required by Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

ENGAGEMENT

We were engaged by the Annual General Meeting of Shareholders as auditor of Accell Group N.V. on 26 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 RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

RESPONSIBILITIES OF THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD FOR THE FINANCIAL STATEMENTS

The Board of Management 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 Management 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 Management is responsible for assessing the company’s ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Management should prepare the financial statements using the going concern basis of accounting unless the Board of Management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Board of Management 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 THE 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, March 5, 2020

KPMG Accountants N.V.

T. van der Heijden RA

Appendix:

Description of our responsibilities for the audit of the financial statements

APPENDIX

DESCRIPTION OF OUR RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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 others:

- 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 or non-compliance is higher than the risk resulting from error, as fraud or non-compliance 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 company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Management;
- concluding on the appropriateness of the Board of Management' 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 company'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.

We are solely responsible for the opinion and therefore responsible to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. In this respect we are also responsible for directing, supervising and performing the group audit.
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.

7.2 STATUTORY PROVISIONS RELATED TO PROFIT APPROPRIATION

ARTICLE 25 (IN PART)

Section 4
Subject to the approval of the Supervisory Board, the Board of Management is authorised to determine which proportion of the profit will be reserved after payment of dividend to holders of both preference shares B and preference shares F.

Section 5
The profit then remaining shall be at the disposal of the General Meeting of Shareholders for holders of ordinary shares. At the proposal of the Board of Management, approved by the Supervisory Board, the General Meeting of Shareholders may decide to make any dividend to holders or ordinary shares payable not in cash, but rather in part or entirely in shares in the company's capital.

WINORA

WINORA (1914) HAS BEEN A HOUSEHOLD NAME IN GERMANY FOR MORE THAN A CENTURY AS A MAKER OF BICYCLES FOR THE WHOLE FAMILY, FROM THE SMALLEST CHILDREN'S BIKES TO BIKES FOR DAILY USE OR SPORTS BIKES, RIGHT THROUGH TO THE LATEST IN E-BIKES. WINORA BIKES ARE MODERN, TOP QUALITY AND SUSTAINABLE.

8 ADDITIONAL DISCLOSURES

8.1 HISTORICAL OVERVIEW AND AGENDA 2020

(in millions of euro, unless stated otherwise)

	2019	2018	2017	2016	2015
Result					
Net turnover [1]	1,111.0	1,033.3	1,068.5	1,048.2	986.4
Operating profit (EBIT) [1]	60.0	51.4	38.0	60.4	58.5
Depreciation, amortization and impairments [1]	26.2	11.3	11.1	10.3	10.1
Net finance cost [1]	-9.3	-7.6	-8.2	-8.3	-9.1
Taxes [1]	-8.2	15.7	19.7	20.4	16.2
Result after taxes from discontinued operations	-56.5	-18.8			
Net profit	2.8	20.3	10.5	32.3	32.3
Balance sheet					
Balance sheet total [2]	859.2	761.9	705.3	703.4	731.7
Property, plant and equipment	64.4	66.5	69.4	71.7	69.8
Average capital employed [3]	528.2	476.9	474.3	494.5	475.5
Group equity	323.2	322.4	299.3	319.4	305.9
Net debt	265.3	151.8	161.0	147.3	200.0
Net debt adjusted [4]	235.1	151.8	161.0	147.3	200.0
Data per share [5] (in euros)					
Group equity	12.09	12.09	11.25	12.04	11.52
Net profit	0.10	0.76	0.39	1.22	1.22
Dividend [6]	0.30	0.50	0.49	0.70	0.68
Closing price of share	25.80	18.84	23.43	21.91	21.07
Ratios (in %)					
EBIT/Average capital employed [1]	11.4	10.8	7.8	12.2	11.0
Operating profit/turnover [1]	5.4	5.0	3.6	5.8	5.9
Net profit/turnover [1]	0.3	2.0	1.0	3.1	3.3
Solvency (based on group capital) [2]	37.6	42.3	42.4	45.4	41.8
Net debt/EBITDA [1]	3.1	3.4	3.3	2.1	2.9
Working capital/turnover [1][7]	32.4	28.0	29.5	29.2	34.2
Other information					
Average number of employees (fte) [1]	3,410	3,227	3,088	3,124	3,371
Number of issued shares at year-end	26,802,751	26,597,354	26,255,179	25,834,236	25,270,327
Weighted average number of issued shares	26,726,268	26,474,308	26,101,222	25,623,405	25,116,249
Market capitalization	691.5	501.1	615.2	566.0	532.4

1) The 2018 figure has been restated due to the classification of North America as a discontinued operation (see note 6.16.1).

2) Balance sheet total and solvency 2016 are determined after offsetting the balances in the notional cash pooling arrangements.

3) Capital employed is the sum of Goodwill, Other intangible fixed assets, Property, plant and equipment, Right-of-use assets, Inventories, Trade and other current receivables and Trade payables and other current liabilities.

4) Net debt adjusted is the reported net debt adjusted for the IFRS 16 impact

5) The data per share are calculated based on the weighted average number of issued shares. The data per share for the years 2015-2018 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 2018 and for previous years is 0.99266.

6) The dividend per share relating to the financial year 2019 concerns the proposal to be submitted to the General Meeting of Shareholders.

7) The turnover 2018 is excluding US business (see note 1), Working capital 2018 is including US business, the ratio both excluding US business would be 26,3.

FINANCIAL AGENDA 2020

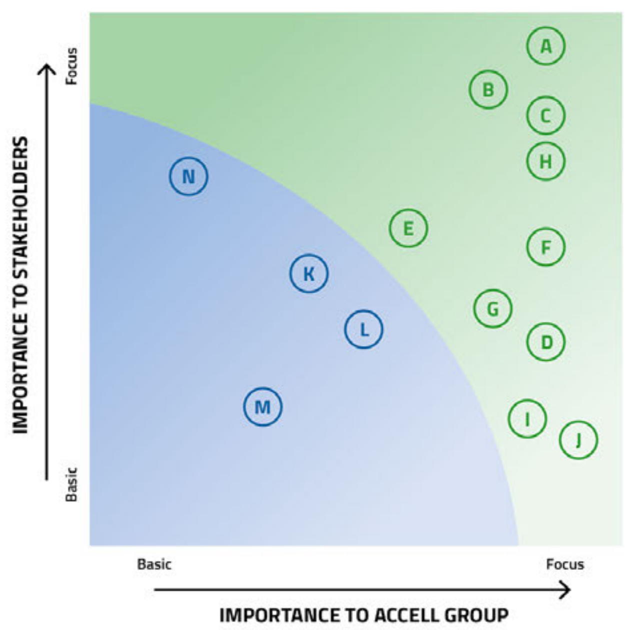
Date	Event
25 MARCH 2020	Registration date General Meeting of shareholders
14 APRIL 2020	Final day AGM registration shareholders
15 APRIL 2020	Final day AGM registration intermediaries
22 APRIL 2020	General Meeting of shareholders
24 APRIL 2020	Ex-dividend listing
27 APRIL 2020	Registration date dividend entitlement
28 APRIL - 12 MAY 2020	Optional period cash or stock dividend
13 MAY 2020	Determination swap ratio stock dividend
15 MAY 2020	Dividend payable
24 JUNE 24 JULY 2020	Closed period
24 JULI 2020	Publication half-year results 2020

8.2 MATERIALITY AND SUSTAINABLE DEVELOPMENT GOALS

Accell Group is always in contact with society via its participation in a wide range of networks and its continuous dialogue with its stakeholders. Based on the feedback we receive from our stakeholders, trends & developments in society and the Accell strategy, the Board of Management reviews the materiality matrix annually. During this review we take into account the four Principles of Reporting of the GRI Standard, namely stakeholder inclusiveness, sustainability context, materiality and completeness.

In 2019, we made several adjustments to the materiality matrix, taking into account what we believe is important but also what our stakeholders feel is important. We replaced Energy Use with Carbon Footprint Reduction, which has a wider scope. We also assigned greater importance to our Carbon Footprint Reduction and this is now reflected in the materiality matrix. The same goes for Diversity, which we believe deserves more emphasis, given the current debates about gender, race, ethnicity and sexual orientation, while we continue to underline the benefits of an inclusive workplace.

The matrix below illustrates the specific topics that we and our stakeholders deem important. Issues plotted towards the top right corner are the most material issues, while the ones in the bottom left section are seen as less important in relative terms.



Topics from A to J are the most material topics. In our annual report we cover these topics in detail. Topics from K to N are covered briefly. Boundaries for each material issue are noted in our GRI Content Index.

MATERIAL TOPICS

BRANDS & PRODUCT

- A Customer satisfaction
- B Healthy, safe & green mobility
- C Innovation & design

PROCESSES & PRODUCTION

- D Carbon footprint reduction
- E Sustainable production
- F Supply chain

ORGANIZATION & PEOPLE

- G Job satisfaction and wellbeing
- H Health & safety
- I Diversity

ECONOMY

- J Profitability

OTHER MATERIAL TOPICS

- K Bicycle infrastructure
- L Distribution
- M Community involvement
- N Recycling / upcycling

MATERIAL TOPICS IDENTIFIED BY INTERNAL AND EXTERNAL STAKEHOLDERS	STAKEHOLDER GROUPS THAT PRIORITISE THIS TOPIC	KEY FIGURES AND PERFORMANCE INDICATORS
A Customer satisfaction In addition to satisfaction with a high-quality product, service and buying convenience and availability, good information and a focus on customer safety are key factors, both in terms of regulations and product development and in use, that make an implicit contribution to client satisfaction.	▪ Consumers ▪ Retail trade network	▪ Brands have their own methods for monitoring this
B Healthy, safe & green mobility Playing a leadership role when it comes to increasing sustainability in mobility, reducing congestion, reducing CO_2 emissions and improving 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 ▪ Consumers ▪ Public sector ▪ Suppliers ▪ Staff	▪ % sustainable commuter traffic ▪ Amount in sponsoring
C Innovation & design We design simple innovative solutions inspired by people. Providing distinctive products that surprise customers without compromising on safety and sustainability.	▪ Consumers ▪ Retail trade network ▪ Industry bodies	▪ Number of prizes and awards ▪ Number of patents and model protections
D Carbon footprint reduction Sustainable and less energy consumption in our production facilities, warehouse and offices, optimizing our logistics and business travelling, focus on more European production.	▪ Public sector ▪ Industry organisations ▪ Shareholders and banks	▪ Amount of energy consumption ▪ Amount of emissions ▪ % of sustainable energy
E Sustainable production Production of bicycles with the lowest possible impact on the environment, reduction of waste and energy consumption, and attention paid to the use of packaging and safe materials.	▪ Industry organisations ▪ Suppliers ▪ Public sector ▪ Shareholders and banks	▪ Environmental impact packaging materials ▪ Environmental impact waste ▪ Single-use plastic reduction

MATERIAL TOPICS IDENTIFIED BY INTERNAL AND EXTERNAL STAKEHOLDERS	STAKEHOLDER GROUPS THAT PRIORITISE THIS TOPIC	KEY FIGURES AND PERFORMANCE INDICATORS
F 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 a significant 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	▪ Assessment of suppliers in terms of employment practices, human rights and environmental impact ▪ Number of REACH assessments and % of deviations
G Job satisfaction and wellbeing 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 a safe working environment.	▪ Staff ▪ Public sector	▪ Hours of absenteeism ▪ Number of hours of training and education ▪ Employee evaluation in terms of satisfaction, engagement and enthusiasm
H Health & safety Improving the health and safety culture within the company, as well as compliance with legislation and regulations.	▪ Staff ▪ Public sector ▪ Industry organisations	▪ Hours of absenteeism ▪ Hours of absenteeism as a result of accidents
I Diversity Diversity and inclusion are about appreciating and incorporating the unique life experience that every Accell colleague brings to work.	▪ Public sector ▪ Shareholders and banks ▪ Staff	▪ Balance between male and female staff
J Profitability Improving profitability by implementing our strategy, always from the perspective of customer satisfaction, so this actually bolsters our relevance in the long term, rather than undermining it.	▪ Shareholders and banks	▪ EBIT margin ▪ Net profit ▪ ROCE ▪ Net turnover

SUSTAINABLE DEVELOPMENT GOALS

Accell Group recognizes the importance of the United Nations Sustainable Development Goals (SDGs). We have identified the goals that we as an organisation can contribute to and integrated these in our CSR strategy.

In terms of our products, bicycles, we focus primarily on SDG 3 (Good health and well-being) and SDG 11 (Sustainable cities and communities). Our products help to create a better environment, better living conditions in cities and a more healthy way of living. These themes are an innate part of our DNA and an important driver in our marketing, innovation strategy and business development.

As a goods manufacturer, we feel it is our responsibility to contribute to SDG 8 (Decent work and economic growth), not just with a focus on Accell Group employees, but on everyone who works for us, including our supply chain. To contribute to SDG 12 (Responsible consumption and production), we constantly work on reducing our environmental footprint and promoting the safe and responsible use of our products.

As one of the major players in the bicycle industry, we play a leading role in cooperative efforts with our partners and our peers, as we all work towards creating a more sustainable society, and in doing so contribute to the spirit of SDG 17 (Partnerships for the goals).

SUSTAINABLE DEVELOPMENT GOALS

3 GOOD HEALTH AND WELL-BEING

- Cycling gives people a better, happier and fitter life. It helps to create healthier cities with less air pollution. The production of bikes requires fewer materials than any other vehicle and bikes have the lowest environmental impact per kilometre. Contributing to a healthier living environment.
- By promoting sustainable commuting, Accell Group enourages its employees to lead healthier lives.
- We encourage our suppliers to live up to our social and environmental standards.

8 DECENT WORK AND ECONOMIC GROWTH

- Due to the labour-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. Via our social audits, we make sure this work is carried out in line with our standards.
- Accell Group supports organisations in their lobbying for a level-playing field and wants to stimulate economic growth in a decent way.

11 SUSTAINABLE CITIES AND COMMUNITIES

- Accell Group helps to provide access to sustainable and safe travel and traffic, not only by producing bicycles, but also by sponsoring local, regional and international initiatives and long-term partnerships.
- Being the most sustainable means of transport, cycling helps create liveable towns and cities. Without traffic jams, noise and air pollution.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

- The responsible use of bicycles requires a safe and sustainable product. Accell Group contributes to the development of the highest safety standards and procedures, all of which products meet.
- Accell Group aims to reduce their waste, packaging and energy consumption and is working towards a sustainable and responsible supply chain.

17 PARTNERSHIPS FOR THE GOALS

- By being a member of several initiatives and committees and partnerships Accell Group helps to promote increased exports from developing countries and enhance international support for fair trade.
- By initiating and being member of a number of committees and working groups Accell Group aims to improve safe cycling and sustainability in the bicycle industry.

8.3 NETWORKS AND STAKEHOLDER ENGAGEMENT

Throughout the year, Accell Group maintains a constant dialogue with its stakeholders and is actively involved in a large number of networks in which we frequently take a leading role.

Network involvement
We are affiliated with various national and international industry organisations and initiatives, focused on several fields of corporate social responsibility. Below you will find an overview, organised per theme, of the industry and advocacy organisations where we have a seat on the board or for which we actively participate in working groups:

Consumer safety
- ISO / TC 149 (Technical Committee of the International Organisation for Standardisation in the field of bicycles, their components and accessories);
- CEN TC 333 Cycles (Technical Committee of the European Committee for Standardisation);
- CENELEC (European Committee for Electrotechnical Standardisation);
- NEN (Dutch Standards Institution) commission NC 330 043 Bicycles;
- TSE (Turkish Standards Institution) / MTC - Mirror Technical Committees.

Theft prevention
- SAFE (Foundation concerning bicycle and e-bike theft);
- Foundation ART (bicycle locks).

Bicycle industry – healthy & green mobility
- CONEBI (Confederation of the European Bicycle Industries);
- WBIA (World Bicycle Industry Association);
- CIE (Cycling Industries Europe);
- RAI Vereniging (Dutch mobility industry association), sector bicycles;
- Union Sport & Cycle (French industry association);
- UVT (Finnish outdoor industry association);
- FAPIC (Danish industry association);
- Cykelbranschen (Swedish bicycle industry organisation);
- MKKSZ (Hungarian industry association);
- Bicycle Association of Great Britain (industry association).

Corporate Social Responsibility (CSR)
- WFSGI (World Federation of the Sporting Goods Industry): application of the WFSGI Code of Conduct;
- RSI (Responsible Sports Initiative): social & environmental audit platform;
- Relevant local organisations in the field of (bicycle) battery recycling: financial commitment;
- Relevant local organisations in the field of electronic equipment recycling: financial commitment.

STAKEHOLDER INITIATIVES

The overview below shows our most important stakeholders. This includes the main communications and initiatives with respect to our stakeholders. The overview is based on a matrix, approved by the Board of Management, in which we have prioritised all relevant stakeholders. Section 8.2 Material topics provides an overview of the main material topics and the aspects our stakeholders consider priorities.

STAKEHOLDER INITIATIVES

CONSUMERS - CYCLISTS

- Mix of online distribution channels and dealers
- Different brand sites social media
- Consumer service via the different brands
- Fairs, (sport)events
- Consumer panels to remain in touch with relevant consumer insights and developments

RETAIL TRADE NETWORK

- Visits from sales staff
- Workshops about our latest products and technological applications
- Trade fairs and house shows
- Internet sites, e-mail, newsletter
- Annual events about the changes in the bicycle industry

LOCAL GOVERNMENT BODIES-REGULATORS

- Dialogue with various local and national govermental bodies. Via industry associations and at our own initiative
- Discussions/meetings with regulators if needed

INDUSTRY ASSOCIATIONS AND ADVOCACY GROUPS

- Seat on various boards of industry organisations
- Active engagement during bicycle events and trade fairs

SUPPLIERS

- Cooperation with suplliers to roll out innovations faster
- Special workshops with our largest suppliers sharing insights and exploring ways for more cooperation
- International trade fairs

STAFF

- Town halls, meetings, newsletters, digital information screens, one on ones
- Various meetings with the works council and trade unions
- Employee engagement surveys on an annually basis

INVESTORS/FINANCIERS AND FINANCIAL ANALYSTS

- Annual shareholder meeting
- Sessions for analysts and investors
- (Inter) national conferences and roadshows for investors
- Periodic sessions with our banking consortium
- Annual report, half year results, press releases, trading updates, other reports, updates on significant developments on Group level

8.4 EMPLOYEE DATA

Accell Group reports its non-financial data, such as employee information, for the period 1 December 2018 through 30 November 2019. On the reference date of 30 November 2019, we had 2,610 employees (FTEs). This figure differs somewhat from the average number of FTEs in 2019, partly because we work with a fixed reference date and partly because not all companies (92%) were included in the data collection related to corporate social responsibility for 2019. On the reference date, 49% of our employees were covered by a collective labour agreement.

The tables below show the data collected. All figures have been rounded off to improve readability. This may result in minor rounding differences. Data are derived from various HR information systems. Accell activities in North America have been discontinued and are therefore not part of the overviews included.

AGE OF EMPLOYEES (FTE'S) IN 2019 - BY REGION AND GENDER

	EUROPE			ASIA			WORLDWIDE		
AGE	FEMALE	MALE	SUBTOTAL	FEMALE	MALE	SUBTOTAL	FEMALE	MALE	TOTAL
< 30 YEARS	182	365	547	6	2	8	188	367	555
30 - 50 YEARS	398	965	1,363	27	25	52	425	990	1,415
> 50 YEARS	145	493	638	1	2	3	146	495	641
TOTAL	**724**	**1,823**	**2,547**	**34**	**29**	**63**	**758**	**1,852**	**2,610**

In two years' time we will also report by employee category.

TYPE OF EMPLOYEE CONTRACT (FTE'S) IN 2019 - BY REGION AND GENDER

		EUROPE			ASIA			WORLDWIDE		
CONTRACT		FEMALE	MALE	SUBTOTAL	FEMALE	MALE	SUBTOTAL	FEMALE	MALE	TOTAL
PERMANENT	PART-TIME	96	73	169	0	0	0	96	73	169
	FULL-TIME	382	1,331	1,713	34	29	63	416	1,360	1,776
TEMPORARY	PART-TIME	17	19	36	0	0	0	17	19	36
	FULL-TIME	229	400	629	0	0	0	229	400	629
SUBTOTAL		**724**	**1,823**	**2,547**	**34**	**29**	**63**	**758**	**1,852**	**2,610**

EMPLOYMENT (FTE'S) IN 2019 - BY REGION AND GENDER

	EUROPE			ASIA			WORLDWIDE		
EMPLOYMENT	FEMALE	MALE	SUBTOTAL	FEMALE	MALE	SUBTOTAL	FEMALE	MALE	TOTAL
ACCELL EMPLOYEES	724	1,823	2,547	34	29	63	758	1,852	2,610
CONTRACT WORKERS*	150	314	464	0	0	0	150	314	464
SUBTOTAL	**875**	**2,137**	**3,011**	**34**	**29**	**63**	**909**	**2,166**	**3,074**

* Contract workers are defined as persons who are working for a company that provides services to Accell Group (they have no employment contract with Accell Group).

Contract workers are mainly used for assembly activities in the Netherlands, Hungary, Turkey and Germany during peak season.

ABSENTEEISM AND LOST DAYS IN HOURS AND RATE* IN 2019 - BY REGION AND GENDER

		EUROPE		ASIA		WORLDWIDE	
	GENDER	HOURS	RATE	HOURS	RATE	HOURS	RATE
TOTAL SICK LEAVE (ABSEN-TEEISM)**	FEMALE	63,657	4.4%	144	0.2%	63,801	4.2%
	MALE	175,505	4.9%	1	0.0%	175,006	4.8%
	SUBTOTAL	**238,662**	**4.8%**	**145**	**0.1%**	**238,807**	**4.6%**
TOTAL SICK LEAVE DUE TO INJURY (LOST DAYS)	FEMALE	1,529	0.1%	0	0.0%	1,529	0.1%
	MALE	6,982	0.2%	0	0.0%	6,982	0.2%
	SUBTOTAL	**8,511**	**0.2%**	**0**	**0.0%**	**8,511**	**0.2%**

*
rate is defined as the period of absence divided by total working hours in a 50 week period.

**
including sick leave due to accidents.

TRAINING HOURS PER (FTE'S) IN 2019 - BY REGION AND GENDER

REGION	EUROPE	ASIA	WORLDWIDE
FEMALE	16.6	24.3	17.0
MALE	12.2	20.9	12.4
TOTAL	**13.5**	**22.7**	**13.7**

TRAINING HOURS PER (FTE'S) IN 2019 - BY TYPE OF WORK* AND REGION

REGION	EUROPE	ASIA	WORLDWIDE
DIRECT EMPLOYEES	11.2	-	11.2
INDIRECT EMPLOYEES	15.0	22.7	15.3
TOTAL	**13.5**	**22.7**	**13.7**

* Direct: Employees active in production.
Indirect: Employees not active in production.

The amount of hours is determined based on data derived from HR systems and from the financial administration, interviews and are in part estimated and extrapolated.

SAFETY PERFORMANCE - IN REGISTERED NUMBER OF INJURIES

	EMPLOYEES		CONTRACT WORKERS*		SUBTOTAL	
TYPE OF INJURY	2018	2019	2018	2019	2018	2019
MINOR INJURIES (<3 DAYS)	47	75	8	10	55	85
MAJOR INJURIES (>3 DAYS)	37	51	5	6	42	57
INJURIES RESULTING IN PERMANENT DAMAGE	1	2	1	0	2	2
WORK-RELATED FATALITIES	0	0	0	0	0	0
TOTAL	**85**	**128**	**14**	**16**	**99**	**144**

*
Contract workers are defined as persons who are working for a company that provides services to Accell Group.

Contract workers are mainly used for assembly activities in The Netherlands, Hungary, Turkey and Germany during peak season.

The number of registered injuries increased in 2019, partly due to greater awareness and improved registration and discipline. Two accidents resulted in long-term injury. One person's hand was seriously injured during the incorrect operation of an assembly machine. Double handed operating procedures have been installed on all relevant machines to prevent repetition. Another accident was related to working with a forklift. Preventative measures have also been taken here. The majority of accidents are related to inattentiveness, not being fully focused and not following working instructions. In addition to optimising safety of machinery & equipment, training and safety instructions remain one of our top priorities.

8.5 SCOPE OF THE REPORTING

This annual report provides an overview of the performance of Accell Group and the main developments in the organisation in 2019. All the reported financial data pertain to the 2019 financial year that ran from 1 January to 31 December. As in previous years, non-financial data is reported for the period 1 December 2018 to 30 November 2019.

REPORTING FRAMEWORK AND DATA COLLECTION

This annual report is intended for all our stakeholders and in particular for our shareholders and staff and report on aspects highly material to Accell Group. We want to use this integrated report to demonstrate how sustainable our operations are and how this strengthens our strategy, governance, performance and outlook and generates (social) value for the short, medium and long term.

The financial data in this report is generated by a standardised and automated reporting system. The internal risk management system safeguards the reliability of these financial data.

The data related to corporate social responsibility is collected once a year. The collected data and reporting are not verified by the external auditor. In 2019, the sustainability-related data collection covered 92% of our operations. This percentage is determined by dividing the turnover of the companies from which data is collected by the total turnover. The quantitative and qualitative information related to corporate social responsibility is based on qualitative interviews and quantitative data requests. To this end, we address the responsible staff members at our companies and staff departments. The persons responsible at our companies provide the requested quantitative data and direct the sustainability aspects and priority actions. The team responsible for corporate social responsibility at group level uses a plausibility check to verify the data obtained. Most of the employee data are derived from various HR information systems, some data comes from other means of administration and estimations based on interviews. Having different systems and not all data registered within these systems will influence the reliability of the presented figures.

Deviations from the 2018 sustainability reporting

In the figures of energy consumption of 2018, other purchased energy was not included and the energy consumption of our production facility in the Netherlands was modified. This has been adjusted in the database, and this report reflects the corrected data for 2018.
The transition to the new organisational structure has still an impact on the reliability and scope of the data collection for corporate social responsibility purposes. Where necessary, we have adjusted the figures for previous years in the tables for comparison purposes. This may result in some tables deviating from those presented in the 2018 annual report.

8.6 REPORTING STANDARDS AND GUIDELINES

The following standards, policies and guidelines have been applied in full or in part in this annual 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 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. This report has been prepared in accordance with the GRI Standards – Core option.
- **Dutch Corporate Governance Code**. Compliance with the Dutch Corporate Governance code is described in section 4.3 Compliance with the Code of this report. We report on this subject on the basis of the 'comply or explain' principle.
- **EU directive for reporting non-financial information and diversity-related information.** As of the 2017 reporting year, there are tightened legal requirements for transparency regarding non-financial data in the annual reports of large public interest entities. We report on this on the basis of the 'comply or explain' principle.
- **OECD guidelines for Multinationals Enterprises.** Recommendations addressed by governments providing non-binding principles and standards for responsible business conduct in a global context consistent with applicable laws and internationally recognised standards.

GRI CONTENT INDEX

GRI Standard	Disclosure Number	Disclosure Title	Cross-reference
GRI 101: Foundation 2016			
GRI 102: General Disclosures 2016			
Organisational Profile	102-1	Name of the organisation	Accell Group
	102-2	Activities, brands, products, and services	Profile, Operating activities 3.6 Our brands
	102-3	Location of headquarters	8.9 Colophon
	102-4	Location of operations	8.8. Addresses
	102-5	Ownership and legal form	6.6 Notes to the consolidated financial statements
	102-6	Markets served	Profile, Operating activities
	102-7	Scale of the organisation	At a glance
	102-8	Information on employees and other workers	8.4 Employee data
	102-9	Supply chain	Operating activities 2.4 Update on our strategy 2019-2022 (Value creation model)
	102-10	Significant changes to the organisation and its supply chain	8.5 Scope of the reporting
	102-11	Precautionary Principle or approach	3.3 Risk management 3.7 Processes and information technology
	102-12	External initiatives	8.3 Networks and stakeholder engagement
	102-13	Membership of associations	8.3 Networks and stakeholder engagement
Strategy	102-14	Statement from senior decision-maker	Message from the CEO
Ethics and Integrity	102-16	Values, principles, standards, and norms of behaviour	4.1 General 4.3 Compliance with the code
Governance	102-18	Governance structure	1.3 Organisational Structure 4.1 General
Stakeholder Engagement	102-40	List of stakeholder groups	8.3 Networks and stakeholder engagement
	102-41	Collective bargaining agreements	8.4 Employee data
	102-42	Identifying and selecting stakeholders	8.3 Networks and stakeholder engagement
	102-43	Approach to stakeholder engagement	8.3 Networks and stakeholder engagement
	102-44	Key topics and concerns raised	8.3 Networks and stakeholder engagement
Reporting Practice	102-45	Entities included in the consolidated financial statements	6.20 Notes to the company financial statements
	102-46	Defining report content and topic boundaries	8.2 Materiality and Sustainable Development Goals
	102-47	List of material topics	8.2 Materiality and Sustainable Development Goals
	102-48	Restatements of information	8.5 Scope of the reporting
	102-49	Changes in reporting	8.5 Scope of the reporting
	102-50	Reporting period	8.5 Scope of the reporting
Reporting Practice	102-51	Date of most recent report	March 2019
	102-52	Reporting cycle	Annual
	102-53	Contact point for questions regarding the report	8.9 Colophon
	102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option.
	102-55	GRI content index	8.6 Reporting standards and guidelines
	102-56	External assurance	8.5 Scope of the reporting

GRI Standard	Disclosure Number	Disclosure Title	Cross-reference
Material Topics			
Environmental Topics			
Energy			
GRI 103: Management Approach 2016	103-1 103-2 103-3	Explanation of the material topic and its Boundary The management approach and its components Evaluation of the management approach	3.7 Processes and information technology Boundary: Internal: All Accell Group companies and staff
GRI 302: Energy 2016	302-1	Energy consumption within the organisation	3.7 Processes and information technology
Emissions			
GRI 103: Management Approach 2016	103-1 103-2 103-3	3.8 Organisation and People 8.4 Employee data Boundary: Internal: All Accell Group companies and staff / External: Suppliers	3.3 Risk management 3.7 Processes and information technology Boundary: Internal: All Accell Group companies and staff / External: Consumer
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	3.7 Processes and information technology
	305-2	Energy indirect (Scope 2) GHG emissions	3.7 Processes and information technology
	305-3	Other indirect (Scope 3) GHG emissions	3.7 Processes and information technology
Effluents and Waste			
GRI 103: Management Approach 2016	103-1 103-2 103-3	Explanation of the material topic and its Boundary The management approach and its components Evaluation of the management approach	3.3 Risk management 3.7 Processes and information technology Boundary: Internal: All Accell Group companies and staff / External: Suppliers
GRI 306: Effluents and Waste 2016	306-2	Waste by type and disposal method	3.7 Processes and information technology
Social Topics			
Occupational Health & Safety			
GRI 103: Management Approach 2016	103-1 103-2 103-3	Explanation of the material topic and its Boundary The management approach and its components Evaluation of the management approach	3.8 Organisation and People 8.4 Employee data Boundary: Internal: All Accell Group companies and staff / External: Suppliers
GRI 403: Occupational Health and Safety 2016	403-2	Types of injury and rates of injury, occupational diseases, lost days, absenteeism and number of work-related fatalities	3.8 Organisation and People 8.4 Employee data
Training and Education			
GRI 103: Management Approach 2016	103-1 103-2 103-3	Explanation of the material topic and its Boundary The management approach and its components Evaluation of the management approach	3.8 Organisation and People 8.4 Employee data Boundary: Internal: All Accell Group companies and staff
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	8.4 Employee data
Diversity & Inclusion			
GRI 103: Management Approach 2016	103-1 103-2 103-3	Explanation of the material topic and its Boundary The management approach and its components Evaluation of the management approach	3.8 Organisation and People 8.4 Employee data Boundary: Internal: All Accell Group companies and staff
GRI 405: Diversity & Inclusion 2016	405-1	Diversity of governance bodies and employees	3.8 Organisation and People 8.4 Employee data
Accell-Specific Topic: Job satisfaction and well-being			
GRI 103: Management Approach 2016	N.A.	Explanation of the material topic and its Boundary The management approach and its components Evaluation of the management approach	3.8 Organisation and People Boundary: Internal: All Accell Group companies and staff
		Employee engagement survey results	3.8 Organisation and People

GRI Standard	Disclosure Number	Disclosure Title	Cross-reference
Social Topics			
Accell-Specific Topic: Healthy, safe & green mobility			
GRI 103: Management Approach 2016	N.A.	Explanation of the material topic and its Boundary The management approach and its components Evaluation of the management approach	2.2 Corporate Purpose: "We believe cycling moves the world forward" 3.8 Organisation and People Boundary: Internal: All Accell Group companies and staff / External: Consumers, Community
	N.A.	% sustainable commuter traffic	3.8 Organisation and People
	N.A.	Amount (EUR) in sponsoring	3.6 Our brands
Accell-Specific Topic: Customer Satisfaction & Innovation and design			
GRI 103: Management Approach 2016	N.A.	Explanation of the material topic and its Boundary The management approach and its components Evaluation of the management approach	2.4 Update our strategy (2019-2022) 3.3 Risk management 3.6 Our brands Boundary: Internal: All Accell Group companies and staff / External: Consumers, Community
	N.A.	Number of prizes and awards	2.4 Update on our strategy 2019-2022 (Value creation model)
	N.A.	Number of patents and model protections	2.4 Update on our strategy 2019-2022 (Value creation model)
Accell-Specific Topic: Supply chain			
GRI 103: Management Approach 2016	N.A.	Explanation of the material topic and its Boundary The management approach and its components Evaluation of the management approach	3.3 Risk management 3.7 Processes and information technology Boundary: Internal: All Accell Group companies and staff / External: Suppliers, Consumers
	N.A.	Assessment of suppliers in terms of employment practices, human rights and environmental impact	3.7 Processes and information technology
	N.A.	Number of REACH assessments and % of deviations	3.7 Processes and information technology

Note: The GRI Content Index contains the material topics identified during our materiality analysis. These include GRI Standards topics and Accell-specific topics.

SUMMARY TABLE EU DIRECTIVE ON THE DISCLOSURE OF NON-FINANCIAL INFORMATION AND INFORMATION ON DIVERSITY

Current/foreseeable impacts (GRI indicator)	Material Aspect	Reference to the relevant chapter
Environment		
Energy use (302-1)	Carbon footprint reduction	3.7 Processes and information technology
Greenhouse gas emissions (305-1, 305-2, 305-3)	Carbon footprint reduction	3.3 Risk management 3.7 Processes and information technology
Waste by type and disposal method (306-2)	Sustainable production	3.3 Risk management 3.7 Processes and information technology
Social & Employee		
Diversity & inclusion (405-1) (including Board of Management and Supervisory Board)	Governance	3.8 Organisation and People 4 Corporate Governance 4.3 Compliance with the code 8.4 Employee data
Occupational health & safety (403-2)	Health and Safety	3.8 Organisation and People
Employee training (404-1)	Job satisfaction and well-being	3.8 Organisation and People
Employee engagement	Job satisfaction and well-being	3.8 Organisation and People
Sustainable commuting	Healthy, safe and green mobility	3.8 Organisation and People
Respect for Human Rights and Supply chain		
Code of conduct for Suppliers (102-16)	Supply chain	3.3 Risk management 3.7 Processes and information technology
Assessment of suppliers in terms of employment practices, human rights and environmental impact	Supply chain	3.7 Processes and information technology
Assessment of suppliers in terms of REACH Directive	Supply chain	3.7 Processes and information technology
Anti-corruption and bribery		
Code of conduct for employee and for suppliers	Profitability	3.3 Risk management 3.7 Processes and information technology

8.7 OUR BRANDS

BABBOE

Babboe (2005) is a Dutch cargo bike brand developed by parents for parents. It is young fathers and mothers who inspire Babboe to make the best possible cargo bikes that make everyday life that little bit easier and more fun. Babboe sells both non-electric and electric cargo bikes with two or three wheels and is active across the globe.

BATAVUS

Batavus (1904) has been around for 115 years and is one of the strongest and best known Dutch bike brands. Batavus not only makes extremely comfortable and durable high-quality bicycles, it also designs smart and useful innovations that make cycling safer and more fun.

CARQON

Carqon is a novel Dutch brand with the ambition to set a new quality standard in the category of cargo bikes. Carqon offers young, ambitious parents and entrepreneurs the ultimate cargo bike in terms of safety, comfort, functionality and design. Carqon will be assembled in Heerenveen and introduced H1 2020.

GHOST

The trendsetting bicycles produced by Ghost (1993) stand out thanks to their innovations and technologies that are designed to put people first. The sporting successes of the Ghost Factory Racing Team and the Ghost AIVIR competition boost the awareness of this internationally active brand with German roots.

HAIBIKE

Haibike (1995) invented the e-mountain bike (e-MTB). Haibike produces a range of sporty bikes, with a focus on e-performance models defined by ground-breaking design and innovation. The international product range varies from sports bikes for everyday users to top-quality professional racing bikes, together with special-purpose racing and mountain bikes for downhill, free ride and cross-country cycling.

KOGA

KOGA (1974) is a premium brand with a sporty character. Since its foundation in 1974, KOGA has been synonymous with the development and production of exclusive bikes, that are both high quality and technically advanced. This international brand is built on continuous innovation and close relationships with top athletes and professional teams in the international world of competitive cycling.

LAPIERRE

Lapierre (1946) stands for top sporting performances, top quality and ground-breaking innovations with a touch of French panache. The Pro Tour Road Team and a World Cup DH Team have been hugely successful riding Lapierre bicycles. The Lapierre bike makers have proven their immense technical know-how with the development of the Overvolt e-bike models. The Lapierre brand stands for passion and performance, both on the road and off-track.

RALEIGH

The Raleigh (1887) brand is a global icon. Its roots lie in the English city of Nottingham and the brand is now sold in many countries around the world. The timeless British image and the company's rich history are a constant in the company's marketing of the brand. Raleigh supplies bicycles for a wide user base, from children's bikes to city bikes, always recognisable thanks to their reliability. Raleigh bicycles stand for fun and uniqueness at affordable prices.

SPARTA

Sparta (1917) is the pioneer in the Dutch electric bicycle market on the e-innovation front. Sparta works continuously on technology-driven product development, while simultaneously exploring new target groups and new market segments for e-bikes. The use of Internet of Things technologies makes the e-bike range particularly attractive to the modern city cyclist.

WINORA

Winora (1914) has been a household name in Germany for more than a century as a maker of bicycles for the whole family, from the smallest children's bike to bikes for daily use or sports bikes, right through to the latest in e-bikes. Winora bikes are modern, top quality and sustainable.

XLC

x-cellent bike components

XLC (2003) is the global exclusive brand for Accell Group's bicycle parts and accessories. At XLC you will find the right parts for every bike. Fun and performance is our motto. Whether you're talking trail adventures in the forest, the thrill of speed on your road bike or simply quality time with the kids riding through the municipal park. Whatever you fancy, it is our vision and also our aim that you will always find the right bike parts and accessories at XLC. Because the focus at XLC is on the wishes and needs of the whole bike community!

8.8 ADDRESSES

Accell Group N.V. | The Netherlands | ▪ accell-group.com
Postbus 435 - 8440 AK Heerenveen - Industrieweg 4 - 8444 AR Heerenveen
T +31 513 638 703 - E info@accell-group.com

Accell Bike Parts GmbH | Germany | ▪ bike-parts.de
Max-Planck-Straße 6 - DE-97526 Sennfeld
T +49 9721 6501-0 - E info@bike-parts.de

Accell Bisiklet A.S. | Turkey | ▪ accellbisiklet.com.tr
Organize Sanayi Bölgesi 3. Kisim - Ahmet Tütüncüoglu Caddesi No. 1 - 45030 Manisa
T +90 236 213 0045 - E info@accellbisiklet.com.tr

Accell Hunland Kft. | Hungary | ▪ accell-hunland.hu
Parkoló tér 1 - H-5091 Tószeg
T +36 56 586 481 - E hr@accell-group.com

Accell Nederland B.V. | The Netherlands | ▪ accellnederland.nl
Industrieweg 4 - 8444 AR Heerenveen
T +31 513 638 500 - E info@accell.nl

Accell Suisse AG | Switzerland | ▪ accell-suisse.ch
Industriestraße 21 - CH-6055 Alpnach Dorf
T + 41 41 670 2190 - E info@accell-suisse.com

Accell Asia Limited | Taiwan
(Elevator 12F) 11F., No.287, Sec. 3, Nanjing E. Rd., Songshan Dist. - Taipei City 105
T +886 2 2740 2214

Babboe B.V. | The Netherlands | ▪ babboe.com
Koedijkerweg 12A - 3816 BV Amersfoort
T +31 337 410 740 - E info@babboe.nl

Batavus Bäumker GmbH | Germany | ▪ batavus-baeumker.com
Oldenburger Straße 4 - DE-48429 Rheine
T +49 5971 8601-0 - E info@batavus-baeumker.com

Carqon B.V. | The Netherlands | ▪ carqon.com
Koedijkerweg 12A – 3816 BV Amersfoort
T +31 337 410 740 - E info@carqon.com

Centaur Cargo B.V. | The Netherlands | ▪ centaurcargo.com
Koedijkerweg 12A – 3816 BV Amersfoort
T +31 332 022 692 - E centaur@centaurcargo.com

Comet Distribuciones Comerciales S.L. | Spain | ▪ comet.es
Polígono Erratzu 440 - ES-20130 Urnieta (Gipuzkoa)
T +34 943 331 393 - E comet@comet.es

Cycles Lapierre S.A.S. | France | ▪ cycles-lapierre.fr
Rue Edmond Voisenet - FR-21000 Dijon Cédex
T +33 380 525 186 - E contact@cycles-lapierre.fr

Cycles France Loire S.A.S. | France
Avenue de l'Industrie - FR-42160 Saint Cyprien
T + 33 967406543

Cycles Service Nordic ApS | Denmark | ▪ cycleservicenordic.com
Emil Neckelmanns Vej 6– DK-5220 Odense SØ
T +45 65 99 24 11 - E info@cycleservicenordic.com

Ghost-Bikes GmbH | Germany | ▪ ghost-bikes.com
An der Tongrube 3 - DE-95652 Waldsassen
T +49 9632 9255-0 - E info@ghost-bikes.de

Raleigh UK Ltd | United Kingdom | ▪ raleigh.co.uk
136 Church Street – Eastwood, Nottingham NG16 3HT
T +44 1773 532 600 - E info@raleigh.co.uk

Swissbike Vertriebs GmbH | Switzerland
Industriestraße 21 - CH-6055 Alpnach Dorf
T +41 41 620 7455

Tunturi-Hellberg Oy Ltd. | Finland | ▪ tunturi.fi
Varusmestarintie 26 - FI-20360 Turku
T +358 (0)10 27 33 200 - E info@tunturi.fi

Vartex AB | Sweden | ▪ vartex.se
Batterivägen 14 - SE-432 32 Varberg
T +46 340 64 60 00 - E respons@vartex.se

E. Wiener Bike Parts GmbH | Germany | ▪ bike-parts.de
Max-Planck-Straße 8 - DE-97526 Sennfeld
T +49 9721 6501-0 - E info@bike-parts.de

Winora-Staiger GmbH | Germany | ▪ winora-group.de
Max-Planck-Straße 6 - DE-97526 Sennfeld
T +49 9721 6501-0 - E info@winora-group.de

8.9 COLOPHON

TEXT
Accell Group - Heerenveen, The Netherlands
CFF Communications - Amsterdam, The Netherlands

DESIGN & LAY-OUT
Boerma Reclame - Gouda, The Netherlands

WEBSITE
Mattmo Creative - Amsterdam, The Netherlands

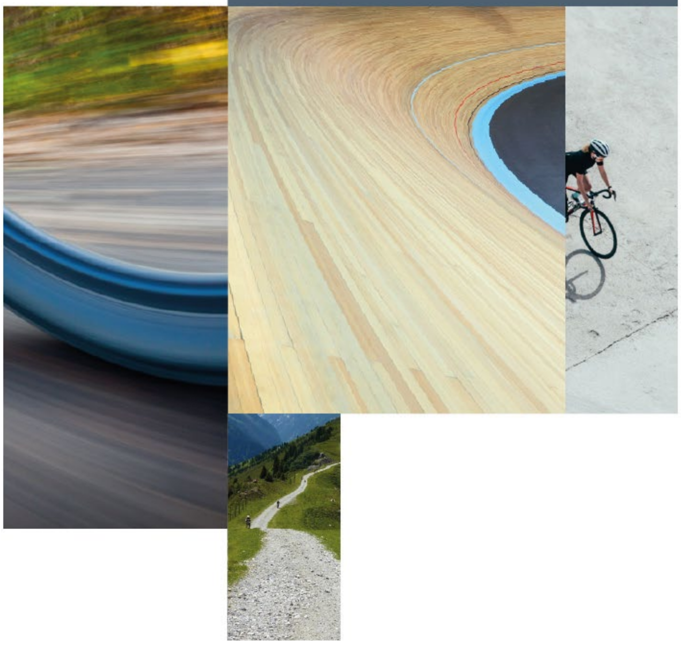
PRINTING & DISTRIBUTION
Printweb Media B.V. - Nieuwegein, The Netherlands

Additional information
Accell Group N.V.
Tel: +31 (0) 513 638 703
E-mail: info@accell-group.com

BABBOE

BABBOE (2005) IS A DUTCH CARGO BIKE BRAND DEVELOPED BY PARENTS FOR PARENTS. IT IS YOUNG FATHERS AND MOTHERS WHO INSPIRE BABBOE TO MAKE THE BEST POSSIBLE CARGO BIKES THAT MAKE EVERYDAY LIFE THAT LITTLE BIT EASIER AND MORE FUN. BABBOE SELLS BOTH NON-ELECTRIC AND ELECTRIC CARGO BIKES WITH TWO OR THREE WHEELS AND IS ACTIVE ACROSS THE GLOBE.

ANNUAL REPORT
2019



Accell Group N.V.
P.O. Box 435, 8440 AK Heerenveen
Industrieweg 4, 8444 AR Heerenveen
The Netherlands
T +31 (0)513 638 703
E info@accell-group.com
www.accell-group.com