# Press release

# half-year report 2010

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**REPORT ON THE FIRST HALF-YEAR OF 2010**

# Accell Group's profit up 9% in first half year

**Heerenveen, the Netherlands, 23 July 2010 - Accell Group N.V. booked a further increase in turnover and profit in the first half of 2010. Turnover was up 3% to € 342 million, compared with € 333 million in the first half of 2009, due in part to the effect of (minor) acquisitions. Net profit rose by 9% to € 24.1 million from € 22.1 million in the same period of 2009.**

**René Takens, Chairman of the Executive Board of Accell Group**: "*In the first half of 2010, we saw a number of important trends continue. Consumer interest in the environment, mobility, health and active recreation remains high. This is leading to greater use of our products. There is particular interest for our innovative sports bicycles and electric bicycles. The first half year was however characterized by a very long winter and subsequent bad weather in May, a very important month in the cycling sales season. As a result less traditional bikes were sold. Also, the limited financing possibilities of our dealers were apparent. Our dealers have lowered part of their electric bicycle inventories, while simultaneously sales of electric bicycles to consumers continued to increase. Sales of bicycle parts, accessories and fitness equipment were also up. Despite the limited turnover growth, we are satisfied with our performance given the current market circumstances. Our strong brands in the various segment in which we operate, as well as our geographical spread, mean we can respond quickly to changing market conditions and opportunities. We will continue to actively seek acquisition candidates during the remainder of the year. Barring further economic developments and unforeseen circumstances, at this point in time we expect a higher turnover and an increase in net profit of approximately 5-10% for the full year 2010.*"

**Key developments first half of 2010**

Accell Group booked a slight increase in turnover in the first half of 2010. Total turnover in bicycles was virtually unchanged and the sales of bicycle parts and accessories increased. The long winter and the bad weather in May, the general economic developments and spending patterns during the FIFA World Cup, had the greatest impact on the sales of traditional bicycles. These factors had less impact on the sales of high-end sports bicycles and electric bicycles. The fitness division, which Accell Group has streamlined in recent years, booked an increase in sales in the first half. Margins developed well at all product groups.

**Turnover specification**

(amounts x € million)

| *Geographically* | | | *Per product group* | | |
|---|---|---|---|---|---|
| The Netherlands | 141 | (-/-7%) | Bicycles | 264 | (+0%) |
| Germany | 89 | (+7%) | Parts & accessories | 64 | (+11%) |
| France | 27 | (-/-6%) | Fitness | 14 | (+22%) |
| Rest of Europe | 63 | (+23%) | | | |
| Other countries | 22 | (+25%) | | | |
| **Total** | **342** | | **Total** | **342** | |

**Bicycles / bicycle parts & accessories**
In the segment bicycles / bicycle parts & accessories turnover rose by 2% to € 328.1 million in the first half of 2010, compared with € 321.4 million in the first half of 2009. The number of bicycles sold (circa 580,000) and the average sales price (€ 456 ex-factory) remained stable. Turnover of bicycle parts & accessories rose by 11% to € 64.0 million.

In the Netherlands, the long winter and the bad weather in May affected sales, in particular traditional bicycles. Also, there was a shift towards bicycles for special target groups. The sales of electric bicycles to consumers increased by approximately 10%. Due to inventory reductions by dealers, Accell Group supplied dealers with less electric bikes than in the first half of 2009. The sales of repair parts rose substantially. Many consumers who did not buy a new bicycle had their existing bicycles repaired. The turnover development at Accell Group's companies was in line with general market developments.

Turnover increased in Germany, due in part to the acquisition of Batavus importer Bäumker in January of this year. The sales of electric bicycles were up in Germany because this product is relatively new to this market compared with the Netherlands. The sales of the innovative sports bicycles of Ghost, Hai Bike and Winora also increased. The turnover in bicycle parts & accessories developed well in Germany and France (from Germany).

Sales of the French top brand Lapierre were up, primarily due to exports. The turnover in bicycles and bicycle parts for commercial city projects fell in the first half of this year, because there were relatively few new projects.

In Scandinavia, the integration of Tunturi and Hellberg, which Accell Group acquired in June 2009, is virtually complete. The integrated organisation will make it easier for these companies to market their products. The bicycles of the acquired Hellberg (Nishiki brand) will also be sold in the Netherlands and Germany. Accell Group is currently examining further export possibilities for this brand.

Sales of bicycles in Scandinavia, Austria, Spain and the UK increased significantly in the first half of 2010.

Turnover at SBS in North America rose primarily on the back of increased sales of the BMX brand Redline. The downturn in the sales of bicycles in North America seems to have come to an end. There is enormous interest in cycling and consumers are also buying new products.

On 13 July 2010, it was announced that the European Commission will be investigating the effect of the current anti-dumping measures imposed on the import of bicycles from China. These measures are based, among other things, on an ordinance that lapsed on 15 July of this year. The current (anti-dumping) rates will not be adjusted during this investigation (length: 12-15 months).

**Fitness**
Turnover in the fitness segment in the first half of 2010 rose 22% to € 14.3 million, from € 11.6 million in the first half of 2009. This rise in turnover was realised mainly through sales to new distributors, some of which were appointed to replace existing distributors and others which are active in new countries. The activities of Accell Group's own distributors in the UK and Germany were transferred to independent third party distributors in the first half of 2010. This has further

reduced cost levels and inventories of the fitness division. Most employees of those distributors have moved to the new organisations. The fitness division still has own distribution organisations in the Benelux, Scandinavia and North America.

**Key financial developments in the first half of 2010**

Total turnover increased by 3% to € 342 million in the first half of 2010, with 1% of this growth organic. The remaining part of the turnover growth (2%) was due to the (smaller) acquisitions of Hellberg and Bäumker, which have been consolidated as of end-June 2009 and 1 January 2010 respectively.

The added value (net turnover minus materials costs and inbound transport costs) as a percentage of turnover was 36.2%, compared with 36.8% in the first half of 2009. This change was partly due to increased transportation costs. Absolute added value increased by 1% to € 123.8 million, from € 122.6 million in the first half of 2009.

Operational expenses as a percentage of turnover were lower at 25.8%, compared with 26.5% in the first half of 2009. This decrease was due to lower other operating costs. Marketing costs in the first half of 2010 were unchanged from 2009 at around 3% of turnover. The operating result came in at € 35.4 million, up from € 34.3 million in the first half of 2009, which translates into an operating margin (EBIT) of 10.3%, unchanged from the year-earlier period.

Interest expenses were down 29% as a result of lower interest rates and a lower use of bank credit. Taxes increased compared with the previous year, to € 8.8 million. The average tax burden fell to 26.7%, from 28.0% in 2009.

The balance sheet total as of 30 June 2010 increased to € 373.3 million (30 June 2009: € 354.9 million), due to increased operational activities and the acquisition of Bäumker. The total working capital was € 175.2 million (30 June 2009: € 167.6 million). Acquisitions accounted for € 3.3 million of this total. Trade receivables in particular were higher as per 30 June 2009, because of increased bicycle deliveries in the second half of June.

The cash flow from operations before working capital was € 29.6 million (first half 2009: € 27.9 million). The operating cash flow from working capital excluding acquisitions was € -/- 13.6 million (first half 2009: € -/- 14.6 million). The cash flow from operations increased to € 16.0 million (first half 2009: € 13.4 million). The free cash flow was € 14.4 million (first half of 2009: € 6.4 million). The return on capital employed (ROCE) as per 30 June 2010 was 17.6% (30 June 2009: 17.7%). The solvency ratio as per 30 June 2010 is 45.4% (30 June 2009: 40.1%). The financing ratio Net Debt / EBITDA improved to 1.4 (30 June 2009: 1.8).

There were no substantial changes with respect to the risks and uncertainties described in the 2009 annual report.

**Outlook**

The economic conditions in 2010 remain difficult to predict. Accell Group’s products have the full attention of the consumer. Cycling and fitness are fun, easy and healthy. In addition, bicycle use is cheap. Many national and local governments are currently promoting the bicycle as an alternative means of travel. Accell Group is convinced that the coming years will see an increase in cycling and exercise in general. This will have a positive impact on the demand for bicycle parts and accessories and on the demand for new bicycles and fitness equipment. Accell Group’s companies are able to produce a new range each season with many innovations in terms of technology and design. Continuous market research ensures that Accell Group companies are developing the right products. Continued product development and focus will result in continuing growth in the sales of electric bicycles. In addition to the electric bicycle market, Accell Group companies are also key players in the sports bikes market. This position will be further expanded in the coming years. The current position in the middle and higher segment of the market is a solid basis for this expansion.

In recent months, the exchange rates of the US dollar and Japanese Yen have changed considerably. Accell Group's policy to charge on increases in the cost of materials, currency and other costs in the sale prices of the new season remains unchanged. Accell Group expects to be able to limit price increases per product to 10% in most cases as a result of adaptations to the product specifications and active cost controls. The market has been informed of same.

*Forecast*

Based on the current market conditions and barring unforeseen circumstances and economic conditions, for the full year 2010 Accell Group expects a higher turnover and an increase in net profit of approximately 5-10%. Further guidance will follow at the publication of a trading update on 16 November 2010.

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**Profile Accell Group**

Accell Group is active internationally in the mid-range and higher segments of the market for bicycles, bicycle parts & accessories and fitness equipment. The group is market leader in Europe in the bicycle market. The market approach is based on the key concepts quality, innovation and recognisable added value. For consumers this means a broad and strong portfolio of brands, including international top brands and well-known national brands, often with a long history. Accell Group operates close to the market and largely because of its high added value and numerous innovations, sells primarily via the specialist retail trade.

Accell Group's best known brands are Batavus, Bremshey, Ghost, Hai Bike, Hercules, Koga, Lapierre, Loekie, Redline, Sparta, Staiger, Tunturi, Winora and XLC. The company has production facilities in the Netherlands, Germany, France, Hungary and Belgium. Accell Group shares are traded on the official market of the NYSE Euronext in Amsterdam and included in the Amsterdam Small Cap Index (AScX).

Accell Group recorded turnover of € 572.6 million in 2009, compared with € 538.0 million in 2008, and net profit of € 32.7 million, compared with € 28.6 million in 2008. Turnover is distributed across the company's key markets as follows: the Netherlands 41%, Germany 25% and France 10%. Other European countries, including Belgium, Denmark, Finland, Austria, Spain and the UK, account for 17% of turnover. The remaining 7% of turnover comes from countries outside Europe, including the US and Canada.

**For further information:**

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**Press conference**
Today, 23 July 2010 - Okura Hotel, Amsterdam (Ballroom I), reception: 9.30 am; start 10.00 am

**Analysts meeting**
Today, 23 July 2010 - Okura Hotel, Amsterdam (Ballroom I), reception: 12.00 noon; start 12.30 pm

**Annexes**
- Summary consolidated profit and loss account as at 30 June 2010 and data per share
- Summary consolidated balance sheet as at 30 June 2010
- Summary consolidated cash flow statement as at 30 June 2010
- Summary statement of changes in equity as at 30 June 2010
- Summary statement of changes in realised and unrealised results at 30 June 2010
- Explanatory notes

## SUMMARY CONSOLIDATED PROFIT AND LOSS STATEMENT [1)]
**(amounts in € thousands)**

| | H1 2010 | H1 2009 |
|---|---|---|
| **Net turnover** | **342,389** | **332,872** |
| Cost of raw materials and auxiliary materials | (218,552) | (210,320) |
| Staff costs | (43,059) | (41,084) |
| Depreciations | (3,764) | (3,924) |
| Other operating costs | (41,622) | (43,253) |
| | (306,997) | (298,581) |
| **Operating profit** | **35,392** | **34,291** |
| Financial income and expenses | (2,499) | (3,517) |
| **Pre-tax profit** | **32,893** | **30,774** |
| Taxes | (8,795) | (8,628) |
| **Net profit** | **24,098** | **22,146** |

**Earnings per share** [2)]
(amounts in €)

| | | |
|---|---|---|
| Earnings per share | 2.39 | 2.25 |
| Weighted average number of outstanding shares | 10,087,175 | 9,837,570 |
| Number of outstanding shares at year-end | 10,284,606 | 10,017,084 |

[1)] The figures mentioned in this half-year report have not been audited by an accountant.
[2)] Earnings per share are calculated based upon weighted average number of outstanding shares.

## SUMMARY CONSOLIDATED BALANCE SHEET
(amounts in € thousands)

| | 30 June 2010 | 31 December 2009 | 30 June 2009 |
|---|---|---|---|
| **ASSETS** | | | |
| Fixed assets | | | |
| Tangible fixed assets | 60,040 | 61,219 | 60,702 |
| Intangible fixed assets | 43,240 | 42,382 | 41,749 |
| Financial fixed assets | 8,508 | 10,085 | 9,468 |
| Current assets | | | |
| Inventories | 144,247 | 137,835 | 143,460 |
| Receivables | 115,767 | 84,932 | 99,303 |
| Liquid assets | 1,530 | 849 | 232 |
| **TOTAL** | **373,332** | **337,302** | **354,914** |
| **LIABILITIES** | | | |
| Group equity | 169,432 | 151,756 | 142,388 |
| Provisions [1] | 34,537 | 33,137 | 32,146 |
| Long-term debts | 58,274 | 59,836 | 62,095 |
| Credit facilities | 26,303 | 25,812 | 43,103 |
| Other short-term liabilities | 84,786 | 66,761 | 75,182 |
| **TOTAL** | **373,332** | **337,302** | **354,914** |

[1] Provisions include both long-term and short-term provisions.

**SUMMARY CONSOLIDATED CASH FLOW STATEMENT**
(amounts in € thousands)

| | H1 2010 | H1 2009 |
|---|---|---|
| **Cash flow from operations** | | |
| Net profit | 24,098 | 22,146 |
| Depreciations | 3,764 | 3,924 |
| Share-based payments | 235 | 162 |
| Movement in provisions | 1,489 | 1,707 |
| **Cash flow from operations before working capital** | **29,586** | **27,939** |
| Movement in working capital (excl. acquisitions) | (13,594) | (14,556) |
| **Net cash flow from operations** | **15,992** | **13,383** |
| **Cash flow from investment activities** | | |
| Movement in fixed assets | (1,502) | (2,772) |
| Acquisitions subsidiary companies | (60) | (4,261) |
| **Net cash flow from investment activities** | **(1,562)** | **(7,033)** |
| **Free cash flow** [1)] | **14,430** | **6,350** |
| **Cash flow from financing activities** | | |
| Movement in bank loans and bank credit | (6,609) | 1,951 |
| Share- and option arrangements | 427 | - |
| Dividends | (7,593) | (8,711) |
| **Net cash flow from financing activities** | **(13,775)** | **(6,760)** |
| **Net cash flow** | 655 | (410) |
| Liquid assets as per 1 January | 849 | 640 |
| Effect of currency exchange liquid assets | 26 | 2 |
| Liquid assets as per 30 June | 1,530 | 232 |

[1)] Free cash flow is defined as the balance of net cash flow from operations and investment activities.

**SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
(amounts in € thousands)

| | **2010** | **2009** |
|---|---|---|
| **Balance on 31 December previous financial year** | **151,756** | **132,123** |
| Dividends | (7,588) | (8,707) |
| Share- and option arrangements | 662 | 162 |
| Other movements | 504 | (3,336) |
| Net profit current year | 24,098 | 22,146 |
| **Balance on 30 June current financial year** | **169,432** | **142,388** |

**SUMMARY CONSOLIDATED STATEMENT OF REALISED AND UNREALISED RESULTS**
(amounts in € thousands)

| | **H1 2010** | **H1 2009** |
|---|---|---|
| **Realised net profit** | **24,098** | **22,146** |
| Fair value adjustments financial instruments | 12 | (4,166) |
| Exchange differences foreign activities | 500 | (228) |
| Movements in deferred taxes | (3) | 1,062 |
| **Total of realised and unrealised results** | **24,607** | **18,814** |

## EXPLANATORY NOTES

**Principles of valuation and the determination of results**

This interim financial information pertaining to the period ending on 30 June 2010 has been drawn up in accordance with IAS 34 Interim Financial Reporting. For the principles of valuation and the determination of results, we refer to the annual accounts for the financial year 2009 (see the Accell Group N.V. 2009 annual report or go to www.accell-group.com). The interim report does not contain all the information that is prescribed for full annual accounts and should therefore be read in accompaniment with the Accell Group N.V. consolidated annual accounts for 2009. An accountant has not audited this interim financial information.

**Seasonal influences**

The operations of Accell Group N.V. are subject to seasonal influences. In general, more turnover is generated in the first half of the calendar year than in the second half of the calendar year. The seasonal pattern is a result of the influence of weather on the sale of the products delivered by Accell Group N.V.

**Segment information**

The bicycles and bicycle parts segment has booked a net turnover of € 328.1 million (2009: € 321.4 million) in the first half of 2010. Up to and including June 2010, the segment result of bicycles and bicycle parts was € 41.5 million (2009: € 41.6 million). In the first half of 2010, the fitness segment has booked a net turnover of € 14.3 million (2009: € 11.6 million). The segment result of fitness was € -/- 0.7 million for the first half year of 2009 (2008: € -/- 2.1 million). For the purpose of aligning the total of the segment results with the result before taxes of Accell Group N.V., non-allocated segment costs, non-allocated management costs, and financial income and expenses have been deducted. The non-allocated costs were € 5.4 million (2009: € 5.2 million) and the financial income and expenses were € -/- 2.5 million (2009: € -/- 3.5 million).

**Purchase of subsidiaries**

In 2009, Accell Group N.V. acquired all the shares in Bäumker & Co. GmbH ("Bäumker"). Bäumker is a trading company in bicycles, bicycle parts and accessories, which supplies specialist retail bike stores and is based in Rheine, Germany. The transaction is accounted for using the purchase method of accounting. Bäumker has been consolidated as from 1 January 2010. The following is a summary of the acquired combined net assets on the date of acquisition (in € thousands).

| | Fair value assumed at acquisition | Fair value adaptations | Book values |
|---|---|---|---|
| Fixed assets | 303 | (118) | 421 |
| Other assets | 3,570 | (25) | 3,595 |
| Liquid assets | 13 | - | 13 |
| Other debts and acquisition obligations | (3,813) | (579) | (3,243) |
| | 73 | | |
| Goodwill | - | | |
| Acquired liquid assets | (13) | | |
| Net investment cash flow | **60** | | |

**Taxes**

In the interim financial information, taxes have been included in the profit and loss account on the basis of the estimated weighted average applicable nominal rate of corporate tax.

**Outstanding shares**

The number of outstanding average shares as of 31 December 2009 was 10,017,084. In connection with the exercise of earlier granted option rights, 16,200 shares were issued. Mid-May 2010 the stock dividend for the year 2009 was paid out, which added 251,322 shares to the outstanding share capital. As per 30 June 2010, the number of outstanding shares amounted to 10,284,606; the average number of outstanding shares was 10,087,175. The company has a long-term bonus plan for the Executive Board and a number of directors. The full exercise and respective appropriation of the share and option rights granted to date would increase the number of issued shares by 1.6%.

**Dividend**

The dividend for the year 2009 was at the Annual General Meeting of Shareholders on April 22, 2010 fixed at € 1.58 per share, or a dividend in shares. Following the expiration of the option period, it appeared that the majority of shareholders had opted for a cash dividend. As per 19 May 2010, € 7,593,000 in cash dividend had been paid out and 251,322 shares had been added to the outstanding shares.

**Related party transactions**

Intercompany transactions and balances between Accell Group N.V. and its subsidiaries are eliminated in the consolidation. The sum of the connected party transactions was € 0.2 million.

**Obligations not shown in the balance sheet**

The obligations not shown in the balance sheet, as these were included in the 2009 annual accounts, have not changed essentially in the first half of 2010.

**Directors' statement**

The Board of Directors is responsible for setting up and monitoring the efficiency of the internal systems for risk management and audit systems. The Board of Directors would like to note at this point that the internal risk management and audit system is intended to identify and control significant risks the company is exposed to, with due consideration for the nature and scope of the organisation. Such a system cannot offer absolute certainty for achieving the objectives. Similarly, it is not possible to completely prevent cases from occurring that involve material errors, damage, fraud or the violation of statutory regulations. Actual effectiveness can only be assessed on the results achieved over a longer period.

With reference to article 5.25d paragraph 2c of the Dutch Financial Supervision Act ("Wft") and with due observance of the above notes regarding the set-up and operation of the internal risk measurement and audit system, as well as based on the audit of the financial statements of the accountant, the Board of Directors state that as far as they are aware, the financial statements as included on pages 6 up to 12 of this report provides a true representation of the assets, liabilities and the financial position on the balance sheet date as well as the profit for the first financial half-year of Accell Group N.V. and the companies included jointly in the consolidation, and the reports as included on the pages 1 to 5 of this report provide a true representation of the information as required under article 5.25d paragraph 8 and 9 of the Financial Supervision Act ("Wft").

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

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