



B E T E R B E D H O L D I N G
Hard at work on a good night's rest

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A N N U A L R E P O R T 2 0 0 2



COMPANY PROFILE



BETER BED HOLDING NV

BETER BED

NL D

MATRATZEN CONCORD

D A CH NL F I

DBC INTERNATIONAL

NL D

DORMAËL

NL

PRODUCTION

P



Beter Bed Holding N.V. represents a group of businesses engaged in retail activities in the international bedroom furniture market. The company sells bedroom furniture, mattresses, bed bases and other bedroom accessories to consumers through three leading retail formulas. The retail chains operate in different market segments, each with its own image and identity. Consumers are attaching more and more importance to modern, attractively furnished bedrooms, as well as they are acknowledging the importance of a good night's rest. As a result, they are paying more attention to good-quality sleeping products and increasingly appreciate good advice from a bedroom furniture specialist.

The European bedroom furniture market is very fragmented and is served primarily by small private businesses owning one or just a few stores. Beter Bed and Matratzen Concord, both forming part of Beter Bed Holding N.V., are leaders in their markets. The company's strategy is aimed at fast and profitable expansion in the fragmented European bedroom furniture market. As part of this strategy, the formulas aim to become market leaders in the various countries in which they are active. In addition, the company develops product formulas which are sold as private label products by the company's own retail chains as well as through other distribution channels.

Modern business practice requires companies to focus continuously on innovative trends and shifting spheres of interest. The company has a sound business strategy, enabling it to anticipate new developments quickly. Beter Bed Holding's objective is to rapidly expand and further strengthen its market position.

FORMULAS AND STORES

formula		1 January 2002	closed	opened	31 December 2002
● Matratzen Concord	Germany	399	19	56	436
	The Netherlands	22	5	10	27
	Austria	16	1	7	22
	Switzerland	17		1	18
	France	5	1	2	6
	Italy	4	1	3	6
● Beter Bed	The Netherlands	75	2	3	76
	Germany	5			5
● Dormaël	The Netherlands	12			12
● Beddendump	The Netherlands	7		2	9
● WasserbettenDiscount	Germany			1	1
Total		562	29	85	618



Beter Bed

A chain of 81 bedroom furniture showrooms, 76 in The Netherlands and five in Germany, located in the middle segment of the market with an excellent value for money. These stores sell a wide and up-to-date range of bedroom furniture, bed bases, mattresses and other articles at competitive prices. Beter Bed is a household name and the leading market player in The Netherlands. Beter Bed's strategy is aimed at further strengthening its position in the Dutch market as well as European expansion, as part of which the Beter Bed formula was launched in Germany. You will find more information on www.beterbed.nl.



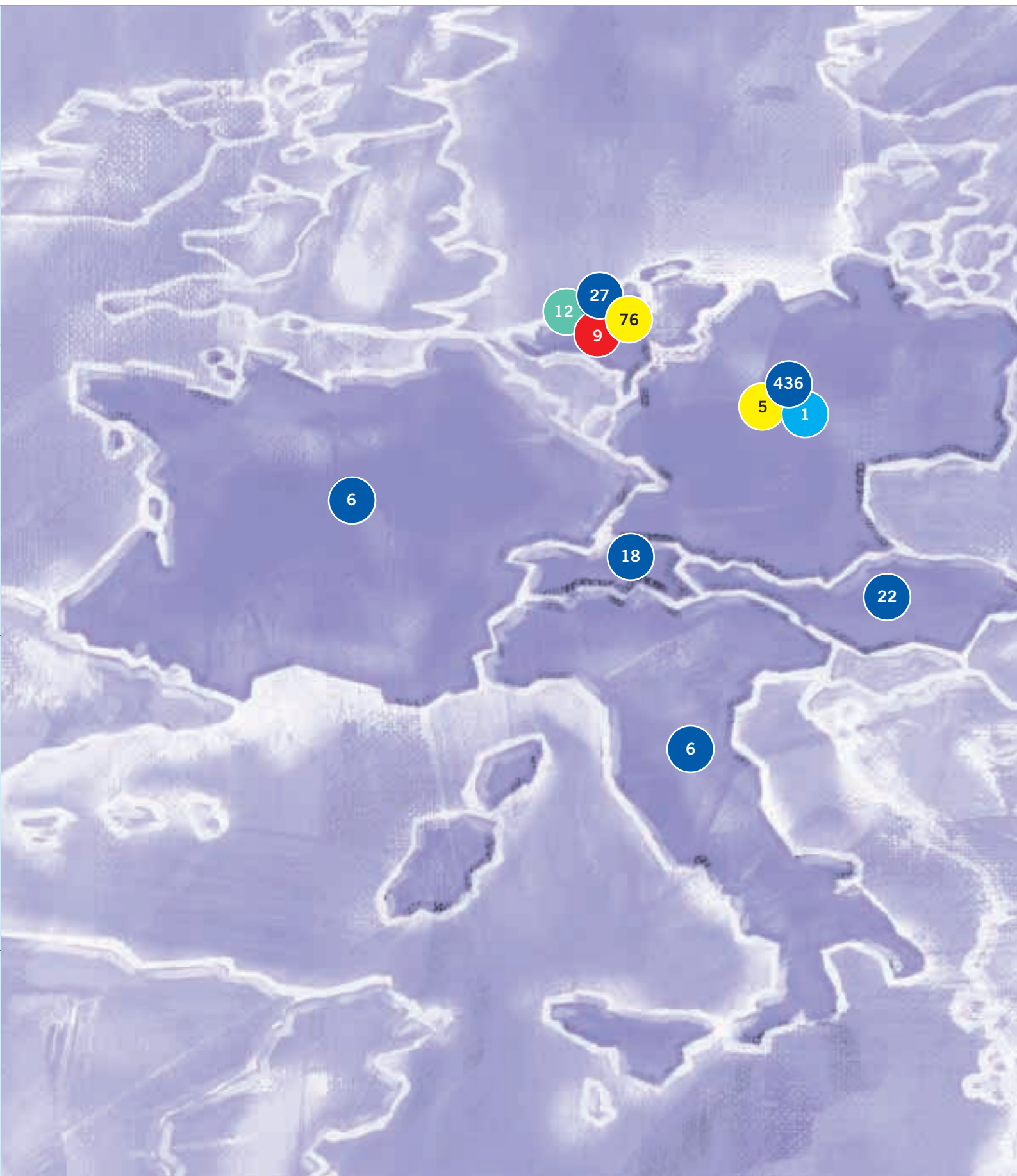
Matratzen Concord

The formula aims at selling mattresses to consumers, based on the cash and carry formula. This chain consists of 515 outlets, with an average floor space of 225 m² at so-called C-locations in and around city centres close to the consumer. The stores offer customers a wide range at very competitive prices and provide personal advice. The formula is currently operated in Germany (436), Austria (22), Switzerland (18), The Netherlands (27), France (6) and Italy (6). In Germany Matratzen Concord has become the leading mattress specialist. Its strategy is aimed at strengthening its position as the leading European player in the fragmented mattress specialist market. You will find more information on www.matratzen-concord.de.



Dormaël Slaapkamers

This chain of twelve stores focuses on the higher segment of the Dutch bedroom furniture specialist market. It has been operated as a franchise formula since 2000, with stores at the better locations in The Netherlands. The stylish showrooms offer consumers a large and exclusive range of furniture that includes many top brands. You will find more information on www.dormaelslaapkamers.nl.





KEY-FIGURES

	2002	2001	2000	1999	1998
Result (in € 1,000)					
Net turnover	221,779	238,876	226,325	207,175	108,705
Gross profit	117,067	128,895	125,160	111,452	59,271
Operating profit (EBIT)	892	20,090	21,173	22,141	12,770
Net profit	(1,644)	11,066	6,599	12,748	7,947
Depreciation	6,140	5,006	5,198	4,794	3,535
Cash flow	4,496	16,072	11,797	17,541	11,482
Net investments	5,775	8,674	1,570	5,670	7,100
Capital					
Total assets	65,575	71,318	68,213	73,272	56,724
Group equity	18,304	19,119	16,701	21,189	6,440
Figures per share					
Net profit	(0.21)	1.42	0.85	1.67	1.23
Cash flow	0.58	2.06	1.52	2.29	1.77
Dividend paid	-	0.50	0.57	0.57	0.41
Average number of ordinary shares (in thousand of shares)	7,797	7,790	7,754	7,662	6,490
Share price in € at year-end	7	13	11	27	30
Ratios					
Operating profit/net turnover	0.4%	8.4%	9.4%	10.7%	11.7%
Net profit/net turnover	(0.7%)	4.6%	2.9%	6.2%	7.3%
Solvency	27.9%	26.8%	24.4%	28.9%	11.4%
Interest cover	0.4	11.1	9.9	15.3	16.1
Other information					
Number of retail stores at year-end	618 *	555	495	423	96
Number of staff in The Netherlands at year-end	625	599	618	735	699
Number of staff in Germany, Switzerland, Austria, France and Italy at year-end	857	782	648	539	10
Number of staff in Poland at year-end	292	426	492	506	519
Turnover per staff member (in € 1,000)	125	132	128	116	89

* Starting in 2002 the Beddendump stores are included in this total.

At the end of 2001 there were 7 Beddendump stores, till 2002 these were treated as temporary stores.

REPORT OF THE SUPERVISORY BOARD



We hereby present the directors' report and the annual accounts for 2002 to you. The annual accounts were adopted by the Supervisory Board after we had discussed the findings of the external auditor, following the audit of the annual accounts, during the annual meeting with the auditor. You will find the unqualified audit report of Ernst & Young on page 38. The annual accounts will be submitted for the approval of the Annual General Meeting to be held on 24 April 2003. We propose that you approve these annual accounts. Unqualified approval will discharge the Board of Directors for actions in respect of the policy pursued during 2002 and the Supervisory Board for the supervision carried out by it.

After many successful years, the year under review was disappointing. The further deterioration of the economy resulted in a more conservative attitude towards spending on the part of consumers. This led to a strong decline in the demand for bedroom furniture. Despite every effort by the Board of Directors to increase

productivity and reduce costs, this led to the first loss-making year in the history of Beter Bed Holding.

In accordance with the proposal of the Board of Directors, we propose that no dividend be paid for 2002. Solvency and the desired growth strategy were the reasons why 771,600 new shares were issued on 18 December 2002, representing 9.9% of the share capital outstanding at the time.

During 2002, the Supervisory Board was very involved in the developments of Beter Bed Holding and its subsidiaries. We met seven times with the Board of Directors, which kept us informed about commercial and strategic developments both verbally and in writing.

During these meetings, the sluggish turnover was discussed in great detail. As far as we are concerned, the introduction of the euro can only be blamed for the poor turnover during the first part of the year. Weakening consumer confidence together with a deterioration in the economy, meant

that fewer consumers visited our stores across Europe from the beginning of the year. The risk profile and the organisation of the company, the different store formulas and their positioning in the European markets were also discussed.

The Supervisory Board also met alone on a number of occasions, among other things, to discuss NeSBIC's intention to make an offer for all the shares of the company.

At the time, the offer amounted to € 16 and that was reason enough for us to inform the shareholders, after which it was made public on 5 February 2002.

On 21 March 2002 NeSBIC withdrew its offer on account of the deterioration in already difficult market conditions and the accompanying significant and continued decline in turnover and results, in combination with an increase in uncertainty about when a recovery of the profitability could again be expected.

We have agreed to the request from the Annual General Meeting in respect of participation in the NextPrime segment of Euronext.

Mr L.R.J. van Rappard, who has been a member of the Supervisory Board of Beter Bed Holding right from the start, resigned his position on account of his ever-increasing workload.

We would like to thank him for everything that he has done for Beter Bed over the years.

Mr M.J.A.M. Diks, who, after resigning as CEO of Beter Bed Holding, joined the Supervisory Board a year ago, has for personal reasons decided that he is no longer able to act as a member of the Supervisory Board. We would like to thank Mr Diks for his contribution as a member of the Supervisory Board of the company.

Mr M.J.N.M. van Seggelen retired by rotation during the Annual General Meeting of 25 April 2002 and was reappointed.

During the Extraordinary General Meeting of Shareholders on 6 June 2002, Mr J. Blokker was appointed

as member of the Supervisory Board of the company on the recommendation of the Supervisory Board. We are of the opinion that, following Mr Blokker's joining the Supervisory Board, the Supervisory Board is adequately composed and does not need to be expanded any further.

The remuneration committee remains unchanged and consists of Messrs M.J.N.M. van Seggelen and E.F. van Veen.

Given the nature and size of the company, the decision has been made for the time being not to institute an audit committee and to have this task carried out by the entire Supervisory Board.

The Supervisory Board is aware of the broad range of interests which the company represents and realises its responsibility vis-à-vis everyone involved in the company: customers, shareholders, employees, suppliers and financiers.

It ensures that the policy pursued and the results thereof are accounted for in a transparent manner.

Developments in the area of Corporate Governance are therefore a recurrent topic of discussion both within the Supervisory Board and in consultation with the Board of Directors.

We are not satisfied with the results achieved in 2002 and will, given our responsibility to supervise and advise, make every effort to ensure that the necessary and possible measures are taken to improve profitability.

We would like to thank the Board of Directors and all the employees for their efforts and perseverance during these commercially difficult times.

Uden, 8 April 2003

M.J.N.M. van Seggelen, chairman
E.F. van Veen, vice-chairman
C.A.S.M. Renders
J. Blokker

SUPERVISORY BOARD



The members of the Supervisory Board are appointed for a period that expires on the day of the first Annual General Meeting, held four years after their appointment. Board members step down periodically according to a schedule drawn up by the Supervisory Board. For a list of other companies at which the board members hold supervisory directorships we refer to the 'Curricula vitae of the Supervisory Board'.

CURRICULA 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. After that, he held management positions in consumer goods production and trading companies.

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

Mr Van Seggelen is a member of the Supervisory Board of Beter Bed Holding N.V., Deen Supermarkt B.V., Pearle Europe B.V., De Lampenier B.V., DGS Wijnkopers B.V., Borstelfabriek Vero B.V., Marca Family Fashion C.V. and Todlin N.V.

He is Chairman of Vedis Retail Trade Platform and member of the board of the 'Retail Jaarprijs' Foundation. He also works as a consultant for some other retail companies.

E.F. van Veen (1939)

Mr Van Veen completed his study of business economics at Erasmus University Rotterdam in 1967. He began his career at Thomassen & Drijver Verblifa N.V., Deventer, where he held various financial and commercial management positions. From 1973 to 1998 he was successively corporate controller, corporate director Financing & Controlling (CFO) and vice-president of Royal Numico N.V.

Mr Van Veen is a member of the Supervisory Board of Beter Bed Holding N.V., Budelpack International B.V., Docdata N.V., Blokker Holding B.V. and Nabuurs Groep Haps B.V. He is a member of the Board of the Stichting Administratiekantoor CSM, chairman of the Stichting Administratiekantoor ABN AMRO Holding and member of the Supervisory Committee of Leiden University Medical Centre (LUMC). With the Lombard Odier Nutrition Fund in Switzerland he is a member of the Advisory Board. Finally he is a member of the Listing Regulations Committee of Euronext N.V.

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

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

Mr Renders is a member of the Supervisory Board of various companies, such as the listed companies Beter Bed Holding N.V., Detron N.V. (until June 2000, after which the company was sold to Landis N.V.) and a few closely-held companies. As a member of the Supervisory Board of the two listed companies, he was closely involved in their flotation.

J. Blokker (1942)

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

Furthermore he is a member of the Supervisory Board of Beter Bed Holding N.V., Van Haren Schoenen B.V. and Megapool Holding B.V.



Kårlsson boxsprings

In December 2002 Beter Bed has introduced a new brand of Swedish boxsprings on the Dutch market. With these Kårlsson boxsprings the Swedish way of sleeping is now available for a broad range of customers.

General

The company has had a difficult year. The sharp decline in the demand for bedroom furniture which marked the end of 2001, continued during 2002. This negative development of the market can be attributed to a combination of factors, in particular:

- The decline in economic growth.
- The stagnation on the housing market and the decline in the number of removals as a consequence thereof.
- The sharp decrease in consumer confidence.
- The introduction of the euro.

For Germany, we can also add the increased uncertainty during the autumn following the elections.

Beter Bed's policy is geared towards strengthening the commercial thrust of its own formulas, reducing the costs per store and continuing the expansion. In this way, we feel that we will be able to take advantage of the opportunities available in the current market and of the recovery of consumer confidence as soon as this manifests itself.

2002 was ended with a net loss of € 1.6 million (2001: profit € 11.1 million). At € 221.8 million, turnover is 7.2% lower than in 2001 (€ 238.9 million).

At the end of 2002, the joint formulas had 618 stores, an increase of 63 compared to the previous year (555).

Strategy

Beter Bed's strategy remains unchanged, namely geared towards a profitable expansion in the European sleep market. This will be achieved mainly through expanding Matratzen Concord, improving Beter Bed's position and developing new private label product concepts.

The most important points of action for 2003 are:

- The expansion of Matratzen Concord in countries where profitable operations are possible. As in previous years, stores that do not make a contribution will be closed wherever possible.
- The themes for Beter Bed Nederland in 2003 will be the further improvement of the collection by including a number of new unique models, improving our service to the customer, among other things, through the further implementation of a new IT system and the further optimisation of the current store base.
- DBC, established in September 2001, will further increase the number of selling points of M LINE mattresses in The Netherlands and Germany.

Market and market developments

The market for furniture and bedroom furniture has had a very difficult year. The most important markets for Beter Bed Holding (The Netherlands and Germany) have been characterised by a decline in consumer confidence and a decrease in the willingness to make large purchases. The uncertainty among consumers in Germany increased further after the elections in October. In The Netherlands consumer confidence stabilised at a historically low level during the last months of 2002. Other countries where Beter Bed does business were also characterised by worsening market conditions.

Activities

Beter Bed

In 2002, Beter Bed realised a turnover of € 91.4 million against a turnover of € 102.6 million in 2001. This is a decrease of 11.0%. The movement in comparable stores in The Netherlands was -9.8%.

In Germany, despite a decline in market, an increase of 4.1% was realised in comparable stores. At the beginning of this year measures were taken in the area of costs and investments in order to bring these in line with the decreasing turnover level. Given the fixed nature of a large part of the costs, it always takes a while before the effects of the measures become visible. As far as the order intake is concerned, there has been a positive development since September compared to 2001. Although it is too early for optimism, the order book was also larger at the end of 2002 than at the end of 2001.

Following the implementation of a new IT system in the distribution centre in Hoogeveen, the distribution centres in Uden and Beverwijk will also transfer

to this system in 2003. In addition to offering the customer a better service, this will also contribute to reducing stocks.

The store in Villa Arena which was opened in 2002 started off well. This also applies to the relocated stores in 's-Hertogenbosch and Dordrecht. Following a successful test, a new product line of Swedish box springs was introduced at the end of 2002 in all the stores in The Netherlands under the name Kårlsson.



Private label collection Matratzen Concord

Since 2001 Matratzen Concord has been developing a private label product range in mattresses and slatted bases in the middle price segment. These products are presented as a high quality product and are clearly recognisable for the customer.

Matratzen Concord

Matratzen Concord realised a turnover of € 125.4 million in 2002. This is a decrease of 2.2% compared to 2001 (€ 128.2 million). The decline in turnover which started during the last week of 2001 continued during the whole of 2002. This further intensified in Germany following the elections. Nevertheless the expansion was continued and the number of stores increased to 515 (2001: 463). Turnover developments in 2002 lead, on the one hand, to potential new sites being considered more critically and, on the other hand, to more locations becoming available because a number of competitors could not pull through. It is expected that the store base will also be expanded in 2003. However, measures will be taken even more speedily if stores fail to make a contribution.

The implementation of a new IT system was successfully completed for the German organisation. As a result of better monitoring of the stocks in the stores and improving the ordering process, it was possible to realise

a decrease in stocks despite an increase in the number of stores and the decreasing turnover. The development of private label products was continued in 2002 with the introduction of a pocket spring mattress line with the name Vivality.

Dormaël bedrooms

The Dormaël franchisees did not escape the difficult market. Developments were also disappointing in the higher market segment.

Beddendump

Although the formula has existed for some time, this is the first time that these stores have been included in this report. Beddendump was originally set up to sell items taken from the Beter Bed range at attractive prices via temporary stores. In 2002, it was decided to expand this formula into a discount chain for bedroom furniture according to a cash and carry concept in The Netherlands. There were 9 Beddendump stores at the end of 2002.

DBC

After the start in September 2001 the branding activities, under the name DBC, were further expanded in 2002. The number of M LINE selling points (excluding the Beter Bed stores) increased to 75 in The Netherlands and 80 in Germany. The turnover grew from € 1.0 million to € 3.2 million.

Production

One of the three production sites in Poland was closed in 2002. Also as a result of this, the number of employees was further reduced to 292 (end of 2001: 426). The closing costs of € 63,000 were debited against the restructuring provision set up in 2000; this left a provision of € 605,000 at the end of 2002. The factories, despite a clear improvement, did not make any contribution to the consolidated result in 2002. There are however increasing numbers of contacts with promising potential new clients. The production operations do not form part of the core activities of the company.

Investment, financing and cash flow

An amount of € 5.8 million was invested during the past year. This relates to an amount of € 2.6 million invested in stores and € 3.2 in IT and other operating assets.

The financing structure was adjusted in 2002. Financing via mainly short-term bank loans offered too little stability. A financial lease was concluded with Bouwfonds Property Finance B.V. for € 10.8 million, and equity capital of € 5.0 million was raised at the end of the year to increase the solvency so that expansion can be continued in the coming years. At the end of 2002, the solvency percentage was 27.9% (2001: 26.8%).

The liquidity position came under pressure during the first half of the year as a result of the disappointing turnover, the payment of the 2001 dividend, relatively high investment because of the new IT systems and the increase of stocks. During the second half of the year, the liquidity position improved as a result of measures taken to reduce stocks and as a result of the

decision taken in the second quarter to postpone or cancel a number of planned investments.

Employees

At 31 December 2002, the Beter Bed Holding company had 1,774 employees. Of these, 596 were involved in Beter Bed activities in The Netherlands and Germany, and 860 in Matratzen Concord retail activities in Germany, The Netherlands, Austria, Switzerland, France and Italy. The quality and commitment of the employees determines, to a large extent, the success of an organisation. In a difficult year, such as the one just completed, the dedication and loyalty of all employees is absolutely essential. The Board of Directors of Beter Bed Holding would like to thank all their employees for their commitment and dedication during these sometimes difficult times.

Environment

The company and its directors are aware of the increasing importance of environmental aspects in business decisions. Therefore the company acts accordingly and communicates this to employees and suppliers.



M LINE

The M LINE products have been developed by DBC. These slow foam mattresses have unique pressure reducing qualities. The M LINE products are sold through the Beter Bed stores as well as through third parties.

Corporate Governance

In 1997 the Board of Directors, together with the Supervisory Board, expressed an opinion on the recommendations made by the Corporate Governance Committee in The Netherlands.

New developments in this respect are closely monitored.

The Board of Directors attaches a great deal of importance to open and constructive communication with stakeholders.

In order to enhance staff motivation and commitment, the company uses various incentive schemes that are in line with company goals, such as performance related remuneration systems and an option plan.

Expectations and outlook

For 2003, we are taking into account the difficult market circumstances.

The current policy of increasing the commercial thrust of the formulas, reducing the costs per store and ongoing expansion will be continued.

Given the current market circumstances and the uncertainty as to whether the market will start to recover during this year, we cannot make any statement about the 2003 result at this moment.

Uden, 8 April 2003

F.J.H. Geelen,
C.E.O.



CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2002

(in € 1,000, before proposed profit appropriation)

	31 December 2002	31 December 2001
Tangible fixed assets		
Land and buildings	11,666	12,016
Plant and machinery	1,039	1,343
Other fixed operating assets	16,424	16,420
	29,129	29,779
Current assets		
Stocks	28,678	30,662
Debtors	4,018	6,352
Cash at bank and in hand	3,750	4,525
	36,446	41,539
Current liabilities	33,093	44,993
	3,353	(3,454)
	32,482	26,325
Financed by:		
Long-term liabilities	12,370	4,901
Provisions	1,808	2,305
Equity	18,304	19,119
	32,482	26,325
Total assets	65,575	71,318

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR 2002

(in € 1,000)

	2002	2001
Net turnover	221,779	238,876
Cost of sales	104,712	109,981
Gross profit	117,067	128,895
Selling expenses	101,670	94,893
General administrative expenses	14,505	13,912
Total operating expenses	116,175	108,805
Operating profit (EBIT)	892	20,090
Financial income and expense	(2,051)	(1,808)
Profit on ordinary activities before taxation	(1,159)	18,282
Taxes on profit on ordinary activities	485	7,216
Net result	(1,644)	11,066
Earnings per share in €	(0.21)	1.42

CONSOLIDATED CASH FLOW STATEMENT FOR 2002

(in € 1,000)

	2002	2001
Cash flow from/(used in) operating activities		
Net group profit	(1,644)	11,066
Depreciation	6,140	5,006
Movements in:		
Stocks	1,984	710
Debtors	2,334	2,404
Creditors	198	(1,484)
Provisions	(497)	(3,005)
Cash flow from/(used in) operating activities	8,515	14,697
Cash flow from/(used in) investing activities		
Additions to tangible fixed assets	(5,778)	(9,296)
Disposals of tangible fixed assets	3	622
Cash flow used in investing activities	(5,775)	(8,674)
Cash flow from/(used in) financing activities		
Income from the issue of new shares	5,031	-
Exchange gain/(loss) on foreign participating interests	(21)	38
Issued long-term loans	12,795	-
Repayment of long-term liabilities	(5,326)	(4,760)
Dividend paid	(3,896)	(4,419)
Cash flow from/(used in) financing activities	8,583	(9,141)
Net cash flow for financial year	11,323	(3,118)
Cash at bank and in hand/short term portion of amounts owed to credit institutions at the beginning of the financial year	(18,595)	(15,477)
Cash at bank and in hand/short term portion of amounts owed to credit institutions at the end of the financial year	(7,272)	(18,595)

GENERAL NOTES

The amounts included in these notes relate to the consolidated figures, unless otherwise stated. The notes to the company financial statements are limited to the assets and liabilities disclosed in the company balance sheet which deviate from the corresponding amounts in the consolidated balance sheet.

The company profit and loss account has been prepared in accordance with Section 402, Part 9, Book 2 of The Netherlands Civil Code.

Basis of consolidation

The consolidated financial statements include the financial data of Beter Bed Holding N.V. and the participating interests (see alongside overview) in which Beter Bed Holding N.V. directly or indirectly holds more than 50% of the voting rights.

New group companies are included in the consolidation from the moment the group has full control of the company. Beter Bed Holding N.V. has issued declarations of joint and several liability for all Dutch group companies for commitments resulting from legal transactions entered into by these group companies. Based on these letters of guarantee the group companies have made use of the exemptions contained in Section 403 (1 and 3) of Part 9, Book 2 of The Netherlands Civil Code.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date. The resulting translation differences are taken directly to the profit and loss account. Translation

• Bedden & Bedden B.V., Uden, The Netherlands	100%
• Beter Bed B.V., Uden, The Netherlands	100%
• Beter Bed Deutschland GmbH, Moers, Germany	100%
• Beter Bed Holding GmbH, Moers, Germany	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%
• Ecowood Sp z o.o., Poland	100%
• Interwood Sp z o.o., Poland	100%
• Matelas Concord SarL, Strasbourg, France	100%
• Materassi Concord SrL, Bolzano, Italy	100%
• Matrassen Concord B.V., Uden, The Netherlands	100%
• Matratzen Concord A.G., Frauenfeld, Switzerland	100%
• Matratzen Concord GmbH, Cologne, Germany	100%
• Matratzen Concord GmbH, Vienna, Austria	100%
• Meubelgroothandel Classic Heerlen B.V., Kerkrade, The Netherlands	100%

differences arising on the financial statements of group companies included in the consolidation are taken directly to reserves. The result of consolidated foreign participating interests are translated into euros at the exchange rates ruling at the balance sheet date.

Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention. Departures from historical cost rules, if any, are stated separately.

Tangible fixed assets

Tangible fixed assets, excluding land, are carried at the lower of cost or production cost less straight-line depreciation based on their expected useful lives, and replacement value. The cost for the Polish tangible fixed assets includes the yearly increase for

inflation as laid down by the Polish government till 1995. Land is carried at its estimated current value. Land and assets under construction are not depreciated.

Financial fixed assets

Participating interests in group companies are stated at the net asset value, calculated in accordance with Beter Bed Holding N.V.'s accounting policies. If a participating interest has an equity deficit, first the participating interest is valued downwards, then a provision is formed for the amounts owed by the participating interest and, if necessary, a general provision is formed.

Stocks

Stocks of raw materials and consumables, finished products and goods for resale are stated at the lower of cost and market value. Work in progress is carried at the cost of raw materials and consumables and direct production costs. A provision is formed for obsolescence where necessary. Unrealised profits on intercompany transactions are eliminated from the value of stocks.

Financial assets and liabilities

Debtors are stated net of a provision for doubtful debts where necessary. Differences between the market value and the net book value of the assets and liabilities, if any, are specified in the notes.

Provisions

The provision for deferred taxation consists of deferred tax liabilities resulting from timing differences between the valuation for tax and financial reporting purposes. Deferred tax liabilities are based on the tax rate ruling at the balance sheet date in the country concerned. No provision for deferred taxation is formed for the revaluation of land. Other provisions relate to maintenance commitments and to the costs of restructuring the organisation of Beter Bed Holding N.V.

Income and expense

Net turnover represents the proceeds from goods and services provided to third parties, net of VAT, discounts, etc. Sales are accounted for as soon as the goods are delivered to the consumer or customer. Net turnover also includes rentals received from third parties.

Costs are calculated on the basis of the above accounting policies and are allocated to the financial year to which they relate. Losses are recognised in the year in which they are foreseen.

Within the company several pension schemes are applicable. In The Netherlands the majority of the employees takes part in the pension fund for the branch of industry. The other schemes are on the basis of defined contribution.

Depreciation is calculated on the basis of the straight-line method based on the expected useful economic lives of the assets. Additions during the financial year are depreciated from the date of purchase.

Tax is calculated on the profit disclosed in the profit and loss account, taking into account tax-exempt items, non-deductible and partially deductible expenses.

Information by segment

Since the company is exclusively engaged in activities in the bedroom furniture industry, in particular within one geographical zone, the euro zone, it was decided not to include detailed information per segment.

Cash flow statement

The cash flow statement is drawn up using the indirect method. The term 'Cash at bank and in hand' used in this cash flow statement relates to cash at bank and in hand less short term bank loans.

NOTES TO THE CONSOLIDATED BALANCE SHEET

Tangible fixed assets (in € 1,000)

Movements in this item were as follows:

	land and buildings	plant and machinery	other fixed operating assets	total
Net book value at 1 January	12,016	1,343	16,420	29,779
Additions	10	67	5,701	5,778
Transfers/currency adjustment	(7)	(198)	(80)	(285)
Disposals	-	(3)	-	(3)
Depreciation	(353)	(170)	(5,617)	(6,140)
Revaluation	-	-	-	-
Net book value at 31 December	11,666	1,039	16,424	29,129
Accumulated depreciation	2,478	1,163	22,223	25,864
Accumulated revaluation	(1,891)	-	-	(1,891)
Cost	12,253	2,202	38,647	53,102

The revaluation relates to land and buildings in Uden for € 1,815. The taxation is dated 10 april 1996. The remainder of the revaluation, € 76, refers to the legal revaluation of assets in accordance with the Polish legislation applicable till 1995.

In view of the refinancing of the company mortgage has been given on land and buildings situated in Uden, Hoogeveen and Den Helder. According to the valuations carried out during 2002 the value of the locations mentioned amounts to € 12.5 million. The bookvalue of these assets at the end of 2002 amounts to € 9.3 million.

Current assets (in € 1,000)

	31 December 2002	31 December 2001
Stocks		
Raw materials and consumables	195	328
Work in progress	62	230
Finished products and goods for resale	28,421	30,104
Total	28,678	30,662
Debtors		
Trade debtors	1,384	1,988
Other debtors	1,737	2,779
Prepayments and accrued income	897	1,585
Total	4,018	6,352

All debtors fall due within one year.

Cash at bank and in hand

This item relates to cash and bank balances.

Cash at bank and in hand is at the free disposal of the company.

Current liabilities (in € 1,000)

This item is broken down as follows:

	31 December 2002	31 December 2001
Credit institutions	11,022	23,120
Other creditors	10,114	8,294
Taxes and social security contributions	3,950	4,246
Other liabilities	6,644	6,202
Accruals and deferred income	1,363	3,131
Total	33,093	44,993

Long-term liabilities

Credit institutions

For the purpose of financing the group activities, the company has an account overdraft facility for a total of € 30.1 million. At the balance sheet date this facility was used for € 11.0 million. In relation to the amount owed to credit institutions, the company and its subsidiaries have undertaken not to encumber their assets with any security interest without written prior consent from the credit institutions.

In relation to the re-financing of the company it has been agreed with the bank to fully repay the existing long term loan of € 4.7 million (2001: € 4.9 million) at 1 November 2003. Therefore, in the balance sheet, this loan is accounted for under short term loans. The interest rate on this loan is 6.7%.

In 2002 a financial lease contract for the purpose of financing computer equipment, amounting to € 2.0 million, has been entered into. The contract lasts four years and the interest rate is 4.7%. In 2003 € 0.4 million will be repaid. This amount is included in the long term liabilities. In November 2002 a financial lease contract has been concluded with Bouwfonds Property Finance B.V. for a 20 year period for an amount of € 10.8 million. The company has given mortgage on the distribution centres in Uden and Hoogeveen and on the store in Den Helder. Interest and instalments are paid by a quarterly annuity. The interest rate is based on 3-months EURIBOR + 1.25%. € 8.7 million of this loan has a term longer than five years. In 2003 € 0.4 million will be repaid. This repayment in 2003 is included in the long-term liabilities.

Provisions (in € 1,000)

	31 December 2002	31 December 2001
Deferred taxation	625	1,157
Restructuring	605	668
Other	578	480
Total	1,808	2,305

Provisions

The provision for deferred taxes relates mainly to the differences in stock valuation for fiscal and commercial purposes in The Netherlands. This provision is of a long-term nature. At balance sheet date the remaining balance of the restructuring provision formed in 2000 is € 605,000. During the year an amount of € 63,000 was charged to the provision for the closure of one of the Polish production locations. The other provisions are formed to cover commitments and risks, in particular relating to property maintenance. An amount of € 98,000 was added to these other provisions. No amounts were charged to these provisions during this year.

Group capital base (in € 1,000)

Movements in this item were as follows:

	31 December 2002	31 December 2001
Group equity		
Balance at 1 January	19,119	12,391
Share issue	5,031	-
Dividend for 2001/Dividend for 2000	(3,896)	(4,419)
Result for the year	(1,644)	11,066
Exchange differences	(306)	263
Revaluation	-	(182)
Balance at 31 December	18,304	19,119
Subordinated loan		
Balance at 1 January	-	4,310
Repayment	-	(4,310)
Balance at 31 December	-	-
Group capital base	18,304	19,119

NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

Net turnover by sector (in € 1,000)

	2002	2001
Retail turnover	217,526	231,984
Production for third parties	2,688	2,902
Rental income	5	6
Wholesale turnover	1,560	2,761
Insurance settlement for loss of profits	-	1,223
Total	221,779	238,876

Social security charges and pension premiums (in € 1.000)

Social security charges and other staff costs include an amount of € 1,185 (2001: € 983) for pension premiums.

Personnel

In 2002, the companies included in the consolidation employed an average of 1,750 (2001: 1,759) staff at the following branches:

	2002	2001
Retail in The Netherlands	616	609
Retail outside The Netherlands	833	722
Production outside The Netherlands	301	428
Total	1,750	1,759

Depreciation

Depreciation in 2002 amounted to € 6,140 (2001: € 5,006). The following depreciation rates are based on the expected useful economic lives of the assets concerned:

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

Financial income and expense

	2002	2001
Interest income	308	175
Interest expense	(2,359)	(1,983)
Financial income and expense	(2.051)	(1.808)

Tax

The applicable tax rate is 16.6% (2001: 37.4%). This decrease is caused by an increase in the number of loss making countries till 6 (2001: 3). The effective tax burden is (41.9%) (2001: 39.5%) as a result of the lower applicable tax rate and the increase of the fiscal losses that could not be offset in this year.

	2002	2001
Applicable tax rate	16.6%	37.4%
Non tax offsetable losses	(37.4%)	1.0%
Various differences	(21.1%)	1.1%
Effective tax rate	(41.9%)	39.5%

Directors' remuneration

The remuneration for directors and the Supervisory Board members can be specified as follows:

	salaries		bonusses		termination of contract payments	
	2002	2001	2002	2001	2002	2001
F.J.H. Geelen	265,000	250,371	136,134	45,378	-	-
A.P.J. van der Heijden	-	26,409	-	11,345	-	192,857
Total Management Board	265,000	276,780	136,134	56,723	-	192,857
M.J.M.N. van Seggelen	20,420	20,421	-	-	-	-
E.F. van Veen	20,382	15,882	-	-	-	-
J. Blokker	7,941	-	-	-	-	-
C.A.S.M. Renders	15,882	15,882	-	-	-	-
M.J.A.M. Diks	5,105	20,420	-	-	-	-
L.R.J. van Rappard	5,294	15,882	-	-	-	-
Total Supervisory Board	75,024	88,487	-	-	-	-

Apart from the amounts mentioned above, in 2002 Mr Geelen received a contribution to his pension plan of € 42,353. This amount relates to the years 2000 (€ 6,051), 2001 (€ 18,151) and 2002 (€ 18,151). Mr Van der Heijden also received a pension contribution in 2001 of € 18,151.

The bonus paid in 2002 relates to the 2001 results. The objectives for 2001 were achieved. Options on shares to be issued were granted to directors to increase their medium term commitment to the company. Mr F.J.H. Geelen holds 35,000 options received in 2000 with an exercise price of € 12.20 (to be exercised before November 2nd, 2004) and 20,000 options received in 2001 with an exercise price of € 10.85 (to be exercised before March 9th, 2005). In 2002 no new options were given.

Mr Geelen owns 11,050 shares in the company.

Members of the Supervisory Board do not hold any options.

Mr Blokker owns 6,000 shares in the company.

Earnings per share

Earnings per share amounted a loss of € 0.21 (2001: profit € 1.42). Diluted earnings per share also amounted to a loss of € 0.21 (2001: profit € 1.42).

The net result for 2002 is a loss of € 1,644 (2001: profit € 11,066).

The average number of outstanding shares in 2002 is 7,797,013 (2001: 7,789,947). The average number of shares for the diluted earnings per share is 7,797,013 (2001: 7,795,013).

Commitments not disclosed in the balance sheet

The company has entered into long-term rental and lease agreements for business premises and operating assets for the following monthly amount per balance sheet date:

duration	less than one year	between one and five year	longer than five year
Lease and rental contracts	€ 0.4 million	€ 1.2 million	€ 0.7 million

Rental agreements for business premises for Beter Bed are mainly long-term (5 to 10 years) with renewal options. The lease contracts for Matratzen Concord are generally for a 5 to 10 year period but include a clause that enables the company to end the contract after two years.

In 2002 the profit and loss account includes an amount of € 23.9 for rental of business premises and an amount of € 1.9 for other operating assets.

On behalf of the financiers of the Dormaël franchisees the company has given a buy-back guarantee for interior and stocks. The maximum obligation at the end of the year amounted to € 2.0 million.

The company has entered into a joint liability contract for suppliers which have insured their credit risk with Gerling NCM. This means that all individual companies are liable for each others debts with these suppliers. This agreement ended by 1 April 2003.

COMPANY BALANCE SHEET AT 31 DECEMBER 2002

(in € 1,000, before proposed profit appropriation)

	31 December 2002	31 December 2001
Tangible fixed assets		
Other fixed operating assets	-	39
Financial fixed assets	18,402	23,630
Current assets		
Debtors	113	3,627
Cash at bank and in hand	6,690	-
Current liabilities	750	5,160
	6,053	(1,533)
	24,455	22,136
Financed by:		
Provisions	6,151	3,017
Capital and reserves		
Issued share capital	428	389
Share premium account	14,557	9,565
Legal revaluation reserve	1,891	1,815
Legal reserve participating interests	(328)	71
Other reserves	3,400	(3,787)
Retained earnings	(1,644)	11,066
Capital and reserves	18,304	19,119
	24,455	22,136

COMPANY PROFIT AND LOSS ACCOUNT FOR 2002

(in € 1,000)

	2002	2001
Net profit of participating interest	(2,177)	10,031
Other income/(expense)	533	1,035
Net profit	(1,644)	11,066

NOTES TO THE COMPANY BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

(in € 1,000)

General

The accounting policies as stated for the consolidated financial statements also apply to the company financial statements.

Financial fixed assets

This item includes the participating interests in group companies and the amounts owed by group companies. Movements in this items were as follows:

	participating interests in group companies	loans	total
Balance at 1 January 2002	23,069	561	23,630
Profit of participating interest for the year	(2,177)	-	(2,177)
Dividend paid	(9,610)	-	(9,610)
Exchange gain	(306)	-	(306)
Loans granted	-	3,447	3,447
Contributions	227	-	227
Movements in amounts owed by group companies	(6)	-	(6)
Movements in loans owed by group companies	2,772	(2,772)	-
Movement in provision participating interests	3,197	-	3,197
Balance at 31 December 2002	17,166	1,236	18,402

Current assets

	31 December 2002	31 December 2001
Debtors		
Group companies	82	2,526
Other debtors	31	1,101
Total	113	3,627

All debtors fall due within one year.

Cash at bank and in hand

This item relates to cash and bank balances.

Cash at bank and in hand is at the free disposal of the company.

Current liabilities

31 December 2002

31 December 2001

This item can be broken down as follows:

Credit institutions	-	4,874
Taxes and social security contributions	442	(82)
Other liabilities, accruals and deferred income	308	368
Total	750	5,160

Provisions

Other	605	668
Participating interests	5,546	2,349
Total	6,151	3,017

The other provision relates to the remainder of the restructuring provision which was created in the year 2000. The provision participating interests consists of a provision for the participating interests which, after balancing with loans granted by the company, still show a negative net asset value.

Capital and reserves

Issued share capital

The company has an authorised share capital of € 1,250,000 consisting of 25 million ordinary shares of € 0.05 nominal value. At 31 December 2002 8,565,547 shares were issued and paid up. In 2002 4,000 options on shares to be issued were exercised against an average exercise price of € 10.85. At the end of 2002 771,600 shares were issued at € 6.50 per share.

Movements in capital and reserves were as follows:

	total	issued share	share premium capital	legal reserve participating interests	legal reserve revaluation reserve	other reserve	retained earnings
Balance at 1 January 2001	12,391	354	9,601	-	1,995	(6,158)	6,599
Profit for 2000	(4,419)					2,180	(6,599)
Profit for 2001	11,066						11,066
Euroconversion	-	36	(36)				
Translation differences in capital and reserves and loans at foreign group companies	263			71		192	
Revaluation	(182)				(182)		
Rounding differences	-	(1)			2	(1)	
Balance at 31 December 2001	19,119	389	9,565	71	1,815	(3,787)	11,066
Profit for 2001	(3,896)					7,170	(11,066)
Profit for 2002	(1,644)						(1,644)
Share issue	5,031	39	4,992				
Translation differences in capital and reserves and loans at foreign group companies	(306)			(293)	(13)		
Revaluation	-			(106)	89	17	
Balance at 31 December 2002	18,304	428	14,557	(328)	1,891	3,400	(1,644)

The share premium can be paid out in full free of tax.

The revaluation reserve is a legal reserve for revaluation and relates to land.

Commitments not disclosed in the balance sheet

The company, as head of the Dutch fiscal unity, is liable for corporate tax debts from any of the Dutch entities.

To increase management and staff involvement and motivation further, options on shares to be issued were granted. Company policy is to issue new shares in case options are exercised. The following options are outstanding:

Year of grants	Management Board	Other	Exercise price (in €)	Expiration date
1999		1,500	26.50	03-19-2003
2000		3,087	24.50	12-31-2003
2000	35,000		12.20	11-02-2004
2000		2,500	12.25	12-21-2005
2001	20,000	44,000	10.85	03-09-2005

In the year under review 4,000 options on shares were exercised at an average exercise price of € 10.85.

At 10 march 2003, the following interests have been disclosed under the Major Holdings in Listed Companies Disclosure Act 1996 (Wet Melding Zeggenschap):

Breedinvest, Laren, NL	14.12%
Stichting Shell Pensioenfonds, Den Haag, NL	10.15%
CGNU Plc, Londen, UK	5.83%
Delta Deelnemingen Fonds N.V., Gouda, NL	5.13%
Driessen Beleggingen B.V., Limmen, NL	5.69%
Gestion Deelnemingen II B.V., Amsterdam, NL	5.13%
Orange Fund N.V., Amsterdam, NL	5.62%
Orange Deelnemingen Fund N.V., Amsterdam, NL	5.13%

Uden, 8 April 2003

Management Board

F.J.H. Geelen

Supervisory Board

M.J.N.M. van Seggelen

E.F. van Veen

C.A.S.M. Renders

J. Blokker

AUDITORS' REPORT

Introduction

We have audited the financial statements of Beter Bed Holding N.V., Uden, The Netherlands, for the year 2002. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31 December 2002 and of the result for the year then ended in accordance with accounting principles generally accepted in The Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of The Netherlands Civil Code.

Eindhoven, 8 april 2003

Ernst & Young Accountants

Articles of association provisions governing profit appropriation

The main provisions relating to profit appropriation are included in article 32 of the articles of association:

Paragraph 1: The Board of Directors shall determine annually which part of the company's profit – the positive balance of the profit and loss account – will be added to the reserves.

Paragraph 2: The remaining profit shall be at the disposal of the annual general meeting.

Appropriation of 2002 result

The € 1,644 loss will be charged to the other reserves.

The proposed profit appropriation has not been included in the balance sheet at 31 December 2002.

Colophon

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