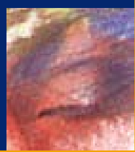
Annual Report 2007

Beter Bed Holding



Profile

Beter Bed operates in the European bedroom furnishings market. Its activities include retail trade through a total of 960 stores at year-end 2007 that operate via the chains Beter Bed (active in The Netherlands), Matratzen Concord (active in Germany, The Netherlands, Austria, Switzerland and Belgium), El Gigante del Colchón (active in Spain), BeddenReus, Dormaël and Slaapgenoten (all three active in The Netherlands) and MAV (active in Germany). Beter Bed Holding is also active in the field of developing and wholesaling branded products in the bedroom furnishings sector in The Netherlands, Belgium, Germany and Spain via its subsidiary DBC International. Beter Bed Holding achieved net revenue of € 351.2 million in 2007.
The company has been listed on Euronext Amsterdam since December 1996. The Beter Bed Holding share is included in the Amsterdam Small cap Index (AScX).

For more information visit www.beterbedholding.com.

Een Nederlandstalige versie van dit jaarverslag is ook beschikbaar.

Annual Report 2007

Beter Bed Holding

Contents

Key figures

at 31 December, in thousand € unless otherwise stated

	2007		2006	
Revenue	**351,171**		**320,017**	
Gross profit	**188,741**	53.7%	**171,024**	53.4%
Total operating expenses	**151,395**	43.1%	**136,543**	42.7%
Operating profit (EBIT)	**37,346**	10.6%	**34,481**	10.8%
Net profit	**27,572**	7.9%	**23,830**	7.4%
Average number of outstanding shares (in 1,000 of shares)	**21,653**		**21,643**	
Earnings per share €	**1.27**		**1.10**	
Diluted earnings per share €	**1.26**		**1.09**	
Share price in € at year-end	**17.77**		**19.30**	
Solvency (%)	**47.4**		**51.5**	
Interest cover	**79.1**		**54.2**	
Number of staff at year-end (FTE)	**2,075**		**1,810**	
Number of retail stores at year-end	**960**		**839**	

Formulas

Matratzen Concord

This formula's core activity is selling mattresses, bed bases, box springs and bed textiles to consumers predominantly based on a cash & carry concept. The chain encompasses 768 stores with an average floor space of approximately 265 m^2. The stores are situated near consumers primarily at so-called C locations in and around city centres. The collections feature an extremely favourable price-quality ratio and at each location customers can count on receiving professional and personalised advice. The product concepts developed within the company contribute considerably to the formula's success. The formula operates in Germany, Austria, Switzerland, The Netherlands and Belgium. Matratzen Concord is the market leader in the German mattress market. The company's strategy is aimed at further expanding its European market leadership in the fragmented mattress specialist market.

www.matratzen-concord.de

www.matrassenconcord.nl

Beter Bed

Beter Bed offers a chain of bedroom furniture showrooms in the middle of the market featuring an excellent price-quality ratio. Consumers order the items in the store which are then delivered and assembled at their homes. All the stores are located in The Netherlands, predominantly at 'furniture boulevards' or in furniture store malls. The stores have an average floor space of 1,000 m^2. In the stores, consumers can choose from a wide and up-to-date range of bedroom furnishings, mattresses, box springs, bed bases, bed textiles and other items at competitive prices. Beter Bed is market leader in The Netherlands and enjoys a high level of name recognition among consumers. Beter Bed's strategy is based on further strengthening its position in the Dutch market.

www.beterbed.nl

DBC

DBC was established in September 2001. It develops mattresses under the name M Line made of slow foam (i.e. 'NASA' rubber). These mattresses feature unique pressure-reducing qualities and are sold both by the own formulas and via third parties. The company has also developed a version especially for healthcare purposes. In 2003, an M Line box spring was added to the range; a top design with a seven-zone pocket spring base that is only 8 cm high, combined with any M Line mattress. Two mattresses were added to the product range in 2004: the M Line Slow Motion Basic mattress as 'starter model' and the new top model named M Line Slow Motion IV. The Multi Motion bed base that was developed especially for the M Line mattress was introduced to the market in the autumn of 2005. The M Line IV Tender Touch mattress was added to the range in 2006. In 2007, the M Line Ultimate Box was developed and improvements were made to both the mattress core and the mattress covers.

www.mline.nl

El Gigante del Colchón

Beter Bed acquired this Spanish chain on 1 September 2005. The company had 20 stores with an average of 400 m^2 of floor space at the time of acquisition. There were 40 stores at the end of 2007 (2006: 32). The location strategy and the store image are comparable to those employed by Matratzen Concord. It is not, however, a cash & carry concept because Spanish beds are difficult to transport by private car. The products are consequently delivered to and assembled at consumers' homes.

www.gigantedelcolchon.com

BeddenREUS

BeddenREUS is a discount cash & carry formula in The Netherlands. The stores are predominantly located at B and C locations and have average floor space of 600 m². There were 31 stores at the end of 2007 (end 2006: 24).

www.beddenreus.nl

Slaapgenoten/Dormaël Slaapkamers

This chain of nine own and two franchise stores focuses on the high end of the Dutch bedroom furniture specialist market. The stores are located at the better locations in The Netherlands and have approximately 1,000 m² of floor space. They allow consumers to shop in attractive surroundings where they can choose from exclusive collections featuring numerous top brands. Slaapgenoten is an innovative concept developed under own management that is designed for customers who want top quality.

www.slaapgenoten.nl

www.dormaelslaapkamers.nl

Matratzen-AbVerkauf (MAV)

The first store based on this cash & carry formula was opened in October 2006. It is a hard discount concept for mattresses, bed bases and bed textiles for the German market. Consumer communication takes place almost exclusively on the basis of price. There were 26 stores at the end of 2007 (2006: 5). The stores have average floor space of between 150 and 200 m².

www.mav-matratzen.de

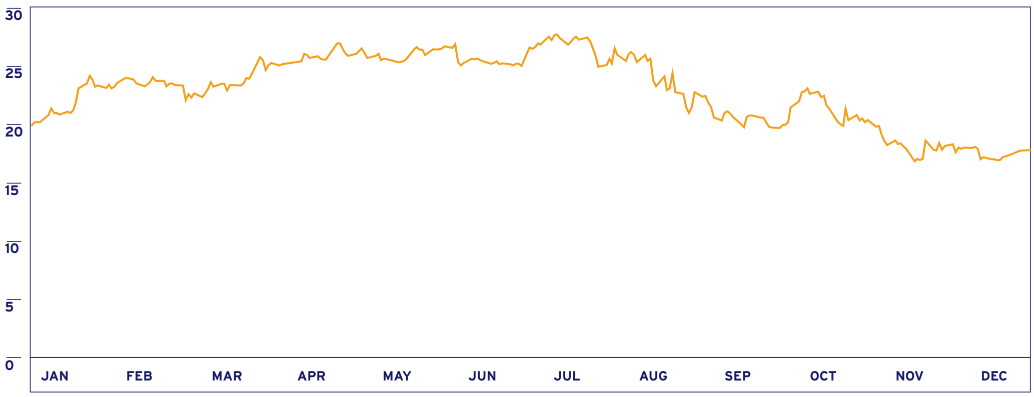
Number of stores

Formula		1 Jan 2007	Closed	Opened	31 Dec 2007
Matratzen Concord	Germany	615	33	91	673
	The Netherlands	27	-	6	33
	Austria	28	1	8	35
	Switzerland	21	3	7	25
	Belgium	-	-	2	2
Beter Bed	The Netherlands	78	2	8	84
El Gigante del Colchón	Spain	32	1	9	40
BeddenREUS	The Netherlands	24	2	9	31
Slaapgenoten/Dormaël	The Netherlands	9	-	2	11
MAV	Germany	5	2	23	26
Total		**839**	**44**	**165**	**960**

Share information

The shares in Beter Bed Holding N.V. are quoted on Euronext Amsterdam under security code NL0000339703. The number of shares outstanding at the end of 2007 totalled 21,805,117. A total of 162,500 new shares were issued in 2007 as a result of options from 2003 being exercised. While 238,736 were bought back within the context of the share buy back program, these shares have not yet been withdrawn. The upcoming Annual General Meeting of Shareholders will be requested to approve the withdrawal of these shares. The average number of shares used to calculate earnings per share is 21,653,156. The number of shares used to calculate the diluted earnings per share is equal to 21,930,759. Earnings per share for 2007 total € 1.27 compared to € 1.10 in 2006. The diluted earnings per share in 2007 were € 1.26 compared to € 1.09 in 2006.

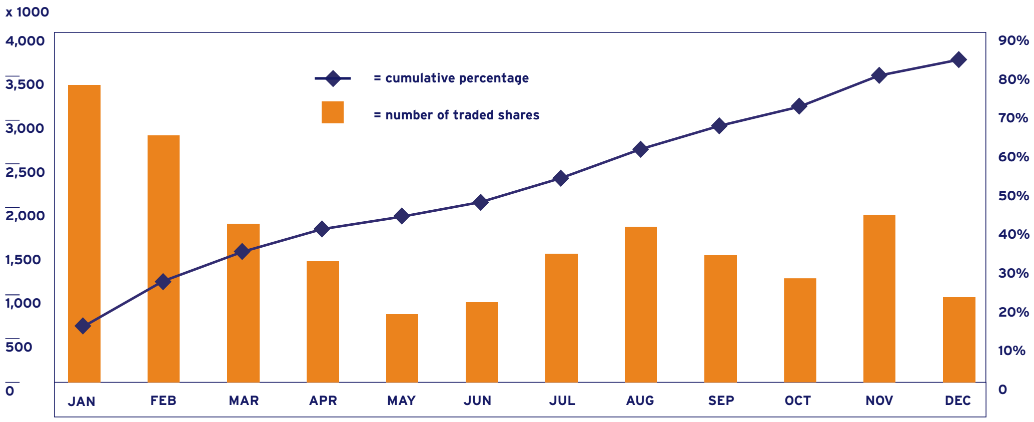
Share price development 2007 (€)



Trade volumes

Three liquidity providers operated on behalf of the Beter Bed share in 2007, namely ABN AMRO N.V., Rabo Securities N.V. and ING Wholesale Banking.

The following table shows the number of shares traded per month and the cumulative percentage of the shares outstanding (as at 1 January) that were traded in 2007. The Beter Bed Holding share was included in the Amsterdam Euronext Small cap Index (AScX) in 2007.



Major Holdings in Listed Companies Disclosure Act

The following holdings as of year-end 2007 have been made public in compliance with the Major Holdings in Listed Companies Disclosure Act:

Breedinvest B.V., Laren, NL	12.8%
Delta Deelnemingen Fonds, Gouda, NL	11.6%
Kempen Capital Management N.V., Amsterdam, NL	11.3%
Aviva Plc, London, UK	7.6%
Driessen Beleggingen B.V., Limmen, NL	5.7%
Harris Associates L.P., Chicago, USA	5.6%
Todlin N.V., Maarsbergen, NL	5.2%
Fortis Utrecht N.V., Utrecht, NL	5.0%

Options

Options for shares to be issued have been provided with a view to further enhancing the involvement and motivation of the Management Board and the Management. In total 216,500 options were awarded to the Management Board and to the Management in the year under review. The options can be exercised from the publication of the third quarter figures for 2009 (scheduled to be presented on 30 October 2009) and only if a net profit of at least € 36.0 million is achieved in at least one year of the validity period. The exercise period will end 3.5 years following the publication of the third quarter figures for 2009. The options that were awarded in 2003 were exercised in March 2007. This involved 162,500 options with an exercise price of € 3.40.

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

Year of issue	Management Board	Management	Exercise price in €	Duration up to and inclusive
2004	75,000	100,000	5.90	29-10-2011
2005	75,000	102,500	10.71	28-10-2011
2006	75,000	137,500	17.08	27-10-2012
2007	75,000	141,500	20.92	30-04-2013

Insider regulations

The company has ratified insider trading regulations. These regulations were changed in accordance with the amended legislation in 2005. The new regulations went into force on 1 September 2005. The persons subject to these regulations have provided written confirmation that they shall fully adhere to the regulations. The regulations are available on the Beter Bed Holding website.

Financial calendar 2008

The calendar for 2008 is as follows:

14 March 2008	Publication of annual results 2007
14 March 2008	Analysts' meeting annual results 2007
24 April 2008	Publication of 1st quarter 2008 results
24 April 2008	Annual General Meeting of Shareholders
18 July 2008	Publication of 2nd quarter 2008 trading statement
29 August 2008	Publication of half-year results 2008
29 August 2008	Analysts' meeting half-year results 2008
31 October 2008	Publication of 3rd quarter 2008 results
23 January 2009	Publication of 4th quarter 2008 trading statement

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

Supervisory Board

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

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

The retirement by rotation schedule is as follows:

Supervisory Director	**Appointed/Reappointed**	**Retirement/Reappointment**
M.J.N.M. van Seggelen	26 April 2006	AGM 2010
E.F. van Veen	25 April 2007	AGM 2011
C.A.S.M. Renders	27 April 2005	AGM 2009
J. Blokker	26 April 2006	AGM 2010

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

Curriculum Vitae

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

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

Mr Van Seggelen also holds supervisory directorships at Pearle Europe B.V., Delta Wines B.V., Todlin N.V. and Fleurop Interflora Nederland B.V.

Curriculum Vitae

E.F. van Veen (1939)

Mr Van Veen graduated with a degree in business economics from Erasmus University in Rotterdam in 1967.

From 1973 to May 1998 he was successively Corporate Controller, Group Director, Corporate Director Financing & Controlling (CFO) and Vice President of Royal Numico N.V. where he also served as a member of the Supervisory Board from May 2002 until May 2006.

He also holds supervisory directorships at Docdata N.V. (Chairman), Blokker Holding B.V. and Nabuurs Groep Haps B.V. He is a member of the Supervisory Board of Leiden University Medical Centre (LUMC).

Curriculum Vitae

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

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

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

Curriculum Vitae

J. Blokker (1942)

Mr Blokker is Chairman of the Board of Directors of Blokker Holding B.V.
He is also a Supervisory Director at Van Haren Schoenen B.V.

Management Board

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

Curriculum Vitae

F.J.H. Geelen (1955)

Frans Geelen holds a master's degree in business economics from Erasmus University in Rotterdam and a master's degree in law from Leiden University.

He began his career in 1979 at Koninklijke Bijenkorf Beheer.
He joined Intercena in 1982 where he held various positions at companies belonging to the Brenninkmeijer family. He was appointed Managing Director of Intercena in 1992.
In 1996 he joined the Executive Board of C&A Europe.

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

Curriculum Vitae

E.J. van der Woude (1959)

Ric van der Woude holds a master's degree in business economics from the Vrije Universiteit in Amsterdam.

He began his career in 1984 at Esso Benelux.
In 1990 he joined C&A Nederland where he held various financial and administrative positions.
In 1998 he was appointed CFO of European Specialty Stores, a holding that comprises smaller retail companies owned by the Brenninkmeijer family in Europe.

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

Corporate Governance

The Management Board and the Supervisory Board subscribe to the principles for good corporate governance as laid down in the Dutch Corporate Governance Code. The company's website www.beterbedholding.com gives a full overview of all the best practice provisions and whether or not the company complies with these individual provisions. This section provides an explanation of the best practice provisions that the company does not comply with (entirely) and the reasons for deciding not to comply. These departures from the code were approved by the Annual General Meeting of Shareholders on 25 April 2007. The code also includes several provisions that do not apply to Beter Bed. These provisions relate to a one-tier management structure, certification of shares and the responsibility of institutional investors.

Best practice II.1.1.

The contracts that had already been entered into with the Management Board members (at the time of publication of the code) have not been revised with a view to possible labour law issues related to the four-year appointment period.

Best practice II.1.3.

The company has an internal risk management and control system in place that is suitable for the company. A separate code of conduct has not, however, been developed due to the size of the company.

Best practice II.2.6.

Trading in shares other than those issued by the own company is considered to be a private matter of the related Management Board member. There are consequently no regulations within the company regarding trading in shares other than those issued by the own company.

Best practice II.2.7.

No contractual agreements regarding remuneration in the event of dismissal of Management Board members have been entered into. Existing contracts (at the time of publication of the code) will not be revised with respect to this point.

Best practice III.6.7.

Possibly combining a management task with a position on the Supervisory Board on a temporary basis is not considered to be problematic, if such a combination is required by the circumstances.

Best practice III.7.3.

Trading in shares other than those issued by the own company is considered to be a private matter of the related Supervisory Director. There are consequently no regulations within the company regarding trading in shares other than those issued by the own company.

Best practice IV.3.1.

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

Best practice IV.3.7.

A shareholders circular will only be used in exceptional cases because the notes enclosed with the agenda for the Annual General Meeting generally provide sufficient information.

Best practice V.3.1.

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

Report of the Supervisory Board

We are pleased to present the financial statements of Beter Bed Holding N.V. for the financial year 2007 and the report of the Management Board.

The financial statements have been compiled by the Management Board and have been audited and approved by our auditor Ernst & Young Accountants. The report provided by Ernst & Young Accountants is included on page 58 of this annual report. We have discussed the financial statements extensively in the presence of the Management Board and Ernst & Young Accountants. The Supervisory Board has considered the financial statements and recommends that the Annual General Meeting of Shareholders adopts these financial statements accordingly. Adoption will discharge the Management Board of responsibility in respect of their management during 2007 and the Supervisory Board of responsibility in respect of their supervision.

The Supervisory Board has been pleased with the company's performance in 2007. The company was once again able to achieve a sharp improvement in profit, primarily through the realisation of an increase in sales, an increase in gross profit and a further improvement in productivity and efficiency. While it is naturally disappointing that it was impossible to meet the profit forecast issued in October, the amount of profit in the year under review is once again the highest in the company's history.

Following the announcement of the third quarter figures in October 2007, it was decided to pay out an interim dividend of € 0.35 per share. In accordance with the proposal of the Management Board, we recommend payment of a final dividend of € 0.70 per share. This means that 83% of the profits earned in 2007 will be paid in the form of dividend to shareholders in keeping with the dividend policy that was approved by the Annual General Meeting of Shareholders on 27 April 2005 (see page 25 of this report). In addition, 238,736 own shares were purchased for an amount of € 5,809,835.

The Supervisory Board was intensely involved in the developments of Beter Bed Holding and its subsidiaries in 2007. We met with the Management Board five times. We also consulted with the Management Board via three conference calls. The Supervisory Board furthermore met on two occasions without the Management Board present.

The Management Board provided us with good information on a frequent basis, both verbally and in writing. The five meetings with the Management Board were properly prepared and allowed us to form a considered judgement regarding the company's commercial, operational, strategic and

organisational developments. We, of course, furthermore devoted a great deal of attention to the development of the operational profit, the positioning of the retail formulas in the European markets and the company's strategy for the medium term. We were also involved in the reporting relating to the recall of the Slowfoam 300 mattresses sold by BeddenREUS.
The budget for 2008 was adopted at the meeting held on 13 December 2007. This budget includes both the company's operational and financial objectives and the strategy that it will follow in order to realise these objectives. Within this context we also gave our approval for the proposed investments. During our closed meetings we discussed topics including the performance and composition of our Supervisory Board, the performance of the Management Board and the terms of employment policy.

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

Audit Committee

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

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

Remuneration Committee

The Remuneration Committee is comprised of Mr Renders (Chairman), Mr Van Veen and Mr Van Seggelen and meets at least twice a year. It advises the Supervisory Board regarding the drafting of the remuneration policy and the remuneration of the individual members of the Management Board.
The key points of the remuneration policy include:

- Fixed salaries at market level.
- Variable bonus of no more than 100% of the fixed salary.

- The bonus largely depends upon the operating profit (EBIT).
- The bonus award is left partially to the discretion of the Supervisory Board.
- The provision of options for new shares to be issued in order to promote the loyalty, commitment and motivation of the Management Board and the management teams in the long term. All of the participants of the option program exercised the options that were issued in 2003 in March of the year under review.

The list of the directors' remuneration elements and the details of the awarded options can be found in the notes to the financial statements on page 50.
The company has not established a separate Selection and Appointment Committee due to its size.

Mr Van Veen was, upon nomination by the Supervisory Board, reappointed for a period of four years at the Annual General Meeting of Shareholders on 25 April 2007. The composition of the Supervisory Board fulfils the requirements stipulated by the Dutch Corporate Governance Code. Only Mr Blokker, due to his position as member of the Management Board of major shareholder Breedinvest B.V., is not independent.
No members of the Supervisory Board will step down this year according to the schedule for retirement by rotation.

The Supervisory Board is aware of the broad interests that the company represents and acknowledges its responsibility to all the company's stakeholders: shareholders, employees, customers, suppliers and financiers. Within this context we wish to refer you to the www.beterbedholding.com website that contains all the company's current information.

We would like to take this opportunity to express our commendations and thanks to the Management Board and all the company's employees for the good results that were achieved in the year under review.

Uden, The Netherlands, 13 March 2008

M.J.N.M. van Seggelen, Chairman
E.F. van Veen, Vice Chairman
C.A.S.M. Renders
J. Blokker

Report of the Management Board

General

2007 was once again a record year for the company in terms of both revenue and net profit. The number of stores grew by 121 to a total of 960.

In addition to the revenue performance, there were a few other events in 2007 that deserve special attention. They include the VAT increase in Germany, the large number of store openings, the launch of operations in Belgium and the opening of the first stores in Madrid. The deterioration of the market conditions in Spain and growing consumer uncertainty in north-western Europe in recent months are also noteworthy.

The VAT increase in Germany led to an extremely good fourth quarter in 2006 and in turn to weak revenue in January 2007. The exceptionally good fourth quarter of 2006 made the comparative basis difficult for the fourth quarter of 2007 and meant that, contrary to the forecast, it proved impossible to achieve profit in the fourth quarter of 2007 that was comparable to the amount earned in 2006.

With 165 openings and 44 closings, the total number of stores rose by 121 in 2007. The increased number of stores and the introduction of numerous new products made it possible to further improve Beter Bed Holding's market position in the year under review.

The first two Matrassen Concord stores in Belgium were opened in September and October respectively. The launch of these stores clearly provides a springboard for further expansion in Belgium.

Spanish consumers have been very reluctant to make large purchases since the last week of March 2007, in part due to the crisis in the real estate market. While this negatively affected revenue in 2007, it also creates opportunities for the expansion of El Gigante del Colchón.

Consumer confidence was put to the test in the final months of the year due to the crisis in the US mortgage market, rising prices (for raw materials such as oil, for example) and all the related media coverage.

The objectives of Beter Bed remain:

- To increase net profit regardless of the market conditions.
- To ensure that the company is positioned to optimally tap into growth opportunities.
- To realise an EBIT margin of at least 12.5% of the revenue within the next few years.

The company's growth objectives will be realised by:

- Growth in revenue at comparable stores (like-for-like growth). This method enables growth in revenue while the expenses remain virtually the same. This results in a rapid increase in operational profit.
- Expansion of the existing store concepts, particularly Matratzen Concord and El Gigante del Colchón. New stores opened on the basis of these concepts generally have a pay-back period of less than one year.
- The further development of own product concepts (branding).
- Conducting acquisitions. Beter Bed continually explores opportunities for acquisitions that will contribute to the growth in profits.

The company achieved consolidated revenue of € 351.2 million in 2007, which represents an 9.7% increase in comparison to 2006 (€ 320.0 million). Operating profit (EBIT) totalled € 37.3 million and consequently amounted to 10.6% of the revenue. Net profit rose to € 27.6 million, marking an increase of 15.7% in comparison to 2006 (€ 23.8 million).

Risk

The Management Board of Beter Bed Holding takes its responsibility for risk control and the risk management and control systems that have been implemented within the organisation for this purpose very seriously. Taking calculated risks does, however, remain an inherent part of doing business. The most important risks for the Beter Bed companies are non-realisation of the budgeted sales and the continuity of IT systems and distribution centres.

Regardless of how well the internal risk management and control system is structured, it can never offer absolute safeguards that the targets relating to strategy, operations, reporting and compliance with regulations and legislation will be met at all times. Reality has shown that errors of judgement can be made when making decisions, that cost/benefit considerations are made, that simple errors or mistakes can have major consequences and that conspiracy of employees can lead to circumvention of internal control measures.

The principal measures that have been implemented in order to control the risks within the company are outlined below:

- As part of the annual budget cycle, an analysis is made of the specific opportunities and threats related to each activity. This analysis charts the opportunities and risks at the economic, strategic and commercial levels. The budget is discussed with and subsequently approved by the Supervisory Board.
- The detailed risk analysis of the core activities that was conducted in 2004 has been updated in collaboration with the management teams of the main formulas. This analysis makes a distinction between a number of categories of risk. This involves the categories financial, operational, administration and management, legal, social, information and fiscal.
- This risk analysis has been included as a permanent item on the agenda of the Audit Committee's meetings; the key points are then discussed during the plenary Supervisory Board meeting.
- The revenue of Matratzen Concord, the order intake of Beter Bed and the order intake of El Gigante del Colchón is reported daily to the Management Board of the Holding. The other activities report their revenue weekly.
- The Management Board of Beter Bed Holding had weekly meetings with the management teams of the various formulas.
- The profit and loss account, balance sheet and cash flow per formula are reported on a monthly basis in a detailed standard format. This includes a comparison to the same period in the preceding year and the budget for the specific period. These reports are discussed during the monthly meeting with the Holding's Management Board.
- Beter Bed has three distribution centres located in The Netherlands and as a result the risk of a disaster relating to the delivery of goods to customers is spread over multiple locations. In addition, a business continuity plan was formulated for the main distribution centre. This plan is designed to reduce the consequences should a disaster take place.
- Beter Bed purchased $ 5.8 million in 2007 (2006: $ 3.9 million).
  The currency risks are not covered. The exposures are periodically reassessed. Providing that sales prices remain the same, a change in the average dollar exchange rate of 5% would affect operating profit (EBIT) by approximately € 200,000.
- Measures to limit the interest rate risk are not necessary in light of the current capital structure. The effect of an interest rate increase of 50 basis points on the company's profit would, based on the average use of credit facilities as in 2007, amount to approximately € 40,000 before taxes.

- The credit risk is limited to the wholesale activities and trade receivables connected with bonus agreements. Besides the standard accounts receivables monitoring, no specific measures are required. The total amount of receivables for which the term has expired, but for which a write-down has not been recorded was nil at the end of 2007.
- The liquidity risk is extremely limited due to the nature of the activities and the company's capital position. A description of the available credit facilities and the securities provided is given on page 46 of this report.
- As in each preceding year, the external auditor made an assessment of the administrative organisation and internal control system.

Based on the above activities and taking into account the limitations that are necessarily connected to all internal risk management and control systems, our company's systems concerning financial risks provide us with a reasonable degree of certainty that the financial reporting does not contain any material errors. These systems functioned properly during the year under review and there are no indications that they will not continue to do so in the current financial year.
With regard to other risks, the Management Board is convinced that there is a system of risk management and control in place that is appropriate for the size of the company and that it operated effectively in the year under review; the most important changes that were made in 2007 are the introduction of a code of conduct for suppliers in the field of child labour and the origin of the wood used and the introduction of checks for poisonous substances for all containers imported by Beter Bed.

Activities

Matratzen Concord

	2007	2006
Revenue (x € 1,000)	192,824	175,105
Number of stores	768	691
Number of employees (FTE)	1,275	1,155

Matratzen Concord achieved 10.1% growth in revenue in 2007. When viewed for the entire year 2007, market conditions in Germany were unfavourable. The revenue performance in comparable stores was nonetheless +3% at Matratzen Concord. January 2007 in Germany was characterised by moderate revenue performance as a result of the VAT increase that went into effect on 1 January

2007. The comparative basis in the fourth quarter was difficult for the same reason owing to the fact that many consumers made their purchases just before the VAT increase went into effect. The number of stores increased from 691 to 768. This increase includes the two stores that were opened in Belgium in the autumn.

Beter Bed

	2007	2006
Revenue (x € 1,000)	117,036	112,689
Number of stores	84	78
Number of employees (FTE)	533	495

Beter Bed once again achieved good results in 2007. Revenue rose by 3.9% to € 117.0 million. The performance in comparable stores was slightly negative at -0.9%. This is partially due to cannibalisation by new stores and partially due to the decision to opt for less aggressive promotional activities in favour of the gross profit. Taking into account the entire year 2007, the market conditions in The Netherlands were also unfavourable. The large number of new stores is a striking development for Beter Bed. Stores were opened during the year under review in The Netherlands in Heerhugowaard, Venray, Cruquius, Leiderdorp, Leek, Oldenzaal and Stadskanaal. An outlet store was opened in Hilversum and outlet stores were closed in Leeuwarden and Zoeterwoude. The Square box spring and Nasa Sensa mattress were awarded the title of 'best buy' in the December 2007 issue of the Dutch Consumers' Association Consumentengids magazine.

El Gigante del Colchón

	2007	2006
Revenue (x € 1,000)	13,910	13,015
Number of stores	40	32
Number of employees (FTE)	104	69

Following a good first quarter, El Gigante del Colchón's revenue performance was disappointing from week 11 in the year under review. After years of growth, Spanish consumers became extremely reluctant to make large purchases during much of 2007. The growth was driven partially by credit based in part on rising house prices. However, in view of the depressed real estate market, consumers must now reduce their debt. Revenue nonetheless increased by 6.9% to a total of € 13.9

million. The performance in comparable stores was -16.1%. Expansion was suspended in the first nine months of the year in light of the revenue performance and continuing rising lease prices. The development of the lease prices was realigned to the revenue performance in the fourth quarter and there were a total of nine stores opened, three of which are located in the Madrid area. In addition, one store was closed that no longer met expectations. The IT system that is used in The Netherlands was also implemented in Spain in the second quarter of 2007.

BeddenREUS

	2007	2006
Revenue (x € 1,000)	12,736	9,497
Number of stores	31	24
Number of employees (FTE)	56	45

BeddenREUS continued the positive performance of 2006 in 2007. Revenue rose by 34.1% to € 12.7 million with a performance in comparable stores of +11.7%. Nine stores were opened and two were closed in the year under review, which brings the total number of BeddenREUS stores to 31. It became necessary in August to recall 1,310 Slowfoam 300 mattresses because it was revealed that the container and mattresses of a shipment that had not yet been put on the market contained an overly high amount of pesticide. However, tests on mattresses that had been sold in the market did not reveal any traces of this contamination.

Slaapgenoten

	2007	2006
Revenue (x € 1,000)	6,733	4,725
Number of stores	11	9
Number of employees (FTE)	26	22

Slaapgenoten's revenue rose by 42.5% in 2007 to € 6.7 million. Major progress was made on developing the product range during the year under review. Two new own brands were introduced in 2007, namely the luxury box spring line COZI and Constitution for quality English products. Slaapgenoten opened stores in Villa Arena in Amsterdam and at Megastores in The Hague during the year under review.

Matratzen-AbVerkauf (MAV)

	2007	2006
Revenue (x € 1,000)	1,854	74
Number of stores	26	5
Number of employees (FTE)	46	6

The hard discount chain MAV was launched in the fourth quarter of 2006. The number of stores rose from 5 to 26 in 2007.

DBC

	2007	2006
Revenue (x € 1,000)	15,360	12,025
Number of employees (FTE)	14	13

DBC's revenue grew by 27.7% in 2007 to € 15.4 million, including deliveries to Beter Bed Holding formulas. The M Line Ultimate Box was added to the range and new mattress cores and new mattress covers were developed for the M Line mattresses in the year under review. In 2007, M Line entered into a contract with NOC*NSF. M Line is official supplier of the NOC*NSF and the Dutch Olympic Team.

Investments, financing and cash flow

€ 10.8 million was invested in 2007 (2006: € 7.7 million). This amount is higher than in previous years primarily due to the large number of new stores opened in 2007. Of this amount, € 7.9 million was invested in new and existing stores. The remaining amount was invested primarily in IT.
The cash flow (net profit plus depreciation) rose to € 34.5 million in 2007, compared to € 29.9 million in 2006.
The solvency percentage at year-end 2007 amounted to 47.4% compared to 51.5% at the end of 2006.
The dividend policy is aimed at paying out at least 50% of the realised net profit to the shareholders, providing that the solvency remains higher than 30% and the ratio between the net interest-bearing debt and EBITDA is not higher than 2. A total of 82% and 83% of the profit was paid out in the form of dividend in 2006 and 2005 respectively. In addition to the dividend, the company conducted a share buy back program. A total of 192,779 shares were bought back in the

second quarter of 2007 (valued at € 5 million). A new share buy back program valued at € 5 million was launched on 1 December 2007. A total of 238,736 shares were bought back with a total value of € 5,809,835 during the year under review. The company is committed to achieving stable dividend development whereby any extra financial scope will be paid out to the shareholders via a buy back program.

Employees

The success of every company depends in large part on the commitment and quality of its employees. This is especially true for the Beter Bed formulas in view of the fact that the strength of the various formulas lies in the professionalism of the personal advice that customers receive when purchasing a bedroom system. The quality, care and customer-friendliness of the employees also determine the way in which customers look back on their purchases at Beter Bed.

The ongoing development and training of all employees consequently constitutes an important factor for developing the company's results. The preference for internal candidates for vacant management positions emphasises the career opportunities within the company.

The Management Board of Beter Bed Holding would consequently like to take this opportunity to thank all the employees for their commitment and contribution to the growth in the company's profit.

As of 31 December 2007, a total of 2,075 employees (FTE) worked at Beter Bed companies, in comparison to 1,810 employees at the end of 2006. The primary reason for this increase is the growth in the number of stores.

Corporate social responsibility

Beter Bed fully acknowledges its role in society. Fulfilling this role correctly will benefit both society and the company in the longer term. It goes without saying that each and every employee and supplier of Beter Bed Holding is expected to respect the laws and regulations in every area of business.
Increasing imports from South America and the Far East means the working conditions in these regions and the origins of the wood used in the products are issues that must be given due

attention when making purchasing decisions. All suppliers endorsed Beter Bed's code of conduct in 2007. The process of verifying compliance with these agreements has now also been commenced. It has become apparent during the year under review that attention must be focused on both the production process and the transportation. This is because it was revealed last autumn that a shipment of mattresses (Slowfoam 300) for BeddenREUS had been contaminated by a pesticide. In order not to take any risks whatsoever, all the previously sold mattresses of this same model were recalled even though they were not transported in the same container. The procedures for receiving goods that have been transported in containers have now been modified to ensure that Beter Bed no longer has to depend on checks carried out by third parties. Beter Bed requires that all containers be checked and as a result the risk of this type of contamination in the products it sells has been virtually excluded.
The pre-existing procedures for regularly testing all mattresses that are sold have also been tightened.
The Beter Bed companies are aware of their place in society and sponsor sport associations, projects for the weaker members of society and various events. These projects are usually local in nature and are characterised by the demonstrable involvement and commitment of employees of the various Beter Bed Holding formulas.

Current situation and outlook

While revenue increased sharply during the first four weeks of 2008, the fact that the Carnival celebrations were held so early this year (during weeks 5 and 6, i.e. in early February) had a negative effect on revenue, as this meant a shorter clearance sale period than in the previous year. Despite lower consumer confidence, revenue for the first two months of the year was markedly higher. It is expected that the early Easter will slow down growth in March. During the first quarter of 2007, net profit reflected the positive effect of the cut in the corporation tax rate of approximately € 1 million as a result of a series of stock options becoming unconditional. This effect will have all but evaporated in the first quarter of 2008. Based on the worst-case scenario of the impact of the early Easter and the lower tax benefit, net profit for the first quarter of 2008 will total approximately € 7 million, compared to € 8.9 million last year.

It is expected that it will be possible to neutralise the negative effect of the early Easter during the second quarter. However, it is difficult to estimate consumers' willingness to buy under the current market conditions. Nevertheless, Beter Bed Holding expects to be able to profitably increase revenue in 2008, in particular through a competitive pricing policy, effective promotional activities, stringent cost monitoring and a continuation of the expansion of the number of stores.

Uden, The Netherlands, 13 March 2008

F.J.H. Geelen
E.J. van der Woude

Financial Statements 2007

Beter Bed Holding

Consolidated balance sheet

at 31 December, in thousand €
before proposed profit appropriation

	Note	2007	2006
Fixed assets			
Tangible fixed assets	1		
Land		5,498	3,747
Buildings		5,936	5,815
Other fixed operating assets		18,254	14,858
		29,688	**24,420**
Intangible fixed assets	2		
Goodwill		**3,811**	**3,811**
Current assets			
Stocks	3		
Finished products and goods for resale		**49,763**	**40,275**
Debtors	4		
Trade accounts receivable		921	868
Other debtors		4,417	4,039
		5,338	**4,907**
Cash and cash equivalents	5	**6,560**	**9,544**
Total assets		**95,160**	**82,957**

		2007	2006
## Equity			
Attributable to equityholders			
of the parent	6		
Issued share capital		436	433
Share premium account		16,145	15,596
Reserve for currency translation			
differences		(10)	-
Revaluation reserve		2,852	1,548
Other reserves		(1,929)	1,294
Retained earnings		27,572	23,830
		45,066	**42,701**
Long-term liabilities	7		
Credit institutions	8	-	417
Deferred tax liabilities		1,772	1,134
		1,772	**1,551**
Current liabilities	9		
Credit institutions		14,065	1,000
Trade creditors		10,546	13,422
Taxes and social security			
contributions		7,113	10,518
Other liabilities		16,598	13,765
		48,322	**38,705**
Total liabilities		**95,160**	**82,957**

Consolidated profit and loss account

at 31 December, in thousand €

	Note	2007		2006	
Revenue	10	351,171		320,017	
Cost of sales		162,430		148,993	
Gross profit		**188,741**	53.7%	**171,024**	53.4%
Wage and salary costs	11	73,093		66,168	
Depreciation of tangible fixed assets	12	6,974		6,117	
Other operating expenses	13	71,328		64,258	
Total operating expenses		**151,395**	43.1%	**136,543**	42.7%
Operating profit (EBIT)		**37,346**	10.6%	**34,481**	10.8%
Financial income		121		758	
Financial expenses		(593)		(1,394)	
Profit before taxation		**36,874**	10.5%	**33,845**	10.6%
Income tax expense	14	(9,302)		(10,015)	
Net profit		**27,572**	7.9%	**23,830**	7.4%
Earnings per share in €		1.27		1.10	
Diluted earnings per share in €		1.26		1.09	

Consolidated cash flow statement

at 31 December, in thousand €

	2007	2006
Cash flow from operating activities		
Net profit	27,572	23,830
Depreciation	6,974	6,117
Movements in:		
- Stocks	(9,488)	(3,486)
- Debtors	(431)	(1,513)
- Trade creditors	(3,448)	3,724
- Deferred tax liabilities	191	37
- Other	14	(11)
	21,384	**28,698**
Cash flow from investing activities		
Additions to tangible fixed assets	(10,815)	(7,709)
Disposals of tangible fixed assets	318	54
	(10,497)	**(7,655)**
Cash flow from financing activities		
Income from the issue of new shares	552	-
Movements in capital and reserves connected with employee stock options	484	316
Repayment of long-term liabilities	(417)	(1,000)
Dividend paid	(21,737)	(14,934)
Share buy back program	(5,818)	-
	(26,936)	**(15,618)**
Movements in cash and cash equivalents	**(16,049)**	**5,425**
Cash and cash equivalents at the beginning of the financial year	8,544	3,119
Cash and cash equivalents at the end of the financial year	(7,505)	8,544

Consolidated overview of movements equity

	Total	Issued share capital	Share premium reserve	Reserve for currency translation differences	Revaluation reserve	Other reserves	Retained earnings
Balance on 1 January 2006	**33,422**	**433**	**15,596**	**-**	**1,463**	**293**	**15,637**
Net profit for 2006	23,830	-	-	-	-		23,830
Revaluation	85	-	-	-	85	-	-
Movements in reserve for currency translation differences	(18)	-	-	(18)	-		-
Total recognised income and expense for 2006	**23,897**	**-**	**-**	**(18)**	**85**	**-**	**23,830**
Profit appropriation 2005	(9,523)	-	-	-	-	6,114	(15,637)
Interim dividend 2006	(5,411)	-	-	-	-	(5,411)	-
Expenses employee options	316	-	-	-	-	316	-
Adjustment of reserve for currency translation differences	-	-	-	18	-	(18)	-
Balance on 31 Dec. 2006	**42,701**	**433**	**15,596**	**-**	**1,548**	**1,294**	**23,830**
Net profit for 2007	27,572	-	-	-	-		27,572
Revaluation	1,304	-	-	-	1,304	-	-
Movements in reserve for currency translation differences	8	-	-	8	-		-
Total recognised income and expense for 2007	**28,884**	**-**	**-**	**8**	**1,304**	**-**	**27,572**
Profit appropriation 2006	(14,173)	-	-	-	-	9,657	(23,830)
Interim dividend 2007	(7,564)	-	-	-	-	(7,564)	-
Share issue	552	3	549	-	-	-	
Share buy back program	(5,818)			-	-	(5,818)	-
Expenses employee options	484	-	-	-	-	484	-
Adjustment of reserve for currency translation differences	-	-	-	(18)	-	18	-
Balance on 31 Dec. 2007	**45,066**	**436**	**16,145**	**(10)**	**2,852**	**(1,929)**	**27,572**

General notes

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

The 2007 consolidated financial statements of Beter Bed Holding N.V. have been drawn up by the Management Board and were considered in the meeting of the Supervisory Board on 13 March 2008. These financial statements are still to be adopted by the shareholders. The adoption of the financial statements has been placed on the agenda of the Annual General Meeting of Shareholders on 24 April 2008.

Pursuant to Section 402, of Book 2 of the Dutch Civil Code, the company financial statements contain an abbreviated profit and loss account.

Application of new standards

The accounting policies applied are consistent with those of the preceding financial year, with the following exceptions.

The company has applied the following new and amended IFRS standards and IFRIC interpretations:

- IFRS 7 Financial instruments.
- IAS 1 Presentation of financial statements - amendment.
- IFRIC 8 Scope of IFRS 2.
- IFRIC 10 Interim financial reporting and impairment.

The application of these amended standards and interpretations had no effect on the financial statements of the group. They did entail additional disclosures.

The additional disclosures on the financial instruments used (IFRS 7) are set out on page 41 of this report. IAS 1, IFRIC 8 and IFRIC 10 did not entail additional disclosures.

Principles of consolidation

New group companies are included in the consolidation at the time at which the company can exercise effective control over the company. The information is accounted for on the basis of full consolidation using uniform accounting policies. All intercompany balances and transactions, including unrealised gains on intercompany transactions, are eliminated in full. Beter Bed Holding N.V. has issued declarations of joint and several liability for all Dutch group companies for the obligations arising from all legal transactions entered into by these group companies. Pursuant to these letters of guarantees, the Dutch group companies have made use of the exemption options laid down in Article 403, paragraphs 1 and 3, of Part 9, Book 2 of the Dutch Civil Code.

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

Name statutory interest	**Registered office**	**Interest %**
BBH Beteiligungs GmbH	Cologne, Germany	100
BBH Services GmbH & Co K.G.	Cologne, Germany	100
Beter Bed B.V.	Uden, The Netherlands	100
Beter Bed Holding N.V. y Cia S.C.	Barcelona, Spain	100
Beter Beheer B.V.	Uden, The Netherlands	100
DBC International B.V.	Uden, The Netherlands	100
DBC Nederland B.V.	Uden, The Netherlands	100
DBC Deutschland GmbH	Moers, Germany	100
DFC Comfort B.V.	Heelsum, The Netherlands	100
Dormaël Slaapkamers B.V.	Soesterberg, The Netherlands	100
El Gigante del Colchón S.L.	Barcelona, Spain	100
Linbomol S.L.	Barcelona, Spain	100
M Line Bedding S.L.	Barcelona, Spain	100
Matrassen Concord B.V.	Uden, The Netherlands	100
Matratzen Concord AG	Frauenfeld, Switzerland	100
Matratzen Concord GmbH	Cologne, Germany	100
Matratzen Concord GmbH	Vienna, Austria	100
MAV Matratzen-Abverkauf GmbH	Cologne, Germany	100
Meubelgroothandel Classic Heerlen B.V.	Kerkrade, The Netherlands	100
M-T-M Nederland B.V.	Uden, The Netherlands	100
Procomiber S.L.	Barcelona, Spain	100

Principles for the translation of foreign currencies

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

Accounting policies

Tangible fixed assets

Tangible fixed assets other than company land are valued at the purchase price or production price less straight-line depreciation based on the expected economic life or lower realisable value. Company land is valued at the estimated current value. Land is carried at fair value on the basis of periodic valuations by an outside expert. Any revaluations are recognised in equity, with a provision for deferred taxation being formed at the same time. Land and tangible fixed assets under construction are not depreciated.

A tangible fixed asset is derecognised in the event of disposal or if no future economic benefits are expected from its disposal or use. Any gains or losses arising from its balance sheet derecognition (calculated as the difference between the net proceeds on disposal and the book value of the asset) are taken through profit or loss for the year in which the asset is derecognised.

The residual value of the asset, its economic life and valuation principles are reviewed and if necessary adapted at the end of the financial year.

Lease agreements

The determination whether an arrangement forms or contains a lease agreement is based on the content of the agreement and requires an assessment to determine whether the execution of the agreement is dependent upon the use of a certain asset or certain assets and whether the agreement gives the right to actually use the asset.

Operational lease payments are recorded as expenses in the profit and loss account evenly throughout the lease period.

Goodwill

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

Impairment of assets

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

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

Derecognition in the balance sheet of financial assets and liabilities

Financial assets

A financial asset (or, if applicable, part of a financial asset or part of the company of similar financial assets) is no longer included in the balance sheet if the entity is no longer entitled to the cash flows from that asset.

Financial obligations

A financial obligation is no longer included in the balance sheet once the obligation has been fulfilled, discontinued or has expired.

If an existing financial obligation is replaced by another from the same lender, under more or less the same conditions, or if considerable amendments are made to the conditions of the existing obligation, the replacement or change is dealt with by including the new obligation in the balance sheet and no longer including the original obligation. The difference between the relevant book values is included in the profit and loss account.

Stocks

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

Cash and cash equivalents

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

Other assets and liabilities

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

Deferred tax liabilities

The deferred tax liabilities are valued at the nominal value. This item incorporates the deferred tax liabilities arising from the temporary differences between the values for financial reporting and tax purposes of company land and stocks. The deferred tax liability has been included at the rate at which it is expected to be settled.

Determination of the result

Revenue

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

Cost of sales

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

Expenses

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

Pensions

A variety of pension schemes are in use within the company. In The Netherlands, the majority of the employees participate in the Wonen Industrial Pension Fund. This is an average pay scheme with a maximum pension accrual on the income for social security contributions.

This arrangement is currently considered a defined benefit arrangement. This pension fund is not, however, presently able to provide data that enable a pure application of IAS 19.
The Pension Fund has stated that any underfunding will not be recovered from participating companies by means of a premium increase. Virtually all other pension schemes are based on the defined contribution system.
The premiums paid to the industrial pension fund and to insurers respectively are included as expenses in the year for which they are applicable. There are no company-administered pension plans in the other countries.

Depreciation

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

Taxation

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

A provision is formed for deferred tax liabilities based on the temporary differences on the balance sheet date between the tax book value of assets and liabilities and their book value entered in these financial statements. Deferred tax liabilities are entered for all taxable temporary differences. Deferred tax liabilities are valued at the tax rates that are expected to apply to the period in which the claim will be realised or the liability will be settled based on the tax rates set by law and the applicable tax legislation.

Cash flow statement

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

Share-based transactions

Members of the Management Board and a few other employees of the company receive remuneration in the form of payment transactions based on shares, whereby these employees provide certain services in return for capital instruments (transactions settled in equity instruments).

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

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

Risks

Currency risks, arising mainly from purchases in dollars, are not covered. A 5% change in the average dollar exchange rate would, on the basis of the purchasing volumes in the financial year, produce an effect of € 200 on the operating result (EBIT) if sales prices remain the same. Owing to the current financing structure of the company, interest rate risk is very limited. The effect on the result of an interest rate increase by 50 basis points would be approximately € 40 before tax, on the basis of the use of the credit facilities in 2007.
Credit risk is limited to the wholesale operations and trade receivables under bonus agreements. No specific measures are required for this, in addition to standard credit control. The fair value of receivables is equal to their book value.
Liquidity risk is not very significant, owing to the nature of the company's operations and financial position. A description of the available credit facilities is set out on page 46 of this report. For an explanation of the other risks, please refer to the related section in the Report of the Management Board.

Information by segment

The company's products are delivered within one business segment and one geographic segment, namely the European bedroom furnishings market. Also, there is a comparable risk and returns profile. In view of the nature of the goods, the customers and the distribution channels, the products are in essence also comparable.

Estimates

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

Notes to the consolidated balance sheet

at 31 December, in thousand €

1. Tangible fixed assets

The movements in this item in 2006 were as follows:

	Land	Buildings	Other fixed operating assets	Total
Book value 1 January	**3,747**	**6,060**	**13,082**	**22,889**
Investments	-	33	7,676	7,709
Disposals	-	-	(54)	(54)
Currency adjustment	-	-	(7)	(7)
Depreciation	-	(278)	(5,839)	(6,117)
Book value 31 December	**3,747**	**5,815**	**14,858**	**24,420**
Accumulated depreciation	-	3,135	40,565	43,700
Accumulated revaluation	(2,078)	-	-	(2,078)
Purchase price	**1,669**	**8,950**	**55,423**	**66,042**

The movements in this item in 2007 were as follows:

	Land	Buildings	Other fixed operating assets	Total
Book value 1 January	**3,747**	**5,815**	**14,858**	**24,420**
Investments	-	488	10,327	10,815
Revaluation	1,751	-	-	1,751
Currency adjustment	-	-	(6)	(6)
Disposals	-	-	(318)	(318)
Depreciation	-	(367)	(6,607)	(6,974)
Book value 31 December	**5,498**	**5,936**	**18,254**	**29,688**
Accumulated depreciation	-	3,503	46,457	49,960
Accumulated revaluation	(3,829)	-	-	(3,829)
Purchase price	**1,669**	**9,439**	**64,711**	**75,819**

The revaluation of € 3,829 relates to the company land at Uden and Hoogeveen and the land forming part of retail properties owned. These properties are located in Elst, Den Helder, 's-Hertogenbosch and Uden. This land was revalued on 14 September 2007 by an independent valuer.
The tangible fixed assets are intended for own use.

2. Intangible fixed assets

The goodwill relates to the acquisition of the Spanish companies. The cash flow-generating unit to which this acquired goodwill is allotted is El Gigante del Colchón. The realisable value of the goodwill is determined on the basis of the present value of the company. This is calculated on the basis of the future cash flows, based on the financial budgets and prognoses of the cash flow-generating units over a period of five years. The budgeted and forecast cash flows are based on the net profit percentages realised in 2007 and growth of 5% per year.
The net present value of expected cash flows (calculated using a discount rate of 15%) supports the goodwill recognised as at the balance sheet date.

3. Stocks

This comprises stocks held in stores to the value of € 40,914 (2006: € 33,849) and stocks held in warehouses to the value of € 8,849 (2006: € 6,426). The write-down for possible obsolescence included in this item is € 1,067 (2006: € 1,226).

4. Accounts receivable

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

5. Cash and cash equivalents

This item relates to the cash and bank balances. The amount is composed as follows: cash € 398 (2006: € 348), bank balances € 2,486 (2006: € 6,254) and cash in transit € 3,676 (2006: € 2,942).

6. Equity

The movements in the equity items are shown in the consolidated equity movement overview on page 34. The company's authorised share capital amounts to € 1,250, divided into 62.5 million ordinary shares with a nominal value of € 0.02.

The movements in the number of shares used to calculate earnings per share are as follows:

	2007	2006
Issued and paid-up shares as at 1 January	21,642,617	21,642,617
Share issue on exercise of employee stock options	162,500	-
Issued and paid-up shares as at 31 December	21,805,117	21,642,617
Repurchased shares not withdrawn	238,736	-

The repurchased shares have not yet been withdrawn and therefore not been deducted from the number of issued and paid-up shares. These repurchased shares are no longer included in the earnings per share calculation.
The share premium account can be distributed free of tax. The revaluation reserve relates to land.
A proposal will be submitted to the Annual General Meeting of Shareholders to distribute a final dividend in cash of € 0.70 per share. The total dividend for 2007 will therefore amount to € 1.05 per share (2006: € 0.90).

7. Long-term liabilities at credit institutions

The company has no long-term liabilities at credit institutions.

8. Deferred tax liabilities

The deferred tax liabilities relate to the differences between the valuation of stocks and land in The Netherlands for tax and financial reporting purposes. This difference is long-term in nature. The movements in this item in 2007 and 2006 were as follows:

	2007	2006
Balance at 1 January	**1,134**	**1,182**
To income tax payable	638	37
To equity	-	(85)
Balance at 31 December	**1,772**	**1,134**

Within deferred tax liabilities at the end of the financial year, € 976 (2006: € 530) relate to the revaluation of land and € 796 (2006: € 604) to the difference between the tax and accounting valuations of stocks.

9. Current liabilities

The current account facilities available to the company for financing the group total € 25 million. In connection with these liabilities to credit institutions the company and its subsidiaries have undertaken not to encumber their assets with any security rights without advance consent by the credit institution. In addition a roll-over facility has been concluded with Fortis for an amount of € 10.0 million, with a term of eight years (until September 2015). This facility can be used as required. Security has been provided in the form of a mortgage on the distribution centres in Uden and Hoogeveen and on the retail property in Den Helder.
At the end of the financial year, an amount of € 7.5 million was used under this roll-over facility.
In June 2003 a five-year loan was entered into with the Kreissparkasse in Cologne for an amount of € 5.0 million, carrying interest at 4.63% during the entire term. Repayments are on a straight-line basis in monthly instalments. The remaining € 0.4 million will be repaid in 2008. This amount is included in current liabilities.
In general, creditors in the Netherlands are paid within ten days. In Germany the payment conditions stipulate payment 15 days after the end of the month in which goods are delivered.

Notes to the consolidated profit and loss account

at 31 December, in thousand €

10. Revenue by activity

	2007	2006
Matratzen Concord	192,824	175,105
Beter Bed	117,036	112,689
DBC	15,360	12,025
El Gigante del Colchón	13,910	13,015
BeddenREUS	12,736	9,497
Slaapgenoten/Dormaël	6,733	4,725
MAV	1,854	74
Intercompany adjustment	(9,282)	(7,113)
Total	**351,171**	**320,017**

11. Wage and salary costs

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

	2007	2006
Wages and salaries	59,994	53,893
Social security costs	11,077	10,559
Pension costs	1,538	1,400
Costs of employee stock options	484	316
Total	**73,093**	**66,168**

The pension contributions relate virtually exclusively to defined contribution schemes or schemes designated as such.

Average number of employees

All the companies included in the consolidation had an average of 1,965 employees (FTE) in 2007 (2006: 1,780):

	2007	2006
The Netherlands	654	625
Germany	1,145	1,021
Spain	84	65
Austria	45	40
Switzerland	36	29
Belgium	1	-
Total	**1,965**	**1,780**

Option program

The options are long-term in nature and can be exercised providing that the profit target has been met. The costs of the option program are calculated using the Black & Scholes model. An overview of the details of the options granted, as well as the values employed in the Black & Scholes model, is provided below:

	2004*	2005*	2006	2007
Number	175,000	177,500	212,500	216,500
Value according to Black & Scholes	€ 1.72	€ 2.89	€ 3.15	€ 3.56
Exercise from	March 2008	28-Oct-08	March 2009	30-Oct-09
Exercise through	29-Oct-11	28-Oct-11	27-Oct-12	30-Apr-13
Profit target (in million)	€ 12.0	€ 15.0	€ 27.5	€ 36.0
Share price on the allotment date	€ 5.90	€ 10.71	€ 17.08	€ 20.92
Exercise price	€ 5.90	€ 10.71	€ 17.08	€ 20.92
Expected life	3.5 year	4.5 year	4.2 year	3.8 year
Risk-free rate of interest	2.98%	3.02%	3.86%	4.29%
Volatility	49.33%	50.56%	41.11%	33.15%
Dividend yield	4.38%	6.54%	8.49%	6.70%

* recalculated following the share split in May 2006

12. Depreciation

Depreciation in the year under review amounted to € 6,974 (in 2006: € 6,117).

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

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

13. Other operating expenses

Other operating expenses include € 35.5 million in rental expenses and lease expenses (2005: € 29.2 million).

The remainder of these costs relates mainly to selling and distribution costs.

14. Taxes

The reconciliation between the tax liability and the results of the calculation of the profit before taxes, multiplied by the local tax rate in the Netherlands, was as follows on 31 December 2007 and 2006:

	2007	2006
Profit before taxes	**36,874**	**33,845**
At the applicable legal rate of 25.5% in The Netherlands (2006: 29.6%)	9,403	10,018
Adjustment profits tax previous years	(41)	(119)
Non-deductible expenses	144	117
Deductible costs of employee stock options	(1,023)	-
Movements in provision for taxes based on change of tax rate	-	(83)
Effect of the tax rates outside The Netherlands	819	82
At an effective tax rate of 25.2% (2006: 29.6%)	**9,302**	**10,015**
Profit tax taken to the consolidated profit and loss account	9,302	10,015

The tax-deductible losses at the end of the year under review totalled € 871.

A deferred tax asset is not included for these losses because realisation is not yet more likely than not.

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

In 2007 the remuneration for the members of the Management Board and the Supervisory Board was as follows:

	Salary (in €)		Bonuses (in €)		Pension (in €)	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
F.J.H. Geelen	290,000	280,500	290,000	210,375	101,500	98,175
E.J. van der Woude	145,000	140,000	72,500	70,000	36,250	35,000
Total, Management Board	**435,000**	**420,500**	**362,500**	**280,375**	**137,750**	**133,175**
M.J.N.M. van Seggelen	26,500	26,500				
E.F. van Veen	22,500	22,500				
J. Blokker	16,000	16,000				
C.A.S.M. Renders	22,500	22,500				
Total, Supervisory Board	**87,500**	**87,500**				

The bonuses relate to the year in which they are classified and are included in the expenses of that year. Mr Geelen and Mr Van der Woude were able to realise a bonus in 2007 of 100% and 50% of their fixed salary respectively. The following structure was applied.

- Realisation of 90% of the budgeted operating profit would result in a bonus totalling 15% or 10% respectively of the fixed salary.
- Realisation of 100% of the budgeted operating profit would result in a bonus totalling 35% or 20% respectively of the fixed salary.
- A bonus totalling 20% of the fixed salary may be awarded at the discretion of the Supervisory Board.
- Mr Geelen could earn 2.175% of the operating profit that exceeded the budget with a maximum of 30% of his fixed salary.

The contracts with Mr Geelen and Mr van der Woude contain no “change of control” clauses.

Options for new shares have been issued to members of the Management Board with a view to enhancing the commitment to the company in the medium term. Mr Geelen and Mr Van der Woude have the following options:

	Year of issue	Number	Exercise price	Duration
F.J.H. Geelen	2004	50,000	5.90	29-10-2011
	2005	50,000	10.71	28-10-2011
	2006	50,000	17.08	27-10-2012
	2007	50,000	20.92	30-04-2013
E.J. van der Woude	2004	25,000	5.90	29-10-2011
	2005	25,000	10.71	28-10-2011
	2006	25,000	17.08	27-10-2012
	2007	25,000	20.92	30-04-2013

Both gentlemen exercised their options from 2003 in the year under review. The exercise price of this option series was € 3.40.

The pension schemes of Mr Geelen and Mr Van der Woude are defined contribution schemes. The contribution for Mr Geelen is 35% of the fixed salary; for Mr Van der Woude the contribution is 25% of the fixed salary.
The options are long-term in nature and can be exercised providing that the profit target has been met. This target is net profit of € 12.0 million for the series awarded in 2004, net profit of € 15.0 million for the series awarded in 2005, net profit of € 27.5 million for the series awarded in 2006 and net profit of € 36.0 million for the last series. Other data on the options and their valuation are included in the notes to the wage and salary costs.

Mr Geelen has 39,000 shares.
The members of the Supervisory Board do not have any options.
Mr J. Blokker is director of the major shareholder Breedinvest B.V.

Earnings per share

The net profit of € 27,572, divided by the average number of outstanding shares totalling 21,653,156 equals earnings per share of € 1.27. Due to the option series outstanding, the number of shares used for the calculation of the diluted earnings per share is equal to 21,930,759. This results in diluted earnings per share of € 1.26.

Commitments not included in the balance sheet

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

Duration	**2008**	**2009**	**2010**	**2011**	**2012**	**after 2012**
Rental agreements	39,674	24,340	15,436	10,212	4,420	6,394
Lease agreements	1,987	1,465	835	408	99	6
Total	**41,661**	**25,805**	**16,271**	**10,620**	**4,519**	**6,400**

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

In the year under review amounts of € 33.3 million arising from rental agreements for real estate and € 2.2 million arising from lease agreements have been recorded in the profit and loss account.

The company has entered into a buy back commitment for the inventory and stocks towards the financers of the franchisees of the Dormaël formula. At the end of 2007 the maximum commitment amounted to € 0.2 million.

Company balance sheet

at 31 December, in thousand €
before proposed profit appropriation

		2007	2006
Tangible fixed assets		**25**	**28**
Financial fixed assets	1	**80,850**	**66,413**
Debtors	2	**15,787**	**7,846**
Cash and cash equivalents	3	**1,495**	**-**
Total assets		**98,157**	**74,287**

		2007	2006
Capital and reserves	4		
Issued share capital		436	433
Share premium account		16,145	15,596
Reserve for currency translation differences		(10)	-
Revaluation reserve		2,852	1,548
Other reserves		(1,929)	1,294
Retained earnings		27,572	23,830
	5	**45,066**	**42,701**
Provisions	6	**6,454**	**14,472**
Current liabilities		**46,637**	**17,114**
Total liabilities		**98,157**	**74,287**

Company profit and loss account

at 31 December, in thousand €

	2007	2006
Net profit of participating interests	**24,147**	**21,708**
Other income / (expenses)	**3,425**	**2,122**
Net profit	**27,572**	**23,830**

Notes to the company balance sheet and profit and loss account

at 31 December, in thousand €

General

The financial statements of Beter Bed Holding N.V. have been compiled on the basis of Title 9, Book 2 of the Dutch Civil Code in accordance with International Financial Reporting Standards (IFRS), as adopted for use in the European Union and applied to the consolidated financial statements. The participating interests are valued at net asset value. Participating interests in group companies are valued at the net asset value calculated in accordance with Beter Bed Holding N.V.'s policies. When a participating interest has a negative equity the sequence is as follows: first, the valuation of the participating interest is reduced, then a provision is formed for amounts owed by the participating interest and, when so required, a provision is formed.
The company financial statements are presented in euros and all amounts are rounded to thousands (€ 000) unless stated otherwise.
The option provided by Section 402 of Book 2 of the Dutch Civil Code to include an abbreviated profit and loss account in the company financial statements has been used.

1. Financial fixed assets

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

	Participating interests in group companies	**Loans**	**Total**
Balance at 1 January 2007	**22,181**	**44,232**	**66,413**
Profit from participating interest in 2007	24,147	-	24,147
Dividend paid	(3,000)	-	(3,000)
Revaluation	1,304	-	1,304
Exchange gain	8	-	8
Loans granted to group companies	-	-	-
Capital contribution	-	-	-
Movements in amounts owed by group companies	(4)	-	(4)
Movements in loans owed by group companies	90	(90)	-
Movements in participating interests provision	(8,018)	-	(8,018)
Balance at 31 December 2007	**36,708**	**44,142**	**80,850**

The intangible fixed assets stated in the financial statements for 2006 (€ 142) are now included in financial fixed assets. The comparative figures have been adjusted accordingly.

2. Debtors

At 31 December	2007	2006
Group companies	14,257	6,525
Other debtors	1,530	1,321
Total	**15,787**	**7,846**

All debtors fall due within one year.

3. Cash and cash equivalents

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

4. Equity

The company's authorised capital amounts to € 1,250, divided into 62.5 million ordinary shares with a nominal value of € 0.02 each. At the end of 2007 21,805,117 shares had been issued and paid up. The number of shares outstanding increased by 162,500 in the year under review as a result of the exercise of employee stock options.
238,736 shares in the company's own capital were repurchased in 2007. These repurchased shares have not yet been withdrawn and therefore not been deducted from the number of issued and paid-up shares. These repurchased shares are no longer included in the earnings per share calculation.
The movement in the equity items is explained in the consolidated equity movement overview on page 34.
The entire share premium account can be distributed tax free. The revaluation reserve relates to company land.

5. Provisions

At year-end 2007 and 2006 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 2007 and 2006 were as follows:

	2007	2006
Balance at 1 January	**14,472**	**22,424**
Other movements	(8,018)	(7,952)
Balance at 31 December	**6,454**	**14,472**

6. Current liabilities

The breakdown of this balance sheet item is as follows:

At 31 December	2007	2006
Credit institutions	43,560	14,133
Taxes and social security contributions	1,999	2,406
Other liabilities, accruals and deferred income	1,078	575
Total	**46,637**	**17,114**

The movement in current liabilities owed to credit institutions is due mainly to dividend payments and the repurchase of shares in the company's own capital during the financial year.

Commitments not included in the balance sheet

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

Uden, 13 March 2008

Management Board
F.J.H. Geelen
E.J. van der Woude

Supervisory Board
M.J.N.M. van Seggelen
E.F. van Veen
C.A.S.M. Renders
J. Blokker

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

Auditor's Report

Report on the financial statements

We have audited the accompanying financial statements 2007 of Beter Bed Holding N.V., Uden. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at December 31, 2007, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at December 31, 2007, the company profit and loss account for the year then ended and the notes.

Management's responsibility

Management of the company is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Beter Bed Holding N.V. as at December 31, 2007, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Beter Bed Holding N.V. as at December 31, 2007, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Eindhoven, 13 March , 2008

for Ernst & Young Accountants

was signed by W.T. Prins

Other information

Appropriation of profit pursuant to the articles of association

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

Paragraph 1

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

Paragraph 2

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

Appropriation of profit in thousand €

Profit for 2007	27,572
Interim dividend	(7,564)
Addition to the other reserves*	(4,912)
Profit available for payment	**15,096**

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

* On the basis of the balance of outstanding and repurchased shares as at 31 December 2007.

Historical summary

at 31 December

	2007	2006	2005	2004	2003	2002
Result (in thousand €)						
Revenue	351,171	320,017	287,136	255,166	234,018	221,779
Gross profit	188,741	171,024	152,619	134,595	121,965	117,067
Operating profit (EBIT)	37,346	34,481	24,685	14,960	4,282	892
Net profit	27,572	23,830	15,637	8,316	1,751	(1,644)
Depreciation	6,974	6,117	6,318	6,316	6,883	6,140
Cash flow	34,546	29,947	21,955	14,677	8,634	4,496
Net investment	10,497	7,655	6,299	3,787	3,458	5,775
Capital (in thousand €)						
Total assets	95,160	82,957	72,226	68,988	63,202	65,575
Equity	45,066	42,701	33,422	25,372	19,774	18,304
Figures per share*						
Net profit in €	1.27	1.10	0.72	0.39	0.08	(0.08)
Cash flow in €	1.60	1.38	1.02	0.68	0.40	0.23
Dividend paid in €	1.05	0.90	0.60	0.30	0.06	-
Average number of outstanding shares (in 1,000 of shares)	21,653	21,643	21,642	21,441	21,414	19,478
Share price in € at year-end	18	19	13	6	4	3
Ratios						
Operating profit/revenue	10.6%	10.8%	8.6%	5.9%	1.8%	0.4%
Net profit/revenue	7.9%	7.4%	5.4%	3.3%	0.7%	(0.7%)
Solvency	47.4%	51.5%	46.3%	36.8%	31.3%	27.9%
Interest cover	79.1	54.2	31.4	16.2	2.6	0.4

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

At 31 December

	2007	2006	2005	2004	2003	2002
Other information						
Number of stores						
at year-end	960	839	775	682	644	618
Number of retail staff						
at year-end	2,075	1,810	1,717	1,567	1,497	1,482
Number of staff in Poland						
at year-end	-	-	4	193	284	292
Revenue per staff						
(in € 1,000)	179	180	167	144	131	125

Colophon

This annual report is published by

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