BeterBed holding

Annual Report 2018

Profile

Beter Bed Holding is a European retail organisation that ensures its customers a good night's sleep. It embraces the consumer trend of placing increasingly greater attention on a good night's rest by offering a very affordable range of high-quality products in a way that optimally suits each customer. The Group does this both via physical stores and digital platforms in the following regions:

- Germany, Austria and Switzerland, via the Matratzen Concord brand.
- The Netherlands and Belgium, via the Beter Bed and Beddenreus brands (only in the Netherlands).
- Sweden, via the Sängjätten brand.

Beter Bed Holding also has, via its subsidiary DBC International, a wholesale business in branded products in the bedroom furnishings sector, including international brands such as M line and Wave.

The Group has more than 1,000 stores and sales of approximately € 400 million with an increasingly relevant share of online sales. More than 60% of the total sales is realised outside the Netherlands.

Beter Bed Holding N.V. has been listed on Euronext Amsterdam with security code BBED NL0000339703 since December 1996.

A Dutch language version of this annual report is also available on www.beterbedholding.nl.

In case of textual contradictions between the Dutch and the English annual report, the first shall prevail.

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Introduction

Dear reader,

2018 was a year characterised by major changes for Beter Bed Holding. The underlying results have shown a downward trend for several years and the company responded to this in the course of 2018. The objective behind these changes was to once again make Beter Bed Holding future-proof through a strategy, cost structure and leadership that suit the company. Central to this strategy is the promise of delivering the best-quality rest at affordable prices via the channel that best suits the individual customer.

In 2018 the Group realised mixed results per region. The success of Beter Bed in the Benelux and of Beddenreus in the Netherlands continued to be strong, with both sales and profit improving. The mostly renewed management team has started the process of further refining the strategy, integrating a greater call to action in marketing communication and further intensifying the focus on continued development of the online position.

In Germany, Matratzen Concord was unable to reverse the negative trend of decreasing numbers of visitors and the related negative sales performance. All the positions on the management team for Germany, which is also responsible for Austria and Switzerland, were filled during the year under review. This management team started by making an issues analysis that led to a restructuring program for all three countries. The restructuring was completed by 31 December 2018 and led to downsizing the network in the region by 172 stores. A total of 64 FTEs were made redundant at the head office and a far-reaching rationalisation of the assortment led to a reduction of inventories. The first new products were launched in the fourth quarter of 2018.

Matratzen Concord Austria had a reasonably stable year in terms of sales performance with slightly lower margins but qualitative improvement of the total organisation. In contrast, Matratzen Concord Switzerland had a difficult year in terms of sales performance and was held back by substantial logistical challenges. Signs of a cautious recovery became visible at the end of the year.

Sängjätten in Sweden expanded its network considerably in the first six months to 27 stores. The focus in the second half of 2018 was on launching its own logistics, further professionalising the local organisation and developing the online proposition.

It became clear in the course of 2018, following an internal review, that it was not probable that El Gigante del Colchón in Spain would be able to achieve sufficiently profitable operations on the one hand and a strategic position on the other in the short to medium term. It was consequently decided to discontinue the activities and to sell the assets.

Economic developments in the countries in which Beter Bed Holding operates remain relatively favourable for 2019, although the risks of growth-decelerating effects are increasing and approaching. The Group remains optimistic for the Benelux due to the numerous positive developments in 2018 and the plans and initiatives for 2019. Matratzen Concord started 2019 with a downsized network, lower cost pressure, a rationalised and renewed range, new signing and communications and above all a new spirit. In 2019 greater attention will be given to accelerating online in the German-speaking countries and online growth in the Benelux through a corresponding service model.

The Group is convinced of the merits of its mid-term strategy that was launched at the Capital Markets Day. The implementation of the customer-focused value-for-money proposition, best sleep advice, seamless omni-channel experience, strong performance culture and cost leadership success factors is of vital importance to structurally fulfil the promise to ***offer best quality rest @ affordable prices***. The Group is working on the further refinement of the current strategy which will be presented at the second Capital Markets Day end 2019.

2018 was also a year characterised by a number of managerial changes. In addition to the appointment as CEO effective 1 April 2018, Hugo van den Ochtend took up the position of CFO of the Group on 1 September 2018 following Bart Koops' announcement to leave Beter Bed Holding. This ended a period of more than five years during which Bart carried out his role with passion and dedication. In addition, the complete management teams of Beter Bed and Matratzen Concord were exchanged almost entirely in 2018.

A number of changes were also made within the Supervisory Board. Ms de Groot, Mr Slippens and Mr Van der Vis stepped down and Mr Vermeulen, Mr Beyens, Mr Boone and Mr Karis were appointed to the Supervisory Board in 2018. The role of financial expert within the Supervisory Board will be filled as soon as possible. Beter Bed Holding wishes to thank the Supervisory Directors who have stepped down for their dedication and added value to the Management Board and the company. The Group is convinced that the newly appointed Supervisory Directors provide Beter Bed Holding with very high-quality successors in order to enable it to achieve its ambitious plans for the future.

Despite the challenging phase the Group is going through, Beter Bed Holding is able to shape a change process through which the Group has been able to achieve further development in a number of areas. In addition, the Group succeeded in further strengthening its position in a number of countries, carrying out a material reorganisation and developing and communicating a first-phase strategy at an extremely well-received Capital Markets Day. Beter Bed Holding could have never accomplished this without the passionate and committed contribution of the employees and stakeholders.

The Group consequently wishes to sincerely thank all employees and stakeholders for the contribution they have made both individually and as part of a team.

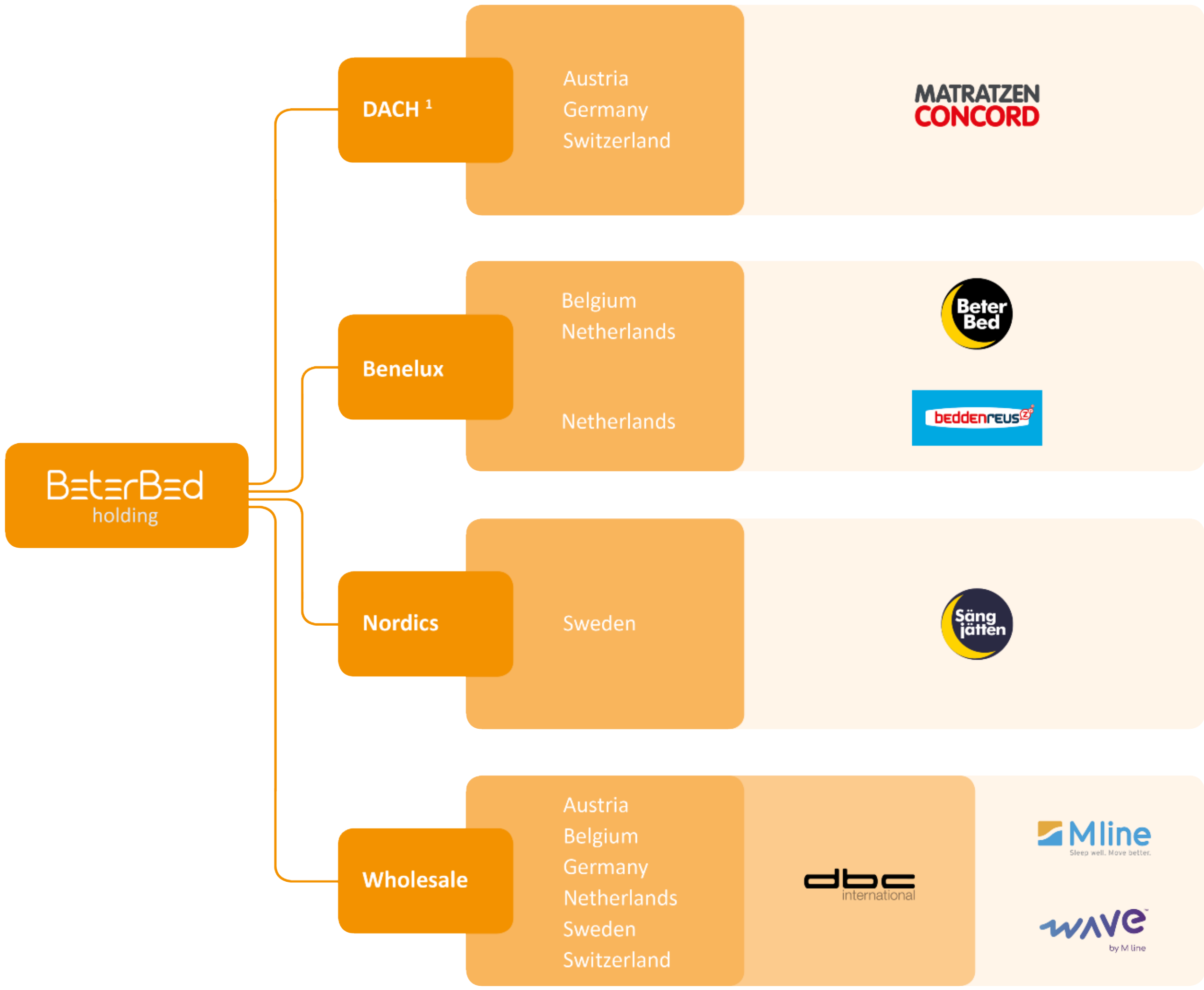
Yours sincerely,

John Kruijssen,
CEO

Uden, the Netherlands, 28 February 2019

Organisational structure

Organogram



[1] ISO country codes for Germany, Austria, Switzerland

Management Board

A.J.G.P.M. Kruijssen (1965) - Chief Executive Officer (r)

In addition to completing a course of study in Small Business & Retail Management (1984), John Kruijssen completed the Advanced Food Retailing program at Nyenrode Business University in 1996.

From 1984 to 1997 he gained experience in a diverse range of managerial positions at companies such as Halfords Nederland B.V. and Unigro N.V. The Netherlands. Until 2010 John held various management and executive positions at Royal Dutch Shell in both The Netherlands and the United Kingdom. After that he has served as CEO of Markeur Holding B.V. (until 2015) and Detailresult Group N.V.

John Kruijssen joined Beter Bed Holding N.V. in the position of CEO on 1 April 2018, after which he was appointed as Statutory Director in the position of Chief Executive Officer at the AGM on 26 April 2018.

John Kruijssen holds Dutch nationality.

H.G. van den Ochtend (1978) - Chief Financial Officer (l)

Hugo van den Ochtend graduated in Econometrics at the Erasmus University of Rotterdam in the Netherlands in 2002.

In 2003 he started his career as Financial Analyst at Procter & Gamble, where he held various management positions in the Netherlands, Belgium and Switzerland. In 2011 Hugo van den Ochtend pursued his career at Ahold Delhaize in various senior financial management positions at Ahold's corporate headquarters, Albert Heijn and, recently in the position of Finance Director with overall responsibility at Gall & Gall.

Hugo van den Ochtend joined Beter Bed Holding N.V. in the position of CFO on 1 September 2018, after which he was appointed as Statutory Director in the position of Chief Financial Officer at the EGM on 11 September 2018.

Hugo van den Ochtend holds Dutch nationality.

Group Leadership Team

Beter Bed Holding has opted for more centralised management of the Group as part of the transformation. A Group Leadership Team has been instituted for this purpose. Its membership is comprised of the CEO and CFO of Beter Bed Holding and the General Managers of the Benelux, DACH and DBC International.

This team is responsible for developing the strategy, ensuring that key agreements are reached collectively and realising synergy within the Group, with the management operating with one tone of voice. This enables the teams to focus entirely on the local consumers and the operational and commercial activities.

Facts and figures

Key figures

in thousand €, unless otherwise stated	2018		2017	
Financial result				
Sales[1]	**396,331**		408,785	
Gross profit[1]	**220,907**	**55.7%**	235,861	57.7%
Total operating expenses[1]	**(244,594)**	**(61.7)%**	(220,133)	(53.9)%
EBITDA corrected for one-off costs related to the restructuring[1,2]	**624**	**0.2%**	28,493	7.0%
Net profit (loss)	**(23,250)**	**(5.9)%**	9,525	2.3%
Cash flow	**(17,013)**		(21,604)	
Share				
Average number of outstanding shares (in 1,000)	**21,956**		21,956	
Dividend per share in €	**-**		0.37	
Earnings per share[1] in €	**(0.85)**		0.49	
Ratios				
Solvency at year-end	**33.2%**		44.8%	
Net interest-bearing debt/EBITDA	**-**[3]		-	
Organisation				
Number of staff at year-end (FTE)	**2,738**		2,849	
Number of retail stores at year-end	**1,009**		1,188	
Number of m² store surface at year-end	**391,874**		429,210	
CSR				
Share of certified mattresses (NL / D / AT / CH)	**98%**		90%	
Diversity in top management	**26%** ♀		32% ♀	
Energy consumption (in kWh/m²)	**56.6**		63.4	
Customer satisfaction (eKomi) (NL / D / SE / BE)	**8.9**		8.5	

1 Continued operations

2 Operating profit before depreciation, amortisation, impairment, and book value disposals.

3 Based on agreements with the bank, the ratio is not measured per 31 December 2018. The agreements with the bank are included in note 10 of the annual accounts.

Store portfolio

In 2018, the number of stores of Beter Bed Holding decreased by 179 stores to 1,009 stores, as 219 stores were closed and 40 stores were opened in that year.

The main changes were:
- The closure of a total of 172 stores in Germany, Austria and Switzerland as a result of the restructuring of Matratzen Concord. As Matratzen Concord had already committed to opening a number of stores in 2017, 22 stores were opened in early 2018.
- The transfer to a third party of the stores in Spain as part of the sale of the Spanish activities of El Gigante del Colchón.
- The addition of net 5 stores in Belgium and 11 in Sweden.

The table below shows the changes in the store portfolio in 2018.

	1 Jan 2018	Closed	Opened	**31 Dec 2018**
Beter Bed and Beddenreus the Netherlands	117	1	1	**117**
Beter Bed Belgium	11	1	6	**16**
Total Benelux	128	2	7	**133**
Matratzen Concord Germany	849	146	14	**717**
Matratzen Concord Austria	85	12	3	**76**
Matratzen Concord Switzerland	65	14	5	**56**
Total DACH[1]	999	172	22	**849**
Sängjätten Sweden	16	-	11	**27**
El Gigante del Colchón Spain	45	45	-	**-**
Total Group	1,188	219	40	**1,009**

1 ISO-country codes for Germany, Austria and Switzerland

Strategy

Our promise

Beter Bed Holding is committed to giving all its customers a better and healthier night's rest by providing them with the right sleeping solutions. The Group does this in a number of different countries through international retail brands, products and services.

The international retail and product brands of Beter Bed Holding have been leading the way in providing solutions in the field of sleep for more than 35 years. The sleep domain is gaining an increasingly more prominent role in society. Customers attach more and more value to the importance of a good night's rest. Key trends within this domain include health, happiness, lifestyle, sustainability, accessibility and affordability.

Beter Bed Holding is convinced that these consumer trends and its many years of experience with international retail and product brands form a perfect combination for a successful future as a value-for-money player.

The Group is active both via physical stores and digital platforms in the following regions:
- DACH, via the Matratzen Concord brand (Germany, Austria and Switzerland).
- Benelux, via the brands Beter Bed (in the Netherlands and Belgium) and Beddenreus (only in the Netherlands).
- Sweden, via the Sängjätten brand.

Beter Bed Holding promises its customers the best quality rest at affordable prices via the channel that best suits the individual customer.

'Offer **best quality rest @ affordable** prices'

Strategy

Five strategic pillars

Beter Bed Holding has defined five strategic pillars in order to be able to fulfil its promise to ***offer best quality rest @ affordable prices***.

Value-for-money proposition

Beter Bed Holding's offering for its customers is always formed by the highest quality products at guaranteed affordable prices. The results of a large-scale survey led Beter Bed Holding to compose a smaller, but more relevant range for all retail formats in the different customer segments, including new and strong brands. In addition to high-quality products always offered at very competitive prices, there will be exclusive and innovative products that will attract customers through inspiring and attractive offers.

Best sleep advice

Beter Bed Holding provides its customers across the entire sleep domain with the best advice at every moment they need it. Since the start the Group depended on the dedication of its employees, because they are the ones who provide customers with the best personal advice. Based on this strength, the Group will utilise all possible resources and channels, both online and in the physical stores, in order to make it easier for customers to choose or to gain information.

Seamless omni-channel experience

Beter Bed Holding will be leading both in the fields of digital and online sales by making smart use of the economies of scale of the international Group. This will be translated into the development of new knowledge and launching new online services, products and services. Customers will increasingly move to the online channel and will expect an online experience that is the same as the experience in the stores. Beter Bed Holding's plans will ensure that this expectation can be met and that customers will be able to navigate perfectly between the different channels

Strong performance culture

Beter Bed Holding develops a company culture in which achieving agreed objectives will become more and more centralised. The aim of joining forces is to win in the markets in which Beter Bed Holding operates. The corresponding winner's attitude makes Beter Bed Holding an attractive employer where employees want to work. All business units have a successful history that forms a good foundation for further development of the Group. The employees are continuously challenged to proactively contribute towards developing strong multidisciplinary teams embracing diversity. Beter Bed Holding is furthermore committed, with its international retail brands, to becoming market leader in the field of sustainability and corporate social responsibility. Specific CSR targets for 2020 have been formulated and the Group is acting accordingly with a view to achieving them.

Cost leadership

Beter Bed Holding will be a leading player in cost-conscious operations. This is deemed to be a necessary step in order to be successful in the value-for-money segment in the sleep domain. In order to achieve this, Bed Bed Holding will optimally tap into its European scale, whereby even greater focus will be placed on reducing expenses and carrying out all operational and commercial processes perfectly. Cost-efficiency will become even more of a focus, with centralisation of activities that are now carried out locally being a key theme. All important business processes and underlying systems in the organisation will be analysed and modified if necessary. The new Group Leadership Team will take the lead in realising structural cost leadership.

Mid-term objectives

Performance framework

Beter Bed Holding has developed a performance framework in order to properly track and maintain a tight management focus on progress on its strategy. This framework comprises an integral combination of measuring financial results, progress on strategy implementation, customer and employee satisfaction and the principal operational results. This ensures that the strategy creates value for all stakeholders of the Group.

To be able to implement the strategy as quickly and effectively as possible, a detailed internal way of working has been agreed, which includes clear agreements on the specific objectives and responsibilities of employees within the organisation. Progress on this is measured on a monthly basis.

Progress on strategy will also regularly be communicated externally. For instance, the progress on strategy implementation will be discussed extensively in the reporting of the interim and full-year results.

Accelerating on the five strategic pillars

Specific methods for measuring progress have been agreed for each of the five strategic pillars. Internal and sometimes also external objectives have also been agreed for each component. The methods for measuring progress for each strategic pillar are as follows:

Value-for-money proposition
- Continually guaranteeing the lowest price on a relevant selection of entry-level articles in the product segments that are most important for the customer.
- Increasing market share.

Best sleep advice
- Improving customer satisfaction.

Seamless omni-channel experience
- Increase the share of online sales within total sales to 20% by 2022.

Strong performance culture
- Improving employee satisfaction.
- Achieving the CSR/sustainability objectives.

Cost leadership
- Realizing cost-savings of € 25 million by 2020.

Return to profitable growth

The ambition is that all activities that are developed to accelerate on the five strategic pillars will lead to a return to profitable growth.

Return to growth in sales

Beter Bed Holding aims to achieve annual growth in sales of 4-5% in the medium term. This growth consists of several components. Firstly, there is the ambition to achieve 1-2% growth in the sales of physical stores annually. This relates to annual growth in the portfolio of profitable stores. A short-term action plan will be drawn up for the stores that are not profitable, progress on which will be measured each quarter. Should progress be unsatisfactory, alternatives, such as store closures, will be considered. The expectation is that these measures will lead to a healthy, but slightly contracting store portfolio.
Secondly, the 4-5% growth in sales will be driven by strong online growth. The objective is to achieve growth of the online share to 20% of total sales by 2022. The development of the business-to-business channel offers many opportunities, such as independent dealers, retailers from adjoining countries, and hotels and holiday parks. These opportunities will be developed by the wholesaling organisation DBC International and will be aimed in part at expanding the M line brand.

Return to profitability

Beter Bed Holding aims to grow to an EBITDA as a percentage of sales of 7-9% in the medium term. This would restore Beter Bed Holding to the level of 2016-2017 at which the successful markets and stores within the Group operated. Objectives have been formulated for all regions in the Group, to take the necessary steps towards achieving this ambition. If certain regions of the Group underperform, strategic alternatives will be considered. The expectation is that the present portfolio of activities can contribute to the return to profitable growth.

Expectations for gross profit margin

Specific expectations for the gross profit margin have been formulated in order to grow towards a healthy EBITDA ambition. Trends are visible in the market that will entail both positive and negative movements within the gross profit margin.

It is important to make choices in order to favourably affect our gross profit:

- Choices in terms of product ranges, brands and the suppliers with which the Group wants to collaborate. As part of the strategy, a more strategic relationship will be entered into with a select Group of suppliers in order to further optimise sales, gross profit and costs.
- Standardisation and centrally buying of assortments between the regions within the Group.
- Optimisation of pricing policy on the basis of analytics and algorithms.

A number of negative movements within the gross profit margin are:

- The persistent pressure on lower prices due to increasing competition.
- The shift of the share in sales between the countries within the Group.
- The shift of the mix to lower-priced articles driven by new propositions and changing customer behaviour.
- The pressure from rising raw material prices on the cost of the products.

The Group is pursuing increasingly stringent coordination to ensure that the overall gross profit margin will contribute appropriately to the EBITDA ambition in the mid-term.

Expectations for operating costs

A very strong focus will be placed on a structurally lower cost base in order to achieve a healthy EBITDA ambition. The analysis underlying the formulation of the mid-term objective showed that Beter Bed Holding did not manage costs critically enough, which led to a cost level that was systematically too high. The goal is to systematically reduce the Group's costs. A first step towards achieving this comprised the closure of 172 loss-generating Matratzen Concord stores, a reduction of the organisation by 64 FTEs and a reduction of inventories and other costs, such as marketing costs. This has led to a reduction of the cost level by € 15 million as of 2019.

A cost-saving program has furthermore been introduced to successfully achieve the above measures and save an additional € 10 million. The overall cost-saving program of € 25 million will be realised in the full-year results of 2020.

Sustainable value creation

There is a very clear ambition within Beter Bed Holding to translate the return to profitable growth into sustainable value creation for all stakeholders of the Group. Several specific objectives have been formulated for the mid-term in order to achieve this:

- Capital investments of approximately 3% of sales on an annual basis. However, until at least mid-2019, investments will be very limited due to the focus on returning to positive cash flow generation. The Group will grow towards the ambition of 3% capital investment from the second half of 2019. Within this growth, there will be priority on investments in the omni-channel offering for customers. This comprises investments in IT infrastructure, the web shops in the various countries and digital platforms and knowledge.
- A reduction of net working capital by 25% measured compared with the interim results 2018. The net working capital is measured as the inventories in stores and distribution centres, the payments outstanding to suppliers and other amounts outstanding, such as bonuses and discounts from suppliers.
- A systematic review process to guarantee the added value of all countries in the portfolio of Beter Bed Holding. All activities have both the strategic and financial potential to contribute added value within the present portfolio.
- Retaining a strong balance sheet with solvency of at least 30% and a ratio between net interest-bearing debt/EBITDA not exceeding two.
- Applying the dividend policy within these financial frameworks and possibilities, with the ambition of distributing 50% of net profit.

Report of the Management Board

General

2018 brought many changes for Beter Bed Holding. The underlying results have shown a downward trend for several years and Beter Bed Holding responded to this in 2018. This entailed changing virtually all the leadership positions within the Group and developing a new strategy. Central to this strategy is the promise to offer the best quality rest at very affordable prices via the channel that best suits the individual customer.

As part of the strategy, a analysis of the dynamics in the markets in which Beter Bed Holding operates and a careful analysis of the changing customer behaviour within this market have been carried out. This has revealed that the categories in which the Group operates continue to be attractive. For example, this brought to light an interesting social insight into the importance of a good night's rest. Civil society organisations and scientific organisations have conducted extensive research into this topic and these studies repeatedly demonstrate how important a good quality night's rest is to people's health.

Detailed analysis also showed that Beter Bed Holding has insufficiently responded to these changes in recent years. The Group had an overly high and inflexible cost base and the underlying business strategy and operational processes were no longer future-proof. The assortment and pricing were also not competitive and the online and offline shopping experience were not aligned. The network of physical stores was focused on finding as many new locations as possible rather than on creating an efficient network.

These issues were addressed decisively in 2018 by the entirely new leadership team.
The first step that was taken entailed the replacement of virtually all the members of the various layers of the leadership team comprising the Management Board, Supervisory Board, General Managers and their regional management teams.

This was immediately followed by the launch of a restructuring program of the companies within Beter Bed Holding. This led to the decision to terminate the activities in Spain, close 172 Matratzen Concord stores in the German-speaking countries, eliminate different layers within the organisations of all the countries, reduce the inventories in all the countries and discontinue complex IT projects that were not aligned across the different countries.

A program for determining a new strategy that effectively responds to the changing market and changing customer behaviour was also commenced and completed in the course of 2018.

This strategy, which was presented at the Capital Markets Day on 26 October 2018, includes:
- Changing the assortment offered to customers to include innovative products.
- Sharpening attractive price points both in terms of promotions and regular prices.
- Offering the best advice at any time.
- New campaigns, such as the Mattress for Life as the first international commercial program.
- New omni-channel solutions for customers whereby online and offline reinforce each other.
- Facilitating the transition to a company culture with performance and fulfilling promises at its core.
- The creation of a business model in which cost control and efficient and scalable processes within all units of Beter Bed Holding plays a central role.

The ambitions that have been formulated as part of the new strategy encompass targets for sales, EBITDA margin and working capital with the aim of returning to sustainable, profitable growth. As a result of these ambitions and the progress achieved to date mainly due to the restructuring in 2018, Beter Bed Holding looks to the future with confidence.

Regions

DACH

Matratzen Concord is a pan-European 'Fach Discount' format primarily focusing on sales of value-for-money mattresses, bed bases, box springs and bed textiles. The chain has 849 stores in three countries (Germany, Austria and Switzerland). While the stores have traditionally been located near consumers in and around city centres, they are increasingly also located in retail parks.
In the second half of 2018 in particular, major steps were taken to drive the online growth by discontinuing various complex IT and online processes and focusing in full on commercially establishing a strong online proposition for customers.

MATRATZEN CONCORD

www.matratzen-concord.de
www.matratzen-concord.at
www.matratzen-concord.ch

	2018	2017	Change
Sales (x € 1,000)	**223,519**	243,213	(8.1)%
Number of stores	**849**	999	(15.0)%
Number of employees (FTE)	**1,821**	1,925	(5.4)%

Sales of Matratzen Concord decreased by 8.1% to € 223.5 million. Sales in comparable stores decreased by 6.4%. This decrease occurred in Germany and Switzerland. Sales in Austria held up reasonably well. No specific market shares are known for the market in which Matratzen Concord operates. A good estimate can however be made for Germany in particular based on production, sales and supplier data. This estimate shows that the German market for traditional suppliers of mattresses decreased by more than 10%, outpacing the decrease recorded for Matratzen Concord.

Benelux

The Benelux markets include Beter Bed stores in the Netherlands and Belgium and Beddenreus stores in the Netherlands.

Beter Bed is a full-service bedroom furniture showroom format in the mid-market that features an outstanding price-quality ratio. Customers order the products in the store or on the website and the products are then delivered and assembled at their home (usually free of charge). The stores are located in the Benelux, preferably on furniture boulevards or in the vicinity of other furniture stores.
Major strides were made in online in 2018 and as a result beterbed.nl increasingly fulfils the ambition to become a leading online channel.

www.beterbed.nl
www.beterbed.be

Beddenreus is a format in the discount segment of the Dutch market. The stores are primarily located on furniture boulevards in the Netherlands.
Beddenreus was able to continue the positive sales performance in 2018.

www.beddenreus.nl

	2018	2017	Change
Sales (x € 1,000)	**155,137**	147,852	4.9%
Number of stores	**133**	128	3.9%
Number of employees (FTE)	**767**	740	3.6%

Sales in the Benelux rose by 4.9% to € 155.1 million in 2018. The order intake in comparable stores rose by 3.2%. This means record high sales was achieved in 2018 for the third consecutive year, which clearly demonstrates the strong appeal of the retail brands. The continuous changes to the product ranges, attractive promotions, a strong online offering and the high level of service in the stores have contributed to this result.

Nordics

Sängjätten is a full-service format in the Swedish market, comparable to Beter Bed. The company was added to the group in June 2016. With the addition of 11 stores in 2018, it now has a total of 27 stores. The first roll-out was completed with this expansion.
The focus in 2019 will be on ensuring that these 27 stores perform successfully, in order to be subsequently able to initiate a second roll-out program.

www.sangjatten.se

	2018	2017	Change
Sales (x € 1,000)	**13,404**	11,606	15.5%
Number of stores	**27**	16	68.8%
Number of employees (FTE)	**110**	71	54.9%

Wholesale

DBC International (Dutch Bedding Company) is the wholesale division of Beter Bed Holding. Via an international dealer network, websites and B2B channels, DBC markets a range of sleeping systems and brands developed in-house, including the brands M line and Wave. DBC International delivers its products to customers in the Netherlands, Germany, Belgium, Austria, Switzerland and Sweden.

www.mline.nl
www.wavebymline.nl

	2018	2017	Change
Sales (x € 1,000)[1]	**4,270**	6,114	(30.2)%
Number of employees (FTE)	**13**	7	85.7%

1 External sales.

DBC International's sales was impacted significantly in 2018 mainly due to the strong sales decrease at the individual independent dealers. Responding to this, various product innovations such as the one-size-fits-all Wave mattress and the circular Green Motion mattress were launched, consumer prices for the M line range were reduced and an exclusive range for the independent dealers was introduced. In addition, DBC sharpened its strategy and is assuming a more active role in the business market. This is expected to lead to higher order intakes in 2019.

Financial results

The year 2018 was characterised by strongly decreasing financial results in the first three quarters and the restructuring in the fourth quarter. Both sales and profit fell sharply due to changing customer trends and retail developments, to which Beter Bed Holding failed to respond in time and effectively enough until the strategy was refocused on 26 October 2018.

This led to a 3.0% decrease in sales from continuing operations in 2018, to € 396.3 million. This no longer included the sales of € 6.3 million in 2018 from the Spanish activities (see Discontinued operations (see page 75)). Two different trends were clearly visible in the results. Various commercial measures were taken in the Benelux markets, leading to good results. This positive effect was more than offset by disappointing results at Matratzen Concord in Germany, Austria and Switzerland in the first three quarters. However, the successful completion of the necessary restructuring of Matratzen Concord in the fourth quarter was a positive outcome.

Sales at Beter Bed Benelux increased by 4.9%. Within the operations in the Netherlands, both Beter Bed and Beddenreus increased their market share by executing commercial activities with greater focus and better execution than in 2017. This led to relevant innovation, simplification of the product range, more competitive pricing, clearer communication and new advertising campaigns, such as the Mattress for Life. In addition, very strong growth of the online channel was achieved. The share of online sales is competitive in the Dutch market. The specific online knowledge in the Dutch organisation and the operational infrastructure are considered to be future-proof and provide a solid basis for achieving synergies between the retail brands of Beter Bed Holding.

In 2018 the market share in the Netherlands increased, as higher sales growth was achieved than for the market overall on the basis of INretail data.

As in 2016 and 2017, the Matratzen Concord stores in Germany, Austria and Switzerland had a very hard time in 2018. Significant market trends, such as the growing demand for box springs, the growth of the online channel and customers' need for a one-size-fits-all mattress were identified but not responded to adequately. As a result, sales per store fell sharply since 2015 and the gross profit on sales was insufficient to cover the cost base. The cost base, at an absolute level, was also strongly driven by investments in various projects and departments which, in retrospect, led to neither growth in sales nor profit contributions. Overall, this resulted in significant losses within the Matratzen Concord organisation.

In response to these developments, Matratzen Concord announced a restructuring in October 2018 to make it resilient again for the future. Measures taken as part of this restructuring included the closure of 172 stores, a reduction of the workforce by 64 FTEs, a reduction of surplus inventories of more than € 8 million and the discontinuation of non-performing marketing and IT projects. All these objectives were successfully achieved in the fourth quarter of 2018, as a result of which the cost base in the profit and loss account as at 1 January 2019 was reduced by € 15 million. In order to carry out this restructuring as rapidly and successfully as possible, one-off costs of € 8 million were recognised in the fourth quarter of 2018 for, in the main, settling the rental agreements of the closed stores and responsibly and respectfully terminating the contracts of the redundant employees. The impact of these one-off costs on cash flow will be mainly recognised in 2019 and has been financed in full by the inventory measures referred to above.

Developments at Sängjätten in Sweden were mixed. A significant focus point for 2018 was to further roll out the store network by adding 11 locations, reaching a total of 27 stores at the end of 2018. This was a first successful expansion towards a national coverage in Sweden. As the focus was mainly on expansion, there was insufficient attention for the performance of the existing stores, which will however be prioritised in 2019. The leadership team has been adjusted with a view to achieving this.

In total, Beter Bed Holding achieved sales of € 396.3 million and EBITDA – adjusted for the one-off costs for the restructuring – of € 0.6 million. The net loss totalled € 23.3 million.

	2018	2017	Change
Sales (in € million)	**396.3**	408.8	(3.0)%
EBITDA corrected for one-off costs restructuring (in € million)	**0.6**	28.5	(97.8)%
Net profit (loss) (in € million)	**(23.3)**	9.5	(344.6)%
Number of stores at the end of	**1,009**	1,188	(15.1)%
Number of employees (Fte) at the end of	**2,738**	2,849	(3.9)%

EBITDA was driven by a combination of a falling gross profit due to the lower sales and a rising cost base. The successful implementation of the restructuring in the fourth quarter of 2018 to address this will make it possible to start 2019 on a healthier basis.

Gross profit decreased to 55.7% in 2018. This decrease was attributable to various mix effects in the portfolio of Beter Bed Holding. Firstly, owing to the strongly increased competitive pressures, an increased proportion of sales promotion campaigns and local price cuts were implemented, which was not yet compensated for by the cost saving projects on goods purchasing initiated in the course of 2018. Secondly, the changed relation between growth in the Benelux region and decreases at Matratzen Concord had a negative impact on profit. Thirdly, the impact of the increased online share was slightly negative. Lastly, the inventory sales of the closed Matratzen Concord stores led to pressure on margins.

Costs increased by € 24.5 million to € 244.6 million in 2018. Firstly, an amount of € 7.6 million in one-off costs was recognised for the restructuring of the Matratzen Concord organisation in Germany, Austria and Switzerland. Secondly, depreciation and impairments of fixed assets increased due to the investments made until the start of 2018 and the sale of the activities in Spain. Thirdly, the other operating expenses increased due to the operational costs relating to the expansion in the growth markets Belgium and Sweden (rental and logistics costs). Fourthly, additional sales and logistics staff needed to be deployed to achieve the growth in the Benelux market. Lastly, various costs were incurred in early 2018 in connection with additional marketing, online expansion and logistics. These logistics costs relate mainly to the addition of a distribution centre in Switzerland.

The decrease in sales and profit on the one hand and the increase in costs on the other (partly as a result of the one-off costs relating to the restructuring) resulted in a net loss of € 23.3 million.

Investment, financing and cash flow

Total capital investments amounted to € 17.4 million in 2018. This largely related to investments in early 2018 in new and existing stores, in a new distribution centre in Switzerland and in the IT infrastructure. The largest investments were made in refurbishments at Matratzen Concord and the opening of stores in the growth markets Belgium and Sweden. These investments in the physical channel were discontinued in the course of 2018. By contrast, investments in the new strategic themes Online, Digital, Data Analytics and IT infrastructure were continued.

The change in net cash and cash equivalents was € (17.0) million. This consisted of a positive operating cash flow, a cash flow from investing activities of € (16.4) million, and a cash flow from financing activities of € (0.7) million. The improvement in net working capital[1] by € 3.8 million was entirely driven by a reduction of inventories by € 10.0 million. This was achieved by improved process design, such as shifting ordering inventory at a store level to centrally coordinated store ordering on the basis of customer orders and the commercial program. In addition, accounts payable decreased by € 6.2 million due to lower purchasing.

The negative cash flow led to an increase in amounts owed to credit institutions. Due to the significant improvements of inventory levels in the second half of 2018, it was possible to absorb the entire negative cash flow within the existing facilities. Therefore the entire restructuring was financed from existing funds.

Due to the financial results the Group expects not to pay dividend over 2018 and 2019.

Solvency decreased to 33.2% compared with 44.8% in 2017. This decrease was mainly attributable to the fact that the net loss resulted in lower equity. The ratio between net interest-bearing debt and EBITDA was not measured at the end of 2018 because of a one-time adjusted method of measuring the agreements with the banks. This was adjusted based on the requirement of providing, as a minimum, an absolute EBITDA excluding the one-off costs for the restructuring. The one-time adjusted agreement was implemented and as from 30 June 2019, the original ratio between net interest-bearing debt and EBITDA will be measured again with a maximum permitted ratio of 2.5.

1Net working capital = inventories -/- trade payables + trade accounts receivable.

Staff, organisation and culture

The Group had 3,377 employees (2,738 FTEs) on 31 December 2018, compared with 3,519 employees (2,849 FTEs) at the end of 2017. The decrease was mainly caused by the restructuring of Matratzen Concord and the sale of the Spanish activities. By contrast, the number of employees in Belgium and Sweden grew due to the addition of new stores, the growth of the number of logistics staff and the expansion of the omni-channel activities.

As part of the new strategy, work is fully under way in the various countries where Beter Bed Holding operates on creating a corporate culture in which achieving agreed objectives is increasingly centralised. This pooling of resources is aimed at winning in the markets where Beter Bed Holding operates. The required winners' mentality makes Beter Bed Holding an attractive employer for which employees are eager to work. All activities have a successful history that forms a solid basis for continuing to advance the development of the Group, the retail brands and the products. Employees are continually challenged to contribute pro-actively to developing stronger, multidisciplinary teams, on the basis of continuing growth of diversity. Beter Bed Holding also aims to become an acknowledged market leader in the areas of sustainability and corporate social responsibility with its international retail brands. Specific CSR objectives have been formulated for 2020. Beter Bed Holding is actively working towards these.

Both logistics and sales staff receive training on product knowledge and behaviour. In addition, employees are given scope to follow individual training and educational programs. Management positions are filled with local employees in all countries. The company is furthermore aiming for a higher number of women in management positions. As at 31 December 2018, there were five women (26%) in top management positions in the organisation. The top management of Beter Bed Holding comprises the Supervisory Board, the Management Board, General Managers and their management teams.

There were numerous changes in this top management layer during 2018, with new appointments in 14 of the total of 19 positions. For all these appointments, the best suitable candidates were sought on the basis of a description of the role concerned defined in advance. Major criteria included relevant work experience, diversity in terms of gender and nationality, diversity in management styles, international experience and enthusiasm for joining an organisation in which a major restructuring and repositioning were due to take place. Account was expressly taken in this connection of increasing diversity within the top management.

A pro-active, transparent, performance-driven culture is necessary to be able to successfully carry out the transformation. The Group Leadership Team devotes a great deal of energy to this and takes the lead. Great value is attached to developing the local teams on the basis of agreements made centrally. The Group Leadership Team meets on a monthly basis to discuss and where necessary adjust or accelerate the results achieved by the Group and the implementation of the strategy.

Risk management and risks

General

The following general control measures are in place at Beter Bed Holding to manage risks:

The organisation applies a matrix that describes the risks, their (financial) impact, the probability of their occurrence, the control measures and the actions to be taken. This matrix is updated and discussed in the Audit Committee twice a year and the key points are reported to the Supervisory Board. The risks are classified in the categories Financial, Operational, Board and Management, Legal, Social, Information and Tax.

Risk appetite

Beter Bed Holding operates in the European bed and mattress segment. Beter Bed Holding's risk appetite is based on the operational results, the financial position and a carefully considered financial management. Although the company's daily operations involve taking risks, Beter Bed Holding adopts a carefully considered and balanced approach to those risks. More information about the risk appetite in the various categories defined by Beter Bed Holding is explained below.

The opportunities and threats identified by Beter Bed Holding for the Group as a whole and for the individual companies in economic, strategic and commercial terms are determined in the annual budget cycle. The budget drawn up by the Management Board of Beter Bed Holding is discussed with and approved by the Supervisory Board.

All business units (in the Netherlands and abroad) report monthly to the Group on the financial results (sales, margin, expenses and operating profit) and the financial position. The Beter Bed Holding Management Board discusses these reports in monthly meetings held with the various management teams, an approach which provides for direct monitoring of the various operations. Endeavours are made to achieve a high degree of uniformity in the various reports to enhance their effectiveness. The administrative and accounting records of the operations are maintained in the SAP (ERP) environment implemented in the organisation several years ago.

In addition, Beter Bed Holding established an Internal Audit Function (IAF). The IAF has been placed externally and is an independent and objective body with the aim of contributing to the further professionalisation of the entire organisation (in accordance with the Internal Audit Charter). From a risk management perspective, the IAF is qualified as the ‘3rd line of defence’, after the ‘1st line of defence’ of operational management and the ‘2nd line of defence’ of the internal control structure. The IAF’s findings are discussed with the Management Board and the Audit Committee.

The external auditor (4th line of defence) reviews the Administrative Organisation and Internal Control (AO/IC) during the annual audit of the financial statements. The audit findings are discussed by the external auditor with both the Management Board and the Supervisory Board, also in the absence of the Management Board.

The principal risks for Beter Bed Holding and its affiliated operating companies are as follows:

The **financial strategic** risks relate to the failure to achieve sales due to the entry of new competitors, the introduction of new products, brands and sales models. The positioning, product range, pricing and service level of the formats in their own markets are continually refined on the basis of frequent, extensive and thorough consumer research, market information and competition analysis. The company also follows a proactive omni-channel strategy that has been elaborated and tailored to consumers' wishes in each country. This strategy allocates an express role to the stores in combination with own online web shops and strategic web partners whenever possible. The risks section of the general notes to the financial statements gives further information on a number of specific financial risks associated with the normal business operations.

The Group identifies **operational strategic** risks with respect to supplier side consolidation, which could jeopardise margins and supplies. To mitigate this risk, internal agreements are in place on the maximum share in sales that an individual supplier can have within the Group. In addition, regular consultation takes place at the highest executive level (Management Board) with the principal suppliers. The organisation also applies an extensive system of supplier management, enabling continuous monitoring of the performance of individual suppliers and early identification of indications of potential problems at suppliers. Moreover, the product range sourced from any one supplier can in principle be transferred to another supplier within an acceptable timeframe**.**

Legal strategic risks relate to non-compliance with legislation and regulations in various fields, including product liability, consumer protection and reporting. These risks are mitigated by systematically requesting advice from experts with relevant knowledge, including legal specialists, tax specialists, accountants and competent authorities. In addition, audits are conducted at regular intervals. Beter Bed Holding is not prepared to take risks relating to non-compliance with legislation and regulations.

The **social strategic** risks primarily relate to damage to the Group's image and reputation as a result of defective products or irresponsible actions in a broader sense. It should be noted that the Group does not manufacture products for the product range. Control systems ensure that products meet the applicable requirements. Beter Bed Holding accepts no risks with regard to product safety. The organisation has adopted codes of conduct in various fields to ensure responsible conduct. The corporate culture, in which integrity and ethical business conduct are core values, makes a significant contribution to the mitigation of risks. The company has also adopted a whistleblowers' policy.

The main operational risks relate to the availability of **information** systems that support the primary processes and the availability of the logistics facilities. These risks are managed by designing the IT architecture in a manner that ensures that the cash register systems can operate standalone and that backups can continually be made of the data of all back-office systems, in turn ensuring that the external IT infrastructure will be operational within the timeframe required for continuity purposes in the event of an emergency. System integrity is monitored by applying a clear release policy and strict change management procedures. Beter Bed Holding continued to take measures in 2018 in cooperation with external parties to further optimise digital security in the broadest sense of the term and lift it to a higher level. The logistics risks relate largely to the situation in the Netherlands, where three distribution centres (DCs) are in operation. Should an emergency occur at one of these DCs then the other two can serve as backups. Each DC also has an individual business continuity plan.

Tax
Beter Bed Holding has adopted explicit tax principles. The main principles are that Beter Bed Holding maintains an open relationship with the tax authorities in the countries in which it operates, agrees on tax rulings solely to confirm the correct interpretation (and application) of the tax rules and tax laws and does not adopt (abnormal) tax arrangements focused exclusively on tax avoidance. Beter Bed Holding has signed a compliance agreement with the Dutch Tax and Customs Administration within the context of 'horizontal monitoring'. This ensures that any tax issues are discussed openly and on the basis of full transparency. The Management Board reports twice a year on relevant tax issues to the Audit Committee.

Independent auditor's report
The independent auditor assesses the internal control measures relating to the financial statements to the extent required for an efficient and effective audit approach. He reports his findings to the Management Board and to the Supervisory Board in his management letter and his independent auditor's report, respectively.

In control statement

Based on the aforementioned and considering the limitations inevitably associated with any internal risk management and control systems, the company's systems provide the Management Board with a reasonable degree of security with regard to financial risks that the financial statements do not contain any material misstatements and that the annual report gives a true and fair view of the situation on the balance sheet date and the developments during the year under review. These risk management and control systems operated properly during the year under review, and there are no indications that this situation should change in the current year. With regard to the other risks, the company maintains a risk management and control system adapted to the company's size, which also performed adequately during the year under review.

True and fair view statement

The Management Board declares that, to the best of its knowledge, the annual report provides a true and fair view of the situation on the balance sheet date, developments during the financial year of Beter Bed Holding N.V. and those of its affiliates whose details are included in its financial statements, along with expected developments, with regard to which special attention is paid to investments and conditions on which developments of revenue and profitability depend, unless this conflicts with vital interests. The Management Board also declares that, to the best of its knowledge, the financial statements provide a true and fair view of the assets, liabilities, financial position at the balance sheet date and the result of Beter Bed Holding N.V. and the companies included in the consolidation of the financial year.

Expectations and outlook

Economic conditions appear to remain favourable in the countries in which the Group operates. The quality of sleep is increasingly being recognised as part of a healthier and more enjoyable lifestyle. This provides an interesting growth potential for the Group.

The outlook for the Benelux is cautiously optimistic and the Group assumes that its growth will outpace the market. The plans and initiatives in place provide sufficient confidence to gradually improve market share despite market conditions.

Given the premature phase of the recovery in the German-speaking countries the Group remains confident about the initiatives but careful about the pace of recovery. The restructuring carried out by the new management in the fourth quarter of 2018 (fewer stores, reduced overhead, reduced inventories), changing product ranges, more active and aggressive marketing and a far greater focus on online are intended to ensure that Matratzen Concord achieves a first step towards a lasting recovery and further consolidates its position in the German-speaking countries.

The Group firmly believes in its mid-term strategy that was presented at the Capital Markets Day.
The implementation of the five strategic pillars customer-focused value-for-money proposition, best sleep advice, seamless omni-channel experience, strong performance culture and cost leadership is crucially important to be able to persistently deliver on the promise ***offer best quality rest @ affordable prices***. The mid-term ambitions are sales growth of 4-5% and an EBITDA margin of 7-9%. The Group expects to take a first step towards these ambitions in 2019.

Uden, the Netherlands, 28 February 2019

A.J.G.P.M. Kruijssen,
CEO

H.G. van den Ochtend,
CFO

CSR

The CSR year in brief

Every company that operates at the heart of society must embrace the social responsibility that comes with this. Sustainable enterprise is a key component in this respect. It is, after all, the only way to remain successful in the longer term.

Beter Bed Holding accepts its responsibility and has initiated a continuous improvement process in this field. In 2017 the Group made a reassessment of the CSR strategy and in 2018 important steps were taken in the development of a recyclable mattress.

CSR strategy

In 2018 the Group's new corporate strategy was presented at the Capital Markets Day. The domain of sleep is now more relevant than ever. Good quality sleep is vital for physical health, happiness, productivity, creativity and success. On the other hand stress, sleeping disorders and the work-life balance of people are constantly under pressure.

In the presented strategy, the CSR goals as formulated in 2017 remain critically important. Therefore the themes as identified with our internal and external stakeholders, being circular economy, safety and quality of products and services, responsible chain management, energy & CO_2 emissions and safe working conditions, will remain the main focus of the 2018 CSR report. These topics will be continuously used to identify possible strategic opportunities.

In 2017 challenging targets were formulated which have led to an increased embedment of CSR in the Group's daily activities. Next to that, in line with the strategy presented at the Capital Markets Day a new category management team was introduced to better work together with suppliers in a proactive way on innovations in the bedding industry and especially the complete recyclability of mattresses. In the meantime the Group is also working on our its innovation pipeline for sustainable mattresses. In 2018 the Group, in cooperation with the Ergonomic Institute of Munich, made great progress in the development of the 100% recyclable M line Green Motion-mattress, which was presented to the market on the fair in Cologne in January 2019. Furthermore the box spring ‘Element’ will be introduced in the first half of 2019. This box spring will be completely modular, easy to disassemble, each part can be replaced and all materials are recyclable.

Human rights and fighting bribery and corruption are two other social themes the Group can help address. By consciously choosing suppliers and requiring them to sign the Code of Conduct, the Group obligates its suppliers to adhere to international treaties and conventions on working conditions. Beter Bed Holding works mostly with suppliers from Europe and as a result limits the risk of incidents. At year-end 92% of the suppliers have signed the Code of Conduct. Suppliers that have not signed the Code of Conduct yet, were added at the end of 2018 and are in the process of signing the Code of Conduct. Beter Bed Holding has entered into partnership with five of its strategic suppliers in order to develop more sustainable products.

The Group has also faced some challenges in 2018 as an employer. In the last quarter of 2018 a reorganisation was announced in the German-speaking countries, which led to the fact that a number of employees at the regional head office became redundant. This decision was part of restructuring activities in the German speaking countries. Almost all employees were able to keep their jobs as a result of the sale of the Spanish activities.

Safety also continues to be very important. Employees must be able to count on a safe working environment and customers must be able to rely on good-quality and safe products. Therefore the stores in the Netherlands were included in the quality test in 2018. It is the ambition to include the stores in the German-speaking countries in the test in 2019.

Work to be done

The Group is realistic and aims to realise the CSR goals. In 2018 big steps have been taken in the development of recyclable mattresses. However the circular economy still presents large challenges and opportunities. There is a far-reaching social necessity to bring about a circular economy given that the majority of the mattresses currently still end up in the incinerator. Continuous development in the field of sustainable mattresses remains necessary.

There is already a well-functioning return system in the Netherlands for mattresses in the market. Great gains in the field of sustainability can theoretically be achieved through better recycling of materials at the end of the lifespan. Tapping into these opportunities demands above all a chain approach: only in partnership with suppliers and customers will it be possible to achieve workable and effective recycling solutions. Beter Bed Holding is focussing on collaborating with partners and customers and is part of a chain consultation with amongst others the Ministry of Infrastructure and Water, CBW and INretail, because this provides the best opportunities for results. It is also clear that it is vital to have new technologies and materials in this area in order to be able to make a real difference. However some steps still need to be taken in this field of research.

In conclusion, Beter Bed Holding has taken steps in developing a 100% recyclable mattress in 2018 but remains ambitious and realises that still a lot has to be done. The Group will commit itself to drive continuous innovation and development, together with partners and customers in the coming years.

About *Beter Bed for a Better Future*

Beter Bed for a Better Future, Beter Bed Holding's CSR report, provides insight into (the execution of) Beter Bed Holding's CSR strategy in 2018. The CSR report 2018 is supplementary to the annual report 2018 and will be available not later than 25 April 2019. This is the eighth time Beter Bed Holding presents this report on its activities and progress in the field of CSR. It has been drawn up in line with the GRI Standards of the Global Reporting Initiative (GRI) at the 'Core' level and the internal reporting criteria for CSR information. The emphasis of the report is on the five most material themes as set out in the CSR strategy.

Summary of facts

	2018	2017	Goal 2020
Circular economy			
Yearly sold mattresses collected through return system	**7%**	6%	**10%**
Sales from products with > 25% recycled content	**12%**	9%	**25%**
Sales share from modular products	**-**	-	**20%**
Waste streams recycled high grade	**71%**	72%	**75%**
Safety & quality			
Products which are tested on air quality (based on sales)	**98%**	90%	**100%**
Number of incidents reported in the field of safety and quality	**-**	1	**-**
Customer satisfaction: eKomi score (score 0-10, weighted average based on sales)	**8.9**	8.5	**9.4**
Responsible chain management			
Suppliers who signed the Code of Conduct	**92%**	98%	**100%**
Number of strategic suppliers with proactive co-operation to ensure CSR criteria are pursued in the purchasing process	**5**	2	**16**
Tenders for products and services in the Netherlands where CSR criteria are taken into account	**30%**	50%	**100%**
Energy & CO_2 emissions			
Purchase of renewable energy	**0%**	48%	**100%**
Energy consumption (TJ)	**259**	285	**257**
CO_2 emissions (tonnes)	**25,079**	21,024	**18,922**
Safe working conditions			
Number of accidents with sick leave[1]	**-**	-	**-**
Tests performed on air quality[2]			
- DCs	**Yes**	Yes	**Yes**
- Loading docks	**Yes**	Yes	**Yes**
- Stores	**Partly**	No	**Yes**
Training and education attended by logistics employees (average number of hours)	**2.5**	2.5	**4**

1 For 2018 no reliable data are available yet. It is the ambition to report on this goal in 2019.

2 Tests performed in DCs (integrally) and loading docks and stores (by means of sampling)

2018 at a glance

CIRCULAR ECONOMY

55,954
mattresses collected

12%
of sales contains recycled materials

SAFETY & QUALITY

98%
of all sold mattresses tested

customer satisfaction (eKomi score) increased to
8.9

RESPONSIBLE CHAIN MANAGEMENT

92%
of the suppliers signed the Code of Conduct

5
strategic partnerships with suppliers

ENERGY & CO_2 EMISSIONS

0%
renewable energy purchased

259 TJ
total energy consumption

25,079 tonnes
CO_2 emissions

SAFE WORKING CONDITIONS

2.5 hours
training in safety per logistic employee in NL

air quality tested in DCs, cargo areas and stores in NL

EMPLOYEES

26%
women in top management positions

3,377
employees as per 31-12-2018

2,738
FTE as per 31-12-2018

Governance

Corporate Governance

General

The Supervisory Board and the Management Board endorse the principles for good corporate governance as included in the Dutch Corporate Governance Code. A full overview of all principles and best practice provisions, including compliance with them, is available on the website www.beterbedholding.com. The notes included here relate to the revised Corporate Governance Code (referred to below as ‘the Code’) published by the Corporate Governance Code Monitoring Committee on 8 December 2016.

This policy has resulted in the following documents:
- Supervisory Board regulations.
- Audit Committee regulations.
- Remuneration Committee regulations.
- Management Board regulations.
- Internal Audit Charter.
- Code of Conduct.
- Share option scheme.
- Whistleblowers' policy.
- Investor Relations policy.

These documents are also available on the corporate website.

As usual, corporate governance and each substantial adjustment in the corporate governance structure of the Group and its compliance with the Corporate Governance Code will be submitted to the Annual General Meeting discussion under a separate agenda item during the Annual General Meeting on 25 April 2019.

The full text of the Dutch Corporate Governance Code is available on www.mccg.nl.

Compliance with the Code

Insofar as applicable, the company complies with all best practice provisions of the Code, with the exception of best practice provision 3.1.2. (vii). The best practice provisions relating to Principle 4.4 (‘Issuing depositary receipts for shares’) and Principle 5 (‘One-tier governance structure') are not applicable to the company.

Takeover directive

In the context of the EU Takeover Directive (Article 10) Decree, the following notifications must be given insofar as they are not included in this annual report:

Capital structure

The company’s authorised capital consists of two million euros (€ 2,000,000). The company’s issued capital consists of 21,955,562 ordinary shares having a nominal value of two euro cents (€ 0.02) each. Each share confers the right to cast one vote.

Limitations on the transfer of shares

Beter Bed Holding N.V. has not imposed any limitations on the transfer of its shares and therefore there are no outstanding or potential protection measures against a takeover of control of the company. No depositary receipts for shares have been issued with the cooperation of the company.

Substantial holdings

A statement of the substantial holdings in Beter Bed Holding N.V. in respect of which a notification requirement applies in accordance with the relevant provisions stipulated in the Dutch Financial Supervision Act (*Wet financieel toezicht*) is included in the section share information.

Special controlling rights

No special controlling rights are attached to the shares in the company.

Employees' share option scheme

The organisation has an employees' share option scheme pursuant to which options on shares (including new shares to be issued) are granted to the Management Board, as well as to the management teams.

The granted signing options do not strictly comply with best practice provision 3.1.2. (vii), as these options can be exercised within 12 months after the vesting period. This is in contradiction with the Code which foresees in a period of three years after vesting in which the options can not be exercised.

Limitations on voting rights

Each share confers the right to cast one vote. The voting rights attached to the shares in the company are not restricted, and neither are the terms in which voting rights may be exercised restricted.

Agreements on limitations on the transfer of shares

Beter Bed Holding N.V. is not aware of any agreements with a shareholder that could give rise to any restriction on the transfer of shares or to any restriction on voting rights.

Appointment and dismissal of Management Board members and Supervisory Directors and amendment of the articles of association

The manner in which members of the Supervisory Board and Management Board are appointed and dismissed and the regulations governing amendments of the articles of association are specified in the articles of association of Beter Bed Holding N.V.

Management Board members are appointed by the Annual General Meeting on the nomination of one person (or as many persons as legally required in order to be binding) for each vacancy, to be drawn up by the Supervisory Board. A nomination that the Supervisory Board has drawn up in a timely manner is binding. However, the Annual General Meeting can remove the binding nature of the nomination at any time by means of a resolution that is adopted by an absolute majority of the votes cast and that represent more than one-third of the issued capital. Each Management Board member is appointed or reappointed for a term of four years, unless the resolution to appoint (or reappoint) the Management Board member in question provides otherwise. The Annual General Meeting can suspend or dismiss a Management Board member. The Annual General Meeting can resolve to suspend or dismiss a Management Board member, other than on a proposal from the Supervisory Board, only by means of an absolute majority of the votes cast and that represent more than one-third of the issued capital. The Supervisory Board can suspend a Management Board member.

Supervisory Directors are appointed by the Annual General Meeting on the nomination of one person (or as many persons as legally required in order to be binding) for each vacancy, to be drawn up by the Supervisory Board. The Supervisory Board will give the Works Council of Beter Bed B.V. an opportunity, in a timely manner, to provide a recommendation with respect to the draft nomination that the Supervisory Board has drawn up, and the Supervisory Board may not adopt that nomination until the Works Council has provided such a recommendation, has given notice that it will not provide such a recommendation or has not provided such a recommendation within a reasonable term that has been set for it to do so. A nomination that the Supervisory Board has drawn up in a timely manner is binding. However, the Annual General Meeting can remove the binding nature of the nomination at any time by means of a resolution that is adopted by an absolute majority of the votes cast and that represent more than one-third of the issued capital. The Annual General Meeting can suspend or dismiss a Supervisory Board member. The Annual General Meeting can resolve to suspend or dismiss a Supervisory Board member, other than on a proposal from the Supervisory Board, only by means of an absolute majority of the votes cast and that represent more than one-third of the issued capital. Each Supervisory Director will retire on the day of the first Annual General Meeting that is held four years after his/her appointment, unless the resolution to appoint provides otherwise. Reappointments of Supervisory Directors take place in accordance with article 2.2.2 of the Corporate Governance Code.

The Annual General Meeting is authorised (on the proposal of the Management Board, approved by the Supervisory Board) to amend the articles of association. A proposal to amend the articles of association will be handled in consultation with Euronext Amsterdam N.V.; the consultation(s) will be held before the amendment to the articles of association is proposed to the Annual General Meeting. When a proposal to amend the articles of association is made, that proposal must be stated in the invitation to the Annual General Meeting, in which context a copy of that proposal, in which the amendment is included verbatim, must be deposited for inspection at the office of Beter Bed Holding N.V. and an institution that has been approved by Euronext Amsterdam N.V. or other paying agent and made available to the shareholders free of charge until after the meeting has ended. A notarial deed will be drawn up in respect of an amendment to the articles of association. Euronext Amsterdam N.V. and the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten) will be notified of the draft of the amendment to the articles of association no later than the time of the notice convening the Annual General Meeting at which the votes will be cast in respect of the amendment or upon any occasion on which the shareholders are notified of the amendment.

The Management Board’s powers

The Management Board’s powers in general are stipulated in the applicable legislation and the articles of association. The Management Board’s powers with respect to the issue of shares are specified in article 10 of the articles of association.

At the Annual General Meeting that was held on 26 April 2018, a resolution was passed to grant the Management Board the power to issue new shares (and rights to new shares) up to a maximum equal to 10% of the number of outstanding shares. That power was granted for a term of 16 months as from the date of that Annual General Meeting.

The Management Board’s powers in respect of restricting or excluding the preferential right are specified in article 11 of the articles of association.

At the Annual General Meeting that was held on 26 April 2018, a resolution was passed to grant the Management Board the power to restrict or exclude the preferential right. That power was granted for a term of 16 months as from the date of that Annual General Meeting.

The Management Board’s powers with respect to acquiring/purchasing own shares are specified in article 13 of the articles of association.

At the Annual General Meeting that was held on 26 April 2018, a resolution was passed to grant the Management Board the power to acquire/repurchase own shares, up to a maximum equal to 10% of the number of outstanding shares. The maximum purchase price may not exceed 10% above the average closing price on the five trading days prior to the day of acquisition. That power was granted for a term of 16 months as from the date of that Annual General Meeting.

The Management Board’s powers with respect to the decision to reduce the issued capital by means of cancellation of shares are specified in article 15 of the articles of association.

At the Annual General Meeting that was held on 26 April 2018, a resolution was passed to grant the Management Board authorisation to cancel acquired shares up to a maximum of 10% of the number of outstanding shares. The cancellation can take place in one or more tranches. The cancellations will take place on the dates determined by the Management Board and with due regard for the mandatory two-month opposition period.

Significant agreements and changes in the control of the company

Beter Bed Holding N.V. will not be a party to any major agreements that are concluded, amended or dissolved subject to the condition of a change of control over the company after a public bid within the meaning of Article 5:70 of the Financial Supervision Act has been made.

Redundancy agreements in the event of a public takeover bid

Beter Bed Holding N.V. has not concluded any agreements with a Management Board member or employee that provides for any severance pay in the case of a termination of employment in connection with a public bid within the meaning of Article 5:70 of the Financial Supervision Act.

Supervisory Board

D.R. Goeminne (1955) - Chairman

Mr Goeminne earned his degree in Applied Economics from the University of Antwerp.

He has held management positions at a number of manufacturing and retail companies, and until 2007 he has served as Chairman of the Group Management of department store chain V&D (Vroom & Dreesmann) and as a member of the Executive Board of Maxeda (Vendex/KBB).

Mr Goeminne currently also serves on the Supervisory Board of Stern Groep N.V. and Wielco BV, he is Chairman of the Executive Board of Ter Beke, JBC NV and Wereldhave Belgium NV and a non-executive Management Board member at Van de Velde NV.

Mr Goeminne holds Belgian nationality and does not hold shares in Beter Bed Holding.

H.C.M. Vermeulen (1963)

In 1986 Mr Vermeulen completed a HTS-E Computer Science education (cum laude) at the Hogeschool Breda.

He is CEO of Bol.com since 2017, where as he previously was employed as COO. Before that he worked in various management positions for DOCdata.

Mr Vermeulen holds Dutch nationality and does not hold shares in Beter Bed Holding.

A. Beyens (1961)

Mr Beyens earned a Master of Science in Commercial Engineering at Brussels University in 1984 and a MBA degree at the University of Antwerp in 1991.

Since 1985 Mr Beyens has worked for Ab-Inbev in various international management and executive positions. In 2012 as CEO at Starbev he accompanied the sales of MCBC. Until 2017 he was employed as CEO at Pelican Rouge.

Currently Mr Beyens is Operation Partner at Mid Europa Partners. In addition he is non-executive management board member at Duvel Moortgat, Chairman at Moji Brendovi, Hortex and the Antwerp Management School.

Mr Beyens holds Belgian nationality and does not hold shares in Beter Bed Holding.

P.C. Boone (1967)

Mr Boone earned a degree in Business Economics & Administration at the EUVA (European University of Antwerp) in 1992. In 1999 and 2004 he completed a Management Development Program for high-potentials at respectively Nijenrode University and SHV.

From 1992 through 2010 he worked for Makro (SHV Holdings NV) in various (inter)national management positions, after which he was employed by Metro AG in Russia as CEO. As of 2015 till recently Mr Boone was member of the Management Board of Metro AG where Mr Boone fulfilled the role of COO. He was also a member of the APA in Germany.

Mr Boone holds Dutch nationality and does not hold shares in Beter Bed Holding.

B.E. Karis (1958)

Mr Karis concluded a study Tourism after which he joined Dorint Group in Germany as Sales Manager Benelux in 1983.

Subsequently he fulfilled several positions at Vroom & Dreesmann and Ikea, from 2000 until 2004 he was Vice President Ikea Retail Europe and from 2004 until 2007 he worked as Senior Vice President General Merchandise for Ahold. Until 2017 he acted as Chief Executive Officer and Chairman of the Board at Zeeman Group B.V.

In addition Mr Karis serves on the Supervisory Board of Sligro Food Group.

Mr Karis holds Dutch nationality and does not hold shares in Beter Bed Holding.

Report of the Supervisory Board

General

The Supervisory Board is comprised of Mr D.R. Goeminne (Chairman), Mr A. Beyens, Mr P.C. Boone, Mr B.E. Karis and Mr H.C.M. Vermeulen. The CVs of the members of the Supervisory Board are included in the section Supervisory Board (see page 36). In accordance with the provisions of the Dutch Corporate Governance Code, all Supervisory Board members are independent.

Supervisory Directors are appointed for a period running up to and including the day of the first Annual General Meeting that is held four years after their appointment. Supervisory Directors retire periodically in accordance with a schedule to be drawn up by the Supervisory Board. The following retirement by rotation schedule applies:

Supervisory Director	Appointed	**Retirement/ reappointment**
D.R. Goeminne	26-04-2010	**AGM 2019**
H.C.M. Vermeulen	26-04-2018	**AGM 2022**
A. Beyens	03-12-2018	**AGM 2023**
P.C. Boone	03-12-2018	**AGM 2023**
B.E. Karis	03-12-2018	**AGM 2023**

In accordance with best practice provision 2.2.2 of the revised Corporate Governance Code, Mr Goeminne was reappointed for a term of one year during the Annual General Meeting on 26 April 2018. Mr Vermeulen was appointed for a term of four years during the same Annual General Meeting. Mr Beyens, Mr Boone and Mr Karis were appointed in the Extraordinary General Meeting on 3 December 2018. Ms De Groot and Mr Van der Vis stepped down on 4 December 2018.

2018 Results

The Supervisory Board closely monitored the development of Beter Bed Holding and shares the Management Board's view that major changes needed to take place within the Group in 2018. The development of results in the Benelux was satisfactory. The same also applies to the measures taken at Matratzen Concord. The Supervisory Board however shares the disappointment of the Management Board with regard to the strong decrease of the operating profit in 2018, which was attributable to the development at Matratzen Concord in recent years.

Despite the strong decrease of the results, the Supervisory Board is convinced that the transformation will be implemented in 2019 and 2020 as communicated at the Capital Markets Day in October 2018. In addition, the Supervisory Board will continue to be closely involved in the further development of the strategy that will be presented in November 2019.

Financial statements and discharge

The financial statements were prepared by the Management Board and the auditor, PwC Accountants, subsequently issued an unqualified auditor's report on these financial statements. That report is included in the independent auditor's report in the section additional details (see page 86). The Supervisory Board discussed the financial statements in detail in the presence of the Management Board and PwC Accountants.

The Supervisory Board has approved the 2018 financial statements and proposes to adopt these at the Annual General Meeting to be held on 25 April 2019 and to discharge the members of the Management Board in respect of their management and the members of the Supervisory Board in respect of their supervision with regard to the financial year 2018.

Composition of the Supervisory Board

The members of the Supervisory Board are appointed by the Annual General Meeting. The Supervisory Board aims for an adequate balance of knowledge of, and experience with, the Group's operations. The Board has established two committees: the Audit Committee and the Remuneration Committee. The full Board fulfils the role of the Selection and Appointment Committee in accordance with the Dutch Corporate Governance Code.

Activities of the Supervisory Board

In 2018, the Supervisory Board was once again closely involved in developments related to Beter Bed Holding and its subsidiaries. During the reporting year, the Chairman frequently liaised with the Management Board in preparation for the meetings between the Supervisory Board and the Management Board. The former met with the latter on ten occasions. Furthermore, the Supervisory Board also held six conference calls with the Management Board.

The table below shows the attendance of Supervisory Board members at Supervisory Board and Committee meetings. If members of the Supervisory Board were unable to attend a meeting in person, they provided comments and views on the meeting documents in writing before the meetings.

	Supervisory Board	Audit Committee	Remuneration Committee
Mr D. Goeminne	100% (16/16)	100% (2/2)	100% (2/2)
Mr A. Beyens	100% (1/1)	-	100% (1/1)
Mr P. Boone	100% (1/1)	-	100% (1/1)
Mr B. Karis	0% (0/1)	-	0% (0/1)
Mr H. Vermeulen	77% (10/13)	-	100% (1/1)
Ms E. de Groot	100% (15/15)	100% (2/2)	100% (1/1)
Mr A. Slippens	100% (3/3)	-	100% (1/1)
Mr R. van der Vis	93% (14/15)	100% (2/2)	100% (1/1)

The Supervisory Board received regular, timely, detailed verbal and written updates from the Management Board throughout the year. Extensive attention was paid to the operating results of the various formats and the Group, as well as to the update of the strategy.

The company met with the external auditor on three occasions. In March 2018, the results for 2017 and the audit findings were discussed. The half-year results were discussed in July 2018, along with the results of the audit of the half-year results conducted by the external auditor. Lastly, the results for 2018 until the end of November and the findings with regard to the AO/IC (Administrative Organisation and Internal Control) were discussed in December 2018.

Various sessions took place at several meetings in which the Supervisory Board discussed the analyses of the disappointing results and the actions required to be taken in response with the Management Board in detail. Thus the Supervisory Board provided extensive input for the new medium-term strategy that was presented at the Capital Markets Day, as well as into the thinking about the restructuring plan for the German-speaking countries, as a result of which these two important topics were thoroughly discussed and comprehended in conjunction. Much attention was devoted in this connection to various initiatives such as B2B, the refocusing and acceleration of the online proposition, the cost reduction program, the implementation plan, the objectives, the risks, the possible measures to mitigate them and the financial implications. At the last meeting, ahead of the Capital Markets Day, the full Supervisory Board approved the strategy including the financial and non-financial objectives in the performance framework, the implementation plan and the risk matrix. The Management Board reports periodically on progress in the regular meetings.

The budget for 2019, which was discussed during the meeting of 20 December 2018, sets out the company's operational and financial objectives, along with the policy that should ensure that these objectives are achieved, all in line with and within the framework of our medium-term strategy as presented at the Capital Markets Day on 26 October 2018.

Extensive attention was continually devoted in 2018 to liquidity, the commercial progress of the various activities, tax matters, shareholder relations and the findings of the Internal Auditor to improve the internal organisation. There were contacts with the Works Council and the General Managers and the Matratzen Concord company in Germany was visited.

The performance of the Management Board and the remuneration policy were discussed in closed meetings. Consultation also took place in individual interviews on the performance of the members of the Management Board.

After an explanation provided by its Audit Committee, the Supervisory Board discussed the update of the risk assessment process with the Management Board. We believe that the procedures related to risk analysis, risk management, risk control and audits by the external auditor with respect to the Administrative Organisation and Internal Control provide sufficient certainty for the in-control statement relating to the performance of the risk control and risk management system.

A number of search assignments were placed with an executive search agency in 2018 in order to find new Supervisory Board members. Extensive attention was devoted to the profile with a view to finding candidates with the appropriate knowledge, capabilities, diversity and experience. The areas of expertise that were important within those search assignments were diverse and differed for each role. Specific areas of expertise included knowledge of retail, online experience, experience of Germany and management experience. The Supervisory Board firmly believes that with the appointments that took place in 2018, the right Supervisory Board members with the appropriate experience have been found.

Lastly, the Supervisory Board followed a diligent process to fill the vacancy arising after the announced departure of the CFO. Agreement was reached with Hugo van den Ochtend on 26 July 2018. He took up his position on 1 September 2018 and was appointed as a Statutory Director under the articles of association in an Extraordinary General Meeting on 11 September 2018.

Audit Committee

During the financial year, the Audit Committee was comprised of Ms De Groot (Chair), Mr Goeminne and Mr Van der Vis. Following the Extraordinary General Meeting on 3 December 2018, Mr Beyens, Mr Boone and Mr Karis were added to this committee and Ms De Groot and Mr Van der Vis stepped down on 4 December 2018. Until a new financial expert is appointed to succeed Ms De Groot, Mr Boone will temporarily serve as acting Chairman of the Audit Committee. The composition of the Audit Committee is in accordance with the provisions of the Dutch Corporate Governance Code, with Ms De Groot having served as financial expert.

The Audit Committee's duty is to advise the Supervisory Board on, and assist it in, its responsibility to monitor the company's compliance with reporting and corporate governance requirements.

The Audit Committee convened on two occasions in the past financial year. On both occasions, the Audit Committee met with the external auditor in the absence of the Management Board.

The Audit Committee extensively discussed the financial statements and the Report of the Management Board, the half-year results and associated audit reports including the key audit matters, and the management letter with the Management Board and the external auditor, PwC Accountants. The Audit Committee also focused on the audit plan for 2018, compliance with previous recommendations, tax issues, liquidity and funding, and the Group's risk management and control system.

Regular discussions took place between the Internal Auditor and the Chairman of the Audit Committee. Those discussions took place both with and without employees of the Group. The Audit Committee also discussed the findings of the Internal Audit Function.

Remuneration Committee

In 2018, the Remuneration Committee was comprised of Ms De Groot, Mr Goeminne, Mr Van der Vis, Chairman Mr Slippens (until the end of April) and Mr Vermeulen (from May). In 2018, two committee meetings were held and frequent consultations were held on filling the vacancy that had arisen after the departure of the CFO. In the meeting in December 2018, Mr Boone, Mr Beyens and Mr Karis were appointed as members of the Remuneration Committee, with Mr Boone being appointed as Chairman, and Mr Vermeulen stepped down.

The Remuneration Committee also discussed the performance and remuneration of the top twenty managers of the organisation with the Management Board.

The Remuneration report (see page 43) follows the Report of the Supervisory Board.

Diversity

There are currently no women on the Statutory Management Board of the company nor on its Supervisory Board. Beter Bed Holding N.V. consequently does not officially fulfil the requirement for a balanced distribution of seats (30% male/female).

Diversity on the basis of gender was emphatically taken into account in the search for new members of the Management Board and the Supervisory Board. In addition, the selection was made on the basis of broad experience, background, skills, knowledge and insights, with careful consideration of a balanced composition with regard to all these criteria. With the proposed appointment of a financial expert the Supervisory Board expects to move towards a legally required percentage. The goal to increase diversity in the top management remains.

Conclusion

The Supervisory Board recognises the broad interests Beter Bed Holding represents and understands its responsibility towards all the Group's stakeholders: shareholders, employees, customers, suppliers and financiers. We wish, within this context, to refer you to the www.beterbedholding.com, website that contains up-to-date information on Beter Bed Holding.

In 2018, the Group managed, despite the challenging phase it is going through, to shape a process of change enabling the Group to advance its development in numerous areas: a strengthened position in a number of countries, the implementation of restructuring at Matratzen Concord and the formulation of a mid-term strategy. This could not have been achieved without the passionate and committed contribution of the employees and stakeholders. The Supervisory Board is grateful to everyone within the Group for their contribution to realising the set objectives.

Uden, the Netherlands, 28 February 2019

D.R. Goeminne, Chairman
A. Beyens
P.C. Boone
B.E. Karis
H.C.M. Vermeulen

Remuneration report

Remuneration policy

The current remuneration policy was approved by the Annual General Meeting in 2016. This policy is published on the company's website as part of the Remuneration Report. The Remuneration Committee advises the Supervisory Board when it is formulating the remuneration policy and determining the individual remuneration of the Management Board.

The objective of the remuneration policy is to recruit, motivate and retain qualified persons as Management Board members, who enable Beter Bed Holding N.V. to achieve its strategic and operational objectives.

The remuneration policy is enterprising in nature, but it also must be reasonably in ratio with the other members of management, all of the foregoing taking into consideration the social context, corporate governance structure and the interests of the stakeholders in Beter Bed Holding.

Remuneration of the Management Board

The remuneration of the Management Board consist of the following competitive elements:

- A fixed salary.
- A pension scheme.
- A variable remuneration.
- Options on shares.
- Other employment benefits.

Fixed salary

The market terms are determined on the basis of knowledge, insight and experience of the individual Supervisory Directors by means of a benchmark that the Supervisory Board conducts once every three years with a reference group of approximately ten comparable companies.

Pension scheme

The pension scheme is a defined contribution scheme. The percentage of the contribution is determined by investigating the situation at other companies, in which context the members of the Supervisory Board are involved, in addition to the maximum permitted for tax purposes in that respect. The CEO and the CFO received a contribution for 2018 equal to 30% and 25% of the fixed salary, respectively.

Variable remuneration

The variable remuneration is largely profit-related and is partially at the Supervisory Board's discretion.

In 2018, the maximum variable remuneration for the CEO was equal to 60% of the gross fixed annual salary (split into 50% for quantitative objectives and 50% for qualitative objectives). For the CFO the maximum variable remuneration was equal to 50% of the gross fixed annual salary (split into 40% for quantitative objectives and 60% for qualitative objectives).

The level of the variable remuneration in 2018 was agreed in 2018 for both the CEO and the CFO upon their appointment. The variable remuneration reported for 2018 is the contractually agreed, guaranteed bonus for 2018.

The budget is set at a level that the Supervisory Board considers challenging but achievable at the time at which it is set. The evaluation of the extent to which the quantitative objectives have been met has taken into consideration – and will take into consideration in the future – the extent to which there can be deemed to be normal market conditions and the extent to which there has been sound business practice.

The following table provides an overview of the (former) Management of the Board for 2018.

in thousand €	Total	Salary	Pension	Variable remuneration	Employee stock options[1]
A.J.G.P.M. Kruijssen[2]	612	338	101	142	31
H.G. van den Ochtend[3]	149	85	21	43	-
B.F. Koops[4]	186	149	37	-	-

1 Number of options granted multiplied by the value of the option at the time of granting.

2 As of 1 April 2018.

3 As of 1 September 2018.

4 Up to and including 31 July 2018.

Options on shares

Options on shares are used as a long-term incentive. Options are granted not only to the Management Board, but also to the management teams in the various formats. For the share option scheme rules, see the company's corporate website.

If option rights under options series as from 2016 are exercised, the members of the Management Board must use the proceeds obtained in doing so to purchase shares in Beter Bed Holding. Those shares are subsequently required to be held for a period of four years by the members of the Management Board. This ensures that a portion of the variable remuneration is linked to long-term value creation.

'Change of control' clauses have not been included in the Management Board members' contracts. However, when a bid for all the shares in the company is declared unconditional all options may be exercised, regardless of the status of the realisation of the objectives.

The Remuneration Committee used the scenario analyses referred to in Corporate Governance Code best practice 3.4.1 when it formulated the remuneration policy and determined the individual remuneration.

Mr Kruijssen received a one-off award of 100,000 signing options when he took up his position as CEO. They vest in 36 monthly instalments with effect from 1 April 2018. The option right can be exercised (at an exercise price of € 13.06 per option) during a period of 12 months after the end of the vesting period.

Other employment benefits

Management Board members have a lease car at their disposal or receive an allowance for mobility cost.

Remuneration of the Supervisory Board

The following remunerations have applied since 19 May 2015:

- Supervisory Directors' fee: € 21,000.
- Remuneration for participation in a committee: € 4,500.
- Extra remuneration for chairmanship: € 10,000.

The remuneration of the Supervisory Board is evaluated every three years. In 2018 the remuneration (in euros) was as follows:

Supervisory Director	Supervisory Board	Audit Committee	Remuneration Committee	Chairman	**Total 2018**	Total 2017
D.R. Goeminne	21,000	4,500	4,500	10,000	**40,000**	40,000
H.C.M. Vermeulen	14,000	-	3,000	-	**17,000**	-
A. Beyens	1,750	375	375	-	**2,500**	-
P.C. Boone	1,750	375	375	-	**2,500**	-
B.E. Karis	1,750	375	375	-	**2,500**	-
E.A. de Groot	19,250	4,125	4,125	-	**27,500**	30,000
W.T.C. van der Vis	19,250	4,125	4,125	-	**27,500**	30,000
A.J.L. Slippens	7,000	-	1,500	-	**8,500**	25,500

Share information

General

Until September 2018, the shares of Beter Bed Holding formed part of the Euronext Amsterdam Small cap Index (AScX), after which they were quoted on the local share index. The number of shares outstanding at the end of 2018 totalled 21,955,562. Shares repurchased and not yet cancelled totalled zero at the end of the year under review. The number of shares in portfolio as at 31 December 2018 was zero. The average number of shares used to calculate earnings per share is 21,955,562. The number of shares used to calculate diluted earnings per share is also 21,955,562. Earnings per share for 2018 of continuing operations were € (0.85) compared with € 0.49 in 2017. Diluted earnings per share in 2018 of continuing operations were € (0.85) compared with € 0.49 in 2017.

The shares of Beter Bed Holding N.V. are quoted on Euronext Amsterdam under security code NL0000339703.

Dividend policy

Beter Bed Holding N.V.'s dividend policy focuses on maximising shareholder returns whilst maintaining a healthy capital position. Subject to stable financial conditions, the company's objective is to pay out at least 50% of net profit to the shareholders. This payment will be made following the approval of the dividend proposal by the Annual General Meeting. The payment of dividend may never result in the company's solvency falling below 30% on any publication date. Furthermore, the net interest-bearing debt/EBITDA ratio may not exceed two.

Investor Relations policy

The company informs shareholders, investors and the market on a regular basis. This is done by means of the publication of quarterly press releases based on trading updates and complete financial reports upon publication of the full-year results and the half-year results.

It is also considered important to maintain the relationship with existing shareholders and to bring the company and the Beter Bed Holding share to the attention of potential investors. In addition to the aforementioned press releases, this responsibility is fulfilled by organising analysts' meetings and road show programs following the publication of the full-year results and the half-year results.

Furthermore, the company attends conferences organised by brokers and receives interested parties at the company's offices or at its stores.

Substantial holdings

In compliance with chapter 5.3 of the Dutch Financial Supervision Act the following holdings have been included in the Substantial Holdings register of the Netherlands Authority for the Financial Markets (AFM) as per 28 February 2019.

Shareholder	Date of notification	Share
Breedinvest B.V., Laren, NL	10-11-2014	9.1%
Teslin Participaties Coöperatief U.A., Maarsbergen, NL	06-07-2017	7.9%
ASR Nederland N.V., Utrecht, NL	06-10-2008	6.6%
Belegging- en Exploitatiemaatschappij 'De Engh B.V.', Naarden, NL	10-01-2016	5.6%
NN Group N.V., Amsterdam, NL	05-04-2018	5.4%
Lazard Frères Gestion SAS, Paris, F	12-04-2016	5.2%
Navitas B.V., Alphen aan den Rijn, NL	28-10-2014	5.1%
Ameriprise Financial Inc., Minneapolis (MN), US	08-09-2011	4.7%
Harris Associates L.P., Chicago (IL), US	19-02-2010	4.6%
Stichting Pensioenfonds Hoogovens, Beverwijk, NL	06-09-2017	3.4%

Insider regulations

The company maintains an internal code on inside information and disclosure. The amended regulations went into effect on 1 March 2017. The persons subject to these regulations have declared in writing that they will comply with the provisions contained in these regulations. The internal code on inside information is available on the Beter Bed Holding website.

Financial Statements

Consolidated balance sheet

At 31 December

in thousand €	Notes	2018	2017
Fixed assets			
Tangible assets	1. 12.		
Land		**7,385**	7,090
Buildings		**3,352**	3,679
Other fixed operating assets		**30,520**	33,467
		41,257	44,236
Intangible assets	2. 12.		
Intangible operating assets		**11,311**	9,030
Financial assets	3.		
Deferred tax assets		**13,273**	2,353
Deposits		**94**	526
		13,367	2,879
Total fixed assets		**65,935**	56,145
Current assets			
Inventories	4.		
Finished products and goods for resale		**55,679**	65,697
Receivables	5.		
Trade accounts receivable		**3,014**	3,014
Other receivables		**9,243**	9,669
Income tax receivable	17.	**636**	4,536
		12,893	17,219
Cash and cash equivalents	6.	**6,173**	17,669
Total current assets		**74,745**	100,585
Total assets		**140,680**	156,730

At 31 December

in thousand €	Notes	2018	2017
Equity			
Equity attributable to equity holders of the parent	7.		
Issued share capital		**439**	439
Share premium account		**18,434**	18,434
Revaluation reserve		**3,200**	2,797
Reserve for currency translation differences		**548**	673
Other reserves		**47,265**	38,316
Retained earnings		**(23,250)**	9,525
Total equity		**46,636**	70,184
Liabilities			
Non-current liabilities			
Provisions	8.	**1,003**	44
Deferred tax liabilities	9.	**3,452**	3,383
		4,455	3,427
Current liabilities	10. 11.		
Credit institutions	6.	**22,998**	17,481
Trade payables		**24,409**	30,629
Income tax payable	17.	**2,050**	1,482
Taxes and social security contributions		**10,931**	9,667
Other liabilities		**29,201**	23,860
		89,589	83,119
Total liabilities		**94,044**	86,546
Total equity and liabilities		**140,680**	156,730

Consolidated profit and loss account

in thousand €	Notes	2018		2017	
Continuing operations					
Sales	12.	**396,331**		408,785	
Cost of sales		**(175,424)**		(172,924)	
Gross profit		**220,907**	**55.7%**	235,861	57.7%
Personnel expenses	13.	**(110,255)**		(105,820)	
Depreciation and amortisation	15.	**(16,187)**		(12,559)	
Other operating expenses	16.	**(118,152)**		(101,754)	
Total operating expenses		**(244,594)**	**(61.7%)**	(220,133)	(53.9%)
Operating profit (loss) (EBIT)		**(23,687)**	**(6.0%)**	15,728	3.8%
Finance income		**268**		104	
Finance costs		**(1,424)**		(510)	
Profit (loss) before taxation		**(24,843)**	**(6.3%)**	15,322	3.7%
Income tax	17.	**6,239**		(4,494)	
Net profit (loss) from continuing operations		**(18,604)**	**(4.7%)**	10,828	2.6%
Loss from discontinued operations, net of tax	18.	**(4,646)**		(1,303)	
Net profit (loss)		**(23,250)**	**(5.9%)**	9,525	2.3%
Earnings per share	20.				
Earnings per share in €		**(1.06)**		0.43	
Diluted earnings per share in €		**(1.06)**		0.43	
Earnings per share from continuing operations	20.				
Earnings per share in €		**(0.85)**		0.49	
Diluted earnings per share in €		**(0.85)**		0.49	

Consolidated statement of comprehensive income

in thousand €	2018			2017		
	Gross	**Tax**	**Net**	Gross	Tax	Net
Profit (loss)	**(29,489)**	**6,239**	**(23,250)**	14,019	(4,494)	9,525
Non-recyclable:						
Change in revaluation reserve						
- due to revaluation of land	**295**	**108**	**403**	-	-	-
Recyclable:						
Movements in reserve for						
currency translation differences	**(125)**	**-**	**(125)**	(240)	-	(240)
Total comprehensive income	**(29,319)**	**6,347**	**(22,972)**	13,779	(4,494)	9,285

Consolidated cash flow statement

in thousand €	**2018[1]**	2017[1]
Cash flow from operating activities		
Operating profit (loss) from continued operations	**(23,687)**	15,728
Operating loss from discontinued operations	**(4,198)**	(1,303)
Net finance costs	**(1,604)**	(406)
Income tax paid	**(145)**	(8,865)
Depreciation and amortisation	**17,745**	12,847
Costs share-based compensation	**83**	268
Movements in:		
– Inventories	**10,018**	(3,813)
– Receivables	**426**	309
– Provisions	**959**	(154)
– Current liabilities (excl. credit institutions)	**385**	1,179
– Other	**36**	(104)
	18	15,686
Cash flow from investing activities		
Additions to (in)tangible assets	**(17,328)**	(21,384)
Disposals of (in)tangible assets	**524**	207
Changes in non-current receivables	**432**	134
	(16,372)	(21,043)
Cash flow from financing activities		
Dividend paid	**(659)**	(16,247)
	(659)	(16,247)
Change in net cash and cash equivalents	**(17,013)**	(21,604)
Net cash and cash equivalents at the beginning of the financial year	**188**	21,792
Net cash and cash equivalents at the end of the financial year	**(16,825)**	188

1 The cash flow statement above includes the cash flows from continued and discontinued operations. An overview of the cash flow from discontinued operations can be found in note 18.

Consolidated statement of changes in equity

in thousand €	Total	Issued share capital	Share premium reserve	Revaluation reserve	Reserve for currency translation	Other reserves	Retained earnings
Balance on 1 Jan 2017	**76,878**	**439**	**18,434**	**2,812**	**913**	**35,265**	**19,015**
Net profit 2017	9,525	-	-	-	-	-	9,525
Other components of comprehensive income 2017	(240)	-	-	-	(240)	-	-
Profit appropriation 2016	-	-	-	-	-	19,015	(19,015)
Final dividend 2016	(8,782)	-	-	-	-	(8,782)	-
Interim dividend 2017	(7,465)	-	-	-	-	(7,465)	-
Transfer to other reserves	-	-	-	(15)	-	15	-
Costs of share-based compensation	268	-	-	-	-	268	-
Balance on 31 Dec 2017	**70,184**	**439**	**18,434**	**2,797**	**673**	**38,316**	**9,525**
Net loss 2018	**(23,250)**	**-**	**-**	**-**	**-**	**-**	**(23,250)**
Other components of comprehensive income 2018	**278**	**-**	**-**	**403**	**(125)**	**-**	**-**
Profit appropriation 2017	**-**	**-**	**-**	**-**	**-**	**9,525**	**(9,525)**
Final dividend 2017	**(659)**	**-**	**-**	**-**	**-**	**(659)**	**-**
Costs of share-based compensation	**83**	**-**	**-**	**-**	**-**	**83**	**-**
Balance on 31 Dec 2018	**46,636**	**439**	**18,434**	**3,200**	**548**	**47,265**	**(23,250)**

General notes

General

Beter Bed Holding N.V. operates in the European bedroom furnishings market. Its activities include retail trade through the chains Beter Bed, Matratzen Concord, Beddenreus, Sängjätten and El Gigante del Colchón (until 1 November 2018). Beter Bed Holding N.V. is also active in the field of developing and wholesaling branded products in the bedroom furnishing sector via its subsidiary DBC International. The registered office of Beter Bed Holding N.V. is in Uden, the Netherlands.

The consolidated financial statements have been prepared on a historical cost basis, except for land, which is carried at fair value. The consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) as adopted in the European Union and their interpretations as approved by the International Accounting Standards Board (IASB). Furthermore, the consolidated financial statements have been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code. Unless explicitly stated otherwise, the amounts stated in these notes refer to the consolidated figures. The consolidated financial statements have been prepared in euros and all amounts have been rounded off to thousands (€ 000), unless stated otherwise.

The 2018 consolidated financial statements of Beter Bed Holding N.V. have been prepared by the Management Board and discussed in the meeting of the Supervisory Board on 28 February 2019.

Extraordinary items in 2018

Throughout 2018, Beter Bed Holding N.V. has gone through a major and necessary restructuring and transformation. This has had significant influence on a number of accounts within the financial statements. The 2018 net result includes four items that will be further explained in the paragraphs below. These four items are specifically selected and, consequently, this section should not be seen as a fully comprehensive analysis of the 2018 results.

Restructuring of Matratzen Concord

In the fourth quarter of 2018 Beter Bed Holding N.V. decided to restructure its Matratzen Concord business. This included, amongst others, the following:

- Closure of 172 Matratzen Concord stores in Germany, Austria and Switzerland.
- Headcount reduction of the Matratzen Concord support organisation by 64 FTE.
- Inventory reduction by more than € 8 million.

The restructuring had a one-off cost impact of € 7.6 million which is within the communicated plan. These costs mainly related to the termination of rental contracts, termination of employee contracts and impairment of assets. These costs have been presented in the respective categories within the consolidated profit and loss account.

Discontinuation of Spanish operations

The evaluation of the performance of El Gigante del Colchón in Spain, as part of the Beter Bed Holding Group, led to the conclusion that sufficiently profitable operations were unlikely to be achieved in the short to medium term. Effective 1 November 2018 the operations have been successfully transferred to a third party via an asset deal. In the course of 2019 the legal entities in Spain will be liquidated which will result in a tax gain of € 4.9 million that, after the liquidation of all entities in Spain, will be realised in the Netherlands under the liquidation loss regulation as part of the Dutch Corporate Income Tax laws and regulations. Results of the Spanish activities are disclosed as discontinued operations (see note 18 (see page 75)). The 2018 result of discontinued operations mainly consists of the operating result up to and including 31 October 2018 as well as the impairment of fixed assets and write-off of inventories.

Corporate Income Tax
Beter Bed Holding N.V. successfully settled two open tax items. Firstly, the tax gain in relation to the anticipated liquidation of the Spanish legal entities of € 4.9 million as mentioned before is recognised. Secondly, the settlement with the German tax authorities on the structure of the intercompany loans and its interest rates over the period 2011-2016 amounts to a tax charge of € 3.0 million. Both amounts are part of the effective tax rate calculation as disclosed in note 17 (see page 74).

Financing agreements and progress on the related covenants
At the Capital Markets Day on 26 October 2018, Beter Bed Holding N.V. presented its mid-term strategy with five strategic pillars. During the development of this new strategy a thorough analysis on the rapidly changing market and consumer dynamics was conducted. It became apparent that a severe transformation and restructuring of the Group had to be undertaken to ensure a future proof business model. This new strategy contains clear ambitions that are captured in the performance framework. The ambitions are set at a financial level, as well as at a customer, operational and commercial level. All ambitions are expected to be delivered in the mid-term and there is a clear plan for each of the elements how to get there. For some ambitions immediate steps have been taken, such as, the € 15 million cost reduction as key part of the cost leadership pillar. Other ambitions are expected to be achieved in a more gradual manner within the mid-term timing range, such as the 20% online channel share.

Beter Bed Holding N.V. developed a 2019 budget that aims to deliver a good first step towards these mid-term ambitions. The pace to deliver these ambitions will be accelerated as much as possible, but, given all restructuring efforts that had to be executed during Q4 2018, the company realistically expects to only gradually grow towards the mid-term ambitions, including the key financial ambitions of sales growth of 4-5% and an EBITDA margin of 7-9%.

In order to gradually grow towards the financial ambitions, Beter Bed Holding N.V. reached an agreement with their two main banks on the conditions of the existing credit facility. The agreements are based on the key assumption that the existing cash and credit facilities are sufficient for both executing the 2018 restructuring and delivering all mid-term ambitions. The agreements included an amendment of the net debt/EBITDA covenant to an absolute EBITDA measure per 31 December 2018 as a consequence of the business performance in the second half of 2018 and the restructuring during Q4 2018. The 2018 results were within the proactively amended agreement with the banks.

Beter Bed Holding N.V. and the banks agreed to return to the original covenant of operating within the net debt/EBITDA ratio with a maximum of 2.5 as of 1 January 2019. All activities that are taken as part of the new strategy lead to an assumed financial result that remains within the maximum ratio for the mid-term future. For the specific next measurement on 30 June 2019, Beter Bed Holding N.V. is confident that the commercial, operational and restructuring initiatives that have been conducted already foresee in operating within this ratio. In order to deliver this, Beter Bed Holding N.V. continuously reviews all internal and external sensitivities. These sensitivities include several opportunities, but also some business and market challenges. Beter Bed Holding N.V. estimates that the net impact of all these opportunities and challenges will have a positive effect on the leverage ratio measured on 30 June 2019. In the unlikely event that none of the opportunities materializes within the first six months of 2019, but all challenges become real in that same period, the net impact could lead to a net debt/EBITDA ratio exceeding the maximum ratio of 2.5.
Beter Bed Holding N.V. carefully monitors the development of this ratio and remains in frequent and constructive contact with the banks to ensure that, when needed, appropriate actions are taken accordingly.

Applications of new standards

A number of new standards, amendments to and interpretations of existing standards entered into effect in 2018, like IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with customers.

IFRS 9 Financial instruments, effective 1 January 2018

IFRS 9 is the new standard voor reporting financial instruments and replaces IAS 39 'Financial instruments'. This standard has been implemented within Beter Bed Holding N.V. per 1 January 2018 based on the modified retrospective approach. This standard comprises specific requirements for recognition and valuation of financial assets as well as financial liabilities. Compared to the prior standard, the main changes for Beter Bed Holding N.V. are related to the classification and valuation of financial assets and liabilities and the determination of the provision for expected credit losses. Previously, financial assets and liabilities were valued at amortised cost and consequently, the implementation of IFRS 9 has no significant impact on the classification and valuation of these positions. Given the non-significant size of the debtor balance and associated provision, the implementation of IFRS 9 also has no material impact on the determination of the provision for expected credit losses. In summary, the implementation of IFRS 9 per 1 January 2018 has had no significant impact on the consolidated financial statements of Beter Bed Holding N.V.

IFRS 15 Revenue from contracts with customers, effective 1 January 2018

IFRS 15 is the new standard for reporting revenue from contracts with customers, and as such it is replacing IAS 18 Revenue. This standard has been implemented by Beter Bed Holding N.V. per 1 January 2018. Beter Bed Holding N.V. has analysed the five steps within IFRS 15, which are: identify the contract, identify the 'performance obligation' within the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract and recognize revenue. Following this analysis, it has been concluded that the new standard has no significant impact on the consolidated financial statements of Beter Bed Holding N.V.

The following standard and its related interpretations were issued on the date of publication of the financial statements, but was not yet applicable for the 2018 financial statements. Only those standards and its related interpretations are listed below, of which Beter Bed Holding N.V. reasonably expects to have an impact on the disclosures, the financial position or the results of the company upon future application.
Beter Bed Holding N.V. intends to apply this standard and its interpretations as soon as it becomes effective.

IFRS 16 Leases, effective 1 January 2019

IFRS 16 Leases is the new reporting standard for lease accounting and as such replaces reporting under IAS 17 Leases.

Beter Bed Holding N.V. has a large portfolio of around 1,000 rented stores. The Group has adopted IFRS 16 through application of the ‘modified retrospective approach’ and applies the standard to its rented stores, car and truck leases in countries in which Beter Bed Holding N.V. is active.

In accordance with the practical expedients the standard proposes, Beter Bed Holding N.V. has made no specific distinction in type of costs for car and truck leases and subsequently full lease costs will be capitalised. Also, all lease contracts for which the underlying asset value is defined to be below € 5,000 are exempted from capitalisation as lease assets.

Beter Bed Holding N.V. has implemented a software tool which enables transparent, efficient and effective reporting of lease contracts under the new IFRS 16 standard. This tool provides insights in leased assets and its associated liabilities per country and per category. Lease contracts will be capitalised for the duration of non-cancellable periods and renewal periods are only taken into account if deemed reasonably certain. The discount rates (incremental borrowing rates) to value the lease contracts are between 0% and 1.5%, depending on their duration and associated country.

Aforementioned variables and applied practical expedients have resulted in an identification of right of use assets in a range between € 120 million and € 150 million and will therefore result in an increase of the total balance sheet of this magnitude per 1 January 2019. Moreover, the profit and loss statement will display a shift from operational lease costs to depreciation costs and interest charges. Adoption of this standard also has an inevitable and significant impact on several ratios, including solvency and the net interest-bearing debt/EBITDA. However, the covenants with credit institutions are not impacted, given the fact that the covenants include conditions stating that ratios concerned are calculated excluding the impact of new reporting standards.

Principles of consolidation

The consolidated financial statements comprises of the financial statements from Beter Bed Holding N.V. and its group entities. Group entities are defined as entities controlled by the company, meaning the company is exposed to or is entitled to the variable results following the company's involvement and ability to influence these results in her power to steer on the activities of that entity. Group entities are included in the consolidation at the date when the entities are identified as such. As of the date an entity does not meet the afore mentioned criteria of a group entity, the entity is no longer included in the consolidation.

For consolidation purposes, the Group has applied the full consolidation method. Financial relations and results between consolidated companies are eliminated.The following companies are included in the consolidation of Beter Bed Holding N.V.:

Name	Registered office	Interest (%)
BBH Beteiligungs GmbH[1]	Cologne, Germany	100
BBH Services GmbH & Co K.G.[1]	Cologne, Germany	100
Bedden & Matrassen B.V.	Uden, The Netherlands	100
Beter Bed B.V.	Uden, The Netherlands	100
Beter Bed Holding N.V. y Cia S.L.	Barcelona, Spain	100
Beter Beheer B.V.	Uden, The Netherlands	100
DBC International B.V.	Uden, The Netherlands	100
DBC Nederland B.V.	Uden, The Netherlands	100
El Gigante del Colchón S.L.	Barcelona, Spain	100
Linbomol S.L.	Barcelona, Spain	100
M Line Bedding S.L.	Barcelona, Spain	100
Matratzen Concord (Schweiz) AG	Malters, Switzerland	100
Matratzen Concord GmbH[1]	Cologne, Germany	100
Matratzen Concord GesmbH	Vienna, Austria	100
Procomiber S.L.	Barcelona, Spain	100
Sängjätten Sverige AB	Göteborg, Sweden	100
Sängjätten Sverige Wholesale AB	Göteborg, Sweden	100

1 These statutory interests make use of the exemption in accordance with article 264 (3) en 264b of the German Commercial Code.

Principles for the translation of foreign currencies

The consolidated financial statements have been prepared in euros. The euro is the functional currency of Beter Bed Holding N.V. and is the Group's reporting currency. Assets and liabilities in foreign currencies are converted at the rate of exchange on the balance sheet date; profit and loss account items are converted at the rate of exchange at the time of the transaction. The resulting exchange differences are credited or debited to the profit and loss account. Exchange differences in the financial statements of foreign group companies included in the consolidation are taken directly to equity through other comprehensive income. The results and assets and liabilities of consolidated foreign participations are translated into euros at the average exchange rate per month and the closing rate for the year under review respectively. Upon a disposal of a foreign entity, the deferred accumulated amount recognised in equity of that foreign entity concerned is taken to the profit and loss account.

Principles of valuation

Tangible assets

Tangible assets other than land are valued at the cost of purchase or construction less straight-line depreciation and impairments (if applicable) based on the expected economic life or lower recoverable amount. Land is carried at fair value on the basis of periodic valuations by an external expert. Any revaluations are recognised in equity through other comprehensive income, with a provision for deferred taxation being formed at the same time. Land and other tangible assets under construction are not depreciated.

Tangible assets are derecognised in the event of disposal or if no future economic benefits are expected from its use or disposal. Any gains or losses arising from its derecognition (calculated as the difference between the net proceeds on disposal and the carrying amount of the asset) are taken to the profit and loss account for the year in which the asset is derecognised. Any residual value of an asset, its useful life and valuation methods are reviewed and if deemed necessary, adapted at the end of the financial year.

Leases

The determination whether an arrangement forms or contains a lease is based on the substance of the agreement and requires an assessment to determine whether the execution of the agreement is dependent upon the use of a certain asset or certain assets and whether the agreement provides the right to actually use the asset. Beter Bed Holding only has operating lease agreements up to and including financial year 2018. Operational lease payments are recorded as expenses in the profit and loss statement.

Intangible assets

Initial measurement of intangible assets is at acquisition cost. The cost of intangible assets obtained through an acquisition is equal to the fair value as at the date of acquisition. Thereafter, valuation is at cost minus accumulated amortisation and impairments. Development costs are capitalised when they are likely to generate future economic benefits.

Intangible assets are assessed in order to determine whether they have a finite or indefinite useful life.

Intangible assets are amortised over their useful life and tested for impairment if there are indications that the intangible asset might be impaired. The amortisation period and method for an intangible asset with a finite useful life are assessed at least at the end of each period under review. Any changes in the expected useful life or expected pattern of the future economic benefits from the asset are recognised by means of a change in the amortisation period or method and must be treated as a change in accounting estimate. Amortisation charges on intangible assets with a finite useful life are recognised in the profit and loss account.

Any gains or losses arising from the derecognition of intangible assets are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account when the asset is derecognised.

Impairment of assets

The Group reviews at each reporting date whether there are indications that an asset has been impaired. If there is any such indication or if the annual impairment testing of an asset is required, the Group estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of the fair value of an asset or the cash-generating unit (after deduction of the selling costs) and the value in use. If an asset's carrying amount exceeds the recoverable amount, the asset is deemed to have been impaired and its value is written down to the level of the recoverable amount. When assessing the value in use, the present value of the estimated future cash flows is determined, applying a discount rate before tax that takes into account the current market assessment of the time value of money and the specific risks associated with the asset.

On each reporting date an assessment is made whether there are indications that an impairment loss recognised in prior periods no longer exists or has decreased. If there is any such indication, the recoverable amount is estimated. An impairment loss recognised in prior periods is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. In that case, the carrying amount of the asset is increased to the recoverable amount. This increased amount cannot exceed the carrying amount that would have been determined (net of amortisation) if no impairment loss had been recognised for the asset in prior years. Any such reversal is recognised in profit or loss.

Derecognition of financial assets and liabilities

A financial asset (or, if applicable, part of a financial asset or part of a group of similar financial assets) is derecognised if the group is no longer entitled to the cash flows from that asset or if substantially all risks and rewards of the asset have been transferred or – if substantially all risks and rewards of the asset have not been transferred – the entity has transferred 'control' of the asset.

A financial liability is derecognised when the obligation has been discharged or cancelled or has expired. If an existing financial liability is replaced by another from the same lender, under substantially different terms, or if substantial modifications are made to the terms of the existing liability, the replacement or modification is accounted for through recognition of the new liability in the balance sheet and derecognition of the original liability. The difference between the relevant carrying amounts is accounted for through profit or loss.

Taxes

Tax liabilities for current or prior years are valued at the amount that is expected to be paid to the tax authorities. The amount is calculated on the basis of the tax rates set by law and enacted tax laws.

A provision is formed for deferred tax liabilities based on the temporary differences on the balance sheet date between the tax base of assets and liabilities and the carrying amount in these financial statements. Deferred tax liabilities are recognised for all taxable temporary differences. The deferred tax liabilities are valued at nominal value.

Deferred tax assets are recognised for available tax loss carry forwards and deferred tax assets arising from temporary differences at the balance sheet date between the tax base of assets and liabilities and the carrying amount in the financial statements. Deferred tax assets are valued at nominal value. Deferred tax assets arising from future tax loss carry forwards are only recognised to the extent that it is probable that sufficient future taxable profit will be available against which these can be utilised.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on enacted tax laws.

Inventories

Inventories are valued at the lower of cost and net realisable value. The cost consists of the latest purchase price less purchase discounts and plus additional direct costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs for settling the sale. Unrealised intercompany gains and losses are eliminated from the inventory valuation.

Cash and cash equivalents
Cash and cash equivalents on the balance sheet consist of bank balances and cash.

Provisions
Provisions are recognised for legal or constructive obligations existing at the balance sheet date for which it is probable that an outflow of resources will be required and the amount can be reliably estimated. Provisions are carried at the best estimate of the amounts required to settle the obligation at the balance sheet date, being the nominal value of the expected expenditures, unless stated otherwise.

Financial instruments
Non-derived financial instruments
Non-derived financial instruments include other financial fixed assets, trade and other accounts receivables, cash and cash equivalents, liabilities to credit institutions, trade and other payables. Initial recognition of non-derived financial instruments is at fair value. Thereafter, these non-derived financial assets are valued at amortised cost.

Impairments of financial assets
Beter Bed Holding N.V. applies a model of the impairments of financial assets against amortised cost. In order to determine the provision, Beter Bed Holding N.V. applies a general or simplified method.

For the general method, the following is applied:
- A 12-month expected credit loss; or
- Lifetime expected credit losses for financial assets when the credit risk increases significantly due to certain circumstances. All credit losses for the expected lifetime are accounted for; or
- Lifetime expected credit losses for financial assets, whereby interest is calculated based on the net receivable less impairment loss.

Loans granted to subsidiaries and receivables against suppliers following the supplier model, as well as all other receivables go through the process of impairment testing based on the aforementioned general method.

The simplified method is applied to other receivables. For these, at inception, lifetime expected credit losses are processed, which are determined following a historical set of average irrecoverable amounts (based on historical debt collection details).

Determination of the result

Presentation
The presentation of the profit and loss account is based on the categorical classification. Gross profit is the result of sales less cost of goods sold. Personnel costs, depreciation, amortisation and impairments of fixed assets and other operating expenses are presented immediately after gross profit due to short term influenceability and the fact that these costs do not directly relate to the level of sales.

Sales
The sales is understood as the proceeds of the sale of goods and services to third parties less discounts and similar rebates, and sales taxes. Sales are recognised when mutual contractual obligations are met. In the circumstance when goods are instantly being taken by consumers, this is at the time of payment at the cash register. In the circumstance when goods are assembled and/or delivered, the sale is recognised at the moment when the transfer has led to a physical delivery of the goods to the customer.

Cost of sales

This comprises the cost and associated services of the goods sold, after deduction of any payment discounts and purchase bonuses received, added with directly attributable purchase and supply costs.

Expenses

The expenses are determined in accordance with the aforementioned accounting policies, and are allocated to the financial year to which they relate. Interest is recognised as an expense in the period to which it relates.

Pensions

A variety of pension schemes are in use within the company. In the Netherlands, the majority of the employees participated in the Wonen Industrial Pension Fund, which was transferred into the Detailhandel Industrial Pension Fund with effect from 1 January 2018. This is an average pay scheme with a maximum pension accrual on the income for social security contributions. This arrangement is currently considered a 'defined benefit' scheme. This pension fund is, however, at present not able to provide data that enables a strict application of IAS 19. The principal reason for this is that the company's share in the total of Detailhandel Industrial Pension Fund cannot be determined sufficiently reliable. Consequently this pension scheme is accounted for as a defined contribution scheme.

Virtually all other pension schemes are defined contribution schemes. The contributions paid to the Detailhandel Industrial Pension Fund and insurance companies respectively are recognised as expenses in the year to which they relate. There are no company-specific pension schemes in the other countries.

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight-line method based on the expected economic life of the underlying assets. Additions in the year under review are depreciated and amortised from the date of purchase onwards.

Cash flow statement

The cash flow statement is prepared using the indirect method. The 'cash and cash equivalents' item stated in the cash flow statement can be defined as cash and cash equivalents less current bank overdrafts, to the extent that these do not relate to the current component of non-current loans. Current bank overdrafts are an integral part of cash flow management.

Share-based transactions

Members of the Management Board and a few other employees of the company receive remuneration in the form of payment transactions based on shares, whereby these employees provide certain services in return for capital instruments (transactions settled in equity instruments). The costs of the transactions settled with employees in equity instruments are valued at the fair value on the date of grant. Fair value is determined on the basis of a combined Black & Scholes model and Monte Carlo simulations. Performance conditions are taken into account when determining the value of the transactions settled in equity instruments.

The costs of the transactions settled in equity instruments are recognised, together with an equal increase in equity, in the period in which the conditions relating to the performance and/or services are met, ending on the date on which the employees concerned become fully entitled to the grant (the date upon which it vests). The accumulated costs for transactions settled in equity instruments on the reporting date reflect the degree to which the vesting period has expired and also reflects the company's best estimate of the number of equity instruments that will eventually vest. The amount that is charged to the profit and loss account for a certain period reflects the movements in the accumulated expense.

Risks

The main financial risk consists of failing to achieve the budgeted sales and therefore the planned cash margins, mainly as a result of changes in consumer behaviour in response to changing economic conditions. Sales and order intakes for each format are reported on a daily basis to manage this risk. On a weekly basis, data on realised margins, numbers of visitors, conversion and average order values are added to them and commented on.

Based on the analyses, adjustments are made in the marketing mix, including pricing policy and the use of advertising. In addition, cost budgets are periodically reviewed and adjusted if necessary. Economic and macroeconomic information from the market, including sector-specific reports, is also utilised.

Currency risks, arising mainly from purchases in dollars, are not hedged. A 5% change in the average dollar exchange rate would, on the basis of the purchasing volumes in the financial year, result in an effect of approximately € 83 (2017: € 97) on the operating profit (EBIT) if sales prices remain the same. There are virtually no financial instruments in foreign currencies. The currency risks owing to the presence and/or transactions in Sweden and Switzerland and the potential volatility of the Swedish krona and the Swiss franc are considered to be limited due to the fact that the majority of goods purchases takes place in euros.

Interest rate risk resulting from the current capital structure of the company is very limited. The effect on the result following a change (increase or decrease) in the interest rate of 50 basis points would be € 0.2 million before taxation (2017: € 0.1 million), on the basis of the use of the credit facilities at year-end 2018. The carrying amount of the financial liabilities is virtually equal to the fair value.

Credit risk is limited to the wholesale operations and trade receivables under bonus agreements. No specific measures are required for this, in addition to standard credit control. The fair value of receivables is equal to their carrying amount. The maximum credit risk equals the carrying amount of the receivables.

Liquidity risk is insignificant, resulting from the nature of the company's operations and financial composition, of which a large portion is current stock. A description of the available credit facilities can be found in the chapter current liabilities (see page 70). For an explanation of the other risks, please refer to the related section of the Report of the Management Board (see page 23).

Capital management

The company has a target solvency (equity/total assets) of at least 30% in accordance with the dividend policy. In addition, the ratio of net interest-bearing debt/EBITDA must not exceed two. The item inventories is by far the most important in the working capital. Targets have been defined for this for each format. These variables are included in the weekly reports.

Solvency at year-end 2018 was 33.2% (2017: 44.8%). The net interest-bearing debt was € 16.8 million in 2018. The EBITDA based on continuing operations, corrected for one-offs, was € 0.6 million.

EBITDA is defined as operating profit or loss before depreciation and amortisation of non-current assets and before disposals of non-current assets.

Information by segment

Various operating segments have been identified within the Group as these segments are reviewed by the decision-makers within the entity. These operating segments independently generate sales and incur expenses. The principal operating segments are comparable in each of the following aspects:

- Nature of the products and services
  The operating segments primarily sell mattresses, bedroom furnishings (including box springs), bed bases and bed textiles. The operating segments also provide the home delivery service.

- Customers for the products and services
  The operating segments sell directly to consumers, focusing specifically on customers in the 'value-for- money' segment.

- Distribution channels for the products and services
  The operating segments generate their sales in stores (the offline retail channel) and also have a webshop (online retail channel). Online sales compared with total sales is similar for the operating segments.

- Economic characteristics
  The operating segments have similar economic characteristics, e.g. in terms of sales, gross profit and inventory turnover rate.

In view of the comparability of above characteristics, the operating segments are aggregated into a single reportable segment.

Seasonal pattern

Owing to the seasonal pattern in consumer demand, sales and net result are usually lower in the second and third quarter than in the first and fourth quarter.

Estimates and judgements

In preparing the financial statements, the Management Board is required to exercise judgement, make assumptions and estimates that affect the application of the accounting standards and the valuation of the recognised assets and liabilities and income and expenses. Following those judgments, assumptions and estimates, the actual valuation may subsequently differ materially from the reported valuation.

The actual timing of the utilisation of amounts in provisions is uncertain when determining these at inception. Judgements, assumptions and estimates are continually reviewed and are based on historical experience and other factors, including future expectations. These future expectations are based on reasonable expectations concerning the relevant factors affecting the financial statement item concerned.

Adjustments of estimates are recognised in the period in which those adjustments are made and, where relevant, in the future periods concerned.

Where significant estimates are made when preparing the financial statements, an explanation is provided in the notes for each item in question.

Notes to the consolidated balance sheet and profit and loss account

in thousand €, unless otherwise stated

1. Tangible assets

	Land	Buildings	Other fixed operating assets	Total
Book value 1 January 2017	**7,132**	**3,983**	**26,955**	**38,070**
Additions	-	54	17,520	17,574
Revaluation	(20)	-	-	(20)
Currency adjustment	-	-	(67)	(67)
Disposals	(22)	(11)	(174)	(207)
Depreciation	-	(347)	(10,767)	(11,114)
Book value 31 December 2017	**7,090**	**3,679**	**33,467**	**44,236**
Accumulated depreciation	-	6,827	82,232	89,059
Accumulated revaluation	(3,730)	-	-	(3,730)
Purchase price	**3,360**	**10,506**	**115,699**	**129,565**
Book value 1 January 2018	**7,090**	**3,679**	**33,467**	**44,236**
Additions	**-**	**-**	**12,274**	**12,274**
Revaluation	**295**	**-**	**-**	**295**
Currency adjustment	**-**	**-**	**18**	**18**
Disposals	**-**	**-**	**(432)**	**(432)**
Depreciation	**-**	**(327)**	**(13,168)**	**(13,495)**
Impairment	**-**	**-**	**(1,639)**	**(1,639)**
Book value 31 December 2018	**7,385**	**3,352**	**30,520**	**41,257**
Accumulated depreciation and impairment	**-**	**7,154**	**84,541**	**91,695**
Accumulated revaluation	**(4,025)**	**-**	**-**	**(4,025)**
Purchase price	**3,360**	**10,506**	**115,061**	**128,927**

A further explanation of the investments is enclosed in the report of the Management Board (see page 21).

The cumulative revaluation relates to the land forming part of the properties owned. The land forming part of the properties was valued by an independent valuer in December 2018. The valuations have been performed using the GIY/NIY method.

In relation to the discontinuation of the operations in Spain, an impairment of € 1.2 million is recognised in 2018. Furthermore, an impairment of € 0.4 million is recognised in relation to the store closures in Germany, Austria and Switzerland following the restructuring of Matratzen Concord.

Both impairments are included in 'Other fixed operating assets' category.

The tangible assets are intended for own use.

2. Intangible assets

	2018	2017
Book value 1 January	**9,030**	7,002
Additions	**5,054**	3,810
Currency adjustment	**(70)**	(49)
Disposals	**(92)**	-
Amortisation	**(2,148)**	(1,733)
Impairment	**(463)**	-
Book value 31 December	**11,311**	9,030
Accumulated amortisation and impairment	**13,774**	12,917
Purchase price	**25,085**	21,947

A further explanation of the investments is enclosed in the report of the Management Board (see page 21).

The intangible assets are comprised of the acquired 'Sängjätten' brand name (€ 1.4 million) and licenses and software (€ 9.9 million).

In relation to the migration to one web shop platform in the Netherlands and Belgium an impairment of € 0.5 million is recognised for the old platform.

3. Financial assets

The financial assets consist on the one hand of deposits of € 94 (2017: € 526) and on the other hand of deferred tax assets of € 13,273 (2017: € 2,353).

The guarantee deposits are related to rental agreements for stores. These are classified under financial assets due to the non-current nature of these receivables.

The deferred tax assets at year-end can be broken down as follows:

	2018	2017
Tax loss carry-forwards	**12,758**	1,772
Difference tax and financial reporting valuation (in)tangible assets	**294**	312
Difference tax and financial reporting valuation pension	**221**	253
Difference tax and financial reporting valuation inventories	**-**	16
Balance at 31 December	**13,273**	2,353

At year-end 2018, a tax credit of € 12,758 (2017: € 1,772) for future loss carry-forwards was recognised under financial assets. This relates partly to losses available for carry-forward in Germany, Austria, Switzerland and Sweden. In addition, in this tax credit an amount of € 4.9 million is recognised in relation to the anticipated liquidation of the Spanish legal entities in 2019. As Beter Bed Holding N.V. expects, on the basis of the currently available information, to be able to set off these tax losses within five years, they have been capitalised in full.

An amount of € 10,356 (2017: € 10,790) in loss carry-forwards has not been recognised.
Beter Bed Holding N.V.'s policy is that tax losses available for carry-forward are capitalised only if reasonable possibilities for set-off are expected within five years on the basis of a substantiated forecast of the results for tax purposes. Set-off of these losses is insufficiently probable on the basis of the currently available information.

The tax losses available for carry-forward expire as follows:

Term	
1 year	-
2 to 5 years	-
6 to 10 years	2,759
11 to 15 years	-
Indefinite	7,597

Movements in deferred tax assets in 2018 and 2017 were as follows:

	2018	2017
Balance at 1 January	2,353	1,217
Through profit and loss account	10,920	1,136
Through equity	-	-
Balance at 31 December	13,273	2,353

4. Inventories

This comprises inventories held in stores of € 48,418 (2017: € 58,914) and inventories held in warehouses of € 7,261 (2017: € 6,783). The write-down for possible obsolescence included in this item can be broken down as follows:

	2018	2017
Balance at 1 January	1,215	1,874
Additions	1,062	1,236
Withdrawals	(1,507)	(1,895)
Balance at 31 December	770	1,215

In view of the amount of the gross profit, the turnover rate and the fact these products are generally not dependent on trends to any significant extent, the risk of obsolescence of inventories is comparatively low. The prices realised in sales of obsolescent inventories usually exceed their cost.

The provision for obsolete inventories mainly relates to returned goods that cannot be returned to suppliers, damaged products, showroom products, products that will no longer be carried and products with a very low turnover. The direct net realisable value is estimated for each of these categories. If the carrying amount exceeds the direct net realisable value, the inventories are written down by this difference.

The total carrying amount of inventories for which there is a risk of obsolescence is € 3,009 (2017: € 5,492). The direct net realisable value of these inventories is € 2,239 (2017: € 4,277). Therefore the percentage of inventories for which there is a risk of obsolescence compared with total inventories was 5.3% (2017: 8.2%).

5. Receivables

All receivables fall due within less than one year and are carried at amortised cost, which is equal to the nominal value. Sales in stores and deliveries are settled in cash. Receivables relate mainly to receivables due from wholesale customers and trade receivables arising from agreed bonuses.

A provision of € 8 (2017: € 13) has been recognised for receivables due from wholesalers. This is 2.6% (2017: 1.7%) of the overdue receivables.

6. Cash and cash equivalents

Cash and cash equivalents can be broken down as follows:

	2018	2017
Bank balances	**2,842**	15,557
Cash	**470**	407
Cash in transit	**2,861**	1,705
Cash and cash equivalents in the consolidated balance sheet	**6,173**	17,669
Bank overdrafts	**(22,998)**	(17,481)
Cash and cash equivalents in the consolidated cash flow statement	**(16,825)**	188

7. Equity

Movements in equity items are shown in the consolidated statement of changes in equity (see page 54). The company's authorised share capital amounts to € 2,000, divided into 100 million ordinary shares with a nominal value of € 0.02 each.

Movements in the number of issued and fully paid-up shares and movements in the number of treasury shares are shown below:

	2018	2017
Issued and paid-up shares as at 1 January	**21,955,562**	21,955,562
Share issue on exercise of employee stock options	**-**	-
Issued and paid-up shares as at 31 December	**21,955,562**	21,955,562
Shares in portfolio as at 1 January	**-**	-
Repurchased during the year	**-**	-
(Re)issue on exercise of options	**-**	-
Sale of shares in portfolio	**-**	-
Shares in portfolio as at 31 December	**-**	-

The revaluation reserve relates to land.

8. Provisions

In relation to the restructuring of Matratzen Concord in Germany, Austria and Switzerland, a provision of € 5.0 million was recognised. This amount relates to employee termination payments and to lease contract termination costs. The Group expects to settle the majority of these contracts in 2019.

The remaining provision relates to onerous contracts for long-term leases relating to discontinued retail operations. This provision is based on the rent and the remaining term, taking account of a subletting probability and a mark-up for service costs.

The provision can be broken down as follows:

	2018	2017
Balance at 1 January	**121**	275
Additions	**4,999**	-
Withdrawals	**(77)**	(154)
Balance at 31 December	**5,043**	121
Of which current (in other liabilities)	**4,040**	77
Total provisions	**1,003**	44

9. Deferred tax liabilities

The deferred tax liabilities relate mainly to the differences between the valuation of fixed assets and inventories in the Netherlands, Germany and Switzerland for tax and financial reporting purposes. These differences are long-term by nature.

The deferred tax liabilities at year-end can be broken down as follows:

	2018	2017
Difference tax and financial reporting valuation tangible assets	**1,743**	1,609
Revaluation of company land	**825**	932
Difference tax and financial reporting valuation inventories	**835**	770
Difference tax and financial accounting rental obligations	**49**	72
Total	**3,452**	3,383

Movements in this item in 2018 and 2017 were as follows:

	2018	2017
Balance at 1 January	**3,383**	2,154
Through profit and loss account	**177**	1,229
Through equity	**(108)**	-
Balance at 31 December	**3,452**	3,383

10. Current liabilities

To fund the Group the company has current account facilities totalling € 40.5 million at its disposal. Furthermore, facilities totalling € 7.9 million are available for providing guarantees.

For the purpose of the current account facilities, the company and its subsidiaries have undertaken not to encumber their assets with any security rights without the prior consent of the lenders.

These current account facilities include two committed facilities, amounting € 10.0 million each, which will expire on 10 July 2020 and 15 July 2020 respectively. No security has been provided for the committed facilities. The main conditions of the credit facilities are a minimum solvency of 25% and a maximum net interest-bearing debt/EBITDA ratio of 2.5. The net interest-bearing debt/EBITDA ratio was not measured at year-end 2018 due to the fact that the way of measuring was amended as agreed with the banks. Based upon discussions held with the banks the aforementioned ratio is amended into an absolute EBITDA measure per 31 December 2018. The amended agreements have been met and as of 30 June 2019 the original ratio of net interest-bearing debt/EBITDA with a maximum of 2.5 will be measured again.

At the end of the year under review, an amount of € 23.0 million (2017: € 17.5 million) was used under the current account facilities. These facilities were also used for providing bank guarantees for the purpose of rental payments amounting to € 0.7 million (2017: € 0.5 million). Of the facilities available specifically to provide guarantees, a total of € 6.8 million was used at year-end 2018 (2017: € 6.7 million).

The other liabilities can be broken down as follows:

	2018	2017
Prepayments	**12,050**	11,977
Accruals personnel and staff benefits	**8,512**	8,413
Provisions	**4,040**	77
Other	**4,599**	3,393
Total	**29,201**	23,860

The item accrual for staff costs and employee benefits includes a pension liability for a former employee. This liability of € 1.4 million (2017: € 1.4 million) has been calculated on an actuarial basis.

11. Financial liabilities

	up to 3 months	3 to 12 months	1 to 5 years
2018			
Accounts payable	**24,409**	**-**	**-**
Credit institutions	**22,998**	**-**	**-**
Total	**47,407**	**-**	**-**
2017			
Accounts payable	30,629	-	-
Credit institutions	17,481	-	-
Total	**48,110**	**-**	**-**

The market value of the financial liabilities approximates their amortised cost.

12. Information by geographical area

Sales by country	2018	%	2017	%
Germany	**185,523**	**47**	202,426	50
The Netherlands	**151,858**	**38**	149,052	36
Other countries	**60,385**	**15**	58,546	14
Intercompany adjustment	**(1,435)**	**-**	(1,239)	-
Total	**396,331**	**100**	408,785	100

(In)tangible fixed assets by country	2018	2017
The Netherlands	**25,969**	25,285
Germany	**17,650**	19,482
Other countries	**8,949**	8,499
Total	**52,568**	53,266

13. Personnel expenses

The operating expenses include the following wage and salary components:

	2018	2017
Wages and salaries	**90,234**	86,389
Social security costs	**16,526**	15,582
Pension costs	**3,412**	3,581
Employee stock options	**83**	268
Total	**110,255**	105,820

The pension contributions relate virtually exclusively to defined contribution schemes or schemes designated as such. Within the costs of employee stock options, € 28 relates to the current and former members of the company's Management Board (2017: € 116).

Average number of employees

The companies included in the consolidation had an average of 2,807 employees (FTE) in 2018 (2017: 2,728):

	2018	2017
Germany	**1,651**	1,667
The Netherlands	**749**	711
Austria	**155**	155
Switzerland	**133**	109
Sweden	**94**	68
Belgium	**25**	18
Total	**2,807**	2,728

14. Option program

The options are long-term in nature and can be exercised providing that the profit target has been met. With effect from 2013, the costs of the option program are calculated using a combined model of Black & Scholes and Monte Carlo simulations. An overview of the details of the options granted and still outstanding, as well as the values employed in the Black & Scholes model, is provided below.

With effect from the options series 2013, in the first three years after the award of the options granted, 33.3% of the options will vest annually if the ‘Total Shareholder Return’ (TSR = share price gains plus dividend distributed) of Beter Bed Holding N.V. exceeds the ‘Total Shareholder Return of the AScX’, based on the year of the award. In addition, the employee is required to continue to be employed by the company for three years. Options can only be exercised if these conditions are met after three years.

The design of the option program was modified in 2016. The options are vested in full three years after their award (in contrast to 33.3% vested annually). In addition, the TSR of Beter Bed Holding achieved after three years is compared with the TSR of nine relevant national and international listed companies that jointly form a peer group. The Management Board of Beter Bed Holding N.V. is under the obligation to retain shares awarded under the option program for a period of at least four years. The former option policy/option agreement continues to prevail for options already awarded until 2016.

From the 2013 series, this means that the calculation will be based on three different Black & Scholes values, risk-free interest rates and volatility percentages. The ranges of those percentages are set out in the table below.

	2018 Signing options	**2018**	2017	2016	2014
Number granted	**100,000**	**37,500**	128,500	197,500	166,700
Number outstanding	**100,000**	**27,500**	5,000	5,000	12,000
Value per option in €	**0.31**	**1.11**	1.54	2.44	1.78 - 1.93
Exercise from	**01-04-2021**	**26-04-2021**	18-05-2020	19-05-2019	19-05-2017
Exercise through	**31-03-2022**	**25-04-2023**	17-05-2022	18-05-2021	19-05-2019
TSR > AScX	**N/A**	**-**	-	-	Partly
TSR > Peer Group	**N/A**	**-**	-	-	33.3%
Share price in € on the allotment date	**9.31**	**9.04**	15.78	20.00	17.37
Exercise price in €	**13.06**	**8.24**	15.53	19.99	17.37
Expected life	**4 years**	**5 years**	5 years	5 years	5 years
Risk-free rate of interest (%)	**(0.25)**	**0.03**	(0.27)	(0.52)	0.78 - 0.46
Volatility (%)[1]	**23.17**	**22.80**	22.10	25.40	27.50 - 21.94
Dividend yield (%)	**4.71**	**4.70**	4.40	3.40	5.20

1 Expected volatility is based on end-of-month closing prices for the most recent period with a length equalling the expected term with a maximum of five years.

In 2018 204,066 options expired as a number of employees holding options left the company before the expiration dates. In addition, a total of 1,666 options expired in 2018 due to the expiry of their term. Furthermore, a portion of the options expired because the vesting conditions were not satisfied. It concerned the 2015 part III series. Lastly, 137,500 new options were granted in 2018.

15. Depreciation and amortisation

	2018	2017
Depreciation and impairment on tangible assets	**13,690**	10,833
Amortisation and impairment on intangible assets	**2,497**	1,726
Total of depreciation, amortisation and impairment	**16,187**	12,559

The depreciation and amortisation rates applied are based on expected economic life and are as follows:

Company land	0%
Buildings	3.33%
Other fixed operating assets	10% to 33%
Intangible assets	5% to 33%

16. Other operating expenses

The other operating expenses comprise € 54.1 million in rental and lease costs (2017: € 49.3 million), with the remainder relating mainly to marketing expenses of € 21.1 million (2017: € 15.0 million), general expenses of € 17.0 million (2017: € 13.9 million) and other housing expenses of € 15.2 million (2017: € 14.6 million).

17. Income taxes

The reconciliation between the effective tax rate and the results of the calculation of the profit before taxes, multiplied by the local tax rate in the Netherlands, was as follows on 31 December:

	2018	2017
Profit (loss) before taxes from continuing operations	**(24,843)**	15,322
Tax using the company's domestic tax rate: 25.0% (2017: 25.0%)	**6,211**	(3,830)
Adjustment profit tax previous years	**(2,438)**	(60)
Permanent differences	**3,074**	79
Future loss set-off not included	**(1,516)**	(633)
Tax losses carried forward	**-**	120
Effect of the tax rates outside the Netherlands	**908**	(170)
At an effective tax rate of 25.1% (2017: 29.3%)	**6,239**	(4,494)
Profit tax in the consolidated profit and loss account	**6,239**	(4,494)

The effective tax rate decreased to 25.1% in 2018 (2017: 29.3%). A tax gain of € 4.9 million is recognised as permanent difference in relation to the anticipated liquidation of the Spanish legal entities in 2019. This liquidation loss regulation is part of the Dutch corporate income tax laws and regulations.

Furthermore a tax loss of € 2.5 million is recognised as adjustment profit tax previous years in relation to the outcome of a tax audit in Germany. The impact relates to intercompany loans and its interest rates over the period 2011-2016.

The item tax in the profit and loss account comprises the following:

	2,018	2,017
Tax for current year	**8,677**	(4,527)
Adjustment of profit tax for prior years	**(2,438)**	(60)
Temporary differences	**-**	93
Profit tax in the consolidated profit and loss account	**6,239**	(4,494)

18. Discontinued operations

	2018	2017
Sales	**6,310**	7,641
Cost of sales	**(3,453)**	(4,007)
Gross profit	**2,857**	3,634
Total expenses	**(7,503)**	(4,937)
Loss from discontinued operations (net of tax)	**(4,646)**	(1,303)

Beter Bed Holding N.V. sold the operations of El Gigante del Colchón effective 1 November 2018, following the announcement made on 27 July 2018 that Beter Bed Holding N.V. would look into possibilities in the second half of 2018 to transfer the exploitation. Via an asset deal all stores and employees related to the operation were transferred to the purchaser. The liquidation of the legal entities in Spain is anticipated in 2019.

	2018	2017
Cash flow from operating activities	**(2,640)**	(1,014)
Cash flow from investing activities	**(692)**	(238)
Net cash flow	**(3,332)**	(1,252)

19. Remuneration of the Management and Supervisory Board

The remuneration of members of the Management Board was as follows in 2018 and 2017:

2018

	Salary	Variable remune-ration	Pension	Employee stock options	Social security charges	Mobility cost	Total
A.J.G.P.M. Kruijssen[1]	338	142	101	8	8	41	638
H.G. van den Ochtend[2]	85	43	21	-	3	4	156
B.F. Koops[3]	149	-	37	20	10	8	224
Total	**572**	**185**	**159**	**28**	**21**	**53**	**1,018**

1 As of 1 April 2018.

2 As of 1 September 2018.

3 From 1 January up to and including 31 July 2018.

2017

	Salary	Variable remune-ration	Pension	Employee stock options	Social security charges	Mobility cost	Total
A.H. Anbeek[1]	297	-	89	52	14	10	462
B.F. Koops	255	56	64	64	17	16	472
Total	552	56	153	116	31	26	934

1 From 1 January 2017 up to and including 31 October 2017.

The variable remuneration relates to the year under which it is classified and is recognised in the expenses of that year. The maximum variable remuneration for the CEO for 2018 is equal to 60% of the gross fixed annual salary (split into 50% for quantitative targets and 50% for qualitative targets). The maximum variable remuneration for the CFO is 50% of the gross fixed annual salary (split into 40% for quantitative targets and 60% for qualitative targets). For both the CEO and CFO separate agreements were made related to the variable remuneration in 2018 at the time of nomination. The reported variable remuneration is the contractual agreed, guaranteed bonus for 2018.

The costs listed under ‘Employee stock options’ represent the amount accounted for in the profit and loss account for that year.

At the end of the financial year, Mr Kruijssen held 10,000 shares in Beter Bed Holding.

The remuneration of the members of the Supervisory Board was as follows in 2018 and 2017:

	2018	2017
D.R. Goeminne	**40**	40
H.C.M. Vermeulen	**17**	-
A. Beyens	**3**	-
P.C. Boone	**3**	-
B.E. Karis	**3**	-
E.A. de Groot [1]	**28**	30
W.T.C. van der Vis[1]	**28**	30
A.J.L. Slippens[1]	**9**	26
Total	**131**	126

1 Stepped down in 2018.

The members of the Supervisory Board hold no shares or exercisable options on shares in Beter Bed Holding.

20. Earnings per share

A loss of € 23.3 million divided by the average number of outstanding shares totalling 21,955,562 equates to earnings per share of € (1.06) in 2018 (2017: € 0.43). The number of shares used for the calculation of diluted earnings per share also amounts to 21,955,562. This results in diluted earnings per share of € (1.06) compared to € 0.43 in 2017.

The earnings per share and diluted earnings per share of the continuing operations amount to € (0.85) and € (0.85) respectively compared to € 0.49 and € 0.49 in 2017.

21. Commitments not included in the balance sheet

The company has entered into long-term rental and lease obligations concerning buildings and other operating assets. The minimum obligation on the balance sheet date can be broken down as follows:

Duration	2019	2020	2021	2022	2023	after 2023
Rental agreements	42,521	34,601	25,540	13,701	6,209	5,263
Lease agreements	2,825	2,247	1,432	709	370	173
Total	45,346	36,848	26,972	14,410	6,579	5,436

The majority of the rental agreements for the company premises required for the Benelux are long-term agreements (between five and ten years), with options for renewal. The majority of the rental agreements for Matratzen Concord have been concluded for a period between five to ten years, and include a clause stipulating that the agreements can be terminated without charge within the first two years.

In the year under review, amounts of € 51.0 million (2017: € 46.5 million) arising from rental agreements and € 3.1 million (2017: € 2.8 million) arising from lease agreements were accounted for in the profit and loss account.

22. Audit fees

The fees for the audit of the financial statements and other non-audit services by the independent auditor PwC Accountants were:

	2018	2017
Audit of financial statements	**343**	265
Other non-audit services	**41**	16
Total	**384**	281

The fees for the audit of the financial statements and other non-audit services performed by PwC Accountants in the Netherlands were € 238 (2017: € 130).

The other non-audit service in 2018 relates to the review of the interim figures.

23. Related parties

The companies listed in principles of consolidation (see page 58) are included in the consolidation of Beter Bed Holding N.V. and its participating interests.

Beter Bed Holding N.V. has issued declarations of joint and several liability for all Dutch group companies for the obligations arising from legal transactions entered into by these group companies. Pursuant to these letters of guarantees, the Dutch group companies have made use of the exemption options laid down in Section 403, paragraphs 1 and 3, of Part 9, Book 2 of the Dutch Civil Code.

The financial relationships between Beter Bed Holding N.V. and its participating interests consist almost fully in receiving dividends and receiving interest on loans provided.

There were no transactions in 2018 between the company and natural or legal persons holding at least 10% of the shares in the company that were of material significance to the company and/or the persons concerned.

24. Events after the balance sheet date

There have been no subsequent events between the end of the year under review and the preparation of these financial statements which ought to be disclosed.

Company financial statements

Company balance sheet

At 31 December

in thousand € (before proposed result appropriation)	Notes	2018	2017
Fixed assets			
Tangible assets		**1**	2
Intangible assets		**217**	151
Financial assets	1.	**84,784**	185,783
Total fixed assets		**85,002**	185,936
Current assets			
Receivables	2.	**4,225**	5,340
Cash and cash equivalents	3.	**32,346**	-
Total current assets		**36,571**	5,340
Total assets		**121,573**	191,276

in thousand € (before proposed result appropriation)	Notes	2018	2017
Capital and reserves	4.		
Issued share capital		**439**	439
Share premium account		**18,434**	18,434
Revaluation reserve		**3,200**	2,797
Reserve for currency translation differences		**548**	673
Other reserves		**47,265**	38,316
Retained earnings		**(23,250)**	9,525
Total equity		**46,636**	70,184
Liabilities			
Provisions	5.	**5,647**	9,912
Current liabilities	6.	**69,290**	111,180
Total liabilities		**74,937**	121,092
Total equity and liabilities		**121,573**	191,276

Company profit and loss account

in thousand €	2018	2017
Cost of sales	**1,480**	2,234
Gross profit	**1,480**	2,234
Wage and salary costs	**(1,130)**	(1,118)
Depreciation and amortisation	**(19)**	(46)
Other operating expenses	**(2,199)**	(1,465)
Total operating expenses	**(3,348)**	(2,629)
Operating profit (EBIT)	**(1,868)**	(395)
Finance income	**5,800**	6,672
Finance costs	**(843)**	(486)
Profit before taxation	**3,089**	5,791
Income tax expense	**4,117**	(880)
Result participations	**(30,456)**	4,614
Net profit (loss)	**(23,250)**	9,525

Notes to the company balance sheet and profit and loss account

General

The registered office of Beter Bed Holding N.V. is Linie 27, Uden, the Netherlands. The company financial statements have been compiled on the basis of Title 9, Book 2 of the Dutch Civil Code. Beter Bed Holding N.V. uses the option of art. 362.8 Title 9, Book 2 of the Dutch Civil Code to prepare the company financial statements, using the same accounting policies as in the consolidated financial statements (IFRS as adopted for use in the European Union). The participating interests in group companies are valued at the net asset value calculated in accordance with Beter Bed Holding N.V.'s policies. When a participating interest has a negative equity the sequence is as follows: first, the valuation of the participating interest is reduced, after which a write-down is applied to the amounts owed by this participating interest insofar as these are an increase of the net investment in the participating interest, and then a provision is formed.

Beter Bed Holding N.V. had an average number of six employees (FTE) in 2018 (2017: 7).

The company financial statements are presented in euros and all amounts are rounded to thousands (€ 000) unless stated otherwise.

The note on executive remuneration (see page 76) is included in the notes to the consolidated balance sheet and profit and loss account.

The fees charged for the audit of the financial statements and other non-audit services by the auditor PwC Accountants are also disclosed in the notes to the consolidated balance sheet and profit and loss account.

1. Financial assets

This item includes the participating interests in the group companies (see page 58) and the amounts owed by the group companies.

Movements in this item were as follows:

	Participating interests in group companies	Loans	Deferred tax assets	Total
Balance at 1 January 2017	**96,815**	**87,659**	**-**	**184,474**
Profit from participating interests in 2017	4,614	-	-	4,614
Dividend paid	(9,000)	-	-	(9,000)
Capital contribution	11,212	-	-	11,212
Repayment of loans to group companies	-	(419)	-	(419)
Exchange gain	(240)	-	-	(240)
Change to provisions for subsidiaries	(4,858)	-	-	(4,858)
Balance at 31 December 2017	**98,543**	**87,240**	**-**	**185,783**
Balance at 1 January 2018	**98,543**	**87,240**	**-**	**185,783**
Loss from participating interests in 2018	**(30,456)**	**-**	**-**	**(30,456)**
Capital contribution	**15,834**	**-**	**-**	**15,834**
Repayment of loans to group companies	**-**	**(87,240)**	**-**	**(87,240)**
Exchange gain	**(125)**	**-**	**-**	**(125)**
Revaluation	**403**	**-**	**-**	**403**
Change to provisions for subsidiaries	**(4,265)**	**-**	**-**	**(4,265)**
Permanent differences	**-**	**-**	**4,850**	**4,850**
Balance at 31 December 2018	**79,934**	**-**	**4,850**	**84,784**

2. Receivables

	2018	2017
Group companies	**1,823**	2,871
Taxes and social security contributions	**793**	72
Other receivables	**1,609**	2,397
Total	**4,225**	5,340

All receivables fall due within one year.

Beter Bed Holding N.V. uses a cash pool structure as a result of which there are minimal and very short term current account intra-group balances.

3. Cash and cash equivalents

This item relates to the balance of cash in hand and at the bank. The cash and cash equivalents are at the full disposal of the company.

4. Equity

The company's authorised capital amounts to € 2,000, divided into 100 million ordinary shares with a nominal value of € 0.02 each. At the end of 2018 21,955,562 shares had been issued and paid up (2017: 21,955,562).

There are no shares that have been repurchased and not yet cancelled. Repurchased shares are no longer included in the earnings per share calculation.

The movement in the equity items is explained in the consolidated statement of changes in equity (see page 54) . The revaluation reserve is the statutory revaluation reserve and relates to company land. The reserve for currency translation differences is also a statutory reserve. Neither reserve is freely distributable.

5. Provisions

At year-end 2018 and 2017 the provisions consisted in full of the provision for participating interests. The participating interests' provision is a provision for participating interests that have negative net asset value after setting off loans provided by the company.

The movements in the provisions in 2018 and 2017 are as follows:

	2018	2017
Balance at 1 January	**9,912**	14,770
Profit (loss) from participating interests	**(4,265)**	(4,858)
Balance at 31 December	**5,647**	9,912

In 2018 the negative equity of some of the subsidiaries has been purified through capital deposits. As such, these subsidiaries are now independently capable to meet their obligations. This has resulted in a decrease of the provision for participating interests of Beter Bed Holding N.V.

6. Current liabilities

The breakdown of this balance sheet item is as follows:

	2018	2017
Credit institutions	**19,905**	109,033
Group companies	**48,351**	-
Taxes and social security contributions	**27**	1,494
Other liabilities, accruals and deferred income	**1007**	653
Total	**69,290**	111,180

Beter Bed Holding N.V. uses a cash pool structure as a result of which there are minimal and very short term current account intra-group balances.

7. Commitments not included in the balance sheet

Together with the other Dutch operating companies, the company is part of a tax entity for corporation tax purposes. Each of the operating companies is jointly and severally liable for the tax payable of all operating companies included in the tax entity. The company settles the corporation tax with the operating companies concerned on the basis of the profit or loss before income tax of the operating company concerned.

Beter Bed Holding N.V. has issued declarations of joint and several liability for all Dutch group companies for the obligations arising from all legal transactions entered into by these group companies.

8. Post-balance sheet events

There have been no subsequent events between the end of the year under review and the preparation of these financial statements which are required to be disclosed.

9. Appropriation of result

The Management Board proposes to deduct the net result of € (23,250) in full from the other reserves. The proposal for the appropriation of result has not been taken into the balance sheet.

Uden, The Netherlands, 28 February 2019

Management Board
A.J.G.P.M. Kruijssen, CEO
H.G. van den Ochtend, CFO

Supervisory Board
D.R. Goeminne, Chairman
A. Beyens
P.C. Boone
B.E. Karis
H.C.M. Vermeulen

Additional details

Independent auditor's report

To: the general meeting and supervisory board of Beter Bed Holding N.V.

Report on the financial statements 2018

Our opinion

In our opinion:

- Beter Bed Holding N.V.'s consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- Beter Bed Holding N.V.'s company financial statements give a true and fair view of the financial position of the Company as at 31 December 2018 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2018 of Beter Bed Holding N.V., Uden ('the Company'). The financial statements include the consolidated financial statements of Beter Bed Holding N.V. together with its subsidiaries ('the Group') and the company financial statements.

The consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2018;
- the following statements for 2018: the consolidated profit and loss account and the consolidated statements of comprehensive income, cash flows and changes in equity; and
- the notes, comprising the accounting policies applied and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2018;
- the company profit and loss account for the year then ended;
- the notes, comprising the accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of Beter Bed Holding N.V. in accordance with the European Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

Our audit approach

Overview and context
Beter Bed Holding N.V. is a European retail- and wholesale organisation in the bedroom furnishing sector. The group is comprised of several components and therefore we considered our group audit scope and approach as set out in the section 'The scope of our group audit'. We paid specific attention to the areas of focus driven by the operations of the company, being revenue and inventories.

The financial year was characterised by negative development of the financial results. This has had an impact on the adit approach as described in the section 'Key audit matters'

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the management board made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In the annual report, the entity has disclosed the accounting estimates and most important sources of estimation uncertainty in the section estimates and judgements on page 67. As a retail organisation, the inventory makes up 40% of the balance sheet of Beter Bed Holding N.V. The valuation of this inventory contains an important estimation uncertainty, which is partly based on management's judgment. Given this uncertainty and the absolute volume of the inventory, we consider the existence and the valuation of the inventory a key audit matter. This has been further disclosed in the section 'key audit matters' of this auditor's report.

Beter Bed Holding N.V. has strategic objectives related to increasing customer satisfaction and growth of both revenue and market share. To reach the objectives investments are made in online solutions, shop formulas and extension/optimisation of shops in different countries. Based on this, stakeholders are mainly referring to the development in revenue. As a result, we have identified accuracy of revenue as the second key audit matter in our audit. Furthermore, we have used revenue as basis in determining materiality as is further disclosed in the relevant section.

The aforementioned two key audit matters are consistent with prior years. In addition, we have included the negative development of the financial results as a third key audit matter. The development of revenue (and as a result the result) have stayed behind expectations. Amongst others, this has resulted in a preventive adjustment of the bank covenant 'net-interest-bearing-debt divided by EBITDA' to an absolute EBITDA. The management board has made plans and executed actions, which should result in recovery. Because of the increased risk which is inherent to future plans we have paid specific attention to this topic in our audit.

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit. Therefore, we have included specialists in the areas of IT and income tax in our team. In addition, we have included experts in assessing the continuity assumption as a result of the negative development of the financial results, valuation of buildings and IFRS 16.

The outline of our audit approach was as follows:

Materiality

- Overall materiality: € 3.960.000.

Audit scope

- We conducted audit work on the financial reporting of 3 entities. We have audited the full financial statements of Beter Bed B.V., BBH Services GmbH & Co. KG (consolidated) and Matratzen Concord GmbH (Vienna, Austria) as part of the audit of the consolidated financial statements of Beter Bed Holding N.V.
- We have visted the auditor who has performed audit procedures on the German and Austrian entities.
- Audit coverage: 89% of consolidated revenue, 88% of total assets and 77% of profit before taxation.

Key audit matters

- Accuracy of net revenue
- Existence and valuation of inventories.
- Consequences of the negative development of financial results on the financial statements.

Materiality

The scope of our audit is influenced by the application of materiality, which is further explained in the section ‘Our responsibilities for the audit of the financial statements’.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall group materiality	€ 3.960.000 (2017: € 4,000,000).
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement, we used 1% of total revenue.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis we believe that revenue is an important metric for the financial performance of the company. Profit before taxation is not considered an appropriate benchmark, because this would result in large fluctuations in overall group materiality year over year.
Component materiality	To each component in our audit scope, we, based on our judgement, allocate materiality that is less than our overall group materiality. The range of materiality allocated across components was between € 2.000.000 and € 3.950.000.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them misstatements identified during our audit above € 100.000 (2017: € 100.000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

Beter Bed Holding N.V. is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of Beter Bed Holding N.V.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls, and the markets in which the components of the Group operate. In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at component level by the Group engagement team and by each component auditor.

The group audit primarily focussed on the significant components: Beter Bed B.V. and BBH Services GmbH & Co. KG (consolidated). At the level of BBH Services GmbH & Co. KG a subconsolidation is made for the German entities.

We have performed an audit of the complete financial information for these two entities as these entities are individually significant considering their financial volumes. Additionally, three entities have been included in the group scope to achieve appropriate coverage on financial line items in the consolidated financial statements. As such, Matratzen Concord GmbH (Vienna, Austria) was subjected to audit of their financial information. For Beter Beheer B.V. and Beter Bed Holding N.V. specific audit procedures have been performed on material financial line items to achieve appropriate coverage on financial line items in the consolidated financial statements.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

Net revenue	89%
Total assets	88%
Profit before tax	77%

None of the remaining components represented more than 5% of total group revenue or total group assets. For those remaining components we performed, among other things, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

The group audit team performed audit procedures on the components Beter Bed B.V., Beter Beheer B.V. and Beter Bed Holding N.V. As the auditor of the group we used the work performed by the component auditor of BBH Services GmbH & Co. KG (consolidated) and Matratzen Concord GmbH (Vienna, Austria).

Where component auditors performed the work, we determined the level of involvement we needed to have in their audit work to be able to conclude whether we had obtained sufficient appropriate audit evidence as a basis for our opinion on the consolidated financial statements as a whole.

Before the start of their audit procedures we have shared detailed instructions. As group aditor, we have had periodic meetings with the auditor of the components where we discussed risks, the audit approach, process of the audit, and based on reports received from the auditor, findings and conclusions. For both entities the group audit team reviewed the audit file of the component auditor to assess the quality of work performed. We discussed the financial results, (important) estimates and findings of the audit with the financial director and the audit team of the components. Furthermore, the group engagement team visited the component team multiple times throughout the year and for example attended the year end clearance meeting on site in Germany for BBH Services GmbH & Co. KG (consolidated) and Matratzen Concord GmbH (Vienna, Austria).

The group engagement team at the head office audits the group consolidation, financial statement disclosures and a number of specific items. These include share based payments, taxes and related disclosures and the company financial statements of Beter Bed Holding N.V.

By performing the procedures above at components, combined with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information, as a whole, to provide a basis for our opinion on the financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comments or observations we made on the results of our procedures should be read in this context.

Key audit matter	Our audit work and observations
Accuracy of revenue *Note 12 to the consolidated profit and loss account in the financial statements* Revenue is an important measure used to evaluate the performance of the company (also refer to the materiality). There is a risk that the revenue is presented for amounts higher than what has been actually generated by the company, therefore this is a key audit matter. Revenue is accounted for when the sales transactions have been completed. This is when goods are delivered to the customer and no important economic risks remain for Beter Bed. Revenue is generated through store sales as well as online sales. Delivery has been completed when goods are paid and transferred to the customer in store or when goods are paid by the customer and delivered on location. These transactions are mainly processed automatically through IT.	We have assessed and evaluated the design and existence of the most important (automated) internal controls implemented by management, which are designed to ensure accurate processing of revenue transactions. Amongst these controls are controls related to the interface between the cash-register and the financial administration, 4-eye principle which is applied when making price changes, the reconciliation of payments made to drivers with bank receipts and the financial administration and the automated 'three-way match'. Additionally, by means of a sample we took notice of the internal representation(s) where local management takes responsibility for the reported revenue and determined that these do not contain exceptional items, which could give further direction to the audit of the revenue. Furthermore, we have established the operating effectiveness of the internal controls considered relevant for our audit. The most important internal control procedure for the accuracy of the revenue is the automated three-way-match in SAP. We assessed the Information Technology General Controls (ITGC) as a basis to be able to reperform the three-way-match between sales order-delivery-invoice. By means of data-analysis, we have made the reconciliation to the sales order, packing slip and invoice. No material findings were noted. Furthermore, we have performed risk assessment analytical procedures on realised revenue through detailed store comparison. The results of our controls testing, reperformance of the three-way-match and analytical procedures have been the basis for the nature and scoping of the additional test of details, which mainly consisted of testing individual sales orders by reconciling them to proof of delivery (on location) or release. Additionally, we peformed substantive procedures on credit notes sent thoughout the year and after balance sheet date to ensure appropriate revenue per year-end. These audit procedures have not resulted in material findings.

Key audit matter	Our audit work and observations
Existence and valuation of inventories *Note 4 to the consolidated balance sheet in the financial statements* Total inventories of € 56 million represent ca. 40% of total assets of Beter Bed Holding N.V. These inventories mainly consist of inventories in the stores and inventories kept at the distribution centers. Given the absolute amount of the inventory we consider the existence of these inventories to be a key audit matter. Valuation of the inventories is at cost or at lower net realisable value. Valuation at cost includes different components including allocated supplier bonuses. The allocation of supplier bonuses and the assessment of revaluation of inventories to net realisable value is partly based on management estimates. As a result of this estimation and related uncertainty, we also consider the valuation of inventory to be a key audit matter of our audit.	Our audit procedures to test the existence of the inventories mainly consist of testing the relevant internal control procedures, specifically by testing the inventory cycle counts that are periodically performed by management and the automated recording of sales transactions (three-way-match). Throughout the year, we have attended a selection of inventory cycle counts in stores and in the distribution centers, to validate counts performed by the company. We compared our count results with the results of the counts by Beter Bed representatives and noted no material differences. In addition, we have performed a sample count on the inventory for several distribution centers per year end. We compared our count results with the inventory administration and noted no material differences. To validate the valuation of inventories, we performed test of details on historical costs, actual margins and valuation of obsolete inventories. Historical costs were tested through reconciling historical costs with the original purchase invoice on a sample basis. Hereby, no material differences were noted. We assessed whether there were inventories which were sold with a (consistent) negative margin by evaluating recent sales invoices from January and February 2019 to validate management's assessment and decision whether inventories should or should not be impaired. Furthermore, we analysed the inventory turnover and compared that to management's estimates on obsolete inventories. These audit procedures have not resulted in findings to be communicated. For the allocation of supplier bonuses to the valuation of inventories at cost we recalculated the supplier bonuses per supplier based on supporting contracts. The settled supplier bonuses were tested by reconciling them to the bank statements. Furthermore, we have validated mathematical accuracy of the allocation to inventories as per year end. Finally, we have established that for main suppliers not included in the calculation no supplier bonuses were received and were therefore rigthfully excluded from the calculation of the inventory valuation. We have established that in 2019 no credit notes were received for this.

Key audit matter	Our audit work and observations
	Based on the audit procedures performed, we have not found any material findings.

Key audit matter	Our audit work and observations
Consequences of the negative development of financial results on the financial statements *[Note 'Extraordinary items' of the general notes]* Because of several circumstances, the development of revenue (and as such the results) has lagged behind. This has resulted into a strategic redesign, scenario analysis, reorganisation of Matratzen Concord, sale of the Spanish activities and a temporary, preventive amendment to the financing agreement where the bank covenant 'net-interest-bearing-debt divided by EBITDA' was adjusted once with an absolute EBITDA per 31 December 2018. The plans and actions taken by management should result in recovery of revenue and as such, the results. This recovery is partly dependent on external factors. Because of the uncertainty inherent in forward-looking plans and the underlying assumptions of, amongst others, revenue growth, we have included the consequences of the negative development of the financial result as a key audit matter for our audit.	The management board has made an analysis of the expected compliance of the company with the criteria on the bank covenants, including the 'net-interest-bearing-debt divided by EBITDA' ratio as at 30 June 2019, 31 December 2019 and 30 June 2020. In this analysis, management made various assumptions. We have assessed this analysis, including the assumptions, with the support of our experts. Where possible, we have tested these assumptions by comparing them to previously realised results, operational KPIs, results of actions taken and external sources. The underlying assumptions, opportunities and threads have been important points of attention in this process, as well as the sensitivity analysis on the bank covenant 'net-interest-bearing-debt divided by EBITDA'. We have assessed the analysis by means of a mix of audit techniques such as inquiry with different people within the company, calculations on the different models, reconciliation to supporting documentation and external documents. In addition, we have assessed the notes in the financial statements and the annual report. Based on the work performed we have no material findings to the applied assumption of continuity.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of: Introduction, Organisational structure, Management Board, Facts and figures, Strategy, Report of the Management Board, Regions, CSR, Corporate Governance, Supervisory Board, Report of the Supervisory Board, Remuneration report, Share information, Discontinued Operation, Additional details, Appropriation of result pursuant to the articles of association, Historical summary and Financial calendar.

Based on the procedures performed as set out below, we conclude that the other information:
- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The management board is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment
We were appointed as auditors of Beter Bed Holding N.V. on 19 May 2015 by the supervisory board following the passing of a resolution by the shareholders at the annual meeting held on 19 May 2015. Our appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of 4 years.

No prohibited non-audit services
To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered
The services, in addition to the audit, that we have provided to the Company and its controlled entities, for the period to which our statutory audit relates, are disclosed in note 22 to the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the management board and the supervisory board for the financial statements
The management board is responsible for:
- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the management board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the management board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the management board should prepare the financial statements using the going-concern basis of accounting unless the management board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The management board should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Rotterdam, the Netherlands, 28 February 2019
PricewaterhouseCoopers Accountants N.V.

Original has been signed by drs. W.C. van Rooij RA

Appendix to our auditor’s report on the financial statements 2018 of Beter Bed Holding N.V.

In addition to what is included in our auditor’s report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor’s responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error.

Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management board.
- Concluding on the appropriateness of the management board’s use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor’s report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Appropriation of result pursuant to the articles of association

Article 34 of the Articles of Association states the most important provisions pertaining to the appropriation of result:

Paragraph 1
Every year the Management Board, subject to approval from the Supervisory Board, determines the proportion of the company's profit – the positive balance of the profit and loss account – to be added to the company's reserves.

Paragraph 2
The profit remaining after the reservation pursuant to the previous paragraph shall be placed at the disposal of the Annual General Meeting.

Other information not part of the financial statements

Historical summary

at 31 December	**2018**[1]	2017[1]	2016	2015	2014	2013
Result (in thousand €)						
Sales	**396,331**	408,785	410,457	385,440	363,953	357,363
Gross profit	**220,907**	235,861	237,107	222,215	208,653	203,185
EBITDA corrected for one-off costs related to the restructuring[2]	**624**	28,493	37,528	41,115	31,284	22,272
Operating profit	**(23,687)**	15,728	26,035	30,699	23,042	12,284
Net profit (loss)	**(23,250)**	9,525	19,015	22,559	16,860	8,198
Depreciation, amortisation and impairment	**(16,187)**	(12,559)	11,168	9,825	8,242	9,988
Net cashflow from operating activities	**18**	15,686	34,045	36,009	32,612	22,172
Net investment	**16,804**	21,177	16,209	15,372	12,207	4,633
Capital (in thousand €)						
Total assets	**140,680**	156,730	143,617	131,677	117,123	102,485
Equity	**46,636**	70,184	76,878	75,750	68,635	57,963
Figures per share						
Earnings per share €	**(0.85)**	0.49	0.87	1.03	0.77	0.38
Dividend paid in €	**-**	0.37	0.74	0.87	0.65	0.27
Average number of outstanding shares (in 1,000 of shares)	**21,956**	21,956	21,956	21,947	21,855	21,734
Share price in € at year-end	**3.60**	13.24	16.90	22.48	17.20	17.61
Ratios						
Sales growth	**(3.0%)**	1.5%	6.5%	5.9%	1.8%	(10.0%)
Gross profit/sales	**55.7%**	57.7%	57.8%	57.7%	57.3%	56.9%
EBITDA/sales	**0.2%**	7.0%	9.1%	10.7%	8.6%	6.2%
Operating profit/sales	**(6.0%)**	3.8%	6.3%	8.0%	6.3%	3.4%
Net profit/sales	**(5.9%)**	2.3%	4.6%	5.9%	4.6%	2.3%
Solvency	**33.2%**	44.8%	53.5%	57.5%	58.6%	56.6%
Other information						
Number of stores at year-end	**1,009**	1,188	1,206	1,161	1,127	1,175
Average number of FTE during the year	**2,807**	2,728	2,621	2,427	2,388	2,458
Sales per FTE (in € 1,000)	**141**	150	157	159	152	145

1 Excluding discontinued operations.

2 Operating profit before depreciation, amortisation, impairments and carrying amount of disposals.

Financial calendar

18 April 2019	Q1 2019 trading update
25 April 2019	Annual General Meeting of Shareholders
19 July 2019	Q2 2019 trading update
30 August 2019	Half-year results 2019 + analysts' meeting
25 October 2019	Q3 2019 trading update
17 January 2020	Q4 2019 trading update

The current financial calendar is available on www.beterbedholding.com.

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Report

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