



PRESS RELEASE

Number of pages: 26

Half year Results 2020

ACCELL GROUP RECORDS STEEP POST LOCKDOWN SALES REBOUND AND STRONG CASH GENERATION

HEERENVEEN (THE NETHERLANDS), 24 JULY 2020 – Accell Group N.V. recorded a year-on-year sales growth of 53.1% in June, bringing H1 net sales to € 676.9 mio, up 4.0% versus last year, despite the impact of the lockdowns in March and April. H1 EBIT came in at € 45.1 mio (excluding one-offs: € 47.5 mio), trailing H1 2019 levels by 19.0% (excluding one-offs: 14.7%) with added value margin down 359 bps at 27.6%, mainly due to mix effects and higher costs caused by COVID-19 related disruptions in the global supply chain. Working capital improved by 243 bps to 29.7% of net sales vs June-end 2019, primarily due to reduced inventories. Operating cash flow came in at € 129.1 mio as a result of the above and as part of our precautionary cash management measures taken in response to the virus outbreak.

Ton Anbeek, CEO Accell Group: *"The strong demand for bikes and P&A across Europe continues. With all countries and shops fully reopened in May and June we have been able to offset the decline of March and April leading to increased net sales in H1. In response to the virus outbreak our focus has been to manage for cash, reduce working capital and mitigate disruptions in the supply chain. While this led to some pressure on margins, we are pleased that the overall result of focusing on cost and cash in combination with a rebound in sales have led to a strong positive cash flow."*

While dealing with the impact of the pandemic on our business, we have also continued our strategic journey with various improvements made in innovation planning and omnichannel. We have seen excellent progress capturing the online opportunity in bike parts & accessories, but also in bikes such as Raleigh in the UK. We managed to continue our strong growth in cargo bikes amongst others with the successful launch of the next generation Carqon e-cargo bike. Our 'fit to compete' programme showed good progress as well with further complexity reductions, albeit we foresee the associated bottom line savings not to come through this year due to the current disruptions in the global supply chain.

The pandemic has boosted interest from consumers and governments in cycling across Europe as an alternative means of healthy, safe and green mobility. We expect this to positively benefit our business on the mid to long term. For the short term, it remains uncertain which direction the pandemic will take. While our first priority remains the health of our people, we are working actively to enhance product availability in H2 and secure a strong supply base in early 2021 for a good start of the next bicycle season. We will do so while maintaining our focus on strict cost and cash control.'

FINANCIAL HIGHLIGHTS

in millions of euro (unless otherwise stated)		H1 2020	H1 2019 ¹⁾
Net turnover		676.9	650.8
<i>Other income</i>		0.0	0.5
<i>Net sales growth% vs py</i>		4.0%	8.8%
Added value		186.9	203.0
Added value%		27.6%	31.2%
<i>Added value bps vs py</i>		-359	35
OPEX		-141.8	-145.2
General overhead previously allocated to discontinued operations		-	-2.1
EBIT		45.1	55.7
EBIT%		6.7%	8.6%
Net finance costs		-6.4	-4.5
Income from equity-accounted investees, net of tax		0.4	0.4
Income tax expense		-10.5	-12.8
Result from discontinued operations, net of tax		-	-9.2
Net profit		28.6	29.7
- Net profit from continuing operations		28.6	38.9
- Net profit from discontinued operations		-	-9.2

¹⁾ In accordance with IFRS accounting standards, the divested non-core (and loss-making) North American operations of Accell Group are recorded as discontinued operations. The result of discontinued operations includes the operational losses of the North American operations.

in millions of euro (unless otherwise stated)		H1 2020	H1 2019
EBIT reported		45.1	55.7
One-off		2.4	-
EBIT excl. one-off		47.5	55.7
TWC% net sales		29.7%	32.2%
<i>TWC in bps vs py</i>		-243	-200

Net turnover came in at € 676.9 mio, up 4.0% versus last year, with May (+23.2%) and June (+53.1%) compensating the decline due to COVID-19 in March and April (-26.7% on average). Bicycles ended at -1.6% where in France and Germany the impact of lockdowns was not fully recovered in May and June. Parts & Accessories showed excellent growth in H1 of 27.3%.

Net turnover based on location of the customer

in millions of euro

Accell - Bicycles

*Benelux*²⁾*Central*^{2) 3)}*Other Europe*²⁾*Other World*²⁾*Velosophy*

Accell - Parts

Accell Group

H1 2020	H1 2019 ¹⁾	Growth%
515.7	524.2	-1.6%
127.9	121.8	5.0%
224.5	250.3	-10.3%
132.7	123.6	7.4%
9.9	11.6	-14.6%
20.7	16.9	22.3%
161.2	126.6	27.3%
676.9	650.8	4.0%

1) H1 2019 figures have been restated for comparability purpose because (a) Vartex € 7.8 million transferred from segment parts to segment bikes in 2020 and (b) Baumker € 9.5 million changed managerial from Benelux to Central in 2020.

2) Excluding Velosophy

3) DACH renamed into Central as Eastern European countries are also included

Growth in the Benelux (excluding Velosophy) was 5.0% driven by strong post lockdown Batavus sales on the back of an attractive brand portfolio and fueled by a new campaign. Sales in Germany rebounded strongly in May and June, but still lagged YTD 2019 sales levels due to the severe impact of the German lockdown regime on our sales in March and April. In other markets, the Nordics and the UK recorded very strong growth fueled by a steep post lockdown consumer demand rebound, while France also showed strong post lockdown sales. Our cargo bike business Velosophy continued to perform well. Growth came in at 22.3% despite lockdowns hampering sales in various regions. Our Parts & Accessories business had an excellent H1 with sales up 27.3% driven by expansion of online sales partners and a surging demand for bike parts from repair shops.

Added value decreased by 359 bps driven by:

- a change in product mix due amongst others to delayed introductions of new bicycle models caused by COVID-19 induced supply chain disruptions;
- a change in customer mix in bikes and P&A due to higher sales from online partners;
- higher discounts due to arrangements made with major customers during lockdown as part of our focus on cash management and working capital reduction;
- cost price increases amongst others due to lower production volumes and adverse forex.

Opex decreased from € 147.3 to € 141.8 mio, down € 5.5 mio. Excluding one-offs opex decreased with € 7.9 mio. As percentage of net sales opex decreased with 170 bps (from 22.6% to 20.9%) and decreased with 204 bps corrected for one-offs. The main movements in opex were as follows:

1. increase due to one-offs € 2.4 mio;
 1. a € 3.0 mio charge mainly related to an impairment (IT related) plus some minor restructuring effects;
 2. a € 0.6 benefit related to government support (mainly Germany, France and Turkey).
2. variable related costs decreased with € 2.6 mio:
 1. a decrease - € 4.8 mio in production as reduced need for flexible labor as caused by the lockdowns;
 2. a distribution increase of € 2.2 mio attributable in full to P&A volume growth which was accompanied by an underlying improvement of the average dropsize.
3. a decrease of € 5.3 mio amongst others in marketing spend and overhead costs as part of the COVID-19 measures.

In 2020, the North American business does not include any operational activities, only costs associated with the dissolution of the legal companies. The total cost of € 0.2 million has been absorbed in continuing operations.

EBIT came in at € 45.1 mio (excluding one-offs: € 47.5 mio), trailing H1 2019 levels by 19.0% (excluding one-offs: 14.7%), reflecting an EBIT margin of 6.7% (7.0% excluding one-offs).

INTEREST EXPENSE, INCOME TAX AND GROUP NET PROFIT

Interest costs (net finance costs) increased to € 6.4 mio from € 4.5 mio in H1 2019 mainly as a result of additional borrowings and unfavorable forex. The effective tax rate stood at 26.8% (H1 2019: 30.1%) and is predominantly determined by the tax rate in the Netherlands and Germany. Group net profit came in at € 28.6 mio.

TRADE WORKING CAPITAL

	H1 2020 x €1 million	H1 2020 %	FY 2019 x €1 million	FY 2019 %	H1 2019 ¹⁾ x €1 million	H1 2019 ¹⁾ %
Trade working capital	338.1	29.7%	360.0	32.4%	349.3	32.2%
Inventory	317.7	27.9%	386.8	34.8%	333.0	30.7%
Trade receivables	197.1	17.3%	140.7	12.7%	186.2	17.1%
Trade liabilities	176.7	15.5%	167.5	15.1%	169.9	15.6%

¹⁾ excluding discontinued operations

Trade working capital swings were more volatile due to COVID-19. Governance on working capital during COVID-19 has been intensified with amongst others frequent follow up on debtors positions. Inventory levels have been closely monitored with interventions made on production levels and order management towards suppliers. Also trade-offs between inventory reduction and discounts with customers (during lockdowns) were part of this tightened governance.

The regular seasonal pattern assumes an increase of inventory in Q1 followed by an inventory reduction from March and April onwards. The lockdowns in Europe have caused inventory to increase up and till the end of April with reduction of inventory starting to occur only as of May and June. Due to the relatively high inventory levels at the start of the year and the extension of such levels until May 2020 as caused by the lockdowns, average working capital was up 368 bps, presenting a somewhat distorted picture.

Per end of June, trade working capital showed a significant improvement of 243 bps at 29.7% of net sales versus end of June 2019 (32.2%), mainly thanks to inventory reduction (-272 bps vs June 2019 and -687 bps vs December 2019). Receivables were slightly up due to the strong sales in June and creditors were slightly down.

The significant improvement of trade working capital was also a key driver of our strong cash flow generation in H1. Operating cash flow came in at € 129.1 mio positive.

FINANCIAL EFFECTIVENESS AND CAPITAL EFFICIENCY

in millions of euro (unless otherwise stated)

	H1 2020	H1 2019
ROCE (Rolling EBIT / Average capital employed) ¹⁾	9.1%	10.2%
Net debt	153.7	224.3
Net debt / Rolling EBITDA	2.0	3.1

¹⁾ Capital employed is the sum of goodwill, other intangible assets, property, plant and equipment, right-of-use assets, inventories and trade and other receivables minus trade payables and other current liabilities.

ROCE reported came in at 9.1% (2019: 10.2%); excluding one-offs and IFRS 16 impact ROCE arrived at 9.0% (2019: 10.9%). The decrease in (adjusted) ROCE was mainly due to lower EBIT.

Thanks to the strong positive cash flow from operations of € 129.1 mio (mainly due to working capital decrease) net debt came in at € 153.7 mio (€ 123.1 mio excl. IFRS 16). This is a reduction of € 70.6 mio vs June 2019 and a € 111.6 mio reduction vs December 2019. This lower net debt led to an improved net debt/rolling EBITDA which came in at 2.0 and at 1.8 when corrected for IFRS 16 and one-offs (H1 2019: 3.1 and 2.8 respectively).

FINANCING AND BANK COVENANTS

In Q1 2020, € 50 mio was drawn under the existing accordion facility to term loan (increasing it to € 125 mio).

In June, Accell Group agreed an additional two-year amortizing bank facility of € 115 mio with its bank consortium under the Dutch GO-C scheme. In addition, the existing financial covenants have been amended for the duration of the GO-C facility and the seasonal facility has been extended. Dividend limitations will be applicable as long as the GO-C is drawn. The GO-C is partly drawn in June 2020 (€ 60 mio) and the remainder is available till 1 April 2021. This additional facility will provide Accell with sufficient financial buffer and financial flexibility in the case the impact of COVID-19 lasts longer and turns out to be more severe.

Accell Group complied with the terms and conditions of the financial ratios at 31 March 2020 and with the amended covenants at 30 June 2020.

OTHER COVID-19 RELATED MATTERS

Accell Group has taken safety measures in line with government recommendations. Hygiene and other measures are in place at all locations. Our factories have restarted production in a responsible manner and we are almost back at normal production levels. Most office employees have been and are still working from home.

Accell Group has utilized COVID-19 government relief programs, including compensations to retain jobs and deferrals of payment of incurred payable taxes, across various countries. After recovery in May, Accell has approached several governments, if and when applicable, to repay the compensation granted and to catch up on deferred tax payments. Most compensation amounts have been repaid by 30 June 2020, while any remaining amounts will be repaid during July. The total benefit related to government support is € 0.6 mio.

The COVID-19 crisis has made our purpose more relevant than ever and our strategy has been validated during this crisis. Relevant experiences of COVID-19 will be evaluated and used to further sharpen our strategy.

MANAGEMENT AGENDA AND OUTLOOK

Driven by electrification, infrastructure investments and government incentives, demand for bicycles continues to gain momentum. These long term and sustainable trends have only been further propelled due to the pandemic which has led to a broad based reflection on the way we live, work and move and on the profound benefits bicycles can offer in this respect.

We cannot predict what the course of the pandemic will be, but we have taken precautions which enable us to respond rapidly and decisively to either up or down scenario. In the short term, disruptions in the global supply chain caused by COVID-19 will continue. While we are taking appropriate action to mitigate the effects of the supply chain distortions and to secure additional supply, we do expect these to continue to hamper product availability and margins in H2. Given the seasonality in our business, with H1 typically a much stronger contributor to our full year results than H2 and taking into account the disruptions in the supply chain, we expect EBIT for the full year 2020 to be lower than 2019.

Looking further ahead, the future of our markets, brands and business is very bright. We expect the pandemic to help encourage more people to discover and adopt cycling as a form of mobility long after the threat of the virus has receded. More than ever we are committed to accelerate our work on innovation performance, to improve our sales and operational planning and ultimately deliver on our promise of creating the best cycling experience for everyone who uses our bikes.

ABOUT ACCELL GROUP

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.

In 2019, we sold around 943 thousand bicycles and recorded a turnover of over € 1.1 billion.

<https://www.accell-group.com>.

NOTE FOR EDITORS, NOT FOR PUBLICATION

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ANALYST MEETING

Today, Accell Group will host a meeting for investors and analysts at 11.00 CET. For the live audio webcast of the analyst meeting please click [here](#).

A replay and the presentation materials will also be made available on our corporate website today: <https://www.accell-group.com>.

FINANCIAL CALENDAR 2021

5 March 2021: Publication annual results 2020

9 March 2021: Publication annual report 2020

21 April 2021: General Meeting of Shareholders

PUBLICATION SEMI-ANNUAL 2020 RESULTS

The semi-annual 2020 results (incl. interim financial statements) will be available from 24 July 2020 on the Accell Group website (<https://www.accell-group.com>).

REPORTING STANDARDS

The results in this press release for the half-year ending 30 June 2020 are derived from the Accell Group interim financial statements 2020, which have not been audited by the external auditor, and have been drawn up in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU.

REGULATED INFORMATION

This press release contains information that qualifies or may qualify as inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation (596/2014/EU).

ENCLOSURES

- Interim financial statements 2020
- Directors' statement

FORWARD-LOOKING STATEMENTS

This document may contain forward-looking statements regarding Accell Group's results, capital and liquidity positions. In addition, forward-looking statements may include, but are not limited to, phrases such as "intends", "expects", "is taking into account", "targets", "plans", "estimates" and words with a similar meaning. The forward-looking contained in this document are based on current expectations, estimates and projections of Accell Group and information currently available to it and pertain to future events, such as Accell Group's future financial results, company plans and strategies. Forward-looking statements are subject to certain risks and uncertainties that are difficult to predict and which may lead to material differences between the actual results, position and performances, and the expected future results, position or performances implicitly or explicitly contained in said forward-looking statements. Factors that may cause actual results to differ from current expectations include but are not limited to macroeconomic, market and business trends and conditions, changes and developments in legislation, technology, taxes, jurisprudence and regulations, stock exchange fluctuations, legal claims, investigations by regulatory bodies, competition and general economic and/or political changes and other developments in countries and markets in which Accell Group operates. These and other factors, risks and uncertainties, which may have an effect on any forward-looking statement that could cause results to differ materially from those described in the forward looking statements, are described in Accell Group's annual report. The forward-looking statements contained in this document are statements as at the date of this document only and Accell Group does not accept any liability for or obligation to amend the forward-looking statements contained in this document, regardless of any new information, future events or otherwise, unless Accell Group is under a legal obligation to do so.

INTERIM FINANCIAL STATEMENTS 2020

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ending 30 June

(in thousands of euro)

	Notes	2020	2019 ¹⁾
Continuing operations			
Net turnover		676,881	650,803
Other income		27	513
Cost of materials and consumables		-489,976	-447,762
Personnel expenses		-72,891	-76,989
Depreciation, amortization and impairment losses		-13,149	-10,161
Net impairment losses on financial assets		-739	-541
Other operating expenses		-55,025	-60,164
Operating result		45,128	55,699
Net finance cost		-6,436	-4,464
Income from equity-accounted investees, net of tax		391	423
Profit before taxes from continuing operations		39,084	51,658
Income tax expense	12	-10,468	-12,808
Result after taxes from continuing operations		28,616	38,851
Discontinued operations			
Result after taxes from discontinued operations		-	-9,151
Net profit		28,616	29,700
Earnings per share (in euro)			
Basic earnings per share from continuing operations		1.07	1.45
Basic earnings per share including discontinued operations		-	-0.34
Diluted earnings per share from continuing operations		1.06	1.44
Diluted earnings per share including discontinued operations		-	-0.34

¹⁾ In accordance with IFRS accounting standards, the divested non-core (and loss-making) North American operations of Accell Group are recorded as discontinued operations. The result of discontinued operations includes the operational losses of the North American operations (see note 14 Discontinued operations).

The interim financial statements are unaudited.

CONDENSED CONSOLIDATED BALANCE SHEET

(in thousands of euro)

Notes 30-06-20 31-12-19 30-06-19

ASSETS				
Property, plant and equipment		64,955	64,426	66,925
Right-of-use assets		30,140	29,796	29,604
Goodwill and other intangible assets	10	129,327	132,617	139,793
Equity-accounted investees		5,843	5,469	5,803
Net defined benefit asset		23,153	22,383	22,144
Deferred tax assets		24,766	25,848	3,308
Other financial assets		3,555	4,369	2,540
Non-current assets		281,739	284,907	270,118
Inventories		317,741	386,830	358,728
Trade and other receivables		220,778	171,649	221,278
Current tax receivables		608	1	-
Other financial instruments	11	1,131	4,284	2,489
Cash and cash equivalents	8	284,634	11,482	41,350
Current assets		824,892	574,246	623,845
Total assets		1,106,631	859,154	893,963

The interim financial statements are unaudited.

(in thousands of euro)

Notes **30-06-20** **31-12-19** **30-06-19**

EQUITY				
Share capital		268	268	268
Share premium		42,314	42,314	42,380
Reserves		308,380	280,614	298,092
Total equity	9	350,963	323,196	340,741
LIABILITIES				
Provisions		5,009	5,041	4,977
Contingent consideration		-	-	-
Borrowings	8	184,668	75,100	75,037
Lease liabilities	8	22,041	22,240	20,045
Net defined benefit obligation and other long-term employee benefits		8,594	8,718	8,067
Deferred tax liabilities		16,165	16,794	17,182
Deferred revenue		1,388	1,185	979
Non-current liabilities		237,865	129,078	126,288
Provisions		7,866	5,996	6,469
Contingent consideration	11	375	2,889	2,784
Borrowings	8	204,585	126,868	118,263
Lease liabilities	8	8,618	7,983	9,659
Deferred revenue		1,992	486	788
Trade payables and other current liabilities		260,705	210,918	233,054
Current tax liabilities		11,525	3,842	9,192
Other financial instruments	11	3,679	3,296	4,053
Bank overdrafts	8	18,457	44,603	42,671
Current liabilities		517,803	406,880	426,934
Total liabilities		755,668	535,958	553,222
Total equity & liabilities		1,106,631	859,154	893,963

The interim financial statements are unaudited.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ending 30 June

(in thousands of euro)

	2020	2019
Net profit	28,616	29,700
Items that will never be reclassified to profit or loss		
Remeasurement of the defined benefit liability (asset)	1,798	2,050
Fair value gain/(loss) on hedging instruments entered into for cash flow hedges subject to basis adjustment	-1,773	-4,300
Related tax	-186	367
Items that are or may be reclassified subsequently to profit or loss		
Foreign operations - foreign currency translation differences	-902	-160
Fair value gain/(loss) arising on cash flow hedges	-207	-1,282
Cumulative gains/(losses) on cash flow hedges reclassified to income statement	258	273
Related tax	-13	252
Total comprehensive income	27,591	26,899
Attributable to continuing operations	27,591	36,050
Attributable to discontinued operations	-	-9,151

The interim financial statements are unaudited.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ending 30 June

(in thousands of euro)

	2020	2019
	Total equity	Total equity
Balance as at 1 January	323,196	322,391
Total comprehensive income		
Net profit	28,616	29,700
Other comprehensive income	-1,025	-2,801
Total comprehensive income	27,591	26,899
Transactions with owners of the Company		
Dividends paid	-	-13,302
Stock dividends	-	4,770
Other changes	176	-17
Total	176	-8,549
Balance as at 30 June	350,963	340,741

The interim financial statements are unaudited.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ending 30 June

(in thousands of euro)

	Notes	2020	2019
Cash flows from operating activities			
Profit for the period		28,616	29,700
Adjustments for:			
- Depreciation, amortisation and (reversal of) impairments		13,149	11,425
- Net finance cost		6,436	4,464
- Other adjustments		108	-423
- Tax expense		10,468	12,781
		58,776	57,946
Change in:			
- Inventories, trade receivables/payable and other receivables/payables		66,914	-68,213
- Provisions, employee benefits and deferred revenue		3,364	-587
Cash flows from operations		129,053	-10,855
Interest received		5,273	1,385
Interest paid		-10,031	-5,692
Taxes paid		-2,783	-6,068
Cash from operating activities		121,511	-21,230
<i>of which is attributable to discontinued operations</i>		-	-12,996
Cash flow from investing activities			
Acquisition of subsidiaries, net of cash acquired		-	-
Acquisition and disposal of fixed assets		-5,653	-6,573
Net cash from (used in) investing activities		-5,653	-6,573
<i>of which is attributable to discontinued operations</i>		-	8
Free cash flows ¹⁾		115,859	-27,803
Cash flow from financing activities			
Proceeds from (repayment of) interest-bearing loans and transaction costs	8	114,221	-25,110
Principal portion of lease liabilities		-5,257	-5,552
Payment of contingent consideration		-2,889	-2,443
Dividends paid	9	-	-8,532
Proceeds from (repayment of) revolving credit facility	8	75,382	70,165
Net cash from (used in) financing activities		181,457	28,528
<i>of which is attributable to discontinued operations</i>		-	-785
Net increase (decrease) in cash and bank overdrafts		297,316	725
Cash and bank overdrafts at 1 January		-33,121	-2,177
Effect of exchange rate fluctuations on cash and bank overdrafts held		1,982	131
Cash and bank overdrafts at 30 June		266,177	-1,321

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

The interim financial statements are unaudited.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Accell Group N.V. ("Accell") is a company domiciled in Heerenveen, the Netherlands. These condensed consolidated interim financial statements ("interim financial statements") as at and for the six months ending 30 June 2020 comprise Accell and its subsidiaries (together referred to as "Accell Group"). Accell Group is internationally active in the design, development, production, marketing and sales of innovative and high-quality bicycles and bicycles parts and accessories.

2. Basis of accounting

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the group's annual consolidated financial statements 2019 ("last financial statements"). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in Accell Group's financial position and performance since the last financial statements. Accounting policies and methods of computation applied to these interim financial statements are the same as those applied in the last financial statements except for the changes as set out in note 4. Calculations in the tables are made based on unrounded figures; as a result, rounding differences can occur.

These interim financial statements are unaudited.

3. Use of judgements and estimates

In preparing these interim financial statements, Accell Group has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by Accell Group in applying Accell Group's accounting policies and key sources of estimation uncertainty were the same as those applied to the last financial statements.

Measurement of fair values

When measuring the fair value of an asset or liability, Accell Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability are not based on observable market data (unobservable inputs).

Further information about the assumptions made in measuring fair values is included in note 11 – financial instruments.

4. Change in accounting policies

Accell Group in 2019 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 amendments that are mandatory as of 1 January 2020 (Amendments to References to the Conceptual Framework in IFRS Standards, Amendment to IFRS 3 Business Combinations, Amendments to IAS 1 and IAS 8: Definition of Material) have no material impact on the consolidated financial statements.

5. Changes in composition of Accell Group

No material changes in the composition of Accell Group occurred in the six months ending 30 June 2020.

6. Operating segments

The three operating segments are the same as those identified in the last financial statements: Bikes, Parts and Corporate/Eliminations.

Information about reportable segments for the six months ending 30 June 2020

	Bikes	Parts	Corporate/ Elimination	Consolidated
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
External net turnover	515,707	161,068	107	676,881
Inter-segment net turnover	2,329	3,528	-5,858	-
Segment net turnover	518,036	164,596	-5,751	676,881
Other income	22	-	5	27
Contribution profit	59,944	11,216	151	
Allocated cost central functions	24,557	3,852	-2,226	
Segment profit (loss) before interest and tax	35,387	7,364	2,377	45,128
Net finance cost				-6,436
Share of profit (loss) of equity-accounted investees				391
Consolidated profit (loss) before tax from continuing operations				39,084
Segment assets	943,849	151,161	11,013	1,106,023
Segment liabilities	470,470	121,183	163,407	755,060
Depreciation and amortization	6,262	2,769	4,118	13,149
Capital expenditure	4,417	719	302	5,438

Information about reportable segments for the six months ending 30 June 2019¹⁾

	Bikes	Parts	Corporate/ Elimination	Consolidated
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
External net turnover	524,166	126,647	-10	650,803
Inter-segment net turnover	2,947	2,346	-5,293	-
Segment net turnover	527,114	128,993	-5,303	650,803
Other income	500	-	13	513
Contribution profit	77,583	6,898	-3,646	
Allocated cost central functions	25,336	3,200	-3,400	
Segment profit (loss) before interest and tx	52,247	3,699	-246	55,699
Net finance cost				-4,464
Share of profit (loss) of equity-accounted investees				423
Consolidated profit (loss) before tax from continuing operations				51,658
Segment assets	900,030	144,920	-150,987	893,963
Segment liabilities	457,928	116,329	-21,035	553,222
Depreciation and amortization	6,490	2,842	829	10,161
Capital expenditure	3,176	2,298	1,657	7,131

¹⁾ 2019 figures have been (a) restated for comparability purpose because Vartex transferred from segment parts to segment bikes in 2020 and (b) the Bikes Non-Core segment identified in 2018 was discontinued in 2019 and the corresponding information has therefore been restated.

The sales to external customers reported in the geographical information 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.

	Net turnover based on company location		Net turnover based on location of customer	
	H1 2020	H1 2019	H1 2020	H1 2019
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
The Netherlands	167,507	150,100	144,203	129,718
Germany	291,514	335,100	228,385	238,771
Other Europe	205,786	151,386	293,930	270,446
Other countries	12,075	14,219	10,364	11,869
Total	676,881	650,803	676,881	650,803

7. Seasonality of operations

Accell Group operates in an international bicycle market, which has a fixed seasonal pattern but can still vary per country. The bicycle season in Europe, where the company has most of its operations, runs from September till August. Each year at the start of the new season Accell Group launches its new bicycle collections.

Peaks in bicycle deliveries across the season vary from year to year, but are virtually always – and partly depending on the weather – in the period from March through August. The season for parts and accessories has a more level sales pattern and runs from February through November, also with differences per sales market. Due to this seasonality more turnover is generated in the six months ending 30 June than in the six months ending 31 December.

The impact and length of COVID-19 is difficult to predict, it could be that the seasonality will shift somewhat to the second half of 2020.

8. Net debt

	30-06-20	31-12-19
	€ x 1,000	€ x 1,000
Borrowings (non current)	184,668	75,100
Borrowings (current)	204,585	126,868
Total borrowings	389,253	201,968
Bank overdrafts	18,457	44,603
-/- Cash and cash equivalents	-284,634	-11,482
Net debt excluding lease liabilities	123,076	235,088
Lease liabilities (non current)	22,041	22,240
Lease liabilities (current)	8,618	7,983
Net debt	153,736	265,312

	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 2020	126,674	73,720	1,574	201,968
<i>Changes in financing cash flows:</i>				
Proceeds from loans and borrowings	75,382	110,000	6,000	191,382
Transaction costs related to loans and borrowings	-	-1,747		-1,747
Repayment of borrowings	-	-	-32	-32
Total changes from financing cash flows	75,382	108,253	5,968	189,604
The effect of changes in foreign exchange rates	-2,534	-	-	-2,534
<i>Other changes liability-related:</i>				
Changes as a result of the sale of subsidiaries	-	-	-	-
Interest expenses minus interest paid	-	215		215
Total liability-related other changes	-2,534	215	-	-2,318
Total equity-related other changes	-	-	-	-
Balance at 30 June 2020	199,523	182,189	7,542	389,253

In March 2020, Accell Group increased the term loan facility through an accordion increase and utilized € 50 million (increasing the term facility to € 125 million).

In June 2020, Accell Group entered into an amendment to the existing facilities agreement with its syndicate of banks. In addition, 5 syndicate banks provided an additional two-year amortizing term loan facility of € 115 million to Accell for the period from 30 June 2020 through 30 June 2022. The facility was partly drawn in June 2020 (€ 60 million); the remainder is available for drawing till 1 April 2021. This additional facility of € 115 million ("GO-C facility") is for 80% backed by a Dutch state guarantee in favor of the banks under the so called GO-C scheme. Furthermore, the existing seasonal Revolving Credit Facility ("RCF") of € 100 million, normally available from 1 December each year till 15 July next year, was amended so that it would remain available during the entire calendar year 2020.

Description of financial covenants

Accell Group has a financing agreement with a syndicate of six banks for a total group financing. The existing covenants have been partially waived and partially amended:

1. The term loan (including the GO-C facility) leverage ratio has been waived for 5 consecutive quarters, starting 30 June 2020 and ending and including 30 June 2021; this ratio shall not exceed
 - 4.64 in the 12 months period expiring 30 September 2021;
 - 3.11 in the 12 months period expiring 31 December 2021;
 - 2.50 in each 12 months period expiring after 31 December 2021 (which was the original ratio).
2. The solvency ratio has been amended; this ratio shall be greater than:
 - 15.0% for the testing dates 30 June 2020 and 31 December 2020;
 - 16.2% for the testing date 30 June 2021;
 - 18.6% for the testing date 31 December 2021;
 - 25.0% for the testing dates after 31 December 2021 (which was the original ratio).
3. The borrowing reference remains in place and is unchanged. The borrowing reference states that the net debt, after deduction of the outstanding amounts under the term loan (including Schuldschein and GO-C facility), currently € 185 million 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.

In addition, the following temporary covenants have been agreed upon:

1. Normalized EBITDA shall not be lower than:
 - - € 30.0 million in the 12 months period expiring 30 June 2020;
 - - € 58.9 million in the 12 months period expiring 30 September 2020;
 - - € 70.6 million in the 12 months period expiring 31 December 2020;
 - - € 51.4 million in the 12 months period expiring 31 March 2021;
 - + € 5.6 million in the 12 months period expiring 30 June 2021.
2. The liquidity (cash and available, undrawn commitments) shall not be less than € 25 million during the period through 31 March 2022 and as long as any amount under the GO-C facility is outstanding, to be tested on a quarterly basis.

Nominal interest rates on all existing facilities have been increased with 30 bps; an extra increase of 10 bps applies to the seasonal RCF. Dependent on the fulfilment of certain conditions the increase of 30 bps may be reduced or removed in the coming years.

As long as any amount under the GO-C facility is outstanding no cash dividend distributions shall be made, unless the original financial covenants that applied prior the June 2020 amendment and restatement are complied with. The banking syndicate has got a positive pledge over receivables (including trade and intercompany receivables), inventory, IP, brand names, bank accounts, and other assets of the Dutch and German subsidiaries of Accell Group.

	30-06-20	31-12-19
	€ x 1,000	€ x 1,000
Total commitments	541,925	374,382
Net debt (excluding amortized upfront fees)	126,262	239,257
Available liquidity	415,663	135,125
Consolidated tangible net worth	221,636	190,579
Balance sheet total (adjusted)	946,037	696,741
Solvency	23.4%	27.4%
Term loan	110,000	60,000
GO-C	60,000	-
Schuldschein	15,000	15,000
Permitted acquisitions	-	15,000
Outstandings	185,000	90,000
Borrowing reference	196,188	198,485
Aggregate outstandings	-58,737	149,224
Headroom	254,925	49,261
	12 months rolling	12 months rolling
EBITDA of continuing operations reported	77,614	86,136
Frozen GAAP adjustment (IFRS 16)	-10,022	-9,833
Income from equity-accounted investees, net of tax	391	424
Exceptional items	-10,745	-12,282
Expenses share-based payments	272	192
Fair value change financial instruments	269	-
EBITDA covenants	57,780	64,637
Acquisitions		
Disposals	336	-344
Normalized EBITDA	58,116	64,293
Term loan leverage ratio (outstandings / normalized EBITDA)	N/A	1.4

9. Capital and reserves

Issues of ordinary shares

As per 31 December 2019 26,802,751 ordinary shares have been issued and paid in full. In March a total of 2,280 ordinary shares were issued as a result of the vesting of conditional shares arising from the restricted share program for executive employees.

As per 30 June 2020, the number of outstanding shares amounted to 26,805,031; the weighted average number of outstanding shares amounted to 26,804,229 over the six months ending 30 June 2020. The company has a long-term incentive plan for the Board of Directors and a number of executive employees. In light of the impact of COVID-19 on society and Accell Group in particular, the Board of Management stated during the Annual General Meeting that it had unanimously decided to refrain from any form of regular variable compensation over the 2020 financial year. Based on that, the full exercise of the option entitlements granted to date and the vesting of the conditional shares the number of issued ordinary shares would increase by 0.3%.

Dividends

In light of the unforeseen and unprecedented impact of COVID-19 on economic activity and the markets Accell Group is operating in, and the uncertainty regarding the length and depth of the pandemic outbreak, the Board of Management had decided on 25 March 2020 to withdraw the dividend proposal 2019 from the Annual General Meeting agenda.

Dividend limitations will be applicable as long as the GO-C is drawn and as a consequence, no dividend will be distributed over the 2020 financial year.

10. Impairments and impairment testing

Accell Group reviews its annual impairment test in May-June to determine if there are any trigger events in preparation for its interim reporting. It was concluded that the developments regarding the Corona virus outbreak (COVID-19) is a trigger event based on both external and internal sources of information, such as the fall of stock prices, high volatility on the stock markets, decrease of market interest rates, manufacturing plant shutdowns (causing supply chain and sales constraints) and shop closures due to lockdowns and therefore impairment testing took place at 30 June 2020.

In the early stages of the COVID-19 outbreak in Europe an initial set of financial simulations were made. The set consists of a base case, an optimistic case and a worst case scenario. Main drivers in these cases are the number of bikes being sold and for parts the expected net sales. Ever since new actuals and other information became available the scenarios were updated. The trend is consistently up since the first set was finalized. When markets (gradually) started to reopen sales picked-up quickly and progressively.

The *base case* is deemed the most likely scenario and is for 2020 based on most recent forecasts made by the entities including possible supply chain constraints and uncertainty of the expected prolonged season. For future years a higher growth rate is included which is related to the continuously increasing demand for bikes and e-bikes specifically. Many EU countries are now improving their cycling infrastructure to allow a more safe traffic participation of cyclists.

The *optimistic case* is based on the base case scenario without the possible supply chain constraints, a higher future growth rate and a lower trade working capital.

The *worst case* is quite unlikely and represents the base case with a doubled correction on net sales, additional margin pressure and higher trade working capital. This scenario may occur in case of reinstated lockdowns.

This leads to the following overview regarding the assumptions used for impairment testing:

	Bikes	Bikes	Parts	Parts
	2020 ¹⁾	2019	2020 ¹⁾	2019
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Expected average annual, organic turnover growth in the plan period 2021-2022 (2019: 2020-2022)	11,8%	9,9%	10,1%	6,2%
Expected average operating margin in the (plan) period 2020-2022	5,9%	7,8%	4,8%	4,2%
Trade working capital, based on the current ratio in relation to turnover	27,9%	33,1%	17,6%	25,5%

¹⁾ probable weighted average based on assumptions of base case 70%, optimistic case 20% and worst case 10%

After the plan period HY2 2020-2022, cash flows are extrapolated using a perpetual growth rate of 0.17% (2019: 0.2%) which is equal to the risk free interest rate. The cash flows are discounted using a post-tax weighted average cost of capital of 8.6% (2019: 6.9%). The increase in the weighted average cost of capital is mainly caused by (1) an increases of country and global market risk premium and (2) the increase of the unlevered beta representing the volatility of Accell Group's stock price compared to the broader market. The past few months the Accell Group share price has been highly impacted by the volatility on the financial markets due to COVID-19 (downwards) and later on by the expectations of the markets regarding the business growth of the bicycling industry as a whole (upwards). The discount rate applied corresponds with a pre-tax weighted average cost of capital of 11.5% (2019: 9.3%).

Goodwill

The impairment test at 30 June 2020 based on the above mentioned assumptions showed a substantial headroom in goodwill for Bikes and sufficient headroom for Parts for all three scenario's.

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 results 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.

Brands

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 2020 and 2019) are calculated by applying the above mentioned post-tax weighted average cost of capital. If applicable the tax amortization benefit is considered. Based on the value-in-use the 30 June 2020 impairment test showed sufficient headroom for all tested brands.

Other intangible assets

Other intangibles assets are also tested for impairment and it was concluded that no impairments were necessary except for the ERP system under development. It was decided to stop with the development of this ERP system and return to former used systems for the parts already implemented. The total impairment amounts to approximately € 2.7 million. Due to this decision the off-balance sheet commitments for coming years regarding the license contract declined with approximately € 4.0 million.

11. Financial instruments valued at fair value

1. Accounting classification and fair values

The following table shows the fair values of financial instruments valued at fair value. It does not include fair value information for financial instruments not measured at fair value.

	30-06-20	31-12-19	
	€ x 1,000	€ x 1,000	
Forward exchange contracts used for hedging	1,131	4,284	Level 2
Financial assets measured at fair value	1,131	4,284	
Interest rate swaps used for hedging	1,796	1,865	Level 2
Forward exchange contracts used for hedging	1,883	1,431	Level 2
Contingent consideration	375	2,889	Level 3
Financial liabilities measured at fair value	4,054	6,185	

2. 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 fair value of the contingent consideration arrangement is estimated by applying the income approach using significant not observable market inputs. Key assumptions include the realization of the minimum revenue and EBITDA for the maximum earn-out payment in 2021.

ii. Transfers between Level 1 and 2

In the six months ending 30 June 2020 no transfers occurred between the levels of the fair value hierarchy.

12. Tax

Tax expense is based on Accell Group's best estimate of the weighted-average annual income tax rate expected for the full financial year multiplied by the pre-tax income of the interim reporting period. The effective tax rate for the six months ending 30 June 2020 amounts to 26.8% (for the six months ending 30 June 2019: 30.1%). The tax rate is predominantly determined by the tax rate in the Netherlands and Germany.

The deferred tax asset of € 21.4 million regarding the liquidation loss of Accell North America remains unchanged compared to 31 December 2019 based on the most recent estimated available taxable profit of the Dutch fiscal unity. The liquidation of Accell North America will be finalized in the second half-year of 2020 and the liquidation loss will be included in the tax return over 2020.

13. Related parties

Accell Group's relationships with its related parties did not change significantly in terms of amounts and/or scope.

14. Discontinued operations North America

In August 2019, Accell Group 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.

As required by IFRS the North American operations are presented as discontinued operations in the financial statements 2019 and therefore half-year figures have been adjusted. The corporate overhead expenses previously allocated to the discontinued operations are reported in the result of continuing operations, which contributed € 2.1 million to the operational result of the discontinued business in the first half-year 2019.

in millions of euro	H1 2020	H1 2019
Net turnover	-	31.8
Allocated corporate general overhead expenses ¹⁾	-	-2.1
Operational result	-	-11.3
Operational result excluding corporate general overhead ¹⁾	-	-9.2
Income from equity-accounted investees, net of tax	-	-
Income tax expense	-	-
Net profit (loss) from discontinued operations	-	-9.2

¹⁾ The operational result 2019 of reconciles with the segment losses of segment Bikes non-core as reported in the Interim financial statements 2019 (with exception of a € 107 thousand difference in allocated cost due to different exchange rates used for adjusting for corporate general overhead expenses and R&D recharges).

15. Subsequent events

There are no subsequent events.

DIRECTORS STATEMENT

DIRECTORS' STATEMENT

In accordance with statutory provisions, the directors state that, to the best of their knowledge:

1. The interim financial statements, as shown on pages 8-26 of this report, provide a true and fair view of the assets, liabilities, financial position and result for the first half-year of Accell Group N.V. and its subsidiaries included in the condensed consolidated statements.
2. The interim report, as shown on pages 1-7 of this report, provides a true and fair overview of the information required pursuant to section 5:25d, subsections 8 and 9, of the FMSA.

This press release contains information that qualifies as inside information in the sense of article 7 paragraph 1 of the European Market Abuse Regulation (596/2014).

Heerenveen, 24 July 2020

Board of Management

A.H. Anbeek, CEO

R.S. Baldew, CFO

J.J. Both, CSCO