Annual Report 2010

Beter Bed Holding

Profile

Beter Bed operates in the European bedroom furnishings market. Its activities include retail trade through a total of 1,117 stores at year-end 2010 that operate via the chains Beter Bed (active in the Netherlands), Matratzen Concord (active in Germany, Austria, Switzerland, the Netherlands, Belgium and Poland), El Gigante del Colchón (active in Spain), BeddenREUS, Dormaël and Slaapgenoten (all three active in the Netherlands) and MAV (active in Germany). Beter Bed Holding is also active in the field of developing and wholesaling branded products in the bedroom furnishings sector in the Netherlands, Belgium, Germany and Spain via its subsidiary DBC International.
Beter Bed Holding achieved net revenue of € 374.7 million in 2010. The company has been listed on Euronext Amsterdam since December 1996. The Beter Bed Holding share is included in the Amsterdam Small Cap Index (AScX).

For more information visit www.beterbedholding.com.

An online Dutch language version of this annual report is also available on www.beterbedholding.com. In case of textual contradictions between the Dutch and the English version, the first shall prevail.

BBED
LISTED
NYSE
EURONEXT

Beter Bed Holding

HARD AT WORK ON A GOOD NIGHT'S REST

Contents

Introduction

Dear reader,

I am pleased to be able to report that 2010 was a successful year for Beter Bed Holding N.V. Despite consumer restraint, increased consumer savings and the significant negative impact of the weather conditions (snow and sun) on the number of visitors to our formulas in Northern Europe, we managed to win more market share in 2010. Besides we had a record year with respect to revenue, gross margin and net profit in the history of Beter Bed Holding.

As part of my introduction program in early 2010, I visited a large number of stores, both in our various chains and those of our competitors. I also had the opportunity to meet many of our employees, suppliers and competitors in various countries, and what struck me is that in all our formulas and markets, we offer good quality products that we sell with better advice than our competitors against the best possible prices. It is precisely this 'good – better – best' principle that attracts large numbers of customers to our stores each year. In those stores, our well-trained, dedicated employees make the difference year after year, and I would like to thank them for their commitment and dedication in 2010.

In recent years, the company has worked very hard – and with considerable success – to achieve a high degree of operational and promotional excellence coupled with a strong sense of cost awareness. A third pillar we will be developing in years to come is excellence in retail marketing based on a clear (external) focus on the customer. This will help us to attract more visitors, achieve higher conversion rates and boost average order values.

In 2010, we also further sharpened the company's vision and mission (see page 19). This also applies to our policy regarding Corporate social responsibility (see page 35).

In all likelihood, market conditions will remain challenging in 2011. Despite increasing consumer confidence, we are still faced with consumer reluctance to purchase big-ticket items such as home furnishings. The number of removals and new homes is also not likely to increase in the near future. Despite these challenges, however, we expect to be able to win market share once again in 2011 by continuing the above-mentioned successful and sharpened strategy.

I would finally like to take this opportunity to express our thanks, on behalf of the company, to our Supervisory Directors, Mr M.J.N.M. van Seggelen and Mr E.F. van Veen, for their considerable efforts and their valuable contribution and unflinching commitment to Beter Bed Holding N.V. Mr Van Seggelen and Mr Van Veen will be retiring from the Supervisory Board after the Annual General Meeting of Shareholders this April, after having served as Chairman and Vice Chairman for 15 years and 12 years, respectively.

Yours sincerely,

Ton Anbeek,
Chief Executive Officer

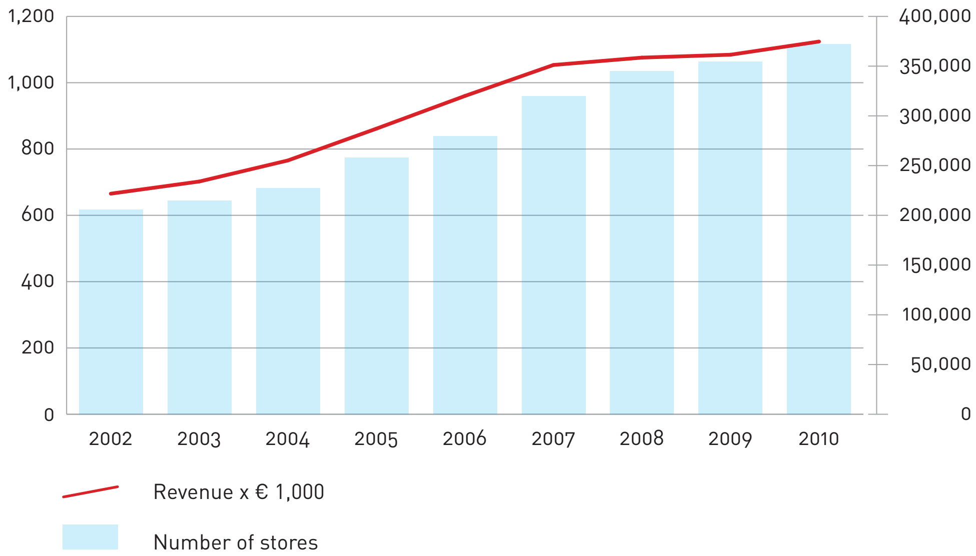
Annual Report 2010

2010 in brief

2010 was characterised by:

- Our main competitor: the weather.
- Shrinking markets.
- Consumers' relatively low willingness to buy.
- 3.7% growth in revenue.
- 10.0% operating profit (EBIT).
- € 27.9 million net profit.
- € 1.30 dividend per share (2009: € 1.04).
- Departure of CEO Frans Geelen.
- Ton Anbeek joins as new CEO.
- 112 store openings, 59 store closures; 53 new stores on balance.
- 1,117 stores.

Revenue and number of stores



Key figures

at 31 December, in thousand €, unless otherwise stated	2010		2009	
Revenue	**374,724**		**361,470**	
Gross profit	**209,507**	55.9%	**197,832**	54.7%
Total operating expenses	**172,047**	45.9%	**165,194**	45.7%
Operating profit (EBIT)	**37,460**	10.0%	**32,638**	9.0%
Net profit	**27,937**	7.5%	**23,918**	6.6%
Average number of outstanding shares (in 1,000 of shares)	**21,512**		**21,310**	
Earnings per share €	**1.30**		**1.12**	
Diluted earnings per share €	**1.29**		**1.12**	
Share price in € at year-end	**21.26**		**15.80**	
Solvency (%)	**53.4**		**50.5**	
Net interest-bearing debt/EBITDA	**0.15**		**0.22**	
Interest cover	**96.3**		**49.5**	
Number of staff at year-end (FTE)	**2,353**		**2,274**	
Number of retail stores at year-end	**1,117**		**1,064**	

Formulas

Matratzen Concord

This pan-European formula serves the replacement market, focussing on the sale of mattresses, bed bases, box springs and bed textiles to consumers predominantly based on a cash & carry concept. The chain encompasses 915 stores with an average floor space of approximately 270 m². The stores are situated near consumers primarily at so-called C locations in and around city centres. The collections feature an extremely favourable price-quality ratio and at each location customers can count on receiving professional and personalised advice. The product concepts developed within the company contribute considerably to the formula's success. The formula operates in Germany, Austria, Switzerland, the Netherlands, Belgium and Poland. Matratzen Concord is the market leader in the German mattress market. The formula's strategy is aimed at further expanding its European market leadership in the fragmented mattress specialist market in the various countries.

www.matratzen-concord.de
www.matratzen-concord.at
www.matratzen-concord.ch
www.matrassenconcord.nl
www.matrassenconcord.be
www.materace-concord.pl

Beter Bed

Beter Bed offers a chain of bedroom furniture showrooms in the middle of the market featuring an excellent price-quality ratio. Consumers order the items in the store which are then delivered and assembled at their homes. All the stores are located in the Netherlands, predominantly at 'furniture boulevards' or in the vicinity of other home furnishings stores. The stores have an average floor space of approximately 1,000 m². In the stores, consumers can choose from a wide and up-to-date range of bedroom furnishings, mattresses, box springs, bed bases, bed textiles and other items at competitive prices. Beter Bed is market leader in the Netherlands and enjoys a high level of name recognition among consumers. Beter Bed's strategy is based on further strengthening its position in the Dutch market.

www.beterbed.nl

DBC International

DBC International develops slow foam (i.e. 'NASA' foam) mattresses under the name M Line. These mattresses feature unique, pressure-reducing qualities and some are equipped with a patented spring system. They are sold both by the own formulas and via third parties. The M Line products are also used in the healthcare sector. DBC continually seeks to improve existing products and to develop new, high-quality products by leveraging the latest technologies in the field of mattresses, bed bases, box springs, mattress covers and pillows. DBC International supplies to customers in the Netherlands, Belgium, Germany, Spain and Turkey.
www.mline.nl

El Gigante del Colchón

This company, which was acquired in 2005, operated 53 stores at year-end 2010. It had 20 stores at the time of acquisition. The stores have an average floor space of 300 m². The location strategy and the store image are comparable to those employed by Matratzen Concord. It is not, however, a cash & carry concept because Spanish consumers generally purchase double beds that are difficult to transport by private car. The products are consequently delivered to and assembled at consumers' homes.
www.gigantedelcolchon.com

BeddenREUS

BeddenREUS is a discount cash & carry formula in the Netherlands. The stores are predominantly located at B and C locations and have an average floor space of approximately 700 m². There were 35 stores at the end of 2010.
www.beddenreus.nl

Slaapgenoten/Dormaël Slaapkamers

This chain of eleven own stores and one franchise store operates at the high end of the Dutch bedroom furniture specialist market. The stores are situated at preferred locations in the Netherlands and have approximately 1,000 m² of floor space. They allow consumers to shop in attractive surroundings where they can choose from exclusive collections featuring numerous top brands. Slaapgenoten is an innovative concept developed under own management that is designed for customers who want top quality. The franchisee operates under the name Dormaël Slaapkamers.
www.slaapgenoten.nl
www.dormaelslaapkamers.nl

Matratzen-AbVerkauf (MAV)

This cash & carry formula, developed for the German market in 2006, is a hard-discount concept for the sale of primarily mattresses, bed bases and bed textiles for the German market. Consumer communications are conducted almost exclusively on the basis of price. There were 17 stores at the end of 2010 (2009: 21). The stores have an average floor space of 200 m².
www.mav-matratzen.de

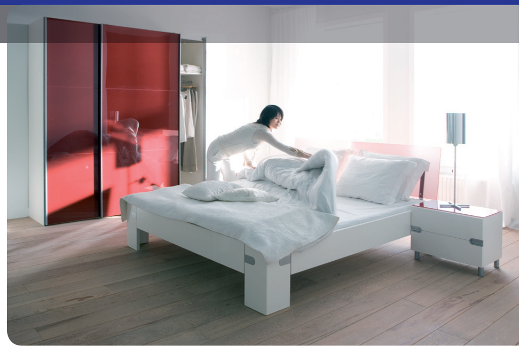
Number of stores per formula

Formula		1 Jan. 2010	Closed	Opened	31 Dec. 2010
Matratzen Concord	Germany	740	35	70	775
	Austria	46	1	7	52
	Switzerland	34	3	7	38
	The Netherlands	32	3	9	38
	Belgium	7	–	1	8
	Poland	3	–	1	4
		862	**42**	**95**	**915**
Beter Bed	The Netherlands	84	1	2	85
El Gigante del Colchón	Spain	51	9	11	53
BeddenREUS	The Netherlands	34	3	4	35
MAV	Germany	21	4	–	17
Slaapgenoten/Dormaël Slaapkamers	The Netherlands	12	–	–	12
Total		**1,064**	**59**	**112**	**1,117**

Number of stores per country

Country	1 Jan. 2010	Closed	Opened	31 Dec. 2010
Germany	761	39	70	792
The Netherlands	162	7	15	170
Spain	51	9	11	53
Austria	46	1	7	52
Switzerland	34	3	7	38
Belgium	7	–	1	8
Poland	3	–	1	4
Total	**1,064**	**59**	**112**	**1,117**

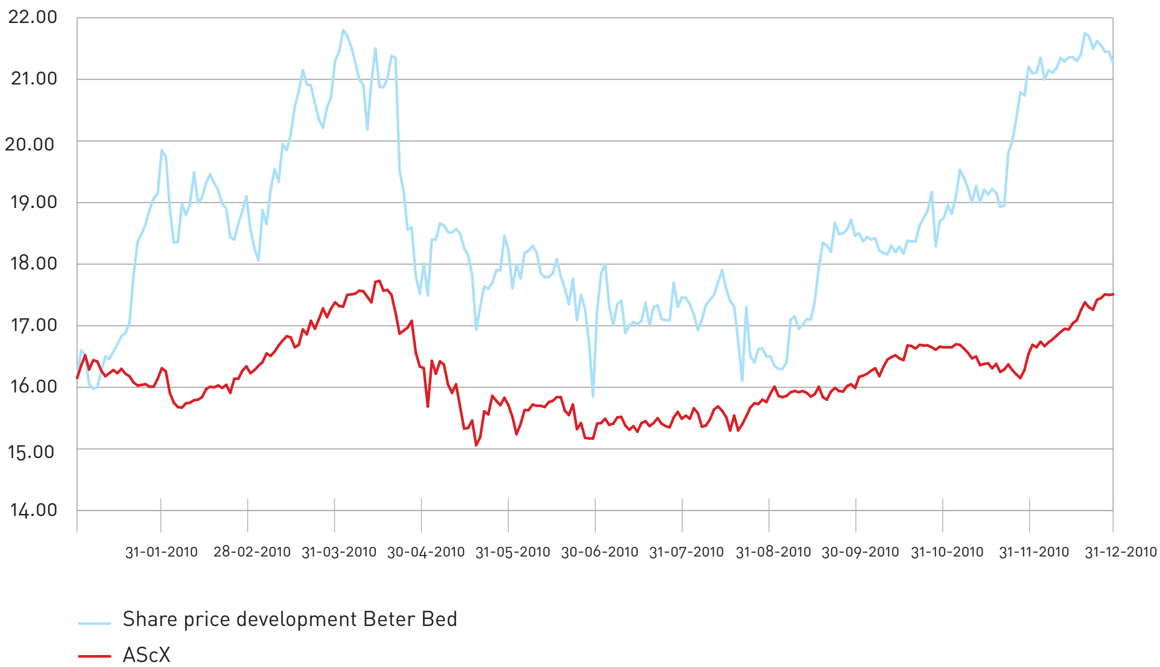
Share information



The shares in Beter Bed Holding N.V. are quoted on Euronext Amsterdam under security code NL0000339703. The shares of Beter Bed formed part of the Euronext Amsterdam Small Cap Index (AScX) in 2010. The number of shares outstanding at the end of 2010 totalled 21,805,117. No new shares were issued and repurchased in 2010. Shares repurchased and not yet cancelled totalled 192,545 at the end of the year under review. 210,935 shares were reissued in the year under review as a result of employee options being exercised. The average number of shares used to calculate earnings per share is 21,511,517. The number of shares used to calculate the diluted earnings per share is equal to 21,623,834. Earnings per share for 2010 total € 1.30 compared to € 1.12 in 2009. The diluted earnings per share in 2010 are € 1.29 compared to € 1.12 in 2009.

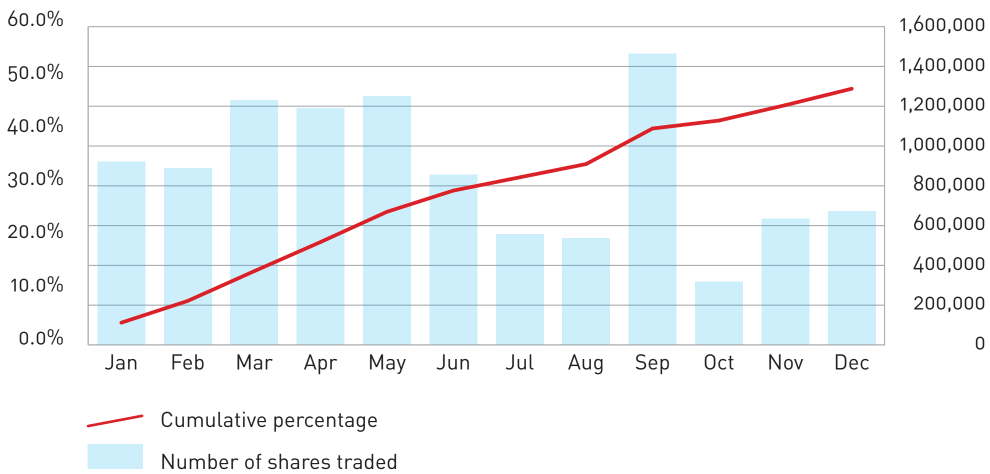
Share price development

Share price development compared to AScX



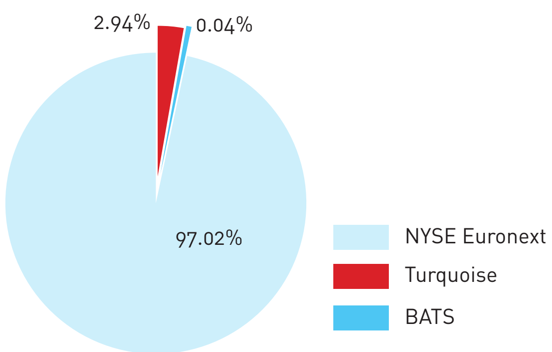
Trading volume

The diagram below shows the number of shares traded on Euronext Amsterdam per month and the cumulative percentage of the outstanding shares that were traded in 2010 (as at 1 January).



Three liquidity providers operated on behalf of the Beter Bed share in 2010, namely ING Commercial Banking, Rabobank International and The Royal Bank of Scotland N.V.

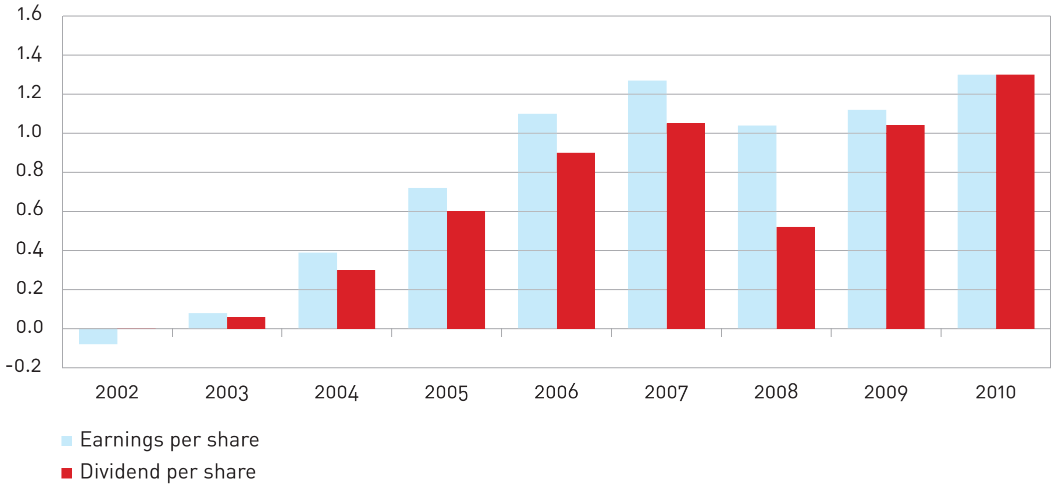
Distribution of trading volume



The above diagram shows the share of the volume traded in 2010 between NYSE Euronext and the two main alternative trading platforms, Turquoise and BATS.

Dividend policy

Dividend and earnings per share



Beter Bed Holding N.V.'s dividend policy focuses on maximising shareholder returns whilst maintaining a healthy capital position. Subject to conditions, the company's objective is to pay out at least 50% of the realised net profit to the shareholders. This payment will be executed in the form of an interim dividend following publication of the third-quarter figures and a final dividend following the approval of the dividend proposal by the Annual General Meeting of Shareholders. This system makes it possible to spread out payment of the dividend evenly over the year.
The payment of the 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 be greater than 2.

Subject to the approval of the Supervisory Board, the Management Board determines annually what portion of the profit is to be reserved. The decision to pay an interim dividend is also subject to the approval of the Supervisory Board.

	2010	**2009**	**2008**	**2007**	**2006**
Number of outstanding shares	21,805,117	21,805,117	21,805,117	21,805,117	21,642,617
Repurchased but not cancelled shares	192,545	403,480	515,980	238,736	
Closing price (€)	21.26	15.80	8.51	17.77	19.30
Highest closing price (€)	21.80	17.09	18.20	27.76	21.09
Lowest closing price (€)	15.85	6.94	7.24	16.80	12.30
Earnings per share (€)	1.30	1.12	1.04	1.27	1.10
Dividend (€)	1.30	1.04	0.52	1.05	0.90
Market capitalisation (in € million)	464	345	181	383	418

Investor Relations policy

The company seeks to inform shareholders, investors and the market on a regular basis. This is done by means of the publication of press releases containing complete financial reports on a quarterly basis and through trading updates preceding the publication of the annual figures and interim figures.

It is also considered important to bring the company and the Beter Bed Holding share to the attention of prospective investors and to maintain the relationship with existing shareholders. In addition to the aforementioned press releases, this responsibility is fulfilled by organising analysts' meetings and roadshow programs following the publication of the annual figures and the interim figures. The company furthermore attends conferences organised by brokers and receives interested parties at the company's offices or at its stores.

Substantial holdings

The following holdings as of the date of this annual report have been included in the Substantial Holdings register of the Netherlands Authority for the Financial Markets (AFM) in compliance with chapter 5.3 of the Dutch Financial Supervision Act:

Shareholder	Date of notification	Share
Breedinvest B.V., Laren, NL	01-11-2006	12.8%
Delta Deelnemingen Fonds, Gouda, NL	01-11-2006	11.6%
Ameriprise Financial Inc., Minneapolis, USA	13-09-2010	9.1%
Aviva Plc, London, UK	01-11-2006	7.6%
ASR Nederland N.V., Utrecht, NL	06-10-2008	6.6%
Kempen Oranje Participaties N.V., Amsterdam, NL	01-01-2010	6.5%
Menor Investments B.V., Limmen, NL	09-01-2009	5.7%
Todlin N.V., Maarsbergen, NL	01-11-2006	5.2%
Belegging- en Exploitatiemaatschappij 'De Engh B.V.', Naarden, NL	24-09-2010	5.1%

Options

Options for shares to be issued have been provided with a view to further enhancing the involvement and motivation of the Management Board and the Management. In total 218,000 options were awarded to the Management Board and the Management in the year under review. The options can be exercised from 29 October 2013 for a period of five years, provided that a net profit of at least € 32 million is achieved in at least one year of the validity period.

The following option series were outstanding at the end of the year:

Year of issue	Management Board	Former Management Board	Management	Exercise price in €	Duration up to and inclusive
2006	6,250	50,000	106,250	17.08	27-10-2012
2007	6,250	50,000	110,250	20.92	30-04-2013
2008	4,685	37,500	66,555	8.15	29-04-2014
2009	15,000	50,000	153,000	15.23	28-04-2015
2010	70,000	-	148,000	19.07	28-10-2018

Insider regulations

The company maintains insider regulations, which were amended effective 3 November 2008. The persons subject to these regulations have declared in writing that they will comply with the provisions contained in these regulations. The regulations are available on the Beter Bed Holding website.

Financial calendar 2011

10 March 2011	Publication of annual results 2010
10 March 2011	Analysts' meeting annual results 2010
28 April 2011	Publication of 1st quarter 2011 results
28 April 2011	Annual General Meeting of Shareholders
15 July 2011	Publication of 2nd quarter 2011 trading statement
26 August 2011	Publication of half-year results 2011
26 August 2011	Analysts' meeting half-year results 2011
28 October 2011	Publication of 3rd quarter 2011 results
20 January 2012	Publication of 4th quarter 2011 trading statement

The current financial calendar is available on the website **www.beterbedholding.com**.

Vision and mission

Vision

In addition to providing inspiration and direction, a vision statement answers questions about where we would like to go as a company, where we intend to be several years from now and what the point is on the horizon.

Beter Bed Holding operates in the retail and wholesale markets for beds and mattresses throughout Europe. All our retail formulas have positioned themselves as value-for-money stores, regardless of the segment in which they operate. The group aims to be the market leader, not only in Germany and the Netherlands but in all the countries in which it is established. We can sum up our vision as follows:

> In every country in which we operate, we intend to become the market leader in the value-for-money segment of the bed and mattress market, in a socially responsible manner.

Mission

A company's mission statement answers questions such as: what is our raison d'être, and what drives us as a company? Beter Bed Holding's answers are as follows:

> Each day, there is nothing that inspires and motivates us more than ensuring that all our customers can sleep soundly and comfortably at an affordable price:
>
> 'Hard at work on a good night's rest'.

Objectives and strategy

Objectives

- Positioning the company's retail formulas such that growth opportunities can be exploited to maximum effect. Beter Bed aims to expand its position in all the markets in which it operates by offering strong, well-positioned retail formulas. The needs of consumers (local or otherwise) form the basis for our actions. This will allow the company to further strengthen its position as the European market leader, always in a socially responsible manner.

- Increasing net profit, regardless of market conditions and consumer confidence. When faced with exceptional market conditions or low consumer confidence, net profit may decline temporarily.

- A strong, healthy balance sheet with solvency of at least 30% and a ratio between net interest-bearing debt and EBITDA not exceeding two.

Strategy

The company will achieve its objectives based on the following strategy:

Formula management

- Growth in revenue at comparable stores (like-for-like growth) by increasing the number of visitors and improving conversion rates and average order values. This ensures that revenue will grow while costs remain virtually level.

- Enhancing the distinctive features of the retail formulas (formula management), including by developing our own marketing and product concepts based on purchasing strength. New product concepts are developed through the use of, for example, technological developments related to foam and spring systems used in the mattresses, as well as by responding to trends in demand (local or otherwise), such as the demand for box springs in the Benelux market.

- Becoming an active player in online sales.

Expansion

- The expansion of the existing store concepts in the Netherlands and internationally. Flexible leases are a key aspect of our expansion strategy. When market conditions are less favourable, the rent and other costs related to a potential new store must be in line with the expected lower revenue.

Cost control

- Low investment per store and flexibility in the leases. In unfavourable market conditions, this provides the company with the advantage of being able to adjust the number of stores relatively quickly.

- A stringent cost policy aimed at reducing costs while avoiding 'pennywise-pound foolish' practices.

Information technology

- Continuously improving primary and auxiliary organisational processes through excellent information provision and a culture based on the 'measure to manage' principle. State-of-the-art IT systems allow the organisation to respond rapidly to new trends and opportunities to improve efficiency and adjust capacity in changing market conditions.

Logistics

- Ability to manage the supply chain as effectively and efficiently as possible, from purchasing up to and including home delivery.

Team development and people development

- The introduction of the core values of Beter Bed Holding in all formulas and all countries.

- Continuous optimisation through in-company training, for example in the sales organisation in order to improve sales methods.

Organigram

- Beter Bed
  - The Netherlands
- BeddenREUS
  - The Netherlands
- MAV MatratzenAbverkauf
  - Germany
- Matratzen Concord
  - Germany
  - Austria
  - Switzerland
  - The Netherlands
  - Belgium
  - Poland
- Slaapgenoten/Dormaël Slaapkamers
  - The Netherlands
- DBC International
  - The Netherlands
  - Germany
  - Spain
- El Gigante del Colchón
  - Spain

History

1981	Establishment of predecessor 'Beter Bed' in title
1986	Launch of the company's bed factory in the Netherlands
1994	Acquisition of bed factory in Poland
1995	CVC Capital Partners and Algemeen Beurs Introductiefonds become co-shareholders
1996	Stock market flotation in December
1997	Launch of Beter Baby
	Acquisition of DFC Comfort, including Benelux distribution rights for Tempur products
1998	Acquisition of Dormaël Slaapkamers (nine stores)
	Acquisition of Matratzen Concord (240 stores in Germany, six in Austria, one in Switzerland and one in the Netherlands)
2000	Start of expansion of Matratzen Concord in France and Italy
	Closure of bed factory in the Netherlands
	Management buy-out of Beter Baby
2001	Termination of operations of DFC Comfort and distribution of Tempur products
	Establishment of DBC International and launch of the first M Line mattresses
2002	Start of implementation of new IT systems
	Nesbic launches tender offer for all shares, then withdraws the offer
2003	Closure of Matratzen Concord in France and Italy
2005	Opening of first Slaapgenoten store in Son, the Netherlands
	Acquisition of El Gigante del Colchón (20 stores in the region of Catalonia, Spain)
	Closure of last bed factory in Poland
2006	Opening of first MAV store in Cologne, Germany
2008	Beter Bed's 25th Anniversary
	Opening of 1,000th store
2010	1,117 stores at year-end 2010
	Record net profit of € 27.9 million
2011	25th Anniversary of Matratzen Concord

Personal profiles

Supervisory Board

The Supervisory Board has the following members: Mr M.J.N.M. van Seggelen, Mr E.F. van Veen, Mr C.A.S.M. Renders, Mr D.R. Goeminne, Mr A.J.L. Slippens and Mr J. Blokker. With the exception of Mr D.R. Goeminne, who is a citizen of Belgium, all the Supervisory Directors have Dutch nationality.

M.J.N.M. van Seggelen, Chairman (1939, male)
Mr Van Seggelen studied economics at the University of Basel in Switzerland and began his professional career at an international institution for applied economic studies. He subsequently held management positions at consumer goods production and trading companies.

For the past twenty years, he has worked as a Director for retail businesses in the non-food sector. He was Chairman of the Board of Directors of RetailNet, Gouda, and a member of the Board of Directors of N.V. Koninklijke Bijenkorf Beheer and ACF Holding N.V.

Mr Van Seggelen also holds supervisory directorships at GrandVision B.V. and Delta Wines B.V.

E.F. van Veen, Vice Chairman (1939, male)
Mr Van Veen graduated with a degree in business economics from Erasmus University in Rotterdam in 1967.

Having begun his career at what was then Thomassen & Drijver-Verblifa N.V., he joined N.V. Verenigde Bedrijven Nutricia (later renamed Koninklijke Numico N.V.) as Group Controller in 1973. In 1998, he retired from the dual position he held at this company, namely as CFO and Executive Vice President.

Following his retirement, he held a variety of positions for many years, including as a supervisory director, board member or consultant at various legal entities (including several listed companies). He spent a total of four years at Numico (from May 2002) and a total of eleven years at Blokker Holding B.V. (from late 1999).

C.A.S.M. Renders (1962, male)
Mr Renders has been the director-owner of Renders Management B.V. since 1988. After earning a degree in commercial law in Leiden and successfully completing the Simon School-Erasmus MBA program in Rotterdam/Rochester, Mr Renders began his career as a mergers and acquisitions consultant in 1986.

Mr Renders holds various supervisory directorships at some closely-held companies.

J. Blokker (1942, male)
Mr Blokker is Chairman of the Board of Directors of Blokker Holding B.V.

He is also a Supervisory Director at Van Haren Schoenen B.V.

D.R. Goeminne (1955, male)
Mr Goeminne earned a degree in Applied Economic Sciences from the University of Antwerp. He has held management positions in the manufacturing and retail industries. Until 2007, he was Chairman of the Group Management of retailer V&D and a member of the Executive Board of Maxeda (Vendex/KBB).

In addition, he sits on the Supervisory Boards of Stern Groep N.V., BGN Holding B.V., iCentre B.V. and Fatboy B.V. He also serves as a non-executive Director at Van de Velde N.V., Uitgeverij Lannoo N.V. and Cassis/Paprika N.V.

A.J.L. Slippens (1951, male)
After graduating in food technology from the School of Agriculture in Den Bosch, Mr Slippens went on to earn a degree in business administration (ct) from Nijenrode Business University. From 1978 to September 2008, he successively served as Head of Purchasing, Deputy Director, Sales Director and CEO of Sligro Food Group N.V.

He is currently the interim CEO of Siebel Juweliers B.V., as well as serving on the Supervisory Boards of Simac Techniek N.V. (Chairman), Pacombi Beheer B.V. (Chairman), Van Lanschot Bankiers N.V., Free Record Shop Holding B.V. and Blokker Holding B.V. Additionally, he serves on advisory bodies of several family businesses.

Management Board

The Management Board of Beter Bed Holding is comprised of Mr A.H. Anbeek, Chief Executive Officer and Mr D. van Hoeve, Finance Director. Both Mr Anbeek and Mr Van Hoeve hold Dutch nationality.

A.H. Anbeek (1962, male)
Ton Anbeek earned a degree in Business Administration from Erasmus University Rotterdam and a degree in Organisational Psychology from Utrecht University.

He began his career in 1987 at Unilever where he held a range of positions in marketing and sales within various operating companies in the Netherlands until 2001. In 2001 he was appointed to the position of Global Marketing Director for all Unilever fabric softener brands and whilst fulfilling this role he lived and worked in London. He was appointed in 2004 to the position of Managing Director of Unilever Maghreb S.A. (Libya, Tunisia, Algeria, Morocco and Mauritania) and lived and worked in Casablanca during this period.

He joined Koninklijke Auping B.V. in Deventer, the Netherlands as Managing Director in early 2007.

Mr Anbeek joined Beter Bed Holding N.V. on 1 January 2010 and was subsequently appointed Chief Executive Officer effective 1 March 2010.

D. van Hoeve (1970, male)
Duncan van Hoeve earned a degree in Business Economics at the Avans University of Applied Sciences in Breda, the Netherlands during the first half of the 1990's. He successfully completed the postgraduate HOFAM controller's program in 1999 and since then he has been registered as a Qualified Controller (QC).

He began his career in 1995 as an Accountant at Fijnmechanische Industrie Adema & Touw B.V., a supplier of mechanical and electromechanical products.
In 1998, he accepted a position as Controller at the former Beter Bed Holding N.V. subsidiary called Beter Baby B.V.; a retail organisation that specialised in the sale of baby nurseries and baby items. Following the management buy-out of this company, he joined Beter Bed Holding N.V. in 2000 where he was appointed to the position of Group Controller in 2001.

He has held the position of Finance Director at Beter Bed Holding N.V. since 1 September 2009.

Report of the Management Board

General

Trends in the markets in which Beter Bed Holding operates generally correlate strongly with changes in consumer confidence and the willingness to buy on the part of consumers in these markets. Although consumer confidence was up slightly in the second half of 2010, willingness to buy remained relatively low throughout the year, particularly in Germany and the Netherlands, while consumer savings were relatively high. In the home furnishings market, retail sales were particularly weak.

In 2010, our biggest competitor was the weather. The Netherlands experienced a total of 42 snow days during the year, compared to 19 in 2009. In Germany this difference was even greater: 88 snow days in 2010 compared to 32 the previous year. The winter weather, along with the sun and heat during June and July, greatly reduced the number of visitors and, as a result, the sales of the various formulas.

For these reasons, the main markets continued to show a decline in 2010.

Revenue at comparable stores (on a like-for-like basis) remained at +1.0% in the first half of 2010. During the first months of 2010, activities in the Netherlands, most notably, generated revenue growth at comparable stores. Revenue at comparable stores in Germany up to and including the third quarter fell by 2.0% and further declined by 7.5% during the fourth quarter. During the second half of 2010, revenue at comparable stores for the group fell by 3.5%. For the full year 2010, the group's revenue at comparable stores declined by 1.3%.

	2010	**2009**	**Change**
Revenue (in € million)	374.7	361.5	3.7%
Operating profit (in € million)	37.5	32.6	14.8%
Net profit (in € million)	27.9	23.9	16.8%
Number of stores	1,117	1,064	5.0%
Number of employees (FTE)	2,353	2,274	3.5%

In 2010, the company reported consolidated revenue of € 374.7 million, up 3.7% from 2009 (€ 361.5 million). Despite the lower revenue at comparable stores, the company nevertheless achieved revenue growth, partly driven by an increase in the number of stores. This revenue growth combined with an increased gross profit and a stringent cost policy resulted in an operating profit for the full year 2010 of € 37.5 million. Operating profit as a percentage of revenue increased from 9.0% in 2009 to 10.0% in 2010. Net profit increased by 16.8%: from € 23.9 million in 2009 to € 27.9 million in 2010.

In the year under review, a total of 112 new stores opened, while 59 existing stores were closed. Of these latter stores, 19 closures were due to transfer to a superior location in the vicinity of the existing store. The other 40 stores were closed due to underperformance.
Of the net increase of 53 new stores (i.e. the number of new stores less the number of closures), 23 stores opened, on balance, in the fourth quarter of 2010.

Page 13 of this report contains an overview of store openings and closures, broken down by formula and country.

Investments, financing and cash flow

Investments in 2010 totalled € 8.2 million. This is € 1.9 million higher than the € 6.3 million invested in 2009, but still € 1.8 lower than the € 10.0 million invested in 2008. In 2010, the largest portion of the investments, € 6.8 million, was allocated to new and existing stores. Most of the remaining amount was invested in IT.

In 2010, cash flow (defined as net profit plus depreciation) was € 35.8 million, versus € 31.7 million in 2009. Solvency at year-end 2010 was 53.4% (compared to 50.5% for 2009). At year-end 2010, the ratio between net interest-bearing debt and EBITDA amounted to 0.15, versus 0.22 at year-end 2009. Of the € 10 million loan secured at the end of the second quarter of 2009, a total of € 7.0 million still remains at year-end 2010.

Operations

Matratzen Concord

	2010	2009	Change
Revenue (x € 1,000)	216,266	212,245	1.9%
Number of stores	915	862	6.1%
Number of employees (FTE)	1,568	1,501	4.5%

In 2010, Matratzen Concord's revenue increased by 1.9% to € 216.3 million. The number of stores increased by 6.1%: from 862 to 915. Revenue at comparable stores in 2010 declined by 3.9%. The development and further expansion of its brands (including private labels) and the opening of new stores continue to be key growth factors for Matratzen Concord.

Beter Bed

	2010	2009	Change
Revenue (x € 1,000)	113,697	107,364	5.9%
Number of stores	85	84	1.2%
Number of employees (FTE)	524	514	1.9%

During the year under review, the store in Haarlem closed, while two new stores opened in south-east Amsterdam and Hoogezand-Sappemeer. Although its share in the total revenue is still negligible at this stage, the revenue of the web shop that was launched in 2009 increased substantially in 2010.

Total revenue increased by 5.9% to € 113.7 million. The order intake at comparable stores increased by 3.0% in 2010. The difference between these two percentages is due primarily to the high order intake in December 2009, which ensured a large number of orders in early 2010. The revenue from these orders could not be realised until 2010.

BeddenREUS

	2010	2009	Change
Revenue (x € 1,000)	14,309	12,860	11.3%
Number of stores	35	34	2.9%
Number of employees (FTE)	68	60	13.3%

For BeddenREUS 2010 was a strong year, with an increase of 7.6% in the order intake at comparable stores. With four openings and three closures, the number of BeddenREUS stores increased by one store to 35 at year-end 2010. Throughout the year, BeddenREUS proved it could handle itself in a tough market and it is now poised for continued growth in the number of stores in 2011.

El Gigante del Colchón

	2010	2009	Change
Revenue (x € 1,000)	13,071	13,259	-1.4%
Number of stores	53	51	3.9%
Number of employees (FTE)	98	105	-6.7%

Market conditions in Spain remained challenging in 2010. The sharp decline in revenue the company faced during the first quarter necessitated a number of far-reaching measures.
The cost savings implemented in the second quarter and the changes to the formula resulted in a higher operating profit starting already in the second quarter of 2010 compared to the same period in 2009. Revenue at comparable stores for the full year 2010 fell by 8.4%. In the fourth quarter, revenue at comparable stores was positive for the first time since the second quarter of 2007. However, revenue for 2010 was still down 1.4% from 2009. In 2010, a total of eleven stores were opened; nine were closed. The number of closures was prompted in part by the cost-savings program and the changes to the formula.

Slaapgenoten

	2010	2009	Change
Revenue (x € 1,000)	8,170	7,185	13.7%
Number of stores	12	12	-
Number of employees (FTE)	25	24	4.2%

Slaapgenoten's 2010 revenue was up 13.7% from 2009, totalling € 8.2 million. In 2010, Slaapgenoten focused on further developing the formula and updating the product range.
The order intake at comparable stores increased by 6.0% in 2010.

Matratzen-AbVerkauf (MAV)

	2010	2009	Change
Revenue (x € 1,000)	2,972	3,326	-10.6%
Number of stores	17	21	-19.0%
Number of employees (FTE)	33	35	-5.7%

Matratzen-AbVerkauf closed four stores in 2010. A total of four stores reopened during the second half of 2010 based on a slightly modified concept. In the course of 2011, the company will decide whether this new concept will also be launched in the remaining stores. Revenue in 2010 declined by 10.6% to € 3.0 million, while revenue at comparable stores increased by 2.0% during the same period.

DBC

	2010	2009	Change
Revenue (x € 1,000)	16,489	12,675	30.1%
Number of employees (FTE)	13	11	18.2%

DBC posted record revenue in 2010, with both sales through third-party dealers and sales through the group's formulas increasing during the year. As a result, revenue was up 30.1% from 2009. In addition to the launch of new, innovative products, M Line has also gained a foothold in Germany. At year-end 2010, there were almost 200 Matratzen Concord stores selling the M Line brand.

Staff and organisation

As of 31 December 2010, the various Beter Bed companies employed a total of 2,353 full-time equivalents (FTE). At year-end 2009, this number was 2,274. The increase is due mainly to new store openings.

The employees' commitment and quality are a key factor in the company's success. The high-level personal advice provided to customers at all Beter Bed retail formulas is a key revenue driver. The manner in which the sales process is completed by the logistics organisation and our service employees also affects how customers regard their purchases. The basic principle is that the customer is always king. The support departments are responsible for facilitating these processes as efficiently as possible, thus contributing substantially to the company's performance.

Permanent development and education of all employees therefore constitute a key factor in increasing our revenue. As part of these efforts, employees receive continuous training in areas such as product knowledge and sales techniques.

In the event of management job openings within the organisation, the company policy is to give priority to internal candidates. These candidates are given the opportunity to acquire the knowledge required through targeted training courses.

Corporate Governance

The Management Board of Beter Bed Holding endorses the principles set forth in the Corporate Governance Code and will attempt to implement this Code to the extent possible. Page 40 and page 41 of this report explain in what areas the company departs from the best practice provisions contained in the Corporate Governance Code.

Risk management and risks

While the Management Board of Beter Bed Holding takes its responsibility for risk management and the systems for risk management and control that the organisation has implemented for this purpose very seriously, it accepts that taking calculated risks is inherent to conducting business. The principal risks involved, along with the measures implemented to manage these risks, are described below. Other than failure to realise the budgeted revenue, due to factors including general economic trends, the main risks faced by the Beter Bed companies are related to the continuity of IT systems and distribution centres.

Yet no matter how effectively the internal risk management and control system is designed, it can never guarantee that objectives relating to strategy, operations, reporting and compliance with laws and regulations will always be achieved. Experience has shown that errors of judgment can be made in the decision-making process; that a cost/benefit analysis must be made; that simple errors or mistakes can have major consequences; and that a conspiracy between employees may result in a circumvention of internal control measures.

Below we outline the main risk management measures implemented by the company:

- The annual budget cycle includes an analysis for each activity in order to identify opportunities and threats. This provides an overview of risks and opportunities from an economic, strategic and commercial perspective. The budget is discussed with, and subsequently approved by, the Supervisory Board.
- The comprehensive risk analysis has been updated in conjunction with the management teams of the main formulas. This analysis distinguishes between a number of risk areas, namely financial, operational, administrative and management, legal, social, information and fiscal. This risk analysis is a regular agenda item at the meetings of the Audit Committee; the main points are subsequently discussed by the entire Supervisory Board.

- Reports on the revenue of Matratzen Concord and the order intakes of Beter Bed, BeddenREUS and El Gigante del Colchón are submitted to the Beter Bed Holding Management Board on a daily basis. The other companies issue revenue reports on a weekly basis.
- The Beter Bed Holding Management Board meets once a week with the management teams of the various formulas.
- Each month, Beter Bed Holding receives a report containing the profit and loss account and balance sheet in a detailed spread sheet. The report includes a comparison with the same period for the previous year and the budget for the relevant period. This report is discussed at the monthly meetings between the management teams and the Beter Bed Holding Management Board.
- Beter Bed maintains three distribution centres in the Netherlands, ensuring that the risk of disaster is spread in terms of the delivery of goods to customers. In addition, a business continuity plan has been prepared for the main distribution centre, the purpose of which is to reduce the impact of a possible disaster.
- Beter Bed Holding has signed a compliance covenant with the Dutch Tax Authorities. This covenant provides that all Dutch tax matters are discussed with the Dutch Tax Authorities on the basis of transparency.
- In 2010, Beter Bed acquired goods for a total of $5.8 million (compared to $5.9 million in 2009). Currency risks were not hedged. They are reviewed on a periodic basis.
  If sales prices remain unchanged, a 5% change in the average dollar rate has an effect of approximately € 207,000 (2009: € 216,000) on the operating profit (EBIT).
- Based on the company's current capital structure, measures to reduce interest rate risk are not necessary. The effect of an interest rate increase or reduction of 50 basis points on the company's result would be approximately € 35,000 before tax at year-end 2010 (year-end 2009: € 45,000) based on the use of the credit facilities.
- Credit risks affect only the wholesale operations and trade receivables pursuant to bonus agreements. No specific measures are necessary apart from the standard, strict credit control policies. The total amount of receivables for which the term has expired, but for which a write-down has not been recorded, is € 138,000 at year-end 2010 (year-end 2009: € 22,000).
- Liquidity risk is limited due to the nature of the operations and the company's capital position. However, the crisis in the financial markets once again demonstrated the importance of having a strong financial position. In the current economic climate, it remains important for companies to steer clear of agreements with lenders. Page 67 of this report contains a description of the available credit facilities and the securities provided.
- As in previous years, the external auditor made an assessment this year of the administrative organisation and internal control system.
- The number of products in our range that are subjected to strict tests related to sustainability and safety (including hazardous substances) increases annually.

During the year under review, a customer filed a complaint, presuming a correlation between the products supplied by the company and health problems. This complaint was covered in a variety of Dutch media. By testing products and performing measurements at suppliers' companies and across the entire logistics chain, the company has been able to demonstrate that the products supplied could not have caused the health problems concerned. Following by this incident, existing procedures in this area were further improved and updated.

In control statement

Based on the above and taking into account the limitations inevitably associated with all internal risk management and control systems, in terms of financial risks the company's systems provide the Management Board with a reasonable degree of certainty that the financial reports are free from material misstatement and that the annual report gives a true and fair view of the company's financial situation on the balance sheet date and of developments during the financial year. During the year under review, these systems functioned properly and there are no indications that the systems will not continue to do so in the current year. With regard to the other risks listed, there is a risk management and control system in place that is tailored to the company's size. This system functioned properly during the year under review.

True and fair view statement

The Management Board believes that, to the best of its knowledge, the annual report presents a true and fair view of the company's financial situation on the balance sheet date, the developments during the financial year at Beter Bed Holding N.V. and at the affiliated companies whose details are included in the company's financial statements, along with expected developments, whereby, provided this is not detrimental to the company's vital interests, a key area of focus will be investment and the conditions on which revenue performance and profitability depend. The Management Board is further of the opinion that, to the best of its knowledge, the financial statements present a true and fair view of the assets, liabilities and result of Beter Bed Holding N.V. and the companies included in the consolidation.

Expectations and Outlook

The market conditions for Beter Bed Holding are expected to remain challenging in 2011. Most consumers are uncertain regarding the future. Their willingness to buy is expected to remain relatively low. Furthermore, the number of removals - which is an important factor in the market for bedroom products - does not lead the company to expect any increase in the near future. The same applies to the number of new-build homes.

Despite these difficult market conditions, our tightened retail marketing policy in 2011 will continue to focus on winning market share in all the markets in which the company operates.

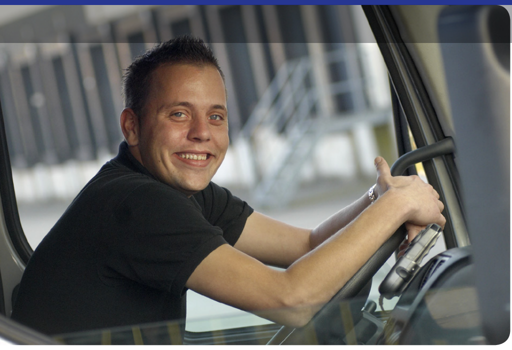
In addition to our continuing international expansion, in 2011 specific attention will be devoted to the potential for expanding our existing formulas in the Netherlands.

In previous years, the net increase in new stores (the balance of openings and closures) has been between 50 and 100 stores annually. Depending on the opportunities in the real estate market and the general economic developments, our intention is to achieve a figure towards the upper end of this range in 2011.

Uden, the Netherlands, 9 March 2011

A.H. Anbeek,
Chief Executive Officer

Corporate Social Responsibility



Beter Bed Holding is an organisation in which a large number of people are involved: our suppliers, our employees, and the people who purchase our products. In addition, there are our shareholders, our business associates, governments, competitors and any other parties affected by our work, from the start of the manufacturing process through to the use of the products in our customers' bedrooms. We feel it is important to maintain long-term relationships with each of these partners.

However, such long-term relationships create responsibilities. The manner in which working conditions are organised is just as important to us as the fact that our products do not damage the health of end users and are safe to the environment, humans and animals.

Accordingly, our vision of corporate social responsibility serves as a guideline for our business operations, containing as it does the core values that determine our day-to-day conduct.
In addition, it serves as a blueprint for the future, for our continuous quest for sustainability, as we are aware that there is always room for improvement.

When it comes to responsible and sustainable business, we set the bar high. We believe growth is about more than investing in order to increase revenue – it is also about building an organisation that respects people, animals and the earth.
Using this vision as a foundation, we can all make a contribution. We firmly believe that this both enhances our reputation and increases our work satisfaction.

In this annual report, we present our vision of corporate social responsibility for the first time in the form of a Code of Conduct (see pages 36 to 39). Over the course of this year, we will be focusing on this issue on our website, www.beterbedholding.com, as well as report on specific issues addressed in the Code of Conduct.

Ton Anbeek,
Chief Executive Officer

Code of Conduct

What are our basic criteria?

- Beter Bed Holding N.V. complies with the laws and regulations applicable in all countries in which we operate.
- We support and honour human rights in accordance with the Universal Declaration of Human Rights.
- We do not cooperate with any organisations that violate human rights or make use of child labour.
- We also expect our business partners to compensate their employees in accordance with the laws and regulations applicable in the country concerned. Under no circumstances may employees be discriminated against or exploited, nor may they be required to perform forced labour. Employees must enjoy freedom of association, including the right to form and join trade unions.
- Our partners will provide healthy workplaces and a healthy working environment.
- Justice, honesty, integrity and transparency are inherent to all the relationships we establish with others.

What do we expect from our employees, and what can they expect from us?

- We aim to provide our employees with a working environment that fosters and promotes continuous improvement, commitment, flexibility, trust and enterprise.
- All employees must work in a safe and healthy environment and be offered the opportunity to develop.
- Every individual counts and is respected.
- All employees have access to information and consultation processes.
- We comply with privacy laws and regulations. Any personal data relating to our employees are treated with care. We expect the same from our employees in relation to the privacy of their colleagues or employers.
- In the workplace, our employees are expected to conduct themselves in an honest, ethical and fair manner, in accordance with the applicable laws and regulations and with accepted standards of decency.
- Our products, brands and company name are discussed in social media on a daily basis, including on networks used by our employees. Here, too, we expect them to comply with accepted standards of decency and conduct themselves online in the same manner as in the workplace. Business-critical and confidential information must not be shared. Customers, shareholders, colleagues and competitors may not be compromised by any information relating to our employees.
- Leadership, enterprise, trust and excellence are the core values of the Beter Bed company culture.

What can consumers expect from us?

- We would like to build long-term, personal relationships with as many customers as possible, based on honest and sound advice. Our products always provide good value for money. We must not disappoint our customers as regards the sustainability, usefulness and safety of our products.
- We value service, flexibility and custom work very highly. Labels, quality labels, advertisements and our communications regarding our products and services must not be misleading. Beter Bed therefore complies with the rules prescribed by the Advertising Code.

- In the event of any complaints, we are always willing to engage in dialogue with our customers, and we will handle these complaints in a fair and reasonable manner in order to reach a solution.

How do we like to conduct business?
- Beter Bed works with international suppliers. In selecting these suppliers, both the commercial and the ethical aspects of the relationship are important. Our way of conducting business must be compatible with our standards and values.
- With our business partners, too, we aim to build long-term relationships, based on the condition that both the supplier and its suppliers and subcontractors comply with the laws and regulations applicable in their country.
- We neither offer nor accept bribes or other improper inducements for the purpose of business gains. Employees are prohibited from offering gifts or payments that might be interpreted as bribes. Any request or offer for bribes must be reported to the management.
- It is important to us that all transactions are recorded accurately, completely and in a timely manner, in accordance with the accounting principles applicable at the company. This improves transparency throughout the organisation. All funds and operating assets must be correctly administered.
- In addition, we assume that our competitors operate in a similarly honest and ethical manner. Accordingly, employees of Beter Bed are not permitted to discredit any of our competitors or disadvantage them by illegal means.
- We do not abuse any economic power position we might enjoy, nor do we make (secret) arrangements with third parties that violate the applicable competition laws.
- We aim to prepare our financial statements such that they are as transparent as possible, as well as to continuously improve our accountability to the Supervisory Board. We respect the voice and the protection of our shareholders. In our annual report, we account for our implementation of the Dutch Corporate Governance Code.

What are our requirements for the manufacture and transport of our products?
- We comply with strict rules for the import and transport of our products. For example, products imported from overseas must be transported in containers that have been confirmed to be gas-free by an independent agency in the port of, for example, Rotterdam. We do not accept any containers that have not been officially confirmed to be gas-free. In addition, we regularly test products transported in these containers for the presence of hazardous substances.
- We aim to provide safe products and services at all times. This means that for all products, a full description must be provided of the materials, production processes and transport processes utilised, and we aim to have safety tests in place for all our products.
- If it is established that a particular substance is hazardous to health or harmful to the environment, we immediately bar this substance and actively search for better alternatives, in partnership with our suppliers. Substances that are banned in Europe are prohibited from use. We closely monitor the positions of, and developments at, non-governmental organisations in order to stay ahead of regulations.
- Our products are not available in stores until we and our suppliers have tested them extensively for safety (including public health and construction), sustainability, and compliance with European regulations. For these tests, we work together with our suppliers, and, increasingly, with independent agencies. If a product does not comply, we find acceptable alternatives instead.

How do we consider the environment?

- We are mindful of the environment in all our practices, both in the manufacturing process and in relation to the products themselves. To the extent possible, we make an effort to save energy and reduce carbon emissions, our mileage and the amount of packaging waste produced, as well as to gradually reduce our use of environmentally harmful substances and promote recycling (based on biodegradable and technically reusable materials).
- The wood used in our products is legal and its origin is documented. We do not purchase any types of wood listed in appendix I of the CITES list (Convention on International Trade in Endangered Species).
- We also expect our suppliers to contribute positively to the well-being of humans, animals and the environment. We reject any form of violation of animal welfare at all times. We only use down and feathers from animals that were killed before the down and feathers were removed. Furthermore, we do not use products from suppliers that use ingredients derived from animals that were abused for the production of foie gras.

How do we deal with political issues?

- While we respect the political views of our employees, their opinions must never be presented as reflecting those of Beter Bed as an organisation.
- As a rule, Beter Bed does not become involved in politics and does not express any value judgments regarding political systems, parties or opinions.
- Employees are prohibited from using Beter Bed funds, property or services in order to contribute to political parties or their representatives. We, for our part, will never exert pressure in order to induce employees to provide political or financial support to any political party or its representatives.

Compliance with our Code of Conduct

As the Code of Conduct contains general rules, it cannot provide for every situation.
We expect that all our employees, as well as our business associates, are able to assume their responsibility and act in compliance with this Code of Conduct.
We conduct tests on a random basis and request that our business associates permit the performance of unannounced tests. Any necessary changes are inspected after two months; if, upon re-inspection, it emerges that they still do not comply, we terminate the partnership.

Our company in the future: C2C?

Our Code of Conduct relates to the standards and values currently applicable at our company. Many of these standards and values fall within the remit of corporate social responsibility. This is the basis on which we operate.

Nevertheless, sustainability, public health and the protection of humans, animals and the environment merit even greater priority than we currently accord them. Throughout the production process, our practices can be even further improved and enhanced. We aim to progress from merely protecting the environment to actually improving it. We would prefer to source all our products from suppliers that produce their products on a cradle-to-cradle (C2C) basis, using raw materials and production processes that are not only non-damaging, but that can potentially even benefit the environment (e.g. recycling).

This is a long-term process that requires gradual improvements and changes in mentality. We aim for Beter Bed to one day be synonymous with the principles of ‘cradle to cradle’.

We have consequently asked our suppliers to submit new product proposals that comply with these requirements. We will then launch a sustainability concept, for which we will reserve additional space in our stores.

Corporate Governance

The Supervisory Board and the Management Board subscribe to the principles for good corporate governance as laid down in the Dutch Corporate Governance Code.

The company's website, www.beterbedholding.com, gives a full overview of all the best practice provisions and whether or not the company complies with these individual provisions.

The notes included in this chapter relate to the Corporate Governance Code amended by the Dutch Corporate Governance Monitoring Committee in December 2008. As per usual, Corporate Governance will be included as a separate agenda item at the Annual General Meeting of Shareholders to be held on 28 April 2011.

The company complies with all best practice provisions with the exception of the best practice provisions mentioned in this section. Where applicable, the reasons for not complying or not fully complying with a best practice provision are explained. In addition, details are provided for a number of best practice provisions regarding their application within the company.

Best practice II.1.3.

The company has an internal risk management and control system in place that is suitable for the company. A Code of Conduct as referred to in this best practice guideline has since been established and will be implemented in the course of 2011 (see also page 35 and continued).

Best practice II.2.3.

The components included in this best practice will be incorporated into the option programme that is in operation within the company.

Best practice II.2.4.

Options are awarded at the discretion of the Supervisory Board. This best practice will be complied with for options provided from 2010 according to the following stipulations. Options provided until 2010 may be exercised earlier than after three years providing the profit target has been met. If a Management Board member is not eligible for reappointment at the conclusion of a first appointment period, his or her options may be exercised up to three months following termination of employment. Options can furthermore be exercised without special restrictions should an offer for all the shares of the company be fulfilled.

Best practice II.2.8.

The contract of employment with the Management Board member does not allow for the possibility of raising the maximum amount equal to one annual salary if dismissal during the first appointment period should appear to be unreasonable.

Best practice II.2.10.

The company shall apply this best practice rule as follows. Variable remuneration may be awarded according to the evaluation and (partially) at the discretion of the Supervisory Board. This is maximised at 60% of the gross fixed annual salary; 30% will be related to the targets set periodically by the Supervisory Board; the remaining 30% will be paid entirely at the discretion of the Supervisory Board. The Supervisory Board can, at its discretion and only in the event of special circumstances, decide to adjust the variable remuneration.

Best practice II.2.11.

Please refer to the comment on best practice provision II.2.10.

Best practice III.3.1.

Suitability for the position is by far the most important criterion. Diversity is not an aim in itself.

Best practice III.3.5.

Providing this serves the company's interests, the Supervisory Board can submit proposals for deviating from this term. The company's articles of association will be brought into line with this best practice regarding this point by no later than 2011.

Best practice III.4.3.

The position of Secretary of the company will be fulfilled by an employee of the company, currently the Finance Director.

Best practice III.5.14.

The Selection and Appointment Committee will be formed by the entire Supervisory Board in view of the company's size.

The best practice provisions in section III.8. 'one-tier management structure' and section IV.2. 'certification of shares' do not apply to the company.

Best practice IV.3.1.

Webcasting will not be used to broadcast analysts' meetings and other meetings for the time being due to cost considerations. The dates of the meetings with analysts will be published on the website in advance and the presentation will be made available on the website following the meeting.

Best practice IV.3.12.

The company provides persons with voting rights with the opportunity to give power of attorney to an officer of the company.

The best practice provisions in section V.3. 'internal audit function' do not apply to the company because the company does not have an internal audit function due to its size.

Report of the Supervisory Board

General

Supervisory Directors are appointed for a period that expires on the day of the first Annual General Meeting of Shareholders that is held four years after their appointment. Supervisory Directors step down periodically according to a schedule drawn up by the Supervisory Board.
The curriculum vitae of the members of the Supervisory Board can be found in the personal profiles section on pages 24 and 25 of this annual report.

The Supervisory Board is comprised of Messrs M.J.N.M. van Seggelen (Chairman), E.F. van Veen (Vice Chairman), C.A.S.M. Renders, J. Blokker, D.R. Goeminne and A.J.L. Slippens.
With the exception of Mr D.R. Goeminne, who is a citizen of Belgium, all the Supervisory Directors have Dutch nationality.

The retirement by rotation schedule is as follows:

Supervisory director	Appointed/reappointed	Retirement/reappointment
M.J.N.M. van Seggelen	26 April 2010	AGM 2011
E.F. van Veen	25 April 2007	AGM 2011
C.A.S.M. Renders	23 April 2009	AGM 2013
J. Blokker	26 April 2010	AGM 2014
D.R. Goeminne	26 April 2010	AGM 2014
A.J.L. Slippens	26 April 2010	AGM 2014

Despite strongly fluctuating and still weak consumer confidence, revenue increased by 3.7% this financial year, resulting in the highest net profit in our company's history.
We are very satisfied with our net profit, which is 16.8% higher than that for 2009. The Supervisory Board has respect for the manner in which the new Management Board, which took over at the start of the financial year, has led the company and set the right priorities, achieving this excellent result in the process.

Financial statements, discharge, dividend

The financial statements have been compiled by the Management Board and have been audited and approved by our auditor Ernst & Young Accountants. The report provided by Ernst & Young Accountants is included on page 81 and 82 of this annual report. We have discussed the financial statements extensively in the presence of the Management Board and Ernst & Young Accountants.
The Supervisory Board has considered the financial statements and recommends that the Annual General Meeting of Shareholders adopts these financial statements accordingly. Adoption will

discharge the Management Board of responsibility in respect of their management and the Supervisory Board of responsibility in respect of their supervision.

Following the announcement of the third quarter figures in October 2010, it was decided to pay out an interim dividend of € 0.47 per share. In accordance with the proposal of the Management Board, we recommend payment of a final dividend of € 0.83 per share. This means that 100% of the profits earned in 2010 will be paid in the form of dividend to shareholders. This is in keeping with the dividend policy that was approved by the Annual General Meeting of Shareholders on 27 April 2005 (see page 16 of this report).

Composition of the Supervisory Board

The members of the Supervisory Board are appointed by the Annual General Meeting of Shareholders. The Supervisory Board seeks to attain an effective combination of knowledge and experience in relation to the company's activities. The Supervisory Board has instituted two committees, namely the Audit Committee and the Remuneration Committee.

Mr Van Seggelen and Mr Van Veen will step down as Supervisory Directors of the company following the Annual General Meeting of Shareholders. Both gentlemen have been involved with the company from the beginning, and were members of the first Supervisory Board of Beter Bed Holding NV. We are grateful to Mr M.J.N.M. van Seggelen, who served as Chairman, and Mr E.F. van Veen, who served as Vice Chairman and financial specialist for their contribution throughout the years. Mr D.R. Goeminne and Mr A.J.L. Slippens were appointed in 2010.

As previously reported, we searched for a replacement for Mr E.F. van Veen, and we are pleased to announce that we will be nominating Mrs E.A. de Groot-Theodoridis as a Supervisory Director at the Annual General Meeting of Shareholders to be held on 28 April 2011.

The composition of the Supervisory Board complies with the related requirements set forth in the Dutch Corporate Governance Code. Only Mr Blokker is not independent as he is a Director of majority shareholder Breedinvest B.V.

Supervisory Board Meetings

The Supervisory Board was once again intensely involved in the developments of Beter Bed Holding and its subsidiaries in 2010. The new Management Board and the new Supervisory Directors required attention in 2010, while the uncertain economic situation was of course also a frequent topic of discussion. The Supervisory Board met with the Management Board on five occasions. The Supervisory Board also consulted with the Management Board via three conference calls. The Supervisory Board furthermore met on two occasions without the Management Board present and visited El Gigante del Colchón in Barcelona and Matratzen Concord in Cologne. The Management Board provided the Supervisory Board with good information on a frequent basis, both verbally and in writing.

The meetings with the Management Board were properly prepared and allowed for the formation of a well-considered judgment regarding the company's commercial, operational, strategic and organisational developments. A great deal of attention was, of course, furthermore devoted to the development of the operating profit in general and in Spain in particular, the positioning of the retail formulas in the European markets and the company's strategy for the medium term.
The budget for 2011 was adopted at the meeting held on 16 December 2010. This budget includes both the company's operational and financial objectives and the strategy that it will follow in order to realise these objectives. Within this context the Supervisory Board also gave its approval for the proposed investments.
During the closed meetings topics were discussed including the performance and composition of the Supervisory Board and the issue of how upcoming openings on the Board should be filled. Other important agenda items included the performance of the Management Board and the terms of employment policy.

After receiving an explanation from its Audit Committee, the Supervisory Board discussed the updated inventory with the Management Board. We are convinced that the procedures regarding risk analysis, risk management and risk control and the audit conducted by the external auditor regarding the AO/IC (Administrative Organisation and Internal Control) provide sufficient security for the in control statement concerning the operation of the system of risk control and risk management.

Audit Committee

The Audit Committee is comprised of Mr Van Veen (Chairman), Mr Renders and Mr Goeminne, and meets at least twice a year. Mr Van Veen serves as the financial expert as defined in the Corporate Governance Code.
The committee dealt with a number of topics during the year under review including:

- Updating and managing the risk inventory conducted by the Management Board.
- The annual financial statements, the interim figures and the auditor's report.
- The Supervisory Board's nomination of Ernst & Young Accountants for the position of external auditor.

Remuneration Committee

The Remuneration Committee is comprised of Mr Renders (Chairman), Mr Van Veen, Mr Van Seggelen and Mr Slippens, and meets at least twice a year. The Remuneration Report is found after the Report of the Supervisory Board on page 46 of this report.

Due to the company's size, the Selection and Appointment Committee is formed by the full membership of the Supervisory Board.

Corporate Governance

The Supervisory Board endorses the principles of good governance set out in the Dutch Corporate Governance Code. The management's views relating to the Dutch Corporate Governance Code are explained on pages 40 and 41 of this report.

The Supervisory Board is aware of the broad interests that the company represents and acknowledges its responsibility to all the company's stakeholders: shareholders, employees, customers, suppliers and financiers. For further reference, please consult the www.beterbedholding.com website, which contains all the company's current information.

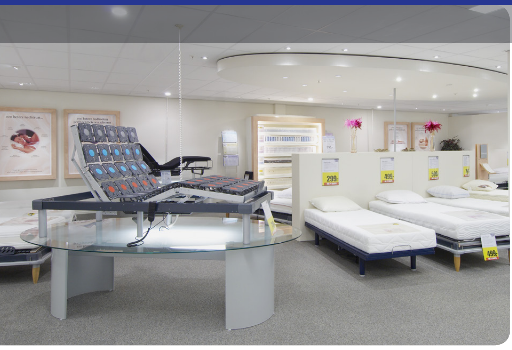
Partly on the recommendation of the new members of the Board, we have decided to hold the 2011 Annual General Meeting of Shareholders in Uden, the company's place of business. Shareholders will have the opportunity to visit the Dutch retail formulas in Uden as well as the company's headquarters.

Finally, we would like to highlight that 2010 was the strongest year in our company's 25-year history, and that this was possible only through the tremendous efforts of all the employees in the more than 1,100 stores across the various European countries. We owe them a debt of gratitude.

Uden, the Netherlands, 9 March 2011

M.J.N.M. van Seggelen, Chairman
E.F. van Veen, Vice Chairman
J. Blokker
D.R. Goeminne
C.A.S.M. Renders
A.J.L. Slippens

Remuneration Report



The Remuneration Committee advises the Supervisory Board regarding the formulation of the remuneration policy and the determination of the individual remuneration of the Management Board.

The remuneration of the Management Board is comprised of the following components:

- A competitive fixed salary.
- A competitive pension scheme.
- Variable remuneration.
- Options for new shares.

Competitive fixed salary

The competitiveness of the fixed salary is determined according to the knowledge and experience of the Supervisory Directors and is not based on external studies.

Competitive pension scheme

A defined contribution scheme will, in principle, apply. The percentage of the defined contribution will be determined by taking into account the other companies with which the members of the Supervisory Board are affiliated as well as the fiscally-permitted maximum amount. The former Chief Executive Officer, the current Chief Executive Officer and the Finance Director received a contribution of 35%, 30% and 9% respectively of their fixed salaries.

Variable remuneration

The variable remuneration is largely result-related and is awarded partially at the discretion of the Supervisory Board. The maximum variable remuneration in 2010 for the former Chief Executive Officer, the current Chief Executive Officer and the Finance Director amounted to 100%, 60% and 40% of the fixed salary respectively.

For the former Chief Executive Officer, the variable remuneration depends for 60% on the achievement of quantitative objectives; the remaining 40% is at the discretion of the Supervisory Board. In the case of the current Chief Executive Officer, the variable remuneration depends for 50% on the achievement of quantitative objectives, while the remaining 50% is at the discretion of the Supervisory Board. As for the Finance Director's variable remuneration, 40% thereof depends on achieving quantitative results, while the remaining 60% depends on achieving qualitative objectives.

For 2011, the breakdown of the component of the variable remuneration that depends on quantitative objectives is as outlined below:

- Upon realisation of 90% of the budgeted operating profit (EBIT), 25% of the variable remuneration that depends on the quantitative objectives is paid.
- Upon realisation of an operating profit of between 90% and 120% of the budgeted operating profit, the pro rata component, subject to a maximum of 75% of the variable remuneration that depends on the quantitative objectives, is paid.

The budget is set at a level that the Supervisory Board deems to be challenging yet feasible at the time of determining the budget. The extent to which there are normal market conditions and whether there has been sound business practice are and will be taken into account when assessing the degree to which the quantitative objectives have been achieved. For competitive reasons, the budgeted operating result will not be published.

Options for new shares

As a long-term incentive, the company awards options for new shares. These options are awarded to both the Management Board and the management teams of the different formulas. A maximum of 1% of the outstanding share capital may be awarded in options per year. Options are generally awarded after the completion of the third quarter and at the discretion of the Supervisory Board. The options are always conditional. A net profit target that is defined at the time of issuing the options must be achieved during the period to expiry before the options may be exercised. The value of the options is determined by an actuarial calculation based on the Black & Scholes model.

The contracts of the Management Board members do not include so-called change of control clauses. Should, however, an offer for all the shares in the company be fulfilled, all the options may be exercised regardless of the status of the achievement of the targets.
When formulating the remuneration policy and determining the individual salary, the Remuneration Committee carried out the scenario analyses referred to in the Corporate Governance Code best practice II.2.1.

Variable remuneration for 2010

For 2010, the objectives for the part of the variable remuneration that depends on quantitative objectives were all realised. Furthermore, the Supervisory Board is of the opinion that the formulated personal objectives that form the basis of the discretionary part of the variable remuneration have also been realised to a sufficient extent.

The following schedule provides a list of the remuneration of Messrs Anbeek, Geelen and Van Hoeve in 2010.

in €	Total	Salary	Pension	Variable remuneration	Employee stock options
A.H. Anbeek	747,000	300,000	90,000	180,000	177,000
F.J.H. Geelen*	185,063	78,750	27,563	78,750	-
D. van Hoeve**	219,377	100,000	8,577	40,000	70,800

* For the period 1 January 2010 up to and including 31 March 2010

** Non-statutory Director

Mr Anbeek, Mr Geelen and Mr Van Hoeve held the following options for shares in Beter Bed Holding N.V. at year-end 2010:

	Series	Number	Value of each option at time of awarding	Exercise price	Expiry date	Profit target in millions of €	Profit target achieved
A.H. Anbeek	2010	50,000	€ 3.54	€ 19.07	28-10-2018	32.0	No
F.J.H. Geelen	2006	50,000	€ 3.15	€ 17.08	27-10-2012	27.5	Yes
	2007	50,000	€ 3.56	€ 20.92	30-04-2013	36.0	No
	2008	37,500	€ 1.39	€ 8.15	29-04-2014	22.5	Yes
	2009	50,000	€ 3.20	€ 15.23	28-04-2015	25.0	Yes
D. van Hoeve	2006	6,250	€ 3.15	€ 17.08	27-10-2012	27.5	Yes
	2007	6,250	€ 3.56	€ 20.92	30-04-2013	36.0	No
	2008	4,685	€ 1.39	€ 8.15	29-04-2014	22.5	Yes
	2009	15,000	€ 3.20	€ 15.23	28-04-2015	25.0	Yes
	2010	20,000	€ 3.54	€ 19.07	28-10-2018	32.0	No

The value at the time of awarding is determined via an actuarial calculation based on the Black & Scholes model.

Financial Statements 2010

Consolidated balance sheet

at 31 December in thousand €

before proposed profit appropriation			2010	2009
FIXED ASSETS				
Tangible fixed assets	1	10		
Land			5,317	5,323
Buildings			4,604	4,956
Other fixed operating assets			19,484	19,384
			29,405	**29,663**
Intangible fixed assets		2		
Goodwill			**3,811**	**3,811**
Financial fixed assets				
Deferred tax assets		15	**1,206**	**1,038**
CURRENT ASSETS				
Stocks		3		
Finished products and goods for resale			**56,633**	**51,467**
Debtors		4		
Trade accounts receivable			1,086	910
Other debtors			5,075	5,032
			6,161	**5,942**
Cash and cash equivalents		5	**16,761**	**17,156**
Total assets			**113,977**	**109,077**

	Note	2010	2009
LIABILITIES			
Equity attributable to equity holders of the parent	6		
Issued share capital		436	436
Share premium account		16,145	16,145
Reserve for currency translation differences		504	137
Revaluation reserve		2,722	2,722
Other reserves		13,107	11,694
Retained earnings		27,937	23,918
		60,851	**55,052**
Long-term liabilities	7		
Deferred tax liabilities		1,924	1,816
Credit institutions		5,000	7,000
		6,924	**8,816**
Current liabilities	8		
Credit institutions		2,000	2,000
Trade creditors		17,189	15,721
Profit tax payable	14	3,536	2,968
Taxes and social security contributions		8,940	8,636
Other liabilities		14,537	15,884
		46,202	**45,209**
Total liabilities		**113,977**	**109,077**

Consolidated profit and loss account

at 31 December in thousand €		2010		2009	
Revenue	10	374,724		361,470	
Cost of sales		(165,217)		(163,638)	
Gross profit		**209,507**	55.9%	**197,832**	54.7%
Wage and salary costs	11	81,190		78,238	
Depreciation of tangible fixed assets	13	7,848		7,750	
Other operating expenses	14	83,009		79,206	
Total operating expenses		**172,047**	45.9%	**165,194**	45.7%
Operating profit (EBIT)		**37,460**	10.0%	**32,638**	9.0%
Financial income		459		67	
Financial expenses		(848)		(727)	
Profit before taxation		**37,071**	9.9%	**31,978**	8.8%
Income tax expense	15	(9,134)		(8,060)	
Net profit		**27,937**	7.5%	**23,918**	6.6%
Earnings per share	17				
Earnings per share in €		1.30		1.12	
Diluted earnings per share in €		1.29		1.12	

Consolidated statement of comprehensive income

at 31 December in thousand €	2010			2009		
	Gross	Tax	Net	Gross	Tax	Net
Net profit	37,071	(9,134)	27,937	31,978	(8,060)	23,918
Revaluation	-	-	-	(175)	45	(130)
Movements in reserve for currency translation differences	367	-	367	7	-	7
Total comprehensive income	**37,438**	**(9,134)**	**28,304**	**31,810**	**(8,015)**	**23,795**

Consolidated cash flow statement

at 31 December in thousand €	2010	2009
Cash flow from operating activities		
Operating profit	37,460	32,638
Financing income received	459	67
Financing expenses paid	(848)	(727)
Profit tax paid	(8,626)	(6,772)
Depreciation	7,848	7,750
Costs employee stock options	507	247
Movements in:		
– Stocks	(5,166)	(2,074)
– Debtors	(219)	168
– Short-term liabilities	425	5,334
– Other	269	7
	32,109	**36,638**
Cash flow from investing activities		
Additions to tangible fixed assets	(8,151)	(6,331)
Disposals of tangible fixed assets	659	683
	(7,492)	**(5,648)**
Cash flow from financing activities		
Drawing of loan	-	10,000
Repayment of loan	(2,000)	(1,000)
Income from the issue of shares	1,959	664
Dividend paid	(24,971)	(12,357)
	(25,012)	**(2,693)**
Movements in cash and cash equivalents	**(395)**	**28,297**
Cash and cash equivalents at the start of the financial year	17,156	(11,141)
Cash and cash equivalents at the end of the financial year	16,761	17,156

Consolidated statement of changes in equity

in thousand €	Total	Issued share capital	Share premium reserve	Reserve for currency translation differences	Revaluation reserve	Other reserves	Retained earnings
Balance on 1 Jan. 2009	**42,703**	**436**	**16,145**	**130**	**2,852**	**1,014**	**22,126**
Net profit 2009	23,918	-	-	-	-	-	23,918
Other components of comprehensive income 2009	(123)	-	-	7	(130)	-	-
Profit appropriation 2008	(4,897)	-	-	-	-	17,229	(22,126)
Interim dividend 2009	(7,460)	-	-	-	-	(7,460)	-
Reissuance of shares	664	-	-	-	-	664	-
Costs of employee stock options	247	-	-	-	-	247	-
Balance on 31 Dec. 2009	**55,052**	**436**	**16,145**	**137**	**2,722**	**11,694**	**23,918**
Net profit 2010	27,937	-	-	-	-	-	27,937
Other components of comprehensive income 2010	367	-	-	367	-	-	-
Profit appropriation 2009	(14,853)	-	-	-	-	9,065	(23,918)
Interim dividend 2010	(10,118)	-	-	-	-	(10,118)	-
Reissuance of shares	1,959	-	-	-	-	1,959	-
Costs of employee stock options	507	-	-	-	-	507	-
Balance on 31 Dec. 2010	**60,851**	**436**	**16,145**	**504**	**2,722**	**13,107**	**27,937**

General notes

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 compiled in accordance with the International Financial Reporting Standards (IFRS), as approved for use in the European Union and in accordance with the interpretations as adopted by the International Accounting Standards Board (IASB). Unless expressly stated otherwise, the amounts stated in these notes refer to the consolidated figures. The consolidated financial statements have been drawn up in euros and all amounts have unless stated otherwise been rounded off to thousands (€ 000).
The 2010 consolidated financial statements of Beter Bed Holding N.V. have been drawn up by the Management Board and were considered in the meeting of the Supervisory Board on 9 March 2011. These financial statements are still to be adopted by the shareholders. The adoption of the financial statements has been placed on the agenda of the Annual General Meeting of Shareholders on 28 April 2011.
Pursuant to Section 402, of Book 2 of the Dutch Civil Code, the company financial statements contain an abbreviated profit and loss account.

Application of new standards

During the financial year, the company applied the following new and amended IFRS standards and IFRIC interpretations, as relevant to the group:

IFRS 2: Share-based Payments – Group Cash-settled Share-based Payment Transactions, effective 1 January 2010.
IFRS 3: Business Combinations (revised), effective 1 July 2009 and IAS 27 The consolidated and Separate Financial Statements (amended), effective 1 July 2009.
IAS 39: Financial Instruments: Recognition and Measurement – Eligible Hedged Items, effective 1 July 2009.
IFRIC 12: Service Concession Arrangements, effective 1 April 2009.
IFRIC 15: Agreements for the Construction of Real Estate, effective 1 January 2010.
IFRIC 16: Hedges of a Net Investment in a Foreign Operation, effective 1 July 2009.
IFRIC 17: Distributions of Non-cash Assets to Owners, effective 1 November 2009.
IFRIC 18: Transfers of Assets from Customers, effective 1 November 2009.
Improvements to the IFRS standards (published May 2008 and April 2009), effective 1 January 2010.

The application of these standards and interpretations has no material effect on the group’s capital and profit/loss.

Application of the new accounting standards

There has been no early implementation of new standards, amendments to existing standards, new IFRIC standards or interpretations the application of which is mandatory for the financial years commencing after 1 January 2010. The following new standards, interpretations and amendments could potentially be relevant to Beter Bed Holding:

IFRS 1: First application of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters, effective 1 July 2010.

IFRS 7: Financial Instruments Disclosures, effective 1 July 2011 (not yet approved by the European Commission as of 31 December 2010).

IFRS 9: Financial Instruments, effective 1 January 2013 (not yet approved by the EU as of 31 December 2010).

IFRS 12: Compensation for Deferred Tax Assets, effective 1 January 2012 (not yet approved by the European Commission as of 31 December 2010).

IAS 24: Related Party Disclosures (revised), effective 1 January 2011.

IAS 32: Financial Instruments: Presentation – Classification of Rights Issues, effective 1 February 2010.

IFRIC 14: Prepayments of a Minimum Funding Requirement, effective 1 January 2011.

IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments, effective 1 July 2010.

Improvements to the IFRS standards (published May 2010), effective 1 January 2011 (not yet approved by the EU as of 31 December 2010).

It is expected that in the future, the application of these new standards, amendments to existing standards and new interpretations will result primarily in amended notes to a number of items in the financial statements.

Principles of consolidation

New group companies are included in the consolidation at the time at which the company can exercise effective control over the company. The information is accounted for on the basis of full consolidation using uniform accounting policies. All intercompany balances and transactions, including unrealised gains on intercompany transactions, are eliminated in full. 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. Pursuant to these letters of guarantees, the Dutch group companies have made use of the exemption options laid down in Article 403, paragraphs 1 and 3, of Part 9, Book 2 of the Dutch Civil Code.

The following companies are involved in the consolidation of Beter Bed Holding N.V. and its participating interests.

Name of statutory interest	Registered office	Interest %
BBH Beteiligungs GmbH	Cologne, Germany	100
BBH Services GmbH & Co K.G.	Cologne, Germany	100
Beter Bed B.V.	Uden, the Netherlands	100
Beter Bed Holding N.V. y Cia S.C.	Barcelona, Spain	100
Beter Beheer B.V.	Uden, the Netherlands	100
Concord Polska Sp. Z.o.o.	Warsaw, Poland	100
DBC International B.V.	Uden, the Netherlands	100
DBC Nederland B.V.	Uden, the Netherlands	100
DBC Deutschland GmbH	Moers, Germany	100
DFC Comfort B.V.	Heelsum, the Netherlands	100
Dormaël Slaapkamers B.V.	Soesterberg, 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
Matrassen Concord B.V.	Uden, the Netherlands	100
Matratzen Concord (Schweiz) AG	Frauenfeld, Switzerland	100
Matratzen Concord GmbH	Cologne, Germany	100
Matratzen Concord GesmbH	Vienna, Austria	100
MAV Matratzen-Abverkauf GmbH	Cologne, Germany	100
Meubelgroothandel Classic Heerlen B.V.	Kerkrade, the Netherlands	100
M-T-M Nederland B.V.	Uden, the Netherlands	100
Procomiber S.L.	Barcelona, Spain	100

Principles for the translation of foreign currencies

The consolidated financial statements have been prepared in euros. The euro is the functional and reporting currency of the group. Assets and liabilities in foreign currencies are translated at the rate of exchange on the balance sheet date; result items are translated at the rate of exchange at the time of the transaction. The resultant exchange differences are credited to or deducted from the profit and loss account. Exchange differences in the annual accounts of foreign group companies incorporated in the consolidation are taken directly to the reserves. The results of consolidated foreign participating interests are translated into euros at the average exchange rate for the year under review. On the disposal of a foreign entity, the deferred accumulated amount recognised in equity for the foreign entity concerned is taken through profit or loss.

Accounting policies

Tangible fixed assets
Tangible fixed assets other than company land are valued at the purchase price or production price less straight-line depreciation based on the expected economic life or lower realisable value. Company land is valued at the estimated current value. Land is carried at fair value on the basis of periodic valuations by an outside expert. Any revaluations are recognised in equity, with a provision for deferred taxation being formed at the same time. Land and tangible fixed assets under construction are not depreciated.
A tangible fixed asset is derecognised in the event of disposal or if no future economic benefits are expected from its disposal or use. Any gains or losses arising from its balance sheet derecognition (calculated as the difference between the net proceeds on disposal and the book value of the asset) are taken through profit or loss for the year in which the asset is derecognised. The residual value of the asset, its economic life and valuation principles are reviewed and if necessary adapted at the end of the financial year.

Lease agreements
The determination whether an arrangement forms or contains a lease agreement is based on the content 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 gives the right to actually use the asset. Operational lease payments are recorded as expenses in the profit and loss account evenly throughout the lease period.

Goodwill
Goodwill is the difference between the acquisition price minus the fair value of identifiable assets and the fair value of the acquired liabilities. Goodwill is valued at cost minus any possible impairment losses. Goodwill is checked at least annually for impairment, if events or changes in circumstances indicate that the book value has possibly been impaired.
To check for impairment, the goodwill that arose from a business combination is attributed from the acquisition date to the company's cash-flow generating units, or combinations of units, which are expected to profit from the synergy of the business combination, regardless of whether other assets or liabilities of the company are attributed to these units or groups of units. Goodwill impairments cannot be reversed after initial recognition.

Impairment of assets
The company assesses per reporting date whether there are indications that an asset has been impaired. If there is any such indication or if the annual assessment of impairment of an asset is required, the company estimates the asset's realisable value. An asset's realisable value is the higher of the fair value of an asset or the cash-flow generating unit (after deduction of the selling costs) or the value in use, unless the asset does not generate incoming cash flows that are largely independent of the flows of other assets or groups of assets. If an asset's book value exceeds the realisable value, the asset is deemed to have been impaired and its value is decreased to the realisable value. When assessing the value in use, the present value of the estimated future cash flows is determined, with the application of 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.

An assessment is made on each reporting date of whether there are indications that a formerly included impairment loss no longer exists or has decreased. If there is any such indication, the realisable value is estimated. A formerly included impairment loss is only reversed if a change has occurred in the estimate that was used to determine the realisable value of the last impairment loss was included in the accounts. In that case, the book value of the asset is increased to the realisable value. This increased amount cannot be higher than the book value that would have been determined (after deducting sums in depreciation) if no impairment loss had been included for the asset in previous years. Any such reversal is accounted for in the profit and loss account.

Derecognition in the balance sheet 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 no longer included in the balance sheet 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 obligation is no longer included in the balance sheet once the obligation has been fulfilled or discontinued or has expired. If an existing financial obligation is replaced by another from the same lender, under substantially different conditions, or if considerable amendments are made to the conditions of the existing obligation, the replacement or amendment is dealt with by including the new obligation in the balance sheet and no longer including the original obligation. The difference between the relevant book values is included in the profit and loss account.

Taxation
Tax liabilities for current or previous 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 the applicable tax legislation.

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

Deferred tax assets are recognised for available tax loss carryforwards and deferred tax assets arising from temporary differences at the balance sheet date between the amounts of assets and liabilities for tax purposes and the book values recognised in these financial statements. They are valued at nominal value. Deferred tax assets arising from future tax loss carryforwards are only recognised to the extent that it is probable that sufficient future taxable profit will be available against which they 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 applicable tax rates and enacted tax laws.

Stocks
Stocks are valued at the lower of purchase price and market value. The market value is formed by the estimated sale price within normal business operations minus the estimated costs of completion and the estimated costs for settling the sale. Where necessary, the downward adjustment of the value of unmarketable goods is taken into account. Unrealised intercompany profits are eliminated from the stock valuation.

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

Other assets and liabilities
Other assets and liabilities are valued at amortised cost. Where necessary the assets take doubtful debts into account. The notes contain a specification of any differences between the market value of these assets and liabilities and the amounts stated in the balance sheet.

Determination of the result

Revenue
The revenue is understood as the proceeds of the sale of goods and services to third parties less discounts and similar, and sales taxes. Revenue is valued at the time the goods are delivered to consumers and other customers.

Cost of sales
These comprise the cost of the goods and services included in sales, after deduction of any payment discounts received, increased by directly attributable purchase and supply costs.

Expenses
The costs 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 participate in the Wonen Industrial Pension Fund. 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 arrangement. This pension fund is not, however, presently able to provide data that enable a pure application of IAS 19. Consequently this pension scheme is considered a defined contribution arrangement.

Virtually all other pension schemes are based on the defined contribution system. The premiums paid to the industrial pension fund and to insurers respectively are included as expenses in the year for which they are applicable. There are no company specific pension schemes in the other countries.

Depreciation
Depreciation is calculated using the straight-line method based on the expected economic life. Additions in the year under review are depreciated from the date of purchase.

Cash flow statement

The cash flow statement is drawn up 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 short-term bank overdrafts, inasmuch as this does not relate to the short-term component of long-term loans.

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 expenses of the transactions settled with employees in equity instruments are valued at the real value on the allotment date. The real value is determined on the basis of the Black & Scholes model. Performance conditions are taken into account when determining the value of the transactions settled in equity instruments.

The expenses of the transactions settled in equity instruments are, together with an equal increase to the capital and reserves, entered in the period in which the conditions relating to the performance and/or services are met, ending on the date on which the involved employees receive full rights to allotment (the date upon which these rights have become unconditional).
The cumulative expenses, for transactions settled in equity instruments on the reporting date, reflect the degree to which the waiting period has expired and also reflects the company’s best estimation of the number of equity instruments that will ultimately be allotted unconditionally. The amount that is charged to the profit and loss account for a certain period reflects the movements in the cumulative expense that is entered at the beginning of that period.

Risks

Currency risks, arising mainly from purchases in dollars, are not covered. A 5% change in the average dollar exchange rate would, on the basis of the purchasing volumes in the financial year, produce an effect of approximately € 207 (2009: € 216) on the operating profit (EBIT) if sales prices remain the same. There are virtually no financial instruments in foreign currencies.

Owing to the current capital structure of the company, interest rate risk is very limited. The effect on the result of a change (increase or decrease) in interest rate by 50 basis points would be approximately € 35 before tax (2009: € 45), on the basis of the use of the credit facilities at year-end 2010. The book value of the financial obligations 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 book value. The maximum credit risk equals the carrying amount of the receivables.

Liquidity risk is not very significant, owing to the nature of the company's operations and financial position. A description of the available credit facilities is set out on page 67 of this report. For an explanation of the other risks, please refer to the related section in the Report of the Management Board on page 31 and continued.

Capital management

The company has a target solvency of at least 30% (in accordance with the dividend policy). The item stocks is by far the most important in the working capital. Targets have been defined for this for each formula. These variables are included in the weekly reports.

Information by segment

Various operating segments are identified within the group as they are reviewed by the decision-makers within the entity. These operating segments independently earn revenues and incur expenses. These operating segments are aggregated into a single reportable segment as the nature of the products, the customers and distribution methods are comparable and in addition the economic characteristics are similar.

Estimates

If important estimates are made when drawing up the financial statements, an explanation will be provided in the discussions for each item in question. Accounting estimates were applied mainly for stocks and goodwill.

Notes to the consolidated balance sheet and profit and loss account

at 31 December, in thousand €

1. Tangible fixed assets

The movements in this item are as follows:

	Land	Buildings	Other fixed operating assets	Total
Book value 1 January 2009	**5,498**	**5,319**	**21,123**	**31,940**
Investments	-	-	6,331	6,331
Revaluation	(175)	-	-	(175)
Transfers	-	-	-	-
Currency adjustment	-	-	-	-
Disposals	-	-	(683)	(683)
Depreciation	-	(363)	(7,387)	(7,750)
Book value 31 December 2009	**5,323**	**4,956**	**19,384**	**29,663**
Accumulated depreciation	-	4,227	56,919	61,146
Accumulated revaluation	(3,654)	-	-	(3,654)
Purchase price	**1,669**	**9,183**	**76,303**	**87,155**
Book value 1 January 2010	**5,323**	**4,956**	**19,384**	**29,663**
Investments	-	-	8,151	8,151
Revaluation	-	-	-	-
Transfers	(6)	11	(5)	-
Currency adjustment	-	-	98	98
Disposals	-	-	(659)	(659)
Depreciation	-	(363)	(7,485)	(7,848)
Book value 31 December 2010	**5,317**	**4,604**	**19,484**	**29,405**
Accumulated depreciation	-	4,510	63,861	68,371
Accumulated revaluation	(3,654)	-	-	(3,654)
Purchase price	**1,663**	**9,114**	**83,345**	**94,122**

The revaluation relates to the company land at Uden and Hoogeveen and the land forming part of retail properties owned. These properties are located in the Dutch cities of Elst, Den Helder, 's-Hertogenbosch and Uden. This land was revalued on 12 October 2009 by an independent valuer.

The value of land is defined as the price that would be paid in a private sale of the land in undeveloped state but prepared for building, offered free of all third-party rights and in the way most suitable for the immovable property, after best preparation, by the highest-bidding candidate, with any taxes payable to the government and/or sales tax and notarial charges being borne by the buyer.

The tangible fixed assets are intended for own use.

2. Intangible fixed assets

The goodwill relates to the acquisition of the Spanish companies. The cash flow-generating unit to which this acquired goodwill is allotted is El Gigante del Colchón. The realisable value of the goodwill is determined on the basis of the present value of the company. This is calculated on the basis of the future cash flows, based on the financial budgets and prognoses of the cash flow-generating units over a period of five years. A growth rate of 2.5% per year has been used after those five years (2009: 2.5%). The growth rate used relates to the expected inflation for the coming years.
The net present value of expected cash flows calculated using a discount rate before taxes of 15.0% (2009: 17.9%) supports the goodwill recognised as at the balance sheet date.

3. Stocks

This comprises stocks held in stores to the value of € 49,759 (2009: € 45,146) and stocks held in warehouses to the value of € 6,874 (2009: € 6,321). The write-down for possible obsolescence included in this item can be specified as follows:

	2010	2009
Balance at 1 January	**1,469**	**1,461**
Additions	150	276
Withdrawals	(153)	(268)
Balance at 31 December	**1,466**	**1,469**

The provision is determined taking account of the quantity of goods withdrawn from the range or returned to suppliers.

4. Debtors

All the accounts receivable fall due within less than one year and are carried at amortised cost price 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 € 62 (2009: € 63) is recognised for wholesale accounts receivable. This is 30% of the overdue receivables.

5. Cash and cash equivalents

This item relates to the cash and bank balances. The amount is composed as follows: cash € 433 (2009: € 521), bank balances € 14,229 (2009: € 14,154) and cash in transit € 2,099 (2009: € 2,481).

6. Equity

The movements in the equity items are shown in the consolidated equity movement overview on page 55. The company's authorised share capital amounts to € 1,250, divided into 62.5 million ordinary shares with a nominal value of € 0.02.

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

	2010	**2009**
Issued and paid-up shares as at 1 January	21,805,117	21,805,117
Share issue on exercise of employee stock options	-	-
Issued and paid-up shares as at 31 December	21,805,117	21,805,117
Shares in portfolio as at 1 January	403,480	515,980
Repurchased during the year	-	-
Reissue on exercise of options	(210,935)	(112,500)
Shares in portfolio as at 31 December	192,545	403,480

The repurchased shares have not yet been cancelled and therefore not been deducted from the number of issued and paid-up shares. These repurchased shares are no longer included in the earnings per share calculation.

The revaluation reserve relates to land.

A proposal will be submitted to the Annual General Meeting of Shareholders to distribute a final dividend in cash of € 0.83 per share. The total dividend for 2010 will therefore amount to € 1.30 per share (2009: € 1.04).

7. Long-term liabilities

The deferred tax liabilities relate to the differences between the valuation of stocks and land in the Netherlands for tax and financial reporting purposes. This difference is long-term in nature.

The movements in this item in 2010 and 2009 are as follows:

	2010	2009
Balance at 1 January	**1,816**	**1,748**
To profit and loss account	108	113
To equity	-	(45)
Balance at 31 December	**1,924**	**1,816**

Within deferred tax liabilities at the end of the financial year, € 932 (2009: € 932) relate to the revaluation of land and € 992 (2009: € 884) to the difference between the valuation of stock for tax purposes and for financial reporting purposes.

A loan of € 10.0 million at a fixed rate of interest of 4.75% was entered into in June 2009. The loan has a term of five years and is repaid by monthly installments. The annual repayment obligation of € 2.0 million is paid from present cash flows and reported in the balance sheet in Current liabilities - Credit institutions. The liquidity risk, at € 500 per quarter, is negligible.

8. Current liabilities

To fund the group the company has current account facilities totalling € 33.8 million at its disposal. Furthermore, facilities totalling € 7.5 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 credit providers.

The above-mentioned current account facilities include a committed facility in the amount of € 10.0 million, which will expire on 31 July 2015. As security for the committed facility, mortgages have been provided for the Uden and Hoogeveen distribution centres and for the Den Helder store premises.

At the end of the year under review, the current account facilities were not used except for the purpose of providing bank guarantees, primarily to cover rent payments in the amount of € 0.9 million. Of the facilities specifically available to provide guarantees, a total of € 5.6 million was in use at year-end 2010.

Creditors in the Netherlands are generally paid within ten days. In Germany, payment terms are 15 days following the end of the month of delivery.

9. Financial obligations

The financial obligations can be specified as follows:

	up to 3 months	3 to 12 months	1 to 5 years
2010			
Accounts payable	17,189	-	-
Credit institutions	500	1,500	5,000
Total	**17,689**	**1,500**	**5,000**
2009			
Accounts payable	15,721	-	-
Credit institutions	500	1,500	7,000
Total	**16,221**	**1,500**	**7,000**

10. Information by geographic area

Revenue by country	2010	%	2009	%
Germany	185,019	49	185,003	51
The Netherlands	150,512	40	140,481	39
Other countries	39,943	11	36,450	10
Intercompany adjustment	(750)	-	(464)	-
Total	**374,724**	**100**	**361,470**	**100**

Fixed assets by country
Intangible fixed assets totalling € 3,811 (2009: € 3,811) carried in the balance sheet at 31 December 2010 consisted in full of the goodwill paid in 2005 on the acquisition of the activities in Spain.

Tangible fixed assets	2010	2009
The Netherlands	16,758	17,818
Germany	9,408	8,992
Other countries	3,239	2,853
Total	**29,405**	**29,663**

11. Wage and salary costs

The following wage and salary components are included in the operating expenses:

	2010	2009
Wages and salaries	66,618	64,446
Social security costs	12,130	11,435
Pension costs	1,935	2,110
Costs of employee stock options	507	247
Total	**81,190**	**78,238**

The pension contributions relate virtually exclusively to defined contribution schemes or schemes designated as such. Of the total cost for employee stock options, € 158 relate to the current and former members of the company's Management Board (2009: € 70).

Average number of employees
All the companies included in the consolidation had an average of 2,300 employees (FTE) in 2010 (2009: 2,217):

	2010	2009
Germany	1,368	1,336
The Netherlands	677	645
Spain	98	104
Austria	85	73
Switzerland	53	43
Belgium	10	11
Poland	9	5
Total	**2,300**	**2,217**

12. Option program

The options are long-term in nature and can be exercised providing that the profit target has been met. The costs of the option program are calculated using the Black & Scholes model. 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:

	2010	**2009**	**2008**	**2007**	**2006**
Number granted	218,000	218,000	163,300	216,500	212,500
Number outstanding	218,000	218,000	108,740	166,500	162,500
Value according to Black & Scholes	€ 3.54	€ 3.20	€ 1.39	€ 3.56	€ 3.15
Exercise from	29-Oct-2013	28-Oct-2011	29-Oct-2010	31-Oct-2009	March 2009
Exercise through	28-Oct-2018	28-Apr-2015	29-Apr-2014	30-Apr-2013	27-Oct-2012
Profit target (in millions)	€ 32.0	€ 25.0	€ 22.5	€ 36.0	€ 27.5
Profit target achieved in year	-	2010	2009	-	2007
Share price on the allotment date	€ 19.07	€ 15.23	€ 8.15	€ 20.92	€ 17.08
Exercise price	€ 19.07	€ 15.23	€ 8.15	€ 20.92	€ 17.08
Expected life	5.5 years	3.8 years	3.8 years	3.8 years	4.2 years
Risk-free rate of interest	2.25%	2.40%	3.80%	4.30%	3.90%
Volatility*	40.40%	48.00%	38.00%	33.20%	41.10%
Dividend yield	7.35%	5.00%	9.00%	6.70%	8.50%

* 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 2010, 210,935 options were exercised at an average price of € 19.59. These consisted of 50,000 options of the series from 2004, 137,500 options of the series from 2005 and 23,435 options of the series from 2008.

13. Depreciation

Depreciation in the year under review amounted to € 7,848 (2009: € 7,750).
The depreciation rates, which are based on the expected economic life, are as follows:

Land	0%
Buildings	3.33%
Plant	10%
Other	10 to 33%

14. Other operating expenses

Other operating expenses include € 43.7 million in rental expenses and lease expenses (2009: € 42.0 million). The remainder of these costs relates mainly to selling and distribution costs.

15. Income tax expense

A tax asset is recognised at year-end 2010 under financial fixed assets of € 1,026 (2009: € 889) relating to future tax loss carryforwards.

The differences between the valuation of tangible fixed assets for tax purposes and for financial reporting purposes give rise to the recognition of a tax asset of € 180 (2009: € 149).

An amount of € 1,077 (2009: € 796) in tax loss carry forwards is not recognised in the balance sheet, as their utilisation is currently assessed as being unlikely. Of the tax loss carry forwards € 36 expire in the year 2011, € 93 expire in the years 2014, 2015 and 2016, € 160 expire in the year 2023, € 221 expire in the year 2024, € 310 expire in the year 2025 and € 258 expire after the year 2025.

The effect of the decrease in the Dutch corporation tax rate effective 1 January 2011 from 25.5% to 25.0% is negligible.

The reconciliation between the tax liability 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 2010 and 31 December 2009:

	2010	**2009**
Profit before taxes	**37,071**	**31,978**
At the applicable legal rate of 25.5% in the Netherlands (2009: 25.5%)	9,453	8,154
Adjustment profits tax previous years	(8)	(12)
Non-deductible expenses	97	80
Future loss set-off not included	(281)	(301)
Effect of the tax rates outside the Netherlands	(127)	139
At an effective tax rate of 24.6% (2009: 25.2%)	**9,134**	**8,060**
Profit tax taken to the consolidated profit and loss account	9,134	8,060

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

	2010	**2009**
Tax for current year	**9,202**	**8,469**
Adjustment of profit tax for prior years	(8)	(12)
Temporary differences	77	67
Future tax loss carryforwards	(137)	(464)
Profit tax in the consolidated profit and loss account	**9,134**	**8,060**

16. Remuneration for the members of the Management Board and the Supervisory Board

In 2010 and 2009 the remuneration for the members of the Management Board and the Supervisory Board is as follows:

in €	Total		Salary		Variable remuneration		Pension		Employee stock options	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
A.H. Anbeek	747,000	-	300,000	-	180,000	-	90,000	-	177,000	-
F.J.H. Geelen*	185,063	900,250	78,750	315,000	78,750	315,000	27,563	110,250	-	160,000
D. van Hoeve	219,377	162,473	100,000	76,000	40,000	30,000	8,577	8,473	70,800	48,000
E.J. van der Woude**	-	203,438	-	131,250	-	39,375	-	32,813	-	-
Total Management Board	**1,151,440**	**1,266,161**	**478,750**	**522,250**	**298,750**	**384,375**	**126,140**	**151,536**	**247,800**	**208,000**

M.J.N.M. van Seggelen	32,500	26,500	32,500	26,500
E.F. van Veen	27,000	22,500	27,000	22,500
C.A.S.M. Renders	27,000	22,500	27,000	22,500
J. Blokker	18,000	16,000	18,000	16,000
D.R. Goeminne	15,750	-	15,750	-
A.J.L. Slippens	15,750	-	15,750	-
Total Supervisory Board	**136,000**	**87,500**	**136,000**	**87,500**

* For the period 1 January 2010 up to and including 31 March 2010

** For the period 1 January 2009 up to and including 30 September 2009

The variable remunerations relate to the year in which they are classified and are included in the expenses of that year. For a detailed explanation, please refer to the Remuneration Report on page 46 of this annual report.

As on the date of this report, Mr Van Hoeve holds 1,000 shares in the company.
As on the date of this report, Mr Anbeek holds 1,000 shares in the company.
Mr Blokker is director of the major shareholder Breedinvest B.V.
The members of the Supervisory Board do not have any options on shares in Beter Bed Holding N.V.

17. Earnings per share

The net profit of € 27,937, divided by the average number of outstanding shares totalling 21,511,517 equals earnings per share of € 1.30. Due to the option series outstanding, the number of shares used for the calculation of the diluted earnings per share is equal to 21,623,834. This results in diluted earnings per share of € 1.29.

18. 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 shown as follows:

Duration	2011	2012	2013	2014	2015	after 2015
Rental agreements	39,412	25,599	17,774	13,282	8,904	6,868
Lease agreements	2,035	1,476	848	472	264	267
Total	**41,447**	**27,075**	**18,622**	**13,754**	**9,168**	**7,135**

The majority of the rental agreements for the company premises required for the Beter Bed formula are long-term agreements (between five and ten years), with options for renewal.
The majority of the rental agreements for the Matratzen Concord formula have been concluded for a period between five to ten years, whereby a clause has been included stipulating that the agreements can be terminated without charge within the first two years.
In the year under review amounts of € 41.0 million (2009: € 39.6 million) arising from rental agreements for real estate and € 2.7 million (2009: € 2.4 million) arising from lease agreements have been recorded in the profit and loss account.

19. Related parties

The companies listed on page 58 of this report are included in the consolidation of Beter Bed Holding N.V. and its participating interests.

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.

20. Post-balance sheet events

No events that are required to be disclosed occurred in the period between the end of the year under review and the preparation of these financial statements.

Company balance sheet

at 31 December, in thousand €

before proposed profit appropriation		2010	2009
Fixed assets			
Tangible fixed assets		10	3
Financial fixed assets	1	126,427	115,608
		126,437	**115,611**
Current assets			
Debtors	2	4,537	4,693
Cash and cash equivalents	3	-	-
		4,537	**4,693**
Total assets		**130,974**	**120,304**

		2010	2009
Capital and reserves	4		
Issued share capital		436	436
Share premium account		16,145	16,145
Reserve for currency translation differences		504	137
Revaluation reserve		2,722	2,722
Other reserves		13,107	11,694
Retained earnings		27,937	23,918
		60,851	**55,052**
Provisions	5	**473**	**219**
Current liabilities	6	**69,650**	**65,033**
Total liabilities		**130,974**	**120,304**

Company profit and loss account

at 31 December, in thousand €	2010	2009
Net profit of participating interests	**21,242**	**18,711**
Other income / expenses	**6,695**	**5,207**
Net profit	**27,937**	**23,918**

Notes to the company balance sheet and profit and loss account

at 31 December, in thousand €

General

The registered office of Beter Bed Holding N.V. is Linie 27, Uden, the Netherlands. The financial statements have been compiled on the basis of Title 9, Book 2 of the Dutch Civil Code in accordance with International Financial Reporting Standards (IFRS), as adopted for use in the European Union and applied to the consolidated financial statements. The participating interests are valued at net asset value. 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, then a provision is formed for amounts owed by the participating interest and, when so required, a provision is formed.
The company financial statements are presented in euros and all amounts are rounded to thousands (€ 000) unless stated otherwise.
The option provided by Section 402 of Book 2 of the Dutch Civil Code to include an abbreviated profit and loss account in the company financial statements has been used.

1. Financial fixed assets

This item includes the participating interests in the group companies and the amounts owed by the group companies. The movement in this item is as follows:

	Participating interests in group companies	Loans	Total
Balance at 1 January 2010	**33,765**	**81,843**	**115,608**
Profit from participating interest in 2010	21,242	-	21,242
Dividend paid	(23,444)	-	(23,444)
Exchange gain	367	-	367
Loans granted to group companies	-	12,400	12,400
Movements in loans owed by group companies	(751)	751	-
Movements in participating interests provision	254	-	254
Balance at 31 December 2010	**31,433**	**94,994**	**126,427**

2. Debtors

	2010	**2009**
Group companies	2,719	3,156
Other debtors	1,818	1,537
Total	**4,537**	**4,693**

All debtors fall due within one year.

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 € 1,250, divided into 62.5 million ordinary shares with a nominal value of € 0.02 each. At the end of 2010 21,805,117 shares had been issued and paid up. The number of shares outstanding has not changed in the year under review.

Shares repurchased and not yet cancelled total 192.545. These shares have not been deducted from the number of issued and paid-up shares. These 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 on page 55.
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 2010 and 2009 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 2010 and 2009 are as follows:

	2010	2009
Balance at 1 January	**219**	**22**
Other movements	254	197
Balance at 31 December	**473**	**219**

6. Current liabilities

The breakdown of this balance sheet item is as follows:

	2010	2009
Credit institutions	64,805	62,583
Group companies	2,000	-
Taxes and social security contributions	2,421	2,028
Other liabilities, accruals and deferred income	424	422
Total	**69,650**	**65,033**

7. Financial statement audit fees

The fees for the audit of the financial statements performed by Ernst & Young Accountants LLP amounted to:

	2010	**2009**
Audit of financial statements	82	70
Other audit services	-	1
Other non-audit services	16	21
Total	**98**	**92**

Commitments not included in the balance sheet

The company, as the responsible company within the tax entity in the Netherlands, is liable for Debts arising from corporation tax owed by the Dutch companies.

Uden, The Netherlands, 9 March 2011

Management Board
A.H. Anbeek

Supervisory Board
M.J.N.M. van Seggelen
E.F. van Veen
J. Blokker
D.R. Goeminne
C.A.S.M. Renders
A.J.L. Slippens

Other information

Appropriation of profit

Appropriation of profit pursuant to the articles of association

Article 32 of the Articles of Association states the most important provisions pertaining to the appropriation of profit:

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 of Shareholders.

Appropriation of profit in thousand €

Profit for 2010	27,937
Interim dividend	(10,118)
Withdrawal of other reserves*	116
Available for payment	**17,935**

* On the basis of the balance of outstanding and repurchased shares as at 31 December 2010

The proposal for the appropriation of profit has not been taken into the balance sheet.

Auditor's report

Independent auditor's report

To the Annual General Meeting of Shareholders and the Supervisory Board of
Beter Bed Holding N.V.

Report on the financial statements
We have audited the accompanying financial statements 2010 of Beter Bed Holding N.V., Uden, The Netherlands. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at December 31, 2010, the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at December 31, 2010 the company profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Report of the Management Board in accordance with Part 9 of Book 2 of the Dutch Civil Code . Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion with respect to the consolidated financial statements
In our opinion, the consolidated financial statements give a true and fair view of the financial position of Beter Bed Holding N.V. as at December 31, 2010 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the company financial statements
In our opinion, the company financial statements give a true and fair view of the financial position of Beter Bed Holding N.V. as at December 31, 2010 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements
Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Report of the Management Board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the report of the Management Board, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Eindhoven, 9 March 2011

Ernst & Young Accountants LLP

was signed W.T. Prins

Historical summary

at 31 December	2010	2009	2008	2007	2006	2005
Result (in thousand €)						
Revenue	374,724	361,470	358,565	351,171	320,017	287,136
Gross profit	209,507	197,832	195,486	188,741	171,024	152,619
Operating profit (EBIT)	37,460	32,638	31,208	37,346	34,481	24,685
Net profit	27,937	23,918	22,126	27,572	23,830	15,637
Depreciation	7,848	7,750	7,309	6,974	6,117	6,318
Cash flow	35,785	31,668	29,435	34,546	29,947	21,955
Net investment	7,590	5,648	9,541	10,497	7,655	6,299
Capital (in thousand €)						
Total assets	113,978	109,077	96,978	95,160	82,957	72,226
Equity	60,851	55,052	42,703	45,066	42,701	33,422
Figures per share*						
Net profit in €	1.30	1.12	1.04	1.27	1.10	0.72
Cash flow in €	1.66	1.49	1.38	1.60	1.38	1.02
Dividend paid in €	1.30	1.04	0.52	1.05	0.90	0.60
Average number of outstanding shares (in 1,000 of shares)	21,512	21,310	21,319	21,653	21,643	21,642
Share price in € at year-end	21	16	9	18	19	13
Ratios						
Revenue growth	3.7%	0.8%	2.1%	9.7%	11.5%	12.5%
Gross profit/net revenue	55.9%	54.7%	54.5%	53.7%	53.4%	53.2%
Operating profit/revenue	10.0%	9.0%	8.7%	10.6%	10.8%	8.6%
Net profit/revenue	7.5%	6.6%	6.2%	7.9%	7.4%	5.4%
Solvency	53.4%	50.5%	44.0%	47.4%	51.5%	46.3%
Interest cover	96.3	49.5	36.1	79.1	54.2	31.4
Other information						
Number of stores at year-end	1,117	1,064	1,036	960	839	775
Number of retail staff at year-end	2,353	2,274	2,227	2,075	1,810	1,717
Number of production staff at year-end	-	-	-	-	-	4
Revenue per staff (in € 1,000)	163	163	165	179	180	167

* Recalculated according to the number of shares on the basis of a nominal value of € 0.02 (after the split in May 2006)

This annual report is published by

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HARD AT WORK ON A GOOD NIGHT'S REST

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