BeterBed holding

Annual Report 2019

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2019 at a glance

CIRCULAR ECONOMY

32,986
mattresses collected

35%
of sales contains recycled materials

SAFETY & QUALITY

93%
of all sold mattresses tested

customer satisfaction (eKomi score) increased to
9.4

RESPONSIBLE CHAIN MANAGEMENT

82%
of the suppliers signed the Code of Conduct

5
strategic partnerships with suppliers

ENERGY & CO_2 EMISSIONS

0%
renewable energy purchased

79 TJ
total energy consumption

7,709 tonnes
CO_2 emissions

SAFE WORKING CONDITIONS

2.0 hours
training in safety per logistic employee in NL

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

EMPLOYEES

36%
women in top management positions

1,095
employees as per 31-12-2019

915
FTE as per 31-12-2019

Key figures of continuing operations

in thousand €, unless otherwise stated	2019 Post-IFRS 16		2019 Pre-IFRS 16		2018	
Financial result						
Revenue	**185,805**	**100.0%**	**185,805**	**100.0%**	172,812	100.0%
Gross profit	**98,535**	**53.0%**	**98,535**	**53.0%**	94,049	54.4%
Other income	**6,404**	**3.4%**	**9,570**	**5.2%**	-	0.0%
Total operating expenses	**(105,371)**	**(56.7)%**	**(105,779)**	**(56.9)%**	(89,456)	(51.8)%
Operating profit / (loss)	**(432)**	**(0.2)%**	**2,326**	**1.3%**	4,593	2.7%
EBITDA[1]	**21,244**	**11.4%**	**9,418**	**5.1%**	11,761	6.8%
Net profit / (loss)	**(4,166)**	**(2.2)%**	**(1,836)**	**(1.0)%**	6,881	4.0%
Cash flow	**(4,286)**		**(4,286)**		5,933	
Share						
Weighted average number of outstanding shares (in 1,000)	**22,132**		**22,132**		21,956	
Dividend per share in €	**-**		**-**		-	
Earnings per share in €	**(0.19)**		**(0.08)**		0.31	
Ratios						
Solvency at year-end	**3.1%**		**10.0%**		33.2%	
Net interest-bearing debt/EBITDA	**47%**		**106%**		196%	
Organisation						
Number of staff at year-end (FTE)	**915**		**915**		887	
Number of retail stores at year-end	**161**		**161**		160	
Number of m² store surface at year-end	**143,536**		**143,536**		142,344	
CSR						
Share of certified mattresses (NL/BE)	**93%**		**93%**		98%	
Diversity in top management	**36%**	♀	**36%**	♀	28%	♀
Energy consumption (in kWh/m²)	**41.3**		**41.3**		45.9	
Customer satisfaction (eKomi) (NL/BE/SE)	**9.4**		**9.4**		8.9	

1 Earnings before depreciation, amortisation and impairment.

All details in this annual report relate to the continuing operations, unless otherwise stated.

CEO Statement

Statement of the CEO

Dear reader,

2019 was a very challenging year for Beter Bed Holding N.V. as a group. Despite reasonably good order intake in the Benelux, Sweden and within DBC, the business was severely affected in the first quarter suffering failing deliveries from a major part of our suppliers. This led to inefficiencies, customer complaints, higher costs and lower sales.

During the course of the first half year all these issues were managed, however it has been proven to be difficult to recover the direct and indirect costs related to these issues. At the same time the projected recovery of Matratzen Concord was too slow after a well-managed reorganisation in the second half of 2018 by which 172 stores were closed, 64 FTE were made redundant and around € 10 million of stock was reduced. The new initiatives started promising however did not deliver according expectations. Given the developments at Matratzen Concord the Group was experiencing liquidity challenges going forward. Therefore the Management Board and the Supervisory Board made a conscious and thought-through decision to divest Matratzen Concord. Incremental financing was secured in order to make a thorough divestment process of Matratzen Concord possible and to provide continuity for the other businesses in the Group.

Matratzen Concord has been sold to Magical Honour Limited, a company backed by Healthcare Co. Ltd. (a Chinese public company). Healthcare is mainly engaged in research and development, manufacturing and sales of memory sponge household products. The main products of the company are memory sponge mattresses and memory sponge pillows, among others. The company distributes its products in domestic and to overseas markets. Healthcare has factories in China, the United States, Thailand and Serbia. From a retail perspective Healthcare delivers to approximately 2,500 stores in China through a franchise partner, is running itself about 250 stores and owns a Spanish bedding manufacturer and retailer. Mlily is its international retail brand for mattresses and pillows.

The growth of Beter Bed in the Benelux continued to be strong with both revenue and order intake improving in the offline network as well as online. Furthermore developments took place in the assortment through for example the implementation of Tempur and the new Karlsson box spring range, the start of the Beter Bed Academy to train and educate all employees for their respective roles and a content upgrade of our online platforms to enable more traffic, more conversion and higher appreciation. The commercial activities have been further developed and sharpened with higher ROIs as a result.

Sängjätten delivered revenue and order intake growth in 2019, however improvement is required in order to meet the performance standards. These efforts will continue in 2020.

DBC is well underway in positioning itself as a branded international wholesale business with more content than just M line. In 2019 DBC business demonstrated very strong revenue results mainly driven by the success of M line within the Beter Bed network and with existing dealers. DBC is expanding nationally and internationally through the addition of new retailers and retail chains.

In the Netherlands DBC launched a M line web shop in the fourth quarter of 2019. This is to enable customers to purchase directly with DBC. Throughout 2020 this initiative will be further rolled out in countries abroad. M line has intensified relationships with professional athletes through partnerships with Jumbo-Visma, Olympics Team NL and KNVB national male and female teams.

We are aware that consumers might become less confident due to the current macroeconomic and political volatility especially now the impact of the COVID-19 virus on the global economy provides increased uncertainty.

2019 was a year in which a number of managerial changes took place. At the Annual General Meeting in April Mrs Gabrielle Reijnen was appointed to the Supervisory Board in the role of financial expert. In December the Supervisory Board and Mr Hugo van den Ochtend agreed that it is in the interest of Beter Bed Holding N.V. that someone else would fulfil the position of CFO and that Hugo would explore different opportunities outside the Group. We would like to thank Mr Van den Ochtend for his efforts in a for the Group very challenging period and wish him all the best for the future. Following his departure Mrs Reijnen accepted and assumed the role of CFO with immediate effect. The Group is convinced that she is very well-positioned to fulfil this role successfully and wishes her great success. In the Annual General Meeting to be held on 13 May 2020 her appointment as Statutory Director of Beter Bed Holding N.V. will be requested.

Despite the challenging phase the Group has been going through, Beter Bed Holding N.V. has been able to deliver significant milestones in order to end the year in a much healthier financial position. This fundament will be the starting position for 2020, a year in which the Group has the ambition to return to sustainable growth, to further develop its stability and to start the implementation of a refined and sharpened strategic plan.

Beter Bed Holding N.V. could have never accomplished the delivery of the key milestones in 2019 without the passionate and committed contribution of all employees and stakeholders. Huge resilience was demonstrated within the Group to stay committed to that what we believe in:

Offer best QUALITY REST @ AFFORDABLE prices

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

Yours sincerely,

John Kruijssen,
CEO

Uden, the Netherlands, 17 March 2020

Beter Bed Operations

Profile

Beter Bed Holding N.V. is a retail and wholesale organisation that offers its customers the best quality rest at affordable prices. The Group operates offline through physical stores and online through its own web shops for the specific brands. Simultaneously the Group is active on national and international online retail platforms.

The Group operates in the following regions:

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

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

At year-end 2019 the Group had 161 stores representing revenue of approximately € 186 million with an increasingly relevant share of online revenue.

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

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Store portfolio

As a result of the divestment of Matratzen Concord in Germany, Austria and Switzerland the number of stores of Beter Bed Holding N.V. decreased from 1,009 stores to 161 stores. At year-end 849 stores were divested, one store was closed and two stores were opened.

The table below shows the changes in the store portfolio in 2019.

Number of stores	1-1-2019	Opened	Closed	Discontinued	31-12-2019
Beter Bed Netherlands	83	-	-	-	**83**
Beddenreus	34	-	-	-	**34**
Beter Bed Belgium	16	2	(1)	-	**17**
Total Benelux	133	2	(1)	-	**134**
Sängjätten	27	-	-	-	**27**
Total continuing operations	160	2	(1)	-	**161**
Matratzen Concord Germany	717	-	-	(717)	**-**
Matratzen Concord Austria	76	-	-	(76)	**-**
Matratzen Concord Switzerland	56	-	-	(56)	**-**
Total discontinued operations	849	-	-	(849)	**-**
Total Group	1,009	2	(1)	(849)	**161**

Regions

Benelux

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

Beter Bed is a full-service omni-channel retailer in the value-for-money segment, featuring an outstanding price-quality ratio. Beds, box springs and mattresses are delivered and assembled at customers' home. The stores are located in the Benelux, often in the vicinity of other furniture stores. Online has grown to a more than 10% channel share.

www.beterbed.nl
www.beterbed.be

Beddenreus is a bedding retail format in the discount segment. The stores are located in the Netherlands, predominantly on furniture boulevards. Next to cash & carry, beds, box springs and mattresses can be delivered to customers' home against a delivery fee. Online has grown to a more than 7% channel share.

www.beddenreus.nl

	2019	2018	Change
Revenue (x € 1,000)	**163,656**	155,138	5.5%
Number of stores at year-end	**134**	133	0.8%
Number of employees (FTE) at year-end	**806**	760	6.1%

Wholesale

DBC (Dutch Bedding Company) International markets a range of high-quality sleeping systems and brands developed in-house. DBC sells its M line and Wave products via an international wholesale network and growing B2C and B2B channels. The success reaches far beyond national borders.

www.mline.nl
www.wavebymline.nl

	2019	2018	Change
Revenue (x € 1,000)	**5,591**	4,270	30.9%
Number of employees (FTE) at year-end	**16**	12	31.7%

Nordics

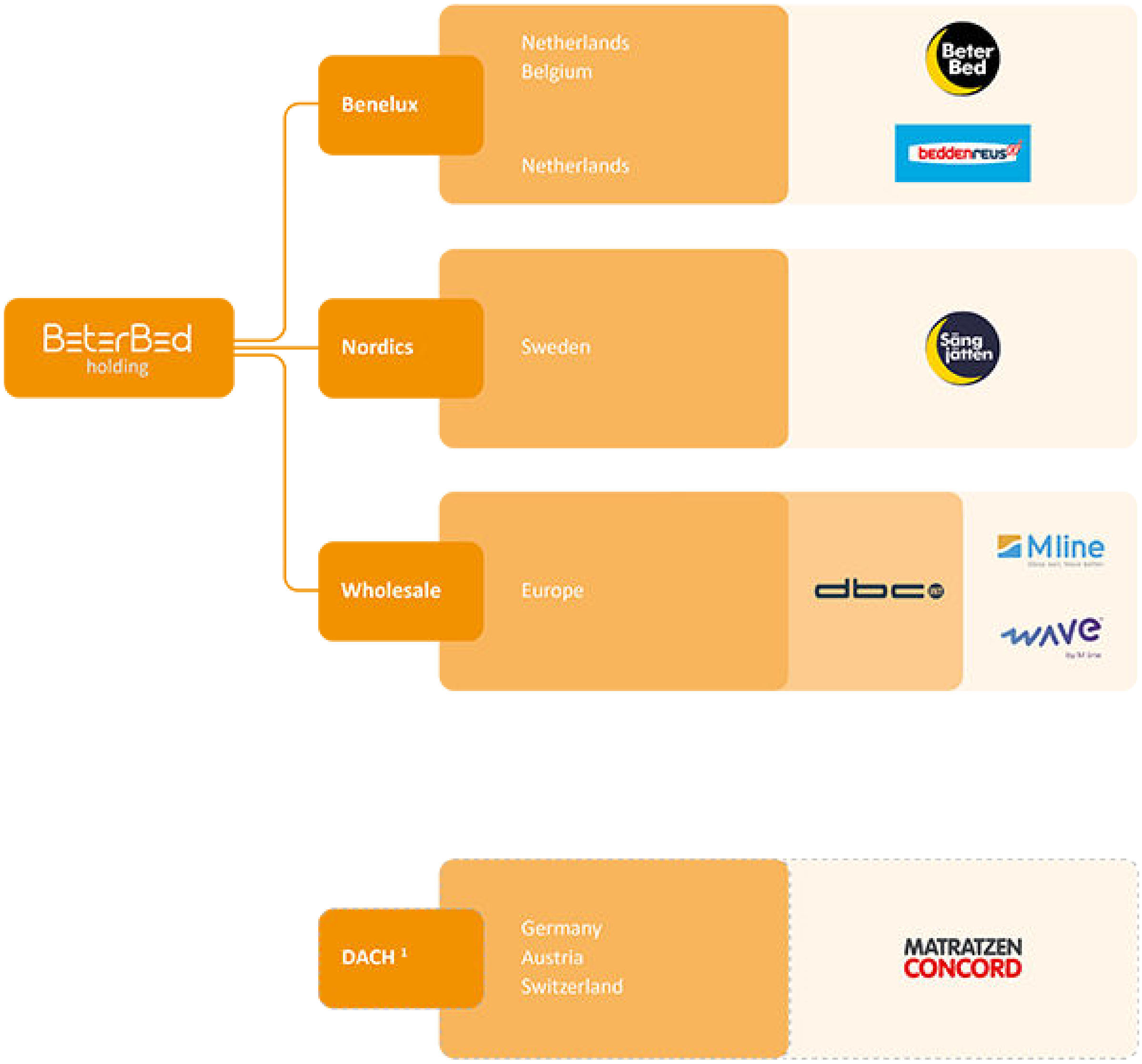
Sängjätten is a full-service omni-channel retailer in the value-for-money segment of the Swedish market, comparable to Beter Bed. Sängjätten offers a wide range of products including premium brands, such as Tempur. The ambition is to provide customers with the best sleep advice. Customers order the products in the store or on the website and the products are then delivered and assembled at their home.

www.sangjatten.se

	2019	2018	Change
Revenue (x € 1,000)	**16,558**	13,404	23.5%
Number of stores at year-end	**27**	27	0.0%
Number of employees (FTE) at year-end	**88**	110	(20.0)%

Organisational structure

Organisation chart



[1] Discontinued as per 2 December 2019.

Executive Management

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

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

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

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

G.E.A. Reijnen (1967) - Chief Financial Officer

Gabrielle Reijnen earned a master's degree in Business Economics from Erasmus University Rotterdam, the Netherlands, and also completed the Harvard Business School Advanced Management Program for Senior Executives (AMP 182).

She previously was Managing Director at ABN AMRO and Alvarez & Marsal, and Head of Corporate Coverage and member of the Management Team with RBS in the Netherlands. Gabrielle serves as a Supervisory Board member at Aegon Bank N.V., Aspen Oss B.V., Bouwinvest Real Estate Investors B.V. and is a board member of Stichting Continuïteit Merus.

From 25 April until 12 December 2019 Gabrielle served as Supervisory Board member at Beter Bed Holding N.V. and Chair of the Audit Committee. On 12 December 2019 Gabrielle was appointed as CFO. Her appointment as Statutory Director will be on the agenda of the AGM on 13 May 2020. Gabrielle Reijnen holds Dutch nationality.

Shareholder information

General

The shares of Beter Bed Holding N.V. are quoted on Euronext Amsterdam under security code NL0000339703. The number of shares outstanding at the end of 2019 totalled 24,105,562. Shares repurchased and not yet cancelled totalled zero at the end of the year under review. Beter Bed Holding N.V. did not hold any treasury shares as at 31 December 2019. The average number of shares used to calculate earnings per share is 22,132,274. The number of shares used to calculate diluted earnings per share is also 22,132,274. In 2019 earnings per share from continuing operations were € (0.19) compared to € 0.31 in 2018. In 2019 diluted earnings per share from continuing operations were € (0.19) compared to € 0.31 in 2018.

Dividend policy

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

Investor Relations policy

Beter Bed Holding N.V. informs shareholders, investors and the market on a regular basis. This is done by means of the publication of quarterly press releases and financial reports upon publication of the half-year results and the full-year results.

It is also considered important to maintain the relationship with existing shareholders and to bring the Company and the Beter Bed Holding N.V. shares to the attention of potential investors. In addition to the aforementioned press releases, this responsibility is fulfilled by organising analysts' meetings, road show programs and the submitting of additional press releases on important events following the publication of the half-year results and the full-year results. Furthermore Beter Bed Holding N.V. 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 31 December 2019.

Shareholder	Date of notification	Share
Magical Honour Limited	02-12-2019	8.9%
Teslin Participaties Coöperatief U.A.	06-07-2017	7.9%
ASR Nederland N.V.	06-10-2008	6.6%
Belegging- en Exploitatiemaatschappij 'De Engh B.V.'	10-01-2016	5.6%
Navitas B.V.	28-10-2014	5.1%
Breedinvest B.V.	03-12-2019	4.7%
Ameriprise Financial Inc.	08-09-2011	4.7%
Harris Associates L.P.	19-02-2010	4.6%

Financial calendar

17 April 2020	Q1 2020 trading update
13 May 2020	Analysts' meeting (strategy update) + Annual General Meeting
17 July 2020	Q2 2020 trading update + half-year results 2020 + analysts' meeting
23 October 2020	Q3 2020 trading update

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

Report of the Management Board

General

2019 has been an intense year for Beter Bed Holding N.V. In this year a number of key and strategic decisions was taken and subsequently executed to ensure a strong and sustainable foundation on which Beter Bed Holding N.V. can build its future. The Management Board is fully aware that these decisions had impact on key stakeholders such as shareholders and employees, though were necessary to safeguard a future.

In the second half of 2018 Beter Bed Holding N.V. announced a mid-term strategy which included a reorganisation for Matratzen Concord. Through this reorganisation 172 stores were closed, 64 FTE were made redundant and the inventory was reduced by € 10 million. At the same time initiatives were launched to change the assortment, refine the marketing and update the visual merchandising within the stores. The reorganisation was finished in time, within budget and delivered the planned reductions in costs. The new initiatives showed some nice encouraging first results, however the results were below the envisioned and communicated plan. This had an impact on other activities within Beter Bed Holding N.V. The negative developments at Matratzen Concord, with its cash losses incurred, resulted in an increased risk exposure for the future of Beter Bed Holding N.V. The liquidity pressure and the foreseen time it would still take to recover, resulted in thorough discussions on different alternatives that led to the decision to initiate a divestment process for Matratzen Concord, which ensured a stable and prosperous future for the remaining businesses of Beter Bed Holding N.V.

Supported by various advisors, Beter Bed Holding N.V. started a well-managed process, in which 24 parties participated, to divest. Through this process and after careful consideration, the Management Board and Supervisory Board have concluded that Magical Honour Limited represented the best option to enable a bright future for Matratzen Concord. In the Extraordinary General Meeting on 26 November 2019 the proposal was accepted by 100% of the votes.

The outcome of the divestment of Matratzen Concord enables Beter Bed Holding N.V. to have more focus on and dedication for its healthy core activities, being Beter Bed Benelux, Sweden and DBC. These activities are well-positioned for growth; they can further accelerate through investments in product, marketing and technology.

Over the summer period, when the liquidity was pressured, Beter Bed Holding N.V. engaged the financing banks and three shareholders in order to ensure enough funding for the period needed for the divestment. The three shareholders provided Beter Bed Holding N.V. with an incremental loan of € 7.0 million, where at the same time the banks allowed Beter Bed Holding N.V. to continue to use the committed and uncommitted facilities. The Management Board and Supervisory Board are very grateful that the three shareholders as well as the banks were willing to provide this flexibility and funding. This enabled Beter Bed Holding N.V. to find the best solution for Matratzen Concord, the remaining activities, all employees and all other stakeholders.

Although Beter Bed Holding N.V. went through a volatile period, the Benelux business has done a tremendous job in keeping the business going. The Benelux business was able to continue to grow revenue and order intake through hard work, attractive new campaigns, new assortments, the implementation of Tempur within the collection and the development and implementation of the TNO tested circular box spring ‘Element’. In 2019 the organisation in the Benelux business has further matured, a Beter Bed Academy was initiated and has gone live and a supply chain project has been conducted. Important steps have been made to further improve our online and omni-channel activities resulting in a very healthy growth again.

Our wholesale business DBC is well underway in positioning itself as a branded international wholesale business with much more content than just M line. The current DBC business showed strong sales results in 2019, mainly driven by the success of M line in both our Beter Bed network as well as with existing dealers. DBC has been able to extend the sales network with new dealers nationally and internationally.

The main drivers of this growth were a result of the adjustments in the assortment, new dealers and smart promotions. DBC has launched a M line web shop in the fourth quarter of 2019 to enable customers to purchase directly with DBC. This is just in the Netherlands for now, however in 2020 DBC plans to go live in Germany and Belgium.

The pipeline of potential new B2B customers continues to grow in the Netherlands as well as abroad. In the fourth quarter of 2019 some new product lines (M line Iconic, Olympic Team NL mattresses as well as a wooden bedframe) were developed and have been successfully released at the IMM in Cologne in January 2020.

In 2019 Sängjätten grew sales, however the Company is currently working on a program which aims to improve the profitability going forward. Main elements of that program are:

- Analysing network and develop view on possible right-sizing of the network.
- Fine-tuning the assortment through collaboration with key suppliers.
- Migration of central warehouse to a hub structure.
- Implementation of a new backoffice system to further reduce overhead.
- Further development of the online presence through the newly launched website/web shop.

Our strategy in 2019

Mission

As Beter Bed Holding N.V., we believe that everyone can sleep better than one does today. Better sleep makes us healthier, happier and makes us perform better. That is why we care for your sleep. As market leader we take ownership to provide better sleep. For everyone.

Offer best QUALITY REST @ AFFORDABLE prices

Our customer promise

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

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

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

The Group operates via physical stores and digital platforms in the following regions:

- Benelux, via the brands Beter Bed (in the Netherlands and Belgium) and Beddenreus (only in the Netherlands).
- Sweden, via the Sängjätten brand.

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

Strategy

For over 35 years, Beter Bed Holding N.V. has been leading in providing sleep solutions. These days the sleep domain is more relevant than ever, with several consumer trends guiding changes in demand including health & well-being, lifestyle, sustainability, accessibility and affordability. However consumer feedback indicates that the current customer journey causes frustration and results in consumers taking shortcuts towards one-size-fits-all mattresses and online channels. Altogether, this creates a market where there is room for true value-for-money play. Therefore, our promise to our customers is as follows:

Five strategic pillars

Five strategic pillars are at the heart of our mid-term strategy, which was launched in October 2018.

Customer focused value-for-money proposition

Our retail formats with their relevant assortment and high-quality products are for each customer segment, at guaranteed affordable prices, including new and strong brands. Research & development enables us to oversee the quality and innovativeness of the products and services we offer to our customers. By structuring our assortment into a more logical Good – Better – Best price structure, we could continue to offer 'Good' entry-level assortment and drive upsell to 'Better' & 'Best'. At the 'Better' segment with the introduction of Wave we further strengthened our private label to more than 85%. The 'Best' segment displayed strongest growth with newly added Tempur products already representing a solid percentage of mattress revenue and consequently the M line assortment has continued to grow revenue. All these improvements combined drove up average order value for Beter Bed Benelux.

Best sleep advice

We offer the best sleep advice throughout the full customer journey to make sure every customer finds the best sleep solution and experiences true value for money. We substantially improved the in-store advice by focusing on three key elements:

- Transforming our sales people into sleep advisors.
- A more logical assortment structure to guide the customers better to the right product for them.
- Data-driven reflection on and improvement of advice performance per store and per sleep advisor.

These three elements resulted in a reduction of product returns of almost 10% for Beter Bed Benelux.

Seamless omni-channel experience

Our ambition is to lead in offline, online and omni-channel, by providing our customers a seamless experience across channels and throughout all stages of the customer journey. We leverage our digital and online capabilities across the Group to continuously improve and to increase our online channel share.

To do so, we implemented amongst others data- and ROI-driven channel selection and media deployment (for example targeted marketing campaigns on Black Friday), we improved user experience (UX) and platform performance and added a long-tail of online-only assortment in textiles. Through these improvements, we have been able to grow the online revenue of Beter Bed Benelux with more than 20% to a channel share of approximately 11%. In addition, we have realised operational benefits with our online portal in which delivery dates can be changed by customers. This new customer feature reduced customer service calls with 30-40%.

Strong performance culture

We strive to create a performance culture that enables us to win, lead and outcompete in our market. By improving transparency, readjusting our performance cycle and further building on our succession planning, we have a clear focus on performance. We facilitated this focus with amongst others our new employee engagement app, which is actively used by 78% of the workforce. The further expansion of the Beter Bed Academy, with employee usage of its app exceeding the benchmark by +9 ppt, shows improvements on personal development. We have been able to promote 30 of our high performers to new positions, while absenteeism is reduced by over 20%.

Cost leadership

We aim to be a cost leader by leveraging our scale as market leader and increasing focus on spend reduction and operational excellence. Our senior management is in place to act as one team where we effectively centralise and capitalise on scale and resources. The Group provides a platform for retail operations across countries, for example for our supply chain and group services.

First results are visible in the supply chain where changes in the fourth quarter of 2019 - to provide more stability for the workforce by shifting from variable to more fixed salaries - resulted in approximately 10% less absenteeism, leading to potential 1.0-1.2 ppt savings on total labour costs for transport & warehousing. Moreover, we launched a should-costing initiative in the fourth quarter of 2019 to further renegotiate purchasing prices and to refine value chain strategies. Our IT platform has been strengthened throughout 2019 to further digitise our commercial operations in-store and online with for example improvements in Point of Sale (POS), Production Information Management (PIM) and Customer Relationship Management (CRM) systems. Our internal operations were enhanced through better descriptive and predictive analytics.

Future vision continuing operations

Whilst the divestment process of Matratzen Concord was taking place in the second half of 2019, Beter Bed Holding N.V. initiated a project to develop a future vision. Based on this vision, the mid-term strategic plan, as presented in October 2018, has been further developed and sharpened. We assessed the expected consequences and opportunities of the divestment in order to create a renewed plan and related roadmap of implementation. The desired outcome of this plan is to build a sustainable profitable business which is growing and creating value for its stakeholders.

Financial results

Financial results from continuing operations	2019	2018	Change
Revenue (in € million)	**185.8**	172.8	7.5%
EBIT (in € million)	**(0.4)**	4.6	(109.4)%
Net profit / (loss) from continuing operations (in € million)	**(4.2)**	6.9	(160.5)%
Number of stores at year-end	**161**	160	0.6%
Number of staff (FTE) at year-end	**915**	887	3.2%

Revenue

Group revenue from continuing operations in 2019 was € 185.8 million, which is 7.5% higher compared to € 172.8 million in 2018, with like-for-like revenue growth of 4.7%. Both the Benelux and the New Business operations contributed to this revenue growth. The Benelux reported significant year-on-year revenue growth of 5.5%, with like-for-like revenue growth of 4.3%. New Business, comprising the DBC wholesale business and Sängjätten in Sweden, delivered year-on-year revenue growth of 25.3% with like-for-like revenue growth of 8.1%. The online activities within the Group have grown significantly at a growth rate of 27.4%. From a regional perspective 85% of 2019 revenue was generated in the Netherlands (2018: 87%), 6% in Belgium (2018: 5%) and 9% in Sweden (2018: 8%).

Gross profit

The gross profit as percentage of revenue decreased to 53.0% compared to 54.4% last year. The anticipated cost of goods improvements with key suppliers were not realised as a consequence of our liquidity constraints. As a result of higher revenue at a lower gross margin, the gross profit for the year increased by 4.8% to € 98.5 million, compared to € 94.0 million in 2018.

Other income

In 2019 the Company closed sale-and-leaseback agreements for the three distribution centers in Uden, Nieuw-Vennep and Hoogeveen for a cash consideration of € 19.1 million. From these transactions, Beter Bed Holding N.V. recorded a one-time gain of € 6.4 million in 2019.

Operating expenses

Total operating expenses for 2019 were € 105.4 million, compared to € 89.5 million in 2018. The higher operating expenses are mainly driven by higher personnel expenses, logistics costs and one-off advisory and legal costs related to the transition of the Group.

Total personnel expenses amounted to € 47.1 million, compared to € 40.8 million last year, mainly explained by investments in critical resources and capabilities to support the transformation and future growth, leading to a higher number of (temporary) staff in the Benelux, wage inflation and one-off severance costs related to the restructurings.

Depreciation, amortisation and impairment expenses were € 21.7 million in 2019 compared to € 7.2 million from continuing operations in 2018. This increase is mainly due to the adoption of IFRS 16 whereby rental and lease expenses have been replaced by depreciation of right-of-use assets and interests relating to lease liabilities as of 2019.

Other operating expenses decreased by € 4.9 million to € 36.6 million in 2019 (2018: € 41.5 million). Cost inefficiencies in logistics led to an increase in costs, while structural improvements have been lagging behind. In addition, the other operating expenses reflect one-off advisory and legal costs related to the transition of the Group of approximately € 4.7 million. These increases have been off-set by the decrease in rental and lease expenses as a result of the adoption of IFRS 16. In addition, reflecting one-off advisory and legal costs related to the transition of the Group of approximately € 4.7 million.

EBITDA increased from € 11.8 million in 2018 to € 21.2 million in 2019, reflecting a 7.5% increase in revenues, higher operating expenses, the positive impact from IFRS 16 and one-off costs and impairments. 2019 EBIT decreased year-on-year to € 0.4 million negative (2018: € 4.6 million). The net loss from the continuing operations amounted to € 4.2 million (2018: net profit of € 6.9 million).

Net result

On 2 December 2019 we completed the sale of Matratzen Concord in Germany, Austria and Switzerland to Magical Honour Limited. Matratzen Concord is presented as discontinued operations in the financial statements for the period up to 30 November 2019. The 2019 net result after tax of discontinued operations including the loss from the sale was a loss of € 48.4 million. More details can be found in the paragraph Discontinued operations (see page 72) of the Notes to the consolidated financial statements. The total net result for the year was a loss of € 52.6 million (2018: loss of € 23.3 million).

Financial Instruments

Financial instruments held by Beter Bed Holding N.V. are limited to primary financial instruments. Beter Bed Holding N.V. has a policy not to actively secure or hedge financial risks, for example interest rate and currency risks, and consequently does not have derivative financial instruments.

The primary financial instruments mainly relate to cash and cash equivalents including positions from credit institutions and trade receivables/payables. Per year-end, Beter Bed Holding N.V. is exposed to currency risks regarding the Swedish krona and the US dollar. Interest risks regarding the credit facilities are also considered low both on balance sheet date and forward looking. A more in-depth analysis on the risk exposure of Beter Bed Holding N.V. is stated in the paragraph Risk Management (see page 26).

Continuing operations

Cash flows

Total cash flow from operating activities in 2019 was € 3.2 million (2018: € 3.0 million). The operational cash flow generation of our continued business was positive, and we have achieved working capital improvements in all areas. The operating cash flow was significantly impacted by the continued losses of Matratzen Concord and IFRS 16.

Total cash flow from investing activities in 2019 was an inflow of € 12.7 million compared to an outflow of € 16.9 million in 2018. The investing cash flow included the proceeds of the sale-and-leaseback of the three distribution centers of € 19.1 million. As a result of the previously announced capex freeze program, the total amount of investments in both tangible and intangible fixed assets decreased to € 4.4 million in 2019, compared to € 8.7 million in 2018. The majority of these investments related to investments in IT and E-commerce platforms, two new stores and required maintenance in existing stores. The investing cash flow from the discontinued operations of Matratzen Concord amounted to € 15.5 million and was derecognised from the balance sheet at divestment date. Investments in the new strategic themes Online, Digital, Data Analytics and IT infrastructure will be continued in 2020.

Cash, liquidity and debt financing

The cash flow from financing activities for the year was an outflow of € 20.2 million (2018: inflow of € 19.9 million), due to the deleveraging and the significant improvements in our financial position. The financing cash flow included the issue of the shareholder loan in the amount of € 7.0 million - of which € 3.5 million has been converted to a perpetual loan - the equity issue to Magical Honour Limited of € 5.0 million, and the repayment of borrowings of € 19.5 million.

The net debt position, including cash and cash equivalents, changed significantly during 2019. At year-end 2019, the Group reported a net debt position of € 7.9 million (2018: € 16.8 million).

Financing and solvency

In July 2019, Beter Bed Holding agreed a transition plan with the banks and three major shareholders including: (i) waivers of the defaults that have taken place under the € 40 million credit facilities, (ii) amended covenants for the continuing operations until mid-2020, and (iii) additional shareholder loans of in total € 7.0 million to support the short-term liquidity. With these agreements, combined with the sale-and-leaseback of the three distribution centers, Beter Bed Holding managed to realise the transformation by divesting Matratzen Concord and decreased its total net debt. As a next step, the company reached agreement on new bank covenants in December 2019 and, resulting from its decreased outstanding bank debt, was able to further strengthen the equity of the Group by converting half of its outstanding shareholder loan of € 7.0 million in total into perpetual instruments, paying interest to its three shareholders and repaying a similar amount on its bank facilities, further reducing its outstanding debt.

The solvency ratio in 2019 was impacted by the introduction of IFRS 16 which increased the lease liability by € 45.6 million and almost doubled the Group’s balance sheet position. Solvency decreased due to the operating loss and impairments of the discontinued operations and stood at 3.1% as at 31 December 2019.

Highlights of our continuing operations

Benelux

Revenue of the Beter Bed and Beddenreus stores in the Benelux in 2019 was € 163.7 million, which is 5.5% higher compared to € 155.1 million in 2018, with like-for-like revenue growth of 4.3%. The like-for-like order intake grew in 2019 by 2.6% compared to prior year. The continued positive trend in revenue is the result of a combination of 'always on' marketing activities, the continued strong online and digital proposition and the addition of new brands such as Tempur.

From a gross margin point of view the Benelux was unfortunately not able to secure the upside potential from Group synergies as a result of the announced divestment of Matratzen Concord. However, rationalisation of assortments and marketing activities prepared, in combination with suppliers, had a positive impact.

In 2019, costs increased compared to prior year, mainly relating to supply chain issues in the first half of the year. Supplier related issues had a negative impact on the internal supply chain. Consequently additional temporary personnel and transport was required to fulfil customer demands. Although this was largely solved in the second half of the year, the operation was not able to regain these additional costs. The cost synergies we expected to realise in 2019 as part of the centralisation of the organisation last year, did not materialize due to the divestment of Matratzen Concord. However, rationalisation of assortments and marketing activities done in conjunction with suppliers had a positive impact on gross margin.

Finally investments were made in the omni-channel proposition to further prepare the Company for a seamless customer journey between online and offline. The online activities within the Group have grown significantly at a growth rate of 27.4%.

New Business

The New Business operations comprise Sängjätten in Sweden and the DBC wholesale business. The total operations realised € 22.1 million revenue, representing a total growth of 25.3% and a like-for-like sales growth of 8.1% compared to previous year.

Revenue at Sängjätten continued to grow, with the expansion of the store network in 2018 contributing to this revenue growth, together with enhanced commercial activities (better pricing and promotions) and the addition of the new brands Tempur and Ecolife. Start-up investments weighed on the store performance of Sängjätten, resulting in a negative EBIT for 2019. As previously announced, an action plan is currently being executed in order to turn the Swedish activities into a profitable operation with a positive cash flow. These actions include (i) the launch of a new supply chain structure focused on local stores and hubs, (ii) the roll-out of the successful online and digital platform of the Benelux, and (iii) streamlining the store portfolio.

The DBC wholesale business continued to show strong revenue results, both for existing B2B customers and new customers to which the first orders have been delivered. We continue to add new B2B customers, including local dealers and international retailers. Going forward, we see ample opportunity for further acceleration of these activities. For DBC, this will include further investments in additional sales force to especially drive the M line brand in existing markets and a number of carefully selected new markets.

Risk management

General

Beter Bed Holding N.V. operations are based on the Group's strategic objectives which are related to opportunities and risks. In this respect a risk management system to monitor and control the Group's most important risks has been implemented. The organisation applies a matrix that describes the risks, their (financial) impact, the probability of their occurrence, the control measures and the actions to be taken. This matrix is updated and discussed in the Audit Committee twice a year and the key points are reported to the Supervisory Board. The risks are classified in the categories Financial, Operational, Board and Management, Legal, Social, Information and Tax.

Risk appetite

Beter Bed Holding N.V. operates in the bed and mattress segment. Beter Bed Holding N.V.'s risk appetite is based on the operational results, the financial position and a carefully considered financial management. Although the Company's daily operations involve taking risks, Beter Bed Holding N.V. 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 N.V. is explained below.

The opportunities and threats identified by Beter Bed Holding N.V. 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 N.V. 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 (revenues, margin, expenses and operating profit) and the financial position. The Management Board of Beter Bed Holding N.V. 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 to these control measurements, the Company requests from its managers who are responsible for the individual business units to sign a letter of representation twice a year in which they confirm their compliance with both law and regulations as well as a confirmation that internal control measurements have been working effectively. Furthermore the letter of representation also requests the respective managers to comment on potential fraud matters and incidents that occurred during the period under report.

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

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

The principal risks for Beter Bed Holding N.V. 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 sales models. The positioning, product range, pricing and service level of the formats in their own markets are continually refined on the basis of frequent, extensive and thorough consumer research, market information and competition analysis. The Company also follows a proactive omni-channel strategy that has been elaborated and tailored to consumers' wishes in each country. This strategy allocates an express role to the stores in combination with own online web shops and strategic web partners whenever possible. The risk section of the notes to the consolidated financial statements gives further information on a number of specific financial risks associated with the normal business operations.

Risk management

The Group identifies **operational strategic** risks with respect to supplier side consolidation, which could jeopardise margins and supplies. To mitigate this risk, internal agreements are in place on the maximum share in 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 N.V. is not prepared to take risks relating to non-compliance with legislation and regulations.

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

The main operational risks relate to the availability of **information** systems that support the primary processes and the availability of the logistics facilities. These risks are managed by designing the IT architecture in a manner that ensures that the cash register systems can operate standalone and that backups can continually be made of the data of all backoffice 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 N.V. continued to take measures in 2019 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 centers (DCs) are in operation. Should an emergency occur at one of these DCs the other two can serve as backups. Each DC also has an individual business continuity plan.

Tax

Beter Bed Holding N.V. has adopted explicit **tax** principles. The main principles are that Beter Bed Holding N.V. 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 N.V. 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.

Expectations and outlook

Following the transformation during the past year, we can now fully focus on our continuing business. The positive trend in revenues from 2019 has continued into the first months of 2020. Given the current social and economic circumstances, which have no relation to the business operations year to date, we believe our business could be impacted for a period of time. Looking ahead, we see increased uncertainties following the COVID-19 worldwide outbreak and market volatility. We have no indication whether the governmental measures will have an effect in preventing a further spread around the world. Therefore we currently do not know whether these measures will be effective and what kind of duration we will be faced with. Such situation, especially when it takes longer, may have an effect on the financial performance of the Company.

During the year, we intend to further optimise our financing structure, as the current credit facilities will expire mid-2020. We are currently in discussion with the banks to successfully agree new credit facilities and the establishment of a fit-for-the-future Group financing structure. Current uncertainty might delay this process.

Beter Bed Holding starts 2020 from a stable financial position, with a significantly smaller scale, a lower asset base and lower revenues. The changes in the company structure will lead to a revision and update on the strategy for mid-term and longer-term goals. An update of the strategic direction will be presented on 13 May 2020. We are confident that we are well positioned for the growing trend of consumers increasingly recognising quality sleep as a key component of a healthier and more enjoyable lifestyle.

Uden, the Netherlands, 17 March 2020

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

Human resources

To achieve strategic goals, now and in the future, the Group is in need of a performance-driven culture in all activities and countries. In order to develop and deliver this in a similar way across the Group HR has and is playing a facilitating but significant role. By focussing intensely on the development of a performance-driven culture people better develop in their current roles, the pipeline of talent is growing and it becomes easier to fill vacancies internally. This makes us grow as an employer of choice within the open market, where at the same time our current employees become more eager to continue working for Beter Bed Holding N.V.

In 2019 Beter Bed Holding N.V. has made some important steps to create an environment in which performance-driven culture could be further developed and mature.

A proactive, transparent, performance-driven culture is necessary to be able to successfully carry out the transformation. Management at different levels in the organisation devotes a great deal of energy to this and takes the lead in order to provide a good example. One major area of focus has been the development of local teams as they form the basis of the success of the Group.

The HR department has developed into an integral Business Partner for the organisation in order

to make you feel and perform at your best

Some of the major developments in 2019 have been:

Function House

Improving transparency across the organisation by implementing a new function house. We aspire an open communication about our organisation, departments & employee performance by developing the tools that employees can use to assess and manage their own performance within the Company. The tools facilitate individual ownership of achievements, assessments and developments. All job descriptions are clearly described on *what* should be done and *how* it should be done. This transparency will allow management to evaluate employees and have an open conversation about the performance of the individual. Separate to this function house a benchmark has been done to check if the remuneration of the different roles within the Group are still competitive and in line with the market so that we do not lose the war for talent already at hiring, or even worse, losing good employees where this could be avoided.

Performance cycle

To improve the quality of the performance we have critically looked at the one in use. We aim to have a transparent and fact-based performance evaluation that will ensure employees are assessed based on their performance and development. Transparent evaluations will enable employees to see how they can further influence their own progress within the organisation. We therefore defined clear KPIs, linked to the new job descriptions, which have been developed for every role in the organisation.

Training of management

Throughout every level within the organisation we developed, through training, more management capabilities for employees and managers. Examples are: (1) motivation of employees, (2) coaching, (3) delegating of tasks, (4) providing feedback.

We aim to create an EPIC (Empowering, Purpose-driven, Inspiring and Coaching) way of working. Management has been made much more aware and capable which enables them to coach and train the staff in their areas of responsibility.

Beter Bed Academy

A Beter Bed Academy has been launched. All employees can develop and learn about relevant elements of their own position. They can also use this when moving to a new position within Beter Bed Holding N.V. The Beter Bed Academy is a 100% digital platform. The Academy trains employees on broad managerial skills or allows employees to further specialise themselves in a particular area. At this point, there are almost 600 e-learnings available for our employees. In addition to the Beter Bed Academy there is a process of continuous learning due to learning from best practice by creating a community of sharing experiences and expertise (across departments).

Improving the on-boarding process, in line with the desired performance culture, through:

- A uniform working mentality for new employees.
- Ensuring that employees that join the organisation feel welcome and are immediately motivated to perform well within the organisation.
- Movies that have been created to "onboard" new employees so that they experience the whole Company in a couple of minutes.
- A specific onboarding program for new employees.

Employee engagement

A communication app (an information tool, which is contemporary and fast) has been introduced to increase the engagement of our employees. In this way, it is possible to communicate at all times and bring information about work and the organisation to our employees.

Absence

The Company aims to have a direct approach to absenteeism, which means a direct and rapid contact between managers and sick employees. HR, together with our occupational health and safety service, has supported the managers in reducing frequent absence and sustainable employability. This is increasing the employee satisfaction and engagement, which will have a positive effect on the inflow and outflow.

Apart from the above different manuals have been developed and released, Smartdoc and Topdesk have been implemented in order to digitalise all the files within HR, HR Analytics have been activated and dashboards have been created to ensure that HR targets can be included in the objectives for managers and the satisfaction of our employees can be measured.

At 31 December 2019 the Group had 1,095 employees and 914.6 FTE, compared to 3,377 employees (2,738 FTE) at 31 December 2018. The decrease was mainly caused by the divestment of Matratzen Concord.

The development of the number of employees and FTE for the continuing operations is as follows:

	31-12-2019		31-12-2018	
	Number of staff	**FTE**	Number of staff	FTE
Beter Bed Holding N.V.	**5**	**4.7**	6	5.7
Netherlands	**915**	**774.1**	894	737.2
Belgium	**38**	**32.0**	27	22.0
DBC	**17**	**15.8**	13	12.3
Sweden	**120**	**88.0**	156	110.0
Total	**1,095**	**914.6**	1,096	887.2

Corporate Social Responsibility

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 N.V. also takes its responsibility relating to CSR and initiated a continuous improvement process in this field. In line with the implemented CSR strategy important steps were taken in the development of a recyclable mattress and box springs in the past years. In 2019 the Group made further steps of improvement to realise its strategic goals.

CSR strategy

The domain of sleep is now more relevant than ever. On the one hand good quality sleep is vital for physical health, happiness, productivity, creativity and success. On the other hand stress, sleeping disorders and the work-life balance of people are constantly under pressure.

In the Group's strategy, the CSR goals remain critically important. Therefore the themes as identified with the internal and external stakeholders, being circular economy, safety and quality of products and services, responsible chain management, energy & CO_2 emissions and safe working conditions, remained to be the main focus of the 2019 CSR report. These topics will be continuously used to identify possible strategic opportunities.

The challenging targets that were formulated have led to an increased embedment of CSR in the Group's daily activities. Next to that, in line with the strategy the category management team was implemented to better work together with suppliers in a proactive way on innovations in the bedding industry and especially the complete recyclability of mattresses. In the meantime the Group is also working on its innovation pipeline for sustainable mattresses. In 2019 the Group, in cooperation with the Ergonomic Institute of Munich, made great progress in the development of the 100% recyclable M line Green Motion mattress, which was presented to the market on the fair in Cologne in 2019.

Furthermore the box spring 'Element' was introduced in the first half of 2019. The Element box spring has been developed in a completely modular fashion in close collaboration with the supplier. The box spring is easy to disassemble and all the materials are recyclable. All the parts can also be replaced separately. They are all made of mono materials rather than mixed raw materials, which means they are completely recyclable. Beter Bed engaged the services of TNO – the Netherlands Organisation for Applied Scientific Research – in order to demonstrate the circularity of the Element box spring versus box springs produced in the standard way. TNO uses its unique IMPACT (Integrated Method of sustainable Product Assessment for Circular Transition) method to measure the effects on aspects such as resources, people & planet and the economy. This renders the product's circularity score or 'green score'. The results of the research carried out by TNO provide, in addition to a sustainability score for Element, insights into the further development possibilities in the field of sustainable products in the assortment.

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 Company's Code of Conduct, the Group obligates its suppliers to adhere to international treaties and conventions on working conditions. At year-end 82% of the suppliers has signed the Code of Conduct. At the end of 2019 two new suppliers are in the process of signing the Code of Conduct. Beter Bed Holding N.V. has entered into partnership with five of its strategic suppliers in order to develop more sustainable products.

Safety continues to be very important. Employees must be able to count on a safe working environment and customers must be able to rely on good-quality and safe products. Therefore the stores and warehouses in the Benelux were continuously involved in quality testing.

Work to be done

Although ambitious, the Group still aims to realise the CSR goals as set out in its CSR strategy. In 2019 steps have been taken in the development and introduction of recyclable box springs and mattresses. However the circular economy still presents large challenges and opportunities. There is a far-reaching social necessity to bring about a circular economy given that the majority of the mattresses currently still ends up in the incinerator. Continuous development in the field of sustainable mattresses remains necessary.

There is already a well-functioning return system in the Netherlands for mattresses in the market. Great gains in the field of sustainability can theoretically be achieved through better recycling of materials at the end of the life span. 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 N.V. is focussing on collaborating with partners and customers and is part of a chain consultation with amongst others the Ministry of Infrastructure and Water, CBW and INretail.

The Company considers it important that all participants in the value chain take ownership of sustainable materials, production methods and recycling opportunities. Most consumers use their mattress too long. The quality of sleep improves dramatically when mattresses are regularly changed (approximately every 5-7 years). It is scientifically proven that better sleep leads to better performance, more happiness and better health. In order to ensure that the environment is not hampered by the disposal of products, the Group applies a sustainable recovery of used mattresses. Beter Bed Holding N.V. continues to be very ambitious and cooperative to work with stakeholders to make this possible.

In conclusion, Beter Bed Holding N.V. has taken steps in developing and introducing a 100% recyclable mattress and box spring in 2019 and has a collaboration with a company that mechanically dismantles the mattresses in order to reuse the materials. Beter Bed Holding N.V. remains ambitious and realises that still a lot has to be done. The Group will commit itself to drive continuous innovation and development, together with partners and customers in the coming years.

About *Beter Bed for a Better Future*

Beter Bed for a Better Future, Beter Bed Holding N.V.'s CSR report, provides insight into (the execution of) Beter Bed Holding N.V.'s CSR strategy in 2019. The CSR report 2019 is supplementary to the annual report 2019 and will be available not later than 13 May 2020. This is the ninth time Beter Bed Holding N.V. presents this report on its activities and progress in the field of CSR. It has been drawn up in line with the GRI Standards of the Global Reporting Initiative (GRI) at the ‘Core’ level and the internal reporting criteria for CSR information. The emphasis of the report is on the five most material themes as set out in the CSR strategy.

Summary of facts

	Goal 2020	2019	2018
Circular economy			
Yearly sold mattresses collected through return system	**10%**	**8%**	7%
Sales from products with > 25% recycled content	**25%**	**35%**	12%
Share of sales from modular products	**20%**	**0%**	0%
Waste streams recycled high grade	**75%**	**94%**	71%
Safety & quality			
Products which are tested on air quality (based on sales)	**100%**	**93%**	98%
Number of incidents reported in the field of safety and quality	**-**	**-**	-
Customer satisfaction: eKomi score (score 0-10, weighted average based on sales)	**9.4**	**9.4**	8.9
Responsible chain management			
Suppliers who signed the Code of Conduct	**100%**	**82%**[1]	92%
Number of strategic suppliers with proactive cooperation to ensure CSR criteria are pursued in the purchasing process	**16**[2]	**5**	5
Tenders for products and services in the Netherlands where CSR criteria are taken into account	**100%**	**40%**	30%
Energy & CO_2 emissions[3]			
Purchase of renewable energy	**100%**	**0%**	0%
Energy consumption (TJ)	**257**	**79**	259
CO_2 emissions (tonnes)	**18,922**	**7,709**	25,079
Safe working conditions			
Number of accidents with sick leave	**-**	**-**	-
Tests performed on air quality[4]			
- DCs	**Yes**	**Yes**	Yes
- Loading docks	**Yes**	**Yes**	Yes
- Stores	**Yes**	**Yes**	Partly
Training and education attended by logistics employees (average number of hours)	**4.0**	**2.0**	2.5

1 Two new suppliers are still in the process of signing the Code of Conduct.

2 The target was still including Matratzen Concord, and will be redefined in 2020 resulting from the divestment.

3 - Decreased with the divestment of Matratzen Concord and by energy saving solutions, such as LED lightning, taken in the Benelux; - The target was still including Matratzen Concord, and will be redefined in 2020 resulting from the divestment.

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

Governance

Corporate Governance

Beter Bed Holding N.V. is a public limited liability company incorporated under Dutch law and listed on Euronext Amsterdam in the Netherlands. The Company has a two-tier board structure, consisting of a Management Board and a Supervisory Board, accountable to the Annual General Meeting for the performance of their duties.

The corporate governance structure is based on the articles of association, the Dutch Civil Code requirements, the revised 2016 Dutch Corporate Governance Code (the Code), applicable securities laws, and the rules and regulations of Euronext Amsterdam.

The Company monitors and assesses the corporate governance structure to ensure compliance with the Code, applicable laws and regulations, and relevant developments. If a substantial change to the corporate governance structure occurs that affects compliance with the Code, shareholders will be informed at a General Meeting.

Management Board

The Management Board represents the Company. The authorisation to represent is also granted to each member of the Management Board individually. Member biographies can be found in the Executive Board section (see page 14).

Role and responsibilities

The Management Board is responsible for the day-to-day management of Beter Bed Holding N.V.'s operations as well as the continuity of the Company and the Company's goals, objectives, long-term value creation strategy, policy and results. In fulfilling its duties, the Management Board is guided by the Company's interests and considers the interests of the stakeholders as a whole. The Management Board is accountable for its actions to the Supervisory Board and the General Meeting. The Management Board consults with the Supervisory Board on important matters and submits important decisions to the Supervisory Board for its preapproval, as further described in the Company's articles of association, which are available on the Company's corporate website.

Composition and appointment

The articles of association provide that the Management Board must consist of one or more members. Each member of the Management Board is appointed for a maximum period of four years, with the possibility of reappointment for consecutive four-year terms in accordance with the Code. The General Meeting appoints the members of the Management Board, subject to the right of the Supervisory Board to make a binding nomination. The General Meeting may at all times, by a resolution passed with an absolute majority of the votes cast, representing more than one third of the issued share capital, resolve that the nomination submitted by the Supervisory Board is not binding. In such a case, the appointment of a member of the Management Board in contravention of the Supervisory Board's nomination requires a resolution of the General Meeting adopted with an absolute majority of the votes cast, representing more than one third of the issued share capital. A resolution of the General Meeting to suspend or dismiss members of the Management Board, other than on a proposal of the Supervisory Board, requires an absolute majority of the votes cast, representing more than one third of the issued share capital. The Supervisory Board can suspend a member of the Management Board.

Management Board Remuneration

The Supervisory Board determines each Management Board member's remuneration, upon a proposal by the Remuneration Committee, and based on Beter Bed Holding N.V.'s remuneration policy for the Management Board as established by the Annual General Meeting in 2006 and 2016. The remuneration policy is subject to a binding vote of the General Meeting once every four years. The application of the remuneration policy is described in the remuneration report, as part of the annual report over the present year, and is subject to an advisory vote of the General Meeting, the first time in 2020. This results from the implementation of the Shareholder Rights Directive (SRD II) into the Dutch Civil Code on 1 December 2019 ('Wet inzake implementatie van de herziene EU Aandeelhoudersrichtlijn'). Further information about the (application of the) remuneration policy can be found in the remuneration report (see page 49).

Conflicts of interest

Members of the Management Board must report any (potential) conflict of interest to the Chair of the Supervisory Board. The Supervisory Board shall decide whether a conflict of interest exists. The member of the Management Board who has a (potential) conflict of interest shall not participate in discussions and decision-making on a subject or transaction in relation to which the member has a conflict of interest with the Company. Decisions to enter into transactions under which members of the Management Board have conflicts of interest that are of material significance to the Company and/or to the relevant member(s) of the Management Board, require the approval of the Supervisory Board. In 2019 no conflicts of interest were reported.

Supervisory Board

The Supervisory Board consists of four members. All members are independent within the meaning of best practice provision 2.1.7 to 2.1.9 inclusive of the Code. Member biographies can be found in the Supervisory Board section (see page 43).

Role and responsibilities

The Supervisory Board supervises the Management Board and Beter Bed Holding N.V.'s general affairs, and supports the Management Board by providing advice. The Supervisory Board thinks along with the Management Board and regularly discusses the strategy, the implementation of the strategy and the principal associated risks. In performing its duties, the Supervisory Board acts in the interest of the Company and its stakeholders: employees, shareholders, customers and society, including the environment.

The articles of association require that certain decisions of the Management Board be subject to the approval of the Supervisory Board. For further information on the Supervisory Board's activities in the area of corporate governance, reference is made to the Report of the Supervisory Board (see page 45).

Composition and appointment

The articles of association provide that the Supervisory Board shall consist of a minimum of three members. Members of the Supervisory Board may be appointed for a maximum period of 12 years in accordance with the Code. The Supervisory Board appoints a Chair and a Vice-Chair from amongst its members. The Supervisory Board members retire periodically in accordance with a rotation plan, which can be downloaded from the Company's corporate website. The General Meeting appoints the Supervisory Board members, subject to the right of the Supervisory Board to make a binding nomination. The Supervisory Board will give the Works Council of Beter Bed B.V. the opportunity, in good time, to advice the Supervisory Board regarding the draft list of candidates drawn up by the Supervisory Board, and will not adopt said list of candidates until the Works Council has issued such advice, has given notification that it will not be issuing advice or has not issued advice within a reasonable period given it to do so. The full procedure of appointment and dismissal of members is explained in article 25-27 of the Company's articles of association. In 2019, at the Annual General Meeting, the Supervisory Board's Chair, Mr Dirk Goeminne, resigned after nine years of service. Mr Bart Karis is his successor as Chair of the Supervisory Board.

The General Meeting may at all times, by a resolution passed with an absolute majority of the votes cast, representing more than one third of the issued share capital, resolve that the nomination submitted by the Supervisory Board is not binding. In such a case, the appointment of a member of the Supervisory Board in contravention of the Supervisory Board's nomination requires a resolution of the General Meeting adopted with an absolute majority of the votes cast, representing more than one third of the issued share capital. A resolution of the General Meeting to suspend or dismiss members of the Supervisory Board requires an absolute majority of the votes cast, representing more than one third of the issued share capital.

Supervisory Board Committees

The Supervisory Board has established two committees: an Audit Committee and a Remuneration Committee. Each of these committees is staffed by members of the Supervisory Board. Their task is to assist and advise the Supervisory Board in fulfilling its responsibilities. For an overview of all activities performed by the committees, reference is made to the Report of the Supervisory Board. The tasks and procedures of each committee are outlined in their charters and can be found on the Company's corporate website.

Supervisory Board remuneration

The remuneration of the members of the Supervisory Board and the additional remuneration of the Chair and the members of its committees are determined by the General Meeting, lastly approved by the Annual General meeting on 19 May 2016. The remuneration policy for the Supervisory Board must be submitted to the General Meeting every four years, the first time in 2020, in light of the implementation of the SRD II into the Dutch Civil Code on 1 December 2019 ('Wet inzake implementatie van de herziene EU Aandeelhoudersrichtlijn'). The remuneration (see page 49) of individual members of the Supervisory Board can be found in the Report of the Supervisory Board. The remuneration policy can be found on the corporate website, once approved by the General Meeting.

Conflicts of interest

Members of the Supervisory Board (excluding the Chair) must report any (potential) conflict of interest to the Chair of the Supervisory Board. If the (potential) conflict of interest involves the Chair of the Supervisory Board, it must be reported to the Vice-Chair of the Supervisory Board. The Supervisory Board shall decide whether a conflict of interest exists. The member of the Supervisory Board who has a (potential) conflict of interest shall not participate in discussions and decision-making on a subject or transaction in relation to which the member has a conflict of interest with the Company. Decisions to enter into transactions under which members of the Supervisory Board have conflicts of interest that are of material significance to the Company and/or to the relevant member(s) of the Supervisory Board, require the approval of the Supervisory Board. In 2019 no conflicts of interest were reported.

In addition, in accordance with provision 2.7.5 of the Code, Beter Bed Holding N.V. reports that no transactions occurred in 2019 between the Company and legal or natural persons who hold at least 10% of the shares in the Company.

Diversity and inclusion

Beter Bed Holding N.V. strongly believes in diversity and works towards an extension of its diversity and inclusion strategy to all areas of its organisation. Following the advice of the Social Economic Council (SER) which was subsequently adopted by Dutch parliament in December 2019 and by Dutch government in February 2020, Beter Bed Holding N.V.'s diversity strategy is focused on an inclusive organisation, equality and an integral approach throughout the organisation. Gender diversity is one of the elements of this strategy.

Diversity in the Management Board and Supervisory Board

The Management Board's composition is based on diversity of experience, background, skills, knowledge and insights. After the approval by the 2020 Annual General Meeting of the appointment of Mrs Gabrielle Reijnen as Statutory Director of the Company, Beter Bed Holding N.V. has 50% female representatives in the Management Board. And as such, it does qualify as gender balanced within the meaning of article 2:166 of the Dutch Civil Code, as applicable during 2019.

The Supervisory Board has determined a profile regarding its size and composition, taking into account the nature of Beter Bed Holding N.V.'s business, its activities and the desired experience and expertise. In addition to the profile, our goals for diversity and inclusion aim to have a minimum of 30% female in the Supervisory Board. And as such, it does currently not qualify as gender balanced within the meaning of article 2:166 of the Dutch Civil Code, as applicable during 2019. The Company recognises the benefits and importance of diversity, and is committed to improving gender balance at Beter Bed Holding N.V. The Supervisory Board has expressed its objective to have a balanced gender diversity at both Management Board and Supervisory Board level. To comply with previous (Wet Bestuur en Toezicht) and future legislation (following the 30% quota requirement for Supervisory Boards of listed companies, as laid down in the SER advice), the Supervisory Board strives to have a minimum of 30% male and female in both the Management Board and the Supervisory Board. After the appointment of Gabrielle Reijnen as CFO in December 2019, the Management Board is in line with the requirements. Succession discussions are on the way for the Supervisory Board vacancy.

Risk management and internal control framework

Beter Bed Holding N.V.'s operations are based on the Company's strategic objectives which are related to opportunities and risks. In this respect a risk management system to monitor and control the Company's most important risks has been implemented. The organisation applies a matrix that describes the risks, their (financial) impact, the probability of their occurrence, the control measures and the actions to be taken. This matrix is updated and discussed in the Audit Committee twice a year and the key points are reported to the Supervisory Board. The risks are classified in the categories Financial, Operational, Board and Management, Legal, Social, Information and Tax. The Audit Committee assists the Supervisory Board in its responsibility to oversee the system of internal control and risk management, including the effectiveness of the internal auditors. For more information reference is made to the Audit Committee activities included in the Report of the Supervisory Board.

External auditor

Before being presented to the Annual General Meeting for adoption, annual financial statements as prepared by the Management Board must be examined by an external auditor. The General Meeting has the authority to appoint the external auditor. Each year, the Supervisory Board nominates the external auditor for (re)appointment by the Annual General Meeting, taking into account the advice of the Audit Committee. The external auditor's assignment and remuneration are resolved by the Supervisory Board, on the recommendation of the Audit Committee. Prior to publication, the half-year results and reports and the annual financial statements are discussed with the Audit Committee in the presence of the external auditor and subsequently with the Supervisory Board.

The external auditor attends all Audit Committee meetings and the meetings of the Supervisory Board in which the annual financial statements are to be approved and the year-end audit of the external auditor is discussed. The Audit Committee monitors the performance of the external auditor and the effectiveness of the external audit process, as well as its independence. The rotation of the external auditor's lead partner is also evaluated. The Audit Committee annually reports to the Supervisory Board on the functioning of the external auditor and the relationship with the external auditor, whilst giving due considerations to the Management Board's observations.

PricewaterhouseCoopers Accountants N.V. was appointed as external auditor by the 2015 Annual General Meeting. PricewaterhouseCoopers Accountants N.V. has been reappointed by the Annual General Meeting every year since. The lead partner will change in 2020 due to the rotation requirements.

Beter Bed Holding N.V. has an Internal Audit Function which is established by the Board of Management and reports functionally to the Chair of the Audit Committee. The role of the internal audit function is to assess the design and the operation of the internal risk management and control systems. The scope of work of the internal audit function is regulated in an Internal Audit Charter. In line with the Code, both the appointment and dismissal of the internal auditor shall be submitted to the Chair of the Audit Committee for approval, with a recommendation issued by the Management Board. In line with the Code, the Management Board, senior management and the Audit Committee are involved in the preparation and approval of the annual internal audit plan. The annual internal audit plan is submitted to the Management Board and Audit Committee for approval.

General Meeting

The Annual General Meeting is held at least once a year and takes place in Uden, Utrecht, 's-Hertogenbosch or Amsterdam, the Netherlands. The General Meeting is convened by public notice via our website. Recurring agenda items are the compilation of our annual report, the adoption of the annual accounts, the release from liability of Management Board and Supervisory Board members and the advisory vote on the execution of the remuneration policy during the present year. When deemed necessary in the interests of the Company, an Extraordinary General Meeting may be convened by resolution of the Management Board or the Supervisory Board. The minutes and the resolutions of the General Meeting are recorded in writing. The minutes are available to the shareholders on the Company's website no later than three months after the meeting. During 2019, two General Meetings were held: the Annual General Meeting on 25 April 2019, and an Extraordinary General Meeting on 26 November 2019, to obtain shareholders' approval for the divestment of Matratzen Concord and the issuance of 2.15 million newly issued shares to Magical Honour Limited. Further details can be found on the Company's website.

Voting rights

Each of our ordinary shares is entitled to 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. The voting rights attached to any shares held by the Company are suspended as long as they are held in treasury. Resolutions of the General Meeting are adopted by an absolute majority of the votes cast, except where Dutch law or the Company's articles of association provide for a special majority.

Special controlling rights

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

Agreements on limitations on the transfer of shares

Subject to certain exceptions, Beter Bed Holding N.V. has entered into a lock-up agreement under which Magical Honour Limited has agreed not to sell or otherwise transfer their shares for a period of 18 months from the completion date of 2 December 2019 (which is 2 June 2021). Beter Bed Holding N.V. is not aware of any agreements with a shareholder that could give rise to any restriction on voting rights.

Significant agreements and changes in the control of the Company

Beter Bed Holding N.V. is not 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.

Amendment of the articles of association

The General Meeting may resolve to amend the articles of association, if it acts on a proposal by the Management Board that has also been approved by the Supervisory Board. Before making a proposal to amend the articles of association, the Company will consult with Euronext Amsterdam N.V. regarding the content of the proposed amendment. The full procedure of amendment of the articles of association is explained in article 46 of the Company's articles of association. A resolution of the General Meeting to amend the articles of association requires an absolute majority of the votes cast, irrespective of the share capital represented at the General Meeting.

Capital structure

The authorised share capital of Beter Bed Holding N.V. amounts to € 2,000,000 and is divided into 100,000,000 ordinary shares with a nominal value of € 0.02 each. On 31 December 2019, a total of 24,105,562 ordinary shares were issued and are outstanding.

Issue of shares

The Management Board may issue shares or grant rights to subscribe for shares if so designated by the General Meeting or the articles of association. This Management Board resolution is subject to the prior approval of the Supervisory Board. No resolution of the General Meeting or the Management Board is required for the issuance of shares pursuant to the exercise of a previously granted right to issue shares or to subscribe for shares.

On 25 April 2019 the Annual General Meeting passed a resolution extending the Management Board's authorisation to resolve to issue ordinary shares or grant rights to subscribe for such shares. The authorisation was granted for a period of 16 months from the date of the Annual General Meeting and will be in effect until 25 August 2020. This authority is limited to 10% of the number of issued ordinary shares for general purposes and authorises the restriction or exclusion of the pre-emption rights for existing shareholders for such issue or grant of rights.

Repurchase by the Company of its own shares

The 2019 Annual General Meeting resolved to authorise the Management Board to acquire shares in the capital of the company up to 10% of the issued share capital, subject to certain conditions. The authorisation was granted for a period of 16 months from the date of the General Meeting and will be in effect until 25 August 2020.

Cancellation by the Company of its own shares

The 2019 Annual General Meeting resolved to authorise the Management Board to cancel acquired shares in the capital of the Company up to 10% of the issued share capital, subject to certain conditions. The authorisation was granted for a period of 16 months from the date of the Annual General Meeting and will be in effect until 25 August 2020.

Substantial shareholdings and short positions

Shareholders owning 3% or more of the issued capital and/or voting rights of a listed Company (a substantial shareholding or short position) must report this to the Netherlands Authority for Financial Markets (AFM) as soon as this threshold is reached or exceeded. The thresholds for substantial shareholding notifications are: 3%, 5%, 10%, 20%, 30%, 40%, 50%, 60%, 75% and 95% of the Company's issued share capital and/or voting rights. Shareholders (in)directly owning 3% or more of the Company's issued capital and/or voting rights were registered with the AFM as of 31 December 2019 and are mentioned under Substantial holdings (see page 15).

Compliance with the Code

Insofar as applicable, Beter Bed Holding N.V. complies with all the relevant provisions of the Code, with the exception of the provisions 3.1.2 (v) and 3.1.2 (vii). The nature of and reasons for this deviation is explained below. The provisions of the Code relating to 4.4 ('Issuing depositary receipts for shares') and 5 ('One-tier governance structure') are not applicable to the Company.

Provision 3.1.2 (v)

Best practice provision 3.1.2 (v) provides that the variable remuneration component is linked to measurable performance criteria determined in advance, which are predominantly long-term in character. Beter Bed Holding N.V. deviates from best practice provision 3.1.2 (v) to the extent that these measurable performance criteria were set, validated and agreed upon by the Supervisory Board at the beginning of 2019, however were amended in May/June 2019. The reason for this deviation is that the Company came in a precarious situation and new overriding priorities were indentified. The Supervisory Board formulated four key milestones that were considered crucial in assuring the viability of the Company, which were (i) the agreement of an additional loan; (ii) the sale and leaseback of real estate; (iii) the deleveraging of senior debt; and (iv) the divestment of Matratzen Concord within a period of six months.

Provision 3.1.2 (vii)

Best practice provision 3.1.2 (vii) provides that if share options are being awarded, the terms and conditions governing this and the terms and conditions subject to which the share options can be exercised. Share options cannot be exercised during the first three years after they are awarded. Beter Bed Holding N.V. deviates from best practice provision 3.1.2 (vii) to the extent that the 200,000 options (replacement) and 100,000 options (against cash payment) as adopted in the 2019 Annual General Meeting have a vesting period of two years after they have been awarded and can be exercised during a period of 12 months after the end of this vesting period, with a subsequent four year shareholding requirement. The reason for this deviation is that Mr Kruijssen received these options in 2019, as a replacement and under the same terms and conditions as the signing options previously awarded in April 2018, given the changed circumstances, and as such have been adopted in the Annual General Meeting of 25 April 2019.

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 2019 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 2019 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.

Report of the Supervisory Board

Supervisory Board

H.C.M. Vermeulen (1963)

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

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

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

B.E. Karis (1958) - Chair

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

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

Mr Karis serves as a Supervisory Board member at Sligro Food Group.

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

P.C. Boone (1967) - Vice-Chair

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

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

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

A. Beyens (1961)

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

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

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

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

Report of the Supervisory Board

General

As of 31 December 2019 the Supervisory Board consists of Mr B.E. Karis (Chair), Mr P.C. Boone (Vice-Chair), Mr A. Beyens and Mr H.C.M. Vermeulen. The Curricula Vitae of the members of the Supervisory Board are included in the Supervisory Board section (see page 43). All Supervisory Board members are independent in accordance with and in the meaning of the Dutch Corporate Governance Code.

Supervisory Directors are appointed for a period 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 drawn up by the Supervisory Board. The following retirement by rotation schedule applies:

Supervisory Director	Appointed	Retirement/ reappointment[1]
H.C.M. Vermeulen	26-04-2018	**AGM 2022**
A. Beyens	03-12-2018	**AGM 2023**
P.C. Boone	03-12-2018	**AGM 2023**
B.E. Karis	03-12-2018	**AGM 2023**

1 All Supervisory Directors are in their first term.

In accordance with best practice provision 2.2.2 of the Dutch Corporate Governance Code, Mr Beyens, Mr Boone and Mr Karis were appointed in the Extraordinary General Meeting on 3 December 2018 for a term ending on the first Annual General Meeting to be held after their four-year term has elapsed. In the Annual General Meeting of 25 April 2019 Mrs Reijnen was appointed as a Supervisory Director. As per 12 December 2019 Mrs Reijnen stepped down as Supervisory Director in order to accept the role of CFO of Beter Bed Holding N.V.

2019 Results

The Supervisory Board closely monitored the development of Beter Bed Holding N.V., and more specifically the development of Matratzen Concord, and shares the Management Board's view that - although the initiatives taken in 2018 showed some first encouraging results in the beginning of 2019 - the results of Matratzen Concord developed too slow in order to deliver a substantial better outcome.

The development of revenue and order intake in the Benelux was satisfactory, however at the same time, as a result of the failing supplier performance in the first quarter and the overarching issues at Group level driven by Matratzen Concord, the profit in 2019 started to become pressured.

Despite the strong decrease of the results, the Supervisory Board is convinced that the decision to divest Matratzen Concord was a necessary and well though-through decision in order to secure the Group's continuity. Building on the divestment of Matratzen Concord the decision was made to issue 2,150,000 shares to Magical Honour Limited which, in combination with the sale-and-leaseback transaction of the three distribution centers, has enabled Beter Bed Holding N.V. to seriously decrease debt by the end of the year. Through the proper and focussed execution of these decisions the Group has enabled itself for a much better future going forward.

The Management Board will present its mid-term plans for the remaining Company in an update for analysts prior to the Annual General Meeting on 13 May 2020.

Financial statements and discharge

The 2019 financial statements were prepared by the Management Board and approved by the Supervisory Board. Subsequently, the independent auditor, PricewaterhouseCoopers Accountants N.V., issued an unqualified auditor's report on these financial statements. This report is included in the independent auditor's report in the section additional details (see page 110). The Supervisory Board discussed the financial statements in detail in the presence of the Management Board and PricewaterhouseCoopers Accountants N.V.

The Management Board with the approval of the Supervisory Board proposes to adopt these at the Annual General Meeting to be held on 13 May 2020 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 2019.

Composition of the Supervisory Board

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

Activities of the Supervisory Board

In 2019 the Supervisory Board was closely involved and participated actively in developments related to Beter Bed Holding N.V. and its subsidiaries. During the reporting year, the Chair frequently liaised with the Management Board in preparation for the meetings between the Supervisory Board and the Management Board. There were eight physical meetings between the Management Board and the Supervisory Board in 2019. Furthermore, the Supervisory Board also had 17 conference calls with the Management Board in 2019.

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

	SB meetings	AC meetings	RC meetings
Mr B.E. Karis	92% (23/25)	100% (4/4)	100% (3/3)
Mr P.C. Boone	100% (25/25)	100% (4/4)	100% (3/3)
Mr A. Beyens	72% (18/25)	75% (3/4)	67% (2/3)
Mr H.C.M. Vermeulen	75% (19/25)	-	-
Mrs G.E.A. Reijnen[1]	100% (18/18)	100% (3/3)	100% (1/1)
Mr D.R. Goeminne[2]	100% (6/6)	100% (1/1)	100% (1/1)

1 As per 25-04-2019 appointed; as per 12-12-2019 stepped down.

2 As per 25-04-2019 stepped down.

Annually Supervisory Directors perform an assessment of the functioning of the Supervisory Board, the Supervisory Board Committees and the individual Supervisory Board members. In 2019, the members of the Supervisory Board performed the assessments with structured questionnaires prepared in co-ordination with the Company. The assessment of the Chair of the Supervisory Board was led by the Vice-Chair of the Supervisory Board without presence of the Chair.

During the year we monitored the performance of the Management Board members in our Supervisory Board-only meeting(s). Following the discussions during the year and following the assessment, we provided feedback to the Management Board. The Supervisory Board has concluded that the relationship between Management Board and Supervisory Board is good and constructive, whilst sufficiently critical.

Throughout the year the Supervisory Board received regular, timely, detailed verbal and written updates from the Management Board. Extensive attention was paid to the operating results of the various formats, in particular Matratzen Concord, and the Group as a whole, as well as to the implementation of the strategy.

During the summer period the contact between the Management Board and the Supervisory Board has been very intense as a result of the developments impacting the financial stability of the Group. A few members of the Supervisory Board have also participated in discussions with banks and shareholders who facilitated by providing an incremental loan of € 7.0 million.

Later in the year the Supervisory Board has also met Magical Honour Limited as part of the assurance process to ensure that the Supervisory Board could approve the Management Board's decision to eventually sell Matratzen Concord to Magical Honour Limited. Extensive attention was continually devoted in 2019 to liquidity, the commercial progress of the various activities, tax matters, shareholder relations and the findings of the Internal Auditor to improve the internal organisation. There were contacts with the Works Council of Beter Bed B.V. and the Directors of the business units.

The Supervisory Board met with the external auditor amongst others on the following occasions. In February 2019 the results for 2018 and the audit findings were discussed. The half-year results and the effects of the potential divestment of Matratzen Concord were discussed in August 2019. Lastly, the results for 2019 until the end of November and the findings with regard to the internal control environment were discussed in December 2019. In addition the Supervisory Board has had various meetings with the external auditor on the implementation of IFRS 16.

The budget for 2020, which was discussed during the meeting of 19 December 2019, sets out the Company’s operational and financial objectives, along with the policy that should ensure that these objectives are achieved.

The performance of the Management Board and the implementation of the remuneration policy for the Management Board were discussed in meetings without members of the Management Board present. Consultation also took place in individual interviews on the performance of the members of the Management Board.

The mandate to search for a financial expert for the Supervisory Board was placed with an executive search agency in the second half of 2018 where the search run over into the first quarter of 2019. Mrs Gabrielle Reijnen was proposed for the role during the Annual General Meeting of 25 April 2019. In December 2019 Mrs Reijnen has agreed to take over the role of the CFO. On 13 May 2020 her appointment as Statutory Director in the position of CFO will be on the agenda of the Annual General Meeting.

Audit Committee

During financial year 2019, the Audit Committee consisted of Mr Boone, acting as Chair, Mr Goeminne, Mr Beyens and Mr Karis. Following the Annual General Meeting of 25 April 2019, Mr Goeminne stepped down and Mrs Reijnen was appointed as a Supervisory Board member, succeeding Mr Boone as Chair of the Audit Committee. During the period that Mrs Reijnen was member of the Supervisory Board in 2019, the composition of the Audit Committee was in accordance with the provisions of the Dutch Corporate Governance Code, with Mrs Reijnen having served as financial expert.

As per 12 December 2019 Mrs Reijnen stepped down as a Supervisory Director and Chair of the Audit Committee in order to accept the role of CFO of Beter Bed Holding N.V. Mr Boone has again temporarily taken over as Chair until a new financial expert has been found.

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

The Audit Committee convened on four occasions in financial year 2019. On two occasions, the Audit Committee met with the external auditor without the Management Board being present.

The Audit Committee extensively discussed the financial statements and the report of the Management Board, the half-year results and the management letter with the Management Board and the external auditor, PricewaterhouseCoopers Accountants N.V. The Audit Committee also focused on the audit plan for 2019, compliance with previous recommendations, tax issues, liquidity and funding, and the Group's risk management and control system. In 2019 the Audit Committee has had particular focus on the implementation of IFRS 16.

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

Remuneration Committee

In 2019, the Remuneration Committee was comprised of Mr Boone (Chair), Mrs Reijnen (until 12 December 2019) and Messrs Beyens and Karis. In 2019, three committee meetings were held.

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

The remuneration report (see page 49) follows the Report of the Supervisory Board.

Conclusion

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

In 2019 the Group managed, despite the challenges it has had, to deliver very important milestones: an incremental loan from shareholders, the divestment of Matratzen Concord, the issuance of shares and the sale and leaseback of the distribution centers, which were needed to create a sustainable future.

At this moment the Company is pretty occupied by managing the impact of COVID-19. The primary concern is to safeguard the health of the customers and employees.

The Supervisory Board will look forward to ensure that the Company returns back to growth and profit. This needs to happen through the delivery of an updated strategic plan which should lead to revenue growth, margin recovery and cost reduction. This plan will be presented to analysts prior to the Annual General Meeting on 13 May 2020.

Without the passionate and committed contribution of the employees and stakeholders nothing can be realised. The Supervisory Board is therefore grateful to everyone within the Group for their relentless passion, energy and contribution to realising the set objectives.

Uden, the Netherlands, 17 March 2020

B.E. Karis, Chair
P.C. Boone, Vice-Chair
A. Beyens
H.C.M. Vermeulen

Remuneration report

This report provides an overview of the remuneration policy as approved by the Annual General Meeting of Beter Bed Holding N.V. and explains how this Policy has been put into practice over the past financial year. The first section details the remuneration that has been paid to or accrued by the individual members of the Management Board. The second section describes the remuneration of the Supervisory Board. Finally, the outlook for 2020 is enclosed.

This remuneration report assumes to reflect the reporting requirements as provided by article 2:135b of the Dutch Civil Code (DCC), effective on 1 December 2019 and implementing the EU Shareholder Rights Directive II (SRD II), effective on 3 April 2017. One of the key objectives of the SRD II is to instil greater transparency for company stakeholders

Overview remuneration policy

Management Board Policy

Objective & principles

The objective of the remuneration policy ('the policy') is to recruit, motivate and retain qualified employees, including the Management Board members who enable Beter Bed Holding N.V. to achieve sustainable value creation that it strives for.

The following principles are kept in mind while drawing the policy:

- Discouraging excessive short-term risk taking & encouraging long-term shareholder engagement.
- Enterprising in nature to attract qualified candidates for the Management Board.
- Maintaining a reasonable in ratio with other members of management.
- Taking into account the social context, corporate governance structure and interests of stakeholders.

Composition of the remuneration package

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

- A base salary.
- Participation in a short-term variable pay scheme.
- Participation in a long-term share option scheme, which also requires that all share options granted be used for the purchase of shares.
- Pension benefits.
- Other employment benefits.

Peer group

Remuneration levels are based on a benchmark comparison with a peer group at least every three years and is reviewed annually. This helps to determine the overall competitiveness of the Management Board remuneration and gives an appropriate reflection of relevant competitive markets. The selection of the peer group is discussed and approved by the Supervisory Board.

Supervisory Board Policy

Objective & principles

The objective of this remuneration policy is to recruit, motivate and retain qualified persons as Supervisory Board members, who supervise and support Beter Bed Holding N.V. in the achievement of its strategic objectives and realise the sustainable value creation that the Company strives for.

To this end, the policy offers Supervisory Board members a remuneration package that reflects the time spent and responsibility required for the role. A reference point for an adequate remuneration level and fitting remuneration structure is derived from a benchmark of Dutch listed companies of comparable size and complexity with a two-tier board structure.

Compensation of the remuneration package

Remuneration of the Supervisory Board is not dependent on the results of the Company. The policy offers fixed annual fees in cash only:

- A base fee for all members of the Supervisory Board.
- An additional base fee for the Chair of the Supervisory Board.
- A committee fee for membership of the committees of the Supervisory Board.

The remuneration policy for Management Board and Supervisory Board is published on the Company's website. There were no changes to this policy in 2019. On 1 December 2019 the Dutch law passed an implementation of the EU Directive as regards the encouragement of long-term shareholder engagement and the provisions of this law have been taken into account in drafting this remuneration report. A proposal to amend the remuneration policy to align this with the new legislation will be presented during the Annual General Meeting scheduled for 13 May 2020.

Implementation of the remuneration policy in 2019

2019 has been an eventful year for Beter Bed Holding N.V. in which a crucial turnaround has been achieved. The Company has arranged bridge financing with its shareholders, successfully sold it loss making German activities and Dutch distributon centers, reinstated its credit lines and, towards the end of the year, arranged succession for its CFO. The support of its shareholders for the transformation and a restated strategy have been crucial in creating a new beginning.

Remuneration of the Management Board

During the financial year the Management Board was composed of Mr John Kruijssen, CEO, and, up to and including 12 December 2019, Mr Hugo van den Ochtend as CFO.

The tables below provide a transparent overview of their remuneration, specified in each remuneration component.

in thousand €	2019								
	Salary	**Variable remune-ration**	**Options on shares**	**Pension benefits**	**Social security charges**	**Sub-total**	**Other employee benefits**	**Seve-rance cost**	**Total**
A.J.G.P.M. Kruijssen	**450**	**351**	**91**	**135**	**12**	**1,039**	**42**	**-**	**1,081**
H.G. van den Ochtend[1]	**255**	**-**	**8**	**64**	**12**	**339**	**12**	**362**	**713**
Total	**705**	**351**	**99**	**199**	**24**	**1,378**	**54**	**362**	**1,794**

1 Up to and including 12 December 2019.

in thousand €	2018								
	Salary	Variable remune-ration	Options on shares	Pension benefits	Social security charges	Sub-total	Other employee benefits	Seve-rance cost	Total
A.J.G.P.M. Kruijssen[1]	338	142	8	101	8	597	41	-	638
H.G. van den Ochtend[2]	85	43	-	21	3	152	4	-	156
B.F. Koops[3]	149	-	20	37	10	216	8	-	224
Total	**572**	**185**	**28**	**159**	**21**	**965**	**53**	**-**	**1,018**

1 As of 1 April 2018.

2 As of 1 September 2018.

3 Up to and including 31 July 2018.

During the past year, the Management Board's remuneration has been implemented in accordance with the remuneration policy. To ensure remuneration is linked to performance, a proportion of the remuneration package is variable and dependent on the short and long-term performance of the individual member of the Management Board and the Company.

Base salary

The Supervisory Board considers the appropriateness of any changes to the base salary based on the market environment as well as on the average salary adjustments for the employees in the Netherlands.

Variable remuneration

The variable income part of the remuneration consists of short-term and long-term incentives. The distribution between short-term and long-term incentives for on-target performance aims to achieve a proper balance between short-term results and long-term value creation. The parameters relating to the various elements of variable income part of the remuneration are established and – where necessary – adjusted by discretion of the Supervisory Board, considering the general rules and principles of remuneration policy itself. The short-term and long-term incentives relate to the performance in the respective year.

A scenario analysis of the possible outcomes of the variable components and the impact on the Management Board members' remuneration is conducted annually to minimise the risk that the performance criteria lead to inappropriate outcomes. The effect of different performance scenarios on the level and composition of remuneration has been analysed and the outcome has been taken into consideration by the Supervisory Board when reviewing the Management Board members' remuneration.

Short-term variable pay

Any potential pay-out under the short-term incentive plan occurs annually during the first quarter of the next financial year. A minimum level of performance must be achieved before any payment under the plan will be made. The pay-out is capped at an outstanding level of performance, known as the maximum.

In 2019 the Supervisory Board stayed within the boundaries for the maximum variable pay as set in the remuneration policy. The maximum allowed variable pay within the policy is 100% of base salary, split in quantitative and qualitative criteria. The quantitative objectives are driven by financial KPIs such as revenue growth, EBITDA, cash flow, and the qualitative objectives are driven by non-financial KPIs. The minimum variable pay opportunity is 0% of base salary.

These targets were set, validated and agreed upon by the Supervisory Board at the beginning of 2019. In May/June 2019, as the Company came in a precarious position, new overriding priorities were identified. The Supervisory Board formulated four key milestones that were considered crucial in assuring the viability of the Company. The key milestones were:

- Agreement of an additional loan.
- Realisation of sale and leaseback of the three distribution centers.
- Deleveraging the senior debt.
- Divestment of Matratzen Concord within a period of six months.

These key milestones were fully achieved in 2019, thereby averting bankruptcy and creating a new perspective for the Company. The 'on-target' variable pay percentage is 60% of base salary for the CEO, and 50% of base salary for the CFO. In case of excellent performance, 130% of the target variable pay levels can be rewarded, which means that the maximum variable pay opportunity is 78% of the base salary for the CEO and 65% of the base salary for the CFO. The Supervisory Board considered the overall performance of the CEO and concluded to award the CEO with a variable pay of 78% of base salary for 2019and 0% of base salary to the CFO.

Options on shares

The policy offers a long-term incentive in the form of an annual grant of share options. In 2019 the CEO received a grant of 50,000 options and the CFO a grant of 40,000 options. The options will vest three years after the grant date, conditional on the continued employment of the Management Board members and the management teams still being in service. The options and the right to exercise will expire on the fifth anniversary date of the grant date. For members of the Management Board, the net proceeds upon exercise of options are deferred into Beter Bed Holding N.V. shares with a four years holding period.

The CEO received additional options in an arrangement approved by the Annual General Meeting in 2019, to redeem his sign-on arrangement. The 100,000 options granted upon his appointment forfeited in exchange for 200,000 options with an amended exercise price plus 100,000 options the CEO bought at an agreed price.

The 2019 options grant to the CFO was forfeited when he left the Company before the end of the year.

The following table summarises the information about outstanding options of each member of the Management Board as well as the movements during the year.

Share options

Board Member	Year of grant	Out-standing beginning	Granted in year	Exer-cised	Expired / forfeited	Out-standing end 2019	Exercise price (€)	Vesting date	Expiry date
A.J.G.P.M.	2018	-	100,000	-	(100,000)	**-**	13.06	1-04-21	31-03-22
Kruijssen	2019	-	300,000[1]	-	-	**300,000**	4.34	24-04-21	24-04-22
	2019	-	50,000	-	-	**50,000**	4.34	24-04-22	24-04-24
H.G. van	2018	-	-	-	-	**-**	-	-	-
den Ochtend	2019	-	40,000	-	(40,000)	**-**	4.34	24-04-22	24-04-24
Total		**-**	**490,000**	**-**	**(140,000)**	**350,000**			

1 200,000 options (replacement for the 100,000 signing options granted in 2018) and 100,000 options (against cash payments) as adopted in the 2019 Annual General Meeting held on 25 April 2019.

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

Change of control

In case of a change of control, any long-term incentives granted to a Management Board member, shall be (deemed to be) vested regardless of the status of the realisation of the objectives, and exercisable upon such change of control.

Pension benefits

Pension contributions are an element of the overall total remuneration of the Management Board members. Pension contribution is capped at 30% of base salary for the CEO and 25% of base salary for the CFO.

Severance compensation

Mr Hugo van den Ochtend assumed his role as CFO in September 2018 and contributed to the turnaround of Beter Bed Holding N.V. After careful consideration and by mutual agreement, the Supervisory Board and Mr Hugo van den Ochtend have come to realise that it is in the interest of the Company that someone else will fulfil the position of CFO. Mr Van den Ochtend's severance compensation will consist of the payment of six months' notice period and nine months fixed salary, in line with the management contract.

Comparative information

Pay ratio

Both the Supervisory Board and the Management Board are committed to balanced internal pay ratios. An overall ratio compares the average pay of the Management Board members with the average pay of all Beter Bed Holding N.V. employees. The average pay of employees is calculated on a full-time basis and encompasses the total remuneration, comprising base salary, variable remuneration, share options, and pension benefits, as well as the social security paid over this remuneration package

The table below shows the pay ratio over the last five years and how it is calculated:

in thousand €	2019	2018	2017	2016	2015
Management Board					
Average number of FTE	**2.0**	1.7	1.8	2.0	2.0
Remuneration for individual MB members					
- A.J.G.P.M. Kruijssen	**1,039**	597	-	-	-
- H.G. van den Ochtend	**339**	152	-	-	-
- A.H. Anbeek	**-**	-	452	659	702
- B.F. Koops	**-**	216	456	459	450
Total MB remuneration	**1,378**	965	908	1,118	1,152
Average remuneration (A)	**689**	579	495	559	576
Other employees					
Average number of FTE	**912**	2,805	2,726	2,619	2,425
Employee expenses	**45,686**	109,290	104,912	99,405	91,024
Average remuneration (B)	**50**	39	38	38	38
Total					
Average number of FTE	**914**	2,807	2,728	2,621	2,427
Employee expenses	**47,064**	110,255	105,820	100,523	92,176
Average remuneration	**51**	39	39	38	38
A/B pay ratio	**13.8**	14.9	12.9	14.7	15.3

The decrease in the remuneration package of the Management Board members and in the average number of FTE compared to last year is mainly attributable to the divestment of Matratzen Concord.

Remuneration of the Supervisory Board

The General Meeting has determined the annual remuneration of the Supervisory Board in 2015 as follows:

The annual remuneration for the Chair of the Supervisory Board amounted to € 31 thousand (2018: € 31 thousand), while the other Supervisory Board members were paid € 21 thousand (2018: € 21 thousand). Supervisory Board members also received compensation for participation in a committee amounting to € 4.5 thousand per committee (2018: € 4.5 thousand). Supervisory Board Chair and member remuneration does not depend on the Company's results. Supervisory Board members are not awarded shares and/or share options. No loans, advances and/or guarantees have been granted to Management Board and Supervisory Board members.

In 2019 the remuneration (in thousand €) was as follows:

Supervisory Director	Supervisory Board	Audit Committee	Remune-ration Committee	Chair	Total 2019	Total 2018
B.E. Karis	21.0	4.5	4.5	6.7	**36.7**	2.5
H.C.M. Vermeulen	21.0	-	-	-	**21.0**	17.0
A. Beyens	21.0	4.5	4.5	-	**30.0**	2.5
P.C. Boone	21.0	4.5	4.5	-	**30.0**	2.5
G.E.A. Reijnen	12.7	2.7	2.7	-	**18.2**	-
D.R. Goeminne	7.0	1.5	1.5	3.3	**13.3**	40.0
E.A. de Groot	-	-	-	-	**-**	27.5
W.T.C. van der Vis	-	-	-	-	**-**	27.5
A.J.L. Slippens	-	-	-	-	**-**	8.5
Total	**103.7**	**17.7**	**17.7**	**10.0**	**149.2**	**128.0**

Outlook 2020

The Supervisory Board will propose a new remuneration policy for the Management Board and the Supervisory Board at the 2020 Annual General Meeting to align the policy with article 2:135a DCC.

Management Board Policy 2020

In preparation to this new policy, the remuneration of the Management Board has been benchmarked against a reference group of 15 Dutch listed small cap companies with a two-tier board structure. The market environment, as well as on the salary adjustments for Beter Bed Holding N.V.'s employees have been taken in consideration. Based on this evaluation the Supervisory Board has decided to increase the base salary of the CEO to € 472,364, in line with the agreed CAO wage increases for employees in the Netherlands since his appointment in 2018. The annual base salary of the new CFO, who is nominated for appointment as Statutory Director at the upcoming Annual General Meeting, is set at € 300,000.

Under the new 2020 remuneration policy, the target levels of the short-term incentive scheme remain unchanged. For the CEO this amounts to 60% and for the CFO to 50% of base salary. In case of overperformance pay out may rise to a maximum of 1.3 times target level, i.e. 78% of base salary for the CEO and 65% for the CFO. A threshold level for pay out is set at 0.8 times target and below threshold there will be no pay out.

Given the operational focus on growing the business and optimising profitability, the Supervisory Board feels that for the financial year 2020 the following four quantitative KPIs are appropriate: revenue growth for the key business and EBITDA, each weighted at 25%, and gross margin and operational cash flow each weighted at 15%. To improve the quality and predictability of the organisation, additionally two qualitative criteria targets will apply: improving the corporate governance structure and completing the refinancing of the Company before the summer, each with a weight of 10%. The Company does not disclose the exact actual targets as they qualify as commercially sensitive information, but will account for targets set and performance delivered in the Remuneration Report 2020.

Regarding the long-term incentive instrument the Supervisory Board proposes to change the current stock options by Performance Stock Units (PSUs). The introduction of PSUs will facilitate the promotion of share ownership and therefore align management better with shareholder interests and long-term value creation. PSUs are a simpler and more transparent instrument compared to stock options. Outcomes of the grant are more predictable, both for the recipients and for shareholders, as downward risk and upward potential are more balanced. Improved predictability makes PSUs more attractive to the top managers that Beter Bed Holding N.V. wants to attract and retain. The PSU plan for the Management Board is aligned with a similar plan for Senior Management.

Under the PSU plan, shares to the value of 50% of base salary will conditionally be granted to both CEO and CFO. Vesting of these shares is conditional on the achievement of predetermined performance targets that reflect the value creation for shareholders. At the end of a three-year period performance will be assessed. In case of performance at target conditionally granted shares will vest and in case of outperformance up to 1.4 times that number. Vesting is followed by a two-year holding period.

For the PSU grant 2020-2022 long-term value creation will be primarily measured by Return on Capital Employed (ROCE) and by Customer satisfaction (Net Promotor Score). Both performance measures will have an equal weight. The predefined targets for each performance indicator and the performance delivered will be accounted for on vesting.

Supervisory Board Policy 2020

In preparation to the proposed Supervisory Board remuneration policy a benchmark has been executed against the same reference group of small cap companies that was used for the evaluation of the Management Board remuneration. The remuneration level granted since 2006 proves to be below median level. The Supervisory Board proposes to pay from 1 January 2020 onward an annual fixed fee of € 50,000 to the Chair and € 40,000 to regular members of the Supervisory Board. This all-in fee replaces a base fee of € 31,000 for the Chair and € 21,000 for members, supplemented by a fixed annual fee of € 4,500 for each committee role.

The proposed new policy for Management Board and Supervisory Board is published on the website and will be explained in the notes to the Agenda of the Annual General Meeting scheduled on 13 May 2020.

Financial statements

Consolidated balance sheet

At 31 December and before result appropriation

in thousand €	Notes	2019	2018
Non-current assets			
Intangible assets	1.	**8,483**	11,311
Property, plant and equipment	2.	**10,596**	41,257
Right-of-use assets	3.	**41,747**	-
Deferred tax assets	4.	**2,087**	13,273
Other non-current financial assets	5.	**64**	94
Total non-current assets		**62,977**	65,935
Current assets			
Inventories	6.	**22,233**	55,679
Trade receivables	7.	**1,830**	3,014
Income tax receivable	7.	**1,594**	636
Other receivables	7.	**8,655**	9,243
Cash and cash equivalents	8.	**2,115**	6,173
Total current assets		**36,427**	74,745
Total assets		**99,404**	140,680

At 31 December

in thousand €	Notes	2019	2018
Equity			
Issued share capital	9.	**482**	439
Share premium	9.	**23,391**	18,434
Equity instruments	9.	**3,500**	-
Revaluation reserve		**386**	3,200
Foreign currency translation reserve		**514**	548
Other reserves		**27,337**	47,265
Retained earnings		**(52,575)**	(23,250)
Total equity attributable to equity holders of the parent		**3,035**	46,636
Liabilities			
Non-current liabilities			
Provisions	10.	**-**	1,003
Lease liabilities	11.	**29,241**	-
Deferred tax liabilities	4.	**802**	3,452
		30,043	4,455
Current liabilities			
Borrowings	13.	**9,994**	22,998
Provisions	10.	**-**	4,040
Lease liabilities	11.	**16,346**	-
Trade payables	12.	**14,182**	24,409
Income tax payable		**-**	2,050
Other taxes and social security contributions	12.	**7,532**	10,931
Other liabilities	12.	**18,272**	25,161
		66,326	89,589
Total liabilities		**96,369**	94,044
Total equity and liabilities		**99,404**	140,680

Consolidated profit and loss account

in thousand €, unless otherwise stated	Notes	2019	2018[1]
Continuing operations			
Revenue	14.	**185,805**	172,812
Materials and services from third parties		**(87,270)**	(78,763)
Gross profit		**98,535**	94,049
Other income	17.	**6,404**	-
Personnel expenses	15.	**(47,064)**	(40,824)
Depreciation, amortisation and impairment	18.	**(21,676)**	(7,168)
Other operating expenses	19.	**(36,631)**	(41,464)
Total operating expenses		**(105,371)**	(89,456)
Operating profit / (loss) (EBIT)		**(432)**	4,593
Finance costs	20.	**(2,450)**	(688)
Profit / (loss) before tax from continuing operations		**(2,882)**	3,905
Income tax	21.	**(1,284)**	2,976
Net profit / (loss) from continuing operations		**(4,166)**	6,881
Discontinued operations			
Profit / (loss) after tax from discontinued operations		**(48,409)**	(30,131)
Net loss		**(52,575)**	(23,250)
Earnings per share from all operations	22.		
Earnings per share in €		**(2.38)**	(1.06)
Diluted earnings per share in €		**(2.38)**	(1.06)
Earnings per share from continuing operations			
Earnings per share in €		**(0.19)**	0.31
Diluted earnings per share in €		**(0.19)**	0.31

1 Following IFRS 5 the comparative figures present the continuing operations and the result from discontinued operations are presented as a single line.

Consolidated statement of comprehensive income

in thousand €	Notes	2019	2018
Loss for the year		**(52,575)**	(23,250)
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Revaluation of land	2.	**389**	295
Tax effect relating to revaluation		**(97)**	(73)
Change of applicable tax rate	4.	**(181)**	181
Items that may be reclassified to profit or loss (net of tax):			
Exchange differences on translation of foreign operations		**228**	(125)
Total comprehensive income, net of tax		**(52,236)**	(22,972)
Total comprehensive income, net of tax			
Continuing operations		**(3,827)**	7,159
Discontinued operations		**(48,409)**	(30,131)
Total comprehensive income, net of tax		**(52,236)**	(22,972)

Consolidated cash flow statement

in thousand €	Notes	2019	2018[1]
Operating activities			
Result (loss) for the period from operations		**(432)**	4,593
Adjustments for:			
- Depreciation and impairment right-of-use assets	3.	**14,584**	-
- Depreciation and impairment of property, plant and equipment	2.	**5,299**	5,024
- Amortisation and impairment of intangible assets	1.	**1,793**	2,144
- Transfer book profit from sale and leaseback to investing activities	2.	**(6,404)**	-
- Costs relating to the sale of discontinued operations		**4,294**	-
- Other		**25**	46
Adjusted operating result for the period		***19,159***	*11,807*
Working capital adjustments:			
- Decrease / (Increase) in inventories	6.	**(1,403)**	(2,329)
- Decrease / (Increase) in trade and other receivables	7.	**3,200**	(211)
- Increase / (Decrease) in trade and other liabilities	12.	**2,045**	2,464
Change in working capital		***3,842***	*(76)*
Costs share-based compensation	16.	**135**	83
Income tax received/(paid)		**702**	(2,271)
Discontinued operations		**(20,599)**	(6,523)
Cash flow from operating activities		**3,239**	3,020
Investing activities			
Capital expenditure on purchase of intangible assets	1.	**(96)**	(91)
Capital expenditure on purchase of property, plant and equipment	2.	**(4,301)**	(8,667)
Proceeds from sale and leaseback		**19,176**	-
Changes in non-current receivables		**25**	10
Divestment of subsidiaries		**(17,562)**	-
Discontinued operations		**15,473**	(8,187)
Cash flow used in investing activities		**12,715**	(16,935)

1 Following IFRS 5, the comparative figures present the continuing operations and the cash flow from discontinued activities are presented as a single line per category.

in thousand €	Notes	2019	2018[1]
Financing activities			
Contribution of equity	9.	**5,000**	-
Contribution of equity instruments	9.	**3,500**	-
Dividends paid		**-**	(659)
Dissolved intercompany structure		**-**	74,940
Repayment of borrowings	13.	**(16,504)**	-
Proceeds from borrowings	13.	**3,500**	21,195
Interest paid		**(1,326)**	(688)
Payment lease liabilities	13.	**(14,410)**	-
Discontinued operations		**-**	(74,940)

in thousand €	Notes	2019	2018[1]
Cash flow from / (used in) financing activities		**(20,240)**	19,848
Movement in cash and cash equivalents		**(4,286)**	5,933
Net foreign exchange difference		**228**	53
Opening balance	8.	**6,173**	187
Closing balance		**2,115**	6,173

1 Following IFRS 5, the comparative figures present the continuing operations and the cash flow from discontinued activities are presented as a single line per category.

Consolidated statement of changes in equity

in thousand €	Notes	Issued share capital	Share premium	Equity instruments[1]	Revaluation reserve[1]	Foreign currency translation reserve[1]	Other reserves	Retained earnings	Total
Balance at 1 January 2018		439	18,434	-	2,797	673	38,316	9,525	70,184
Net profit / (loss) 2018		-	-	-	-	-	-	(23,250)	(23,250)
Other components of comprehensive income 2018		-	-	-	403	(125)	-	-	278
Total Comprehensive income		-	-	-	403	(125)	-	(23,250)	(22,972)
Profit appropriation 2017		-	-	-	-	-	9,525	(9,525)	-
Final dividend 2017		-	-	-	-	-	(659)	-	(659)
Costs of share-based compensation	16.	-	-	-	-	-	83	-	83
Balance at 31 December 2018		**439**	**18,434**	**-**	**3,200**	**548**	**47,265**	**(23,250)**	**46,636**
Net profit / (loss) 2019		**-**	**-**	**-**	**-**	**-**	**-**	**(52,575)**	**(52,575)**
Discontinued operations		**-**	**-**	**-**	**-**	**(262)**	**262**	**-**	**-**
Other components of comprehensive income 2019		**-**	**-**	**-**	**111**	**228**	**-**	**-**	**339**
Total Comprehensive income		**-**	**-**	**-**	**111**	**(34)**	**262**	**(52,575)**	**(52,236)**
Profit appropriation 2018		**-**	**-**	**-**	**-**	**-**	**(23,250)**	**23,250**	**-**
Contributions of equity (instruments)		**43**	**4,957**	**3,500**	**-**	**-**	**-**	**-**	**8,500**
Recycling of revaluation		**-**	**-**	**-**	**(2,925)**	**-**	**2,925**	**-**	**-**
Costs of share-based compensation	16.	**-**	**-**	**-**	**-**	**-**	**135**	**-**	**135**
Balance at 31 December 2019		**482**	**23,391**	**3,500**	**386**	**514**	**27,337**	**(52,575)**	**3,035**

1 Concerns restricted equity.

Notes to the consolidated financial statements

General information

Beter Bed Holding N.V. operates in the European bedroom furnishings market. Its activities include retail trade through the chains Beter Bed, Beddenreus, Sängjätten and Matratzen Concord (until 2 December 2019). Beter Bed Holding N.V. is also active in the field of developing and wholesaling branded products in the bedroom furnishing sector via its subsidiary DBC International. The registered office of Beter Bed Holding N.V. is Linie 27 in Uden, the Netherlands. Beter Bed Holding N.V.'s shares are listed on Euronext Amsterdam.

The consolidated financial statements comprise the financial information of the Company itself and that of its subsidiaries (referred to together as the Group). The list of subsidiaries is presented in the note on 'Principles of consolidation' (see page 66).

The 2019 consolidated financial statements of Beter Bed Holding N.V. have been prepared by the Management Board and were authorised by both the Management Board and Supervisory Board for issuing on 17 March 2020.

Basis of preparation of financial statements

The consolidated financial statements of Beter Bed Holding N.V. have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs, hereafter referred to as IFRS). The company financial statements have been prepared using the option of article 2:362-8 of the Dutch Civil Code, meaning that the accounting principles used are the same as for the consolidated financial statements.

Basis of measurement of financial statements & significant accounting policies

The consolidated financial statements have been prepared on a historical cost basis, except for land, derivative financial instruments, debt and equity financial assets which have been measured at fair value. Unless explicitly stated otherwise, the amounts stated in these notes refer to the consolidated figures. The financial statements are presented in euros and have been rounded to thousands of euros, unless otherwise stated.

Changes to the presentation of comparative figures

From the date on which all criteria of IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations - are met, discontinued operations are deconsolidated on the balance sheet to assets and liabilities of discontinued operations. In the statement of profit and loss and the statement of cash flow, on which all IFRS 5 criteria are met, are deconsolidated and separately reported.

Foreign currency translation

The consolidated financial statements have been prepared in euros. The euro is the functional currency of Beter Bed Holding N.V. and is the Group's reporting currency. Monetary assets and liabilities in foreign currencies are converted at the exchange rate on the balance sheet date; profit and loss account items are converted at the exchange rate at the time of the transaction. Non-monetary assets and liabilities in foreign currencies which are measured at fair value are converted at the exchange rate when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not translated. The resulting exchange differences are credited or debited to the profit and loss account, presented in finance costs.

Exchange differences in the financial statements of foreign group companies included in the consolidation are taken directly to equity through other comprehensive income. The results and assets and liabilities of consolidated foreign participations are translated into euros at the average exchange rate per month and the closing rate for the year under review respectively. Upon a disposal of a foreign entity, the deferred accumulated amount recognised in equity of that foreign entity concerned is taken to the profit and loss account.

The table below shows the applied currency rates of 2019 respectively 2018.

	SEK/EUR	CHF/EUR	USD/EUR
Year-end exchange rate			
31-12-2018	10.2548	1.1269	1.1450
31-12-2019	10.4468	1.0854	1.1234
Average exchange rates			
2018	10.2567	1.1549	1.1815
2019	10.5867	1.1127	1.1197

Principles of consolidation

The consolidated financial statements comprise of the financial statements from Beter Bed Holding N.V. and its Group entities. Group entities are defined as entities controlled by the Company, meaning the Company is exposed to or is entitled to the variable results following the Company's involvement and ability to influence these results in her power to steer on the activities of that entity.

In general the Group assumes that it has control if it holds the majority of the voting rights. However, in all cases factors that are relevant to support this assumption are considered and include contractual arrangements with any other vote holders of the investee, voting rights from other arrangements and the potential voting rights of the Group. When there are changes in circumstances or facts which could impact if the Group controls an investee, a reassessment will be made to conclude if an investee still needs to be consolidated. Group entities are included in the consolidation at the date when the entities gains control. As of the date an entity does not meet the aforementioned criteria of an investee, the entity is no longer included in the consolidation.

For consolidation purposes, the Group has applied the full consolidation method. All financial relations and results between consolidated companies are eliminated in full. If the Group loses control over an investee, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while a gain or loss is recognised in profit or loss. In case an investee is retained but the Group ceases control it is recognised at fair value.

Interests in subsidiaries

The Group's subsidiaries at 31 December 2019 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

		Ownership interest held by the Group in %	
Name	**Registered Office**	**2019**	**2018**
Bedden & Matrassen B.V.	Uden, The Netherlands	100	100
Beter Bed B.V.	Uden, The Netherlands	100	100
Beter Beheer B.V.[1]	Uden, The Netherlands	100	100
DBC International B.V.	Uden, The Netherlands	100	100
DBC Nederland B.V.	Uden, The Netherlands	100	100
Sängjätten Sverige AB	Göteborg, Sweden	100	100
Sängjätten AB	Göteborg, Sweden	100	-
BBH Beteiligungs GmbH[2]	Cologne, Germany	-	100
BBH Services GmbH & Co K.G.	Cologne, Germany	-	100
Beter Bed Holding N.V. y Cia S.L.[3]	Barcelona, Spain	-	100
El Gigante del Colchón S.L.[3]	Barcelona, Spain	-	100
Linbomol S.L.[3]	Barcelona, Spain	-	100
M Line Bedding S.L.[3]	Barcelona, Spain	-	100
Matratzen Concord (Schweiz) AG[2]	Malters, Switzerland	-	100
Matratzen Concord GmbH[2]	Cologne, Germany	-	100
Matratzen Concord GesmbH[2]	Vienna, Austria	-	100
Procomiber S.L.[3]	Barcelona, Spain	-	100
Sängjätten Sverige Wholesale AB[4]	Göteborg, Sweden	-	100

1 In 2020 Beter Beheer B.V. is renamed into Beter Bed Financial Services B.V.

2 The activities in Germany, Austria and Switzerland have been divested in a share deal in 2019.

3 The Spanish entities have been liquidated in 2019.

4 Sängjätten Sverige Wholesale AB has been liquidated in 2019.

Use of estimates

Estimates and judgments

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. Following those judgments, assumptions and estimates, the actual valuation may subsequently differ materially from the reported valuation.

The actual timing of the utilisation of amounts in provisions is uncertain when determining these at inception. 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 estimates are made when preparing the financial statements, an explanation is provided in the notes for each item in question.

- Impairment testing (see page 83).
- Taxation (see page 97).
- Inventories (see page 88).
- Trade Receivables (Financial Instruments) (see page 88).

Going concern

The financial statements have been prepared on a going concern basis.

Over the year ending on 31 December 2019 the Group had a total net loss of € 52.6 million and a total cash flow from operating activities of € 3.2 million. These numbers include the operational and divestment loss of the discontinued operations of Matratzen Concord, and the final costs relating to the liquidation of the remaining legal entities in Spain for which the operational activities were sold in 2018.

Excluding the results of the discontinued operations the Group had an operating loss of € 0.4 million and a positive operational cash flow of € 23.8 million. Normalised for one-off cost, these results indicate that the continuing operations of the Group are able to generate positive operating profits and free cash flows.

The divestment of Matratzen Concord and the liquidation of the remaining Spanish entities, together with the newly entered into banking covenant, the sale and leaseback of the real estate property for Uden, Hoogeveen and Nieuw-Vennep and the (partly perpetual) shareholder loans provide a stable platform for the remaining activities.

The positive outlook of the continuing operations in combination with the divestment of Matratzen Concord, supports management that the Group can continue as going concern.

Given the current social and economic circumstances, which have no relation to the business operations year to date, we believe our business could be impacted for a period of time. Looking ahead, we see increased uncertainties following the COVID-19 worldwide outbreak and market volatility. These conditions could indicate the possible existence of a material uncertainty which may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

We have no indication whether the governmental measures will have an effect in preventing a further spread around the world. Therefore we currently do not know whether these measures will be effective and what kind of duration we will be faced with. Such situation, especially when it takes longer, may have an effect on the financial performance of the Company. The Group has taken many measures to ensure our customers and employees continue to be safe while interacting together. The Group has initiated, already for a couple of weeks, a task force to ensure supply is managed and alternatives are available in case supply of goods is getting under pressure. Critical inventory has been identified and incremental stock has been ordered. Only as of 14 March we saw an initial decline in consumer traffic where till that moment our traffic, order intake and sales were developing very well against previous year. In Belgium the government has decided to have stores closed at the weekend and this has affected order intake. Baring transport disruption our current order book foresees usual revenue levels for the next 4 to 6 weeks. The financial situation of the Group is currently healthy. At the moment we are in discussion with the banks to successfully agree new credit facilities and the establishment of a fit-for-the-future group financing structure. Current uncertainty might delay this process. We appreciate that the government has indicated to support companies when needed to ensure continuity for companies and employees. At this moment we do not have any reason to believe that the Group is not able to continue as a going concern.

Refinancing including divestment Matratzen Concord

In July 2020 the current credit facilities available to the Group will expire. As a result of this upcoming expiration, the Company is working on several initiatives to secure new credit facilities in order to contribute to its operational business goals.

The financial deleveraging realised during the course of 2019 consisted of:

- Sale-and-leaseback transactions on real estate in the Netherlands.
- Issuance of share capital.
- Agreement of a shareholder loan (partly perpetual).
- The divestment of Matratzen Concord in Germany, Austria and Switzerland.

These initiatives led to a cash income of € 38.3 million of which € 16.7 million was used to repay outstanding bank debt. Per year-end 2019, this resulted in a substantially lower utilisation (€ 5.7 million utilised) of the credit facility compared to the € 43.5 million at the Group's disposal. Following the repayment, new financial covenants were agreed with the financing parties.

The recently optimised business structure, followed by current and expected positive free cash flow during 2020, will contribute to successfully agree new credit facilities during the first half of 2020 and the establishment of a fit-for-the-future Group financing structure.

In 2020 Beter Bed Holding N.V. will continue working on optimising and continuing its credit facilities. So far, requests for proposals are issued to several financial institutions. At the date of the annual report, several meetings with these parties have been held to discuss requested terms and conditions.

Formal ending of the Spanish operations

In 2019 the Company liquidated the Spanish legal entities which led to the formal ending of the Spanish operations. This resulted in the utilisation of the deferred tax assets formed in 2018 amounting € 4.9 million. As a consequence these deferred tax assets have been reclassified from deferred tax assets to current tax assets.

Changes in significant accounting policies

IFRS 16 Leases, effective 1 January 2019

Until the 2018 financial year leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. The Company has chosen to grandfather the existing lease contracts upon first-time adoption, meaning applying IFRS 16 to all contracts that included a lease in accordance with IAS 17.

Beter Bed Holding N.V. has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

Beter Bed Holding N.V. leases various offices, warehouses, retail stores, equipment and vehicles.

It has adopted IFRS 16 through application of the 'modified retrospective approach' and applies the standard to its rented stores, car and truck leases in countries in which Beter Bed Holding N.V. is active. In accordance with the practical expedients the standard proposes, Beter Bed Holding N.V. has made no specific distinction in type of costs for car and truck leases and subsequently full lease costs will be capitalised. Also, all lease contracts for which the underlying asset value is defined to be below US$ 5,000 or short-term (less than 12 months) are exempted at adoption and going forward from capitalisation as lease assets.

Beter Bed Holding N.V. has implemented a software tool which enables transparent, efficient and effective reporting of lease contracts under the new IFRS 16 standard. This tool provides insights in leased assets and its associated liabilities per country and per category.

Lease contracts will be capitalised for the duration of non-cancellable periods (mostly fixed periods of four to eight years) and renewal periods are only taken into account if deemed reasonably certain. Assets and liabilities arising from a lease are initially measured on a present value basis.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The incremental borrowing rate applied by Beter Bed Holding N.V., is periodically determined by an external valuator. A specific discount rate (incremental borrowing rate) is applied to a portfolio of leases with reasonably similar characteristics depending on their duration and associated country, varying between 0% and 3.4%.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of twelve months or less. Low-value assets comprise IT equipment and small items of office furniture.

Aforementioned variables and applied practical expedients have resulted in an identification of right-of-use assets amounting € 142.5 million (continuing operations € 49.4 million and discontinued operations € 93.1 million) and will therefore result in an increase of the total balance sheet of this magnitude per 1 January 2019. Moreover, the profit and loss statement will display a shift from operational lease costs to depreciation costs and interest charges.

Adoption of this standard also has an inevitable and significant impact on several ratios, including solvency and the net interest-bearing debt/EBITDA. However, the covenants with credit institutions are not impacted, given the fact that the covenants include conditions stating that ratios concerned are calculated excluding the impact of new reporting standards.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect or are known. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Practical expedients applied

In applying IFRS 16 for the first time, Beter Bed Holding N.V. has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics (varying between 0-1.32%).
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019.
- Accounting for operating leases with a remaining lease term of less than twelve months as at 1 January 2019 as short-term leases.
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application.
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Beter Bed Holding N.V. has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

Measurement of lease liabilities

The table below shows the reconciliation of the off-balance commitments per the end of December 2018 and the opening balance of IFRS 16.

in thousand €	Benelux	New Business	DACH	Total
Operating lease commitments disclosed at 31 December 2018	35,743	10,180	89,667	**135,590**
Add/(less): Changes from contract reassessment[1]	3,338	(919)	1,518	**3,937**
Add/(less): Changes applied in IBRs (discounting effect)[2]	788	225	1,985	**2,998**
Lease liability recognised at 1 January 2019	**39,869**	**9,486**	**93,170**	**142,525**
Of which are:				
- Current lease liabilities				45,841
- Non-current lease liabilities				96,684
Lease liability recognised at 1 January 2019				**142,525**

1 Resulting from the IFRS 16 adoption, all contracts have been reassessed in detail on accuracy, completeness and options (where relevant) in the first half year of 2019.

2 In 2018 a general discounting factor of 2% was applied to calculate the operational lease commitments. Due to the introduction of IFRS 16, specific IBRs per country and per asset class have been applied leading to a higher commitment.

Segment reporting

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

- **Nature of the products and services**

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

- **Customers for the products and services**

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

- **Distribution channels for the products and services**

The operating segments generate their revenue in stores (the offline retail channel) and also have a web shop (online retail channel). Online revenue compared to 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 above characteristics, the operating segments are aggregated into a single reportable segment.

Information by geographical area is disclosed in note 14 (see page 94).

Discontinued operations

A disposal group qualifies as discontinued operations if it is a component of an entity that has been disposed of, and:

- Represents a separate major line of business or geographical area of operations.
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit and loss.

Exit of Matratzen Concord

On 2 December 2019, Beter Bed Holding N.V. successfully completed the divestment of the Matratzen Concord companies in Germany, Austria and Switzerland with economic transfer at the end of 30 November 2019. The financial result relating to the discontinued operations is set out below.

The parties agreed upon an additional contingent deferred payment of up to maximum € 7.5 million from Matratzen Concord to Beter Bed Holding N.V. if certain profitability milestones are met in the first year after the transaction. At the time of the sale the fair value of the consideration was determined at zero. It has been recognised as a financial asset at fair value through profit or loss.

Exit of El Gigante del Colchón

Beter Bed Holding N.V. has divested the operations of El Gigante del Colchón effective 1 November 2018. Via an asset deal all stores and employees related to the operation were transferred to the purchaser. The liquidation of the legal entities in Spain has been realised in 2019. The associated activities are presented as discontinued operations.

Financial performance and cash flow information

The financial performance and cash flow information presented below are for the relevant periods during 2019 and 2018 respectively. Matratzen Concord (MC) was divested via a share deal and the results below represent January up to and including November 2019 (2018: full year). The activities of El Gigante del Colchón (EGDC) have been divested via an asset deal on 1 November 2018 and the included results relate to January-October 2018; the remaining dormant legal entities have been liquidated in 2019 leading to some remaining costs that are included in the overview.

in thousand €	2019			2018		
	MC	**EGDC**	**Total**	MC	EGDC	Total
Sales	**162,747**	**4**	**162,751**	223,520	6,310	229,830
Cost of sales	**(73,241)**	**(15)**	**(73,256)**	(96,662)	(3,453)	(100,115)
Gross profit	**89,506**	**(11)**	**89,495**	126,858	2,857	129,715
Other expenses	**(116,696)**	**(407)**	**(117,103)**	(155,606)	(7,503)	(163,109)
Loss before income tax	**(27,190)**	**(418)**	**(27,608)**	(28,748)	(4,646)	(33,394)
Income tax (expense)/gain	**(7,533)**	**-**	**(7,533)**	3,263	-	3,263
Loss from discontinued operations	**(34,723)**	**(418)**	**(35,141)**	(25,485)	(4,646)	(30,131)
Net cash in/(out)flow from operating activities	**(20,599)**	**-**	**(20,599)**	(4,226)	(2,298)	(6,524)
Net cash in/(out)flow from investing activities	**15,891**	**(418)**	**15,473**	(7,485)	(702)	(8,187)
Net cash in/(out)flow from financing activities	**-**	**-**	**-**	(87,228)	12,288	(74,940)
Net increase / (decrease) in cash generated by the subsidiary	**(4,708)**	**(418)**	**(5,126)**	(98,939)	9,288	(89,651)

Details of the sale of Matratzen Concord

in thousand €	2019
Consideration received or receivable:	
- Cash	**7,134**
- Fair value of contingent consideration	**-**
Total disposal consideration	**7,134**
Carrying amount of net assets sold	**(20,402)**
Gain / (loss) on sale after income tax	**(13,268)**

The carrying amounts of assets and liabilities as at the date of economic transfer (30 November 2019) were:

in thousand €	2019
Intangible fixed assets	**1,090**
Property, plant and equipment	**14,586**
Right-of-use assets	**68,274**
Trade receivables	**906**
Inventories	**20,553**
Other assets	**2,768**
Cash and cash equivalents	**4,146**
Total assets	**112,323**
Trade payables	**(6,142)**
Lease liabilities	**(68,447)**
Other liabilities	**(17,332)**
Total liabilities	**(91,921)**
Net assets	**20,402**

Significant accounting policies relating to balance sheet

Financial instruments

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

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

For the general method, the following is applied:

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

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

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

Trade and other receivables
Trade and other receivables represent the Group’s right to an amount of consideration that is unconditional. Trade and other receivables are carried at amortised cost, less impairment losses.

Trade and other payables
Trade and other payables are carried at amortised cost.

Cash and cash equivalents
Cash and cash equivalents comprise cash and bank balances and other call deposits payable on demand. Bank overdrafts that are repayable on demand, and form an integral part of the Group’s cash management, are included as a component of cash and cash equivalents in the statement of cash flow. They are measured at fair value.

Offsetting financial assets and liabilities
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

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 flow from that asset or if substantially all risks and rewards of the asset have been transferred or – if substantially all risks and rewards of the asset have not been transferred – the entity has transferred ‘control’ of the asset.

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

Intangible assets

Intangible assets relate to the brand name *Sängjätten* and (acquired) software. For each category the applicable finite useful life has been determined and applied.

Intangible assets with finite lives are amortised over their useful life and tested for impairment if there are indications that the intangible asset might be impaired. The amortisation period and method for an intangible asset with a finite useful life are assessed at least at the end of each period under review; the applied amortisation percentages vary between 5% and 33%. 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.

Property, plant and equipment

Tangible fixed assets other than land are valued at the cost of purchase or construction less straight-line depreciation and impairments (if applicable) based on the expected economic life or lower recoverable amount. Land is carried at fair value on the basis of the valuations by an external expert in December 2018, who used the GIY/NIY method.

Any revaluations are recognised in equity through other comprehensive income, with a provision for deferred taxation being formed at the same time. Land and other tangible fixed assets under construction are not depreciated.

Applied depreciation percentages are as follows:

- Land 0%.
- Buildings 3.33%.
- Other fixed operating assets 10-33%.
- Right-of-use assets 8-100% (depending on remaining lifetime of underlying contract as of adoption).

Depreciation, amortisation and impairment are presented combined in the profit and loss and detailed in its notes.

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

The tangible fixed assets are intended for own use.

Inventories

Inventories are valued at the lower of cost and net realisable value. The cost consists of the latest purchase price less purchase discounts and plus additional direct costs using first in first out. 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.

Impairment of assets

The Group reviews at each reporting date whether there are indications that an asset has been impaired. If there is any such indication or if the annual impairment testing of an asset is required, the Group estimates the asset's recoverable amount. Intangible assets with an indefinite useful life are tested for impairment annually. Impairment losses are recognised in profit or loss.

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

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

Restricted reserves

These non-distributable reserves are formed for exchange differences for participations, for the revaluation of tangible fixed assets and for the equity instruments. These reserves have also been included in the consolidated statement of changes in equity to ensure reconciliation with the shareholders' equity as recognised in the company financial statements.

Dividend

The holders of ordinary shares are entitled to receive dividend as determined from time to time by the Annual General Meeting.

The Management Board has the authority to decide, with the approval of the Supervisory Board, what portion of the profit will be allocated to the reserves. If applicable, the declared but unpaid dividends are recognised as a liability.

Provisions

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit and loss when incurred. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments will occur.

Defined benefit plans

The Group currently does not have any defined benefit plans.

Taxes

Current income tax assets and liabilities are valued at the amount that is expected to recover from or paid to the tax authorities. The amount is calculated on the basis of the tax rates set by law and enacted tax laws, which are reviewed periodically. Current income tax items directly related to items in equity are also recognised in equity.

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

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

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on enacted tax laws. Deferred tax items are recognised in correlation to the underlying transaction either in the overview of comprehensive income (OCI) or directly in equity.

Deferred tax assets and deferred tax liabilities are offset by the Group if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Significant accounting policies relating to the profit or loss account

Presentation

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

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. Revenue is recognised when mutual contractual obligations are met. Revenue is based on transaction prices allocated to individual performance obligations, being either a distinct good or service or a series of distinct goods or services that are largely the same, and showing the same pattern of transfer to a customer. Revenue from sales of goods is recognised in the profit and loss upon transfer of the right of disposal of the goods by the Group. In the circumstance when goods are instantly being taken by consumers, this is at the time of payment at the cash register. In the circumstance when goods are assembled and/or delivered, the sales are recognised at the moment when the transfer has led to a physical delivery of the goods to the customer.

Materials and services from third parties

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

Expenses

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

Pensions

A variety of pension schemes is in use within the Company. In the Netherlands, the majority of the employees participate in the Detailhandel Industrial Pension Fund. This is an average pay scheme with a maximum pension accrual on the income for social security contributions. Consequently this pension scheme is accounted for as a defined contribution scheme.

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

Depreciation and amortisation

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

Significant accounting policies to the cash flow statement

The cash flow statement is prepared using the indirect method. Beter Bed Holding N.V. discloses discontinued operations in a separate note (see page 72).

Capital and financial risk management

Financial risk management

The main financial risk consists of 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. Revenue 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 provided to senior management and commented on.

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

Currency risk

Currency risk, arising mainly from purchases in dollars, is not hedged. A 5% change in the average dollar exchange rate would, on the basis of the purchasing volumes in the financial year, result in an effect of approximately € 90,000 (2018: € 83,000) on the operating profit (EBIT) if sales prices remain the same. There are virtually no financial instruments in foreign currencies. Currency risk owing to the presence and/or transactions in Sweden and Switzerland (relating to discontinued operations) and the potential volatility of the Swedish krona and the Swiss franc (relating to discontinued operations) are considered to be limited due to the fact that the majority of goods purchases takes place in euros.

Interest rate risk

Interest rate risk resulting from the current capital structure of the Company is limited. The effect on the result following a change (increase or decrease) in the interest rate of 50 basis points would be € 0.1 million before taxation (2018: € 0.2 million), on the basis of the use of the credit facilities at year-end 2019. The carrying amount of the financial liabilities is virtually equal to the fair value.

Credit risk

Credit risk is limited to the wholesale operations and trade receivables under bonus agreements.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for the relevant trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of revenue over a period of 36 months before 31 December 2019 or 1 January 2019 respectively and the corresponding historical credit losses experienced within this period.

Liquidity risk

Liquidity risk resulting from the current capital structure is limited.

Capital management

The Group's objectives when managing capital are to:

- Safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

In 2019 the fixed assets became pledged to the banks as security for its credit facility. The activation of pledge security dismissed the Group from the applicable solvency and debt/EBITDA preconditions relevant up to that moment. We refer to the note Borrowings (see page 92) on the applicable agreements at year-end.

Daily management of the cash positions and the banks' headroom is part of the standard checks and balances of the Group and continuously monitored. When necessary, conscious planning on payments is executed.

1. Intangible assets

in thousand €	Software	Brand	Total
Cost	18,468	1,725	20,193
Accumulated amortisation	(10,947)	(130)	(11,077)
At 1 January 2018	**7,521**	**1,595**	**9,116**
Additions	5,054	-	5,054
Disposals	(92)	-	(92)
Amortisation charges	(2,148)	(86)	(2,234)
Impairment charges	(463)	-	(463)
Foreign exchange differences	(70)	-	(70)
Movement 2018	**2,281**	**(86)**	**2,195**
Cost	23,360	1,725	25,085
Accumulated amortisation	(13,558)	(216)	(13,774)
At 31 December 2018	**9,802**	**1,509**	**11,311**
Additions	**96**	**-**	**96**
Amortisation charges	**(1,718)**	**(75)**	**(1,793)**
Discontinued operations	**(1,103)**	**-**	**(1,103)**
Foreign exchange differences	**-**	**(28)**	**(28)**
Movement 2019	**(2,725)**	**(103)**	**(2,828)**
Cost	**15,867**	**1,694**	**17,561**
Accumulated amortisation	**(8,790)**	**(288)**	**(9,078)**
At 31 December 2019	**7,077**	**1,406**	**8,483**

The intangible assets are comprised of software (€ 7.1 million) and the Sängjätten brand name (€ 1.4 million).

In the purchased software an amount of € 1.4 million is included related to assets under construction (2018: € 3.1 million).

In relation to the migration to one web shop platform in the Netherlands and Belgium an impairment of € 0.5 million in the 2018 results was recognised for the old platform.

2. Property, plant and equipment

in thousand €	Land	Buildings	Other fixed operating assets	Total
Cost or fair value	7,090	10,506	115,699	133,295
Accumulated depreciation	-	(6,827)	(82,232)	(89,059)
At 1 January 2018	**7,090**	**3,679**	**33,467**	**44,236**
Additions	-	-	12,274	12,274
Revaluation	295	-	-	295
Disposals	-	-	(432)	(432)
Depreciation charges	-	(327)	(13,168)	(13,495)
Impairment charges	-	-	(1,639)	(1,639)
Foreign exchange differences	-	-	18	18
Movement 2018	**295**	**(327)**	**(2,947)**	**(2,979)**
Cost or fair value	7,385	10,506	127,559	145,450
Accumulated depreciation	-	(7,154)	(97,039)	(104,193)
At 31 December 2018	**7,385**	**3,352**	**30,520**	**41,257**
Additions	**-**	**-**	**4,301**	**4,301**
Revaluation	**389**	**-**	**-**	**389**
Disposals	**(6,859)**	**(2,555)**	**(43)**	**(9,457)**
Depreciation charges	**-**	**(285)**	**(4,724)**	**(5,009)**
Impairment charges	**-**	**-**	**(290)**	**(290)**
Discontinued operations	**-**	**-**	**(20,595)**	**(20,595)**
Movement 2019	**(6,470)**	**(2,840)**	**(21,351)**	**(30,661)**
Cost or fair value	**915**	**2,012**	**70,471**	**73,398**
Accumulated depreciation	**-**	**(1,500)**	**(61,302)**	**(62,802)**
At 31 December 2019	**915**	**512**	**9,169**	**10,596**

In relation to the anticipated closure of some stores with low profitability in Sweden, an impairment of € 0.3 million has been recognised in 2019.

The impairment in 2018, relates to the discontinuation of the operations in Spain, amounting € 1.2 million and to the store closures in Germany, Austria and Switzerland following the restructuring of Matratzen Concord, amounting € 0.4 million.

Carrying amounts that would have been recognised if land were stated at cost

If freehold land were stated on the historical cost basis, the amounts would be as follows:

in thousand €	2019	2018
Freehold land		
Cost	**402**	3,360
Accumulated depreciation	**-**	-
Net book amount at 31 December	**402**	3,360

Gains on sale-and-leaseback transactions

During 2019 the Group has entered into three separate sale-and-leaseback transactions for its distribution centers in Uden, Hoogeveen and Nieuw-Vennep. These resulted in a gain amounting € 9.7 million of which at year-end € 6.4 million relates to the rights transferred to the buyer-lessor and has been processed directly in the consolidated profit and loss account. The remainder has been included in the value of the right-of-use assets (and is therefore unrecognised); at year-end an amount of € 3.3 million remains to be realised in the upcoming years.

3. Right-of-use assets

in thousand €	Right-of-use assets: Property	Right-of-use assets: Fleet	Total
Cost	-	-	-
Accumulated amortisation	-	-	-
At 31 December 2018	-	-	-
Accounting changes at 1 January 2019	**134,795**	**7,703**	**142,498**
Additions	**7,382**	**(231)**	**7,151**
Depreciation charges	**(12,768)**	**(1,235)**	**(14,003)**
Impairment charges	**(581)**	**-**	**(581)**
Discontinued operations	**(91,335)**	**(1,807)**	**(93,142)**
Foreign exchange differences	**(173)**	**(3)**	**(176)**
Movement 2019	**37,320**	**4,427**	**41,747**
Cost	**50,669**	**5,662**	**56,331**
Accumulated amortisation	**(13,349)**	**(1,235)**	**(14,584)**
At 31 December 2019	**37,320**	**4,427**	**41,747**

In relation to the anticipated closure of some stores with low profitability in Sweden, an impairment of € 0.6 million has been recognised in 2019.

Leases

The total cash outflow for leases relating to continuing operations in 2019 was € 14.4 million (2018: € 15.8 million).

Lease amounts recognised in the statement of profit or loss

in thousand €	2019	2018[1]
Depreciation charge of right-of-use assets		
Property lease	**(12,768)**	(10,615)
Other lease	**(1,235)**	(1,246)
Total depreciation charge	**(14,003)**	(11,861)
Impairment charges	**(581)**	-
Interest expense (included in finance cost)	**(349)**	-
Total amount recognised in the statement of profit or loss	**(14,933)**	(11,861)

1 IFRS 16 was adopted as of 2019. The comparative figures are based upon the like-for-like lease amounts.

The increase in expenses has been influenced by the sale-and-leaseback transactions in the fourth quarter of 2019.

Expenses following from short-term leases, low-value assets and/or variable lease payments are not included in the abovementioned lease amounts. Due to its insignificance, these are not disclosed either.

4. Deferred tax balances

Deferred tax assets

in thousand €	2019	2018
The balance comprises temporary differences attributable to:		
- Tax losses	**1,018**	12,758
- Valuation of property, plant and equipment	**190**	294
- Valuation of pension obligations	**-**	221
- Valuation due to lease accounting (IFRS 16)	**754**	-
- Valuation due to interest deductibility	**125**	-
At 31 December	**2,087**	13,273

Movements:

in thousand €	Tax losses	Property, plant and equipment	Pension obli-gations	Inventories	Lease accounting	Interest	Total
At 1 January 2018	1,772	312	253	16	-	-	2,353
(Charged)/credited							
- to profit or loss	10,986	(18)	(32)	(16)	-	-	10,920
At 31 December 2018	**12,758**	**294**	**221**	**-**	**-**	**-**	**13,273**
(Charged)/credited							
- discontinued activities	**(6,890)**	**-**	**(221)**	**-**	**-**	**-**	**(7,111)**
- transfer to current tax assets	**(4,850)**	**-**	**-**	**-**	**-**	**-**	**(4,850)**
- to profit or loss	**-**	**(104)**	**-**	**-**	**754**	**125**	**775**
At 31 December 2019	**1,018**	**190**	**-**	**-**	**754**	**125**	**2,087**

Significant estimates

At year-end 2019 a tax credit of € 3,777 thousand (2018: € 8,562 thousand) relating to continuing operations for future loss carry-forwards was recognised under financial assets. A tax credit amounting € 4.9 million in relation to the (anticipated) liquidation of the Spanish legal entities has been realised in 2019 and thus could be transferred to current tax assets.

Beter Bed Holding N.V. has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the business plans and improvement initiatives enrolled. The tax losses have been capitalised to the extent in which tax profits are expected in the coming five years.

An amount of € 14,160 thousand (2018: € 7,257 thousand relating to continuing operations) in loss carry-forwards has not been recognised. Beter Bed Holding N.V.'s policy is that tax losses available for carry-forward are capitalised only if reasonable possibilities for set-off are expected within five years on the basis of a substantiated forecast of the results for tax purposes. Set-off of these losses is insufficiently probable on the basis of the currently available information.

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

Term	Total
1 year	-
2 to 5 years	-
6 to 10 years	**2,759**
11 to 15 years	-
Indefinite	**15,178**
Total tax losses	**17,937**
Not recognised	**(14,160)**
At 31 December 2019	**3,777**

Deferred tax liabilities

in thousand €	2019	2018
The balance comprises temporary differences attributable to:		
- Valuation of (in)tangible assets	**105**	1,743
- Revaluation of land	**129**	825
- Valuation of inventories	**568**	835
- Other	**-**	49
At 31 December	**802**	3,452

Movements:

in thousand €	Valuation of (in)tangible assets	Revaluation of land	Valuation inventories	Other	Total
At 1 January 2018	1,609	932	770	72	3,383
(Charged)/credited					
- to profit or loss	134	-	65	(23)	176
- to other comprehensive income	-	(107)	-	-	(107)
At 31 December 2018	**1,743**	**825**	**835**	**49**	**3,452**
(Charged)/credited					
- discontinued activities	**(1,432)**	**-**	**(320)**	**(49)**	**(1,801)**
- to profit or loss	**(206)**	**(877)**	**53**	**-**	**(1,030)**
- change in applied tax rate	**-**	**181**	**-**	**-**	**181**
At 31 December 2019	**105**	**129**	**568**	**-**	**802**

5. Other non-current financial assets

Other non-current financial assets are composed as follows:

in thousand €	2019	2018
Other receivables	**64**	94
Balance at 31 December	**64**	94

Other receivables relate to deposits supporting lease contracts of retail stores.

At year-end 2019 and 2018, the measured amounts at amortised costs equals its carrying amount.

6. Inventories

in thousand €	2019	2018
Distribution centers	**9,331**	7,261
Retail stores	**12,902**	48,418
Balance at 31 December	**22,233**	55,679

An amount of € 34.8 million of the inventory at year-end 2018 related to the discontinued operations.

7. Receivables

Trade receivables

in thousand €	2019	2018
Trade receivables	**1,954**	3,022
Allowance for expected credit losses	**(124)**	(8)
Balance at 31 December	**1,830**	3,014

An amount of € 1.6 million of the trade receivables at year-end of 2018 related to the discontinued operations.

Information about the impairment of trade receivables and the Group's exposure to credit risk

The impairment of trade receivables is based on the expected credit losses model following the simplified approach. Reference is made to Credit Risks as described under Capital and financial risk management (see page 80).

Trade receivables are written off where there is no reasonable expectation of recovery; in 2019 an amount of € 24 thousand has been written off (2018: € 10 thousand). Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make a contractual payment for a period of greater than 120 days past due.

The carrying amounts of trade and other receivables are considered to be the same as their fair values, due to their short-term nature.

Income tax receivables

in thousand €	2019	2018
Tax receivable due to liquidation of Spanish entities	**4,910**	-
Tax (payable)/receivable relating to fiscal result	**(3,316)**	636
Balance at 31 December	**1,594**	636

Both tax positions are with the Dutch tax authorities.

Other receivables

Other receivables amounting € 8,655 thousand (2018: € 9,243 thousand) are comprised of to be received credit invoices, prepaid costs, advance payments and miscellaneous receivables.

An amount of € 1.8 million of the other receivables end of 2018 related to the discontinued operations.

8. Cash and cash equivalents

in thousand €	2019	2018
Bank balances	**1,262**	2,842
Cash	**111**	470
Cash in transit	**742**	2,861
Balance at 31 December	**2,115**	6,173

9. Equity

Issued share capital and share premium

	2019 Shares	2018 Shares	2019 €'000	2018 €'000
Issued share capital and share premium				
Ordinary shares:				
- Fully paid and share premium	**21,955,562**	21,955,562	**18,873**	18,873
- Issued for cash	**2,150,000**	-	**5,000**	-
Total share capital and premium at 31 December	**24,105,562**	21,955,562	**23,873**	18,873

The authorised share capital of Beter Bed Holding N.V. amounts to € 2 million and is divided into 100 million ordinary shares with a nominal value of € 0.02 each. On 31 December 2019 a total of 24,105,562 ordinary shares were issued and outstanding.

All shares rank equally with regard to the Company's residual assets.

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 divestment of Matratzen Concord was accompanied by a concurrent equity investment in Beter Bed Holding N.V. of Magical Honour Limited of € 5 million, consisting of 2.15 million ordinary shares at € 2.32 per share.

The share option programs 2014 and 2016 (see page 95) did not result in the issuance of shares.

Equity instruments

in thousand €	2019	2018
Balance at 1 January	-	-
Proceeds from borrowings	**3,500**	-
Total equity instruments at 31 December	**3,500**	-

In 2019 an existing shareholder loan has been converted into a perpetual shareholder loan. The loan carries an interest of 7.5% up to June 2020 and 15% thereafter. Both repayment of the loan and interest are at discretion of Beter Bed Holding N.V. and can be deferred to a future period. Up to full redemption of the loan and its interest, no cash or other distributions can be made to ordinary shareholders.

The fair value of the perpetual shareholder loan equals its carrying amount. The fair value is based upon level 3 of the valuation method following the fair value hierarchy (level 3: inputs for assets or liability that are not based on observable market data).

As the perpetual loan agreement became effective as of 31 December 2019, no interest was included in the 2019 financial statements.

10. Provisions

in thousand €	2019	2018
Restructuring provision		
- Non-current	-	4,040
- Current	-	1,003
Provisions in the consolidated balance sheet	-	5,043

The provision end of 2018 fully related to the discontinued operations.

Information about individual provisions and significant estimates

Restructuring Matratzen Concord

In the fourth quarter of 2018 the decision was made to restructure Matratzen Concord.

The decision comprised mainly:

- The closure of 172 Matratzen Concord retail stores in Germany, Austria and Switzerland.
- Reduction of 64 FTE of supporting staff of Matratzen Concord.
- Decrease of inventories with at least € 8 million.

The one-off cost of the restructuring operation amounted to € 7.6 million and was beyond the earlier communicated plans. The cost mainly related to termination of rental agreements, dismissal payments and impairment of assets. The various costs are presented in their respective categories in the profit and loss account.

Termination of Spanish activities

During 2018 it was concluded that the Spanish activities did insufficiently contribute to the financial results of the Group and would neither do so in the foreseeable future. Via an asset deal, the activities have been transferred to a third party as per 1 November 2018. The legal closure of the remaining legal companies has been executed in 2019.

In relation to the restructuring of Matratzen Concord in Germany, Austria and Switzerland, a provision of € 5.0 million was recognised in 2018. This amount relates to employee termination payments and to lease contract termination costs.

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

Movement in provisions

in thousand €	Restructuring
Carrying amount at 1 January 2018	121
Charged/(credited) to profit or loss	
- Additional provisions recognised	4,999
- Withdrawals	(77)
Total provisions at 31 December 2018	**5,043**
Charged/(credited) to profit or loss	
- Discontinued operations	**(5,043)**
Total provisions at 31 December 2019	-

11. Lease liabilities

Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

in thousand €	**2019**	1 January 2019
Right-of-use assets		
Property lease	**37,320**	134,822
Other lease	**4,427**	7,703
At 31 December resp. 1 January 2019	**41,747**	142,525
Lease liabilities		
Current	**16,346**	41,028
Non-current	**29,241**	101,497
At 31 December resp. 1 January 2019	**45,587**	142,525

In 2018, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 *Leases*, if any. The assets were presented in property, plant and equipment and the liabilities as part of the Group's borrowings. For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to note Changes in significant accounting policies (see page 70). Expenses of short-term leases and low-value leases are insignificant. As per 1 January 2019 an amount of € 93.2 million of the lease liabilities related to the discontinued operations.

12. Trade payables, taxes and other liabilities

Trade payables are unsecured and are usually paid within 30 days of recognition. An amount of € 11.7 million of the trade payables at year-end 2018 related to the discontinued operations.

Other taxes and social security contributions, composed of VAT, labour tax and social security premiums, are valued at nominal value.

The carrying amounts of other liabilities are considered to be the same as their fair values, due to their short-term nature.

Other liabilities

Other liabilities are composed as follows:

in thousand €	2019	2018
Prepayments customers	**10,347**	12,050
Accrual staff cost	**5,068**	7,037
Other liabilities	**2,857**	6,074
At 31 December	**18,272**	25,161

An amount of € 14.3 million of the other liabilities at year-end 2018 related to the discontinued operations.

13. Borrowings

in thousand €	2019	2018
Revolving credit facilities	**3,320**	18,000
Shareholder loan	**3,500**	-
Bank overdraft	**3,174**	4,998
At 31 December	**9,994**	22,998

Credit Facilities

To fund the Group, the Company has current account facilities totalling € 23.3 million at its disposal, including facilities available for providing guarantees.

These current account agreements include two multi-purpose facilities with ABN AMRO and BNP Paribas, amounting to € 10.0 million each, expiring in July 2020. First ranking security is provided in respect of pledge on shares in all Dutch companies, its bank accounts, receivables, inventories and the stores in Uden, Elst and Den Helder. The main conditions of the credit facilities are a net (senior) debt/EBITDA ratio below 2.5x, a guarantor cover over 70% threshold and a month-end clean down of uncommitted multi-purpose facility below € 14.1 million outstanding.

At the end of 2019 Beter Bed Holding N.V. complied with all bank covenants.

At the end of the year an amount of € 3.3 million (2018: € 23.0 million) was used under the revolving credit facilities. These facilities were also used for providing bank guarantees for the purpose of rental payments amounting to € 0.6 million (2018: € 0.7 million). Of the facilities available specifically to provide guarantees, a total of € 0.9 million was used at year-end 2019 (2018: € 6.8 million).

At the end of the year € 3.2 million under the bank overdraft was utilised.

Shareholder loan

In the second half year of 2019 shareholder loans were received for an amount of € 7.0 million as part of the re-financing of the Group (refer to note Going Concern (see page 68)). At year-end an amount of € 3.5 million has been converted into a perpetual shareholder loan qualifying as equity. Second ranking security is provided in respect of pledge on shares in all Dutch companies, its bank accounts, receivables, inventories and the stores in Uden, Elst and Den Helder.

Terms and repayment schedule

in thousand €	Nominal interest rate	Year of maturity	Face value	Carrying amount
Revolving credit facilities	Euribor + 1.50 - 2.00	2020	3,320	3,320
Shareholder loan	30%	2020	3,500	3,500
Bank overdraft	Euribor + 0.80 - 1.30	2020	3,174	3,174
At 31 December 2019			**9,994**	**9,994**

Changes in liabilities arising from financing activities

in thousand €	Liabilities from financing activities		
	Borrowings	Leases	Subtotal
Financial liabilities at 1 January 2018	**(17,481)**	**-**	**(17,481)**
Proceeds from credit facilities	(5,517)	-	(5,517)
Financial liabilities at 31 December 2018	**(22,998)**	**-**	**(22,998)**
Recognised on adoption of IFRS16	-	(142,525)	(142,525)
Financial liabilities at 31 December 2018 after adoption IFRS16	**(22,998)**	**(142,525)**	**(165,523)**
Discontinued operations	**-**	**93,142**	**93,142**
Repayment of borrowings	**16,504**	**-**	**16,504**
Proceeds from shareholder loan	**(3,500)**	**-**	**(3,500)**
Payment lease liabilities	**-**	**14,410**	**14,410**
Sale-and-leaseback commitments	**-**	**(6,331)**	**(6,331)**
Proceeds from changes in other lease commitments	**-**	**(3,934)**	**(3,934)**
Discounting impact of recognised lease liabilities	**-**	**(349)**	**(349)**
Financial liabilities at 31 December 2019	**(9,994)**	**(45,587)**	**(55,581)**

14. Information by geographical area

Revenue by country, in thousand €	**2019**	**%**	2018	%
The Netherlands	**158,731**	**85.4**	150,122	86.9
Belgium	**10,516**	**5.7**	8,985	5.2
Sweden	**16,558**	**8.9**	13,705	7.9
Total revenue	**185,805**	**100.0**	172,812	100.0

(In)tangible fixed assets by country, in thousand €	**2019**	**%**	2018	%
The Netherlands	**48,403**	**79.6**	25,969	84.1
Belgium	**4,223**	**6.9**	1,845	6.0
Sweden	**8,200**	**13.5**	3,055	9.9
Total	**60,826**	**100.0**	30,869	100.0

15. Personnel expenses

in thousand €	**2019**	2018
Wages and salaries	**33,028**	29,196
Social security costs	**6,745**	6,133
Pension costs	**3,141**	2,764
External staffing	**4,015**	2,648
Employee stock options	**135**	83
Total expenses	**47,064**	40,824

Wages and salaries include an amount of € 362 thousand for the severance package of Mr Van den Ochtend. The pension contributions relate to defined contribution schemes or schemes designated as such. Within the costs of employee stock options, € 99 thousand relates to the current and former members of the Company's Management Board (2018: € 28 thousand).

Average number of staff

FTE	**2019**	2018
The Netherlands	**776**	750
Belgium	**30**	23
Sweden	**108**	94
Total FTE	**914**	867

16. Option program

Share-based compensation

Share-based compensation relates to the equity-settled option programs. Charges recognised in the 2019 statement of income for both programs amounted to € 135 thousand and are included in salaries and wages.

Option program

Under the option program, a number of options are granted to key staff each year. The number of participants of the option program at year-end 2019 was 7 (2018: 8).

Options are exercised at the discretion of the holder however may only be exercised after the completion of a three-year vesting period. In addition, the TSR ('Total Shareholder Return') of Beter Bed Holding N.V. achieved after three years is compared with the TSR of nine relevant nationally and internationally 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 2019 signing options may only be exercised after the completion of a two year vesting period. These options expire and are considered to have lapsed after a period of three years following the grant date. Vesting of the options is independently to performance indicators.

The following table summarises information about the stock options outstanding at year-end:

Year of grant	Outstanding at 31 December 2018	Granted	Exercised	Forfeited / Expired	Outstanding at 31 December 2019	Exercise price	Vesting date	Expiry date
2016 Management	5,000	-	-	(5,000)	-	19.99	19-05-19	18-05-21
2017 Management	5,000	-	-	-	5,000	15.53	18-06-20	17-05-22
2018 Management	27,500	-	-	-	27,500	8.24	26-04-21	25-04-23
2018 Signing options	100,000	-	-	(100,000)	-	13.06	01-04-21	31-03-22
2019 Management	-	200,000	-	(85,000)	115,000	4.34	24-04-22	24-04-24
2019 Signing options	-	300,000	-	-	300,000	4.34	24-04-21	24-04-22

The fair value of the options is determined using the Monte Carlo simulation models (applicable for management options) and the binomial tree model (applicable for signing options of the CEO). This model contain input variables, including the risk free interest rate, volatility of the underlying share price, exercise price and share price at date of the grant; parameters differ within both models.

	2019 Management options	2019 Signing options	2018 Management options
Share price at grant date (€)	4.41	4.41	9.04
Exercise price (€)	4.34	4.34	8.24
Expected volatility	28.55%	32.16%	22.80%
Expected average option life in years	5 years	3 years	5 years
Weighted average risk free rate	(0.34)	(0.53)	0.03
Dividend yield	0.36%	0.36%	4.70%
Fair value of option granted (€)	0.91	0.95	1.11

The option value models require the input of highly subjective assumptions, including the expected share price volatility. Volatility is determined using the historical volatility of the Beter Bed Holding N.V. share. The Group's employee stock options have characteristics that are significantly different from those of traded options, and changes in the subjective input assumptions can affect the fair value estimate. There are no market conditions applicable to the grant.

17. Other income

Other income represents the realised gains at inception on the divestment of land and property resulting from the IFRS 16 accounting for sale-and-leaseback transactions.

18. Depreciation, amortisation and impairment

in thousand €	2019	2018
Depreciation and impairment on tangible assets	**19,883**	4,879
Amortisation and impairment on intangible assets	**1,793**	2,289
Total of depreciation, amortisation and impairment	**21,676**	7,168

Increased depreciation on tangible fixed assets is driven by the adoption of IFRS 16.

19. Other operating expenses

The other operating expenses are comprised as follows:

in thousand €	2019	2018
Housing expenses	**4,280**	15,584
Sales and marketing expenses	**11,129**	9,909
Travel and entertainment expenses	**6,677**	6,640
General expenses	**12,114**	6,844
Other personnel expenses	**2,364**	2,415
Other costs	**67**	72
Total expenses	**36,631**	41,464

Housing expenses are resulting from the adoption of IFRS 16 replaced by depreciation of right-of-use assets and interest relating to lease liabilities as of 2019.

General expenses increased reflecting incidental advisory and legal costs relating to the transition of the Group.

20. Finance costs

in thousand €	2019	2018
Interest expenses on recognised lease liabilities	**349**	-
Other interest cost	**2,101**	688
Total interest expenses	**2,450**	688

Lease liabilities are calculated using the applicable incremental borrowing rate. The rate applied during 2019 amounts on average 0.74%.

21. Income tax

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 on 31 December, was as follows:

in thousand €	2019	%	2018	%
Profit / (loss) before taxes from continuing operations	**(2,882)**	**100.0**	3,905	100.0
Tax using the company's domestic tax rate: 25.0% (2018: 25.0%)	**(721)**	**25.0**	976	25.0
Unrecognised operating losses	**1,703**	**(59.1)**	793	20.3
Step-up rate The Netherlands 19%-25%	**(38)**	**1.3**	(38)	(1.0)
Permanent tax differences	**400**	**(13.9)**	98	2.5
Spain recoverable tax	**(60)**	**2.1**	(4,805)	(123.1)
At an effective tax rate of 44,6% (2018: 76,2%)	**1,284**	**(44.6)**	(2,976)	(76.2)

The effective tax rate decreased to 44.6% in 2019 (2018: 76.2%). Excluding the impact of differences resulting from Spain, the effective tax rate would have been 46.6% (2018: 46.8%) is heavily influenced by non-tax deductible expenses.

2019 includes a tax gain of € 0.1 million (2018: € 4.8 million) that is recognised in relation to the (anticipated) liquidation of the Spanish legal entities. This liquidation loss regulation is part of the Dutch corporate income tax laws and regulations.

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

in thousand €	2019	2018
Current tax expenses / (gains)		
Current tax on fiscal profits for the year	**3,256**	2,310
Tax regarding Spain result 2019	**(60)**	-
Other	**(107)**	(6)
Total current tax expense	**3,089**	2,304
Deferred income tax		
Decrease/(increase) in deferred tax assets	**(775)**	(5,241)
(Decrease)/increase in deferred tax liabilities	**(1,030)**	(39)
Total deferred tax expense/(income)	**(1,805)**	(5,280)
Income tax expense/(gain)	**1,284**	(2,976)
Income tax is attributable to:		
Result from continuing operations	**1,284**	(2,976)
Income tax expense/(gain)	**1,284**	(2,976)

22. Earnings per share

in cents €	2019	2018
Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	**(19)**	31
From discontinued operation	**(219)**	(137)
Total basic earnings per share attributable to the ordinary equity holders of the company	**(238)**	(106)
Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	**(19)**	31
From discontinued operation	**(219)**	(137)
Total diluted earnings per share attributable to the ordinary equity holders of the company	**(238)**	(106)

Reconciliation of earnings used in calculating earnings per share

in thousand €	2019	2018
Basic earnings per share		
Result attributable to the ordinary equity holders of the company used in calculating basic earnings per share:		
- From continuing operations	**(4,166)**	6,881
- From discontinued operations	**(48,409)**	(30,131)
Total result used in calculating basic earnings per share	**(52,575)**	(23,250)

Weighted average number of shares used as the denominator

Number	2019	2018
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**22,132,274**	21,955,562
Adjustments for calculation of diluted earnings per share:		
- PIK interest on shareholder loan in arrears[1]	**-**	-
- Options[2]	**-**	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**22,132,274**	21,955,562

1 Non-dilutive in 2019 and not applicable in 2018.

2 Non-dilutive in both 2019 and 2018.

23. Remuneration of the Management Board and Supervisory Board

The remuneration of members of the Management Board was as follows in 2019 and 2018:

in thousand €	2019								
	Salary	Variable remune-ration	Options on shares	Pension benefits	Social security charges	Sub-total	Other employee benefits	Seve-rance cost	Total
A.J.G.P.M. Kruijssen	**450**	**351**	**91**	**135**	**12**	**1,039**	**42**	**-**	**1,081**
H.G. van den Ochtend[1]	**255**	**-**	**8**	**64**	**12**	**339**	**12**	**362**	**713**
Total	**705**	**351**	**99**	**199**	**24**	**1,378**	**54**	**362**	**1,794**

1 Up to and including 12 December 2019.

in thousand €	2018								
	Salary	Variable remune-ration	Options on shares	Pension benefits	Social security charges	Sub-total	Other employee benefits	Seve-rance cost	Total
A.J.G.P.M. Kruijssen[1]	338	142	8	101	8	597	41	-	638
H.G. van den Ochtend[2]	85	43	-	21	3	152	4	-	156
B.F. Koops[3]	149	-	20	37	10	216	8	-	224
Total	**572**	**185**	**28**	**159**	**21**	**965**	**53**	**-**	**1,018**

1 As of 1 April 2018.

2 As of 1 September 2018.

3 Up to and including 31 July 2018.

The variable remuneration relates to the year under which it is classified and is recognised in the expenses of that year.

The cost listed under Options on shares represent the amount accounted for in the profit and loss account for that year.

The cost in 2019 include the severance package relating to Mr H. van den Ochtend including the salary until formal dismissal. Mr Van den Ochtend is no longer attending Beter Bed Holding N.V.

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

The remuneration of the members of the Supervisory Board was as follows in 2019 and 2018:

in thousand €	2019	2018
B.E. Karis	**36.7**	2.5
H.C.M. Vermeulen	**21.0**	17.0
A. Beyens	**30.0**	2.5
P.C. Boone	**30.0**	2.5
G.E.A. Reijnen[1]	**18.2**	-
D.R. Goeminne[2]	**13.3**	40.0
E.A. de Groot[3]	**-**	27.5
W.T.C. van der Vis[3]	**-**	27.5
A.J.L. Slippens[3]	**-**	8.5
Total	**149.2**	128.0

1 G.E.A. Reijnen was appointed as a member of the Supervisory Board at the Annual General Meeting held at 25 April 2019. She stepped down from the Supervisory Board on 12 December 2019 upon her appointment as CFO.

2 D.R. Goeminne stepped down from the Supervisory Board after the Annual General Meeting held at 25 April 2019.

3 Stepped down in 2018.

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

24. Events after the balance sheet date

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

25. Related party transactions

The companies listed in principles of consolidation (see page 66) 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 fundings, receiving dividends and receiving interest on loans provided.

There were no transactions in 2019 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.

Key management personnel compensation

in thousand €	2019	2018
Short-term employee benefits	**1,432**	1,018
Termination benefits	**362**	-
Total	**1,794**	1,018

Key management personnel compensation relates to the Management Board. Detailed remuneration disclosures are provided in note 23 (see page 100).

There have been no other relevant transactions with key management personnel.

Transactions with other related parties

in thousand €	2019	2018
Subscription for new ordinary shares by Magical Honour Limited	**5,000**	-
Perpetual shareholder loan	**3,500**	-
Shareholder loan	**3,500**	-
Interest on shareholder loan	**1,575**	-
Total	**13,575**	-

Company financial statements

Company balance sheet

At 31 December and before result appropriation

in thousand €	Notes	2019	2018
Non-current assets			
Intangible assets		**155**	218
Financial assets	26.	**51,415**	84,784
Total non-current assets		**51,570**	85,002
Current assets			
Other receivables	27.	**4,581**	4,225
Cash and cash equivalents	28.	**809**	32,346
Total current assets		**5,390**	36,571
Total assets		**56,960**	121,573
Equity			
Issued share capital		**482**	439
Share premium		**23,391**	18,434
Equity instruments		**3,500**	-
Revaluation reserve		**386**	3,200
Foreign currency translation reserve		**514**	548
Other reserves		**27,337**	47,265
Retained earnings		**(52,575)**	(23,250)
Total equity	29.	**3,035**	46,636
Liabilities			
Provisions	30.	**4,850**	5,647
Other liabilities	31.	**49,075**	69,290
Total liabilities		**53,925**	74,937
Total equity and liabilities		**56,960**	121,573

Company profit and loss account

in thousand €	2019	2018
Revenue	-	-
Materials and services from third parties	**(1,013)**	(1,480)
Gross profit	**1,013**	1,480
Personnel expenses	**(2,539)**	(1,130)
Depreciation, amortisation and impairment	**(77)**	(19)
Other operating expenses	**(7,352)**	(2,199)
Total operating expenses	**(9,968)**	(3,348)
Operating profit/(loss) (EBIT)	**(8,955)**	(1,868)
Finance income	**57**	5,800
Finance cost	**(1,979)**	(843)
Profit/(loss) before taxation	**(10,877)**	3,089
Income tax	**2,319**	4,117
Result participations	**(44,017)**	(30,456)
Net profit / (loss)	**(52,575)**	(23,250)

Notes to the company financial statements

General information

Beter Bed Holding N.V. operates in the European bedroom furnishings market. Its activities include retail trade through the chains Beter Bed, Beddenreus, Sängjätten and Matratzen Concord (until 2 December 2019). Beter Bed Holding N.V. is also active in the field of developing and wholesaling branded products in the bedroom furnishing sector via its subsidiary DBC International. The registered office of Beter Bed Holding N.V. is Linie 27 in Uden, the Netherlands. Beter Bed Holding N.V.'s shares are listed on Euronext Amsterdam.

The company financial statements have been compiled on the basis of Title 9, Book 2 of the Dutch Civil Code. Beter Bed Holding N.V. uses the option of art. 362.8 Title 9, Book 2 of the Dutch Civil Code to prepare the company financial statements, using the same accounting policies as in the consolidated financial statements (IFRS as adopted for use in the European Union).

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

Beter Bed Holding N.V. had an average number of 5 employees (FTE) in 2019 (2018: 6).

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

26. Financial assets

This item includes the participating interests in the Group companies (see page 66) and the amounts owed by the group companies.

Movements in this item were as follows:

in thousand €	Share in subsidiaries	Loans	Deferred tax assets	Total
Balance at 1 January 2018	**98,543**	**87,240**	**-**	**185,783**
Net income from subsidiaries: profit / (loss)	(25,090)	-	-	(25,090)
Capital contribution	3,556	-	-	3,556
Repayment of loans	-	(87,240)	-	(87,240)
Exchange rate differences	(125)	-	-	(125)
Revaluation	403	-	-	403
Change to provision for subsidiaries	2,647	-	-	2,647
Valuation differences	-	-	4,850	4,850
Balance at 31 December 2018	**79,934**	**-**	**4,850**	**84,784**
Net income from subsidiaries: profit / (loss)	**(33,323)**	**-**	**-**	**(33,323)**
Capital contribution	**7,495**	**-**	**-**	**7,495**
Exchange rate differences	**(61)**	**-**	**-**	**(61)**
Revaluation	**111**	**-**	**-**	**111**
Transfer to current tax assets	**-**	**-**	**(4,850)**	**(4,850)**
Valuation differences	**-**	**-**	**125**	**125**
Divestments	**(2,866)**	**-**	**-**	**(2,866)**
Balance at 31 December 2019	**51,290**	**-**	**125**	**51,415**

27. Receivables

in thousand €	2019	2018
Receivables from group companies	-	1,823
Corporate income taxes	**1,557**	653
VAT receivables	**246**	140
Other receivables	**2,778**	1,609
At 31 December	**4,581**	4,225

All receivables fall due within one year.

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

28. 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.

29. Equity

The authorised share capital of Beter Bed Holding N.V. amounts to € 2 million and is divided into 100,000,000 ordinary shares with a nominal value of € 0.02 each. On 31 December 2019 a total of 24,105,562 ordinary shares were issued and outstanding.

All shares rank equally with regard to the Company's residual assets.

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 64).

in thousand €	2019	2018
Shareholders' equity at year-end	**3,035**	46,636
Restricted reserves:		
Issued share capital	**(482)**	(439)
Revaluation reserve	**(386)**	(3,200)
Foreign currency translation reserve	**(514)**	(548)
Equity instruments	**(3,500)**	-
Total unrestricted reserves at 31 December	**(1,847)**	42,449

30. Provisions

At year-end 2019 and 2018 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 2019 and 2018 are as follows:

in thousand €	2019	2018
Balance at 1 January	**5,647**	9,912
Net income from subsidiaries: (profit) / loss	**6,177**	5,366
Capital contribution	**(10,361)**	(12,278)
Exchange rate differences	**(295)**	-
Divestments	**3,682**	-
Transfer from financial fixed assets	**-**	2,647
Balance at 31 December	**4,850**	5,647

In 2019 the negative equity of some of the subsidiaries has been purified through capital deposits. As such, these subsidiaries are now independently capable to meet their obligations. This has resulted in a decrease of the provision for participating interests of Beter Bed Holding N.V.

31. Current liabilities

The breakdown of this balance sheet item is as follows:

in thousand €	2019	2018
Borrowings	**9,994**	19,905
Payables to group companies	**35,869**	48,351
Taxes and social security contributions	**51**	27
Other liabilities	**3,161**	1,007
At 31 December	**49,075**	69,290

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

32. 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 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.

33. Post-balance sheet events

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

34. Audit fees

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

in thousand €	**2019 Total**	2018 Total
Audit of financial statements	**454**	468
Continuing operations	***318***	*367*
Discontinued operations	***136***	*101*
Other non-audit services	**-**	16
Continuing operations	**-**	*11*
Discontinued operations	**-**	*5*
Total audit fees	**454**	484

The other non-audit services relate to the review of the interim figures.

An amount of € 136 thousand (2018: € 101 thousand) relates to the discontinued operations.

35. Appropriation of result

The Management Board proposes to deduct the net result of € (52,575) thousand in full from the other reserves. The proposal for the appropriation of result has not been taken into the balance sheet.

Uden, the Netherlands, 17 March 2020

Management Board	**Supervisory Board**
A.J.G.P.M. Kruijssen, CEO	B.E. Karis, Chair
	P.C. Boone, Vice-Chair
	A. Beyens
	H.C.M. Vermeulen

Additional details

Independent auditor's report

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

Report on the financial statements 2019

Our opinion

- the consolidated financial statements of Beter Bed Holding N.V. together with its subsidiaries ('the Group') give a true and fair view of the financial position of the Group as at 31 December 2019 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;
- the company financial statements of Beter Bed Holding N.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2019 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 2019 of Beter Bed Holding N.V., Uden. The financial statements include the consolidated financial statements of the Group and the Company financial statements.

The consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2019;
- the following statements for 2019: 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 to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2019;
- the company profit and loss account for the year then ended;
- the notes to the company financial statements, comprising the accounting policies applied and other explanatory information.

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

Material uncertainty related to going concern

We draw attention to the going concern paragraph in note 'Going Concern' of the Notes to the Consolidated financial statements. This note indicates that the Group's business operations may be severely impacted by the COVID-19 (Corona) virus. This indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The basis for our opinion

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

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

Independence
We are independent of Beter Bed Holding N.V. in accordance with the European Union 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, Dutch Code of Ethics).

Our audit approach

Overview and context
Beter Bed Holding N.V. is a 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'.

The deleveraging of the Group and its finance position characterised the financial year 2019. The current financing agreements with the banks and shareholders expire in July 2020 so that new financing agreements need to be obtained. This has resulted in the decision to deleverage the Group for example by divesting Matratzen Concord (Germany, Austria and Switzerland) and sale-and-leaseback transactions on the real estate in the Netherlands as noted in the section 'Going concern (see page 68)' of the annual report. The management board has made plans to realize a successful refinancing. Because of the significance of management's assertion with respect to the probability of refinancing, we have paid specific attention to this in our audit as described in the key audit matter 'Financial positioning and refinancing'

The decision to divest Matratzen Concord led to the share deal with Magical Honour Limited in December 2019. As 39% of the revenue over 2019 relates to Matratzen Concord, this represents a major line of business. This affected our audit procedures, we therefore included the 'accounting for the completed sale of Matratzen Concord' as a key audit matter.

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

Additionally, we identified the transition to the new accounting standard 'IFRS 16 – Leases' as a key audit matter because of the significant amount of lease contracts within the Group.

As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we considered where the management board made important judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In the annual report, the entity has disclosed the accounting estimates and most important sources of estimation uncertainty in the section estimates and judgements (see page 68). This has not resulted in other key audit matters besides those mentioned above.

Another area of focus, that was not considered as key audit matter, was the existence and valuation of inventory. Existence and valuation of inventory was considered a key audit matter in previous years. However, as a result of the developments at the Group such as the focus on bringing down inventory levels and the sale of Matratzen Concord we consider the risk profile to be lower. As in all of our audits, we also addressed the risk of management override of 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 at both group and component level included the appropriate skills and competences which are needed for the audit. Therefore, we have included specialists and experts in our team in the areas of IT, income tax, IFRS 16 and refinancing matters.

The outline of our audit approach was as follows:

Materiality

- Overall materiality: € 3,400,000.

Audit scope

- We conducted audit work on the financial reporting of 5 entities.
- We have audited the complete financial information of Beter Bed B.V., BBH Services GmbH & Co. KG (consolidated) and Matratzen Concord GmbH (Vienna, Austria). As Matratzen Concord is divested on 2 December 2019 (economic transfer 30 November 2019), the discontinued operations have been part of Beter Bed Holding N.V. for 11 months in 2019. Specific audit procedures were performed for the components Beter Beheer B.V. and Beter Bed Holding N.V.
- Audit coverage: 86% of consolidated revenue, 91% of total assets (continued operations) and 83% of profit before taxation.

Key audit matters

- Accounting for the completed sale of Matratzen Concord
- Financial positioning and re-financing
- Transition to the accounting standard 'IFRS 16 - Leases'
- Accuracy of revenue

Materiality

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

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

Overall group materiality	€ 3,400,000 (2018: € 3,960,000).
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement we used 1% of revenue.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis we believe that revenue is an important metric for the financial performance of the Group. 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 € 1,500,000 and € 3,000,000. We have allocated a lower materiality level of € 1,500,000 to Beter Bed B.V. based on 1% of revenue of the continued business on a standalone basis.

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 (2018: € 100,000) as well as misstatements below that amount which, 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 as listed in 'The principles of consolidation (see page 66)', is included in the consolidated financial statements of Beter Bed Holding N.V.

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

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

We have performed an audit of the complete financial information for Beter Bed B.V. as this entity is individually financially significant considering the financial volumes. Since Matratzen Concord has been divested as of 2 December 2019, BBH Services GmbH & Co. KG (consolidated) and Matratzen Concord GmbH (Vienna, Austria) were subject to audits of their complete financial information until the divestment date. For Beter Beheer B.V. and Beter Bed Holding N.V. specific audit procedures have been performed on material financial line items to achieve appropriate coverage on financial line items in the consolidated financial statements.

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

Revenue	86%
Total assets	91%
Profit before tax	83%

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

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

Where component auditors performed the work, we determined the level of involvement needed in their audit work to be able to conclude on whether sufficient and appropriate audit evidence has 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. As group auditor, we have had periodic meetings with the auditor of the components where we discussed risks, the audit approach, process of the audit, and based on reports received from the auditor, findings and conclusions. The group audit team reviewed the audit file of the component auditor to assess the quality of work performed. We discussed the financial results, (important) estimates and findings of the audit with the financial director and the audit team of the components.

The group engagement team performed the audit work on the group consolidation, notes to the financial statements and with certain specific items. These include share-based payments, taxes and related disclosures and the company financial statements of Beter Bed Holding N.V.

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

Key audit matters

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

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

Key audit matter	Our audit work and observations
Accounting for the completed sale of Matratzen Concord *Note 'Discontinued operations' of the Notes to the Consolidated financial statements* During summer 2019, Beter Bed Holding N.V. announced its intention to divest Matratzen Concord (Germany, Austria and Switzerland) and the sale was completed on 2 December 2019 with a loss of €13.3 million. Management reports the Matratzen Concord Business as discontinued operations in accordance with IFRS 5 – 'Non-Current Assets Held for Sale and discontinued operations'. The accounting for the completed sale of Matratzen Concord is significant to the financial statements and non-routine. Relevant elements of the transaction include, amongst others, the identification of the disposal group and presentation of the disposal group's results as discontinued operations, the application of the Sale, Purchase and Investment Agreement (SPIA) and to determine the deal result and consideration (to be) received for shares sold. For stakeholders it is particularly important to be able to properly distinct continued from discontinued operations and that this segregation is correctly made and presented, given the Group's strategy. Therefore, we considered the accounting for the transaction and the classification as discontinued operations as key audit matter.	Our audit procedures included, among others, an evaluation of the identification of the disposal group, the accounting for the legal separation and estimation of the deal result, and consideration (to be) received for shares sold of Matratzen Concord as done by Beter Bed Holding N.V. We have evaluated the identification of the disposal group and presentation of the results of Matratzen Concord as discontinued operation against the requirements of IFRS 5. The results of Matratzen Concord are included in the consolidated financial information until the moment of sale. As such, we have not changed the audit scope and performed full scope audits on the balance at the moment of the sale of BBH Services GmbH & Co. KG (consolidated) and Matratzen Concord GmbH (Vienna, Austria). We evaluated the Sale, Purchase and Investment Agreement (SPIA), confirmed the effective date of the sale, tested the calculation of expected deal proceeds to be in line with the SPIA, vouched the cash proceeds received and checked management's calculations used for mathematical accuracy. Part of the SPIA is the transfer of subscription shares. We have evaluated supporting documentation for this transfer. We tested the disentanglement of Matratzen Concord from the Group by reconciling financial information of the component to the consolidati0n. In addition, we also assessed the adequacy of the disclosure in note 'Discontinued operations' of the notes to the consolidated financial statements. Based on the audit procedures performed, we have not found any material findings.

Key audit matter	Our audit work and observations
Financial positioning and refinancing *Note 'Going concern' of the Notes to the Consolidated financial statements* Current credit facilities will expire per July 2020 and therefore new credit facilities need to be secured before that date to fulfil Beter Bed Holding N.V.'s financing needs. To successfully initiate the refinancing of the Group, management had to take a number of actions to arrive at a fundable business case. Beter Bed Holding N.V. deleveraged, by means of sale-and-leaseback transactions of the three distribution centres in the Netherlands,	Our audit procedures included evaluating the different transactions and assessing the adequacy of the disclosures in the financial statements. For the three sale-and-leaseback transactions, we have evaluated contractual terms to verify classification as sale-and-leaseback. We tested the calculation of the transaction result and assessed the valuation of the lease asset by recalculating the right of use asset and lease liability. No material findings were noted. We have evaluated the loan agreements with the

Key audit matter	Our audit work and observations
issuance of share capital, obtaining a shareholder loan which is subsequently partly converted into a perpetual loan, and the divestment of Matratzen Concord in Germany, Austria and Switzerland (the discontinued operations). These actions were finalized in 2019. Next to these actions, the expected refinancing was substantiated by the management board's analysis of the continuing business. In this analysis, the management board made various assumptions like order intake, revenue growth rates for the online and offline channels, gross margin percentages, operating expenses, working capital needs and free cash flows, risks and opportunities. The management board has analysed and assessed the liquidity position and -needs of the Group and is confident that the refinancing will be completed in time and is currently discussing its financing needs with various banks. Given the importance of a timely refinance to Beter Bed Holding N.V.'s operations we consider this a key audit matter.	shareholders for relevant factors such as principal amount, interest and repayment terms and reconciled the principal amount to the cash receipts. Half of the shareholder loan has been converted to a perpetual loan per 31 December 2019. Management has assessed the classification of the perpetual loan as equity. We have evaluated this assessment based on the underlying contracts and noted no material findings. For our audit work on the issuance of share capital and the divestment of Matratzen Concord, we refer to the key audit matter 'Accounting for the completed sale of Matratzen Concord'. We have assessed the analysis of the continuing business and its underlying assumptions with the support of our experts. Where possible, we have tested these assumptions by comparing them to previously realised results, current results, operational KPIs, results of actions taken and external sources. By assessing this analysis, we used a mix of audit techniques such as inquiry with different people within the Group, calculations on the different models, reconciliation to supporting documentation and external documents. In addition, we have evaluated the disclosure notes in the financial statements. Based on the work performed we have no material findings with respect to the appropriateness of management's assertion regarding the refinancing.

Key audit matter	Our audit work and observations
Transition to the accounting standard 'IFRS 16 – Leases' *Notes 3 and 11 to the consolidated balance sheet and profit and loss account* IFRS 16 – 'Leases' became effective for annual reporting beginning on or after 1 January 2019. The application of the new standard gives rise to a right-of-use asset of €142 million and a corresponding increase in lease liabilities of €142 million in the opening balance including discontinued operations. Beter Bed decided to apply the modified retrospective approach for the transition accounting. Under this approach, the cumulative effect of initially applying IFRS 16 is recognized as an adjustment to equity at the date of initial application. The assessment of the impact of the new standard is a key audit matter, as the balances disclosed are material, the update of the accounting policy requires policy elections,	Our audit procedures included an evaluation of management's implementation process, including the evaluation of the updated accounting policy and policy elections, the completeness and accuracy of the lease contracts identified and recorded in the lease accounting system and calculation of the right-of-use asset and lease liability. We performed testing on a sample basis on the accuracy of the lease contracts input in the lease accounting system. We furthermore performed independent testing on a sample basis on the accuracy of calculation of the output from the software tool for several populations. We have tested completeness of the identified lease contracts on a sample basis based on available store information and lease payments made during the year. Our tests resulted in matters that were discussed with and subsequently addressed by management.

Key audit matter	Our audit work and observations
the implementation process to identify and process all relevant data associated with the leases (including implementing IT software) is complex and the measurement of the right of use asset and lease liability is based on estimations. Most important in these estimations are the assumptions on discount rates and lease terms, including termination and renewal options.	We assessed the Information Technology General Controls for the software tool used to register and calculate lease liabilities as a basis to be able to rely on the calculations made. No material findings were noted. We challenged management's assumptions, specifically on the discount rates, the application of a single discount rate for a portfolio of leases and the assessment of renewal options by considering market conditions and comparison of rates used to available external market data. We have made use of valuation experts as part of our audit in assessing the discount rates. We found assumptions to be reasonable. We assessed the adequacy of the disclosures on the impact of the new standard in note 3 and 11 to the consolidated financial statements.

Key audit matter	Our audit work and observations
Accuracy of revenue *Note 14 to the consolidated balance sheet and profit and loss account* Revenue is an important key measure used to evaluate the performance of the Group by various stakeholders (also refer to the section 'Materiality'). Revenue is accounted for when mutual contractual obligations are met. When goods are instantly being taken by consumers in the shop, this is at the time of payment at the cash register. When goods are assembled and/or delivered at the customer's home, the sales are recognised at the moment when the transfer has led to a physical delivery of the goods. These transactions are mainly processed automatically through IT. Revenue is generated through both an online channel as well as in store. Given the fact that revenue is a key measure and given the negative 2019 results, management may feel pressure to present better results than actually generated. As such there is a risk of overstatement of revenue. Therefore, we considered the accuracy of revenue as a key audit matter.	We have evaluated the design of the controls that ensures accurate processing of revenue transactions and verified the existence and operating effectiveness of the most important (automated) internal controls implemented by management. Amongst these controls are controls related to the interface between the cash-register and the financial administration, four-eye principle which is applied when making price changes, the reconciliation of electronic payments made to drivers with bank receipts and the financial administration and the automated 'three-way match'. Additionally, by means of a sample we took notice of the internal representations where local management takes responsibility for the reported revenue and determined that these do not contain exceptional items, which could give further direction to the audit of the revenue. We found that we could rely on the operating effectiveness of the internal controls for the purpose of our audit. The most important internal control procedure for the accuracy of the revenue is the automated three-way-match. We assessed the Information Technology General Controls as a basis to be able to reperform the three-way-match between sales order-delivery-invoice. By means of data-analysis, we have made the reconciliation to the sales order, packing slip and invoice. No material findings were noted. Furthermore, we have performed risk assessment analytical procedures on realized revenue through

Key audit matter	Our audit work and observations
	detailed store comparison. These did not lead to identification of additional risks. 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 transactions 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 revenue recognition per year-end and we have performed audit procedures on the appropriate cut-off of revenue by reconciling invoices to the bill of lading to determine that revenue is accounted for in the correct period. Finally, we performed detailed testing on journal entries. These audit procedures have not resulted in 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: Facts & figures, CEO statement, Beter Bed Operations, Report of the Management Board, Corporate Social Responsibility, Corporate Governance, Report of the Supervisory Board and Remuneration report and additional details pursuant to Part 9 of Book 2 of the Dutch Civil Code.

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 and the sections 2:135b and 2:145 subsection 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 and section 2:135b subsection 7 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 and the remuneration report in accordance with the sections 2:135b and 2:145 subsection 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 passing of a resolution at the annual meeting following the proposal of the supervisory board on 12 March 2015. Our appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of 5 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 34 (see page 109) 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 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 Group's ability to continue as a going concern. Based on the financial reporting framework 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 Group 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 Group's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the Group'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 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 and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material 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.

Eindhoven, the Netherlands, 17 March 2020
PricewaterhouseCoopers Accountants N.V.

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

Appendix to our auditor's report on the financial statements 2019 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 audit consisted, among other things of the following:

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

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

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

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

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

Appropriation of result pursuant to the articles of association

Article 34 of the articles of association states the most important provisions pertaining to the appropriation of result:

Paragraph 1

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

Paragraph 2

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

This annual report is published by

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Beter Bed Holding N.V., Uden, The Netherlands

Design and layout

Monter, Amsterdam, The Netherlands

Production and coordination

Tangelo Software BV, Zeist, The Netherlands

Report

Period: 2019 calendar year
Annual report publication date: 17 March 2020
Publication date of previous annual report: 13 March 2019