

"Karlsson"

Annual Report
2017

Financial Statements

Consolidated balance sheet

At 31 December

in thousand €	Notes	2017	2016
Fixed assets			
Tangible assets	1. 12.		
Land		7,090	7,132
Buildings		3,679	3,983
Other fixed operating assets		33,467	26,955
		44,236	38,070
Intangible assets	2. 12.		
Intangible operating assets		9,030	7,002
Financial assets	3.		
Deferred tax assets		2,353	1,217
Long-term accounts receivable		526	660
		2,879	1,877
Total fixed assets		56,145	46,949
Current assets			
Inventories	4.		
Finished products and goods for resale		65,697	61,884
Receivables	5.		
Trade accounts receivable		3,014	4,332
Other receivables		9,669	8,660
Profit tax receivable	17.	4,536	-
		17,219	12,992
Cash and cash equivalents	6.	17,669	21,792
Total current assets		100,585	96,668
Total assets		156,730	143,617

At 31 December

in thousand €	Notes	2017	2016
Equity			
Equity attributable to equity holders of the parent	7.		
Issued share capital		439	439
Share premium account		18,434	18,434
Reserve for currency translation differences		673	913
Revaluation reserve		2,797	2,812
Other reserves		38,316	35,265
Retained earnings		9,525	19,015
Total equity		70,184	76,878
Liabilities			
Non-current liabilities			
Provisions	8.	44	198
Deferred tax liabilities	9.	3,383	2,154
		3,427	2,352
Current liabilities	10.		
Credit institutions	6.	17,481	-
Trade payables		30,629	31,856
Profit tax payable	17.	1,482	1,410
Taxes and social security contributions		9,667	9,565
Other liabilities		23,860	21,556
		83,119	64,387
Total liabilities		86,546	66,739
Total equity and liabilities		156,730	143,617

Consolidated profit and loss account

in thousand €	Notes	2017		2016	
Revenue	12.	416,426		410,457	
Cost of sales		(176,931)		(173,350)	
Gross profit		239,495	57.5%	237,107	57.8%
Personnel expenses	13.	108,262		100,523	
Depreciation and amortisation	15.	12,847		11,168	
Other operating expenses	16.	103,961		99,381	
Total operating expenses		225,070	54.0%	211,072	51.4%
Operating profit (EBIT)		14,425	3.5%	26,035	6.3%
Finance income		104		144	
Finance costs		(510)		(302)	
Profit before taxation		14,019	3.4%	25,877	6.3%
Income tax expense	17.	(4,494)		(6,862)	
Net profit		9,525	2.3%	19,015	4.6%
Earnings per share	19.				
Earnings per share in €		0.43		0.87	
Diluted earnings per share in €		0.43		0.86	

Consolidated statement of comprehensive income

in thousand €

	2017			2016		
	Gross	Tax	Net	Gross	Tax	Net
Profit	14,019	(4,494)	9,525	25,877	(6,862)	19,015
Non-recyclable:						
Change in revaluation reserve						
- due to revaluation of land	-	-	-	-	-	-
Recyclable:						
Movements in reserve for currency translation differences	(240)	-	(240)	(184)	-	(184)
Total comprehensive income	13,779	(4,494)	9,285	25,693	(6,862)	18,831

Consolidated cash flow statement

in thousand €	2017	2016
Cash flow from operating activities		
Operating profit	14,425	26,035
Net finance costs	(406)	(158)
Income tax paid	(8,865)	(7,838)
Depreciation and amortisation	12,847	11,168
Costs share-based compensation	268	301
Movements in:		
– Inventories	(3,813)	(2,457)
– Receivables	309	(4,345)
– Provisions	(154)	(340)
– Current liabilities (excl. credit institutions)	1,179	11,810
– Other	(104)	(131)
	15,686	34,045
Cash flow from investing activities		
Additions to (in)tangible assets	(21,384)	(16,534)
Acquisitions	-	(3,287)
Disposals of (in)tangible assets	207	325
Changes in non-current receivables	134	(265)
	(21,043)	(19,761)
Cash flow from financing activities		
Dividend paid	(16,247)	(18,004)
	(16,247)	(18,004)
Change in net cash and cash equivalents	(21,604)	(3,720)
Net cash and cash equivalents at the beginning of the financial year	21,792	25,512
Net cash and cash equivalents at the end of the financial year	188	21,792

Consolidated statement of changes in equity

in thousand €	Total	Issued share capital	Share premium reserve	Reserve for currency translation	Revalua- tion reserve	Other reserves	Retained earnings
Balance on 1 Jan 2016	75,750	439	18,434	1,097	2,812	30,409	22,559
Net profit 2016	19,015	-	-	-	-	-	19,015
Other components of comprehensive income 2016	(184)	-	-	(184)	-	-	-
Profit appropriation 2015	-	-	-	-	-	22,559	(22,559)
Final dividend 2015	(10,539)	-	-	-	-	(10,539)	-
Interim dividend 2016	(7,465)	-	-	-	-	(7,465)	-
Costs of share-based compensation	301	-	-	-	-	301	-
Balance on 31 Dec 2016	76,878	439	18,434	913	2,812	35,265	19,015
Net profit 2017	9,525	-	-	-	-	-	9,525
Other components of comprehensive income 2017	(240)	-	-	(240)	-	-	-
Profit appropriation 2016	-	-	-	-	-	19,015	(19,015)
Final dividend 2016	(8,782)	-	-	-	-	(8,782)	-
Interim dividend 2017	(7,465)	-	-	-	-	(7,465)	-
Transfer to other reserves	-	-	-	-	(15)	15	-
Costs of share-based compensation	268	-	-	-	-	268	-
Balance on 31 Dec 2017	70,184	439	18,434	673	2,797	38,316	9,525

General notes

General

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

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

The 2017 consolidated financial statements of Beter Bed Holding N.V. have been prepared by the Management Board and discussed in the meeting of the Supervisory Board on 1 March 2018. 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 on 26 April 2018.

Applications of new standards

A number of new standards, amendments to and interpretations of existing standards entered into effect in 2017. The new standards, amendments and interpretations of relevance to the company had no impact on the company's capital and results.

The following standards and interpretations were issued on the date of publication of the financial statements, but were not yet effective for the 2017 financial statements. Only those standards and interpretations are listed below that Beter Bed Holding N.V. reasonably expects to have an impact on the disclosures, the financial position or the results of the company upon future application. Beter Bed Holding intends to apply these standards and interpretations as soon as they become effective.

IFRS 9 Financial instruments, effective 1 January 2018

IFRS 9 is the new reporting standard for financial instruments, replacing IAS 39 'Financial instruments'. The transition from incurred credit losses to expected credit losses for determining the provision for receivables is entirely new. However, given the non-material size of that provision, this new standard has no significant impact on Beter Bed Holding's consolidated financial statements.

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

IFRS 15 is the new reporting standard for revenue from contracts with customers, replacing IAS 18 'Revenue'. Beter Bed Holding has analysed the five steps in IFRS 15, which are: identify the contract, identify the 'performance obligation' in the contract, determine the transaction price, allocate the transaction price to the 'performance obligations' in the contract and recognise revenue. This revealed that this new standard has no significant impact on Beter Bed Holding's consolidated financial statements.

IFRS 16 Leases, effective 1 January 2019

IFRS 16 is the new reporting standard for leases, replacing IAS 17 'Leases'. In its 2016 annual report, the company already stated that this new standard will have a significant impact on Beter Bed Holding. The group has nearly 1,200 stores in various European countries. Nearly all these stores are rented. The notes for the rental agreements are currently enclosed under Note 20 'Commitments not included in the balance sheet'. The monthly rental costs are currently recognised by debiting to the profit and loss account on the basis of the prevailing lease standard.

Pursuant to IFRS 16, these rental and lease agreements shall need to be recognised in the balance sheet. The future 'right of use' will then be capitalised and the future lease obligation will be recognised. In addition, there will be a shift from the operating lease costs to the amortisation and interest costs.

In 2016, Beter Bed Holding performed an initial analysis of the impact of IFRS 16 on the group. This revealed that the balance sheet total will increase significantly by an amount dependent on the assumptions for the discount rate and the renewal period for the rental agreements. This is also applicable to EBITDA. IFRS 16 will, in conclusion, inevitably have a great impact on a number of ratios, including solvency. The covenants with credit institutions are not impacted, however, given the fact that the ratios concerned are calculated excluding the impact of IFRS 16. At the present time, Beter Bed Holding has not yet finalised its choice in connection with the transition options and the options for practical implementation and other matters offered by the standard. Accordingly, no insight can be provided yet into the actual impact entailed by the adoption of IFRS 16.

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, because Beter Bed Holding holds the majority of voting rights or can control the financial and operating activities in another manner. 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.

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 ¹	Cologne, Germany	100
BBH Services GmbH & Co K.G. ¹	Cologne, Germany	100
Bedden & Matrassen B.V.	Uden, The Netherlands	100
Beter Bed B.V.	Uden, The Netherlands	100
Beter Bed Holding N.V. y Cia S.L.	Barcelona, Spain	100
Beter Beheer B.V.	Uden, The Netherlands	100
DBC International B.V.	Uden, The Netherlands	100
DBC Nederland B.V.	Uden, The Netherlands	100
El Gigante del Colchón S.L.	Barcelona, Spain	100
Linbomol S.L.	Barcelona, Spain	100
Literie Concorde SAS ²	Reichstett, France	100
M Line Bedding S.L.	Barcelona, Spain	100
Matratzen Concord (Schweiz) AG	Malters, Switzerland	100
Matratzen Concord GmbH ¹	Cologne, Germany	100
Matratzen Concord GesmbH	Vienna, Austria	100
Procomiber S.L.	Barcelona, Spain	100
Sängjätten Sverige AB	Göteborg, Sweden	100
Sängjätten Sverige Wholesale AB	Göteborg, Sweden	100

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

² Liquidated in 2017.

Principles for the translation of foreign currencies

The consolidated financial statements have been prepared in euros. The euro is the functional currency of Beter Bed Holding N.V. and the reporting currency of the group. Assets and liabilities in foreign currencies are translated at the rate of exchange on the balance sheet date; profit and loss account items are translated at the rate of exchange at the time of the transaction. The resultant exchange differences are credited or debited to the profit and loss account. Exchange differences in the financial statements of foreign group companies included in the consolidation are taken directly to equity through other comprehensive income. The results and assets and liabilities of consolidated foreign participating interests are translated into euros at the average exchange rate per month and the closing 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 the profit and loss account.

Accounting policies

Property, plant and equipment

Items of property, plant and equipment other than land are valued at the cost of purchase or construction less straight-line depreciation based on the expected economic life or lower recoverable amount. Land is carried at fair value on the basis of periodic valuations by an outside expert. Any revaluations are recognised in equity through other comprehensive income, with a provision for deferred taxation being formed at the same time. Land and items of property, plant and equipment in the course of construction are not depreciated.

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

Leases

The determination whether an arrangement forms or contains a lease is based on the substance of the agreement and requires an assessment to determine whether the execution of the agreement is dependent upon the use of a certain asset or certain assets and whether the agreement gives the right to actually use the asset. Beter Bed Holding only has operating leases. Operational lease payments are recorded as expenses in the profit and loss account on a straight-line basis over the term of the lease.

Intangible assets

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

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

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

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

Impairment of assets

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

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

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

Derecognition of financial assets and liabilities

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

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

Taxation

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

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

Deferred tax assets are recognised for available tax loss carryforwards and deferred tax assets arising from temporary differences at the balance sheet date between the tax base of assets and liabilities and the carrying amount in 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.

Inventories

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

Cash and cash equivalents

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

Provisions

Provisions are recognised for legal or constructive obligations existing at the balance sheet date for which it is probable that an outflow of resources will be required and whose amount can be reliably estimated.

Provisions are carried at the best estimate of the amounts required to settle the obligation at the balance sheet date, which is the nominal amount of the expenditure expected to be required, unless stated otherwise.

Other assets and liabilities

Other assets and liabilities are valued at amortised cost. Where necessary an allowance for doubtful debts is applied for receivables. 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 rebates, and sales taxes. Sales are recognised as revenue when the goods are delivered to consumers and other customers and all significant risks and rewards of ownership of the goods have been transferred to the buyer.

Cost of sales

This comprises the cost of the goods and services included in sales, after deduction of any payment discounts and purchase bonuses 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, which is included in the Detailhandel Industrial Pension Fund with effect from 1 January 2018. This is an average pay scheme with a maximum pension accrual on the income for social security contributions. This arrangement is currently considered a 'defined benefit' scheme. This pension fund is not, however, able at present to provide data that enable a strict application of IAS 19. The principal reason for this is that the company's share in the Wonen Industrial Pension Fund cannot be sufficiently reliably determined. Consequently this pension scheme is accounted for as a defined contribution scheme.

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

Depreciation and amortisation

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

Cash flow statement

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

Share-based transactions

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

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

Risks

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

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

Currency risks, arising mainly from purchases in dollars, are not hedged. A 5% change in the average dollar exchange rate would, on the basis of the purchasing volumes in the financial year, produce an effect of approximately € 97 (2016: € 108) on the operating profit (EBIT) if sales prices remain the same. There are virtually no financial instruments in foreign currencies. The currency risks owing to the presence and/or transactions in Sweden and Switzerland and the potential volatility of the Swedish krona and the Swiss franc are considered to be limited due to the fact that the majority of goods purchases takes place in euros.

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 the interest rate of 50 basis points would be € 0.1 million before taxation (2016: € 0.0 million), on the basis of the use of the credit facilities at year-end 2017. The carrying amount of the financial liabilities is virtually equal to the fair value.

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

Liquidity risk is not very significant, owing to the nature of the company's operations and financial position. A description of the available credit facilities can be found in the chapter [current liabilities](#) (see page 73). For an explanation of the other risks, please refer to the related section of the [Report of the Management Board](#) (see page 29).

Capital management

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

Solvency at year-end 2017 was 44.8% (2016: 53.5%). The net interest-bearing debt/EBITDA ratio was zero in 2017 (2016: zero).

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

Information by segment

Various operating segments 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. The principal operating segments are comparable in each of the following respects:

- **Nature of the products and services**
The operating segments primarily sell mattresses, bedroom furnishings (including box springs), bed bases and bed textiles. The operating segments also provide the home delivery service.
- **Customers for the products and services**
The operating segments sell direct to consumers, focusing specifically on customers in the 'value for money' segment.
- **Distribution channels for the products and services**
The operating segments generate their revenue in stores (the offline retail channel) and also have a web shop (online retail channel). Online revenue compared with total revenue is similar for the operating segments.
- **Economic characteristics**
The operating segments have similar economic characteristics, e.g. in terms of revenue, gross profit and inventory turnover rate.

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

Seasonal pattern

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

Estimates

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

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

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

Where significant estimates are made when drawing up the financial statements, an explanation is provided in the notes for each item in question. Accounting estimates were applied mainly for the measurement of intangible assets and property, plant and equipment and the provision for onerous contracts and taxation.

Accounting for acquisitions

Acquisitions are accounted for on the basis of the purchase accounting method. From the date of acquisition, the results and the identifiable assets and liabilities of the acquired company are included in the consolidated financial statements. The date of acquisition is the date on which control can be exercised in the company concerned. The purchase price comprises the cash amount or equivalent thereof that has been agreed to acquire the acquiree plus any directly attributable costs. Any amount by which the purchase price exceeds the net amount of the fair value of the identifiable assets and liabilities is capitalised as goodwill under intangible assets. If the purchase price is lower than the net amount of the fair value of the identifiable assets and liabilities, the difference (badwill) is credited to profit or loss.

Notes to the consolidated balance sheet and profit and loss account

in thousand €, unless otherwise stated

1. Property, plant and equipment

	Land	Buildings	Other fixed operating assets	Total
Book value 1 January 2016	7,132	3,999	23,389	34,520
Acquisitions	-	-	293	293
Additions	-	239	12,899	13,138
Currency adjustment	-	-	(1)	(1)
Disposals	-	-	(325)	(325)
Depreciation	-	(255)	(9,300)	(9,555)
Book value 31 December 2016	7,132	3,983	26,955	38,070
Accumulated depreciation	-	6,599	76,371	82,970
Accumulated revaluation	(3,750)	-	-	(3,750)
Purchase price	3,382	10,582	103,326	117,290
Book value 1 January 2017	7,132	3,983	26,955	38,070
Additions	-	54	17,520	17,574
Revaluation	(20)	-	-	(20)
Currency adjustment	-	-	(67)	(67)
Disposals	(22)	(11)	(174)	(207)
Depreciation	-	(347)	(10,767)	(11,114)
Book value 31 December 2017	7,090	3,679	33,467	44,236
Accumulated depreciation	-	6,827	82,232	89,059
Accumulated revaluation	(3,730)	-	-	(3,730)
Purchase price	3,360	10,506	115,699	129,565

A further explanation of the investments is enclosed in the report of the Management Board (see page 24).

The cumulative revaluation relates to the land in Uden, Nieuw-Vennep and Hoogeveen, as well as the value of the land forming part of the retail properties owned. These retail properties are located in Elst, Den Helder and Uden. The land forming part of the retail properties was valued on 30 June 2015 and the land forming part of the distribution centres in Uden and Hoogeveen was valued on 25 November 2015, both by an independent valuer. The valuation of the distribution centre in Nieuw-Vennep was performed on 25 July 2014 by an independent valuer. The valuations have been performed using the rental value capitalisation method.

The items of property, plant and equipment are intended for own use.

2. Intangible assets

	2017	2016
Book value 1 January	7,002	3,477
Acquisitions	-	1,776
Additions	3,810	3,396
Currency adjustment	(49)	(34)
Amortisation	(1,733)	(1,613)
Book value 31 December	9,030	7,002
Accumulated amortisation	12,917	7,693
Purchase price	21,947	14,695

A further explanation of the investments is enclosed in the [report of the Management Board](#) (see page 24).

The intangible assets are comprised of the acquired 'Sängjätten' brand name, licenses and software.

3. Financial assets

The financial assets consist on the one hand of non-current receivables of € 526 (2016: € 660) and on the other of deferred tax assets of € 2,353 (2016: € 1,217).

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

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

	2017	2016
Tax loss carryforwards	1,772	643
Difference tax and financial reporting valuation (in)tangible assets	312	291
Difference tax and financial reporting valuation pension	253	261
Difference tax and financial reporting valuation stock	16	22
Balance at 31 December	2,353	1,217

At year-end 2017, a tax credit of € 1,772 (2016: € 643) for future loss carry-forwards was recognised under financial assets. This relates to losses available for carry-forward in Austria, Switzerland and Sweden. As Beter Bed Holding expects, on the basis of the currently available information, to be able to set off these tax losses within five years, they have been capitalised in full.

An amount of € 10,790 (2016: € 10,797) in loss carry-forwards has not been recognised. Beter Bed Holding's policy is that tax losses available for carry-forward are capitalised only if reasonable possibilities for set-off are expected within five years on the basis of a substantiated forecast of the results for tax purposes. Set-off of these losses is insufficiently probable on the basis of the currently available information.

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

Term	
1 year	-
2 to 5 years	2
6 to 10 years	2,920
11 to 15 years	3,832
Indefinite	4,036

Movements in deferred tax assets in 2017 and 2016 were as follows:

	2017	2016
Balance at 1 January	1,217	1,185
Through profit and loss account	1,136	32
Through equity	-	-
Balance at 31 December	2,353	1,217

4. Inventories

This comprises inventories held in stores of € 58,914 (2016: € 55,239) and inventories held in warehouses of € 6,783 (2016: € 6,645). The write-down for possible obsolescence included in this item can be broken down as follows:

	2017	2016
Balance at 1 January	1,874	1,633
Additions	1,236	1,595
Withdrawals	(1,895)	(1,354)
Balance at 31 December	1,215	1,874

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

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

The total carrying amount of inventories for which there is a risk of obsolescence is € 5,492 (2016: € 6,203). The direct net realisable value of these inventories is € 4,277 (2016: € 4,329). Therefore the percentage of inventories for which there is a risk of obsolescence compared with total inventories was 8.2% (2016: 9.7%).

5. Receivables

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

Provisions are recognised for individual receivables if there are objective indications that the probability of uncollectibility for them exceeds 50%. This assessment is performed on the basis of past experience and other relevant information, such as bankruptcy of the debtor concerned.

A provision of € 13 (2016: € 25) has been recognised for receivables due from wholesalers. This is 1.7% (2016: 5.9%) of the overdue receivables.

6. Cash and cash equivalents

Cash and cash equivalents can be broken down as follows:

	2017	2016
Bank balances	15,557	20,070
Cash	407	380
Cash in transit	1,705	1,342
Cash and cash equivalents in the consolidated balance sheet	17,669	21,792
Bank overdrafts	(17,481)	-
Cash and cash equivalents in the consolidated cash flow statement	188	21,792

7. Equity

Movements in equity items are shown in the consolidated statement of changes in equity (see page 59). The company's authorised share capital amounts to € 2,000, divided into 100 million ordinary shares with a nominal value of € 0.02 each.

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

	2017	2016
Issued and paid-up shares as at 1 January	21,955,562	21,955,562
Share issue on exercise of employee stock options	-	-
Issued and paid-up shares as at 31 December	21,955,562	21,955,562
Shares in portfolio as at 1 January	-	-
Repurchased during the year	-	-
(Re)issue on exercise of options	-	-
Sale of shares in portfolio	-	-
Shares in portfolio as at 31 December	-	-

The revaluation reserve relates to land.

A proposal will be submitted to the Annual General Meeting to distribute a final dividend in cash of € 0.03 per share. The total dividend for 2017 will therefore amount to € 0.37 per share (2016: € 0.74).

8. Provisions

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

The provision for onerous rental contracts can be broken down as follows:

	2017	2016
Balance at 1 January	275	898
Additions	-	-
Withdrawals	(154)	(450)
Releases	-	(173)
Balance at 31 December	121	275
Of which current (in other liabilities)	77	77
Total provision for onerous rental contracts	44	198

9. Deferred tax liabilities

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

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

	2017	2016
Difference tax and financial reporting valuation tangible assets	1,609	376
Revaluation of company land	932	937
Difference tax and financial reporting valuation stocks	770	761
Difference tax and financial reporting valuation rent obligations	72	80
Total	3,383	2,154

Movements in this item in 2017 and 2016 were as follows:

	2017	2016
Balance at 1 January	2,154	2,279
Through profit and loss account	1,229	(125)
Through equity	-	-
Balance at 31 December	3,383	2,154

10. Current liabilities

To fund the group the company has current account facilities totalling € 42.3 million at its disposal. Furthermore, facilities totalling € 6.4 million are available for providing guarantees.

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

These current account facilities include two committed facilities in the amount of € 10.0 million each which will expire on 10 July 2020 and 15 July 2020 respectively. No security has been provided for the committed facilities. The main conditions of the credit facilities are a minimum solvency of 25% and a maximum interest-bearing debt/EBITDA ratio of 2.5.

At the end of the year under review, an amount of € 17.5 million (2016: € 0.0 million) was used under the current account facilities. These facilities were also used for providing bank guarantees for the purpose of rental payments amounting to € 0.5 million (2016: € 0.6 million). Of the facilities available specifically to provide guarantees, a total of € 6.7 million was used at year-end 2017 (2016: € 6.3 million).

The other liabilities can be broken down as follows:

	2017	2016
Prepayments	11,977	9,804
Accruals personnel and staff benefits	8,413	8,408
Other	3,470	3,344
Total	23,860	21,556

The item accrual for staff costs and employee benefits includes a pension liability for a former employee. This liability of € 1.4 million (2016: € 1.5 million) has been calculated on an actuarial basis.

11. Financial liabilities

	up to 3 months	3 to 12 months	1 to 5 years
2017			
Accounts payable	30,629	-	-
Credit institutions	17,481	-	-
Total	48,110	-	-
2016			
Accounts payable	31,856	-	-
Credit institutions	-	-	-
Total	31,856	-	-

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

12. Information by geographical area

Revenue by country	2017	%	2016	%
Germany	202,426	49	213,800	52
The Netherlands	149,052	36	138,115	34
Other countries	66,187	15	59,824	14
Intercompany adjustment	(1,239)	-	(1,282)	-
Total	416,426	100	410,457	100

(In)tangible fixed assets by country	2017	2016
The Netherlands	25,285	24,731
Germany	19,482	13,236
Other countries	8,499	7,105
Total	53,266	45,072

13. Personnel expenses

The operating expenses include the following wage and salary components:

	2017	2016
Wages and salaries	88,364	82,684
Social security costs	16,049	14,881
Pension costs	3,581	2,657
Employee stock options	268	301
Total	108,262	100,523

The pension contributions relate virtually exclusively to defined contribution schemes or schemes designated as such. Within the costs of employee stock options, € 116 relate to the current and former members of the company's Management Board (2016: € 135).

With effect from 1 January 2018, the Wonen Industrial Pension Fund merged into the Detailhandel Industrial Pension Fund.

Average number of employees

The companies included in the consolidation had an average of 2,814 employees (FTE) in 2017 (2016: 2,621):

	2017	2016
Germany	1,667	1,610
The Netherlands	711	636
Austria	155	152
Switzerland	109	96
Spain	79	69
Sweden	68	44
Belgium	18	11
France	7	3
Total	2,814	2,621

14. Option program

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

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

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

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

	2017	2016	2015	2014
Number granted	128,500	197,500	186,000	166,700
<i>of which CFO</i>	30,000	40,000	40,000	32,000
Number outstanding	70,000	92,000	26,666	29,066
Value according to Black & Scholes	€ 1.33 - € 1.54	€ 2.41 - € 2.44	€ 2.19 - € 2.67	€ 1.78 - € 1.93
Exercise from	18-05-2020	19-05-2019	19-05-2018	19-05-2017
Exercise through	17-05-2022	18-05-2021	19-05-2020	19-05-2019
TSR > AScX	-	-	-	Partly (33.3%)
TSR > Peer Group	-	-	-	-
Share price on the allotment date	€ 15.78	€ 20.00	€ 22.79	€ 17.37
Exercise price	€ 15.53	€ 19.99	€ 22.79	€ 17.37
Expected life	5 years	5 years	5 years	5 years
Risk-free rate of interest (%)	-0.27	-0.52	0.30	0.78 - 0.46
Volatility (%) ¹	22.10	25.40	26.58	27.50 - 21.94
Dividend yield (%)	4.40	3.40	5.40	5.20

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

In 2017, 263,667 options expired, as a number of employees holding options left the company before the expiration dates. In addition, a total of 133,650 options expired in 2017 due to the expiry of their term. Furthermore, a portion of the options expired because the vesting conditions were not satisfied. The series concerned are the series 2014 part III and 2015 part II. Lastly, 128,500 new options were granted in 2017. See the summary of options series outstanding (see page 13).

15. Depreciation and amortisation

	2017	2016
Depreciation and impairment on tangible assets	11,114	9,555
Amortisation and impairment on intangible assets	1,733	1,613
Total of depreciation, amortisation and impairment	12,847	11,168

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

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

16. Other operating expenses

The other operating expenses comprise € 50.5 million in rental and lease costs (2016: € 47.8 million), with the remainder relating mainly to selling and distribution costs.

17. Income taxes

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

	2017	2016
Profit before taxes	14,019	25,877
Tax using the company's domestic tax rate: 25.0% (2016: 25.0%)	3,505	6,469
Adjustment profits tax previous years	60	105
Permanent differences	(79)	(1,406)
Future loss set-off not included	958	602
Recognition of previously unrecognised deferred tax assets	-	-
Tax losses carried forward	(120)	(42)
Effect of the tax rates outside the Netherlands	170	1,134
At an effective tax rate of 32.1% (2016: 26.5%)	4,494	6,862
Profit tax in the consolidated profit and loss account	4,494	6,862

The effective tax rate rose to 32.1% in 2017 (2016: 26.5%). This increase was mainly attributable to the fact that a number of tax facilities in Germany can no longer be used and loss carry-forwards that had (provisionally) not been capitalised.

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

	2017	2016
Tax for current year	4,527	6,802
Adjustment of profit tax for prior years	60	105
Temporary differences	(93)	(146)
Utilisation tax loss carryforwards	-	101
Profit tax in the consolidated profit and loss account	4,494	6,862

18. Remuneration of the Management and Supervisory Boards

The remuneration of members of the Management Board was as follows in 2017 and 2016:

	2017			2016		
	CEO	CFO	Total	CEO	CFO	Total
Salary	297	255	552	350	250	600
Variable remuneration	-	56	56	110	73	183
Pension	89	64	153	105	63	168
Employee stock options	52	64	116	78	57	135
Social security charges	14	17	31	16	16	32
Lease car	10	16	26	13	16	29
Total	462	472	934	672	475	1,147

The variable remuneration relates to the year under which it is classified and is recognised in the expenses of that year. The maximum variable remuneration for the CEO for 2017 is equal to 60% of the gross fixed annual salary (split into 50% for quantitative targets and 50% for qualitative targets). The maximum variable remuneration for the CFO is 50% of the gross fixed annual salary (split into 40% for quantitative targets and 60% for qualitative targets). However, owing to the CEO's departure during the financial year, no variable remuneration was awarded to him. For detailed information, see the [remuneration report](#) (see page 50).

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

At the end of the financial year, the CFO held 1,500 shares in Beter Bed Holding. He holds 10,666 exercisable options for shares in Beter Bed Holding at 31 December 2017.

The remuneration of the members of the Supervisory Board was as follows in 2017 and 2016:

	2017	2016
D.R. Goeminne	40	40
A.J.L. Slippens	26	26
E.A. de Groot	30	30
W.T.C. van der Vis	30	30
Total	126	126

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

19. Earnings per share

The net profit of € 9.5 million divided by the average number of outstanding shares totalling 21,955,562 equates to earnings per share of € 0.43 in 2017 (2016: € 0.87). Due to the options series outstanding, the number of shares used for the calculation of diluted earnings per share is equal to 21,955,855. This results in diluted earnings per share of € 0.43 (2016: € 0.86).

20. Commitments not included in the balance sheet

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

Duration	2018	2019	2020	2021	2022	after 2022
Rental agreements	44,476	32,393	21,947	13,463	6,851	682
Lease agreements	2,581	1,793	1,310	756	455	297
Total	47,057	34,186	23,257	14,219	7,306	979

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

In the year under review, amounts of € 47.7 million (2016: € 45.1 million) arising from rental agreements and € 2.8 million (2016: € 2.7 million) arising from lease agreements were accounted for in the profit and loss account.

21. Audit fees

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

	2017	2016
Audit of financial statements	265	252
Other non-audit services	16	16
Total	281	268

The fees for the audit of the financial statements and other non-audit services performed by PwC Accountants in the Netherlands were € 130 (2016: € 145).

The other non-audit service in 2017 relates to the review of the interim figures.

22. Related parties

The companies listed in [principles of consolidation](#) (see page 61) are included in the consolidation of Beter Bed Holding N.V. and its participating interests.

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

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

There were no transactions in 2017 between the company and natural or legal persons holding at least 10% of the shares in the company that were of material significance to the company and/or the persons concerned.

23. Events after the balance sheet date

On 16 January 2018, it was announced that the Supervisory Board intends to appoint John Kruijsen as Chief Executive Officer (CEO) and Statutory Director. The proposed appointment will be placed on the agenda of the Annual General Meeting on 26 April 2018 in accordance with the articles of association and legal and statutory requirements. No other 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 financial statements

Company balance sheet

At 31 December

in thousand € (before proposed profit appropriation)	Notes	2017	2016
Fixed assets			
Tangible assets		2	-
Intangible assets		151	138
Financial assets	1.	185,783	184,474
Total fixed assets		185,936	184,612
Current assets			
Receivables	2.	5,340	4,966
Cash and cash equivalents	3.	-	-
Total current assets		5,340	4,966
Total assets		191,276	189,578

in thousand € (before proposed profit appropriation)	Notes	2017	2016
Capital and reserves	4.		
Issued share capital		439	439
Share premium account		18,434	18,434
Reserve for currency translation differences		673	913
Revaluation reserve		2,797	2,812
Other reserves		38,316	35,265
Retained earnings		9,525	19,015
Total equity		70,184	76,878
Liabilities			
Provisions	5.	9,912	14,770
Current liabilities	6.	111,180	97,930
Total liabilities		121,092	112,700
Total equity and liabilities		191,276	189,578

Company profit and loss account

in thousand €	2017	2016
Cost of sales	2,234	2,638
Gross profit	2,234	2,638
Wage and salary costs	1,118	1,305
Depreciation and amortisation	46	45
Other operating expenses	1,465	1,419
Total operating expenses	2,629	2,769
Operating profit (EBIT)	(395)	(131)
Finance income	6,672	6,555
Finance costs	(486)	(391)
Profit before taxation	5,791	6,033
Income tax expense	(880)	(1,606)
Result participations	4,614	14,588
Net profit	9,525	19,015

Notes to the company balance sheet and profit and loss account

General

The registered office of Beter Bed Holding N.V. is Linie 27, Uden, the Netherlands. The 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 in group companies are valued at the net asset value calculated in accordance with Beter Bed Holding N.V.'s policies. When a participating interest has a negative equity the sequence is as follows: first, the valuation of the participating interest is reduced, after which a write-down is applied to the amounts owed by this participating interest insofar as these are an increase of the net investment in the participating interest, and then a provision is formed.

Beter Bed Holding N.V. had an average number of 7 employees (FTE) in 2017 (2016: 7).

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

The note on [executive remuneration](#) (see page 78) is included in the notes to the consolidated balance sheet and profit and loss account.

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

1. Financial assets

This item includes [the participating interests in the group companies](#) (see page 61) and the amounts owed by the group companies.

The loans to participating interests item recognises a loan in accordance with market conditions to Beter Beheer B.V. of € 87,240 (2016: € 87,240). The loan to Beter Beheer B.V. is a fixed-interest loan at an interest rate of 7% (2016: 7%). The remaining term to maturity of the loan to Beter Beheer B.V. is one year. No securities with regard to this loan have been provided. The fair value of the loan is equal to its nominal value.

Movements in this item were as follows:

	Participating interests in group companies	Loans	Total
Balance at 1 January 2016	78,396	87,240	165,636
Profit from participating interests in 2016	14,588	-	14,588
Dividend paid	(665)	-	(665)
Acquisitions	3,298	-	3,298
Granted loans to group companies	-	874	874
Exchange gain	(179)	(5)	(184)
Change to provisions for subsidiaries	1,377	(450)	927
Balance at 31 December 2016	96,815	87,659	184,474
Balance at 1 January 2017	96,815	87,659	184,474
Profit from participating interests in 2017	4,614	-	4,614
Dividend paid	(9,000)	-	(9,000)
Capital contribution	11,212	-	11,212
Repayment of loans to group companies	-	(419)	(419)
Exchange gain	(240)	-	(240)
Change to provisions for subsidiaries	(4,858)	-	(4,858)
Balance at 31 December 2017	98,543	87,240	185,783

2. Receivables

	2017	2016
Group companies	2,871	2,253
Taxes and social security contributions	72	32
Other receivables	2,397	2,681
Total	5,340	4,966

All receivables fall due within one year.

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

3. Cash and cash equivalents

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

4. Equity

The company's authorised capital amounts to € 2,000, divided into 100 million ordinary shares with a nominal value of € 0.02 each. At the end of 2017 21,955,562 shares had been issued and paid up (2016: 21,955,562).

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

The movement in the equity items is explained in the consolidated statement of changes in equity (see page 59) . 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 2017 and 2016 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 2017 and 2016 are as follows:

	2017	2016
Balance at 1 January	14,770	13,843
Profit from participating interests	(4,858)	927
Balance at 31 December	9,912	14,770

6. Current liabilities

The breakdown of this balance sheet item is as follows:

	2017	2016
Credit institutions	109,033	96,176
Taxes and social security contributions	1,494	1,127
Other liabilities, accruals and deferred income	653	627
Total	111,180	97,930

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

7. Commitments not included in the balance sheet

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

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

8. Post-balance sheet events

On 16 January 2018, it was announced that the Supervisory Board intends to appoint John Kruijsen as Chief Executive Officer (CEO) and Statutory Director. The proposed appointment will be placed on the agenda of the Annual General Meeting on 26 April 2018 in accordance with the articles of association and legal and statutory requirements. No other 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.

9. Appropriation of profit

Appropriation of profit pursuant to the articles of association

Article 34 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.

Appropriation of profit

2017

Profit for the year	9,525
Interim dividends paid	(7,465)
Addition to reserves ¹	(1,401)
Available for payment	659

¹ On the basis of the balance of outstanding and repurchased shares as at 31 December 2017.

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

Uden, The Netherlands, 1 March 2018

Management Board

B.F. Koops, CFO

Supervisory Board

D.R. Goeminne, Chairman

A.J.L. Slippens, Vice Chairman

E.A. de Groot

W.T.C. van der Vis

Additional details

Independent auditor's report

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

Report on the financial statements 2017

Our opinion

In our opinion:

- Beter Bed Holding N.V.'s consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2017 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- Beter Bed Holding N.V.'s company financial statements give a true and fair view of the financial position of the Company as at 31 December 2017 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2017 of Beter Bed Holding N.V., Uden ('the Company'). The financial statements include the consolidated financial statements of Beter Bed Holding N.V. and its subsidiaries (together: 'the Group') and the company financial statements.

The consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2017;
- the following statements for 2017: the consolidated profit and loss account and the consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2017;
- the company profit and loss account for the year then ended;
- the notes, comprising a summary of the accounting policies and other explanatory information.

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

The basis for our opinion

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

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

Independence

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

Our audit approach

Overview and context

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

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the management board made important judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In the annual report, the entity has disclosed the accounting estimates and most important sources of estimation uncertainty in the section estimates. As a retail organisation the inventory makes up 42% of the balance sheet of Beter Bed Holding N.V. The valuation of this inventory contains an important estimation uncertainty which is partly based on management's judgment. Given this uncertainty and the absolute volume of the inventory, we consider the existence and the valuation of the inventory a key audit matter. This has been further disclosed in the section 'key audit matters' of this auditor's report.

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

As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the management board that may represent a risk of material misstatement due to fraud.

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit. Therefore, we have included specialists in the areas of IT, income tax and employee benefits in our team.

The outline of our audit approach was as follows:



Materiality

- Overall materiality: € 4,000,000.

Audit scope

- We conducted audit work on the financial reporting of 3 entities. We have audited the full financial statements of Beter Bed B.V., BBH Services GmbH & Co. KG (consolidated) and Matratzen Concord GmbH (Vienna, Austria) as part of the audit of the consolidated financial statements of Beter Bed Holding N.V.
- We have visited the auditor who has performed audit procedures on the German and Austrian entities.
- Audit coverage: 89% of consolidated net revenue, 88% of total assets and 73% of profit before taxation.

Key audit matters

- Accuracy of net revenue
- Existence and valuation of inventories.

Materiality

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

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

Overall group materiality	€ 4,000,000 (2016: € 4,000,000).
Basis for determining materiality	We used our professional judgment to determine overall materiality. As a basis for our judgment we used 1% of total net revenue.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis we believe that net revenue is an important metric for the financial performance of the company. Profit before taxation is not considered an appropriate benchmark, because this would result in large fluctuations in overall group materiality year over year.
Component materiality	To each component in our audit scope, we, based on our judgement, allocate materiality that is less than our overall group materiality. The range of materiality allocated across components was between € 3,500,000 and € 4,000,000.

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

We agreed with the supervisory board that we would report to them misstatements identified during our audit above € 100,000 (2016: € 100,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

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

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

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

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

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

Net revenue	89%
Total assets	88%
Profit before tax	73%

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

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

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

Before the start of their audit procedures we have shared detailed instructions including the results of our risk analysis which were performed as part of our audit of the financial statements of Beter Bed Holding N.V. The group audit team has assessed all reports related to the audit approach and findings of the component auditor. For both entities the group audit team reviewed specific relevant workpapers in the audit file of the component auditor. Furthermore, the group engagement team visited the component team multiple times throughout the year and for example attended the year end clearance meeting on site in Germany for BBH Services GmbH & Co. KG (consolidated) and Matratzen Concord GmbH (Vienna, Austria).

The group consolidation, financial statement disclosures and a number of complex items such as share based payments, income tax and related disclosures and the company statements are audited by the group engagement team at the head office.

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

Key audit matters

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

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

The identified key audit matters are consistent with prior year.

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

Key audit matter**Existence and valuation of inventories**

Note 4 to the consolidated balance sheet in the financial statements

Total inventories of € 66 million represent 42% of total assets of Beter Bed Holding N.V. These inventories mainly consist of inventories in the stores and inventories kept at the distribution centers. Given the absolute amount of the inventory we consider the existence of these inventories to be a key audit matter.

Valuation of the inventories is at cost or at lower net realizable value. Valuation at cost includes different components including allocated supplier bonuses. The allocation of supplier bonuses and the assessment of revaluation of inventories to net realizable value is partly based on management estimates. As a result of this estimation and related uncertainty, we also consider the valuation of inventory to be a key audit matter of our audit.

How our audit addressed the matter

Our audit procedures to test the existence of the inventories mainly consist of testing the relevant internal control procedures, specifically by testing the inventory cycle counts that are periodically performed by management and the automated recording of sales transactions (three-way-match).

Throughout the year, we have attended a selection of inventory cycle counts in stores and in the distribution centers, to validate counts performed by the company. We compared our count results with the results of the counts by Beter Bed representatives and noted no material differences.

In addition, we have performed a sample on the inventory for several distribution centers per year end. We compared our count results with the inventory administration and noted no material differences.

To validate the valuation of inventories, we performed test of details on historical costs, actual margins and valuation of obsolete inventories.

Historical costs were tested through sampling reconciling historical costs with the original purchase invoice. Hereby, no material differences were noted.

We assessed whether there were inventories which were sold with a (consistent) negative margin by evaluating recent sales invoices from January and February 2018 to validate management's assessment and decision whether inventories should or should not be provided for. Furthermore, we analysed the inventory turnaround and compared that to management's estimates on obsolete inventories. These audit procedures have not resulted in findings to be communicated.

For the allocation of supplier bonuses to the valuation of inventories at cost we recalculated the supplier bonuses per supplier based on supporting contracts. The settled supplier bonuses were tested by reconciling them to the bank statements. Furthermore, we have validated mathematical accuracy of the allocation to inventories as per year end. Finally, we have established that for main suppliers not included in the calculation no supplier bonuses were received and were therefore rightfully excluded from the calculation of the inventory valuation. We have established that in 2018 no credit notes were received for this. Based on the audit procedures performed, we have not found any material findings.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- Report of the management board;
- CSR;
- Corporate governance;
- Report of the supervisory board; and
- Remuneration report.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

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

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

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

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of Beter Bed Holding N.V. on 19 May 2015 by the supervisory board following the passing of a resolution by the shareholders at the annual general meeting held on 19 May 2015 and the appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of 3 years.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5 (1) of the European Regulation on specific requirements regarding statutory audit of public interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the company and its controlled entities, for the period to which our statutory audit relates, are disclosed in note 21 to the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the management board and the supervisory board for the financial statements

The management board is responsible for:

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

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

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

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion.

Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements.

Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

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

Rotterdam, The Netherlands, 1 March 2018
PricewaterhouseCoopers Accountants N.V.

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

Appendix to our auditor's report on the financial statement 2017 of Beter Bed Holding N.V.
In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

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

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

Our audit consisted, among other things of the following:

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

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

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

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

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