

Annual Report
2017

Profile

Beter Bed Holding is a European retail organisation that strives to offer its customers a comfortable and healthy night's rest every night at an affordable price. The company does this via stores and its own web shops through the formats:

- Matratzen Concord, located in Germany, Switzerland and Austria.
- Beter Bed, located in the Netherlands and Belgium.
- Beddenreus, located in the Netherlands.
- Sängjätten, located in Sweden.
- El Gigante del Colchón, located in Spain.

The retail formats ensure products of good quality, offer customers the best advice and always the best possible deal.

Beter Bed Holding is also active as a wholesaler of branded products in the bedroom furnishing sector via its subsidiary DBC International. The international brand M line is sold in the Netherlands, Germany, Belgium, Spain, Austria, Switzerland and Sweden.

In 2017, the company achieved revenue of € 416.4 million with a total of 1,188 stores. 64.2% of this figure was realised outside the Netherlands.

Beter Bed Holding N.V. has been listed on the Euronext Amsterdam since December 1996 and its shares (BBED NL0000339703) have been included in the AScX Index.

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

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



Contents

Annual report

Introduction	3
Organogram	5
Facts and figures	6
Share information	9
Management Board	13
Vision and Mission	15
Objectives 2016-2020	16
Strategy	17
Report of the Management Board	20
CSR	30
Corporate Governance	36
Supervisory Board	39
Report of the Supervisory Board	41
Remuneration report	45

Financial Statements

Consolidated balance sheet	49
Consolidated profit and loss account	51
Consolidated statement of comprehensive income	52
Consolidated cash flow statement	53
Consolidated statement of changes in equity	54
General notes	55
Notes to the consolidated balance sheet and profit and loss account	63

Company financial statements

Company balance sheet	76
Company profit and loss account	77
Notes to the company balance sheet and profit and loss account	78
Additional details	83
Independent auditor's report	83

Other information

Historical summary	95
Financial calendar	96

About us

Introduction

Dear reader,

Beter Bed presented a mixed picture in 2017. Just as in 2016, performance varied sharply from country to country, with lower revenue in particularly the German-speaking countries. This stands in sharp contrast to the higher revenues once again achieved in the Benelux.

The group as a whole realised higher revenue with slightly decreasing margins and higher expenses, which resulted in lower operating profit in 2017 compared to the previous year.

The success of Beter Bed in the Benelux and Beddenreus in the Netherlands continued unabated in the year under review. Revenues and margins improved and the focus on retail marketing, with customer satisfaction as the spearhead, continued to bear fruit.

This is due both to successful realisation of the 'From Good to Great' strategy and continuing favourable macroeconomic developments. There also continues to be high demand on the housing market, a high level of consumer confidence and high propensity to buy.

Matratzen Concord in Germany was able to largely reverse the negative trend of a decreasing number of visitors in the first six months of 2017. This trend could not, however, be sustained in the second six months of 2017, with mainly supplier-related problems in the sector and the related media attention leading to a sharp decrease in the number of visitors in the fourth quarter. The latter was primarily the case in October and November, which is in line with the experiences in the market. Matratzen Concord saw the number of visitors recover in December.

Matratzen Concord Austria posted lower revenue in 2017 after benefiting in 2016 from the increase in the number of stores owing to the acquisition of BettenMax. In contrast, Matratzen Concord Switzerland benefited from the weak comparative basis from 2016 when changes to the exchange rate negatively affected average consumers' buying power. Both formats were impacted by the same supplier-related problems as their German counterpart in the fourth quarter of 2017.

El Gigante del Colchón in Spain continued to achieve growth and higher revenue. Sängjätten in Sweden benefited from the successful introduction of the group's (private label) brand portfolio, which has already been successful in the Benelux for a number of years. In the course of 2017 it became clear that it was unlikely that Literie Concorde in France could be operated on a sufficiently profitable basis in the short to medium term. It was consequently decided to discontinue the activities of this format.

Margins on goods decreased slightly at the group level in 2017 due primarily to the increasing share of box springs and textiles in the revenue. This decrease could be compensated partially by improvements in the terms and conditions and changes to the range. Product innovation and the implementation of price increases also had a positive effect on margins.

Expenses rose in the Benelux primarily due to the further expansion of the omnichannel and customer satisfaction activities and heightened logistics activities as a result of the substantial increase in revenue. In Germany, the further professionalisation of the organisation (connected with the reorganisation expenses) in general and the expansion of the omnichannel organisation in particular led to higher expenses. The marketing activities were also increased and the amortisation costs rose due to the renovation of the stores in Germany.

Economic developments in the countries in which Beter Bed Holding operates remain favourable for 2018. We are consequently optimistic for the Benelux due to the numerous positive developments in 2017 and the plans and initiatives for 2018. Matratzen Concord will start with a new management in 2018. In addition, the majority of the stores has been refurbished and the introduction of box springs has been finalised. Furthermore the new web shop platform has been implemented and a new and expanded marketing

campaign has been launched, which will enable Matratzen Concord to once again attract consumers to its stores and web shops.

Beter Bed Holding continues to pursue in full the objectives set out in the strategic plan 'From Good to Great 2016-2020', with the primary focus remaining on maximising customer satisfaction within an omnichannel environment. A reassessment of the CSR objectives was carried out within the parameters of the strategy in 2017.

CEO Ton Anbeek announced on 14 July 2017 that he would be leaving Beter Bed Holding to continue his career elsewhere. He stepped down as CEO on 31 October 2017, bringing to an end a seven-year period in which he worked on building the success of Beter Bed Holding with outstanding dedication and commitment. The arrival of our new CEO, John Kruijssen, on 1 April 2018 means our Management Board is once again complete and that we can together work on further developing the group.

Despite the difficult circumstances in Germany, the company succeeded in 2017 in making progress on further developing the organisation and strengthening its position in the different markets. We are extremely grateful to our employees for the contribution they have made both individually and as part of a team.

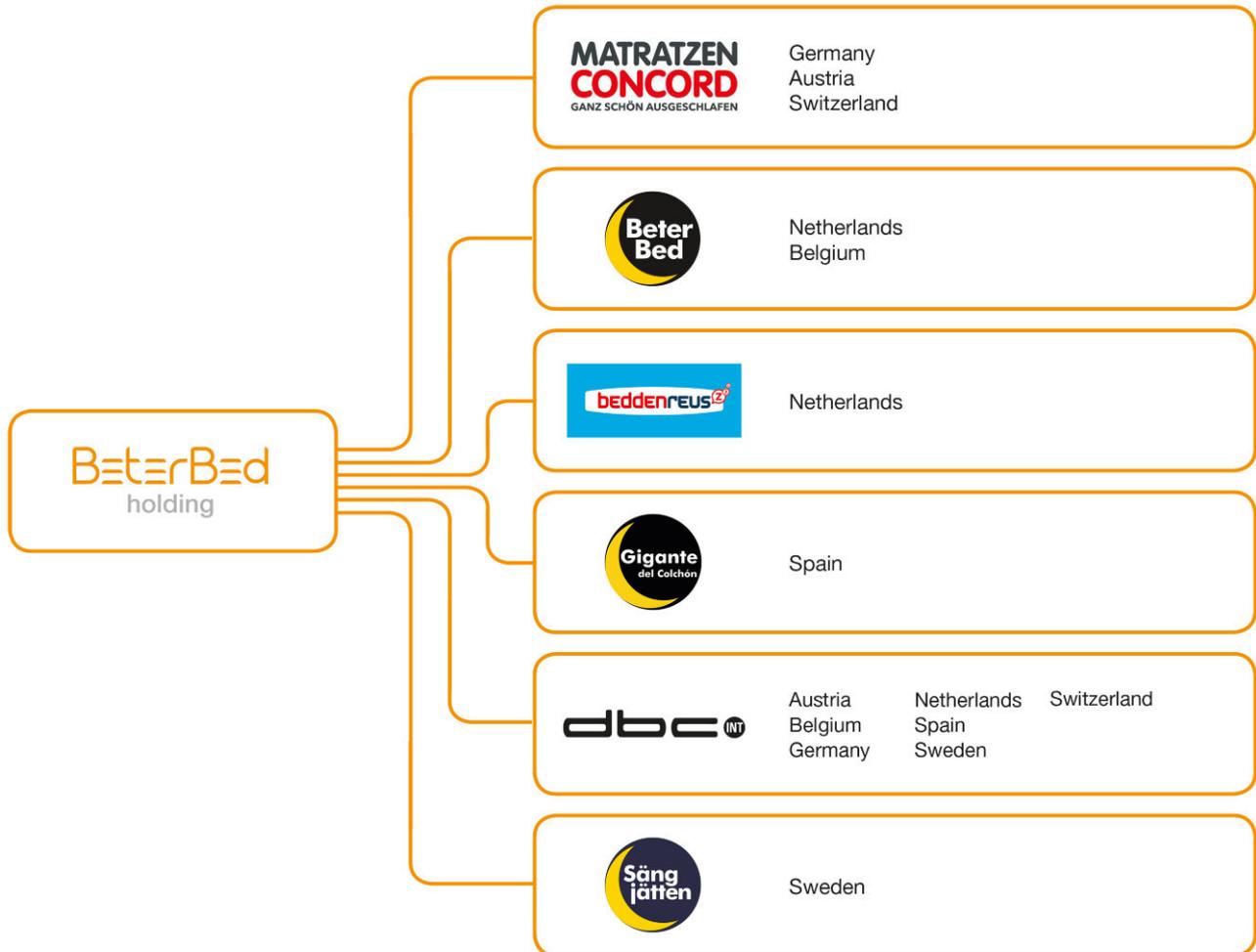
Yours sincerely,

Bart Koops,
CFO

Uden, The Netherlands, 1 March 2018

[An eco-version of the annual report is available on the annual report website.](#)

Organogram



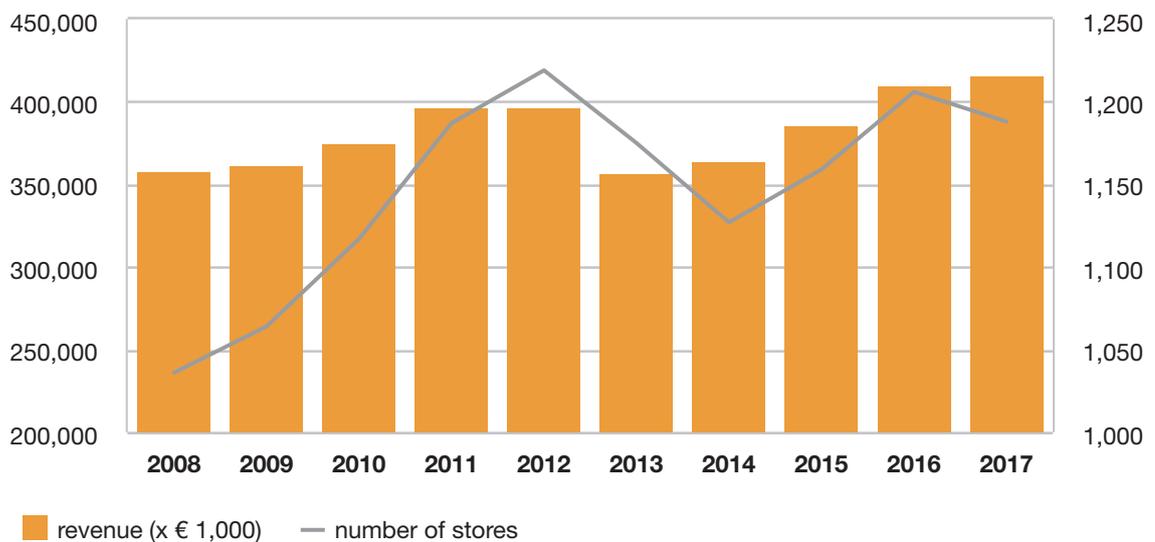
Facts and figures

2017 in brief

2017 was characterised by:

- Continuing favourable macroeconomic conditions in the Netherlands.
 - Decreasing number of visitors in Germany in the fourth quarter due to supplier-related problems.
 - Successful reintroduction of the Sängjätten format in Sweden.
 - Closure in France.
 - Increased customer satisfaction.
 - Growing role of omnichannel.
-
- 1.5% growth in revenue (like-for-like -0.4%).
 - Margin decreases by 30 basis points.
 - € 27.5 million EBITDA.
 - € 9.5 million net profit.
 - € 0.43 earnings per share (2016: € 0.87).
 - € 0.37 dividend per share (2016: € 0.74).
 - 59 store openings and 77 store closures; a decrease of 18 stores on balance. The group had 1,188 stores at year-end 2017.

Revenue and number of stores



Key figures

in thousand €, unless otherwise stated

	2017		2016	
Financial result				
Revenue	416,426		410,457	
Gross profit	239,495	57.5%	237,107	57.8%
Total operating expenses	225,070	54.0%	211,072	51.4%
EBITDA ¹	27,479	6.6%	37,528	9.1%
Operating profit (EBIT)	14,425	3.5%	26,035	6.3%
Net profit	9,525	2.3%	19,015	4.6%
Share				
Average number of outstanding shares (in 1,000)	21,956		21,956	
Dividend per share in €	0.37		0.74	
Earnings per share in €	0.43		0.87	
Diluted earnings per share in €	0.43		0.86	
Share price in € at year-end	13.24		16.90	
Ratios				
Solvency at year-end	44.8%		53.5%	
Net interest-bearing debt/EBITDA	-		-	
Organisation				
Number of staff at year-end (FTE)	2,849		2,765	
Number of retail stores at year-end	1,188		1,206	
Number of m ² store surface at year-end	429,210		425,038	
CSR²				
Share of certified mattresses (NL / D / AT / CH)	90%		93%	
Diversity in top management	39% ♀		29% ♀	
Energy consumption (in kWh/m ²)	63.4		64.7	
Customer satisfaction (eKomi) (NL / D / SE / BE)	8.5		8.4	

¹ Operating profit before depreciation, amortisation, impairment, and book value disposals.

² In 2017 new CSR goals have been defined and the scope of reporting has been expanded. Based on this the comparative figures have also been adjusted.

Number of stores per format

Format		1 Jan 2017	Closed	Opened	31 Dec 2017
Matratzen Concord	Germany	861	46	34	849
	Austria	84	-	1	85
	Switzerland	59	5	11	65
		1,004	51	46	999
Beter Bed	The Netherlands	90	6	-	84
	Belgium	10	2	3	11
		100	8	3	95
El Gigante del Colchón	Spain	48	5	2	45
Beddenreus	The Netherlands	33	7	7	33
Sängjätten	Sweden	16	-	-	16
Literie Concorde	France	5	6	1	-
Total		1,206	77	59	1,188

Number of stores per country

Country	1 Jan 2017	Closed	Opened	31 Dec 2017
Germany	861	46	34	849
The Netherlands	123	13	7	117
Austria	84	-	1	85
Switzerland	59	5	11	65
Spain	48	5	2	45
Sweden	16	-	-	16
Belgium	10	2	3	11
France	5	6	1	-
Total	1,206	77	59	1,188

Share information

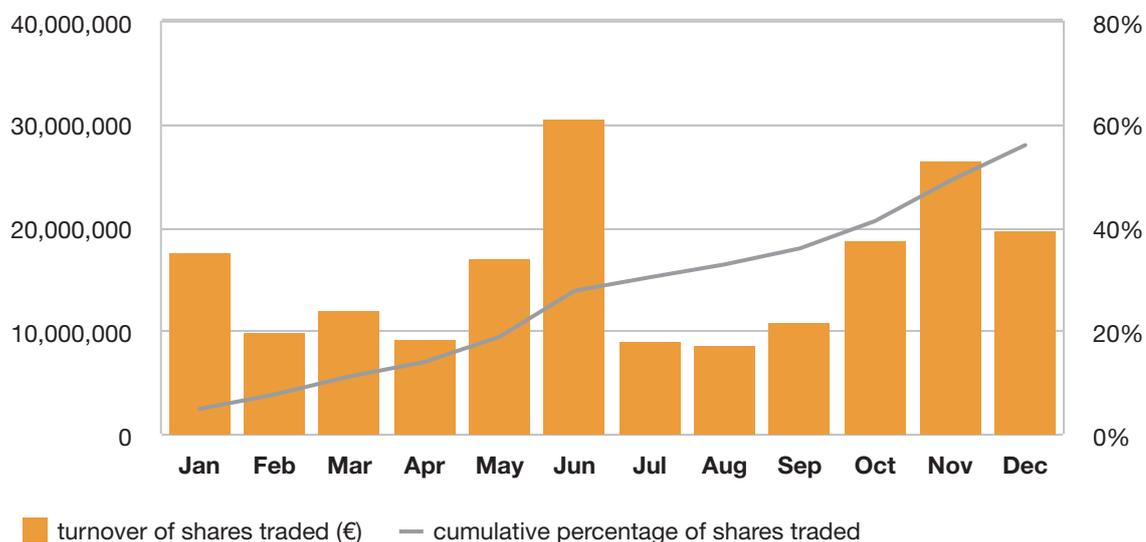
General

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 2017. The number of shares outstanding at the end of 2017 totalled 21,955,562. Shares repurchased and not yet cancelled totalled zero at the end of the year under review. The average number of shares used to calculate earnings per share is 21,955,562. The number of shares used to calculate the diluted earnings per share is equal to 21,955,855. Earnings per share for 2017 are € 0.43 compared to € 0.87 in 2016. Earnings per share for 2017 are € 0.43 (2016: € 0.86).

Share price development



Trading volume



The diagram above shows the turnover of the shares traded on Euronext Amsterdam per month and the cumulative percentage of the outstanding shares that were traded in 2017 (as at 1 January 2018).

Dividend policy

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 made 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. 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 exceed two.

Dividend and earnings per share



Each year the Management Board determines, subject to the approval of the Supervisory Board, the percentage of profit that will be reserved. The decision to pay out an interim dividend is likewise subject to the approval of the Supervisory Board.

	2017	2016	2015
Number of outstanding shares	21,955,562	21,955,562	21,955,562
Repurchased but not cancelled shares	-	-	-
Closing price (€)	13.24	16.90	22.48
Highest closing price (€)	17.70	22.50	23.74
Lowest closing price (€)	12.45	14.86	15.91
Earnings per share (€)	0.43	0.87	1.03
Dividend per share (€)	0.37	0.74	0.87
Payout ratio	86%	85%	85%
Market capitalisation (in € million)	291	371	494

Investor Relations policy

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

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

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

Substantial holdings

In compliance with chapter 5.3 of the Dutch Financial Supervision Act the following holdings have been included in the Substantial Holdings register of the Netherlands Authority for the Financial Markets (AFM) as per 1 March 2018.

Shareholder	Date of notification	Share
Breedinvest B.V. , Laren, NL	10-11-2014	9.1%
Teslin Participaties Coöperatief U.A. , Maarsbergen, NL	06-07-2017	7.9%
ASR Nederland N.V. , Utrecht, NL	06-10-2008	6.6%
Lazard Frères Gestion SAS , Paris, F	12-04-2016	5.2%
Belegging- en Exploitiemaatschappij 'De Engh B.V.' , Naarden, NL	24-09-2010	5.2%
Navitas B.V. , Alphen aan den Rijn, NL	28-10-2014	5.1%
Kempen Capital Management N.V. , Amsterdam, NL	23-01-2018	4.8%
Ameriprise Financial Inc. , Minneapolis (MN), US	08-09-2011	4.7%
Harris Associates L.P. , Chicago (IL), US	19-02-2010	4.6%
NN Group N.V. , Amsterdam, NL	07-04-2017	4.3%
Capfi Delen Asset Management N.V. , Antwerp, BE	04-10-2017	3.5%
Stichting Pensioenfonds Hoogovens , Beverwijk, NL	06-09-2017	3.4%

Options

Options for shares are provided with a view to enhancing the involvement and motivation of the Management Board and the Management.

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

Year of issue	Management Board	Management	Exercise price in €	Duration up to and inclusive
2014	10,666	18,400	17.37	19-05-2019
2015	13,333	13,333	22.79	19-05-2020
2016	40,000	52,000	19.99	18-05-2021
2017	30,000	40,000	15.53	17-05-2022

Insider regulations

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

Management Board

B.F. Koops **Chief Financial Officer (1957)**

Bart Koops holds a degree in Business Economics and Accountancy from de VU University Amsterdam.

He began his career in 1985 at Van Dien & Co as an accountant and EDP auditor. Following a brief interlude in the insurance sector at Prudential Leven N.V., from 1994 onwards he fulfilled management and board positions at various Vendex-KBB subsidiaries, including De Bijenkorf Department Store, Hema and M&S Mode. He was appointed CFO of the Etam Group in 2006. From 2008 through 2011, he served in the Middle East as CFO of the Retail Division of M.H. Alshaya Co WLL. He has worked as a consultant since returning to the Netherlands, holding posts including interim CFO at Selexyz Boekhandels BV, CEO at AT5 Amsterdam and program manager at De Bijenkorf Department Store.

Bart joined Beter Bed Holding N.V. on 1 April 2013, after which he was appointed as Statutory Director in the position of Chief Financial Officer of Beter Bed Holding N.V. at the AGM on 25 April 2013. He has been reappointed at the AGM on 18 March 2017.

As of March 2015 he was appointed as Supervisory Director of Spar Holding B.V.

Bart Koops holds Dutch nationality.

Strategy

Vision and Mission

Vision

Beter Bed Holding is an active player in the retail and wholesale market for beds and mattresses. Europe, in the broadest sense, is its playing field. All retail formats have, to a greater or lesser degree, a 'value for money' positioning, regardless of the market in which the individual chain operates. The group strives for market leadership in all countries in which it is active.

The essence of its vision statement can be formulated 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

Beter Bed Holding's raison d'être and drivers can be expressed in the following mission statement:

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 2016-2020

Customer satisfaction

In all markets in which the company operates, Beter Bed Holding aims to optimally serve its customers with strong, contemporary formats in an omnichannel environment. Customers' wishes are leading in this respect and customer satisfaction serves as the benchmark. The retail formats are also positioned and expanded in such a way as to ensure that growth opportunities are optimally utilised. Market share is increased and market leadership is strengthened in this way.

Net profit

Increasing net profit regardless of market conditions. Beter Bed Holding aims to achieve above-average growth and expansion of its leading market position, even in challenging market conditions. Customer satisfaction leading to like-for-like growth, expansion within existing formats, improving margins, and controlled development of expenses are the key drivers of net profit.

Balance sheet structure

Maintaining a strong balance sheet with solvency of at least 30% and a net interest-bearing debt/EBITDA ratio of no greater than two. The dividend policy is applied and net working capital and leverage are managed within those frameworks, taking account of the required liquidity.

Corporate Social Responsibility

Beter Bed Holding and its subsidiaries treat the interests of their stakeholders in a conscious and conscientious manner. Sound entrepreneurship and respect for people and planet go together in this regard.

Strategy

The company's objectives, which are based on the themes of customer satisfaction, net profit, balance sheet structure and CSR, will be achieved through:

Retail marketing

The positioning of all Beter Bed Holding formats is continually being refined. All the formats provide top-quality products and advice for the lowest or best price. Based on these strengths, strong emphasis is placed on increasing customer satisfaction, like-for-like growth and substantial growth of the online revenue. The ultimate aim is to increase the market share in an omnichannel retail environment. The various formats face different challenges with respect to achieving this aim.

The Benelux must primarily improve the transaction strength (higher conversion and higher order values). In contrast, the principle challenge for the other countries is to increase attractiveness (attract more visitors). Each format has developed its own strategy and plan for achieving this aim.

Innovation will be a key driver for growth in revenue. This pertains to both product and brand innovation within each format's private brand strategy. In order to achieve this, the development strength within Purchasing will be enhanced and the cooperation with strategic suppliers will be intensified.

With a view to bringing about a further increase in customer satisfaction, substantial investments in training and educating our sales and logistics employees will be made.

The marketing department will make a large contribution to the development of the various formats through consistent communications in the stores and brochures and on the websites. Marketing spending will be increased in the years ahead in order to support the positioning and innovative character of the different formats.

E-commerce

The e-commerce or omnichannel proposition will be further refined in all countries. The customer journey will be fully facilitated, which means customers will receive optimum service during all moments of contact. Online-only ranges will also be developed and the range of bed textiles will be expanded. Marketing spending for e-commerce support will be increased substantially. The objective of all of the above is to gain a fair share in online revenue.

In order to give shape to the omnichannel strategy, the management teams in the Netherlands and Germany have been strengthened and responsibility for E-commerce has been placed at the Management Board level. In addition, the E-commerce departments will be expanded further to include the required functional specialists needed to build and operate state-of-the-art web shops (including partnerships in the Benelux with parties including Wehkamp.nl, Bol.com and Fonq.nl, and in the German-speaking countries with potential parties such as Amazon.de).

Expansion

In addition to the like-for-like growth, expansion will contribute to revenue performance. Within the Benelux, this will primarily take place in Belgium. With respect to Matratzen Concord, expansion is foreseen through opening and improving the location of stores in Germany, Austria and Switzerland.

Expansion in the number of stores is also foreseen in Spain and Sweden. This expansion will take place under strict conditions concerning the investment per store, the operating expenses and flexible rental periods.

Alongside the expansion within the existing formats, the company will expressly look for opportunities for further organic growth or acquisitions in existing and new countries.

Purchasing and sales

Purchasing has been allocated a key role in implementing the strategy. In addition to the product innovation stated above, Purchasing has the following objectives:

- improving margins;
- developing the online range;
- optimising delivery times;
- having fewer (but more strategic) suppliers with fewer SKUs;
- developing additional ranges;
- creating maximum synergy among the various formats in the different countries.

Sales will ensure an optimum omnichannel customer experience supported by advice tools, configurators, Net Promoter Scores and customer reviews.

Back office (HR, Finance, Logistics and IT)

The Back office functions are expected to work in a sales-, service- and customer-focussed manner. Customer satisfaction, further professionalisation and proactiveness are the key terms in this regard.

HR has a leading role to play in this respect. It must focus on a range of matters including inflow, throughflow and outflow, management development, attracting young talent (especially for Sales), permanent training and creating a customer-centred, high-performance KPI and team culture. The HR function is fulfilled at the Management Board level in order to achieve this.

The Finance function will develop into a Business Support function, whereby the analysis capacity will be expanded by means including implementing a modern business information warehouse and applying function-specific dashboards.

Logistics must focus on acceleration within the chain. Customer wishes such as same-day delivery and next-day delivery will become leading and drop shipments will be facilitated when desired. The optimal logistics infrastructure will be determined on a per-country basis given the nature of the formats.

New front ends have been or will be developed within the IT function based on a robust backbone (SAP) that offer maximum flexibility with respect to customer wishes. The front ends involve both the cash register systems in the stores and the e-commerce platforms. Explicit attention is also paid to information security in general and cyber security in particular.

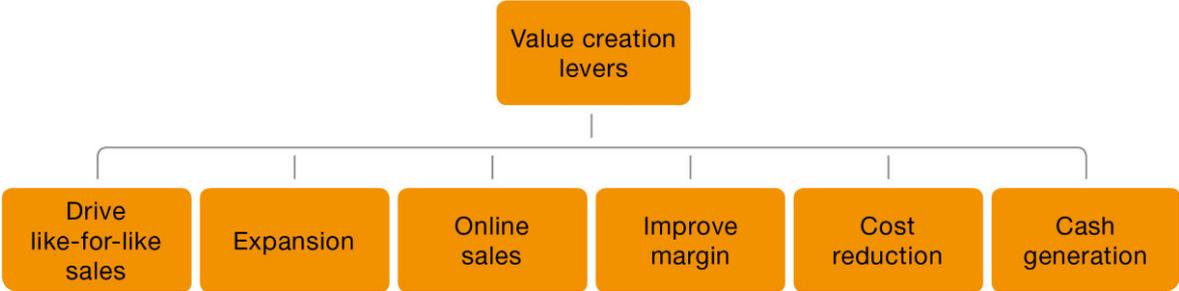
Corporate Social Responsibility

Beter Bed Holding's awareness of its corporate social responsibility is borne out in its existing compliance reports, ongoing stakeholder dialogue and structured approach to CSR that is embedded in the organisation. It is Beter Bed Holding's ambition to further develop initiatives in the field of promoting the circular economy from within the sector and in dialogue with strategic suppliers.

Value drivers

The aforementioned strategic approach leads to value creation in six areas that can be grouped as follows:

Top 6 value driver initiatives



Report of the Management Board

General

Each country put Beter Bed Holding's adopted strategy 'From Good to Great 2016-2020' into practice with varying success in 2017. The central themes of this strategy are: customer satisfaction, retail marketing, further development of the omnichannel proposition, innovation and acceleration in the logistics chain.

Beter Bed Holding's strategy centres on achieving long-term value creation by seeking to gain market leadership in all the countries in which the group operates. It seeks to achieve this position based on the omnichannel principle, a focus on service, a strong private label brand portfolio and up-to-date and modern stores.

Beter Bed Benelux and Beddenreus continued the positive development of 2016 and saw their revenue, margin and operating profit improve further. This success could be achieved thanks to a range of commercial activities coupled with a substantial acceleration in the logistics chain. The organisation has now been completely aligned to the demands placed on a modern omnichannel retailer and as a result can now expressly lay claim to its position in the bedroom furniture sector. Beter Bed has succeeded in further developing its leading position in the highly competitive Dutch market. A high level of consumer confidence and effective realisation of the strategy went hand in hand in this endeavour. The further development of the online proposition also contributes to long-term value creation.

The revenue of Beter Bed Benelux rose by 8.8%, with revenue increasing further in both the Netherlands and Belgium. Revenue also rose at Beddenreus in the Netherlands. The group continues to seek expansion of the number of Beter Bed stores in Belgium and Beddenreus stores in the Netherlands.

The formats in Germany, Austria and Switzerland had a difficult year in 2017. While in Germany a limited recovery of revenue compared to the trend in 2016 could be seen in the first six months of 2017, revenue in the third and fourth quarter trailed far behind, primarily due to a lower number of visitors. A similar pattern could be discerned in Austria and Switzerland. The demand for box springs is growing in the German bed and mattress market. In addition, the share of the pure players at the bottom of the market is increasing. In 2017, Matratzen Concord took steps forward in both areas en route to gaining a fair share.

The decrease in the fourth quarter was due primarily to supplier-related problems and the ensuing negative publicity that dissuaded consumers from deciding to buy a mattress. Nonetheless a number of key steps towards making the format more contemporary were taken. In addition to the refurbishment of many of the stores, these steps included the implementation of the new e-commerce platform and the introduction of box springs. The management was also changed at multiple positions.

Spain was able to sustain the growth in revenue, despite the number of stores being slightly lower at year-end. Revenue rose by 5.6%.

The development of the Sängjätten format in Sweden acquired in 2016 was extremely positive, which resulted in a positive contribution margin in the last quarter of 2017. The conversion of the format into the Beter Bed format and the introduction of its own brand portfolio formed the foundation for this success.

The conclusion had to be reached in the summer of 2017 that profitable operation of the format Literie Concorde in the south of France in the short to medium term was unlikely. It was consequently decided to close the format and the closure was effected at the end of 2017.

In summary, the group realised revenue of € 416.4 million in 2017, which represents an increase of € 5.9 million (1.5%) compared to the previous year. Growth in revenue in comparable stores amounted to -0.4%.

	2017	2016	Change
Revenue (in € million)	416.4	410.5	1.5%
Gross profit (in € million)	239.5	237.1	1.0%
EBITDA (in € million)	27.5	37.5	-26.8%
Net profit (in € million)	9.5	19.0	-49.9%
Number of stores	1,188	1,206	-1.5%
Number of employees (FTE)	2,849	2,765	3.0%

Gross profit decreased slightly and amounted to 57.5% (2016: 57.8%). The decrease was caused primarily by the increased share of box springs and bed textiles in the revenue. This was countered by improved purchasing conditions, an adjustment in the sales mix and range and product innovation.

Total expenses rose with € 14.0 million to € 225.1 million. This increase was caused mainly by higher marketing costs, the expansion of the omnichannel organisation and the further professionalisation of the different back office departments. In addition, the amortisation costs increased chiefly due to investments in the refurbishment of stores in Germany. Increased revenue at Beter Bed Benelux was accompanied by higher logistics expenses. An amount of approximately € 2 million has also been appropriated for restructuring.

Operating profit decreased by 44.6% to € 14.4 million in 2017 (2016: € 26.0 million). EBITDA as a percentage of revenue decreased to 6.6% (2016: 9.1%). Net profit amounted to € 9.5 million (2016: € 19.0 million); a decrease of 49.9%.

The number of stores decreased by 18 in 2017. The group operated 1,188 stores in seven countries at the end of 2017.

Investment, financing and cash flow

Total investments amounted to € 21.4 million in 2017. A total of € 14.8 million was invested in new and existing stores. The largest investments were made in the refurbishment of Matratzen Concord. Substantial investments were also again made in the omnichannel infrastructure (e-commerce and web shops).

Cash flow¹ amounted to € 22.6 million in 2017 (2016: € 30.5 million). Solvency remained high, but decreased to 44.8% (2016: 53.5%). This decrease is mainly attributable to the use of the facilities within the cash pool structure.

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

Net working capital² decreased in 2017. The change compared with 2016 has several effects and is due, on the one hand, to the higher inventory value resulting from the addition of box springs to the range in the German-speaking countries and the receivables in connection with prepaid corporate tax. On the other hand, amounts owed to credit institutions increased due to the use of the facilities within the cash pool structure.

¹ Net profit plus depreciation, amortisation, impairments and carrying amount of disposals.

² Total current assets less current liabilities.

Matratzen Concord is a pan-European 'Fach Discount' format that primarily serves the replacement market and focuses on the sales of principally mattresses, bed bases, box springs and bed textiles. The chain has 999 stores in three countries (Germany, Switzerland and Austria). While the stores have traditionally been located near consumers in and around city centres, they are increasingly also located in retail parks.



	2017	2016	Change
Revenue (x € 1,000)	243,213	257,029	-5.4%
Number of stores	999	1,004	-0.5%
Number of employees (FTE)	1,925	1,895	1.6%

Revenue in comparable stores decreased at Matratzen Concord by 6.0%, while total revenue in 2017 decreased by 5.4%. This decrease occurred primarily in Germany. German consumers' lower propensity to buy led to a lower number of visitors.

The range was restructured in the second half of 2017, which created space in the stores that could be used to offer a wider selection of box springs. In addition, the process of refurbishing the stores was continued in Germany. All of the stores in Germany will be modernised within three years, with the refurbishment of the last stores being completed in 2018. The same modernisation is taking place in Austria and Switzerland.

46 stores were opened and 51 stores were closed in the year under review.

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

Beter Bed is a full-service format of bedroom furniture showrooms in the mid-segment of the market with an outstanding price-quality ratio. Customers order the items in the store or on the website and most of these items are then delivered to and assembled at the customers' homes free of charge. The stores are located in the Benelux, preferably on furniture boulevards or in the vicinity of other furniture stores.



	2017	2016	Change
Revenue (x € 1,000)	133,258	122,430	8.8%
Number of stores	95	100	-5.0%
Number of employees (FTE)	663	612	8.3%

Revenue of Beter Bed increased by 8.8% to € 133.3 million in 2017. This means Beter Bed achieved the highest revenue in its history for the second successive year. The increase is partly due to the continuing high level of consumer confidence and the favourable housing market. Continuous adjustments to the ranges and the high level of service in the stores also contribute to the growth in revenue.

The share of online sales grew further in 2017 to 7.8% of the revenue (2016: 6.2%).

The order intake in comparable stores in 2017 rose by 7.2%.

www.beterbed.nl
www.beterbed.be



Beddenreus is a format in the discount segment of the Dutch market. The stores are located in the Netherlands, predominantly on furniture boulevards.

	2017	2016	Change
Revenue (x € 1,000)	14,594	11,635	25.4%
Number of stores	33	33	0.0%
Number of employees (FTE)	77	74	4.1%

Beddenreus was able to sustain its strong revenue performance in 2017. The contemporary format appeals to a specific target group who appreciate the range and look and feel of the store. The like-for-like order intake rose by 21.2% in 2017. Online revenue as a percentage of total revenue rose to 5.7% (2016: 4.3%).

www.beddenreus.nl



Sängjätten is a full-service format in the Swedish market, comparable to Beter Bed. There are a total of 25 stores, of which 9 are franchises. The company was added to the group in June 2016. The new Sängjätten look and feel was introduced in late 2016, followed by the introduction of the new ranges from the second quarter of 2017. This resulted in a significant rise in the order intake.

	2017	2016	Change
Revenue (x € 1,000)	11,606	4,966	133.7%
Number of stores	16	16	0.0%
Number of employees (FTE)	71	52	36.5%

Three stores will be acquired from franchisees in 2018. This is one reason why the number of stores will likely rise to above 20 in 2018. In the course of 2018, the other franchisees will continue to operate individually and under their own name and will no longer be part of Sängjätten.

www.sangjatten.se

El Gigante del Colchón is the format for the Spanish market. The location strategy and the look and feel of the stores are comparable to those of Matratzen Concord. The format is now being upgraded as the economy in Spain currently provides scope for this.

	2017	2016	Change
Revenue (x € 1,000)	7,641	7,234	5.6%
Number of stores	45	48	-6.3%
Number of employees (FTE)	73	80	-8.8%

Growth in revenue in comparable stores decreased by 5.0%. The net number of stores decreased by three in 2017. The process of modernising the number of stores and making changes to the range was begun in the fourth quarter of 2017. The group expects to once again see an increase in the number of stores in 2018 and the following years.

www.gigantedelcolchon.com



DBC International (Dutch Bedding Company) is the wholesale division of Beter Bed Holding. A range of items including mattresses is being developed under the name M line and marketed via an international dealer network, via a select group of Beter Bed and Matratzen Concord stores and via El Gigante del Colchón and Sängjätten. DBC International delivers its products to clients in the Netherlands, Germany, Spain, Belgium, Austria, Switzerland and Sweden.

	2017	2016	Change
Revenue (x € 1,000)	15,805	16,999	-7.0%
Number of employees (FTE)	7	8	-12.5%

The revenue of DBC International decreased in 2017. This is primarily due to the discontinued alliance with Dreams in the United Kingdom.

www.mline.nl



Staff, organisation and culture

The group had 2,849 employees (FTE) on 31 December 2017. There were 2,765 employees at year-end 2016. The increase was caused primarily by higher staffing levels on the store floor, growth in the number of logistics employees and the expansion of the omnichannel activities of the group as a whole.

The quality of the services and our employees' focus on service largely determine the success of the retail formats of Beter Bed Holding N.V. A customer-friendly approach, a first-time-right and a KPI-focussed attitude, and speed of delivery are crucial for our reputation and the results. This is why we continuously focus attention on the training and development of our employees in both the commercial and operational fields. The 360° assessments were elaborated further in the Benelux in 2017.

Both the logistics and the sales staff are given training with respect to product knowledge and behaviour. In addition, employees are given scope to complete individual training and educational programs when necessary.

Management positions are filled with local employees in all countries. The company furthermore aims to have a larger number of women in management positions. The organisation had twelve women (39%) in top management positions on 31 December 2017 (2016: 29%).

The Management Board expressly attaches importance to open and honest communications within the group. The 'tone at the top' is crucial in this regard. The organisation's current structure guarantees short lines of communication and transparency. The core values of the culture have been established in the Code of Conduct and can be described by the terms customer focus (internal and external), experimentation, ownership and collaboration.

Risk management and risks

General

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

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

Risk appetite

Beter Bed Holding operates in the European bed and mattress segment. Beter Bed Holding's risk appetite is based on a strong operating cash flow, a healthy balance sheet without external financing and carefully considered financial management. Although the company's daily operations involve taking risks, Beter Bed Holding adopts a carefully considered and balanced approach to those risks. More information about the risk appetite in the various categories defined by Beter Bed Holding is explained below.

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

All business units (in the Netherlands and abroad) report monthly to the group on the financial results (revenue, margin, expenses and operating profit) and the financial position. The Beter Bed Holding

Management Board discusses these reports in monthly meetings held with the various management teams, an approach which provides for direct monitoring of the various operations. Endeavours are made to achieve a high degree of uniformity in the various reports to enhance their effectiveness. The administrative and accounting records of the operations are maintained in the SAP (ERP) environment implemented in the organisation several years ago.

In addition, Beter Bed Holding established an Internal Audit Function (IAF) in 2017. The IAF has been placed externally and is therefore an independent and objective body with the aim of contributing to the further professionalisation of the entire organisation (in accordance with the [Internal Audit Charter](#)). From a risk management perspective, the IAF is qualified as the '3rd line of defence', after the '1st line of defence' of operational management and the '2nd line of defence' of the internal control structure. The IAF's findings are discussed with the Management Board and the Audit Committee.

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

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

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

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

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

The **social strategic** risks primarily relate to damage to the company's image and reputation as a result of defective products or irresponsible actions in a broader sense. It should be noted that the formats do not manufacture products for the product range. Control systems ensure that products meet the applicable requirements. Beter Bed Holding accepts no risks with regard to product safety. In October 2017, the group was confronted with potentially contaminated mattresses, because the supplier had supplied a contaminated raw material to foam manufacturers. Deliveries of foam mattresses were discontinued immediately after this became known. It was established within a few days, on the basis of our own review and reviews in the industry, that no contamination had occurred and deliveries were resumed. Consumers' safety had not been at risk at any time. Following this event, further measures were taken in order to prevent the risk of any reoccurrence of this type of incident. The organisation has adopted codes of conduct in various fields to ensure responsible conduct. The corporate culture, in which integrity and ethical business conduct are core values, makes a significant contribution to the mitigation of risks. The company has also adopted a [whistleblowers policy](#).

The main operational risks relate to the availability of **information** systems that support the primary processes and the availability of the logistics facilities. These risks are managed by designing the IT architecture in a manner that ensures that the cash register systems can operate standalone and that backups can continually be made of the data of all back-office systems, in turn ensuring that the external IT infrastructure will be operational within the timeframe required for continuity purposes in the event of an emergency. System integrity is monitored by applying a clear release policy and strict change management procedures. Beter Bed Holding continued to take measures in 2017 in cooperation with external parties to further optimise digital security in the broadest sense of the term and lift it to a higher level. The logistics risks relate largely to the situation in the Netherlands, where three distribution centres (DCs) are in operation. Should an emergency occur at one of these DCs then the other two can serve as backups. Each DC also has an individual business continuity plan.

Tax

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

Independent auditor's report

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

In control statement

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

True and fair view statement

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

Expectations and outlook

Economic developments remain favourable in the countries in which the group operates. As was the case in 2017, the outlook for the current financial year will be determined primarily by the degree to which revenue recovers in the German-speaking markets (more than 50% of the group revenue). The introduction of a renewed marketing campaign, the availability of a sufficient range of box springs and the completion of the refurbishment of the stores must enable Matratzen Concord to strengthen its position in the market under new management.

The group continues to pursue in full the objectives set out in the strategic plan 'From Good to Great 2016-2020', with the primary focus being on maximising customer satisfaction within an omnichannel environment. As part of this undertaking, the group furthermore aims to gain market leadership in the various markets through mainly like-for-like growth in revenue and expansion.

Uden, the Netherlands, 1 March 2018

B.F. Koops,
CFO

CSR

The CSR year in brief

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

Beter Bed Holding accepts its responsibility and has initiated a continuous improvement process in this field. Several key steps were once again taken in 2017.

Reassessment of the CSR strategy

The CSR strategy has, first of all, been reassessed this year. Important directional talks have been held with internal and external stakeholders to ensure that Beter Bed Holding can respond to market demands with the correct focus – both now and in the future. This has resulted in a clear commitment in terms of the mission, namely to approach CSR from the perspective of strategic opportunities.

Based on this ambition, five themes have been defined on the basis of which Beter Bed Holding can make the difference through its activities: circular economy, safety and quality of products and services, responsible chain management, energy & CO₂ emissions, and safe working conditions. Challenging targets have been formulated for each theme for the period up to 2020. This reassessment provides greater direction and ensures that CSR becomes a more solidly embedded part of the group's daily activities in all the countries in which it operates.

Beter Bed Holding has furthermore expressly sought to enter into a dialogue with a number of strategic stakeholders regarding the circular economy, a field in which collaboration is vital in order to achieve results. Together with these stakeholders, Beter Bed Holding has translated the CSR ambition into the circular practice: where are the opportunities and dilemmas that ensue from matters including the current technical limitations relating to the recyclability of foam for example. This dialogue has produced valuable insights and points for attention with respect to the 2020 objectives.

Human rights and fighting bribery and corruption are two other social themes the group can help address. By consciously choosing suppliers and requiring them to sign the Code of Conduct, the group obligates its suppliers to adhere to international treaties and conventions on working conditions. Beter Bed Holding works mostly with suppliers from Europe and as a result limits the risk of incidents. In addition, 98% of the suppliers have signed the Code of Conduct and Beter Bed Holding has entered into partnership with two of its strategic suppliers in order to develop more sustainable products.

Safety also continues to be a key spearhead. Employees must be able to count on a safe working environment and customers must be able to rely on good-quality and safe products. One of the concrete activities for the coming year involves increasing the number of tests: in addition to distribution centres, the air quality of the stores will now also be tested.

Work to be done

At the same time the group is realistic and wishes to manage its expectations. It is, for example, fully aware that the circular economy presents both large opportunities and large challenges. There is a far-reaching social necessity to bring about a circular economy given that the majority of the mattresses currently end up in the incinerator. This situation is not tenable in the long term.

There is already a well-functioning return system in the Netherlands in this field. But it is only the beginning. Great gains in the field of sustainability can theoretically be achieved through better recycling of materials at the end of the lifespan. Tapping into these opportunities demands above all a chain approach: only in partnership with suppliers and customers will it be possible to achieve workable and effective recycling solutions. Beter Bed Holding is consequently focussing on collaborating with partners and customers because this provides the best opportunities for results. It is also clear that it is vital to have new technologies and materials in this area in order to be able to make a real difference. This field of research is still in its infancy.

In short, Beter Bed Holding is also ambitious in this area, but realises that a great deal of work still has to be done and that results will not be achieved automatically. It will be a matter of working hard and persevering in the years to come, together with partners and customers.

*About **Beter Bed for a Better Future***

Beter Bed for a Better Future, Beter Bed Holding's CSR report, provides insight into (the execution of) Beter Bed Holding's CSR strategy in 2017. The CSR report 2017 is supplementary to the annual report 2017 and will be available soon. This is the seventh time Beter Bed Holding presents this report on its activities and progress in the field of CSR. It has been drawn up in line with the GRI Standards of the [Global Reporting Initiative \(GRI\)](#) at the 'Core' level and the internal reporting criteria for CSR information. The emphasis of the report is on the reassessed strategy and the ensuing five most material themes.

Summary of facts

in thousand €, unless stated otherwise

	2017	2016 ¹	Goal 2020
Financial result			
Revenue	416,426	410,457	
Share of revenue realised outside of the Netherlands	64.2%	66.4%	
EBITDA	27,479	37,528	
Dividend per share (€)	0.37	0.74	
Store surface at year-end (m ²)	429,210	425,038	
Number of employees at year-end (FTE)	2,849	2,765	
Circular economy			
Yearly sold mattresses collected through return system	6%	-	10%
Revenue from products with > 25% recycled content	9%	-	25%
Revenue from modular products	-	-	20%
Waste streams recycled high grade	72%	67%	75%
Safety and quality			
Products which are tested on air quality (based on revenue)	90%	93%	100%
Number of incidents reported in the field of safety and quality	1	-	None
Customer satisfaction: eKomi score (score 0-10, weighted average based on revenue)	8.5	8.4	9.4
Responsible chain management			
Suppliers who signed the Code of Conduct	98%	-	100%
Number of strategic suppliers with whom we cooperate proactively to ensure CSR criteria are pursued in the purchasing process	2	-	16
Tenders for products and services in the Netherlands where CSR criteria are taken into account	50%	-	100%
Energy and CO₂ emissions			
Purchase of renewable energy	48%	65%	100%
Energy consumption (TJ)	285	-	-10%
CO ₂ emissions (tonnes)	21,024	-	-10%
Safe working conditions			
Number of accidents with sick leave ²	-	-	None
Tests performed on air quality ³			
- DCs	Yes	-	Yes
- Loading docks	Yes	-	Yes
- Stores	No	-	Yes
Training and education attended by logistics employees (average number of hours)	2.5	-	4

¹ In 2017 new focus themes were determined and new goals were formulated. Because of these changes, there is no comparable data available for many indicators for 2016. Where available these indicators are included in the table above. Furthermore comparable figures for several goals have been adjusted due to the expansion of the scope.

² For 2017 no reliable data is available yet. It is our ambition to report on this goal in 2018.

³ Tests performed in the Netherlands in DCs (integrally) and loading docks and stores (by means of sampling)

2017 at a glance



CIRCULAR ECONOMY

59,784

mattresses collected

9%

of revenue contains recycled materials



SAFETY & QUALITY

90%

of all sold mattresses tested

customer satisfaction (eKomi score)

increased to

8.5



RESPONSIBLE CHAIN MANAGEMENT

98%

of the suppliers signed the Code of Conduct

2

strategic partnerships with suppliers



ENERGY & CO₂ EMISSIONS

48%

renewable energy purchased

285 TJ

total energy consumption



21,024 tonnes

CO₂ emissions



SAFE WORKING CONDITIONS

2.5 hours

training in safety per logistic employee in NL

air quality tested in DCs and cargo areas; stores will follow in 2018



EMPLOYEES

39%

women in top management positions

3,519

employees as per 31-12-2017

2,849

FTE as per 31-12-2017

Governance

Corporate Governance

General

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

Our policy has resulted in the following documents:

- Supervisory Board regulations.
- Audit Committee regulations.
- Remuneration Committee regulations.
- Management Board regulations.
- Internal Audit Charter.
- Code of Conduct.
- Share option scheme.
- Whistleblowers policy.
- Investor Relations policy.

These documents are also available on the [corporate website](#).

As usual, Corporate Governance and each substantial adjustment in the corporate governance structure of the company and its compliance with the Corporate Governance Code will be submitted to the Annual General Meeting discussion under a separate agenda item during the Annual General Meeting on 26 April 2018.

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

Compliance with the Code

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

Takeover directive

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

Capital structure

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

Limitations on the transfer of shares

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

Substantial holdings

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

Special controlling rights

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

Employees' share option scheme

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

Limitations on voting rights

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

Agreements on limitations on the transfer of shares

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

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

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

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

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

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

The Management Board's powers

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

At the Annual General Meeting that was held on 18 May 2017, a resolution was passed to grant the Management Board the power to issue new shares (and rights to new shares) up to a maximum equal to 10% of the number of outstanding shares. That power was granted for a term of 16 months as from the date of that Annual General Meeting.

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

At the Annual General Meeting that was held on 18 May 2017, a resolution was passed to grant the Management Board the power to restrict or exclude the preferential right. That power was granted for a term of 16 months as from the date of that Annual General Meeting.

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

At the Annual General Meeting that was held on 18 May 2017, a resolution was passed to grant the Management Board the power to acquire/repurchase own shares, up to a maximum equal to 10% of the number of outstanding shares. The maximum purchase price may not exceed 10% above the average closing price on the five trading days prior to the day of acquisition. That power was granted for a term of 16 months as from the date of that Annual General Meeting.

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

At the Annual General Meeting that was held on 18 May 2017, a resolution was passed to grant the Management Board authorisation to cancel acquired shares up to a maximum of 10% of the number of outstanding shares. The cancellation can take place in one or more tranches. The cancellations will take place on the dates determined by the Management Board and with due regard for the mandatory two-month opposition period.

Significant agreements and changes in the control of the company

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

Redundancy agreements in the event of a public takeover bid

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

Supervisory Board

D.R. Goeminne (1955) **Chairman**

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

He has held management positions at a number of manufacturing and retail companies, and until 2007 he has served as Chairman of the Group Management of department store chain V&D (Vroom & Dreesmann) and as a member of the Executive Board of Maxeda (Vendex/KBB). He has been CEO at Ter Beke NV since 1 June 2013.

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

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

W.T.C. van der Vis (1967)

Mr Van der Vis studied Business Administration at Nyenrode Business University and earned a Master of Business Administration (cum laude) at the Alliance Manchester Business School in the United Kingdom.

He served as CEO of Koninklijke Ahrend NV in Germany and the Czech Republic from 1994 to 1998. He was with the Pearle Europe Group (nowadays Grandvision) from 1998 to 2009, initially as CEO Central Europe operating from Germany and then from 2004 as Group CEO. He worked for Esprit Holdings Limited in Hong Kong as Executive Director of the Board & Group CEO until 2013.

Mr Van der Vis is active as Operating Partner and Industry Advisor from 2013.

He also serves on the Supervisory Board of Sonova Holding AG.

Mr Van der Vis holds Dutch nationality and does not hold shares in Beter Bed.

E.A. de Groot (1965)

Ms De Groot earned a degree in Business Economics from the University of Amsterdam. She then went on to complete the Registered Investment Analyst course of study conducted by the Dutch Association of Investment Professionals (VBA).

From 1987 to 2012, she worked in the financial sector where she held a wide range of positions in the fields of financing, capital management and risk management. She has served in a number of roles including Executive Vice President at ABN AMRO (until 2008) and interim CFO at Van Lanschot Bankiers (2009/2010). From 2012 to 2017 Ms de Groot has been CFO/member of the management board at Schiphol Group and also member of the Board of Directors at Groupe ADP.

At present she serves on the Supervisory Board of Vitens N.V. and Hardt Global Mobility.

Ms De Groot holds Dutch nationality and does not hold shares in Beter Bed.

A.J.L. Slippens (1951) Vice Chairman

Mr Slippens earned degrees in Food Technology from the University of Applied Sciences HAS in Den Bosch and in Business Administration 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 has furthermore served on advisory bodies at various family-owned companies.

Mr Slippens also serves on the Supervisory Board Copaco N.V. and Value 8 N.V.

He holds Dutch nationality and does not hold shares in Beter Bed.

Report of the Supervisory Board

General

The Supervisory Board is comprised of Ms E.A. de Groot, Mr D.R. Goeminne (Chairman), Mr A.J.L. Slippens (Vice Chairman) and Mr W.T.C. van der Vis. The CVs of the members of the Supervisory Board are included in the section [Supervisory Board](#) (see page 39). In accordance with the provisions of the Dutch Corporate Governance Code, all Supervisory Board members are independent.

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

Supervisory Director	Appointed	Reappointed	Retirement/reappointment
D.R. Goeminne	1 May 2010	19 May 2014	AGM 2018
A.J.L. Slippens	1 May 2010	19 May 2014	AGM 2018
E.A. de Groot	1 May 2011	19 May 2015	AGM 2019
W.T.C. van der Vis	25 April 2013	18 May 2017	AGM 2021

In the Annual General Meeting on 18 May 2017, the Chairman informed the shareholders that Mr Slippens would be retiring in 2018. In accordance with best practice provision 2.2.2 of the revised Corporate Governance Code, it will be proposed in the Annual General Meeting on 26 April 2018 to extend the term of office of Mr Goeminne as Chairman by one year up to and including the Annual General Meeting in 2019. This is aimed at preventing a simultaneous departure of both the Chairman and the Vice Chairman of the Supervisory Board and thus the loss of knowledge and experience and also at supporting the transition to a new composition of the Supervisory Board.

2017 Results

The Supervisory Board closely followed the revenue and profit development of Beter Bed Holding and recognises that the group's performance in 2017 was mixed. While the consistent execution of the policy defined by the Management Board and the focus on revenue growth and profitability are certainly gratifying, the Supervisory Board shares the moderate satisfaction of the Management Board with regard to the disappointing results in Germany, despite the focus and the measures taken.

Despite the lower results for 2017, the Supervisory Board is convinced that the company should continue its strategy 'From Good to Great 2016-2020', aimed at long-term value creation, without change.

Financial statements, discharge, dividend

The financial statements were prepared by the Management Board and the auditor, PwC Accountants, subsequently issued an unqualified auditor's report on these financial statements. That report is included in the independent auditor's report in the section [additional details](#) (see page 83). The Supervisory Board discussed the financial statements in detail in the presence of the Management Board and PwC Accountants.

Following the publication of the trading update on the third quarter results on 3 November 2017, the company decided to distribute an interim dividend of € 0.34 per share (2016: € 0.34). In accordance with the Management Board's proposal, we propose distributing a final dividend of € 0.03 per share. This means that 86% of the profit for 2017 will be distributed in the form of shareholder dividends. This is in line with the [dividend policy](#) (see page 10), which was approved in the Annual General Meeting on 27 April 2005.

The Supervisory Board has approved the 2017 financial statements and proposes to adopt these at the Annual General Meeting to be held on 26 April 2018, and to discharge the members of the Management Board in respect of their management and the members of the Supervisory Board in respect of their supervision with regard to the financial year 2017.

Composition of the Supervisory Board

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

At the Annual General Meeting on 18 May 2017, Mr W.T.C. van der Vis has been reappointed as a member of the Supervisory Board for a period of four years.

Activities of the Supervisory Board

In 2017 the Supervisory Board was once again closely involved in developments related to Beter Bed Holding and its subsidiaries. During the reporting year, the Chairman frequently liaised with the Management Board in preparation for the meetings between the Supervisory Board and the Management Board. The former met with the latter on five occasions. Furthermore, the Supervisory Board also held six conference calls with the Management Board.

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

	Supervisory Board	Audit Committee	Remuneration Committee
Mr D. Goeminne	91% (10/11)	100% (2/2)	100% (1/1)
Ms E. de Groot	91% (10/11)	100% (2/2)	100% (1/1)
Mr A. Slippens	100% (11/11)		100% (1/1)
Mr R. van der Vis	82% (9/11)	50% (1/2)	100% (1/1)

The Supervisory Board received regular, timely, detailed verbal and written updates from the Management Board throughout the year. Extensive attention was paid to the operating results of the various formats and the group, as well as to progress on the strategic themes.

The company met with the external auditor on two occasions. In March 2017, the results for 2016 and the audit findings were discussed. The half-year results were discussed in August 2017, along with the results of the audit of the half-year results conducted by the external auditor.

The budget for 2018, which was discussed during the meeting of 14 December 2017, sets out the company's operational and financial objectives, along with the policy that should ensure that these objectives are achieved, all in line with and within the framework of our strategic plan 'From Good to Great 2016-2020'.

The performance of the Supervisory Board and that of the individual Supervisory Directors, the relationship with the Management Board and the composition of the Supervisory Board were discussed and assessed in closed meetings, partly with the assistance of an external adviser. The performance of the Management Board and the remuneration policy were naturally on the agenda as well. Consultation also took place in individual interviews on the performance of the members of the Management Board.

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

After Ton Anbeek announced on 14 July 2017 that he intended to leave the company, the Supervisory Board started a diligent process to fill the vacancy that had arisen. At the beginning of 2018, agreement was reached with the new CEO to be appointed, John Kruijssen. We are grateful to Ton Anbeek for his contribution over the past years to the development of the Beter Bed Holding Group.

Audit Committee

During the financial year, the Audit Committee was comprised of Ms De Groot (Chairman), Mr Goeminne and Mr van der Vis. The composition of the Audit Committee is in accordance with the provisions of the Dutch Corporate Governance Code, with Ms De Groot serving as financial expert.

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

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

The Audit Committee extensively discussed the financial statements and the Report of the Management Board, and the half-year results and associated management letters including the key audit subjects with the Management Board and the external auditor, PwC Accountants. The Audit Committee also focused on the audit plan for 2017, compliance with previous recommendations, tax issues, liquidity and funding, and the company's risk management and control system.

The Audit Committee was also involved in developing the Internal Audit Function.

Remuneration Committee

The Remuneration Committee is comprised of Ms De Groot, Mr Slippens (Chairman), Mr Goeminne and Mr van der Vis. In 2017, one committee meeting and frequent consultations were held in connection with filling the vacancy arising after the CEO's departure.

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

The Remuneration report (see page 45) follows the Report of the Supervisory Board.

Diversity

There are currently no women on the Statutory Management Board of the company and one of the four seats on the Supervisory Board is occupied by a woman. Beter Bed Holding N.V. consequently does not officially fulfil the requirement for a balanced distribution of seats (30% male/female).

Selection of members of the Management Board and Supervisory Board will continue to be based on broad experience, background, skills, knowledge and insights, with due regard for the importance of a balanced composition.

Conclusion

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

The company once again achieved the desired progress in the different countries in multiple areas in 2017. The disappointing developments in primarily Germany were largely the consequence of external circumstances and do not detract from the many good developments and achievements realised by the group as a whole in the year under review. The Supervisory Board is grateful to everyone within the Beter Bed organisation for their contribution to realising the set objectives.

Uden, The Netherlands, 1 March 2018

D.R. Goeminne, Chairman
A.J.L. Slippens, Vice Chairman
E.A. de Groot
W.T.C. van der Vis

Remuneration report

Remuneration policy

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

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

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

Remuneration of the Management Board

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

- a fixed salary;
- a pension scheme;
- a variable remuneration;
- options on shares;
- other employment benefits.

Fixed salary

The market terms are determined on the basis of knowledge, insight and experience of the individual Supervisory Directors by means of a benchmark that the Supervisory Board conducts once every three years with a reference group of approximately ten comparable companies. That assessment was carried out most recently at the beginning of 2015, after which the fixed salaries of both Management Board members were adjusted.

Pension scheme

The pension scheme is a defined contribution scheme. The percentage of the contribution is determined by investigating the situation at other companies, in which context the members of the Supervisory Board are involved, in addition to the maximum permitted for tax purposes in that respect. The CEO and the CFO received a contribution for 2017 equal to 30% and 25% of the fixed salary, respectively.

Variable remuneration

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

In 2017, the maximum variable remuneration for the CEO was equal to 60% of the gross fixed annual salary (split into 50% for quantitative objectives and 50% for qualitative objectives). For the CFO the maximum variable remuneration was equal to 50% of the gross fixed annual salary (split into 40% for quantitative objectives and 60% for qualitative objectives). Owing to the CEO's departure during the financial year, no variable remuneration was awarded to him.

The following table summarises the quantitative (including variables such as revenue and EBITDA) and qualitative objectives that are aligned to the strategy and the results achieved by the CFO, which shows that the quantitative objectives have not been realised and that the qualitative objectives have been realised partially.

		CFO	
	Max	Score	Reward
Score quantitative goals	40%	0%	0%
Logistics	15%	100%	15%
Compliance	15%	100%	15%
IT	15%	100%	15%
Business Support	15%	0%	0%
Score qualitative goals	60%	75%	45%
Total	100%		45%
Amount			€ 56,250

The individual objectives stipulate clear strategic trigger points, which cannot be explained in more detail for competitiveness reasons.

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

The following table provides an overview of the remuneration of Messrs Anbeek and Koops for 2017.

in thousand €	Total	Salary	Pension	Variable remuneration	Employee stock options ¹
A.H. Anbeek ²	436	297	89	-	50 ³
B.F. Koops	415	255	64	56	40

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

² Up to and including 31 October 2017.

³ The options granted to Mr Anbeek lapsed in connection with his departure.

Options on shares

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

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

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

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

At the end of 2017, Mr Koops (CFO) held the following options on shares in Beter Bed Holding:

	2017	2016	2015	2014
	CFO	CFO	CFO	CFO
Number (in 1,000)	30	40	13	11
Value of each option at time of awarding	€ 1.33	€ 2.41	€ 2.45	€ 1.84
Exercise price	€ 15.53	€ 19.99	€ 22.79	€ 17.37
Expiry date	17 May 2022	18 May 2021	19 May 2020	19 May 2019
Target	TSR compared to peer group	TSR compared to peer group	TSR>AScX	TSR>AScX
Target achieved	-	-	No	Partly (33.3%)

The value at the time of the grant for the series as from 2014 was determined by means of an actuarial calculation with the aid of the Black & Scholes model in combination with Monte Carlo simulations.

Other employment benefits

Management Board members have a lease car at their disposal.

Remuneration of the Supervisory Board

The following remunerations have applied since 19 May 2015:

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

The remuneration of the Supervisory Board is evaluated every three years. In 2017 the remuneration (in euros) was as follows:

Supervisory Director	Supervisory Board	Audit Committee	Remuneration Committee	Chairman	Total 2017	Total 2016
D.R. Goeminne	21,000	4,500	4,500	10,000	40,000	40,000
A.J.L. Slippens	21,000	-	4,500	-	25,500	25,500
E.A. de Groot	21,000	4,500	4,500	-	30,000	30,000
W.T.C. van der Vis	21,000	4,500	4,500	-	30,000	30,000

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 68). For an explanation of the other risks, please refer to the related section of the [Report of the Management Board](#) (see page 26).

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 22).

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 22).

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 54). The company's authorised share capital amounts to € 2,000, divided into 100 million ordinary shares with a nominal value of € 0.02 each.

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

	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 12).

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 45).

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 56) 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 Kruijssen 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			
Issued share capital	4.	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 73) 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 56) 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 54). The revaluation reserve is the statutory revaluation reserve and relates to company land. The reserve for currency translation differences is also a statutory reserve. Neither reserve is freely distributable.

5. Provisions

At year-end 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 Kruijssen 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)
<hr/>	
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 data-bbox="256 450 555 483">Accuracy of net revenue</p> <p data-bbox="256 510 837 573"><i>Note 12 to the consolidated profit and loss account in the financial statements</i></p> <p data-bbox="256 604 837 1093">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 data-bbox="837 450 1445 600">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 data-bbox="837 631 1445 1003">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 data-bbox="837 1034 1445 1122">Furthermore, we have established the operating effectiveness of the internal controls considered relevant for our audit.</p> <p data-bbox="837 1153 1445 1402">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 data-bbox="837 1433 1445 1520">Furthermore, we have performed risk assessment analytical procedures on realized net revenue through detailed store comparison.</p> <p data-bbox="837 1552 1445 1886">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.

Other information

Historical summary

at 31 December	2017	2016	2015	2014	2013	2012
Result (in thousand €)						
Revenue	416,426	410,457	385,440	363,953	357,363	397,288
Gross profit	239,495	237,107	222,215	208,653	203,185	223,843
EBITDA ¹	27,479	37,528	41,115	31,284	22,272	38,143
Operating profit	14,425	26,035	30,699	23,042	12,284	23,719
Net profit	9,525	19,015	22,559	16,860	8,198	14,418
Depreciation, amortisation and impairment	12,847	11,168	9,825	8,242	9,988	14,424
Cash flow ²	22,579	30,508	32,975	25,102	18,186	28,842
Net investment	21,177	16,209	15,372	12,207	4,633	10,262
Capital (in thousand €)						
Total assets	156,730	143,617	131,677	117,123	102,485	110,855
Equity	70,184	76,878	75,750	68,635	57,963	55,832
Figures per share						
Net profit in €	0.43	0.87	1.03	0.77	0.38	0.67
Cash flow in €	1.03	1.37	1.50	1.15	0.84	1.33
Dividend paid in €	0.37	0.74	0.87	0.65	0.27	0.47
Average number of outstanding shares (in 1,000 of shares)	21,956	21,956	21,947	21,855	21,734	21,681
Share price in € at year-end	13.24	16.90	22.48	17.20	17.61	13.20
Ratios						
Revenue growth	1.5%	6.5%	5.9%	1.8%	-10.0%	0.1%
Gross profit/revenue	57.5%	57.8%	57.7%	57.3%	56.9%	56.3%
EBITDA/revenue	6.6%	9.1%	10.7%	8.6%	6.2%	9.6%
Operating profit/revenue	3.5%	6.3%	8.0%	6.3%	3.4%	6.0%
Net profit/revenue	2.3%	4.6%	5.9%	4.6%	2.3%	3.6%
Solvency	44.8%	53.5%	57.5%	58.6%	56.6%	50.4%
Other information						
Number of stores at year-end	1,188	1,206	1,161	1,127	1,175	1,219
Number of FTE at year-end	2,849	2,765	2,513	2,369	2,420	2,495
Revenue per FTE (in € 1,000)	146	148	153	154	148	159

1 Operating profit plus depreciation, amortisation, impairments and carrying amount of disposals. Before 2015, the operating profit was not adjusted for the carrying amount of disposals.

2 Net profit plus depreciation, amortisation, impairments and carrying amount of disposals. Before 2015, net profit was not adjusted for the carrying amounts of disposals.

Financial calendar

26 April 2018	Annual General Meeting of Shareholders
27 April 2018	Declaration of dividend
30 April 2018	Listing ex-dividend (final) 2017
2 May 2018	Record date of final dividend 2017
15 May 2018	Q1 2018 trading update
17 May 2018	Payment of final dividend 2017
27 July 2018	Q2 2018 trading update + half-year figures 2018
27 July 2018	Analysts' meeting (half-year figures 2018)
26 October 2018	Q3 2018 trading update
18 January 2019	Q4 2018 trading update

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

This annual report is published by

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Report

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