



BETER BED HOLDING

ANNUAL REPORT 2004



Profile

Beter Bed Holding N.V. comprises a group of companies that focuses on retail activities within the European bedroom furniture market. The company sells mattresses, bed bases, bedroom furnishings and related products to consumers via a range of leading retail formulas. The retail chains, which all concentrate on the bedroom products market, have their own distinctive images and identities. Consumers attach more and more importance to contemporary and attractive bedroom furnishings. Consumers also increasingly recognise the importance of a good night's sleep. This makes purchasing a bedroom system an important decision that requires proper thought and consideration. Consequently, consumers value the professional advice they receive from qualified bedroom specialists.

The European bedroom specialist market is extremely fragmented and is predominantly served by small private entrepreneurs who own one or a couple of stores. Beter Bed and Matratzen Concord, which are both divisions of Beter Bed Holding N.V., are market leaders in their respective markets. The company's strategy is aimed at rapid and profitable expansion within the fragmented European bedroom furniture market.

In keeping with this strategy, the retail formulas seek to achieve market leadership in the various countries in which they operate. Within the framework of its wholesale operations, the company furthermore develops product concepts that it markets both via its own retail chains and via other distribution channels. This product development allows the organisation to create its own A-brands.

The market demands permanent innovation of the product range. Both the retail chains and the wholesale operations carry out ongoing product development programmes, either independently or in partnership with a manufacturer, which makes it possible to increase market share. In addition, there is expansion and optimisation of the network of retail stores. This enables Beter Bed Holding N.V. to further strengthen its position in the European bedroom furniture market.

For more information visit www.beterbedholding.com



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Key figures

AT 31 DECEMBER, IN € THOUSAND, UNLESS OTHERWISE STATED

	2004		2003	
Sales	255,165		234,018	
Gross profit	134,595	52.7%	121,965	52.1%
Expenses	119,635	46.9%	117,683	50.3%
EBIT	14,960	5.9%	4,282	1.8%
Net profit	8,316	3.3%	1,751	0.7%
Average number of outstanding shares (in thousands of shares)	8,576		8,566	
Earnings per share €	0.97		0.20	
Diluted earnings per share €	0.97		0.20	
Share price in € at year-end	14.24		8.85	
Solvency (%)	37.5		31.3	
Interest cover	16.2		2.6	
Number of staff at year-end	1,760		1,781	
Number of retail stores at year-end	682		644	

Formulas

MATRATZEN CONCORD

This formula's core activity is selling mattresses, bed bases and bedroom textiles to consumers based on a cash & carry concept. The chain encompasses 571 stores with an average floor space of 250 square metres. The stores are primarily situated near consumers at so-called C-locations in and around city centres. The assortment features an extremely favourable price-quality ratio and at each location customers can count on receiving professional and personalised advice. The formula operates in Germany, Austria, Switzerland and the Netherlands. Matratzen Concord is the market leader in the German mattress market. The company's strategy is aimed at further expanding its European market leadership in the fragmented mattress specialist market.

WWW.MATRATZEN-CONCORD.DE



The strategy is aimed at further expanding its European market leadership.



BETER BED

Beter Bed offers an excellent price-quality ratio in a chain of bedroom furniture showrooms in the middle of the market. Customers order the items in the store which are then delivered and assembled at their homes. The vast majority of the stores is located in the Netherlands, predominantly at 'furniture boulevards' or in furniture store malls. In the stores, consumers can choose from a wide and up-to-date range of bedroom furniture, mattresses, bed bases, bed textiles and other items at competitive prices. Beter Bed is market leader in the Netherlands and enjoys a high level of name recognition among consumers. Beter Bed's strategy is based on further strengthening its position in the Dutch market. The strategy is also to realise European expansion and the first steps have now been taken into the German market.

WWW.BETERBED.NL

WWW.BETTERBED.DE

A chain of bedroom furniture showrooms featuring an excellent price-quality ratio.

DBC

DBC was established in September 2001. It develops mattresses made of visco elastic foam which was originally developed by NASA. These mattresses feature unique pressure-reducing qualities and are sold both by Beter Bed and via third parties. The company has also developed a version especially for healthcare purposes. The M LINE box spring was introduced in 2003, this is a modern design with a seven-zone pocket spring base that is only 8 cm high, combined with any M LINE mattress. Two mattresses were added to the product range in 2004: the M Line Slow Motion Basic mattress as 'starter model' and the new top model named M Line Slow Motion IV.

WWW.MLINE.NL



M LINE®



Mattresses featuring unique pressure-reducing qualities.



DORMAËL SLAAPKAMERS

This chain that comprises five own and three franchise stores focuses on the high end of the Dutch bedroom furniture specialist market. The stores are located at the better locations in the Netherlands and allow consumers to shop in attractive surroundings where they can choose from exclusive collections featuring numerous top brands.

WWW.DORMAELSLAAPKAMERS.NL

*Choice from exclusive collections
featuring numerous top brands.*

BEDDENDUMP

Beddendump is a discount cash & carry formula in the Netherlands. The stores are primarily located at B and C locations with floor space of approximately 600 square metres. The chain comprised a total of 15 stores at the end of 2004 (end 2003: 13).

WWW.BEDDENDUMP.NL

WASSERBETTENDISCOUNT

WasserbettenDiscount is a formula in Germany that combines Beter Bed's waterbed range with Matratzen Concord's location strategy. The chain sells waterbeds in relatively small stores with relatively low costs. There were five WasserbettenDiscount stores at the end of 2004 (2003: 6).

WWW.WB-DISCOUNT.DE

INTERWOOD

Interwood is the manufacturing plant in Poland that produces primarily solid wood furniture. Beter Bed purchases approximately half of the total production and the other half is purchased by third parties. Beter Bed Holding no longer sees own production as a core activity.

WWW.INTERWOOD-MEBLE.PL



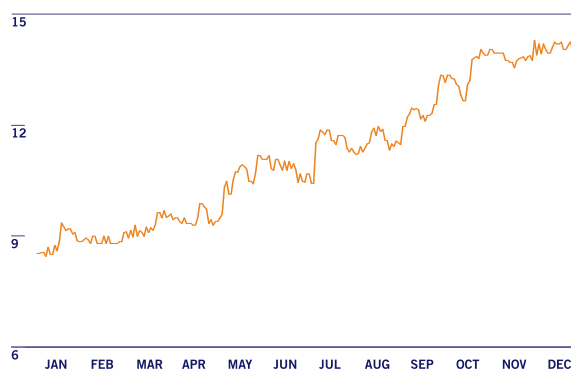
NUMBERS OF STORES

Formula		1 Jan 2004	Closed	Opened	31 Dec 2004
Matratzen Concord	Germany	477	25	59	511
	The Netherlands	24	5	3	22
	Austria	20	1	2	21
	Switzerland	15	1	3	17
Beter Bed	The Netherlands	75	3	6	78
	Germany	5	1	1	5
Dormaël	The Netherlands	9	1	-	8
Beddendump	The Netherlands	13	2	4	15
WasserbettenDiscount	Germany	6	2	1	5
Total		644	41	79	682

Share information

The shares of Beter Bed Holding N.V. are quoted on the Official Market of Euronext N.V. in Amsterdam under security code 033969. The number of shares outstanding at the end of 2004 totalled 8,654,547. The total number of shares outstanding rose by 89,000 in 2004 as a result of exercised employee share options. The average number of shares outstanding totalled 8,576,468. The number of shares used for calculating the diluted earnings per share is equal to this amount. Earnings per share in 2004 amounted to € 0.97, compared to earnings of € 0.20 in 2003. The figures for the diluted earnings per share are equal to these amounts.

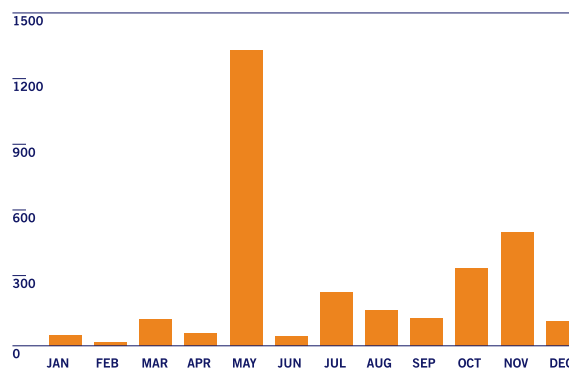
SHARE PRICE DEVELOPMENT 2004



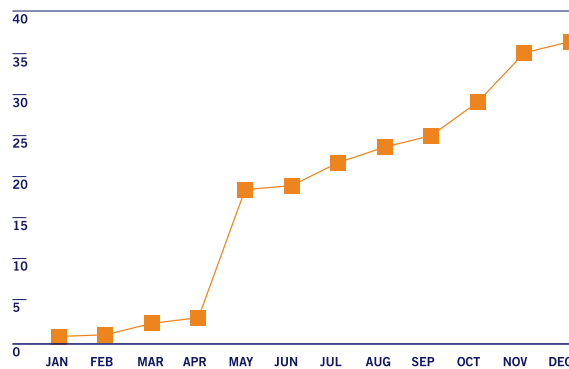
TRADING VOLUMES

The following table shows the number of shares traded per month via the Euronext order system and the cumulative percentage of the outstanding shares (as per 1 January) that were traded in 2004.

NUMBER (x 1,000)



PERCENTAGE (%)



The Beter Bed share enjoys considerable interest thanks to the continuing rise in profits. Three liquidity providers operate on behalf of the Beter Bed share, namely SNS Securities N.V., ABN AMRO N.V. and Rabo Securities N.V.



MAJOR HOLDINGS IN LISTED COMPANIES DISCLOSURE ACT

The following holdings as of year-end 2004 have been made public in compliance with the Major Holdings in Listed Companies Disclosure Act:

	PERCENTAGE (%)
Breedinvest B.V. (Laren, NL)	14.12
Delta Deelnemingen Fonds N.V. (Gouda, NL)	10.17
Stichting Shell Pensioenfonds (Den Haag, NL)	10.15
Todlin N.V. (Maarsbergen, NL)	7.73
Aviva Plc (CGNU Plc) (London, UK)	5.83
Driessen Beleggingen B.V. (Limmen, NL)	5.69
Orange Fund N.V. (Amsterdam, NL)	5.62
Orange Deelnemingen Fund N.V. (Amsterdam, NL)	5.13

OPTIONS

Options for new share issues have been extended to the Management Board and other managers in order to stimulate their commitment and motivation.

The management were awarded a total of 85,000 options in the year under review. These options can be exercised following the publication of the annual figures for 2007 (March 2008) and providing that the net profit level of € 12 million is equalled in at least one year during the validity period.

The exercise period ends on 29 October 2011. 89,000 options were exercised in the year under review. The following option series were outstanding at the end of the year:

Year of issue	Management Board	Other	Exercise price in €	Duration up to and inclusive
2000	-	2,500	12.25	21-12-2005
2003	30,000	50,000	8.50	31-10-2010
2004	30,000	55,000	14.75	29-10-2011

INSIDER REGULATIONS

The company has ratified insider trading regulations. The persons subject to these regulations have provided written confirmation that they shall fully adhere to the regulations. The regulations are available on the Beter Bed Holding website.

FINANCIAL CALENDAR 2005

The calendar for 2005 is as follows:

21 January 2005	Publication of 4th quarter 2004 trading statement
11 March 2005	Publication of annual results 2004
11 March 2005	Analysts' meeting annual results 2004
27 April 2005	Publication of 1st quarter 2005 results
27 April 2005	Annual General Meeting of Shareholders
15 July 2005	Publication of 2nd quarter trading statement
26 August 2005	Publication of half-year results 2005
26 August 2005	Analysts' meeting half-year results 2005
28 October 2005	Publication of 3rd quarter results 2005
20 January 2006	Publication of 4th quarter 2005 trading statement

For more information visit www.beterbedholding.com.

Supervisory Board

Members of the Supervisory Board are appointed for a period that expires on the day of the first Annual General Meeting of Shareholders that is held four years after their appointment. Board members step down periodically according to a schedule drawn up by the Supervisory Board. The following curricula vitae include an overview of the other supervisory directorships that are held by the members of the Supervisory Board.

The Supervisory Board has the following members: M.J.N.M. van Seggelen (Chairman), E.F. van Veen (Vice-chairman), C.A.S.M. Renders and J. Blokker.

The retirement by rotation schedule is as follows:

Supervisory Director	Appointed/ Reappointed	Retirement/ Reappointment
M.J.N.M. van Seggelen	25 April 2002	AGM 2006
E.F. van Veen	24 April 2003	AGM 2007
C.A.S.M. Renders	26 April 2001	AGM 2005
J. Blokker	6 June 2002	AGM 2006

Mr J. Blokker was appointed for the first time in June 2002. The other members of the Supervisory Board have held their positions since the stock market flotation at the end of 1996.

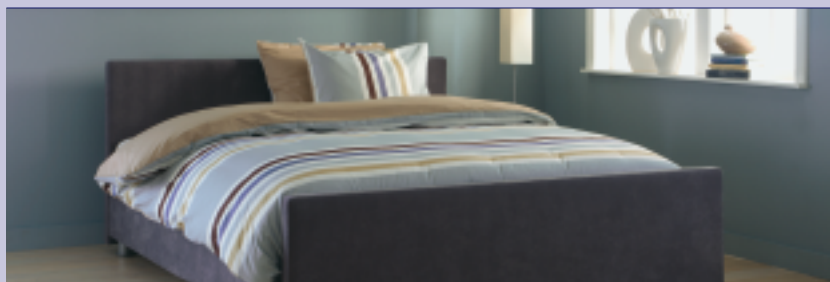
CURRICULUM VITAE

M.J.N.M. VAN SEGGELEN (1939)

Mr Van Seggelen studied economics at Basel University, Switzerland and began his professional career at an international institution for applied economic research. He subsequently held management positions at consumer goods production and trading companies.

For the past 20 years, he has worked as a director for retail businesses in the non-food sector. He was Chairman of the Board of Directors of RetailNet, Gouda, and a member of the Board of Directors of N.V. Koninklijke Bijenkorf Beheer KBB and ACF Holding N.V.

Mr Van Seggelen also holds supervisory directorships at Deen Supermarkt B.V., Pearle Europe B.V., De Lampenier B.V., DGS Wijnkopers B.V., Todlin N.V. and Fleurop Interflora Nederland B.V. He is Chairman of the Board of Directors of Vedis Detailhandels Platform and a member of the Board of Directors of the 'Retail Jaarprijs' Foundation. He also serves as a consultant for other retail companies.



CURRICULUM VITAE

E.F. VAN VEEN (1939)

Mr Van Veen graduated with a degree in business economics from the Erasmus University in Rotterdam in 1967. He began his career at Thomassen & Drijver Verblifa N.V. in Deventer, where he held various financial and commercial management positions.

From 1973 to 1998 he was successively corporate controller, corporate director Financing & Controlling (CFO) and vice-president of Royal Numico N.V.

Mr Van Veen also holds supervisory directorships at Docdata N.V., Blokker Holding B.V., Nabuurs Groep Haps B.V., and Koninklijke Numico N.V. He is a member of the Board of Directors of the Stichting Administratiekantoor CSM and a member of the Supervisory Board of Leiden University Medical Centre (LUMC). He is furthermore a member of the Listing and Issuing Regulations Advisory Committee of Euronext N.V.

CURRICULUM VITAE

C.A.S.M. RENDERS (1962)

Mr Renders has been the director-owner of Renders Management B.V. since 1988. After earning a degree in commercial law in Leiden and successfully completing the Simon School-Erasmus MBA programme in Rotterdam/Rochester, Mr Renders began his career as a consultant in 1986.

Mr Renders holds various supervisory directorships, including positions at Detron N.V. (until June 2000, after which the company was sold to Landis N.V.) and a few closely-held companies. As a supervisory director at the two publicly listed companies, he was closely involved with their IPOs.

CURRICULUM VITAE

J. BLOKKER (1942)

Mr Blokker is Chairman of the Board of Directors of Blokker Holding B.V.

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

Management Board

The Management Board of Beter Bed Holding is formed by F.J.H. Geelen, Chief Executive Officer, and E.J. van der Woude, Chief Financial Officer.

CURRICULUM VITAE

F.J.H. GEELLEN (1955)

Frans Geelen holds a masters degree in business administration from Erasmus University and a masters degree in law from Leiden University.

He began his career in 1979 at Koninklijke Bijenkorf Beheer.

In 1982 he joined Intercena where he held various positions at companies belonging to the Brenninkmeijer family. He was appointed managing director of Intercena in 1992.

In 1996 he joined the Executive Board of C&A Europe.

Frans Geelen joined Beter Bed Holding N.V. on 1 September 2000 in the position of Chief Operating Officer and on 1 January 2001 he was appointed to the position of Chairman of the Management Board and Chief Executive Officer.

CURRICULUM VITAE

E.J. VAN DER WOUDE (1959)

Ric van der Woude studied business economics at the Vrije Universiteit in Amsterdam.

He began his career in 1984 at Esso Benelux.

In 1990 he joined C&A Nederland where he held various financial and administrative positions. In 1998 he was appointed CFO of European Specialty Stores, a holding that comprises smaller retail companies owned by the Brenninkmeijer family in Europe.

He joined Beter Bed Holding N.V. on 1 January 2002 and, as the company's Chief Financial Officer, was appointed to the position of statutory director of Beter Bed Holding effective 1 May 2004.

Corporate Governance

The Supervisory Board and the Management Board subscribe to the principles of good business management as set forth in the Dutch Corporate Governance Code. The code officially went into force during the year under review. The company's website www.beterbedholding.com gives a full overview of all the best practice provisions and whether or not the company complies with these individual provisions.

This section provides an explanation of the best practice provisions that the company does not comply with (entirely) and the reasons for deciding not to comply. The code also includes a number of provisions that do not apply to Beter Bed. These provisions relate to a one-tier management structure, certification of shares and the responsibility of institutional investors.

BEST PRACTICE II.1.1.

A Management Board member is appointed for a maximum period of four years. A member may be reappointed for a period of not more than four years at a time.

The contracts that had already been entered into with the Management Board members (at the time of the publication of the code) have not been revised with a view to possible labour law issues. All new Management Board members will, however, be subject to this provision.

BEST PRACTICE II.1.3.

The company shall have an internal risk management and control system that is suitable for the company. It shall, in any event, employ as instruments of the internal risk management and control system:

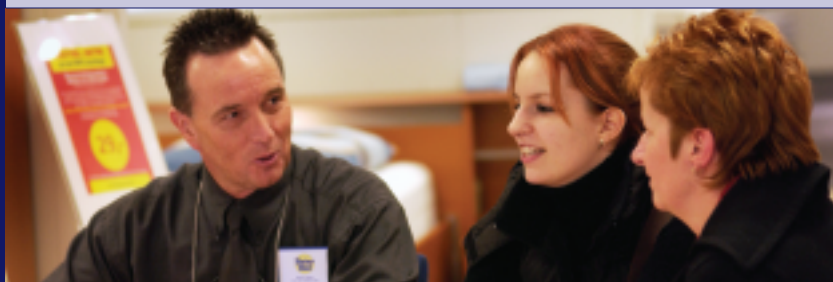
- a risk analyses of the operational and financial objectives of the company;
- b a code of conduct that should, in any event, be published on the company's website;
- c guides for the layout of the financial reports and the procedures to be followed in drawing up the reports;
- d a system of monitoring and reporting.

Beter Bed Holding complies with all the stipulations set forth in the code except for the code of conduct. Developing such a code of conduct is not deemed meaningful for a company of this size.

BEST PRACTICE II.2.6.

The Supervisory Board shall draw up regulations concerning ownership of and transactions in securities by Management Board members, other than securities issued by their 'own' company. The regulations shall be posted on the company's website. A Management Board member shall give periodic notice, but in any event at least once a quarter, of any changes in his holding of securities in Dutch listed companies to the compliance officer or, if the company has not appointed a compliance officer, to the Chairman of the Supervisory Board. A Management Board member who invests exclusively in listed investment funds or who has transferred the discretionary management of his securities portfolio to an independent third party by means of a written mandate agreement is exempted from compliance with this last provision.

Trading in shares other than those issued by the own company is considered to be a private matter of the related Management Board member, consequently this best practice provision is not adhered to.



BEST PRACTICE II.2.7.

The maximum remuneration in the event of dismissal is one year's salary (the 'fixed' remuneration component). If the maximum of one year's salary would be manifestly unreasonable for a Management Board member who is dismissed during his first term of office, such a board member shall be eligible for a severance pay not exceeding twice the annual salary.

No contractual agreements regarding remuneration in the event of dismissal have been entered into. Existing contracts will not be revised with respect to this point.

BEST PRACTICE III.6.7.

A Supervisory Director who temporarily takes on the management of the company, where the Management Board members are absent or unable to fulfil their duties, shall resign from the Supervisory Board.

Temporarily combining a management task with a position on the Supervisory Board is not considered to be problematic.

BEST PRACTICE III.7.3.

The Supervisory Board shall draw up regulations concerning ownership of and transactions in securities by Supervisory Directors, other than securities issued by their 'own' company. The regulations shall be posted on the company's website. A Supervisory Director shall give periodic notice, but in any event at least once a quarter, of any changes in his holding of securities in Dutch listed companies to the compliance officer or, if the company has not appointed a compliance officer, to the Chairman of the Supervisory Board.

A Supervisory Director who invests exclusively in listed investment funds or who has transferred the discretionary management of his securities portfolio to an independent third party by means of a written mandate agreement is exempted from compliance with this last provision.

Trading in shares other than those issued by the own company is considered to be a private matter of the related Supervisory Director, consequently this best practice provision is not adhered to.

BEST PRACTICE IV.3.1.

Meetings with analysts, presentations to analysts, presentations to investors and (institutional) investors and press conferences shall be announced in advance on the company's website and by means of press releases. Provision shall be made for all shareholders to follow these meetings and presentations in real time, for example by means of webcasting or telephone lines. After the meetings, the presentations shall be posted on the company's website.

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



BEST PRACTICE IV.3.7.

If a right of approval is granted to the general meeting of shareholders by law or under the articles of association of the company (e.g. in the case of option schemes, far-reaching decisions as referred to in draft article 2:107a Civil Code), or the Management Board or the Supervisory Board requests a delegation of powers (e.g. issue of shares or authorisation for the repurchase of shares), the Management Board and the Supervisory Board shall inform the general meeting of shareholders by means of a 'shareholders circular' of all facts and circumstances relevant to the approval, delegation or authorisation to be granted. The shareholders circular shall, in any event, be posted on the company's website.

A shareholders circular will only be used in exceptional cases. Notes will be added to the agenda of the AGM. These notes will, with only a few exceptions, provide sufficient clarity.

BEST PRACTICE V.3.1.

The external auditor and the Audit Committee shall be involved in drawing up the work schedule of the internal auditor. They shall also take cognisance of the findings of the internal auditor.

Beter Bed Holding does not have an internal auditor due to its size.

Report of the Supervisory Board

We hereby present the report of the Management Board and the financial statements for 2004.

The company's external auditor, Ernst & Young Accountants, has audited the 2004 financial statements as drawn up by the Management Board. You will find Ernst & Young's auditor's report on page 52 of this annual report.

We discussed the financial statements with the Management Board and the external auditor. The Supervisory Board proposes to the Annual General Meeting of Shareholders to approve these financial statements.

Approval will discharge the Management Board of responsibility in respect of their management during 2004 and the Supervisory Board of responsibility in respect of their supervision.

The company continued its positive development in the year under review. Beter Bed Holding proved its ability to improve profits considerably under market conditions that remain unfavourable. In addition both the formulas of Beter Bed and the organisation as a whole are well positioned to capitalise on a market recovery as soon as it arises.

In anticipation of the presentation of the dividend policy, the decision was made in 2004 to pay an interim dividend of € 0.25 per share. In accordance with the proposal of the Management Board, we recommend payment of a final dividend of € 0.50 per share. This means that 77% of the profits earned in 2004 will be paid to shareholders. The main points of the dividend policy that will be presented to the shareholders for approval on 27 April 2005 stipulate a payment percentage in excess of 50%, a proportion of which will be paid in the form of interim dividend.

The conditions attached to payment of a dividend are that the company's solvency must not fall below 30% and the interest-bearing debt/EBITDA ratio must not exceed two.

Also, the shareholders will be consulted in advance should the company consider making an acquisition of substantial size.

The Supervisory Board was intensely involved in the developments of Beter Bed Holding and its subsidiaries in 2004. The Management Board has provided us with periodic and useful information on the company's state of affairs both verbally and in writing. We met with the Management Board six times to discuss the commercial, operational, strategic and organisational developments. Corporate governance and risk control were also given special attention. In addition to the operational results and the positioning of the various retail formulas in the European markets, we furthermore examined the company's strategy for the medium term. The 2005 budget was adopted at the meeting in December. This budget sets forth the company's operational and financial objectives and the strategy for their realisation.

The Supervisory Board also met alone on two occasions. During these meetings we addressed the following issues:

- The performance of the Management Board and the Supervisory Board itself.
- The basic principles of the terms of employment policy.
- The company's approach to compliance with the Tabaksblat code.



After receiving the approval of the General Meeting of Shareholders held on 28 April 2004, the Supervisory Board appointed E.J. van der Woude as statutory director of Beter Bed Holding N.V. effective 1 May 2004.

Both the Audit Committee and the full Supervisory Board discussed the risk inventory conducted by the Management Board. The procedure for risk analysis, management and control has now been formally adopted. We are completely convinced that this procedure and the annual audit conducted by the external auditor vis-à-vis the system of AO/IC provide sufficient safeguards for the management statement concerning the effectiveness of the system of risk management and control.

The Audit Committee is comprised of Mr Van Veen (Chairman) and Mr Renders. The committee dealt with a number of topics during the year under review including:

- The Management Board's risk inventory and the risk control measures.
- The annual financial statements and the half-year figures.
- An explanation by Ernst & Young regarding their audit plan and the tolerances used.
- The Supervisory Board's nomination of Ernst & Young for the position of external auditor. The external auditor has also allocated responsibility for auditing the financial statements of Beter Bed to another partner because the previous partner had completed the maximum term of seven years. The responsible partner is now Mr W. Prins.

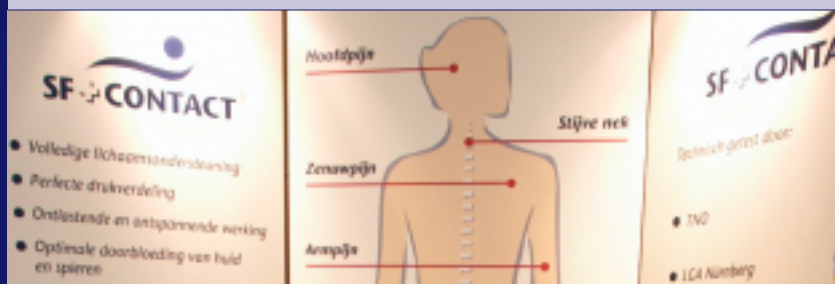
The Remuneration Committee is comprised of Mr Renders (Chairman), Mr Van Veen and Mr Van Seggelen. The remuneration policy is founded on the following basic principles:

- Fixed salaries at market level.
- A variable bonus of no more than 75% of the fixed salary.
- The bonus is linked to the realisation of budgeted operational results and a maximum of 40% of the bonus is discretionary. Employee share options will once again be issued as a vehicle for boosting the involvement and motivation of the Management Board and the management teams. A maximum of 1% of the total number of outstanding shares will be issued in the form of options each year. The options will be issued according to the average price on the day of issue. Options can only be exercised upon realisation of the net profit target stipulated with the issue of the option. This target is € 11.1 million for the options issued in 2003 and € 12.0 million for the options issued in 2004.

The company has not established a separate Selection and Appointment Committee due to its size.

The composition of the Supervisory Board fulfils the requirements stipulated by the Dutch Corporate Governance Code. Mr Van Veen is the financial expert on the Supervisory Board and only Mr Blokker is not independent due to his position as director of shareholder Breedinvest B.V.

Mr Renders will step down as supervisory director according to the schedule of retirement by rotation. The Supervisory Board proposes reappointing Mr Renders for a new term of four years.



An amendment to the articles of association will be proposed to the General Meeting of Shareholders to be held on 27 April 2005. This amendment is a consequence of the decision to discontinue the “structuur regime” in order to increase the influence of shareholders. A number of changes will also be presented in connection to the implementation of the Dutch Corporate Governance Code.

The updated website www.beterbedholding.com provides the information required by the Tabaksblad code.

The Supervisory Board acknowledges the range of interests that the company represents and accepts its responsibility to all the parties that have an interest in the company: shareholders, employees, customers, suppliers and financiers.

We thank the Management Board and all the employees for their commitment and perseverance in these commercially difficult times and furthermore commend them for achieving an increase in profits.

Uden, The Netherlands, 10 March 2005

M.J.N.M. van Seggelen, Chairman

E.F. van Veen, Vice-chairman

C.A.S.M. Renders

J. Blokker

Report of the Management Board

GENERAL

The decline in the consumer demand for bedroom furnishing products continued in the year under review. This decrease was due to various factors including a low level of consumer confidence and the related reluctance to make large purchases. The Beter Bed companies have succeeded in responding effectively to the growing demand for products that feature an attractive price/quality ratio. This means that not only the absolute pricing of the products is important, but that the relationship between the price and the quality is equally important. Another key aspect in the consumer marketing activities is the ongoing innovation of the collection that creates added value from the perspective of consumers.

In 2004, as in 2003, the policy remained focused on two core objectives:

1. Improving profits despite the current market conditions.
2. Positioning the company to be able to optimally benefit from a market recovery as soon as it arises.

The key components of the company policy are:

- Promoting growth in sales.

Sales are driven through promotions and through developing new products that are usually available only at Beter Bed stores.

- Increasing the gross profit percentage.

Intensifying promotional activities places the gross profit as a percentage of sales under pressure. This must be compensated for in part by more competitive purchasing and improved planning.

- Reducing average costs per store.

Consistently closing non-profitable stores and always critically reviewing all expenses in detail made it possible to attain a decrease in the average costs per store in the year under review for the third consecutive year.

- Continuing profitable expansion.

In 2004, Beter Bed Holding's expansion was mainly done through expanding Matratzen Concord in Germany because these stores already contribute to profits during their first year of operation.

Beter Bed realised sales of € 255.2 million in 2004, which represents a 9.0% increase in comparison to 2003. The operating profit amounted to € 15.0 million (2003: € 4.3 million). A positive operating profit (EBIT) was also achieved in the traditionally weak second and third quarters.



Risk

The Management Board of Beter Bed Holding takes its responsibility for risk control and the risk management and control systems that have been implemented within the organisation for this purpose, very seriously. While these systems are designed to control the risk should the business objectives not be achieved, they can never provide absolute safeguards against the risk of significant inaccuracies. The Management Board conducted the following activities in 2004 in order to be able to fulfil its responsibilities in the area of risk control:

- As part of the annual budget cycle, an analysis was made of the specific opportunities and risks related to each activity; the budget was subsequently approved by the Supervisory Board.
- A detailed risk analysis of the core activities was conducted together with the management teams of the main formulas. This analysis was divided into the following risk areas: financial, operational, administrative and management, legal, social, information and fiscal.
- This risk analysis was first discussed with the Audit Committee and subsequently with the Supervisory Board.
- The sales of Matratzen Concord and the order intake of Beter Bed Nederland was reported daily to the Management Board of the Holding. The other activities reported their turnover weekly.
- The Management Board of Beter Bed Holding has weekly meetings with the management teams of the various formulas.
- The profit and loss account, balance sheet and cash flow per formula were reported on a monthly basis in a detailed standard format. This included a comparison to the same period in the preceding year and the budget for the specific period. These reports were discussed during the monthly meeting with the Holding Management Board.
- A business continuity plan was formulated for the main distribution centre. This plan is designed to reduce the consequences should a disaster take place.
- In 2004 Beter Bed had an average outstanding amount of \$550,000 in dollar obligations. The currency risks are not covered. The positions are periodically reassessed.
- Interest paid on the 20 year contract with Bouwfonds is quarterly EURIBOR plus 1,25%. Until now the decision has been made to pay the economical quarterly rate, because the quarterly rate is approximately 2 percent points less than the 20 year rate. Each percent point rise in interest will cost the company € 100,000 per year.
- As in each preceding year, the external auditor made an assessment of the administrative organisation and internal control system.

Based on the above activities the Management Board is of the opinion that there is a tailor-made system of risk management and control in place and that it operated effectively in the year under review.

The most important improvement in the system of risk management and control that took place in the year under review was the introduction of a completely new structure of user authorisations within the IT system that was successfully implemented in 2003.



ACTIVITIES

MATRATZEN CONCORD

	2004	2003
Sales (x 1,000)	140,751	124,581
Number of stores	571	536
Number of employees (FTE)	976	876

Matratzen Concord realised sales of € 140.8 million, an increase of 13% in comparison to 2003.

In comparable stores, this represents a growth in sales of 6.8%. The expansion in terms of the number of stores is primarily focused on Germany. In the year under review 67 new stores were opened; the relatively high number of closures (32) resulted in a net increase of 35 stores. This is due in part to the policy of replacing small stores (<150 m²) with larger stores when the opportunity arises. This is because it is impossible to present the full range of product concepts that Matratzen Concord has developed to customers in an attractive manner in stores that have a total floor space of less than 150 square metres. In addition to the existing Vitalis and SF Contact concepts, a new concept of pocket spring mattresses, called Pro Aktiv, was developed in 2004. An important development in Germany was the abolition of the legal regulations pertaining to clearance sales. This allows Matratzen Concord to conduct promotional activities outside the traditional clearance sale periods. While the company already utilised this opportunity in 2004, this legislative change offers additional possibilities in 2005.

BETER BED

	2004	2003
Sales (x 1,000)	100,289	97,823
Number of stores	83	80
Number of employees (FTE)	522	562

Beter Bed achieved sales of € 100.3 million in 2004, which was 2.5% higher than 2003.

The order intake in comparable stores in The Netherlands was slightly negative, primarily as a result of the comparison to the extremely good first quarter of 2003. The IT system that was implemented in 2003 made a significant contribution to improving the results of the Beter Bed The Netherlands organisation as it resulted in faster delivery times and improved efficiency of the logistics operations. Beter Bed The Netherlands opened stores in Zwolle, Heerlen, Bussum, Hoofddorp, The Hague and Eindhoven and closed the stores in Hattem, Hilversum and the junior branch in Amersfoort in 2004. The order intake at Beter Bed Germany increased by 10.5% in 2004. Beter Bed Germany opened one store and closed one store.

BEDDENDUMP

	2004	2003
Sales (x 1,000)	5,630	4,545
Number of stores	15	13
Number of employees (FTE)	34	29

The total sales realised by this discount formula rose in 2004 by 23.9% in comparison to 2003.

The formula had 15 stores at the end of 2004.

Sales in comparable stores rose by 3.9%.

The development of both sales and profits is favourable. If suitable locations are found, the number of stores will be further expanded in 2005.



DORMAËL SLAAPKAMERS

	2004	2003
Sales (x 1,000)	1,551	2,371
Number of stores	8	9
Number of employees (FTE)	12	7

The market for more expensive bedroom products has suffered severely from the poor economic conditions. This resulted in the bankruptcy of one of the franchisees in 2004. The majority of the Dormaël stores are now operated by Beter Bed Holding. In 2005 the possibility for renewing this concept will be explored.

WASSERBETTENDISCOUNT

	2004	2003
Sales (x 1,000)	1,066	536
Number of stores	5	6
Number of employees (FTE)	7	8

The idea of selling Beter Bed's range of waterbeds at locations similar to those of Matratzen Concord seems to be effective. This concept will be gradually expanded.

DBC

DBC achieved sales totalling € 6.4 million in 2004, including the sales to Beter Bed (2003: € 4.0 million). Sales of the M LINE products are developing favourably in the Netherlands. The development in Germany is still difficult. DBC has now taken its first cautious steps into the Belgian market. In 2004 the M LINE range was expanded to include an M LINE Slow Motion Basic mattress at the bottom of the range and the M LINE Slow Motion IV mattress at the top of the range.

INTERWOOD / ECOWOOD

Sales in 2004 amounted to € 4.1 million (2003: € 4.4 million) including sales to Beter Bed. One of the remaining two production locations was closed in 2004. No more production activities are being carried out in Ecowood at the balance sheet date. Both of Ecowood's production locations have since been sold and the company will be liquidated. The book loss on the sale of the assets totalling € 326,000 has been charged to the existing provision. The planned sale of Interwood could not be realised. The decision was consequently made to close the Interwood factory. Based on the experiences gained with Ecowood, an amount of € 384,000 has been added to the provisions for this purpose.

INVESTMENTS, FINANCING AND CASH FLOW

A total amount of € 4.6 million was invested in 2004 (2003: € 3.9 million). The amount of investment was relatively low in 2004 primarily due to the limited number of modernisations. The majority of the investments were investments in the stores. The cash flow (net profit plus depreciation) amounted to € 14.7 million compared to € 8.6 million in 2003.

The solvency percentage at the end of the year under review amounted to 37.5% (2003: 31.3%). The land in Uden on which the distribution centre and the head office are located was reappraised at the end of 2004. The land has been valued at € 3.0 million, which has resulted in an addition to the revaluation reserve of € 0.3 million.

89,000 shares were issued in 2004 as a result of the exercising of employee share options.

No changes were made to the financing structure and the interest-bearing debt decreased from € 19.3 million at the end of 2003 to € 14.1 million at the end of 2004. The net debt decreased from € 16.7 million to € 5.5 million.



During the year under review the liquidity position improved to such an extent that there was a positive bank account balance at the end of the year.

EMPLOYEES

The quality and commitment of employees largely determine the success of organisations in general and of retail organisations in particular. In a difficult market, realising higher sales demands an exceptional degree of dedication, inventiveness and professionalism from all employees. The Management Board of Beter Bed Holding would like to thank all the employees for the outstanding contribution they have made towards improving the results through their high standards and dedication.

Continuing attention to the further development and training of employees is one of the key criteria for improving the company's performance. The training programme launched at Matratzen Concord in 2003 that is designed to improve the sales and advisory skills of the sales employees was continued in 2004. At Beter Bed the implementation of the new IT system and the related training programmes are beginning to bear fruit, particularly in terms of improvements to customer service and to the efficiency of the logistics operations. The programme for improving the entrepreneurship within the sales teams that was tested in 2003 was continued in 2004.

As of 31 December 2004, a total of 1,760 employees worked at Beter Bed companies. Of this total, 522 are employed at Beter Bed in the Netherlands and in Germany, and 976 at Matratzen Concord in Germany, the Netherlands, Austria and Switzerland.

SOCIALLY RESPONSIBLE ENTERPRISE

It goes without saying that each and every employee of Beter Bed Holding is expected to respect the laws and regulations in every area of business.

While the direct environmental risk related to the activities of Beter Bed Holding is limited, the Management Board acknowledges the importance of environmental aspects when making business decisions. It acts accordingly and communicates this to employees and suppliers. Environmental issues also play a role when selecting manufacturers and materials. The management also devotes attention to the method of packaging and separated processing of waste flows.

Beter Bed companies are aware of their place in society and sponsor sport associations, projects for the disabled and various other events.

IFRS

We have, in consultation with the external auditor, assessed the impact that the introduction of IFRS will have on the balance sheet and the profit and loss account of Beter Bed. While the IFRS regulations and their interpretation are still being developed, the current regulations and interpretation do not entail any significant consequences for Beter Bed Holding's current balance sheet and profit and loss account.

EXPECTATIONS AND OUTLOOK

We do not anticipate a significant economic recovery in our key sales markets in Germany and the Netherlands in 2005. The current policy of improving profits under the current market conditions and of optimally positioning the company to benefit from a market recovery when it arises will be continued. We anticipate a further increase in sales and profits in 2005, and expect a significant increase in net profit for the first half-year.

Uden, The Netherlands, 10 March 2005

F.J.H. Geelen, Chief Executive Officer

E.J. van der Woude, Chief Financial Officer



BETER BED HOLDING

FINANCIAL STATEMENTS **2004**

Consolidated balance sheet

AT 31 DECEMBER, IN € THOUSAND

BEFORE PROPOSED PROFIT APPROPRIATION

	2004	2003
FIXED ASSETS		
TANGIBLE FIXED ASSETS		
Land and buildings	10,682	11,059
Plant and machinery	448	736
Other fixed operating assets	12,170	13,640
	23,300	25,435
CURRENT ASSETS		
STOCKS		
Raw materials and consumables	173	197
Work in progress	26	44
Finished products and goods for resale	31,396	30,437
	31,595	30,678
DEBTORS		
Trade debtors	1,133	1,393
Other debtors	4,130	2,388
Prepayment and accrued income	701	719
	5,964	4,500
CASH AT BANK AND IN HAND	8,562	2,589
TOTAL ASSETS	69,421	63,202

	2004	2003	
EQUITY	26,027	19,774	
PROVISIONS			
Deferred taxation	340	716	
Restructuring	600	542	
Other	718	726	
	1,658	1,984	
LONG-TERM LIABILITIES			
Credit institutions	14,072	15,938	
CURRENT LIABILITIES			
Credit institutions	-	3,348	
Other creditors	10,425	11,806	
Taxes and social security contributions	5,626	2,350	
Other liabilities	9,362	6,408	
Accruals and deferred income	2,251	1,594	
	27,664	25,506	
TOTAL LIABILITIES	69,421	63,202	

Consolidated profit and loss account

AT 31 DECEMBER, IN € THOUSAND

	2004		2003		
Net sales	255,166		234,018		
Cost of sales	120,571		112,053		
Gross profit	134,595	52.7%	121,965	52.1%	
Selling expenses	104,478		103,440		
General administrative expenses	15,157		14,243		
Total operating expenses	119,635	46.9%	117,683	50.3%	
Operating profit (EBIT)	14,960	5.9%	4,282	1.8%	
Financial income	585		21		
Financial expenses	(1,507)		(1,668)		
Profit on ordinary activities before taxation	14,038	5.5%	2,635	1.1%	
Taxes on profit on ordinary activities	(5,722)		(884)		
Net result	8,316	3.3%	1,751	0.7%	
Earnings per share in €	0.97		0.20		
Diluted earnings per share in €	0.97		0.20		

Consolidated cash flow statement

AT 31 DECEMBER, IN € THOUSAND

	2004	2003
CASH FLOW FROM OPERATING ACTIVITIES		
Net group profit	8,316	1,751
Depreciation	6,361	6,883
Movements in:		
- Stocks	(917)	(2,000)
- Debtors	(1,464)	(482)
- Trade creditors	5,506	87
- Provisions	(326)	176
	17,476	6,415
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to tangible fixed assets	(4,570)	(3,944)
Disposals of tangible fixed assets	806	486
	(3,764)	(3,458)
CASH FLOW FROM FINANCING ACTIVITIES		
Income from the issue of new shares	1,013	-
Exchange gain/ (loss) in foreign participating interest	(103)	(12)
Issued long-term loans	-	5,000
Repayment of long-term liabilities	(1,866)	(1,432)
Dividend paid	(3,435)	-
	(4,391)	3,556
NET CASH FLOW FOR FINANCIAL YEAR	9,321	6,513
Cash at bank and in hand at the beginning of the year	2,589	3,750
Short-term portion of the amount owed to credit institutions at the beginning of the financial year	(3,348)	11,022
	(759)	(7,272)
Cash at bank and in hand at the end of the year	8,562	2,589
Short-term portion of the amount owed to credit institutions at the end of the financial year	-	(3,348)
	8,562	(759)

General notes

Unless expressly stated otherwise, the amounts stated in these notes refer to the consolidated figures. The notes to the company annual accounts are restricted to the assets and liabilities stated in the company balance sheet that differ from the corresponding amounts in the consolidated balance sheet. The company profit and loss account has been prepared with due regard for the provisions of Article 402, Part 9, Book 2 of the Netherlands Civil Code.

PRINCIPLES OF CONSOLIDATION

The consolidated annual accounts fully embody the accounts of Beter Bed Holding N.V. and all companies in which Beter Bed Holding N.V. can either directly or indirectly exercise more than 50% of the voting rights. The following companies are involved in the consolidation of Beter Bed Holding N.V. and its participating interests.

NAME	STATUTORY INTEREST	REGISTERED OFFICE	INTEREST %	
Bedden & Bedden B.V.		Uden	Netherlands	100
Beter Bed B.V.		Uden	Netherlands	100
Beter Bed Holding GmbH		Moers	Germany	100
Beter Beheer B.V.		Uden	Netherlands	100
DBC International B.V.		Uden	Netherlands	100
DBC Nederland B.V.		Uden	Netherlands	100
DBC Deutschland GmbH		Moers	Germany	100
DFC Comfort B.V.		Heelsum	Netherlands	100
Dormaël Slaapkamers B.V.		Soesterberg	Netherlands	100
Ecowood Sp.z.o.o.		Walcz	Poland	100
Interwood Sp.z.o.o.		Walcz	Poland	100
Matrassen Concord B.V.		Uden	Netherlands	100
Matratzen Concord A.G.		Frauenfeld	Switzerland	100
Matratzen Concord GmbH		Cologne	Germany	100
Matratzen Concord GmbH		Vienna	Austria	100
Meubelgroothandel Classic Heerlen B.V.		Kerkrade	Netherlands	100

New group companies are included in the consolidation at the time at which the group can exercise full control over the company. No changes were made to the composition of the consolidated group companies in the year under review. Beter Bed Holding N.V. has issued declarations of joint and several liability for the obligations arising from all legal transactions entered into by the Dutch group companies. Pursuant to these letters of guarantees, the Dutch group companies have made use of the exemption options laid down in Article 403, paragraphs 1 and 3, of Part 9, Book 2 of the Netherlands Civil Code.

PRINCIPLES FOR THE TRANSLATION OF FOREIGN CURRENCIES

Assets and liabilities in foreign currencies are translated at the rate of exchange on the balance sheet date. The resultant exchange differences are credited to or deducted from the profit and loss account. Exchange differences in the annual accounts of foreign group companies incorporated in the consolidation are taken directly to the reserves. The results of consolidated foreign participating interests are translated into euros at the average exchange rate for the year under review.

ACCOUNTING POLICIES

TANGIBLE FIXED ASSETS

Tangible fixed assets other than company land are valued at the purchase price or production price less straight-line depreciation based on the expected economic life or lower realisable value. Company land is valued at the estimated current value. Land and tangible fixed assets under construction are not depreciated.

FINANCIAL FIXED ASSETS

Participating interests in group companies are valued at the net asset value calculated in accordance with Beter Bed Holding N.V.'s policies. When a participating interest has a negative equity the sequence is as follows: first, the valuation of the participating interest is reduced, then a provision is formed for amounts owed by the participating interest and, when so required, a provision is formed on the credit side of the balance sheet.

STOCKS

Stocks of raw materials, finished products and goods for resale are valued at the lower of purchase price and market value. Stocks of work in progress are valued at the purchase prices of the raw materials and consumables used in their production, increased by the direct production costs. Where necessary, the downward adjustment of the value of unmarketable goods is taken into account. Unrealised intercompany profits are eliminated from the stock valuation.

OTHER ASSETS AND LIABILITIES

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

PROVISIONS

The provisions are valued at the nominal value. The provision for deferred corporation tax incorporates the deferred tax liabilities arising from the temporary differences between the values for financial reporting and tax purposes. The deferred tax liability is formed at the tax rate applicable in the relevant country on the balance sheet date. No provision is formed for deferred taxes arising from the revaluation of land. The other provisions are for maintenance obligations and obligations arising from the restructuring within Beter Bed Holding.

DETERMINATION OF THE RESULT

The net sales is understood as the proceeds of the sale of goods and services to third parties less discounts and similar, and sales taxes. Sales are valued at the time the goods are delivered to consumers and other customers. The net sales also includes the rent received from third parties. The costs are determined in accordance with the aforementioned accounting policies, and are allocated to the financial year to which they relate. Losses are recognised in the reporting year in which they are foreseen. 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. Virtually all other pension schemes are based on the accrued contribution system. The premiums paid to the industrial pension fund and to insurers respectively are included as expenses in the year for which they are applicable. Depreciation is calculated using the straight-line method based on the expected economic life. Additions in the year under review are depreciated from the date of purchase. Taxes are calculated on the basis of the result recorded in the profit and loss account, whereby account is taken of tax-exempt items and costs that are non-deductible either in whole or in part.

CASH FLOW STATEMENT

The cash flow statement is drawn up using the indirect method. The 'cash at bank and in hand' item stated in the cash flow statement can be defined as the liquid resources less short-term bank overdrafts.

INFORMATION BY SEGMENT

The company supplies its products within one business and geographic segment, namely the European bedroom furnishings market that entails a comparable risk and return profile. The products are essentially also comparable in view of the nature of the goods, the customers and the distribution channels.

IFRS

The transition to IFRS had only a limited effect on the result. The introduction of the new standards did entail making a few presentation and valuation changes to the balance sheet. The principal revisions made to the opening balance sheet in accordance with IFRS are listed below:

- The existing provision for major maintenance totalling € 433,000 at the end of 2004 is not allowed under IFRS. The provision will be offset against the material fixed assets entry. The component approach will subsequently be applied for this balance sheet item.
- A provision for deferred tax obligations was not formed in relation to the revaluation reserve through 2004. Such a provision must be established in accordance with IFRS. This entails decreasing the group equity and increasing the provision for deferred tax obligations by an amount of € 655,000 on the balance sheet as of 31 December 2004.
- The short-term constituent of the long-term debt has to date been included as part of the long-term debt. This is not permitted under IFRS. As a result the long-term debt must be decreased and the short-term debt must be increased by an amount of € 1,858,000 as of 31 December 2004.

The figures on the basis of IFRS are in line with the current standards and interpretations and may be subject to change should these standards and interpretations be amended in future.

Notes to the consolidated balance sheet

AT 31 DECEMBER, IN € THOUSAND

TANGIBLE FIXED ASSETS

Tangible fixed assets are intended for own use.

The movements in this item were as follows:

	LAND AND BUILDINGS	PLANT AND MACHINERY	OTHER FIXED OPERATING ASSETS	TOTAL
Net book value 1 January	11,059	736	13,640	25,435
Additions	4	14	4,552	4,570
Transfers/currency adjustments	104	95	-	199
Disposals	(407)	(267)	(132)	(806)
Depreciation	(341)	(130)	(5,890)	(6,361)
Revaluation	263	-	-	263
Net book value at 31 December	10,682	448	12,170	23,300
Accumulated depreciation	2,719	859	32,064	35,642
Accumulated revaluation	(2,078)	-	-	(2,078)
Cost	11,323	1,307	44,234	56,864

The revaluation of € 2,078,000 relates to the company land and buildings at Uden. The land was reappraised on 2 December 2004. € 263,000 was added to the revaluation reserve on the basis of this appraisal.

CURRENT ASSETS

All accounts receivable fall due within one year.

An amount of € 2.8 million was included in the other accounts receivable item at the end of 2004 that relates to the construction of Beter Bed Nederland's new distribution centre in Nieuw-Vennep. The construction was for the account of Beter Bed; prior to occupation the building and the land have been sold to FGH bank with whom the company has entered into a lease agreement for a period of fifteen years with the option to purchase the property after ten years.

CASH AT BANK AND IN HAND

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

CURRENT LIABILITIES

In general, creditors in the Netherlands are paid within 10 days. In Germany the payment conditions stipulate payment 15 days after the end of the month in which goods are delivered.

LONG-TERM LIABILITIES

The company has credit facilities amounting to a total of € 25.0 million for the financing of the group. There was a positive bank balance at the end of the year under review. In view of the amount owed to credit institutions, the company and its subsidiaries have undertaken not to encumber their assets with any security rights without prior written permission from the credit institution.

In 2002 a loan of € 4.0 million was negotiated for the financing of computer equipment. The interest rate on this loan is 4.7%. At the end of 2004 the outstanding balance was € 0.6 million. The entire € 0.4 million repayment scheduled for 2005 is included in the long term liabilities.

In November 2002 a 20-year financing agreement was concluded with Bouwfonds Property Finance B.V., whereby a mortgage was issued on the distribution centres in Uden and Hoogeveen and the store in Den Helder. Quarterly payments of the interest and repayments of the principal are made by means of an annuity. The rate of interest is specified on the basis of the three-month EURIBOR increased by 1.25%. At the end of the year under review the balance of this loan amounted to € 10.0 million, of which € 7.8 million falls due after five years. In 2005 € 0.4 million will be repaid. This amount is included in long-term liabilities.

In June 2003 a loan was granted by the Kreissparkasse in Cologne for an amount of € 5.0 million, with a 5-year period of maturity. The interest rate is 4.63% for the entire duration of the loan. The loan is being repaid in equal monthly instalments. In 2005 € 1.0 million will be repaid. This amount is also included in long-term liabilities.

PROVISIONS

	2004	2003
Deferred taxation	340	716
Restructuring	600	542
Other	718	726
Total	1,658	1,984

The tax provision relates to the difference between the values of stock in the Netherlands for financial reporting and tax purposes. This provision is of a long-term nature. In the year under review, € 326,000 was charged to the restructuring provision that was formed in 2000 in connection with the capital loss on the sale of the two production locations that are no longer in use. In view of the experiences selling the assets of Ecowood, an amount of € 384,000 has been added to the provision for the closure of Interwood.

The other provisions serve to cover commitments and risks, in particular with respect to the maintenance of real estate. The provisions developed as follows in the year under review:

	TOTAL	TAXES	RESTRUCTURING	OTHER
At 1 January	1,984	716	542	726
Additions charged to the result	399	-	384	15
Appropriations	(349)	-	(326)	(23)
To tax receivables	(376)	(376)	-	-
At 31 December	1,658	340	600	718

GROUP EQUITY

The movements in this item were as follows:

		2004		2003	
Balance at 1 January		19,774		18,304	
Profit appropriation	8,316		1,751		
Revaluation	263		-		
Exchange differences	96		(281)		
Total result		8,675		1,470	
Share issue		1,013		-	
Dividend for 2003/2002		(1,285)		-	
Interim dividend for 2004		(2,150)		-	
Balance at 31 December		26,027		19,774	

Notes to the consolidated profit and loss account

AT 31 DECEMBER, IN € THOUSAND

NET SALES BY FORMULA

	2004	2003
Matratzen Concord	140,751	124,581
Beter Bed	100,289	97,823
Beddendump	5,630	4,545
WasserbettenDiscount	1,066	536
DBC	6,374	4,044
Dormaël	1,551	2,371
Interwood/Ecowood	4,141	4,426
Intercompany adjustment	(4,636)	(4,308)
Total	255,166	234,018

WAGE AND SALARY COSTS

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

	2004	2003
Wages and salaries	47,600	45,362
Social security costs	8,698	8,297
Pension costs	1,344	1,397
Total	57,642	55,056

AVERAGE NUMBER OF EMPLOYEES

In 2004 an average of 1,765 employees (2003: 1,733) worked for the companies involved in the consolidation, subdivided into the following sectors:

	2004	2003
Retail in The Netherlands	590	615
Retail outside The Netherlands	940	859
Production outside The Netherlands	235	259
Total	1,765	1,733

DEPRECIATION

Depreciation in the year under review amounted to € 6,361,000 (2003: € 6,883,000).

The depreciation rates, which are based on the expected economic life, are as follows:

Land	0%
Buildings	3.33%
Buildings in Poland	2 tot 4%
Machinery	20%
Plant	10%
Other	10 tot 33%

Tax

The applicable rate is the weighed average of the applicable tax percentage of the countries in which Beter Bed Holding operates. The applicable rate in the year under review was 37.8% (2003: 33.5%).

The effective tax rate is the tax included in the profit and loss account as percentage of profit before taxes. The effective tax rate in 2004 amounts to 40.8% (2003: 33.5%).

	2004	2003
Applicable tax rate	37.8%	42.0%
Non tax-deductible losses	0.7%	15.0%
Tax credit liquidation	-	(28.1%)
Other differences	2.3%	4.6%
Effective tax rate	40.8%	33.5%

The tax-deductible losses at the end of the year under review amounted to € 1,548,000.

This is the nominal value of these losses.

REMUNERATION FOR THE MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

In 2004 the remuneration for the members of the Management Board and the Supervisory Board was as follows:

	SALARY (IN €)		BONUSES (IN €)		PENSION (IN €)		
	2004	2003	2004	2003	2004	2003	
F.J.H. Geelen	265,000	265,000	185,500	40,000	63,408	63,447	
E.J. van der Woude	116,667	105,827	51,750	15,000	17,500	15,874	
Total, Management Board	381,667	370,827	237,250	55,000	80,908	79,321	
M.J.N.M. van Seggelen	20,420	20,420	-	-	-	-	
E.F. van Veen	15,882	15,882	-	-	-	-	
J. Blokker	15,882	15,882	-	-	-	-	
C.A.S.M. Renders	15,882	15,882	-	-	-	-	
Total, Supervisory Board	68,066	68,066	-	-	-	-	

The bonuses are included in the costs for the year they relate to.

So as to increase their medium-term commitment to the company the Management Board was once again granted options on new shares to be issued. Mr Geelen and Mr van der Woude now hold the following options:

	YEAR OF ISSUE	NUMBER	EXERCISE PRICE	DURATION	
F.J.H. Geelen	2003	20,000	8.50	31-10-2010	
	2004	20,000	14.75	29-10-2011	
E.J. van der Woude	2003	10,000	8.50	31-10-2010	
	2004	10,000	14.75	29-10-2011	

Members of the Supervisory Board do not hold any options.
Mr J. Blokker owns 6,000 shares in the company.

The net profit of € 8,316,000 achieved in 2004 divided by the average number of 8,576,468 shares outstanding results in earnings per share amounting to € 0.97. The figures are the same for the diluted earnings per share.

The company has entered into long-term rental and lease commitments with respect to company buildings and other operating assets. On the balance sheet date the monthly commitments were as follows:

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

The company has entered into a buy-back commitment for the inventory and stocks towards the financiers of the franchisees of the Dormaël formula. At the end of 2004 the maximum commitment amounted to € 0.4 million.

AT 31 DECEMBER, IN € THOUSAND
BEFORE PROPOSED PROFIT APPROPRIATION

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	2004	2003	
CAPITAL AND RESERVES			
Issued share capital	433	428	
Share premium account	15,566	14,557	
Legal revaluation reserve	2,078	1,854	
Legal reserve participating interests	-	-	
Other reserves	(366)	1,184	
Retained earnings	8,316	1,751	
	26,027	19,774	
PROVISIONS	1,138	3,641	
CURRENT LIABILITIES	4,298	1,223	
TOTAL LIABILITIES	31,463	24,638	

Company profit and loss account

AT 31 DECEMBER, IN € THOUSAND

	2004	2003
NET PROFIT OF PARTICIPATING INTERESTS	8,597	904
OTHER INCOME / (EXPENSES)	(281)	847
NET PROFIT	8,316	1,751

Notes to the company balance sheet and profit and loss account

AT 31 DECEMBER, IN € THOUSAND

GENERAL

The accounting principles and policies for the determination of the result as stated for the consolidated annual accounts are also applicable to the company accounts.

FINANCIAL FIXED ASSETS

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

	PARTICIPATING INTERESTS IN GROUP COMPANIES	LOANS	TOTAL
Balance at 1 January 2003	17,166	1,236	18,402
Profit from participating interests 2003	904	-	904
Dividend paid	(3,840)	-	(3,840)
Exchange gain / (loss)	(281)	-	(281)
Movements in loans owed by group companies	(25,512)	25,512	-
Repayments of loans	-	(25,500)	(25,500)
Contributions	27,285	-	27,285
Movement in provision participating interests	(2,447)	-	(2,447)
Balance at 31 December 2003	13,275	1,248	14,523
Profit from participating interests, current year	8,597	-	8,597
Exchange gain / (loss)	96	-	96
Liquidation participating interests	(124)	-	(124)
Revaluation	263	-	263
Movements in amounts owed by group companies	70	-	70
Movements in loans owed by group companies	721	(721)	-
Movement in provision participating interests	(2,561)	-	(2,561)
Balance at 31 December 2004	20,337	527	20,864

DEBTORS

At 31 December	2004	2003	
Group companies	9,754	8,176	
Other debtors	845	1,939	
Total	10,599	10,115	

All debtors fall due within one year.

CASH AT BANK AND IN HAND

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

CURRENT LIABILITIES

The breakdown of this balance sheet item is as follows:

At 31 December	2004	2003	
Credit institutions	2,926	703	
Taxes and social security contributions	762	21	
Other liabilities, accruals and deferred income	611	499	
Total	4,299	1,223	

PROVISIONS

At 31 December	2004	2003	
Other	600	542	
Participating interests	538	3,099	
Total	1,138	3,641	

The provision for restructuring involves a provision for the closure of Interwood, the only remaining production location. The participating interests provision relates to a provision for participating interests which have a negative net equity after the loans issued by the company have been set off against the participating interest's equity. The development of the provisions in the year under review is as follows:

	TOTAL	RESTRUCTURING	PARTICIPATING INTERESTS
At 1 January	3,641	542	3,099
Addition charged to the result	384	384	-
Use	(326)	(326)	-
Other movements	(2,561)	-	(2,561)
At 31 December	1,138	600	538

EQUITY

ISSUED CAPITAL

The company has an authorized share capital of € 1,250,000 in 25 million ordinary shares with a nominal value of € 0.05. At the end of 2004 8,654,547 shares had been issued and paid up. The number of shares outstanding increased by 89,000 in the year under review as a result of exercised employee share options.

The movement of the equity items was as follows:

			ISSUED	SHARE	LEGAL			
			SHARE	PREMIUM	PARTICIPATING	REVALUATION	OTHER	RETAINED
		TOTAL	CAPITAL	ACCOUNT	INTERESTS	RESERVE	RESERVES	EARNINGS
Balance at 1 January 2003		18,304	428	14,557	(328)	1,891	3,400	(1,644)
Profit appropriation 2002		-	-	-	-	-	(1,644)	1,644
Result 2003		1,751	-	-	-	-	-	1,751
Translation differences in equity and loans at foreign group companies		(281)	-	-	(281)	-	-	-
Revaluation		-	-	-	-	(37)	37	-
Legal reserve participating interests		-	-	-	609	-	(609)	-
Balance at 31 December 2003		19,774	428	14,557	-	1,854	1,184	1,751
Profit appropriation 2003		(1,285)	-	-	-	-	466	(1,751)
Result 2004		8,316	-	-	-	-	-	8,316
Interim dividend 2004		(2,150)	-	-	-	-	(2,150)	-
Translation differences in equity and loans at foreign group companies		96	-	-	96	-	-	-
Revaluation		263	-	-	-	224	39	-
Share issue		1,013	5	1,009	-	-	(1)	-
Legal reserve participating interests		-	-	-	(96)	-	96	-
Balance at 31 December 2004		26,027	433	15,566	-	2,078	(366)	8,316

The entire share premium account can be distributed tax free. The revaluation reserve relates to the legal revaluation reserve for land.

COMMITMENTS NOT INCLUDED IN THE BALANCE SHEET

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

Uden, 10 March 2005

Management Board

F.J.H. Geelen

E.J. van der Woude

Supervisory Board

M.J.N.M. van Seggelen

E.F. van Veen

C.A.S.M. Renders

J. Blokker

Auditors' report

INTRODUCTION

We have audited the financial statements of Beter Bed Holding N.V., Uden, The Netherlands, for the year 2004. The financial statements is the responsibility of the company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

SCOPE

We conducted our audit in accordance with auditing standards generally accepted in The Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the financial statements gives a true and fair view of the financial position of the company as of 31 December 2004 and of the result for the year then ended in accordance with accounting principles generally accepted in The Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of The Netherlands Civil Code.

Eindhoven, 10 March 2005

Ernst & Young Accountants

Other information

APPROPRIATION OF PROFIT PURSUANT TO THE ARTICLES OF ASSOCIATION

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

PARAGRAPH 1

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

PARAGRAPH 2

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

APPROPRIATION OF PROFIT IN € 1,000

Profit for 2004	8,316
Interim dividend	(2,150)
Addition to the other reserves	1,837
Profit available for payment	4,329

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

Historical summary

AT 31 DECEMBER

	2004	2003	2002	2001	2000	1999
RESULT (IN € 1,000)						
Net sales	255,166	234,018	221,779	238,876	226,325	207,175
Gross profit	134,596	121,965	117,067	128,895	125,160	111,452
Operating profit (EBIT)	14,960	4,282	892	20,090	21,173	22,141
Net profit	8,316	1,751	(1,644)	11,066	6,599	12,748
Depreciation	6,361	6,883	6,140	5,006	5,198	4,794
Cash flow	14,677	8,634	4,496	16,072	11,797	17,541
Net investments	3,764	3,458	5,775	8,674	1,570	5,670
CAPITAL (IN € 1,000)						
Total assets	69,421	63,202	65,575	71,318	68,213	73,272
Group equity	26,027	19,774	18,304	19,119	16,701	21,189
FIGURES PER SHARE						
Net profit in €	0.97	0.20	(0.21)	1.42	0.85	1.67
Cash flow in €	1.71	1.01	0.58	2.06	1.52	2.29
Dividend paid in €	0.50	0.15	-	0.50	0.57	0.57
Average number of outstanding shares (in 1,000 of shares)	8,576	8,566	7,797	7,790	7,754	7,662
Share price in € at year-end	14	9	7	13	11	27
RATIOS						
Operating profit/net turnover	5.9%	1.8%	0.4%	8.4%	9.4%	10.7%
Net profit/net turnover	3.3%	0.7%	(0.7%)	4.6%	2.9%	6.2%
Solvency	37.5%	31.3%	27.9%	26.8%	24.4%	28.9%
Interest cover	16.2	2.6	0.4	11.1	9.9	15.3

				2004	2003	2002	2001	2000	1999
OTHER INFORMATION									
Number of stores									
at year-end				682	644	618*	555	495	423
Number of staff									
in The Netherlands at year-end				587	618	625	599	618	735
Number of staff in Germany, Switzerland and Austria									
at year-end				980	879	857	782	648	539
Number of staff									
in Poland at year-end				193	284	292	426	492	506
Turnover per staff									
(in € 1,000)				144	131	125	132	128	116

* Starting in 2002 the Beddendump stores are included in this total. At the end of 2001 there were 7 Beddendump stores. Till 2002 these were treated as temporary stores.

COLOPHON

This Annual Report is published by

Beter Bed Holding N.V.

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