



# ANNUAL REPORT

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# 2019







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# INTRODUCTORY WORD

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Dear reader,

The fiscal year 2019 ("FY2019") at BIKE FUN International s.r.o. ("BFI" or the "Company") can be labelled as a year of turnaround and growth. A year ago BFI was in tough situation with two years in a row of declining sales, profitability and both numbers of produced and sold bikes. But even in the FY2018, when literally all went wrong, we focused on future and we improved ourselves in many areas which proved to be a good strategy.

For the FY2019 we were very optimistic and we expected to produce around 190,000 bikes – but the reality exceeded all our expectations with production of total 201,511 bikes including 38,213 E-bikes. This would not have been possible without great contribution of our employees including many new members of the "BFI family". Producing significant quantities of bikes would not be enough to have a really successful year, but we managed also to turn production into turnover and we reached production value of 88,345 ths. EUR. This equals to year over year increase of 68.7% which is an incredible achievement.

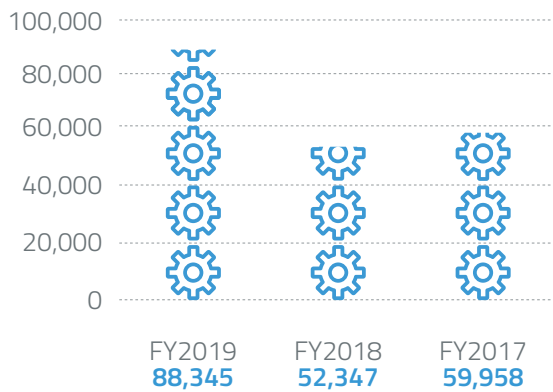
Increase in our turnover had a solid support from both main types of sales – sales of OEM bikes and sales of our brand bikes. We continued in fruitful cooperation with many OEM customers including our single most significant customer Kruitbosch Zwolle. We are very happy that our customers are highly interested in our brands Superior, Rock Machine and Frappé. Sales of our brands are again higher – 12% year over year in terms of quantity and 28.5% in terms of turnover. As we are continuously moving forward, we see the future of our business in E-bikes – we intensively focused on their development and production also this year. Sales of E-bikes increased by 114% compared to the FY2018.

Throughout the FY2019 we concentrated on many initiatives and projects, which are crucial for BFI future. These initiatives include major investments in BFI employees, who we consider as the main driver of our success, but also to research & development, new capital investments, trainings or redefined processes. During the FY2019 we also redesigned BFI organizational structure with aim to improve accountability, leadership, communication and effectivity. In a very challenging market we operate in, effectivity itself needs to be a cornerstone of our thinking and we aim to improve effectivity to deliver positive results to all our stakeholders.

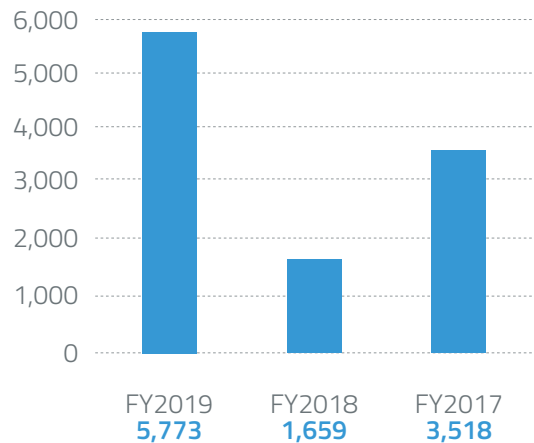
As a Company we are now in a position to build on a successful year and with both ongoing and new initiatives and projects we look into another great year.

# 1. SELECTED ECONOMIC DATA

Production value in ths. EUR

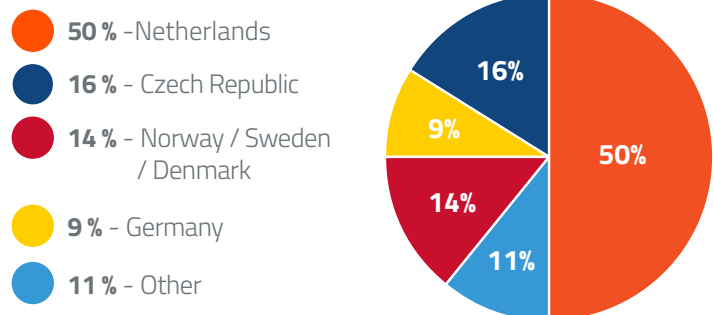


EBITDA in ths. EUR

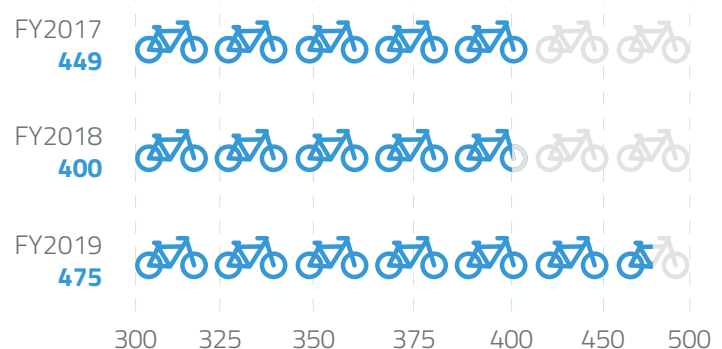


Sales FY2019 per territory (in %)

We built good position in Scandinavian countries and increased our sales in the UK which was one of our sales goals for FY2019.



Produced bikes per one employee

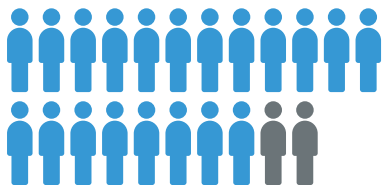




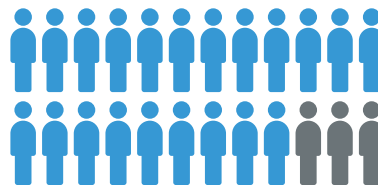
## 2. HUMAN RESOURCE

### AMAZING GROWTH

In the FY2019, almost all vacancies across the Company were filled and the average number of BFI permanent employees (FTE) increased by 95 FTE to 494. We achieved to increase the number of employees by 24% especially thanks to our current employees' recommendation system. We run few competitions and engage many employees in new referral programs. Thanks to that during the FY2019 we stabilized the assembly line 7 and successfully started lines 8, 9 and 10.



30 June 2018  
EMPLOYEES: **399**  
PERMANENT: **375**  
TEMPORARY: **24**



30 June 2019  
EMPLOYEES: **494**  
PERMANENT: **464**  
TEMPORARY: **30**



### CUBAN EMPLOYEES

We are continuing with our Cuba project. We organized two-year employee permit for 10 Cuba employees who are recommended friends and family members of our two long-time and trusted employees from Cuba. Next 20 two-year employee permits for Cuba workers will be ready beginning of the FY2020. We are successful with onboarding and integration of Cuba employees also thanks to TWI Job Instructions training Czech language and culture learning. We are happy that our current (Czech) employees are cooperating very well and helping with the complete process.



### BIKE FAMILY COMPANY

Despite the significant increase in recent years, we are (and want to stay) a family Company and be an alternative to large automotive corporations in the neighborhood. With hiring we focus on those who love the bike and (also) want to work only one shift. And because – we make the bike – our employees see the final product on a shop floor and it gives real feel they do work which makes sense. Most of the employees own bikes of our successful brands and we support them through various programs (including bike commuting to work).







## 3. WAREHOUSES



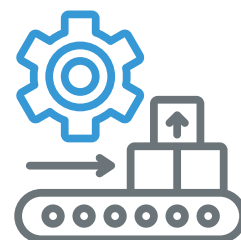
With one word the FY2019 was a challenge for our stock and we can say we succeeded. The increase in supplies turned into increase of warehouse transactions, material movements and we had to improve here.

### WHAT WE DID TO ACHIEVE OUR GOALS

- We changed the way of storing small quantities of selected Stock Keeping Units
- We changed the way of goods issue to the paintshop
- We reduced batches and increased the picking frequency
- We have also continued to reorganize the warehouse
- At the end of the FY2019 we created two new workplaces
- We succeeded.

### PLACE FOR BETTER WORK

At the end of the FY2019 we created two new workplaces in the material warehouse. In order to be able to pick selected materials for production already unpacked, we have created an unpacking workplace. In order to make the packaging of the spare parts and accessories more efficient, we have equipped the current workplace with a new packaging machine, which will not only improve the existing spare parts packaging, but also prepare and pack the accessory sets for needs of production



### IN FUTURE

In the FY2020, we plan to take the next steps in the WMS (Warehouse management system): stock-taking via bar code readers to simplify and speed up stock-taking. The second step is the transfer of storage locations from our ERP system to the WMS, which would also contribute to streamlining the picking process and allow many more streamlining in the areas of receipt, issue and other warehouse movements. However, we need to thoroughly analyse and consider this step before proceeding. Last but not least, we plan to increase the capacity to deliver materials for finishing backlogs and also accelerate time to unload and receive materials. In the FY2020, we plan to equip the warehouse with new order pickers, so the storage logic is essential for the choice of warehouse trucks and its subsequent use.

Generally we will continue to provide maximum support to our internal customers and support the further planned growth of BFI.

### STOCK OF FINISHED GOODS

During the FY2019 we mainly focused on process improvements: speed up loading of trucks, system check of loading progress and on new warehouse routines. All this helped us in this FY to cope with big growth of production and sales.

Last FY we changed logistics of sample bikes and this FY it was the first time it was fully used and we can conclude that it was successful.



# 4. PLANNING

## ERP SYSTEM

Knowing that data quality in Enterprise Resource Planning system (ERP) is a key factor for well-functioning planning, in the FY2019 we conducted an audit of the data and processes of our ERP system with a focus on planning.

- **Verify the correctness of set parameters**
- **Verify and processes the knowledge of all key users for work in the ERP**
- **Result of the audit we did slight corrections of the ERP setting**
- **The users of these departments got aware of the interdependence of processes**



## PRODUCTION PLAN

We worked on smaller projects. Our aim was to plan production for 10 assembly lines in order to use the most of the real capabilities of our production and minimize loss times.

- **Stabilize production plan**
- **Increasing production plan**



## FY2020

We would like to shorten the time needed to complete the backlogs and increase the backlog production output overall. We will also focus on sample planning, where we find potential for increase of efficiency Focus on production scheduling for our production lines.



# 5. PURCHASE



## PERFORMANCE

In the FY2019, the value of the materials purchased amounted to EUR 68 million, which represents an incredible 42% growth compared to the FY2018. In the FY2019, we have made a lot of efforts to ensure deliveries on time. The number of shipments grew by around 40% year on year, so their timing was for internal logistics very important.

## FY2019 IN PURCHASE

Purchase is source of ERP data so in order to provide maximum support to our planning we have decided to strengthen the purchasing team in terms of personnel, ensuring timely data collection from suppliers, data entry into ERP and regular updating. For maintaining the sustainability in data acquiring and entry we will monitor the set KPI indicators that we are currently testing.

Performance of our suppliers has improved. The key group of suppliers with the greatest influence on our supply chain achieved an increase in delivery of time by 18.6%. This improvement in performance has been greatly influenced by our Asian colleagues who work for us on the supplier side and are responsible for Quality Assurance (QA), Quality Control (QC) and help us with cooperation with suppliers. Year-on-year BFI's satisfaction with the services provided by our related Asian company increased by 5.6%.



## OUR FUTURE GOALS

We are going to continue projects aimed at streamlining processes also in the FY2020. We would like to achieve improvements in supply of materials for samples. The number of samples has been rising and their timely completion is always a high priority. At the same time, we will focus on the process of placing orders. Nowadays, there are already various ways of automation, and with the increasing number of orders automation can bring a more efficient way of handling purchase orders.

Obviously, the main goal of purchasing for the coming FY is to ensure timely production materials and focus on minimizing costs.



## 6. PAINTSHOP

In FY 2019 there was significant increase of assembly lines in operation and output to satisfy our customers and fulfil their orders. This fact had impact also on our paintshop, which had to start extra shift a week (Saturdays) above the standard two-shift work.

Due to ever-increasing volume of production, we dealt with the storage system, evidence and dispensing of material in individual intraoperative stock locations. For this purpose we will extend existing warehouse space in production and introduce new system of storage locations (simple WMS).



### PAINTSHOP IN FUTURE

For FY2020 we are preparing in the paintshop several significant changes. First change will be exchanging existing technology of applying the basic colour (wet technology) for powder technology, this will give us improved quality of the layer due to higher resistance and higher cover of the first layer and a reduction in VOC emitted into the atmosphere.

Next is adjustment of tracks and layout of the conveyor of the paintshop and we also improve the drive and conveyor path, which will become more stable and less inclinable to failure.

Another change in paintshop is exchange operation control system into new SIEMENS SIMATIC S7-300. All of these are very important steps, that will contribute to modernization, better service and operation of the paintshop itself. We will further explore the possibility of using complete robotic workplace for spraying a second water-based paint layer.



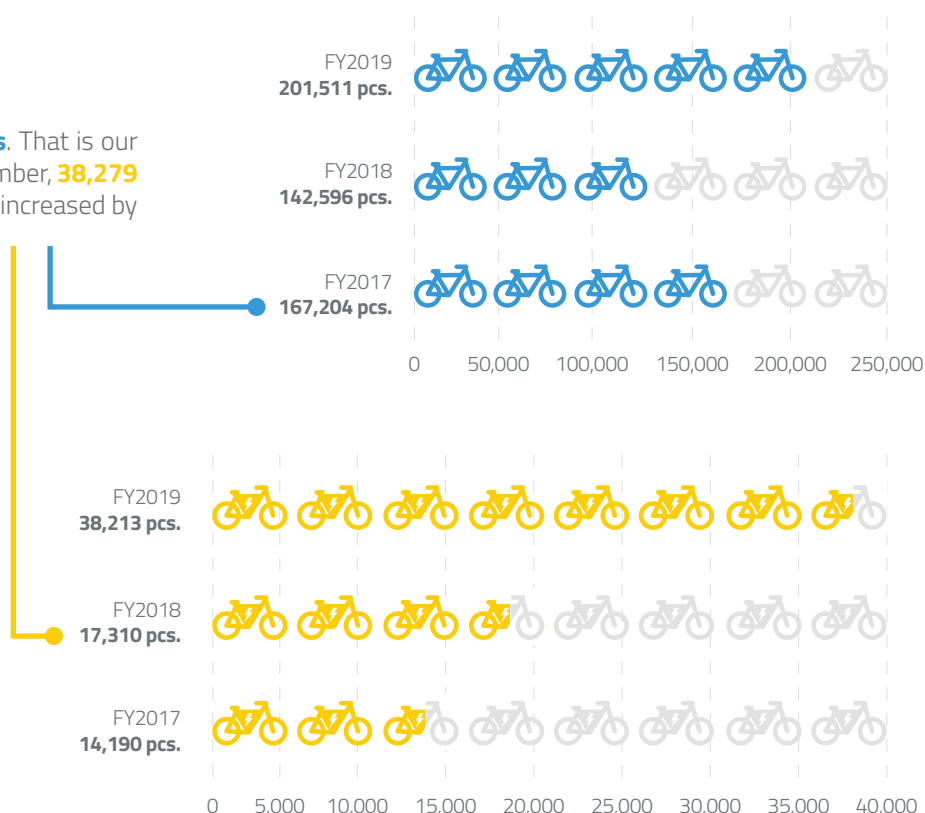
# 7. PRODUCTION

## PRODUCTION RECORD

In the FY2019 we produced **201,511 bikes**. That is our highest production in history. Out of this number, **38,279 E-bikes** were produced. In total production increased by around 41% compared to the previous FY.

## MORE E-BIKES

Out of the total production, **38,213 E-bikes** were produced. Now we produce 4 types of E-bikes (Ecom, STEPS, Sport Drive, BAFANG).



## HOW WE ACHIEVED THE INCREASE

This required to make a lot of changes in production including increasing production capacity from **7 assembly lines** to a total of **10 assembly lines**. We also had to increase the number of employees including Cuba. We have met this challenge and Cuban employees are 100% members of our team.



## VIEW IN FUTURE

In the FY2020 BFI will focus on the development of not only managers but also for other employees. We have also started the project: STANDARDIZING PROCESSES in production. We cooperate with experienced external companies to use lean tools. We will be better step by step to increase quality, productivity and improved ergonomics for our colleagues.



# 8. QUALITY

Due to the growth of BFI and especially the increase in e-bike production from one to two lines to the actually four lines, the quality department also had to respond adequately by increasing the number of employees in order to be able to maintain the established quality trend of our bikes and our customer service. During the year, the Final Inspection Department increased the number of employees by 100% to the current 6 employees, of which 5 are also trained in E-bikes control. Since 1. September, 2019, this team will be reinforced by the new head of the Final Inspection Department, who also has extensive experience in quality management. The Customer Service Department was also reinforced by the experienced mechanic which contributes to a faster solution of assembly repairs from complaints and also to a better possibility of assistance to other BFI teams (e.g. at samples building, bikes reworks, etc.).

The qualifications of individual employees of course also increased during the year and further trainings are planned for the upcoming period, e.g. Head of Quality Department will attend a long-term Quality Manager course.

We also regularly look for news and changes in the legislation and standards used in the manufacture and testing of bikes and increasing attention to the component testing at our suppliers and independent testing facilities as well as testing of finished bikes. All information about the test results is entered into the information system, so they can be easily and quickly traceable.



## COMPONENTS INSPECTION

Despite the larger number of supplied parts, there was no need to expand the team of Incoming Inspection Department. This team has stabilized and all employees have enough experience to perform individual inspections of most supplied parts. The update of documentation used at the inspection of supplied parts, which was performed during last year certainly helped to the better output as well as further improvement of cooperation with BFI-China and our suppliers, who implemented many inspections and measurements previously used in BFI (e.g. ball method measurement of paint adhesion). Our suppliers also purchased many special gauges and fixtures recommended by BFI to improve the quality of the supplied parts. BFI-China again improved reports from the performed inspections, so it is clear at a glance which inspections and measurements were performed and with what result. Subsequently, they also require from suppliers to identify the causes and to take action in case of any non-compliance found during the inspection. During subsequent inspections they also check whether the implemented actions really eliminated the defects.

In the previous period we focused mainly on the check of roughness of the raw frames surface with Mitutoyo roughness meter, which contributes that we have parts with better surface at the paint shop and there are not so high outages due to bad surface roughness. At first we started to use this equipment in BFI and then we bought another two pieces for our suppliers. For easier and faster but also more accurate measurement we also purchased a new gauge measuring angles, which is mainly used during inspection of frames used for bikes driven by the belt.



In the upcoming period, we will focus on easier and faster inspection of frame geometry using a large format display, on UV resistance testing at the supplier for problematic frames and forks colours, and using the newly built QC module, where Incoming Inspection Department employees will have clearly available all information necessary to easy perform incoming inspection of supplied parts. QC module is newly built application connected with data in BFI ERP system.

## BIKES INSPECTION

To facilitate the control of E-bikes, we purchased special stands that allow the bikes can be lifted above the floor using an electric motor. Two e-bike control workstations are equipped with this stand now.

For easier measuring of the tension of wheels, we bought new tension gauges from Sapim and subsequently we also trained employees of quality, production and technical departments for the correct way of measuring and evaluating the tension of wheels, so there is used the same way of measuring and evaluation at all workplaces in the Company.

By harmonizing the error codes for regular bikes and E-bikes, the criteria for the final inspection of the bikes were optimized and the number of defects can be easier evaluated.

In the following period, the final bike inspection employees will also be able to use the functionality of the newly built QC module, where they will have available all the information necessary for easy performance of final inspection of bikes. QC module is newly built application connected with data in BFI ERP system. To speed up the final inspection, the workers will also use the QC module to record the results of the final inspection, eliminating the need to write information into paper forms and then rewrite the information to the tables at the PC. This will not only save time, but also reduce the possibility of rewriting errors, and the results will be available online.

Regular checks of finished bikes, which are ready for dispatch to our customers, were effective and therefore we will continue in them.





# CUSTOMER SERVICE

During the year, the team stabilized and further improved the expertise of individual members, thus increasing their mutual substitutability. The employees also participated in problem solving directly at our customers as well as presentations of BFI products to customers and visits of customers and suppliers at BFI, e.g. Distributors meeting in Bratislava or Sport Drive and Darfon workshops, which was highly appreciated by many customers and suppliers.



We succeeded to achieve the target for the average time of the first response to newly submitted complaints (within 24 hours) and their overall solution time (within 14 days). There was also an increase in the level of dealing of customer complaints with suppliers, resulting in a higher rate of compensation of defective parts back to BFI and improved production quality of the supplied parts.

There was implemented quarterly monitoring of the cost of customer complaints, including monitoring and evaluation of development and causes and implementation of steps to reduce these costs.

The service center was used by our customers much more than in the previous period, as evidenced by the increased number of received and in time answered questions. The service center also provided 100% support in identifying parts for spare parts orders, which greatly facilitated the work of colleagues from the sales department.

In cooperation with our customer Kruitbosch, the functionalities in the complaint system were improved and then the credit notes were issued in bulk and complaints of the same defects were massively solved, saving time spent on processing these complaints and transport costs. Furthermore, a quarterly monitoring of TOP 3 most frequently claimed defects was implemented, including the steps to eliminate these defects in the following production. Regular telephone conferences between employees at different levels have also been implemented, significantly improving communication and speeding up problems solution.



In the following period, we will focus on further reducing the time necessary for customer complaints solving and reducing costs spent on customer complaints. We will also focus on reviewing the entire complaint process and making it more effective in transferring the necessary information to the production (in case of assembly defects) and to the supplier (in case of components defects) to improve the quality of BFI products and reduce number of customer complaints.



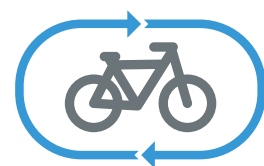
# 9. RESEARCH & DEVELOPMENT



BFI continuously invests in developing new products, and also innovates the current ones. The results of the mentioned development are new products and innovations which improve the position of the BFI brands Superior, Rock Machine and Frappé on the market. Innovation and Support team consist of 27 people divided into sub-departments, closely cooperating on developing new products, electro components and technological processes of all the bikes produced in BFI. To speed up the development and deliver the product in required time limit they constantly watch new trends, use available technology (3D simulation and 3D print) and suggest approaches and methodology of testing especially for electro components developed in BFI.

## SHARE BIKE

Development was successfully finished in the FY2019 and production of this type of bikes continues. These bikes are produced in several modifications with belt drive, including E-bikes. By including this type of bikes into production, BFI got extensive experience in developing specific components for Share Bike, in technological processes and in procedures of production.



## CORTINA COMMON BIKE (170 KG)

In the FY2019 BFI successfully finished development of a bike with maximum load 170 kg and first production is planned in the FY2020. BFI gained experience with developing frames and testing methods for heavy loads.

## MAIN GOALS IN FUTURE

For the FY2020, there are more activities planned focusing on ERP, such as finishing and installation of calculations, adjustments of technological processes in the bills of material to release material at the right time to the right place including instructions and other innovations. For the future, this enables to introduce automatic creation of material issue slips as well as to divert production from semi-operations in ERP.



# 10. INDUSTRIALIZATION DEPART.

During the FY2019 BFI established the new Industrialization Department. The department focus is to design processes that are more suitable for our increasing production volumes and improving efficiencies, and introducing automated or machine supported processes. Present challenges are to bring pre-assembly to a real one-piece-flow line and a final assembly line concept which increase our daily production of E-bike by one line.

## PROJECTS DURING FY2019

BFI already enter a packaging machine with a sorting table for quick and easy packing of screws and components, which we will deliver loose with our bikes. Now this labor intensive work is transferred from preparation tables of assembly lines to a dedicated work place specialized to do this work more effective and much faster.

The Industrialization Department is also helping to the new Part and Accessories Department with setting a process and with installation of machines. Printers and stapling machines are set-up for each product. Equipment for the work place where we will be packing.



## MAIN GOALS IN FUTURE

Analyses have been made, internally and with the help of external support, of various workplaces at pre-assembly frames, final assembly for our different products being assembled there. These analyses are now resulting in assembly line concepts that we will need to prepare BFI for the future.

Orders are now placed for the new concept assembly lines at final assembly and pre-assembly, including needed equipment. The new assembly lines will start a new strategy for BFI how to produce bikes. The new driven assembly lines will improve ergonomics for operators and reduce waist in production. This will be a major step for BFI towards the future. Production will become more "lean" helping operators to do their job more easily and improve output of the assembly lines.



# 11. BICYCLE ACCESSORIES

## NEW DEPARTMENT, NEW PROJECT, NEW POSSIBILITIES

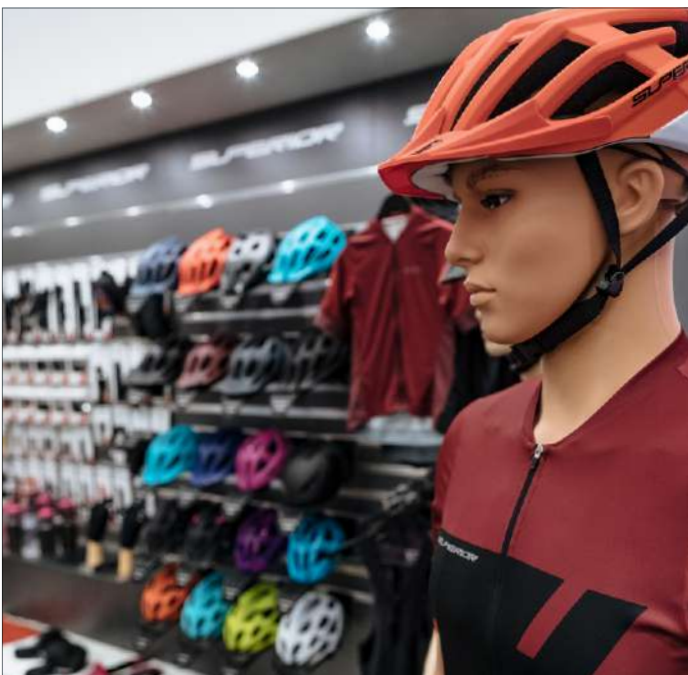
### VISION

At the beginning of this project, we had a vision - to design a unique line of accessories.



### HOW TO DO THAT

We focus on fast moving items, which are sold each day in bicycle stores. We followed actual trends and needs of the market while designing our products. BFI opened cooperation with best suppliers who follow our need of production with high-end quality.



### FY2019

Result of our hard work in the FY2019 is more than 100 unique products available under three brands Superior, Rock Machine and ONE1 Bikeparts. All products will be available on our brand new B2B system with a user-friendly interface.

### FUTURE

BFI goal is to increase our assortment step by step to reach turnover of EUR 3 million in 3 years. Long term goal is to prepare wide range of accessories, spare parts and apparel which can fully satisfied needs of shop keepers and make a turnover EUR 5 million in FY2025.



# 12. BUSINESS STRATEGY

Our business strategy is focused on developing and production of high quality bikes and E-bikes for competitive prices and with best possible full service which we offer to our customers. This service means clear communication with individual customer approach where our business partners are co-creators of bicycles produced by BFI.

Thanks to support of our own brands we innovate not only our own bicycles but we can also use these ideas for our OEM customers what is doing our cooperation even stronger.

## SERVICE AND TRAININGS OF OUR CUSTOMERS

Our customers are using modern B2B system for smooth ordering of bikes and accessories including claim system so all information, which is necessary for their business, is available on one place. We are updating our B2B continuously with new functions based on customer requests.

BFI Service Center is already working for two years and more and more customers ask and come with many specific questions. Thanks to fast replies and willingness of our people customer satisfaction is growing.

Very important for future business are trainings of our customers with focus on E-bikes. We are doing some trainings ourselves or asking our suppliers to give maximum information to our customers what is necessary for professional sales of bikes.

## FOCUS ON DETAILS – OWN DEVELOPMENT

Own development, own frames and design created in BFI with focus on details and up-to-date trends are key factors for high quality bikes. Testing of frames and bicycles in modern European laboratories is increasing trust in our products.



## TEAM SPIRIT – THINK GLOBAL, ACT LOCAL

Together with our customers we work on new collections of bikes. We are very happy for every feedback which we receive to learn even more from the market and implement all ideas into future development. We support our customers on their local shows and help with testing days where our bicycles are introduced to many final consumers. We are listening to our customers and preparing bikes according to their demand which can be specific for different markets. We work as one team with mutual respect.



# 13. MARKETING

BikeFun  
International



## DISTRIBUTORS MEETING



2 DAYS



5 BRANDS



33 COMPANIES



116 CUSTOMERS



MORE THAN  
500 NOVELTIES



BFI Distributors Meeting 2019 event took place in Bratislava, Slovakia in X-bionic® congress centre. BFI was one of the first companies on the market which presented customers full 2020 bike collection of our three bike brands and for the very first time ONE1 Bike Parts. We provide support to our distributors in many ways.

- **online & printed workbooks**
- **individual workshops**
- **personal support of our employees with perfect knowledge**
- **unique presentations with photo and videos**





101 COUNTRIES



1,400 EXHIBITORS



MORE THAN  
60,000 VISITORS

BFI presented a portfolio selection of our Superior, Rock Machine, Frappé and ONE1 Bikeparts brands for the upcoming season at Europe's largest EUROBIKE Cycling Fair. For the first time, we organised an entertainment program for our customers – official video premieres at Superior and Rock Machine booth with full brand's social media strategy.






# OUR GOALS FOR FY2019



## BFI MORE ONLINE

We are more online every year and aim to automatize as many processes as we can, that is why we projected automatic system of bikes specifications which fits our website, B2B system, online workbooks and helps us to fill printed materials.

## LET'S SHOW WHAT WE CREATE



We are improving in content creation every year. We are providing to our customers HiResolution pictures and 4K action videos. That is why we started to work with sharing online storage tool, so our customers can download and use our materials for their marketing purposes.

## WITH BFI BEHIND THE BIKES



We regularly supported, during the season, our customer's events to provide a professional presentation of our brand, for example at MTB World Cup in Nove Mesto na Morave (Superior), BIKE FESTIVAL Willingen (RM).

## SHOP IN SHOP MODULES AND MANUAL



To improve the product presentation we designed modules which can be individualised to the customer needs. We also shared best tips and tricks about exposing and selling bikes which we have learned from the market.

## CORPORATE CULTURE – WE ARE IN IT TOGETHER



We do not forget about internal communication, so every two months, we share brand's news across all employees in our company. Together we share our achievements because they are the results of the work every single BFI employee and we are proud of this.



# SUPERIOR





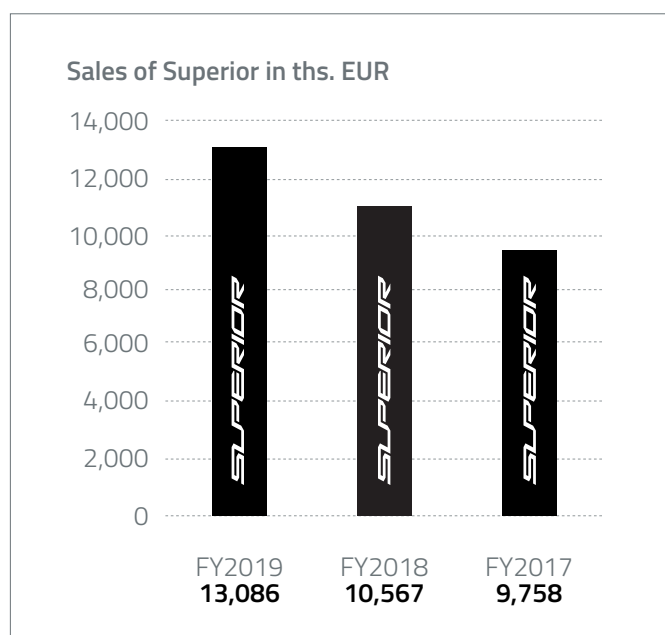
We are continuing in our vision and strategy to build Superior as a European brand, a brand which is perceived and marketed as a quality sports brand.

When we review our strategy, the results are already visible. Our long-term goal is to have a product that meets customer requirements and needs, including small but important details and differences between countries.

After years when we looked at all the details, with the main objective to make a good product, good bikes for our customers throughout Europe, we can see positive result and promising direction.

## WE HAD THE BEST YEAR IN HISTORY

We won the Bike of 2019 award in the Czech Republic and the Netherlands. Feedback from our customers was very positive. And from a business point of view, the most important thing is that it was reflected in the sales figures.



Thanks to sales figures and strong Company background we can invest EUR 530,000 and prepare a new model line with big changes.

It is necessary to point out that thanks to our close collaboration with our Sales Department and Innovation & Support we managed to create a high-quality model line with some of the highlights.

These models are not only the basic pillars of the Superior collection but also the basics of models for OEM customers.

## PRODUCTS

- **Major changes for the Superior model year 2020**
- **E-bikes with integrated battery**
- **Full suspension bikes**
- **Road-Gravel bike platform**



## E-BIKES WITH INTEGRATED BATTERY

These bikes are not just with integrated battery into the frame but with a new suspension system and integrated cable routing as well.



- THE NEW PLATFORM
- INTEGRATED CABLE ROUTING
- INTEGRATED COMPACT DARFON BATTERY





## FULL SUSPENSION

2nd generation of full suspension frames. These frames platform we are creating for XC race usage, but we will also use this suspension system for new E-bikes.



- PROGRESSIVE GEOMETRY
- NEW KINEMATIC SYSTEM OPTIMIZED FOR 1x12
- INTEGRATED COMPACT DARFON BATTERY





## X-ROAD

For all carbon models, we use clean solution for top level road bikes. We split this category into two segments according to customer riding style - Granfondo and Gravel.

X-Road Gravel uses double chainring for difficult and long climbing. Gravel uses single chainring, wide tire to raw terrain and new specific Shimano groupset.



## TRENDS

It is very difficult to determine clear development and trend in the next four years in the current dynamic market. Also, it was time consuming and costly to prepare for all possible developments. Therefore, we see flexibility and speed as a new trend, new „currency.“



## NEXT STEPS

- Efficiency will be crucial for further building of a strong brand.
- Effective composition of the model line so that the individual models are not competing with each other.
- Efficient investment so that individual moulds or segments can be combined. This will reduce investment costs and increase flexibility and speed to respond to the market and customer demands.
- Efficiency of the product team, with focus on rapid prototyping. Rapid prototypes allow potential users and sales team to better identify, kind of usability issues, a workaround, brand connections and opportunity extensions.
- Rapid prototyping is essential for fine-tuning of design and technical details, but especially as a clear image for our sales and customers.



# SUPERIOR MARKETING

## BE FASTER

According to market trends, we decided to upgrade and redesign Superior brand communication. We started to use different claims Be Faster dedicated to bikes and Be-Faster to E-bikes. The main message is that being faster does not mean being in a hurry. It is more about being focused and moving forward with the product, with our services and as a bike rider.

# *BEFASTER*

# *Be-FASTER*



## SUPERIOR IN THE WORLD RACE

We are proud we could support professional UCI XCO Team. They represented our brand during most important mountain biking events, including UCI World Cup and UCI World Championships, providing us with invaluable feedback and expertise.

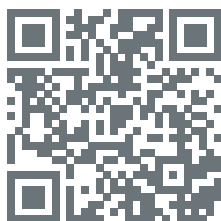
**Linda Indergand- 10<sup>th</sup> at UCI XCO World Championships**

## SUPERIOR ON YOUR SCREEN

Superior is an active brand at social media channels as Instagram, Facebook and YouTube. We are providing to our fans hi quality content dedicated to the product and the brand culture. We also worked actively with email newsletter to keep our distributors updated with brands activities and news. From 2020 collection we are working on a new website which is redesigned and modernised.

## LET'S TAKE A LOOK HOW WE BUILD A BIKE

We were preparing the most essential 2020 premiers with professional videos, pictures and the story about products. We presented the whole process of making a frame and the bike with showing technologies but also people behind that. Check our unique video on youtube "The new Superior XF carbon frame".







ROCK  
MACHINE



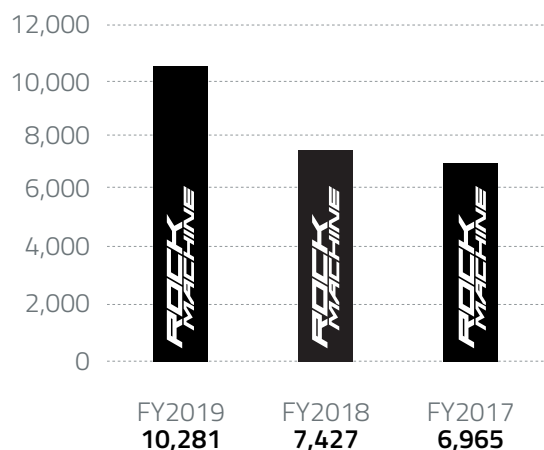


# ROCK MACHINE 25<sup>TH</sup> ANNIVERSARY

We have been celebrating the 25th anniversary during the FY2019 and so the FY2019 was full of action for this one-time-in-life happening. Mass expansion of E-bikes was a thought from land of dreams in 1994 - the year when the Rock Machine brand was established. After fifteen years in the business, Rock Machine was acquired by BFI. Production and development has moved to the BFI own plant in Kopřivnice. Coincidentally, to the area where the first electric car was manufactured on the Czech territory - in 1900!



Sales of Rock Machine in ths. EUR



The 2019 model line introduced new E-bike models for each segment - from full suspension models to MTB and also cross bikes and daily city riding style bikes. The Rock Machine brand maintains the position of a technological leader who has courage and strength to go into some hidden areas of cycling. The 2019 season brought in total 40 E-bikes with middle drive units (Shimano STEPS and Sport Drive e-systems) as well as rear drive units (Sport Drive e-system).

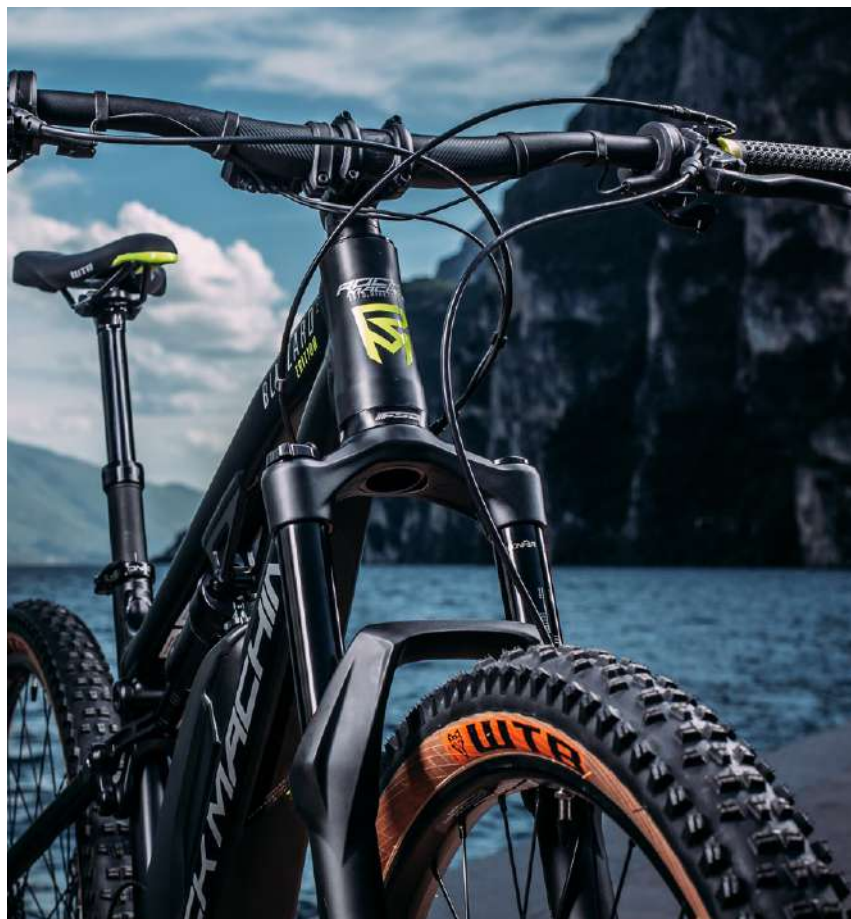
SHIMANO  
STEPS

SPORT  
DRIVE

## MAIN PROJECT FOR THE FY2019

**Models dedicated to 25th Anniversary.**


Specifically selected bicycles not only celebrate the anniversary but also boost business. Unique design and well selected components push BLIZZARD e90-27, STORM e60-29, BLIZZARD XCM 90-29 and MANHATTAN 90-29 to the top of the line in price performance ratio comparison. Last but not the least the first two mentioned models had gained Grand Prix awards at the For Bike 2018 fair in Prague, Czech Republic.





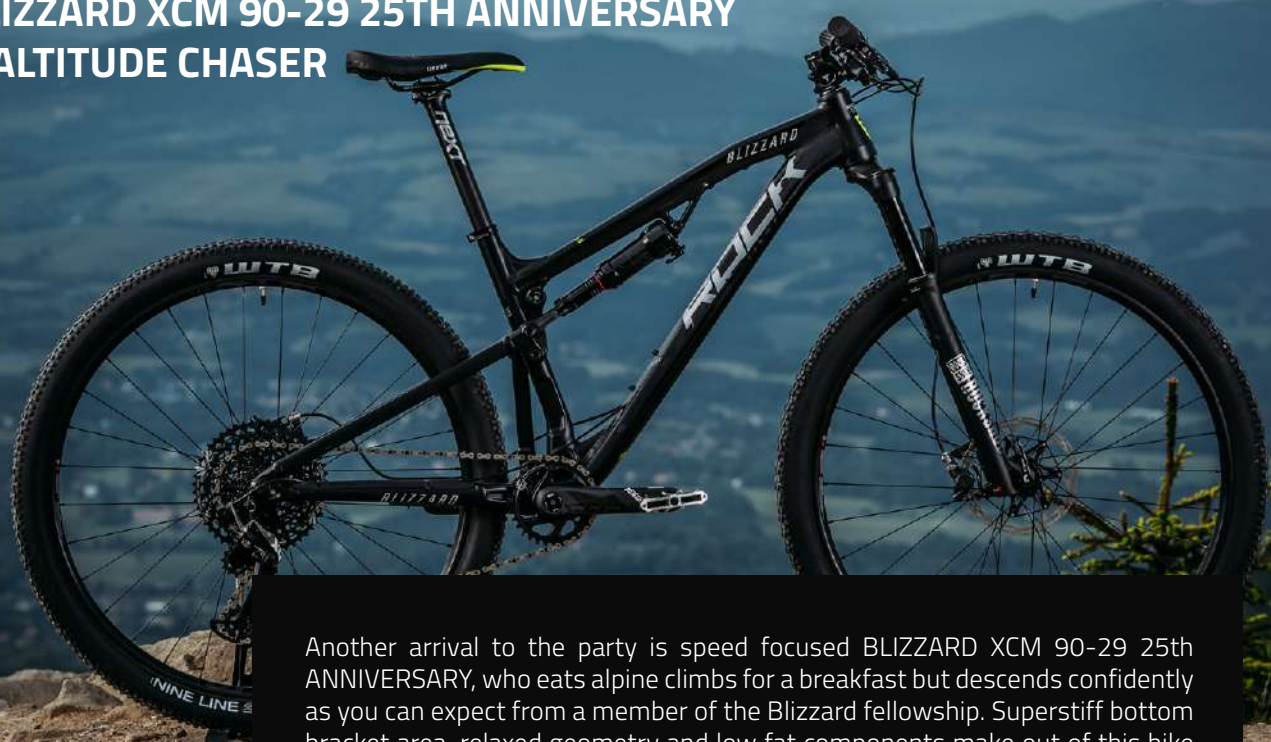
# PRODUCTS

## BLIZZARD E90-27 25<sup>TH</sup> ANNIVERSARY – DARK DRESSCODE



Built on the race proven Floating Pivot Suspension platform, combining progressive all-mountain geometry and Shimano E8000 powerhouse, it is a real smile generator. With 140 mm of travel the award-winning electric version of Blizzard stops at nothing and savours any surface mix in both up & down directions.

## BLIZZARD XCM 90-29 25<sup>TH</sup> ANNIVERSARY – ALTITUDE CHASER



Another arrival to the party is speed focused BLIZZARD XCM 90-29 25<sup>th</sup> ANNIVERSARY, who eats alpine climbs for a breakfast but descends confidently as you can expect from a member of the Blizzard fellowship. Superstiff bottom bracket area, relaxed geometry and low fat components make out of this bike a perfect tool for the next all-day-in-the-saddle adventure. So shaved legs and lycra? C'mon, it's still a Rock Machine.



## STORM E60-29 25TH ANNIVERSARY – FUTURE ENHANCED



Times where the battery and the drive unit were added to a slightly modified frame are gone forever and STORM e60-29 25th ANNIVERSARY, the youngest member of the e-fleet, represents a new approach. The proven Sharkspine EVO frame was actually formed around the battery and the innovative Sport Drive unit to get the most satisfying experience no matter if there is standard riding in mind or simply looking at this next generation of urban commuting.

## MANHATTAN 90-29 25TH ANNIVERSARY – BEYOND CITY LIMITS



Premium look without premium tag? That is the best-selling model dressed in matte black. Sure, it may be called entry level, but the 2019 year MANHATTAN comes with the brand new semi Sharkspine frame, a modern sportive-friendly geometry, thoughtful above average specifications with 2019 Shimano Altus 27 gears shifting and it is a perfect choice for those who want to explore the world of mountain biking.



# ROCK MACHINE MARKETING

## WORLD E-BIKE SERIES PROJECT

Rock Machine portfolio is focusing a lot on E-bikes. We wanted to support our product strategy with the Team of three riders at the first World E-bike Series of races across Europe. During that races riders tested our current portfolio bikes, but also novelties, providing us with product feedback.



**UCI WES PROGRAM**

- EWS PROGRAM PARTNERS: WTB, SHIMANO, DVO
- 4 ROUNDS: MONACO, ASCONA, LAKE MAGGIORE (14/09) & BARCELONA (05/10)
- 3 RIDERS
- FUTURE PRODUCT EXTENSIVE TESTING



## VOJTA BLAHA – EWS

During 2019 season we also cooperated with Vojta Blaha, Enduro professional rider, highly ranked in the Europe and one of the best rider in the Czech Republic. He represented the Rock Machine brand during Enduro World Series races but also actively cooperated on content creation.



**UCI EWS PROGRAM**

- EWS PROGRAM PARTNERS: WTB, SHIMANO, DVO
- 8 ROUNDS: NEW ZEALAND, TASMANIA, PORTUGAL, ITALY, FRANCE, CANADA, USA, SWITZERLAND
- 1 PRO RIDER
- FUTURE PRODUCT EXTENSIVE TESTING



## ROCK MACHINE vs. TATRA

The most important content with the highest statistics ever! It is more than 500,000 people reached, more than 160,000 views and incredible range of engagement! This was a unique project which supported Rock Machine brand awerness.



CHECK  
THE VIDEO





# Frappé

CYCLES





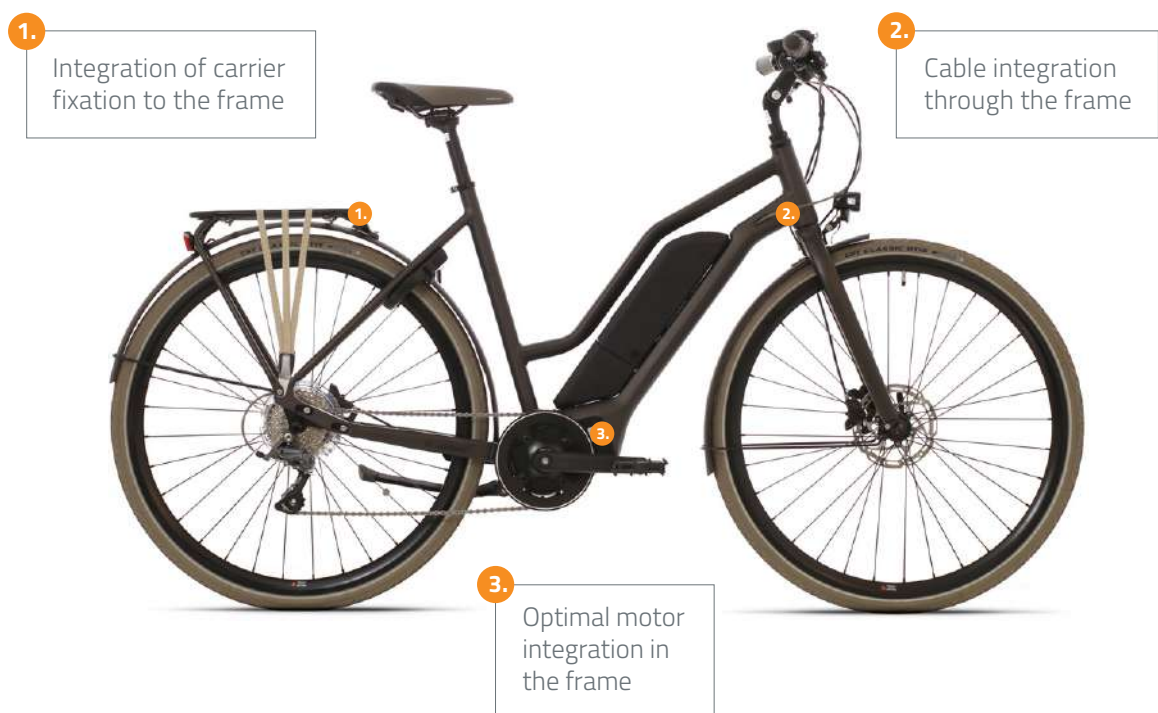
# FRAPPÉ

All around Europe biking in the city is increasing; a clear sign that supports this statement is the increasing number of bike-rent and sharing-bike initiatives in larger cities. Frappé did also benefit from this increasing demand for city-bikes in FY2019.

Frappé stands out with a modern, clean look and no-nonsense bikes, focussed on design and safety. All ideas and developments are originated by the BFI design team, based in Czech Republic.



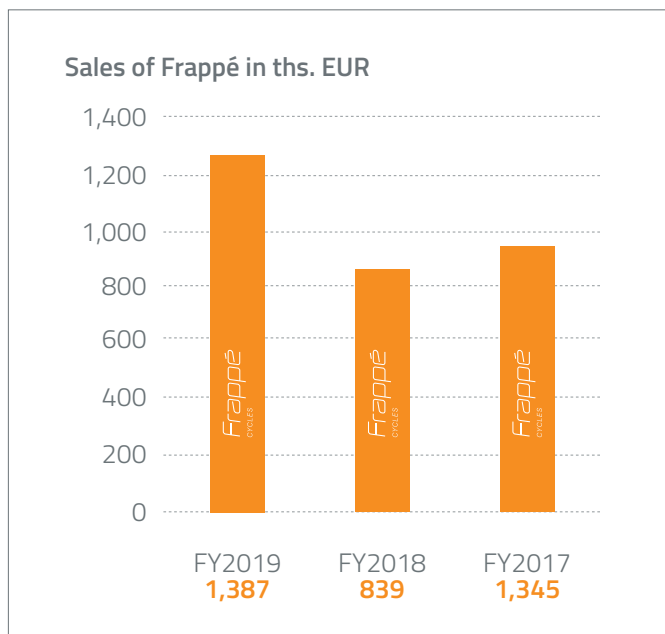
Clean look also means integration! We succeeded in integration of the motor in our own BFI e-bike system Sport Drive. In FY 2019 we increased the number of models with this flexible and popular system.





# SALES FRAPPÉ 2019

In The FY2019, Frappé noted an increase of 62% in sales in e-city bikes and a 34% growth in normal city bikes, which results in a 40% increase for the Frappé brand overall. A significant growth for which we work hard to achieve again for next fiscal year.



Many of our OEM-customers use Frappé models as a base for their models, which means many bikes, all over Europe, contain the same Frappé DNA, but are dressed in different colors and brand names.



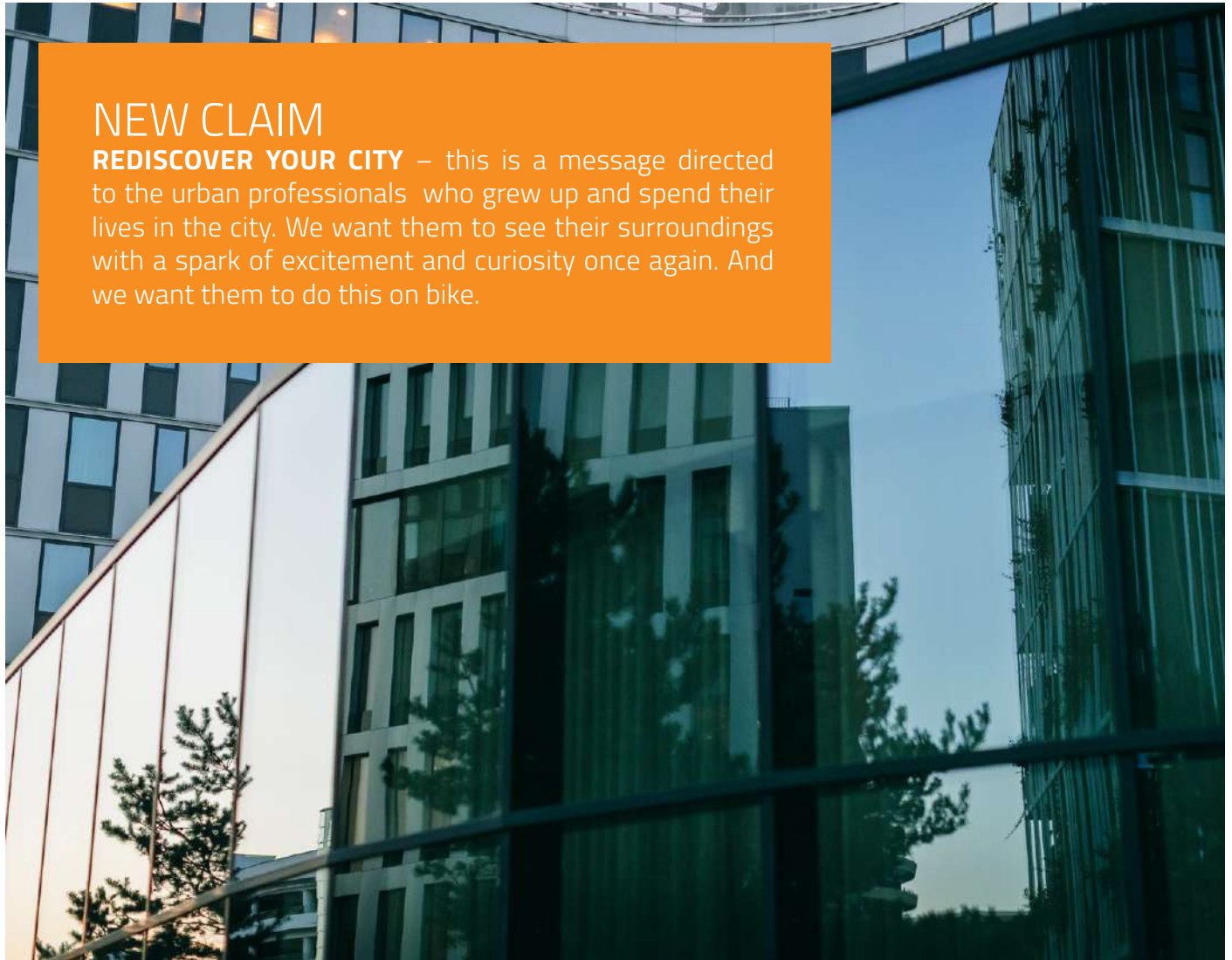


# FRAPPÉ MARKETING

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## NEW CLAIM

**REDISCOVER YOUR CITY** – this is a message directed to the urban professionals who grew up and spend their lives in the city. We want them to see their surroundings with a spark of excitement and curiosity once again. And we want them to do this on bike.



## FRAPPÉ NEW POSITIONING!

In this fiscal year we reached our first anniversary for Frappé and we focussed on our brand-DNA and the Frappé-website. We started with interviews and questionnaires with our customers to get a clear view of the direction we need to go for the next 5 years. The result is very promising and will soon be introduced.

The FY2019, we also started with the first ideas to increase the Frappé recognisability through Social Media. This will be continued the FY2020.



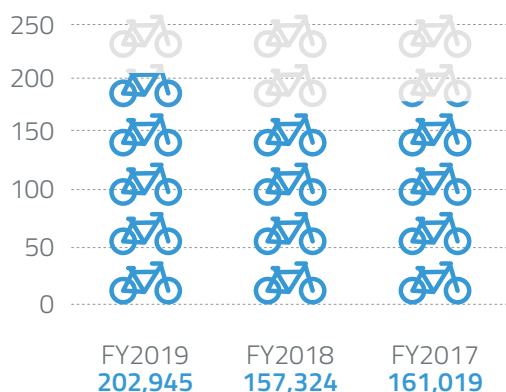


# 14. SALES FY2019

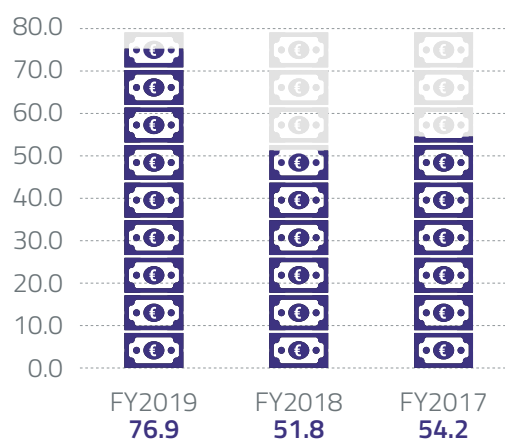
The FY2019 was a great season for BFI. We sold 202,945 bikes and E-bikes with the best ever turnover in the amount EUR 77 million so we increased our annual turnover in sales of bikes by 45%.

Our sales was a little bit higher than our total production in the FY2019 in terms of quantity so decreasing of our stock is also another positive indicator for BFI.

**Sold bikes**  
(FY2017 – 2019 in pcs)

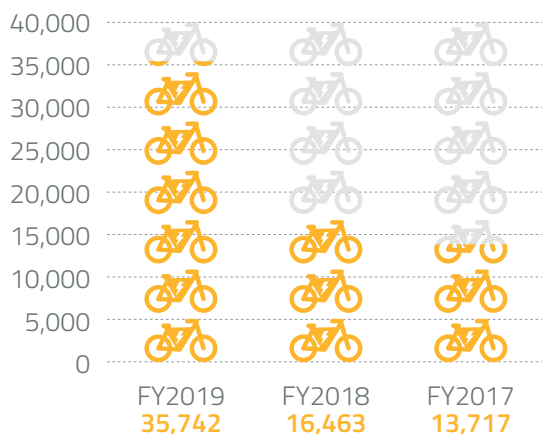


**Turnover of sold bikes**  
(FY2017 – 2019 in mil. EUR)



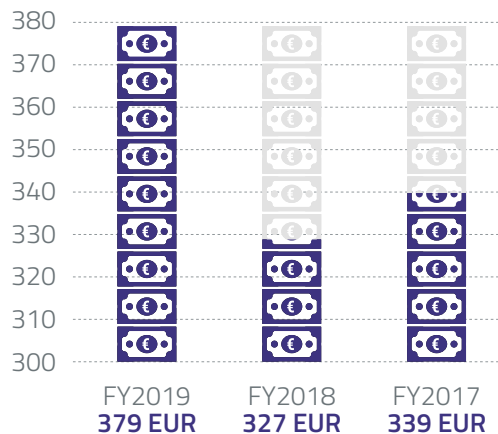
**Quantity of sold E-bikes**  
(FY2017 – 2019 in pcs.)

Sales of E-bikes also significantly increased in the FY2019. Many of different E-bikes are successfully sold into more and more European markets. With 35,742 sold bikes we more than doubled our E-bikes sales in the FY2019.



**Average price of sold bikes**  
(FY2017 – 2019 in EUR)

Due to increasing E-bikes sales our average sales price of bikes was also growing which is very important for future of BFI.





# OUTLOOK FOR 2020

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In contrast to the FY2018 our last FY2019 was the best ever and all actions were positive. We outperformed our plans and goals mentioned in the previous annual report. We not only had best turnover in history, but best profit after tax ever. It is very nice to be CEO during the FY2019 when all goals are realised and great teamwork of the last years makes all plans come true.

We finished very successfully many open issues which we couldn't do during the FY2019. Great we have focused on attracting new employees with HR in lead, we could find just enough new employees with mainly support of all current employees. Developing great (E-)bikes, selling more than we produced and producing many items were all great achievements. Biggest success of the FY2019 was: we established the basement for more successful years.

1 January 2019 a team of 5 directors started to report to CEO and this has been one of the best decisions ever. We integrated all departments in the Company and started to work as one team. Still we have room for improvement, but first steps are done very well. BFI is seriously investing in our workforce, not only with increasing salaries, but investing in many trainings and projects for the future.

## FY2020

In fact maybe we have been growing too fast during the FY2019 and should take care for the FY2020 to repeat all good actions and stabilize our growth. During summer holiday 2020 we made many changes in the paintshop and buildings to be prepared for next steps in our growth. We have been making place for line number 11. We already ordered new automatic driven lines to install hopefully during December 2019. This will be important next step to improve efficiency and output. Our internal goal to improve efficiency is clear: 10% to 15% efficiency improvement for the next 3 years.

The market is challenging with everybody offering new E-bikes with many different systems. We are using since several years our own E-bike system and Shimano Steps. During the last season we started with Bafang as well and most probably will add one system extra soon. E-bikes are more and more popular in Europe. BFI is growing rapidly with E-bikes and is supplying to several countries in Europe. Our goal for FY2020 is produce and sell over 50,000 E-bikes. Our old goal to reach turnover of EUR 100 million will be very challenging to reach, in fact we have to increase turnover with roughly 20%. With great sales in spring 2020 till the summer it might be possible to reach. The realised turnover from 1 July till the end of September 2019 is very promising with increase of 35%.

We introduced many new models for the FY2020 and in general our customers are very happy with the assortment. The E-bike platforms which we developed for our own brands are used by many OEM customers and several orders have been placed. Of course we need to go on with developing new E-bikes for our brands and offer these E-bikes at the same time to our OEM customers. We are focusing on new city and trekking E-bikes all with integrated batteries for FY2021.

We are selling E-bikes successfully in: Czech Republic, Denmark, Germany, Finland, The Netherlands, Norway and the UK. The goal for next years is to increase sales of E-bikes with 50% each year. We expect to have in maximum 2 years; 4 automatic driven assembly lines, so we can produce 90,000 E-bikes per year.

*Mark de Kwant*  
CEO



# FINANCIAL REVIEW

## Company Balance Sheet in EUR Actual 30 June 2019

TOTAL ASSETS	FY2019	FY2018	FY2017
Goodwill	43	80	151
Other intangibles	65	18	97
<b>Intangible fixed assets</b>	<b>108</b>	<b>98</b>	<b>248</b>
Buildings & Land	5,677	5,360	5,456
Machinery & Equipment	1,360	1,547	1,405
Other tangibles	158	158	164
<b>Tangible fixed assets</b>	<b>7,195</b>	<b>7,066</b>	<b>7,025</b>
Participations	25	24	-
Financial fixed assets	25	24	-
<b>TOTAL FIXED ASSETS</b>	<b>7,328</b>	<b>7,188</b>	<b>7,273</b>
Raw Materials	12,653	9,283	6,246
Work in progress	1,909	1,567	1,609
Finished goods	11,134	8,600	11,729
Prepayments to suppliers	57	73	66
<b>Inventories</b>	<b>25,754</b>	<b>19,524</b>	<b>19,650</b>
Trade receivables	11,798	11,342	12,892
Due from taxes etc.	0	532	0
Other debtors	11	160	-41
Prepayments	236	224	173
<b>Receivables</b>	<b>12,044</b>	<b>12,259</b>	<b>13,024</b>
Total Cash items	2,642	21	47
<b>TOTAL CURRENT ASSETS</b>	<b>40,439</b>	<b>31,803</b>	<b>32,721</b>
<b>TOTAL ASSETS</b>	<b>47,767</b>	<b>38,992</b>	<b>39,994</b>

<b>Equity &amp; Liabilities</b>	<b>FY2019</b>	<b>FY2018</b>	<b>FY2017</b>
Share capital	1,265	1,265	1,265
Revaluation reserve	(148)	142	(58)
Exchange rate reserve	252	219	209
Legal reserves	-	148	147
Retained earnings A.P.	11,532	11,519	9,878
Net earnings crt year after dividend	3,144	(390)	1,553
<b>Equity</b>	<b>16,045</b>	<b>12,902</b>	<b>12,994</b>
Provision for deferred tax	(115)	4	11
Provision for others	2	44	102
Provision for holiday	555	269	241
Provision for profit tax	891	105	245
<b>Total provisions</b>	<b>1,334</b>	<b>423</b>	<b>599</b>
Total Long term senior debt	2,003	2,490	3,445
<b>Total Long term senior debt</b>	<b>2,003</b>	<b>2,490</b>	<b>3,445</b>
Bank overdrafts	21,058	17,889	18,594
Accounts payable trade	4,269	2,887	1,810
Current portion senior debt	608	958	983
Other short term debt	231	19	11
Taxes and social security	1,020	692	642
Transfinance, OB Heller, RM	1,197	731	917
Short term debt	28,384	23,176	22,956
<b>EQUITY AND LIABILITIES</b>	<b>47,767</b>	<b>38,992</b>	<b>39,994</b>
<b>Exchange rate</b>	<b>25.445</b>	<b>26.020</b>	<b>26.195</b>



## Company Profit & Loss Account in EUR Actual 30 June 2019

	FY2019	FY2018	FY2017
Bike and related revenues	<b>78,725</b>	<b>52,419</b>	<b>54,725</b>
Sales - goods	2,501	1,575	1,236
Sales materials	2,319	649	818
Revenues- rent	13	11	12
Other Revenues	1,246	318	395
<b>Total Revenues</b>	<b>84,804</b>	<b>54,972</b>	<b>57,187</b>
Change in Inventories	3,542	(2,625)	2,771
<b>Total production value</b>	<b>88,345</b>	<b>52,347</b>	<b>59,958</b>
Cost of BIKE Revenues	<b>(64,458)</b>	<b>(38,735)</b>	<b>(44,861)</b>
Cost of Sales - goods	(1,907)	(1,426)	(1,129)
Cost of Sales materials	(1,910)	(420)	(588)
Cost of Revenues- rent	(0)	(26)	(25)
Cost of Other Revenues	(8)	(12)	(11)
Total direct Cost of Sales	(68,283)	(40,620)	(46,614)
<b>Gross Margin</b>	<b>20,062</b>	<b>11,728</b>	<b>13,345</b>
Payroll costs	(5,987)	(4,418)	(4,180)
Social insurance	(2,151)	(1,562)	(1,503)
Services	(4,616)	(3,493)	(3,563)
Taxes and fees	(28)	(25)	(24)
Other operating expenses	(1,507)	(621)	(557)
Depreciation receivables/stock	-	50	-
Total operating expenses	(14,289)	(10,068)	(9,827)
<b>EBITDA</b>	<b>5,773</b>	<b>1,659</b>	<b>3,518</b>
Payroll costs	(61)	(178)	(213)
Social insurance	(903)	(891)	(969)
Services	(964)	(1,068)	(1,183)
<b>EBIT</b>	<b>4,809</b>	<b>591</b>	<b>2,336</b>
Result on foreign exchange	(91)	215	833
Interest income	6	1	3
Interest Senior Debt	(47)	(63)	(81)
Interest on Short Term debt	(470)	(271)	(346)
Net Financial expenses	(602)	(119)	410
<b>EBT</b>	<b>4,207</b>	<b>472</b>	<b>2,745</b>
Income tax on ordinary activities	(782)	(57)	(512)
Net income ordinary activities	3,425	415	2,234
Extr. Expense against provisions	(280)	(26)	60
Extraordinary results after tax	(280)	(26)	60
<b>Net earnings</b>	<b>3,144</b>	<b>389</b>	<b>2,294</b>