

BETER BED HOLDING

ANNUAL REPORT

2003



PROFILE

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

The bedroom specialist market is extremely fragmented and is predominantly served by small private entrepreneurs who own one or only a couple of retail outlets. Beter Bed and Matratzen Concord, which are both divisions of Beter Bed Holding N.V., are market leaders in their respective markets.

The company's strategy is aimed at rapid and profitable expansion within the fragmented European bedroom market. In keeping with this strategy, the retail formulas seek to achieve market leadership in the various countries in which they operate. Within the framework of its wholesale operations, the company furthermore develops product concepts that it markets both via its own retail chains and via other retail chains and distribution channels. This product development allows the organisation to create its own A-brands.

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



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KEY FIGURES

AT 31 DECEMBER, IN € THOUSAND, UNLESS OTHERWISE STATED

	2003		2002	
Turnover	234,018		221,779	
Gross profit	121,965	52.1%	117,067	52.8%
Expenses	117,683	50.3%	116,175	52.4%
EBIT	4,282	1.8%	892	0.4%
Net profit	1,751	0.7%	(1,644)	(0.7%)
Average number of outstanding shares (in thousands of shares)	8,566		7,797	
Earnings per share €	0.20		(0.21)	
Diluted earnings per share €	0.20		(0.21)	
Share price in € at year-end	8.85		6.85	
Solvency (%)	31.3		27.9	
Interest cover	2.6		0.4	
Number of staff at year-end	1,781		1,774	
Number of retail stores at year-end	644		618	

FORMULAS

MATRATZEN CONCORD

This formula's core activity is selling mattresses, bed bases and bedroom textiles to consumers based on a cash & carry concept. The chain encompasses 536 stores with an average floor space of 225 square metres. 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 formula operates in Germany, Austria, Switzerland and The Netherlands. Matratzen Concord is the market leader in the German mattress specialist market. The company's strategy is aimed at further expanding its European market leadership in the fragmented mattress specialist market.

Matratzen Concord is the market leader in the German mattress specialist market.





BETER BED

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

Beter Bed is market leader in The Netherlands and enjoys a high level of name recognition among consumers.

DBC

DBC was established in September 2001. It develops mattresses made of slow foam (i.e. 'NASA' rubber). These mattresses feature unique pressure-reducing qualities and are sold both by Beter Bed and via third parties. The company has also developed a version especially for healthcare purposes. 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 tall combined with any M LINE mattress.

**M LINE®**

These mattresses feature unique pressure-reducing qualities and are sold both by Beter Bed and via third parties.





DORMAËL SLAAPKAMERS

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

The stores provide attractive surroundings in which consumers can select from exclusive collections featuring a number of top brands.

BEDDENDUMP

Beddendump is a cash & carry formula in the discount segment of the market. The stores are generally located at B and C locations with floorspace of approximately 600m². The chain comprised a total of 13 stores at the end of 2003 (end 2002: 9).

WASSERBETTENDISCOUNT

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

INTERWOOD AND ECOWOOD

Interwood and Ecowood are the manufacturing plants in Poland that produce primarily solid wood furniture. Beter Bed purchases approximately half of the total production and the other half is purchased by third parties. Beter Bed Holding no longer views own production as a core activity. The decision was taken in late 2003 to close the Ecowood plant.



NUMBERS OF STORES

Formula		1 Jan 2003	Closed	Opened	31 Dec 2003
Matratzen Concord	Germany	436	12	53	477
	The Netherlands	27	3	-	24
	Austria	22	2	-	20
	Switzerland	18	3	-	15
	France	6	6	-	-
	Italy	6	6	-	-
Beter Bed	The Netherlands	76	4	3	75
	Germany	5			5
Dormaël	The Netherlands	12	3		9
Beddendump	The Netherlands	9	2	6	13
WasserbettenDiscount	Germany	1	1	6	6
Total		618	42	68	644

WEBSITES

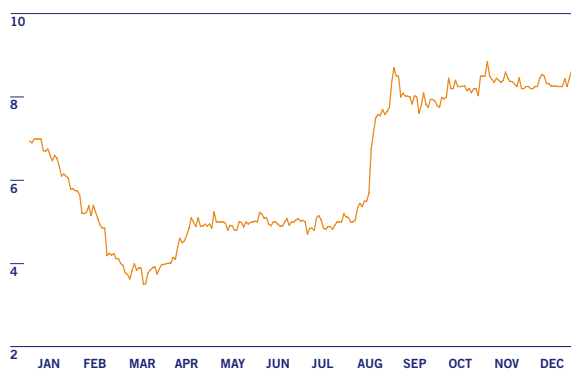
www.matratzen-concord.de
www.beterbed.nl
www.beterbed.de
www.mline.info
www.dormaelslaapkamers.nl
www.beddendump.nl
www.wb-discount.de
www.interwood-meble.pl
www.beterbedholding.com

SHARE INFORMATION

The shares in Beter Bed Holding N.V. are quoted on the Official Market of Euronext N.V. in Amsterdam. The number of outstanding shares at the end of 2003 totalled 8,565,547. This number did not change in 2003. The number of shares for calculation of the diluted earnings per share is the same as the average number of outstanding shares because the exercise price of all the outstanding option series exceeded the average price in 2003 (€ 6.20).

Earnings per share in 2003 amounted to € 0.20, compared to a loss of € 0.21 in 2002. The figures for the diluted earnings per share are equal to this amount.

SHARE PRICE DEVELOPMENT 2003

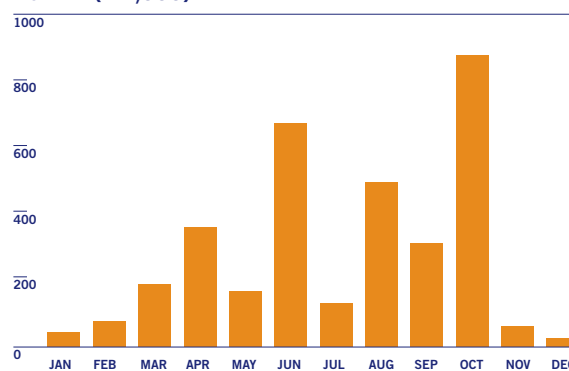


Thanks to the improvement in the result and the increased number of visits paid to investors, the interest in the share rose again following the first quarter of 2003

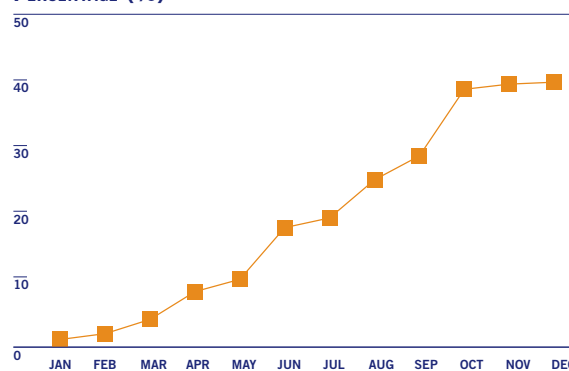
TURNOVER

The following table shows the number of shares traded per month via the Euronext order system and the cumulative percentage of the outstanding shares that were traded in 2003.

NUMBER (x 1,000)



PERCENTAGE (%)



Thanks to the improvement in the results and the increased number of visits paid to Dutch, British, French, German and Swiss investors, the interest in the share rose again following the first quarter of 2003.

Three liquidity providers operate on behalf of the Beter Bed share, namely SNS Securities N.V., ABN AMRO Bank N.V. and Rabo Securities N.V.

MAJOR HOLDINGS IN LISTED COMPANIES DISCLOSURE ACT

The following holdings have been made public in compliance with the Major Holdings in Listed Companies Disclosure Act:

PERCENTAGE (%)

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

OPTIONS

Options for new share issues have been extended to the Management Board and employees in order to stimulate their commitment and motivation. The management were awarded a total of 85,000 options in the year under review. These options can be exercised following the publication of the annual figures for 2006 and providing that the net profit level of 2001 (€ 11.1 million) is equalled in at least one year during the validity period. The exercise period ends on 31 October 2010.

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

YEAR OF ISSUE	MANAGEMENT BOARD	OTHER	EXERCISE PRICE IN €	DURATION UP TO AND INCLUSIVE
2000	35,000	-	12.20	02-11-2004
2000	-	2,500	12.25	21-12-2005
2001	20,000	44,000	10.85	09-03-2005
2003	20,000	65,000	8.50	31-10-2010

INSIDER REGULATIONS

The company has ratified insider regulations. The persons subject to these regulations have provided written confirmation that they shall fully adhere to the regulations.

FINANCIAL CALENDAR 2004

The calendar for 2004 is as follows:

28 April 2004	Publication of 1st quarter 2004 results
28 April 2004	Annual General Meeting of Shareholders
16 July 2004	Publication of 2nd quarter 2004 turnover
27 August 2004	Publication half-year results 2004
27 August 2004	Analysts' meeting
29 October 2004	Publication of 3rd quarter 2004 results
21 January 2005	Publication of 4th quarter 2004 turnover

SUPERVISORY BOARD

Supervisory Directors are appointed in accordance with the articles of association 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.

The retirement by rotation schedule is as follows:

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

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

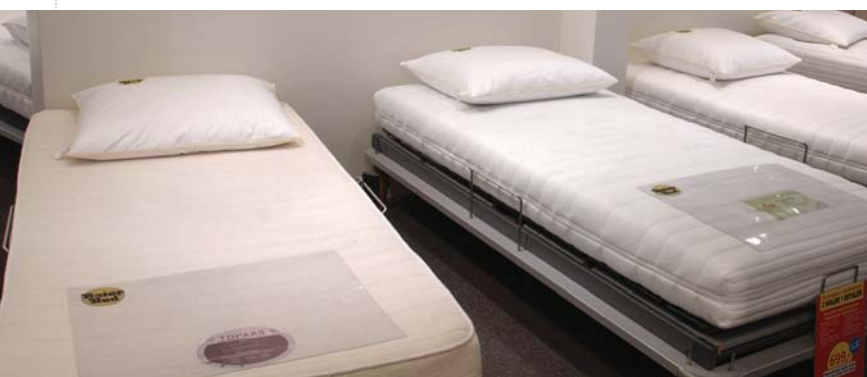
CURRICULUM VITAE

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





CURRICULUM VITAE

E.F. VAN VEEN (1939)

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

From 1973 to 1998 he was successively Corporate Controller, Corporate Director Financing & Controlling (CFO) and Vice-president of Royal Numico N.V.

Mr Van Veen also holds supervisory directorships at Budelpack International B.V., Docdata N.V., Blokker Holding B.V., Nabuurs Groep Haps B.V., and Koninklijke Numico N.V. He is a member of the Board of the Stichting Administratiekantoor CSM, Chairman of the Stichting Administratiekantoor ABN AMRO Holding and a member of the Supervisory Board of Leiden University Medical Centre (LUMC). He is furthermore a member of the Advisory Board of the Lombard Odier Darier Hentsch Nutrition Fund in Switzerland and is a member of the Listing and Issuing Regulations Advisory Committee of Euronext N.V.

CURRICULUM VITAE

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

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

In addition to being a Supervisory Director at Beter Bed Holding N.V., Mr Renders holds supervisory directorships at a number of companies, including Detron N.V. (until June 2000, after which the company was sold to Landis N.V.) and at a few closely-held companies. As a Supervisory Director at the two publicly listed companies, he was closely involved with their IPOs.

CURRICULUM VITAE

J. BLOKKER (1942)

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

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

MANAGEMENT BOARD

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

CURRICULUM VITAE

F.J.H. GEELLEN (1955)

Frans Geelen holds a degree in business economics from Erasmus University and a law degree 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.

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

CURRICULUM VITAE

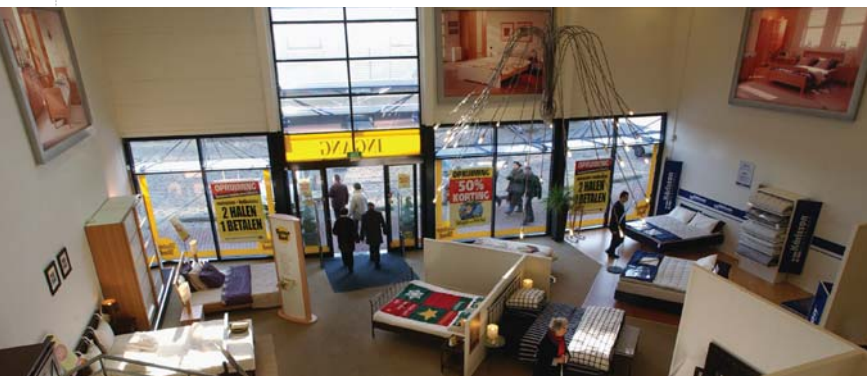
E.J. VAN DER WOUDE (1959)

Ric van der Woude holds a 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 has been with Beter Bed Holding N.V. since 1 January 2002.



CORPORATE GOVERNANCE

The Management Board and the Supervisory Board endorse the principles for good corporate governance as laid down in the Dutch Corporate Governance Code. The Code will formally come into force from the financial year starting on or after 1 January 2004.

The following sections indicate how Beter Bed Holding N.V. will or already has put the Corporate Governance Code into practice. Measures to be taken during the course of 2004 will ensure for any amendments to the Articles of Association required in connection with the Code. This is also applicable to the notification of up-to-date information on the website stipulated in sub-provisions of the Code.

The Annual Report for 2004 will indicate how Beter Bed has implemented each (best practice) provision. Where possible the reports of the Supervisory Board and the Management Board included in this Annual Report comply with the requirements stipulated in the Dutch Corporate Governance Code.

1. COMPLIANCE WITH AND ENFORCEMENT OF THE CODE

The management board and the supervisory board are responsible for the corporate governance structure of the company and compliance with this code. They are accountable for this to the general meeting of shareholders. Shareholders take careful note and make a thorough assessment of the reasons for any non-application of best practice provisions of this code by the company. They should avoid adopting a 'box-ticking approach' when assessing the corporate governance structure of the company.

No departures from the Code are expected with respect to this issue.

2. MANAGEMENT BOARD

2.1 ROLE AND PROCEDURE

The role of the management board is to manage the company, which means, among other things, that it is responsible for achieving the company's aims, strategy and policy, and results. The management board is accountable for this to the supervisory board and to the general meeting of shareholders. In discharging its role, the management board shall be guided by the interests of the company and its affiliated enterprise, taking into consideration the interests of the company's stakeholders. The management board shall provide the supervisory board in good time with all information necessary for the exercise of the duties of the supervisory board.

The management board is responsible for complying with all relevant legislation and regulations, for managing the risks associated with the company activities and for financing the company. The management board shall report related developments to and shall discuss the internal risk management and control systems with the supervisory board and its audit committee.

This principle is endorsed, on the understanding that the small size of the organisation and the resulting accessibility of the Management Board render formal 'whistleblower arrangements' unnecessary.

The requirements of the Dutch Corporate Governance Code have been complied with as much as possible.



2.2. REMUNERATION, AMOUNT AND COMPOSITION

The amount and structure of the remuneration which the management board members receive from the company for their work shall be such that qualified and expert managers can be recruited and retained. If the remuneration consists of a fixed and a variable part, the variable part shall be linked to previously-determined, measurable and influenceable targets, which must be achieved partly in the short term and partly in the long term. The variable part of the remuneration is designed to strengthen the board members' commitment to the company and its objectives.

The remuneration structure, including severance pay, is such that it promotes the interests of the company in the medium and long term, does not encourage management board members to act in their own interests and neglect the interests of the company and does not 'reward' failing board members upon termination of their employment. The level and structure of remuneration shall be determined in the light of, among other things, the results, the share price performance and other developments relevant to the company.

The shares held by a management board member in the company on whose board he sits are long-term investments. The amount of compensation which a management board member may receive on termination of his employment may not exceed one year's salary, unless this would be manifestly unreasonable in the circumstances.

The Supervisory Board and Management Board endorse this principle, with the exception of the provision relating to the ownership of and transactions in securities other than those issued by their 'own' company. During the course of 2004 careful consideration will be given to the manner

in which this provision shall be implemented, whereby due account shall also be taken of the associated privacy issues.

2.2. REMUNERATION, ADOPTION AND DISCLOSURE

The report of the supervisory board shall include the principal points of the remuneration report of the supervisory board concerning the remuneration policy of the company, as drawn up by the remuneration committee. The notes to the annual accounts shall, in any event, contain the information prescribed by law on the level and structure of the remuneration of the individual members of the management board. The remuneration policy proposed for the next financial year and subsequent years as specified in the remuneration report shall be submitted to the general meeting of shareholders for adoption. Every material change in the remuneration policy shall also be submitted to the general meeting of shareholders for adoption. Schemes whereby management board members are remunerated in the form of shares or rights to subscribe for shares, and major changes to such schemes, shall be submitted to the general meeting of shareholders for approval.

The supervisory board shall determine the remuneration of the individual members of the management board, on a proposal by the remuneration committee, within the scope of the remuneration policy adopted by the general meeting of shareholders.

The Supervisory Board and Management Board endorse this principle.



2.3. CONFLICTS OF INTEREST

Any conflict of interest or apparent conflict of interest between the company and management board members shall be avoided. Decisions to enter into transactions under which management board members would have conflicts of interest that are of material significance to the company and/or to the relevant management board member require the approval of the supervisory board.

Beter Bed Holding already complies with this principle.

3 SUPERVISORY BOARD

3.1. ROLE AND PROCEDURE

The role of the supervisory board is to supervise the policies of the management board and the general affairs of the company and its affiliated enterprise, as well as to assist the management board by providing advice. In discharging its role, the supervisory board shall be guided by the interests of the company and its affiliated enterprise, and shall take into account the relevant interests of the company's stakeholders. The supervisory board is responsible for the quality of its own performance.

The company complies with the majority of the provisions relating to the role and procedure of the Supervisory Board. Measures shall be implemented to ensure compliance with the remaining provisions.

3.2. INDEPENDENCE

The composition of the supervisory board shall be such that the members are able to act critically and independently of one another and of the management board and any particular interests.

The company already complies with this principle.

3.3. EXPERTISE AND COMPOSITION

Each supervisory board member shall be capable of assessing the broad outline of the overall policy. Each supervisory board member shall have the specific expertise required for the fulfilment of the duties assigned to the role designated to him within the framework of the supervisory board profile. The composition of the supervisory board shall be such that it is able to carry out its duties properly. A supervisory board member shall be reappointed only after careful consideration. The profile criteria referred to above shall also be fulfilled in the case of a reappointment.

The content of this principle is endorsed in full.

3.4. ROLE OF THE CHAIRMAN OF THE SUPERVISORY BOARD AND THE COMPANY SECRETARY

The chairman of the supervisory board determines the agenda, chairs the supervisory board meetings, monitors the proper functioning of the supervisory board and its committees, arranges for the adequate provision of information to the members, ensures that there is sufficient time for making decisions, arranges for the introduction and training programme for the members, acts on behalf of the supervisory board as the main contact for the management board, initiates the evaluation of the functioning of the supervisory board and the management board and ensures, as chairman, the orderly and efficient conduct of the general meeting of shareholders. The chairman of the supervisory board is assisted in his role by the company secretary.



Beter Bed Holding complies with the provisions relating to the Chairman and Secretary of the Supervisory Board, in the understanding that in view of the small size of the company no separate Company Secretary has been appointed. This role is fulfilled by the Chief Financial Officer.

3.5. COMPOSITION AND ROLE OF THREE KEY COMMITTEES OF THE SUPERVISORY BOARD

If the supervisory board consists of more than four members, it shall appoint from among its members an audit committee, a remuneration committee and a selection and appointment committee. The function of the committees is to prepare the decision-making of the supervisory board. If the supervisory board decides not to appoint an audit committee, remuneration committee or selection and appointment committee, best practice provisions 3.5.4, 3.5.5, 3.5.8, 3.5.9, 3.5.10, 3.5.13, 5.1.2, 5.2.3 and 5.3.1 shall apply to the entire supervisory board. In its report, the supervisory board shall report on how the duties of the committees have been carried out in the financial year.

A separate selection and appointment committee will not be instituted. The company shall comply with the other provisions with respect to the composition of the key committees of the Supervisory Board.

3.6. CONFLICTS OF INTEREST

Any conflict of interest or apparent conflict of interest between the company and supervisory board members shall be avoided. Decisions to enter into transactions under which supervisory board members would have conflicts of interest that are of material significance to the company

and/or to the relevant supervisory board members require the approval of the supervisory board. The supervisory board is responsible for deciding on how to resolve conflicts of interest between management board members, supervisory board members, major shareholders and the external auditor on the one hand and the company on the other.

The Supervisory Board already complies with the provisions relating to conflicts of interest.

3.7. REMUNERATION

The general meeting of shareholders shall determine the remuneration of supervisory board members. The remuneration of a supervisory board member is not dependent on the results of the company. The notes to the annual accounts shall, in any event, contain the information prescribed by law on the level and structure of the remuneration of individual supervisory board members.

This principle is endorsed, with the exception of the provision relating to the ownership of and transactions in securities other than those issued by their 'own' company. During the course of 2004 careful consideration shall be given to the manner in which this provision is implemented, whereby due account shall also be taken of the associated privacy issues.

3.8 ONE-TIER MANAGEMENT STRUCTURE

This management structure is not applicable at present.



4. THE GENERAL MEETING OF SHAREHOLDERS

4.1. POWERS

Good corporate governance requires the fully-fledged participation of shareholders in the decision-making in the general meeting of shareholders. It is in the interest of the company that as many shareholders as possible take part in the decision-making in the general meeting of shareholders. The company shall, in so far as possible, give shareholders the opportunity to vote by proxy and to communicate with all other shareholders.

The general meeting of shareholders should be able to exert such influence on the policy of the management board and the supervisory board of the company that it plays a fully-fledged role in the system of checks and balances in the company.

Any decisions of the management board on a major change in the identity or character of the company or the enterprise shall be subject to the approval of the general meeting of shareholders.

The Supervisory Board and Management Board endorse this principle, however, due to costs voting by proxy will not be possible for the time being.

4.2 DEPOSITARY RECEIPTS FOR SHARES

This principle is not applicable at present.

4.3. PROVISION OF INFORMATION TO AND LOGISTICS OF THE GENERAL MEETING OF SHAREHOLDERS

The management board or, where appropriate, the supervisory board shall provide all shareholders and other parties in the financial markets with equal and simultaneous information about matters that may influence the share price. The contacts between the management board on the one hand and press and analysts on the other shall be carefully handled and structured, and the company shall not engage in any acts that compromise the independence of analysts in relation to the company and vice versa.

The management board and the supervisory board shall provide the general meeting of shareholders with all information that it requires for the exercise of its powers.

If price-sensitive information is provided during a general meeting of shareholders, or the answering of shareholders' questions has resulted in the disclosure of price-sensitive information, this information shall be made public without delay.

The company shall comply with the provisions relating to this principle, in the understanding that due to costs it will not, for the time being, be possible to follow presentations to analysts via webcasting. However, the dates will be published in advance, and the presentations will be included on the website. Use of 'shareholders circulars' shall be made only in very exceptional circumstances.

4.4. RESPONSIBILITY OF INSTITUTIONAL INVESTORS

This provision is not applicable to the company.



5. THE AUDIT OF THE FINANCIAL REPORTING AND THE POSITION OF THE INTERNAL AUDITOR FUNCTION AND THE EXTERNAL AUDITOR FUNCTION.

5.1. FINANCIAL REPORTING

The management board is responsible for the quality and completeness of publicly disclosed financial reports. The supervisory board shall see to it that the management board fulfils this responsibility.

The company shall comply with the provisions of the Dutch Corporate Governance Code.

5.2. ROLE, APPOINTMENT, REMUNERATION AND ASSESSMENT OF THE FUNCTIONING OF THE EXTERNAL AUDITOR

The external auditor is appointed by the general meeting of shareholders. The supervisory board shall nominate a candidate for this appointment, for which purpose both the audit committee and the management board advise the supervisory board. The remuneration of the external auditor, and instructions to the external auditor to provide non-audit services, shall be approved by the supervisory board on the recommendation of the audit committee and after consultation with the management board.

The Supervisory Board and the Management Board endorse this principle.

5.3. INTERNAL AUDITOR FUNCTION

The internal auditor, who can play an important role in assessing and testing the internal risk management and control systems, shall operate under the responsibility of the management board.

In view of the company's size Beter Bed Holding has not appointed an internal auditor.

5.4. RELATIONSHIP AND COMMUNICATIONS OF THE EXTERNAL AUDITOR WITH THE COMPANY'S BODIES

The external auditor shall, in any event, attend the meeting of the supervisory board, at which the annual accounts are to be adopted or approved. The external auditor shall report his findings in relation to the audit of the annual accounts to the management board and the supervisory board simultaneously.

The company shall comply with the provisions relating to communications between the external accountant and the company's bodies.

REPORT OF THE SUPERVISORY BOARD

We hereby present the report of the Management Board and the financial statements for 2003. The annual accounts have been adopted by the Supervisory Board after we discussed the findings of the external auditor, following the auditing of the financial statements, during the annual meeting with the auditor. You will find Ernst & Young Accountants auditor's report in the 'Auditors' Report' section. The financial statements will be submitted for the approval of the Annual General Meeting of Shareholders to be held on 28 April 2004.

We propose that you approve these financial statements. Unqualified approval will discharge the Management Board of responsibility in respect of their management during 2003 and the Supervisory Board of responsibility in respect of their supervision.

During the year under review, the company succeeded in making a net profit after suffering a loss in 2002. While the Supervisory Board is not completely satisfied with the absolute profit level, the development of the result is nonetheless positive. Once the demand for bedroom furnishings shows signs of recovery, the formulas of Beter Bed Holding will be well-positioned to optimally profit from this recovery.

While the company's policy is to pay out 35% of the net profit as dividend, we propose payment of a cash dividend of EUR 0.15 per share over the year under review, in line with the Management Board's recommendations. This will enable the shareholders to benefit from the recovery of the result as well.

The Supervisory Board was intensively involved in the developments of Beter Bed Holding and its subsidiaries in 2003. We met five times with the Management Board, which also frequently informed us verbally and in writing of the commercial, organisational and strategic developments. The development of the operational results was the focus of particular attention. The Dutch Corporate Governance Code has been placed on the agenda for discussion at the Annual General Meeting of Shareholders.

Other topics of discussion included the risk profile and the company's organisation, the various store formulas and their positioning in the European markets.

The Supervisory Board also met alone on a number of occasions in order to, among other things, discuss the performance of the Management Board and the Supervisory Board itself.

Mr E.F. van Veen was reappointed to the position of Supervisory Director at the Annual General Meeting of Shareholders on 24 April 2003. He also serves as the Board's Vice-chairman.



In March 2004 it was decided to appoint Mr C.A.S.M. Renders to the remuneration committee. He will also serve as the chairman of the committee. The other members of the remuneration committee are Mr E.F. van Veen and M.J.N.M. van Seggelen. During the year under review an audit committee was established that is comprised of Mr E.F. van Veen and Mr C.A.S.M. Renders. In view of the size of the company, a separate selection and appointment committee will not be appointed.

The composition of the Supervisory Board complies with the requirements stipulated by the Corporate Governance Code. Mr van Veen is the financial expert on the Board and only Mr Blokker, as a Director of large shareholder Breedinvest B.V., is not independent.

Salary increases were kept to an absolute minimum within the management team. The fixed salary of the Chief Executive Officer was not increased for the second consecutive year. His bonus amounts to a maximum of 50% of the fixed annual salary and in 2003 consisted of a component that was dependent upon the realisation of the budgeted result and a discretionary component.

The maximum bonus of 50% of the fixed annual salary will remain in force in 2004. The options that were awarded in 2003 are clearly long-term in nature.

The Supervisory Board proposes appointing Mr E.J. van der Woude as statutory director of Beter Bed Holding N.V. This proposal has been placed on the agenda for the Annual General Meeting of Shareholders to be held on 28 April 2004.

The Supervisory Board is aware of the broad interests that the company represents and accepts its responsibility vis-à-vis all those involved with the company: clients, shareholders, employees, suppliers and financiers. It ensures a transparent account of the policy pursued and the ensuing results.

We wish to thank the Management Board and all the employees for their commitment and perseverance in these commercially difficult times.

Uden, 9 April 2004

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

***Once the demand for bedroom
furnishings shows signs of recovery,
the formulas of Beter Bed Holding will
be well-positioned to optimally
profit from this recovery.***

REPORT OF THE MANAGEMENT BOARD

GENERAL

The decline in the demand for bedroom furnishing products that began in late 2001 continued unabated in 2003. The most important external factors that continue to have a negative effect on the demand for our products are the historic low level of consumer confidence and the stagnation in the housing market. Consumer confidence and the so-called 'willingness to make major purchases' last year reached its lowest point since the early 1980s. However, in contrast to these negative external factors, consumers are attaching increasingly greater importance to a good bedroom system. Under the current market conditions, our formulas have succeeded in responding effectively to the increased consumer demand for an excellent price-quality ratio. The Beter Bed Holding formulas are aimed at constantly improving our product ranges, the price-quality ratio of the individual products, the advice provided in stores, the stores themselves and the operational processing of customer orders in the bedroom furniture market.

The policy is aimed at realising the following two core objectives:

- Improving the results, even under the current difficult market conditions and
- Positioning the company to profit optimally from a market recovery as soon as it arrives

Since mid-2002 the core policy lines have been:

To promote growth in turnover by intensifying promotional and other activities

The promotions have been more rigorous since the second half of 2002 than in the past, the advertising mix has been changed and the product development activities have been further expanded.

To reduce the average costs per store

By critically reviewing all the costs and by not increasing overhead costs when expanding the number of retail stores, it has been possible to reduce the average costs per store in 2003 by 4%; this came on top of the 5% reduction that was realised in 2002. The new IT systems, which are now completely operational at both Matratzen Concord in Germany and Beter Bed in The Netherlands, have made a major contribution towards increasing the efficiency of the operations. This is reflected in part by shorter delivery times and improved inventory control.

To continue profitable expansion

For Beter Bed Holding this primarily means expanding Matratzen Concord in Germany because these stores already contribute to profits during their first year of operation.

The policy is aimed at achieving two core objectives: improving the result under the current market conditions and being able to profit optimally from a possible market recovery.



To improve the balance sheet

The two most important steps in this area were already taken in 2002, namely strengthening group equity and converting short-term debt into long-term debt. This operation was provisionally finalised in 2003 by entering into a five-year loan for € 5.0 million at a fixed interest rate of 4.63%. Due in part to the improved cash flow, the short term bank debt was reduced to € 3.3 million (2002: € 11.0 million). The solvency percentage amounted to 31.3% in comparison to 27.9% at the end of 2002. The interest coverage improved from 0.4 to 2.6.

To improve the gross margin percentage

Improving the gross margin percentage was added to the list of core objectives in 2003. The gross margin percentage reached its lowest point in the first quarter of the year under review at 50.9%. This percentage, however, amounted to 52.1% for the full year 2003 (2002: 52.8%).

Risk

The most important risk in connection to Beter Bed formulas lies in realising the planned turnover. This is due to the fact that a large proportion of the costs, such as personnel and rent, are not variable in the short-term owing to the length of the lease contracts and the already minimum staffing levels.

The costs can, of course, be brought in line with the changing demand in the longer term and this will be achieved in part by closing stores. However, this will always involve a delay and consequently entail financial risks.

In 2003 Beter Bed had an average outstanding amount of \$ 400,000 in dollar obligations. These currency risks are not covered. The positions are periodically reassessed.

There is also interest-related risk; variable interest is paid on the 20-year contract with Bouwfonds on the basis of quarterly EURIBOR plus a margin of 1.25%. Until now the decision has been made to pay the economical quarterly rate, due to the fact that the 20-year interest rate is more than two percentage points higher than the quarterly rate. At present each percentage point rise in the interest rate would cost the company € 100,000 per year.

There are risks in the operational field that relate to the advancing automation and the logistics organisation. A disaster in this area would clearly have financial consequences. In 2004 supplementary measures will be taken in this area in order to reduce the effects of a disaster by drafting a business continuity plan. While this will reduce the risks, it will certainly not eliminate them entirely.

RISK CONTROL AND CONTROL SYSTEMS

The turnover of Matratzen Concord and the order intake of Beter Bed Nederland are reported daily to the Holding's Management Board, other companies report on a weekly basis. These data are compared to the figures of the preceding year and the budgeted turnover.



A profit and loss account, balance sheet, investment report and cash flow statement are reported to the Holding each month in a standardised and detailed format. These data are also compared to the same data of the previous year and the budgeted figures. This reporting also forms the basis for the quarterly consolidation and reporting to the Supervisory Board. Discrepancies are discussed on a per division basis at the monthly meeting with the Holding Management Board. While there is no documentation regarding the content of each reporting regulation, in view of the monthly discussion of the results and the applicable definitions there can be no uncertainty regarding the content of the different reporting regulations.

Procedures pertaining to the completeness of the disclosed turnover and cash flow are the primary responsibility of the Divisional Management. These procedures vary per formula and per country, for example due to the systems employed by the banks and due to the difference between a cash & carry formula and a home delivery formula. The liquidity planning and tracking of the cash position is carried out centrally within the Holding. Compliance with the set procedures is verified by the financial administrations of the various operating companies.

ACTIVITIES

MATRATZEN CONCORD

	2003	2002
Turnover (x € 1,000)	124,581	125,375
Number of stores	536	515
Number of employees (FTE)	876	860

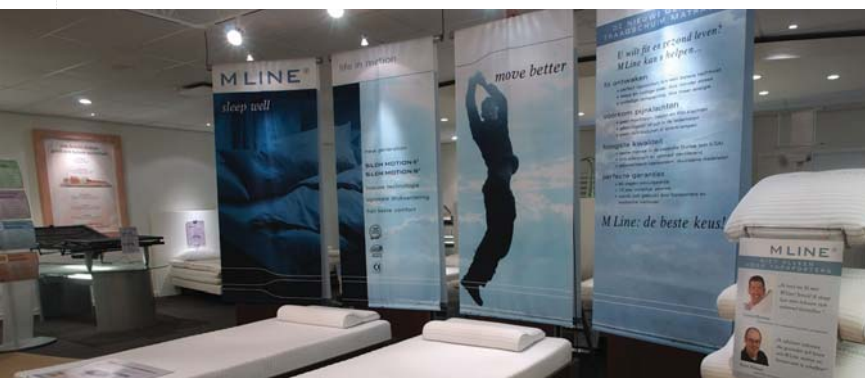
Matratzen Concord realised turnover totalling € 124.6 million. This is -7.7% in comparable stores. The total turnover remained virtually the same due to expansion. It was possible to sustain the result at Matratzen Concord by maintaining the gross profit and by implementing cost-saving measures. The expansion in Germany continued in the year under review. The decision was taken in 2003 to terminate the operations that were begun in France and Italy in 2000. The key factors behind this decision were the disappointing results in 2002 and the lack of short-term prospects. The net increase in the number of stores was slightly lower than in previous years, primarily due to a higher number of store closures. This is due to the fact that stores are naturally more apt to underperform within a depressed market.

One of the developments in the product field is the expansion of the SF Contact product line, which means that slow foam mattresses are now available in various price classes. A number of developments in the product area are also scheduled for 2004. Further training of the sales employees will also be carried out in 2004.

BETER BED

	2003	2002
Turnover (x € 1,000)	98,359	88,526
Number of stores	80	81
Number of employees (FTE)	570	580

Despite the market developments, Beter Bed Nederland achieved higher turnover in 2003 than in 2002. This is thanks to both increased order intake and to a reduction in delivery times to customers. This has caused the development of the delivered turnover to be even better than the order intake. The order intake in comparable stores



amounted to 4.2% more than in 2002, whereas turnover increased by 11.1%. Faster delivery of orders is also an objective for 2004 that will contribute to an improvement in the result. The turnover at Beter Bed Deutschland developed favourably until 2002 and consequently provided sufficient prospects for the required improvement of the results. In 2003 the growth figures were disappointing until October, after which they showed signs of improvement. This trend must be continued in order to provide the required perspective.

An important milestone for the operations in The Netherlands was the implementation of a new IT system at the distribution centres in Uden and Beverwijk. This implementation was carried out without any significant problems. This means that the entire organisation of Beter Bed Nederland now utilises the same integrated system. This will improve the information provided to customers, decrease delivery times and enhance the efficiency of the logistic operations. Within the context of continuous improvement of the retail stores, Beter Bed opened new stores in Roermond, Rotterdam Alexandrium and Spijkenisse in 2003. It also closed Junior stores in Deventer, Groningen and Venlo, as well as a store in Reuver. The store in Hoofddorp was affected by a fire at an adjacent store and will be closed temporarily while the building is torn down and rebuilt.

DORMAËL SLAAPKAMERS

	2003	2002
Turnover (x € 1,000)	2,371	1,055
Number of stores	9	12
Number of employees (FTE)	7	7

Dormaël's market segment of more expensive bedroom products, has suffered more than others from the economic developments. Dormaël nonetheless succeeded in outperforming the market.

The number of stores decreased due to the bankruptcy of one of the franchisees. An alternative purpose has now been found for these stores. Beter Bed currently operates two of the locations and one location is operated by Beddendump. The store in Zoetermeer is now, like the one in Groningen, operated by the central organisation.

BEDDENDUMP

	2003	2002
Turnover (x € 1,000)	4,545	2,827
Number of stores	13	9
Number of employees (FTE)	29	18

As a separate formula, Beddendump is still relatively young. The formula is positioned in the discount segment of the market and is a cash & carry concept where bedroom furniture, mattresses and bed bases are sold at lower prices. The turnover development in comparable stores in 2003 was +5.2%.



DBC

DBC achieved turnover totalling € 4.0 million in 2003 (2002: € 3.2 million). This amount includes the sales to Beter Bed. Sales of the M LINE products, which DBC developed, are progressing favourably in The Netherlands. The organisation has been downsized in Germany due to lower than expected growth. Further growth will be realised in part by expanding the M LINE range. The most important step in this field in 2003 was the development of an M LINE box spring, which was successfully introduced in August.

INTERWOOD/ECOWOOD

The turnover in 2003 totalled € 4.4 million (2002: € 4.7 million). The number of employees at the end of 2003 totalled 284 (2002: 292). In 2003 there was once again a demonstrable improvement in the result. As stated earlier, production activities are no longer a core activity of Beter Bed Holding and Ecowood will consequently be closed in 2004.

INVESTMENTS, FINANCING AND CASH FLOW

A total amount of € 3.9 million was invested in 2003. The majority of this amount was allocated to investments in the stores. The cash flow (net profit plus depreciation) amounted to € 8.6 million in comparison to € 4.5 million in 2002. Following the revision of the financing structure in 2002, in June of 2003 a loan of € 5.0 million was obtained from the Kreissparkasse in Cologne. This loan is repayable on a linear basis in five years. The signs of improvement to the liquidity position that appeared in the second half of 2002, continued in 2003. The solvency percentage at the end of 2003 amounted to 31.3% (2002: 27.9%). Short-term bank debt totalled € 3.3 million,

compared to € 11.0 million at the end of 2002. The total interest-bearing debt at the end of 2003 amounted to € 19.3 million (2002: € 23.4 million). No major changes to the financing structure are expected to be made in 2004. It was, however, decided in 2003 to do business with a second principle banker and both the operational activities and the current account credit will now be divided between ABN AMRO Bank and Rabobank.

EMPLOYEES

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

The quality of the employees can only be maintained if there is permanent attention to training and education. In 2003, a training programme was launched at Matratzen Concord that is aimed at improving the advisory role of the sales employees. At Beter Bed in 2003, a great deal of attention was devoted to successfully implementing a new IT system and a programme aimed at raising the level of entrepreneurship within the stores' sales teams was begun.



As of 31 December 2003, a total of 1,781 employees worked at Beter Bed Holding companies. Of this total, 570 are employed at Beter Bed in The Netherlands and Germany and 876 are employed at Matratzen Concord in Germany, The Netherlands, Austria and Switzerland.

ENVIRONMENT

The Management Board recognises the importance of environmental aspects in business decisions. It consequently acts accordingly and communicates this to employees and suppliers. Environmental issues also play a role when selecting manufacturers and materials. The management also devotes attention to the method of packaging and separated processing of waste flows.

EXPECTATIONS AND FORECASTS

We do not foresee a significant economic recovery in our key sales markets in Germany and The Netherlands in 2004. The current policy of improving the commercial effectiveness of the formulas, improving the gross profit, reducing costs per store and realising profitable expansion will be continued. This policy is aimed at improving the result under the current conditions and optimally benefiting from a market recovery when it arises.

Uden, 9 April 2004

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

In a declining market, realising higher turnover demands an exceptional degree of dedication, inventiveness and professionalism from all the employees.



BETER BED HOLDING

FINANCIAL REPORT

2003

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER, IN € THOUSAND
BEFORE PROPOSED PROFIT APPROPRIATION

	2003	2002
FIXED ASSETS		
TANGIBLE FIXED ASSETS		
Land and buildings	11,059	11,666
Plant and machinery	736	1,039
Other fixed operating assets	13,640	16,424
	25,435	29,129
CURRENT ASSETS		
STOCKS		
Raw materials and consumables	197	195
Work in progress	44	62
Finished products and goods for resale	30,437	28,421
	30,678	28,678
DEBTORS		
Trade debtors	1,393	1,384
Other debtors	2,388	1,737
Prepayment and accrued income	719	897
	4,500	4,018
CASH AT BANK AND IN HAND	2,589	3,750
TOTAL ASSETS	63,202	65,575

	2003	2002	
EQUITY	19,774	18,304	
PROVISIONS			
Deferred taxation	716	625	
Restructuring	542	605	
Other	726	578	
	1,984	1,808	
LONG-TERM LIABILITIES			
Credit institutions	15,938	12,370	
CURRENT LIABILITIES			
Credit institutions	3,348	11,022	
Other creditors	11,806	10,114	
Taxes and social security contributions	2,350	3,950	
Other liabilities	6,408	6,644	
Accruals and deferred income	1,594	1,363	
	25,506	33,093	
TOTAL LIABILITIES	63,202	65,575	

CONSOLIDATED PROFIT AND LOSS ACCOUNT

AT 31 DECEMBER, IN € THOUSAND

	2003		2002		
Net turnover	234,018		221,779		
Cost of sales	112,053		104,712		
Gross profit	121,965	52.1%	117,067	52.8%	
Selling expenses	103,440		101,670		
General administrative expenses	14,243		14,505		
Total operating expenses	117,683	50.3%	116,175	52.4%	
Operating profit (EBIT)	4,282	1.8%	892	0.4%	
Financial income	21		308		
Financial expenses	(1,668)		(2,359)		
Profit on ordinary activities before taxation	2,635	1.1%	(1,159)	(0.5%)	
Taxes on profit on ordinary activities	(884)		(485)		
Net result	1,751	0.7%	(1,644)	(0.7%)	
Earnings per share in €	0.20		(0.21)		
Diluted earnings per share in €	0.20		(0.21)		

CONSOLIDATED CASH FLOW STATEMENT

	2003	2002	
CASH FLOW FROM OPERATING ACTIVITIES			
Net group profit	1,751	(1,644)	
Depreciation	6,883	6,140	
Movements in:			
- Stocks	(2,000)	1,984	
- Debtors	(482)	2,334	
- Trade creditors	87	198	
- Provisions	176	(497)	
	6,415	8,515	
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to tangible fixed assets	(3,944)	(5,778)	
Disposals of tangible fixed assets	486	3	
	(3,458)	(5,775)	
CASH FLOW FROM FINANCING ACTIVITIES			
Income from the issue of new shares	-	5,031	
Exchange gain/ (loss) in foreign participating interest	(12)	(21)	
Issued long-term loans	5,000	12,795	
Repayment of long-term liabilities	(1,432)	(5,326)	
Dividend paid	-	(3,896)	
	3,556	8,583	
NET CASH FLOW FOR FINANCIAL YEAR	6,513	11,323	
Cash at bank and in hand at the beginning of the year	3,750	4,525	
Short-term portion of the amount owed to credit institutions at the beginning of the financial year	11,022	(23,120)	
	(7,272)	(18,595)	
Cash at bank and in hand at the end of the year	2,589	3,750	
Short-term portion of the amount owed to credit institutions at the end of the financial year	(3,348)	(11,022)	
	(759)	(7,272)	

NOTES

GENERAL

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

PRINCIPLES OF CONSOLIDATION

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

NAME	REGISTERED OFFICES	INTEREST %	
Bedden & Bedden B.V.	Uden	The Netherlands	100
Beter Bed B.V.	Uden	The Netherlands	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.	Walcz	Poland	100
Interwood Sp.z.o.o.	Walcz	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

New group companies are included in the consolidation at the time at which the group can exercise full control over the company. On 1 January of the year under review Beter Bed Deutschland GmbH was incorporated in Beter Bed Holding GmbH. Beter Bed Holding N.V. has issued declarations of joint and several liability for the obligations arising from all legal transactions entered into by the Dutch group companies. Pursuant to these letters of guarantees, the Dutch group companies have made use of the exemption options laid down in Article 403, paragraphs 1 and 3, of Part 9, Book 2 of The Netherlands Civil Code.

PRINCIPLES FOR THE TRANSLATION OF FOREIGN CURRENCIES

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

ACCOUNTING POLICIES

TANGIBLE FIXED ASSETS

Tangible fixed assets other than company land are valued at the purchase price or production price less straight-line depreciation based on the expected economic life or lower realizable value.

The purchase price of Polish tangible fixed assets includes an annual increase prescribed by the Polish authorities until 1995 to compensate for inflation. Company land is valued at the estimated current value. Land and tangible fixed assets under construction are not depreciated.

FINANCIAL FIXED ASSETS

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

STOCKS

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

FINANCIAL ASSETS AND LIABILITIES

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

PROVISIONS

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

DETERMINATION OF THE RESULT

The net turnover is understood as the proceeds of the sale of goods and services to third parties less discounts and similar, and turnover taxes. Sales are valued in the turnover at the time the goods are delivered to consumers and other customers. The net turnover also includes the rent received from third parties. The costs are determined in accordance with the aforementioned accounting policies, and are allocated to the financial year to which they relate. Losses are recognized in the reporting year in which they are foreseen.

A variety of pension schemes are in use within the company. In The Netherlands, the majority of the employees participate in the Wonen Industrial Pension Fund. All other pension schemes are based on the defined contribution system.

The contributions paid to the industrial pension fund and insurance companies are charged to the year to which they relate. Depreciation is calculated using the straight-line method based on the expected economic life. Additions in the year under review are depreciated from the date of purchase. Taxes are calculated on the basis of the result recorded in the profit and loss account, whereby account is taken of tax-exempt items and costs that are non-deductible either in whole or in part.

INFORMATION BY SEGMENT

The company's activities, which are focused on the bedroom furniture sector, are largely concentrated into two formulas. Segmented information is provided in relation to the turnover of each formula. While the Board's guidelines for annual reporting possibly call for the provision of additional information per formula, this is not required by law and has consequently not been done on the basis of competitive considerations.

CASH FLOW STATEMENT

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

NOTES

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER, IN € THOUSAND

TANGIBLE FIXED ASSETS

The tangible fixed assets are intended for company use.

The movements in this item were as follows:

	LAND AND BUILDINGS	PLANT AND MACHINERY	OTHER FIXED OPERATING ASSETS	TOTAL
Net book value at 1 January	11,666	1,039	16,424	29,129
Additions	2	2	3,940	3,944
Transfers/currency adjustments	(128)	(141)	-	(269)
Disposals	(130)	(5)	(351)	(486)
Depreciation	(351)	(159)	(6,373)	(6,883)
Revaluation	-	-	-	-
Net book value at 31 December	11,059	736	13,640	25,435
Accumulated depreciation	2,733	1,102	26,883	30,718
Accumulated revaluation	(1,854)	-	-	(1,854)
Cost	11,938	1,838	40,523	54,299

€ 1,815,000 of the revaluation relates to the company land and buildings at Uden. The valuation dates from 10 April 1996. The remaining € 39,000 relates to the legal revaluation of assets in accordance with the Polish legislation applicable until 1995.

CURRENT ASSETS

All debtors fall due within one year.

CASH AT BANK AND IN HAND

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

CURRENT LIABILITIES

The company has credit facilities amounting to a total of € 25.0 million for the financing of the group. At the end of the year under review the company had made use of € 3.3 million of this facility. In view of the amount owed to credit institutions, the company and its subsidiaries have undertaken not to encumber their assets with any security rights without prior written permission from the credit institution.

In November of the year under review a loan (at the end of 2002: € 4.7 million) was repaid in full. In general, creditors in The Netherlands are paid within 10 days. In Germany the payment conditions stipulate payment 15 days after the end of the month in which goods are delivered.

LONG-TERM LIABILITIES

In 2002 a loan of € 2.0 million was negotiated for the financing of computer equipment. The interest rate on this loan is 4.7%. At the end of 2003 the outstanding balance was € 1.1 million. The entire € 0.5 million repayment scheduled for 2004 is included in the long-term liabilities.

In November 2002 a 20-year financing agreement was concluded with Bouwfonds Property Finance B.V., whereby a mortgage was issued on the distribution centres in Uden and Hoogeveen and the store in Den Helder. Quarterly payments of the interest and repayments of the principal are made by means of an annuity. The rate of interest is specified on the basis of the three-month EURIBOR increased by 1.25%. At the end of the year under review the balance of this loan amounted to € 10.4 million, of which € 8.4 million falls due after five years. In 2004 € 0.5 million will be repaid. This amount is included in long-term liabilities.

In June 2003 a loan was granted by the Kreissparkasse in Cologne for an amount of € 5.0 million, with a 5-year period of maturity. The interest rate is 4.63% for the entire duration of the loan. The loan is being repaid in equal monthly instalments. In 2004 € 1.0 million will be repaid. This amount is also included in long-term liabilities.

PROVISIONS

At 31 December	2003	2002
Deferred taxation	716	625
Restructuring	542	605
Other	726	578
Total	1,984	1,808

The tax provision largely relates to the difference between the values of stock in The Netherlands for financial reporting and tax purposes. This provision is of a long-term nature. The balance of the provision formed in 2000 for the restructuring of the company now amounts to € 542,000.

The other provisions serve to cover commitments and risks relating, in particular, to the maintenance of real estate. The movement in the provisions is as follows:

	TOTAL	TAXES	RESTRUCTURING	OTHER
At 1 January	1,808	625	605	578
Additions charged to the result	148	-	-	148
Appropriations	(63)	-	(63)	-
To tax receivables	91	91	-	-
At 31 December	1,984	736	542	726

GROUP EQUITY

The movements in this item were as follows:

	2003	2002
Balance at 1 January	18,304	19,119
Share issue	-	5,031
Dividend for 2001/Dividend for 2000	-	(3,896)
Profit appropriation	1,751	(1,644)
Exchange differences	(281)	(306)
Balance at 31 December	19,774	18,304

NOTES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

AT 31 DECEMBER, IN € THOUSAND

NET TURNOVER BY FORMULA

	2003	2002
Matratzen Concord	124,581	125,375
Beter Bed	98,359	88,526
Beddendump	4,545	2,827
DBC	4,044	3,207
Dormaël	2,371	1,055
Interwood/Ecowood	4,426	4,746
Intercompany adjustment	(4,308)	(3,957)
Total	234,018	221,779

WAGES AND SALARY COSTS

The costs include the following wage and salary components:

	2003	2002
Wages and salaries	45,362	45,546
Social security costs	8,297	8,205
Pension costs	1,397	1,185
Total	55,056	54,936

AVERAGE NUMBER OF EMPLOYEES

In 2003 an average of 1,733 employees (2002: 1,750) worked for the companies involved in the consolidation, subdivided into the following sectors:

	2003	2002
Retail in The Netherlands	615	616
Retail outside The Netherlands	859	833
Production outside The Netherlands	259	301
Total	1,733	1,750

DEPRECIATION

Depreciation in the year under review amounted to € 6,883,000 (2002: € 6,140,000). The depreciation rates, which are based on the expected economic life, are as follows:

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

TAX

The applicable tax rate is the weighted average of the applicable tax rates in the countries in which Beter Bed Holding N.V. is active. In the year under review the applicable tax rate was 42.0% (2002: 16.6%). This increase was the consequence of the changed composition of the result.

The effective tax burden is the tax as a percentage of the profit before tax stated in the profit and loss account. The effective tax rate amounts to 33.5% (2002: -41.9%). The difference arises from the fact that in 2002 tax was, on balance, due on a loss before tax.

The tax credit liquidation stated in the accounts relates to the termination of the participating interests in Italy and France.

	2003	2002
Applicable tax rate	42.0%	16.6%
Non tax-deductible losses	15.0%	(37.4%)
Tax credit liquidation	(28.1%)	-
Other differences	4.6%	(21.1%)
Effective tax rate	33.5%	(41.9%)

The tax-deductible losses at the end of the year under review amounted to € 1,298,000

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

In 2003 the remuneration for the members of the Management Board and the Supervisory Board was as follows:

	SALARY (IN €)		BONUSES (IN €)		
	2003	2002	2003	2002	
F.J.H. Geelen	265,000	265,000	40,000	136,134	
Total, Management Board	265,000	265,000	40,000	136,134	
M.J.N.M. van Seggelen	20,420	20,420	-	-	
E.F. van Veen	15,882	20,382	-	-	
J. Blokker	15,882	7,941	-	-	
C.A.S.M. Renders	15,882	15,882	-	-	
M.J.A.M. Diks	-	5,105	-	-	
L.R.J. van Rappard	-	5,294	-	-	
Total, Supervisory Board	68,066	75,024	-	-	

The bonus paid out in 2002 relates to the results achieved in the financial year 2001.

The targets set by the company for 2001 were achieved.

In addition to the aforementioned amounts, in 2003 Mr Geelen also received a contribution towards his pension amounting to € 63,447 (2002: € 18,151). Supplementary to the pension contribution paid for 2002, in 2003 Mr Geelen received an additional € 44,300. Mr Geelen's pension entitlement is a so-called defined contribution scheme.

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

YEAR OF ISSUE	NUMBER	EXERCISE PRICE	DURATION THROUGH
2000	35,000	12.20	02-11-2004
2001	20,000	10.85	09-03-2005
2003	20,000	8.50	31-10-2010

The options issued in 2003 are of a long-term nature, and depend on the achievement of a profit equal to that achieved in 2001. Mr Geelen owns 13,620 shares.

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

EARNINGS PER SHARE

The net profit of € 1,751,000 achieved in 2003 divided by the average number of 8,565,547 outstanding shares results in earnings per share amounting to € 0.20. The figures are the same for the diluted earnings per share.

COMMITMENTS NOT INCLUDED IN THE BALANCE SHEET

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

	DURATION LESS THAN ONE YEAR	BETWEEN ONE AND FIVE YEARS	LONGER THAN FIVE YEARS
Rental agreements	261	1,540	296
Lease agreements	45	117	28
Total	306	1,657	324

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

In the year under review amounts of € 24.7 million arising from rental agreements for real estate and € 2.0 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 financiers of the franchisees of the Dormaël formula. At the end of 2003 the maximum commitment amounted to € 1.3 million.

No use is made of financial instruments to cover credit and interest-rate risks. The credit risks are very restricted. To date, the chosen approach with respect to interest-rate risks has been to benefit from the low variable interest rates.

COMPANY

BALANCE SHEET

AT 31 DECEMBER, IN € THOUSAND
BEFORE PROPOSED PROFIT APPROPRIATION

	2003	2002	
FINANCIAL FIXED ASSETS	14,523	18,402	
DEBTORS	10,115	113	
CASH AT BANK AND IN HAND	-	6,690	
TOTAL ASSETS	24,638	25,205	

	2003	2002	
CAPITAL AND RESERVES			
Issued share capital	428	428	
Share premium account	14,557	14,557	
Legal revaluation reserve	1,854	1,891	
Legal reserve participating interests	-	(328)	
Other reserves	1,184	3,400	
Retained earnings	1,751	(1,644)	
	19,774	18,304	
PROVISIONS	3,641	6,151	
CURRENT LIABILITIES	1,223	750	
TOTAL LIABILITIES	24,638	25,205	

COMPANY

PROFIT AND LOSS ACCOUNT

AT 31 DECEMBER, IN € THOUSAND

	2003	2002
NET PROFIT OF PARTICIPATING INTEREST	904	(2,177)
OTHER INCOME / (EXPENSE)	847	533
NET PROFIT	1,751	(1,644)

NOTES COMPANY BALANCE SHEET

AND PROFIT AND LOSS ACCOUNT

AT 31 DECEMBER, IN € THOUSAND

GENERAL

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

FINANCIAL FIXED ASSETS

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

	PARTICIPATING INTERESTS IN GROUP COMPANIES	LOANS	TOTAL
Balance at 1 January 2002	23,069	561	23,630
Profit from participating interests, 2002	(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
Profit from participating interests, current year	904	-	904
Dividend paid	(3,840)	-	(3,840)
Exchange gain	(281)	-	(281)
Movements in loans owed by group companies	(25,512)	25,512	-
Repayment of loans	-	(25,500)	(25,500)
Contributions	27,285	-	27,285
Movement in provision participating interests	(2,447)	-	(2,447)
Balance at 31 December 2003	13,275	1,248	14,523

DEBTORS

At 31 December	2003	2002
Group companies	8,176	82
Other debtors	1,939	31
Total	10,115	113

All debtors fall due within one year.

CASH AT BANK AND IN HAND

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

CURRENT LIABILITIES

The breakdown of this balance sheet item is as follows:

At 31 December	2003	2002
Credit institutions	703	-
Taxes and social security contributions	21	442
Other liabilities, accruals and deferred income	499	308
Total	1,223	750

PROVISIONS

At 31 December	2003	2002
Other	542	605
Participating interest	3,099	5,546
Total	3,641	6,151

The other provision relates to the balance of the restructuring provision formed in 2000. The participating interests provision relates to a provision for participating interests which have a negative equity after the loans issued by the company have been set off against the participating interest's equity. The movement in the provisions in 2003 is as follows:

	TOTAL	RESTRUCTURING	PARTICIPATING INTERESTS
At 1 January	6,151	605	5,546
Addition charged to the result	-	-	-
Use	(63)	(63)	-
Other movements	(2,447)	-	(2,447)
At 31 December	3,641	542	3,099

EQUITY

ISSUED CAPITAL

The company has an authorised share capital of € 1,250,000 in 25 million ordinary shares with a nominal value of € 0.05. At the end of 2003 8,565,547 shares had been issued and paid up. In the year under review there was no change in the number of outstanding shares. The movement of the equity items was as follows:

	TOTAL	ISSUED SHARE CAPITAL	SHARE PREMIUM ACCOUNT	LEGAL RESERVE PARTICIPATING INTERESTS	LEGAL REVALUATION RESERVE	OTHER RESERVES	RETAINED EARNINGS
Balance at 1 January 2002	19,119	389	9,565	71	1,815	(3,787)	11,066
Profit appropriation, 2001	(3,896)	-	-	-	-	7,170	(11,066)
Result, 2002	(1,644)	-	-	-	-	-	(1,644)
Share issue	5,031	39	4,992	-	-	-	-
Translation differences in equity 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)
Profit appropriation, 2002	-	-	-	-	-	(1,644)	1,644
Result, 2003	1,751	-	-	-	-	-	1,751
Translation differences in equity and loans at foreign group companies	(281)	-	-	(281)	-	-	-
Revaluation	-	-	-	-	(37)	37	-
Statutory exchange differences reserve	-	-	-	609	-	(609)	-
Balance at 31 December 2003	19,774	428	14,557	-	1,854	1,184	1,751

The entire share premium account can be distributed tax free. The revaluation reserve relates to the legal revaluation reserve for land. At year-end 2003 the statutory participating-interest reserve of minus € 609,000 was charged to the general reserve.

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, 9 April 2004

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 2003. The financial statements is the responsibility of the company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

SCOPE

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

OPINION

In our opinion, the financial statements gives a true and fair view of the financial position of the company as of 31 December 2003 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, 9 April 2004
Ernst & Young Accountants

OTHER INFORMATION

APPROPRIATION OF PROFIT PURSUANT TO THE ARTICLES OF ASSOCIATION

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

PARAGRAPH 1

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

PARAGRAPH 2

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

APPROPRIATION OF PROFIT IN € 1,000

Profit for 2003	1,751	
Addition to the other reserves	466	
Profit available for payment	1,285	

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

HISTORICAL SUMMARY

AT 31 DECEMBER

	2003	2002	2001	2000	1999	1998
RESULT (IN € 1,000)						
Net turnover	234,018	221,779	238,876	226,325	207,175	108,705
Gross profit	121,965	117,067	128,895	125,160	111,452	59,271
Operating profit (EBIT)	4,282	892	20,090	21,173	22,141	12,770
Net profit	1,751	(1,644)	11,066	6,599	12,748	7,947
Depreciation	6,883	6,140	5,006	5,198	4,794	3,535
Cash flow	8,634	4,496	16,072	11,797	17,541	11,482
Net investments	3,458	5,775	8,674	1,570	5,670	7,100
CAPITAL (IN € 1,000)						
Total assets	63,202	65,575	71,318	68,213	73,272	56,724
Group equity	19,774	18,304	19,119	16,701	21,189	6,440
FIGURES PER SHARE						
Net profit in €	0.20	(0.21)	1.42	0.85	1.67	1.23
Cash flow in €	1.01	0.58	2.06	1.52	2.29	1.77
Dividend paid in €	0.15	-	0.50	0.57	0.57	0.41
Average number of outstanding shares (in 1,000 of shares)	8,566	7,797	7,790	7,754	7,662	6,490
Share price in € at year-end	9	7	13	11	27	30
RATIOS						
Operating profit/net turnover	1.8%	0.4%	8.4%	9.4%	10.7%	11.7%
Net profit/net turnover	0.7%	(0.7%)	4.6%	2.9%	6.2%	7.3%
Solvency	31.3%	27.9%	26.8%	24.4%	28.9%	11.4%
Interest cover	2.6	0.4	11.1	9.9	15.3	16.1

	2003	2002	2001	2000	1999	1998
OTHER INFORMATION						
Number of retail stores						
at year-end	644	618*	555	495	423	96
Number of staff						
in The Netherlands at year-end	618	625	599	618	735	699
Number of staff in Germany, Switzerland, Austria, France, and Italy at year-end	879	857	782	648	539	10
Number of staff						
in Poland at year-end	284	292	426	492	506	519
Turnover per staff (in € 1,000)	131	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.

COLOPHON

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Beter Bed Holding N.V. Uden

Production and coordination

Imprima de Bussy Amsterdam

Design and layout

Garlic Media Amsterdam

Photography

Studio Van Assendelft Uden





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