



Beter Bed Holding



HARD AT WORK ON A
GOOD NIGHT'S REST

ANNUAL REPORT 2014



FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

Per 31 December before proposed profit appropriation

| in thousand € | Notes | 2014 | 2013 |
|--|--------|----------------|---------|
| Fixed assets | | | |
| Tangible fixed assets | | | |
| | 1. 12. | | |
| Land | | 5,460 | 5,460 |
| Buildings | | 3,240 | 3,515 |
| Other fixed operating assets | | 20,189 | 16,616 |
| | | 28,889 | 25,591 |
| Intangible fixed assets | | | |
| | 2. 12. | | |
| Intangible operating assets | | 3,517 | 2,833 |
| Financial fixed assets | | | |
| Deferred tax assets | 17. | 497 | 549 |
| Long-term accounts receivable | 3. | 271 | 277 |
| | | 768 | 826 |
| Current assets | | | |
| Stocks | | | |
| | 4. | | |
| Finished products and goods for resale | | 53,481 | 55,549 |
| Debtors | | | |
| | 5. | | |
| Trade accounts receivable | | 2,027 | 1,276 |
| Other debtors | | 5,528 | 5,932 |
| Income tax receivable | 17. | 2,030 | 924 |
| | | 9,585 | 8,132 |
| Cash and cash equivalents | | | |
| | 6. | | |
| | | 20,883 | 9,554 |
| Total assets | | 117,123 | 102,485 |

in thousand €

Notes

2014

2013

Liabilities

Equity attributable to equity holders of the parent

7.

| | | | |
|--|--|---------------|--------|
| Issued share capital | | 438 | 436 |
| Share premium account | | 17,673 | 16,145 |
| Reserve for currency translation differences | | 814 | 755 |
| Revaluation reserve | | 2,847 | 2,847 |
| Other reserves | | 30,003 | 29,582 |
| Retained earnings | | 16,860 | 8,198 |
| | | 68,635 | 57,963 |

Long-term obligations

9.

| | | | |
|--------------------------|----|--------------|-------|
| Provisions | 8. | 1,251 | 2,678 |
| Deferred tax liabilities | | 2,218 | 2,424 |
| | | 3,469 | 5,102 |

Current liabilities

Current liabilities

10.

| | | | |
|---|-----|---------------|--------|
| Credit institutions | 11. | - | 4,975 |
| Trade creditors | | 17,517 | 8,746 |
| Profit tax payable | 17. | - | - |
| Taxes and social security contributions | | 7,304 | 8,456 |
| Other liabilities | | 20,198 | 17,243 |
| | | 45,019 | 39,420 |

Total liabilities

117,123 102,485

CONSOLIDATED PROFIT AND LOSS ACCOUNT

2014

| in thousand € | Notes | 2014 | | 2013 | |
|---|-------|----------------|--------------|-----------|-------|
| Revenue | 12. | 363,953 | | 357,363 | |
| Cost of sales | | (155,300) | | (154,178) | |
| Gross profit | | 208,653 | 57.3% | 203,185 | 56.9% |
| Wage and salary costs | 13. | 89,858 | | 87,369 | |
| Depreciation and impairment of fixed assets | 15. | 8,242 | | 9,988 | |
| Other operating expenses | 16. | 87,511 | | 93,544 | |
| Total operating expenses | | 185,611 | 51.0% | 190,901 | 53.4% |
| Operating profit (EBIT) | | 23,042 | 6.3% | 12,284 | 3.4% |
| Financial income | | 66 | | 94 | |
| Financial expenses | | (365) | | (810) | |
| Profit before taxation | | 22,743 | 6.2% | 11,568 | 3.2% |
| Income tax expense | 17. | (5,883) | | (3,370) | |
| Net profit | | 16,860 | 4.6% | 8,198 | 2.3% |
| Earnings per share | 19. | | | | |
| Earnings per share in € | | 0.77 | | 0.38 | |
| Diluted earnings per share in € | | 0.77 | | 0.38 | |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

2014

in thousand €

| | 2014 | | | 2013 | | |
|--|---------------|----------------|---------------|---------------|----------------|--------------|
| | Gross | Tax | Net | Gross | Tax | Net |
| Profit | 22,743 | (5,883) | 16,860 | 11,568 | (3,370) | 8,198 |
| Non-recyclable: | | | | | | |
| Change in revaluation reserve | | | | | | |
| - due to revaluation of land | - | - | - | - | - | - |
| Recyclable: | | | | | | |
| Movements in reserve for currency translation differences | 59 | - | 59 | 142 | - | 142 |
| Total comprehensive income | 22,802 | (5,883) | 16,919 | 11,710 | (3,370) | 8,340 |

CONSOLIDATED CASH FLOW STATEMENT

2014

| in thousand € | 2014 | 2013 |
|---|-----------------|---------|
| Cash flow from operating activities | | |
| Profit before taxes | 22,743 | 11,568 |
| Income tax paid | (7,143) | (8,722) |
| Depreciation and impairments | 8,242 | 9,988 |
| Release employee stock options | (439) | (101) |
| Movements in: | | |
| – Stocks | 2,068 | 5,163 |
| – Debtors | (347) | 2,942 |
| – Provisions | (1,427) | 2,678 |
| – Short-term liabilities | 10,574 | (1,497) |
| – Short-term investment liabilities | (1,701) | - |
| – Other | 42 | 153 |
| | 32,612 | 22,172 |
| Cash flow from investing activities | | |
| Additions to (in)tangible fixed assets | (13,211) | (5,439) |
| Short-term investment liabilities | 1,701 | - |
| Disposals of (in)tangible fixed assets | 1,004 | 806 |
| Changes in long-term accounts receivable | 6 | 251 |
| | (10,500) | (4,382) |
| Cash flow from financing activities | | |
| Repayment of loan | (1,000) | (2,000) |
| Share reissuance | 1,851 | 846 |
| Dividend paid | (7,659) | (6,954) |
| | (6,808) | (8,108) |
| Change in net cash and cash equivalents | 15,304 | 9,682 |
| Cash and cash equivalents at the end of the financial year | 20,883 | 9,554 |
| Current bank overdraft not including repayment obligations at the end of the financial year | - | (3,975) |
| Net cash and cash equivalents at the end of the financial year | 20,883 | 5,579 |
| Cash and cash equivalents at the beginning of the financial year | 9,554 | 5,224 |
| Current bank overdraft not including repayment obligations at the beginning of the financial year | (3,975) | (9,327) |
| Net cash and cash equivalents at the beginning of the financial year | 5,579 | (4,103) |
| Change in net cash and cash equivalents | 15,304 | 9,682 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| in thousand € | Total | Issued share capital | Share premium reserve | Reserve for currency translation | Revaluation reserve | Other reserves | Retained earnings |
|---|---------------|----------------------|-----------------------|----------------------------------|---------------------|----------------|-------------------|
| Balance on 1 Jan. 2013 | 55,832 | 436 | 16,145 | 613 | 2,847 | 21,373 | 14,418 |
| Net profit 2013 | 8,198 | - | - | - | - | - | 8,198 |
| Other components of comprehensive income 2013 | 142 | - | - | 142 | - | - | - |
| Profit appropriation 2012 | (2,608) | - | - | - | - | 11,810 | (14,418) |
| Interim dividend 2013 | (4,346) | - | - | - | - | (4,346) | - |
| Reissuance of shares | 846 | - | - | - | - | 846 | - |
| Release of employee stock options | (101) | - | - | - | - | (101) | - |
| Balance on 31 Dec. 2013 | 57,963 | 436 | 16,145 | 755 | 2,847 | 29,582 | 8,198 |
| Net profit 2014 | 16,860 | - | - | - | - | - | 16,860 |
| Other components of comprehensive income 2014 | 59 | - | - | 59 | - | - | - |
| Profit appropriation 2013 | (1,526) | - | - | - | - | 6,672 | (8,198) |
| Interim dividend 2014 | (6,133) | - | - | - | - | (6,133) | - |
| (Re)issuance of shares | 1,851 | 2 | 1,528 | - | - | 321 | - |
| Release of employee stock options | (439) | - | - | - | - | (439) | - |
| Balance on 31 Dec. 2014 | 68,635 | 438 | 17,673 | 814 | 2,847 | 30,003 | 16,860 |

GENERAL NOTES

General

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

The 2014 consolidated financial statements of Beter Bed Holding N.V. have been drawn up by the Management Board and were considered in the meeting of the Supervisory Board on 12 March 2015. These financial statements are still to be adopted by the shareholders. The adoption of the financial statements has been placed on the agenda of the Annual General Meeting of Shareholders on 19 May 2015. Pursuant to Section 402 of Book 2 of the Dutch Civil Code, the company financial statements contain an abbreviated profit and loss account.

Application of new standards

Insofar as applicable, the company applied the following new and revised IFRS standards and IFRIC interpretations that are relevant for the company:

| | |
|------------|--|
| IFRS 10 | Consolidated Financial Statements, effective 1 January 2014. |
| IFRS 11 | Joint Arrangements, effective 1 January 2014. |
| IFRS 12 | Disclosure of Interests in Other Entities, effective 1 January 2014. |
| IFRS 10-12 | Transitional provisions, effective 1 January 2014. |
| IAS 27 | Statutory Financial Statements, effective 1 January 2014. |
| IAS 28 | Investments in Associates and Joint Ventures, effective 1 January 2014. |
| IAS 32 | Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities, effective 1 January 2014. |
| IAS 36 | Impairment of Assets, effective 1 January 2014. |
| IAS 39 | Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting, effective 1 January 2014. |

The application of these standards and interpretations had no material effect on the company's financial position and results.

The following standards and interpretations were issued on the date of publication of the financial statements, but were not yet effective for the 2014 financial statements. Only those standards and interpretations are listed below that Beter Bed Holding reasonably expects to have an impact on the disclosures, the financial position or the results of Beter Bed Holding upon future application. Beter Bed Holding intends to apply these standards and interpretations as soon as they become effective.

| | |
|-------------------|--|
| IFRS 9 | Financial instruments, effective 1 January 2018*. |
| IFRS 15 | Revenue from contracts with customers, effective 1 January 2017*. |
| IAS 1 | Presentation of the financial statements – Disclosure initiative, effective 1 January 2016*. |
| IAS 16 and IAS 38 | Tangible fixed assets and intangible assets – Clarification of Acceptable Methods of Depreciation and Amortisation, effective 1 January 2016*. |
| IAS 19 | Employee Benefits – Defined Benefit Plans: Employee Contributions, effective 1 February 2015. |
| IAS 27 | Statutory Financial Statements – Equity Method in the Statutory Financial Statements, effective 1 January 2016*. |
| IFRIC 21 | Levies Charged by Public Authorities, effective 17 June 2014. |

** Not yet approved by the European Union.*

Annual Improvements to IFRSs 2010-2012 Cycle (published December 2013), effective 1 February 2015.
Annual Improvements to IFRSs 2011-2013 Cycle (published December 2013), effective 1 January 2015. Annual Improvements to IFRSs 2012-2014 Cycle (published September 2013), effective 1 January 2016.

The company has taken note of the improvements and is currently assessing their consequences.

Principles of consolidation

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

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

| Name of statutory interest | Registered office | Interest % |
|-----------------------------------|-----------------------|------------|
| BBH Beteiligungs GmbH | Cologne, Germany | 100 |
| BBH Services GmbH & Co K.G. | Cologne, Germany | 100 |
| Bedden & Matrassen B.V. | Uden, The Netherlands | 100 |
| Beter Bed B.V. | Uden, The Netherlands | 100 |
| Beter Bed Holding N.V. y Cia S.C. | Barcelona, Spain | 100 |
| Beter Beheer B.V. | Uden, The Netherlands | 100 |
| DBC International B.V. | Uden, The Netherlands | 100 |
| DBC Nederland B.V. | Uden, The Netherlands | 100 |
| DBC Deutschland GmbH | Moers, Germany | 100 |
| El Gigante del Colchón S.L. | Barcelona, Spain | 100 |
| Linbomol S.L. | Barcelona, Spain | 100 |
| M Line Bedding S.L. | Barcelona, Spain | 100 |
| Madrasser Concord ApS | Copenhagen, Denmark | 100 |
| Matratzen Concord (Schweiz) AG | Malters, Switzerland | 100 |
| Matratzen Concord GmbH | Cologne, Germany | 100 |
| Matratzen Concord GesmbH | Vienna, Austria | 100 |
| Procomiber S.L. | Barcelona, Spain | 100 |
| Schlafberater.com GmbH | Cologne, Germany | 100 |
| Literie Concorde SAS | Reichstett, France | 100 |

Principles for the translation of foreign currencies

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

Accounting policies

Tangible fixed assets

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

A tangible fixed asset is derecognised in the event of disposal or if no future economic benefits are expected from its disposal or use. Any gains or losses arising from its balance sheet derecognition (calculated as the difference between the net proceeds on disposal and the book value of the asset) are taken through the profit and loss account for the year in which the asset is derecognised. The residual value of the asset, its economic life and valuation principles are reviewed and if necessary adapted at the end of the financial year.

Lease agreements

The determination whether an arrangement forms or contains a lease agreement is based on the content of the agreement and requires an assessment to determine whether the execution of the agreement is dependent upon the use of a certain asset or certain assets and whether the agreement gives the right to actually use the asset. Beter Bed Holding only has operating leases. Operational lease payments are recorded as expenses in the profit and loss account evenly throughout the lease period.

Intangible fixed assets

Initial valuation of intangible fixed assets is at cost price, with the cost price of intangible fixed assets obtained through acquisition equal to the real value as of the acquisition date. Thereafter, valuation is at cost price minus cumulative write-downs and impairment. Costs of development are activated when they are likely to generate future economic benefit.

Intangible fixed assets are assessed in order to determine whether they have a limited or unlimited life span.

Intangible fixed assets are written down over the life span and checked for impairment if there are indications that the intangible fixed asset may have been subjected to impairment.

The period and method used to write down an intangible fixed asset with limited life span are assessed in any event at the end of each period under review. Any changes in the expected life span or expected pattern of the future economic profits from the asset are accounted for by means of a change in the write-down period or write-down method and must be treated as a change in estimate. Write-downs on intangible fixed assets with limited life spans are recognised in the profit and loss account.

Any profits or losses arising from the off-balance-sheet status of intangible fixed assets relate to the difference between net profit upon sale and the book value of the asset, and are recognised in the profit and loss account, so that the asset is actually no longer included in the balance sheet.

Impairment of assets

The company assesses per reporting date whether there are indications that an asset has been impaired. If there is any such indication or if the annual assessment of impairment of an asset is required, the company estimates the asset's realisable value.

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

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

Derecognition in the balance sheet of financial assets and liabilities

A financial asset (or, if applicable, part of a financial asset or part of a group of similar financial assets) is no longer included in the balance sheet if the group is no longer entitled to the cash flows from that asset or if substantially all risks and rewards of the asset have been transferred or – if substantially all risks and rewards of the asset have not been transferred – the entity has transferred 'control' of the asset.

A financial obligation is no longer included in the balance sheet once the obligation has been fulfilled or discontinued or has expired. If an existing financial obligation is replaced by another from the same lender, under substantially different conditions, or if considerable amendments are made to the conditions of the existing obligation, the replacement or amendment is dealt with by including the new obligation in the balance sheet and no longer including the original obligation. The difference between the relevant book values is included in the profit and loss account.

Taxation

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

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

Deferred tax assets are recognised for available tax loss carryforwards and deferred tax assets arising from temporary differences at the balance sheet date between the amounts of assets and liabilities for tax purposes and the book values recognised in these financial statements. They are valued at nominal value. Deferred tax assets arising from future tax loss carryforwards are only recognised to the extent that it is probable that sufficient future taxable profit will be available against which they can be utilised.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on applicable tax rates and enacted tax laws.

Stocks

Stocks are valued at the lower of cost price and market value. The cost price consists of the purchase price less purchase discounts and plus additional direct costs. The market value is formed by the estimated sale price within normal business operations minus the estimated costs of completion and the estimated costs for settling the sale. Where necessary, the downward adjustment of the value of unmarketable goods is taken into account. Unrealised intercompany profits are eliminated from the stock valuation.

Cash and cash equivalents

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

Other assets and liabilities

Other assets and liabilities are valued at amortised cost. Where necessary the assets 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.

Determination of the result

Net revenue

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

Cost of sales

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

Expenses

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

Pensions

A variety of pension schemes are in use within the company. In the Netherlands, the majority of the employees participate in the Wonen Industrial Pension Fund. This is an average pay scheme with a maximum pension accrual on the income for social security contributions. This arrangement is currently considered a 'defined benefit' arrangement. This pension fund is not, however, presently able to provide data that enable a pure application of IAS 19. Consequently this pension scheme is considered a defined contribution arrangement.

Virtually all other pension schemes are based on the defined contribution system. The premiums paid to the Wonen Industrial Pension Fund and to insurers respectively are included as expenses in the year for which they are applicable. There are no company specific pension schemes in the other countries.

Depreciation

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

Cash flow statement

The cash flow statement is drawn up using the indirect method. The 'cash and cash equivalents' item stated in the cash flow statement can be defined as cash and cash equivalents less short-term bank overdrafts, inasmuch as this does not relate to the short-term component of long-term loans. Short-term bank overdrafts are accounted as an integral part of the cash flow management.

Share-based transactions

Members of the Management Board and a few other employees of the company receive remuneration in the form of payment transactions based on shares, whereby these employees provide certain services in return for capital instruments (transactions settled in equity instruments). The expenses of the transactions settled with employees in equity instruments are valued at the real value on the allotment date. The real value is determined on the basis of the Black & Scholes model. Performance conditions are taken into account when determining the value of the transactions settled in equity instruments.

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

Risks

Currency risks, arising mainly from purchases in dollars, are not covered. A 5% change in the average dollar exchange rate would, on the basis of the purchasing volumes in the financial year, produce an effect of approximately € 136 (2013: € 148) on the operating profit (EBIT) if sales prices remain the same. There are virtually no financial instruments in foreign currencies.

Owing to the current capital structure of the company, interest rate risk is very limited. The effect on the result of a change (increase or decrease) in interest rate by 50 basis points would be approximately € 0 before tax (2013: € 25), on the basis of the use of the credit facilities at year-end 2014. The book value of the financial obligations is virtually equal to the fair value. Credit risk is limited to the wholesale operations and trade receivables under bonus agreements. No specific measures are required for this, in addition to standard credit control. The fair value of receivables is equal to their book value. The maximum credit risk equals the carrying amount of the receivables.

Liquidity risk is not very significant, owing to the nature of the company's operations and financial position. A description of the available credit facilities can be found in the chapter current obligations (see page 81). For an explanation of the other risks, please refer to the related section in the Report of the Management Board (see page 24).

Capital management

The company has a target solvency (equity/total assets) of at least 30% in accordance with the dividend policy. In addition, the ratio of net interest-bearing debt/EBITDA may not exceed two. The item stocks is by far the most important in the working capital. Targets have been defined for this for each formula. These variables are included in the weekly reports. Solvency at year-end 2014 was 58.6% (2013: 56.6%). The – net interest-bearing – debt/EBITDA ratio was 0.0 in 2014 (2013: 0.22).

Information by segment

Various operating segments are identified within the group as they are reviewed by the decision-makers within the entity. These operating segments independently earn revenues and incur expenses. These operating segments are aggregated into a single reportable segment as the nature of the products, the customers and distribution methods are comparable and in addition the economic characteristics are similar.

Estimates

If important estimates are made when drawing up the financial statements, an explanation will be provided in the discussions for each item in question. Accounting estimates were applied mainly for the tangible and intangible fixed assets and the provision for onerous contracts.

NOTES TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

in thousand €, unless otherwise stated

1. Tangible fixed assets

| | Land | Buildings | Other fixed operating assets | Total |
|------------------------------------|--------------|--------------|------------------------------------|----------------|
| Book value 1 January 2013 | 5,460 | 3,878 | 21,598 | 30,936 |
| Investments | - | - | 4,353 | 4,353 |
| Currency adjustment | - | - | (12) | (12) |
| Disposals | - | - | (803) | (803) |
| Depreciation | - | (363) | (7,511) | (7,874) |
| Impairment | - | - | (1,009) | (1,009) |
| Book value 31 December 2013 | 5,460 | 3,515 | 16,616 | 25,591 |
| Accumulated depreciation | - | 5,599 | 70,111 | 75,710 |
| Accumulated revaluation | (3,797) | - | - | (3,797) |
| Purchase price | 1,663 | 9,114 | 86,727 | 97,504 |
| Book value 1 January 2014 | 5,460 | 3,515 | 16,616 | 25,591 |
| Investments | - | 79 | 11,293 | 11,372 |
| Currency adjustment | - | - | 17 | 17 |
| Disposals | - | - | (1,002) | (1,002) |
| Depreciation | - | (354) | (6,735) | (7,089) |
| Book value 31 December 2014 | 5,460 | 3,240 | 20,189 | 28,889 |
| Accumulated depreciation | - | 5,953 | 72,550 | 78,503 |
| Accumulated revaluation | (3,797) | - | - | (3,797) |
| Purchase price | 1,663 | 9,193 | 92,739 | 103,595 |

The revaluation relates to the company land at Uden and Hoogeveen and the land forming part of retail properties owned. These properties are located in the Dutch cities of Elst, Den Helder, 's Hertogenbosch and Uden. This land was revalued on 11 December 2012 by an independent valuer.

In the company's judgment, the fair value has not changed significantly since the last valuation.

The writedown included in the statement of movements for 2013 relates to the tangible fixed assets of the Dutch and Belgian Matrassen Concord stores and the Slaapgenoten stores. The recoverable value relating to the capitalised tangible fixed assets at these stores is estimated at zero, and the carrying amounts of the tangible fixed assets of the Dutch and Belgian Matrassen Concord stores and the Slaapgenoten stores were accordingly written down to zero.

The tangible fixed assets are intended for own use.

2. Intangible fixed assets

| | 2014 | 2013 |
|-------------------------------|--------------|---------|
| Book value 1 January | 2,833 | 2,855 |
| Investments | 1,839 | 1,086 |
| Disposals | (2) | (3) |
| Depreciation | (1,153) | (1,057) |
| Impairment | - | (48) |
| Book value 31 December | 3,517 | 2,833 |
| Accumulated depreciation | 4,839 | 3,748 |
| Purchase price | 8,356 | 6,581 |

The intangible operating assets consist mainly of licenses and software.

The writedown included in the statement of movements for 2013 relates to the intangible fixed assets of the Dutch and Belgian Matrassen Concord stores and the Slaapgenoten stores.

3. Long-term accounts receivable

The deposits in connection with the rent of stores are presented as financial fixed assets given the long term nature of these receivables.

4. Stocks

This comprises stocks held in stores to the value of € 47,923 (2013: € 50,043) and stocks held in warehouses to the value of € 5,558 (2013: € 5,506). The write-down for possible obsolescence included in this item can be specified as follows:

| | 2014 | 2013 |
|-------------------------------|--------------|-------|
| Balance at 1 January | 2,357 | 1,863 |
| Additions | 82 | 1,038 |
| Withdrawals | (766) | (544) |
| Balance at 31 December | 1,673 | 2,357 |

The provision is determined taking account of the quantity of goods withdrawn from the range or returned to suppliers.

Within the additions included in the statement of movements € 643 relates to the writedown of the stocks of the Slaapgenoten stores and the Dutch and Belgian Matrassen Concord stores set to be closed. The provision of € 772 recognised in 2013 for these stores was nil at year-end 2014.

5. Debtors

All the accounts receivable fall due within less than one year and are carried at amortised cost price which is equal to the nominal value. Sales in stores and deliveries are settled in cash. Receivables relate mainly to receivables due from wholesale customers and trade receivables arising from agreed bonuses. A provision of € 60 (2013: € 91) is recognised for wholesale accounts receivable. This is 44.9% (2013: 100%) of the overdue receivables.

6. Cash and cash equivalents

This item relates to the cash, cheques and bank balances. The amount is composed as follows: cash € 260 (2013: € 272), bank balances € 19,361 (2013: € 6,340) and cash in transit € 1,262 (2013: € 2,942).

7. Equity

The movements in the equity items are shown in the consolidated equity movement overview (see page 69). The company's authorised share capital amounts to € 2,000, divided into 100 million ordinary shares with a nominal value of € 0.02.

Movements in the number of issued and fully paid-up shares and movements in the number of shares in portfolio are shown below:

| | 2014 | 2013 |
|--|-------------------|------------|
| Issued and paid-up shares as at 1 January | 21,805,117 | 21,805,117 |
| Share issue on exercise of employee stock options | 100,445 | - |
| Issued and paid-up shares as at 31 December | 21,905,562 | 21,805,117 |
| Shares in portfolio as at 1 January | 23,805 | 75,805 |
| Repurchased during the year | - | - |
| (Re)issue on exercise of options | (21,082) | (2,000) |
| Sale of shares in portfolio | - | (50,000) |
| Shares in portfolio as at 31 December | 2,723 | 23,805 |

A total of 121,527 shares were sold at a price of € 15.23 with a view to the exercise of employee stock options, resulting in an increase of equity (see page 69) by € 1,851.

The shares in portfolio have not yet been cancelled and therefore not been deducted from the number of issued and paid-up shares. These repurchased shares are no longer included in the earnings per share calculation.

The revaluation reserve relates to company land.

A proposal will be submitted to the Annual General Meeting of Shareholders to distribute a final dividend in cash of € 0,37 per share. The total dividend for 2014 will therefore amount to € 0.65 per share (2013: € 0.27).

8. Provisions

The formula portfolio in the Benelux was streamlined in 2014. The strategic focus is on the Beter Bed and Beddenreus formulas. The operations of the Matrassen Concord the Netherlands and Belgium and Slaapgenoten formulas were therefore discontinued in the course of 2014.

A provision for onerous contracts has been formed for the long-term leases relating to the stores of these two formulas.

This can be broken down as follows:

| | 2014 | 2013 |
|---|--------------|-------|
| Balance at 1 January | 4,542 | - |
| Additions | - | 4,542 |
| Withdrawals | (1,885) | - |
| Releases | (602) | - |
| Balance at 31 December | 2,055 | 4,542 |
| Of which short-term (in other liabilities) | 804 | 1,864 |
| Total provision for onerous rental contracts | 1,251 | 2,678 |

The provision for onerous rental contracts is based on the rent and the remaining term, taking account of a subletting probability and a mark-up for service costs.

9. Long-term obligations

The deferred tax liabilities relate to the differences between the valuation of stocks and fixed assets, including company land, in the Netherlands, Germany and Switzerland for tax and financial reporting purposes. This difference is long-term in nature.

The movements in this item in 2014 and 2013 are as follows:

| | 2014 | 2013 |
|-------------------------------|--------------|-------|
| Balance at 1 January | 2,424 | 2,400 |
| Over profit and loss account | (206) | 24 |
| From equity | - | - |
| Balance at 31 December | 2,218 | 2,424 |

Within deferred tax liabilities at the end of the financial year € 949 (2013: € 949) relates to the revaluation of company land and € 614 (2013: € 731) to the difference between the valuation of stock for tax purposes and for financial reporting purposes; € 655 relates to the difference between the valuation of the tangible fixed assets for tax purposes and for financial reporting purposes (2013: € 744).

A loan of € 10.0 million at a fixed rate of interest of 4.75% was entered into in mid-June 2009. The loan has a term of five years and will be repaid in monthly instalments. The annual repayment obligation of € 2.0 million is paid from current cash flows. This loan was repaid in full in June of this year.

10. Current obligations

To fund the group the company has current account facilities totalling € 42.8 million at its disposal. Furthermore, facilities totalling € 7.2 million are available for providing guarantees.

For the purpose of the current account facilities, the company and its subsidiaries have undertaken not to encumber their assets with any security rights without the prior consent of the credit providers.

The above-mentioned current account facilities include a committed facility in the amount of € 20.0 million, which will expire on 31 July 2015. As security for the committed facility, mortgages have been provided for the Uden and Hoogeveen distribution centres and for the Den Helder store premises. The main conditions of the account overdraft facilities are a minimum solvency rate of 25% and a maximum net interest-bearing debt/ EBITDA ratio of 2.5.

At the end of the year under review, the current account facilities were only used for providing bank guarantees, mainly for the purpose of rent payments in the amount of € 0.7 million (2013: € 0.8 million). Of the facilities available specifically to provide guarantees, a total of € 6.1 million was in use at year-end 2014 (2013: € 5.5 million).

The other liabilities include a pension liability for a former employee of € 1.4 million (2013: € 1.3 million), calculated on an actuarial basis.

11. Financial obligations

The financial obligations can be specified as follows:

| | up to 3 months | 3 to 12 months | 1 to 5 years |
|---------------------|-------------------|-------------------|--------------|
| 2014 | | | |
| Accounts payable | 17,517 | - | - |
| Credit institutions | - | - | - |
| Total | 17,517 | - | - |
| 2013 | | | |
| Accounts payable | 8,746 | - | - |
| Credit institutions | 4,475 | 500 | - |
| Total | 13,221 | 500 | - |

The market value of the financial obligations is roughly equal to amortised cost.

12. Information by geographic area

| Revenue by country | 2014 | % | 2013 | % |
|-------------------------|----------------|------------|----------------|------------|
| Germany | 213,159 | 58 | 201,114 | 56 |
| The Netherlands | 109,203 | 30 | 114,984 | 32 |
| Other countries | 42,660 | 12 | 41,852 | 12 |
| Intercompany adjustment | (1,069) | - | (587) | - |
| Total | 363,953 | 100 | 357,363 | 100 |

| (In)tangible fixed assets by country | 2014 | 2013 |
|--------------------------------------|---------------|---------------|
| The Netherlands | 19,361 | 13,774 |
| Germany | 10,194 | 12,312 |
| Other countries | 2,851 | 2,338 |
| Total | 32,406 | 28,424 |

13. Wage and salary costs

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

| | 2014 | 2013 |
|------------------------|---------------|---------------|
| Wages and salaries | 74,637 | 71,739 |
| Social security costs | 13,371 | 13,141 |
| Pension costs | 2,289 | 2,590 |
| Employee stock options | (439) | (101) |
| Total | 89,858 | 87,369 |

The pension contributions relate virtually exclusively to defined contribution schemes or schemes designated as such. Free fall for employee stock options, € 116 relate to the current and former members of the company's Management Board (2013: € 83).

Average number of employees

All the companies included in the consolidation had an average of 2,388 employees (FTE) in 2014 (2013: 2,458):

| | 2014 | 2013 |
|-----------------|--------------|--------------|
| Germany | 1,558 | 1,561 |
| The Netherlands | 576 | 629 |
| Spain | 49 | 62 |
| Austria | 117 | 116 |
| Switzerland | 79 | 78 |
| Belgium | 9 | 12 |
| Total | 2,388 | 2,458 |

14. Option program

The options are long-term in nature and can be exercised providing that the profit target has been met. The costs of the option program are calculated using the Black & Scholes model. With effect from 2013, the costs of the options program are calculated using a combined model of Black & Scholes and Monte Carlo simulations. An overview of the details of the options granted and still outstanding, as well as the values employed in the Black & Scholes model, is provided hereafter.

The conditions have been changed with effect from the options series 2013. In the first three years after the award of the options granted, 33.3% of the options will vest annually if the 'Total Shareholder Return' (TSR = share price gains plus dividend distributed) of Beter Bed Holding N.V. exceeds the 'Total Shareholder Return of the AScX, based on the year of the award. In addition, the employee is required to continue to be employed by the company for three years. Options can only be exercised if these conditions are met after three years. The previous options policy/options contract will continue to apply up to 2012 for options already granted.

From the 2013 series, this means that the calculation will be based on three different Black & Scholes values, risk-free interest rates and volatility percentages. The ranges of those percentages are set out in the table below.

| | 2014 | 2013 | 2011 | 2010 | 2009 |
|------------------------------------|------------------------|-----------------|------------|------------|------------|
| Number granted | 166,700 | 166,500 | 218,000 | 218,000 | 218,000 |
| Number outstanding | 166,700 | 111,000 | 180,750 | 176,750 | 174,250 |
| Value according to Black & Scholes | € 1.78 - € 1.93 | € 1.26 - € 1.76 | € 1.58 | € 3.54 | € 3.20 |
| Exercise from | 19-5-2017 | 25-4-2016 | 28-10-2013 | 29-10-2012 | 28-10-2011 |
| Exercise through | 19-5-2019 | 25-4-2018 | 28-4-2017 | 29-4-2016 | 28-4-2015 |
| Profit target (in millions) | - | - | € 32.0 | € 32.0 | € 25.0 |
| Profit target achieved in year | - | - | - | - | 2010 |
| TSR > AScX | No | No | - | - | - |
| Share price on the allotment date | € 17.37 | € 14.09 | € 14.67 | € 19.07 | € 15.23 |
| Exercise price | € 17.37 | € 14.09 | € 14.67 | € 19.07 | € 15.23 |
| Expected life | 5 years | 5 years | 3.8 years | 5.5 years | 3.8 years |
| Risk-free rate of interest (%) | 0.78 - 0.46 | 0.75 - 0.48 | 1.71 | 2.25 | 2.40 |
| Volatility (%) ¹ | 27.50 - 21.94 | 31.93 - 30.19 | 32.15 | 40.40 | 48.00 |
| Dividend yield (%) | 5.20 | 5.90 | 9.00 | 7.35 | 5.00 |

¹ Expected volatility is based on end-of-month closing prices for the most recent period with a length equalling the expected term with a maximum of five years.

A total of 121,527 options were exercised in 2014 at a price of € 15.23. This related to 121,527 options from the 2009 series. In 2014, another 39,575 options expired, as a number of employees holding options left the company before the expiration dates. No options expired in 2014 due to the expiry of their term. However, a portion of the options expired because the vesting conditions were not satisfied. The series concerned is the series 2013 part I. Lastly, 166,700 new options were granted in 2014. See the summary of option series outstanding (see page 14).

15. Depreciation

| | 2014 | 2013 |
|--|--------------|--------------|
| Depreciation and impairment on tangible fixed assets | 7,089 | 8,883 |
| Depreciation and impairment on intangible fixed assets | 1,153 | 1,105 |
| Total of depreciation and impairment | 8,242 | 9,988 |

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

| | |
|------------------------------|-----------|
| Company land | 0% |
| Buildings | 3.33% |
| Other fixed operating assets | 10% - 33% |
| Software, licenses and other | 10% - 33% |

16. Other operating expenses

The other operating expenses comprise € 45.6 million in rental and lease costs (2013: € 53.0 million), with the remainder relating mainly to selling and distribution costs.

The Dutch and Belgian Matrassen Concord stores and the Slaapgenoten stores were closed in 2014. A provision for the costs to be incurred for this was recognised in 2013. In addition, a number of the stores of El Gigante del Colchón were closed in 2013 and a reorganisation of the Benelux head office was carried out. The costs incurred for these reorganisations and restructuring in 2013 totalled € 7.4 million.

17. Income tax expense

A tax asset is recognised at year-end 2014 under financial fixed assets of € 31 (2013: € 83) relating to future tax loss carryforwards.

The differences between the valuation of tangible fixed assets for tax purposes and for financial reporting purposes give rise to the recognition of a tax asset of € 323 (2013: € 321). The other differences between the tax and accounting bases of valuation totalled € 143 (2013: € 145).

An amount of € 7,623 (2013: € 6,390) in tax loss carry forwards is not recognised in the balance sheet, as their utilisation is currently assessed as being unlikely. These tax-offsettable losses are subject to the following terms:

| Term | |
|---------------|-------|
| 1 year | - |
| 2 - 5 years | - |
| 6 - 10 years | 384 |
| 11 - 18 years | 4,358 |
| Infinite | 2,881 |

The reconciliation between the tax liability and the results of the calculation of the profit before taxes, multiplied by the local tax rate in the Netherlands, was as follows on 31 December 2014 and 31 December 2013:

| | 2014 | 2013 |
|--|----------------|---------|
| Profit before taxes | 22,743 | 11,568 |
| At the applicable legal rate of 25.0% in the Netherlands (2013: 25.0%) | 5,686 | 2,892 |
| Adjustment profits tax previous years | 109 | 100 |
| Permanent differences | (1,613) | (1,259) |
| Future loss set-off not included | 407 | 939 |
| Recognition of previously unrecognized deferred tax assets | - | (72) |
| Effect of the tax rates outside the Netherlands | 1,294 | 770 |
| At an effective tax rate of 25.9% (2013: 29.1%) | 5,883 | 3,370 |
| Profit tax in the consolidated profit and loss account | 5,883 | 3,370 |

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

| | 2014 | 2013 |
|---|--------------|-------|
| Tax for current year | 5,929 | 3,344 |
| Adjustment of profit tax for prior years | 109 | 100 |
| Temporary differences | (208) | (114) |
| Future tax loss carryforwards | 53 | 40 |
| Profit tax in the consolidated profit and loss account | 5,883 | 3,370 |

18. Remuneration of the Management and Supervisory Board

In 2014 and 2013 the remuneration for the members of the Management Board is as follows:

| | A.H. Anbeek | | B.F. Koops | | D. van Hoeve | | Total | |
|-------------------------|--------------|------|------------|------|--------------|-------|--------------|------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Salary | 323 | 323 | 200 | 166 | - | 49 | 523 | 538 |
| Variable remuneration | 169 | 97 | 85 | 45 | - | - | 254 | 142 |
| Pension | 97 | 97 | 50 | 38 | - | - | 147 | 135 |
| Employee stock options | (125) | 36 | 9 | - | - | (119) | (116) | (83) |
| Social security charges | 9 | 9 | 9 | 7 | - | 2 | 18 | 18 |
| Lease car | 13 | 13 | 16 | 12 | - | 4 | 29 | 29 |
| Total | 486 | 575 | 369 | 268 | - | (64) | 855 | 779 |

In 2014 and 2013 the remuneration for the members of the Supervisory Board is as follows:

| | 2014 | 2013 |
|--------------------|------------|------------|
| D.R. Goeminne | 37 | 37 |
| A.J.L. Slippens | 23 | 23 |
| E.A. de Groot | 27 | 27 |
| W.T.C. van der Vis | 27 | 18 |
| C.A.S.M. Renders | - | 9 |
| Total | 114 | 114 |

The variable remunerations relate to the year in which they are classified and are included in the expenses of that year. For a detailed explanation, please refer to the remuneration report (see page 58).

The costs listed under 'Employee stock options' represent the amount accounted for in the profit and loss account for that year.

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

19. Earnings per share

The net profit of € 16.9 million divided by the average number of outstanding shares totalling 21,854,740 equals to an earnings per share of € 0.77. Due to the option series outstanding, the number of shares used for the calculation of the diluted earnings per share is equal to 21,900,404. This results in diluted earnings per share of € 0.77.

20. Commitments not included in the balance sheet

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

| Duration | 2015 | 2016 | 2017 | 2018 | 2019 | after 2019 |
|-------------------|---------------|---------------|---------------|--------------|--------------|--------------|
| Rental agreements | 38,635 | 26,131 | 16,168 | 9,418 | 6,061 | 1,756 |
| Lease agreements | 2,012 | 1,348 | 737 | 355 | 127 | 150 |
| Total | 40,647 | 27,479 | 16,905 | 9,773 | 6,188 | 1,906 |

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

In the year under review amounts of € 43.1 million (2013: € 50.5 million) arising from rental agreements for real estate and € 2.5 million (2013: € 2.5 million) arising from lease agreements have been recorded in the profit and loss account.

At year-end 2014, the Wonen Industrial Pension Fund for the Home Furnishings Industry had a funding ratio of 111.2% (year-end 2013: 101.1%). As at 31 December 2014, the company had no additional obligation.

21. Related parties

The companies listed in principles of consolidation (see page 71) are included in the consolidation of Beter Bed Holding N.V. and its participating interests.

The financial relationships between Beter Bed Holding N.V. and its participating interests consist almost fully in receiving dividends and receiving interest on loans provided.

22. Post-balance sheet events

No events that are required to be disclosed occurred in the period between the end of the year under review and the preparation of these financial statements.

COMPANY FINANCIAL STATEMENTS

Company balance sheet

At 31 December

| in thousand € (before proposed profit appropriation) | Notes | 2014 | 2013 |
|--|-------|----------------|---------|
| Fixed assets | | | |
| Tangible fixed assets | | 3 | 4 |
| Intangible fixed assets | | 154 | 153 |
| Financial fixed assets | 1. | 159,228 | 148,632 |
| | | 159,385 | 148,789 |
| Current assets | | | |
| Debtors | 2. | 3,069 | 4,060 |
| Cash and cash equivalents | 3. | 9 | 830 |
| | | 3,078 | 4,890 |
| Total assets | | 162,463 | 153,679 |

| in thousand € (before proposed profit appropriation) | Notes | 2014 | 2013 |
|--|-------|----------------|---------|
| Capital and reserves | | | |
| Issued share capital | 4. | 438 | 436 |
| Share premium account | | 17,673 | 16,145 |
| Reserve for currency translation differences | | 814 | 755 |
| Revaluation reserve | | 2,847 | 2,847 |
| Other reserves | | 30,003 | 29,582 |
| Retained earnings | | 16,860 | 8,198 |
| | | 68,635 | 57,963 |
| Provisions | 5. | 12,857 | 13,208 |
| Current liabilities | 6. | 80,971 | 82,508 |
| Total liabilities | | 162,463 | 153,679 |

Company profit and loss account

2014

| in thousand € | 2014 | 2013 |
|--|---------------|-------|
| Net profit of participating interests | 11,819 | 2,822 |
| Other income / expenses | 5,041 | 5,376 |
| Net profit | 16,860 | 8,198 |

NOTES TO THE COMPANY BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

General

The registered office of Beter Bed Holding N.V. is Linie 27, Uden, the Netherlands. The financial statements have been compiled on the basis of Title 9, Book 2 of the Dutch Civil Code in accordance with International Financial Reporting Standards (IFRS), as adopted for use in the European Union and applied to the consolidated financial statements. The participating interests are valued at net asset value. Participating interests in group companies are valued at the net asset value calculated in accordance with Beter Bed Holding N.V.'s policies. When a participating interest has a negative equity the sequence is as follows: first, the valuation of the participating interest is reduced, then a provision is formed for amounts owed by the participating interest and, when so required, a provision is formed.

The company financial statements are presented in euros and all amounts are rounded to thousands (€ 000) unless stated otherwise. The option provided by Section 402 of Book 2 of the Dutch Civil Code to include an abbreviated profit and loss account in the company financial statements has been used.

1. Financial fixed assets

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

| | Participating interests in group companies | Loans | Total |
|--|---|---------------|----------------|
| Balance at 1 January 2013 | 53,862 | 87,918 | 141,780 |
| Profit from participating interest in 2013 | 2,822 | - | 2,822 |
| Dividend paid | (1,300) | - | (1,300) |
| Capital contribution | 15 | - | 15 |
| Exchange gain | 31 | - | 31 |
| Granted loans to group companies | - | 87,240 | 87,240 |
| Repaid loans to group companies | - | (87,336) | (87,336) |
| Movements in participating interests provision | 5,113 | 267 | 5,380 |
| Balance at 31 December 2013 | 60,543 | 88,089 | 148,632 |
| Balance at 1 January 2014 | 60,543 | 88,089 | 148,632 |
| Profit from participating interest in 2014 | 11,819 | - | 11,819 |
| Dividend paid | (1,029) | - | (1,029) |
| Capital contribution | 98 | - | 98 |
| Exchange gain | 59 | - | 59 |
| Granted loans to group companies | - | - | - |
| Repaid loans to group companies | - | - | - |
| Movements in participating interests provision | (502) | 151 | (351) |
| Balance at 31 December 2014 | 70,988 | 88,240 | 159,228 |

2. Debtors

| | 2014 | 2013 |
|---|--------------|--------------|
| Group companies | 323 | 409 |
| Taxes and social security contributions | 402 | 1,445 |
| Other debtors | 2,344 | 2,206 |
| Total | 3,069 | 4,060 |

All debtors fall due within one year.

3. Cash and cash equivalents

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

4. Equity

The company's authorised capital amounts to € 2,000, divided into 100 million ordinary shares with a nominal value of € 0.02 each. At the end of 2014 21,905,562 shares had been issued and paid up (2013: 21.805.117).

Shares repurchased and not yet cancelled total 2,723. The share repurchase in the company's own capital was financed from the other reserves. These repurchased shares are no longer included in the earnings per share calculation.

The movement in the equity items is explained in the consolidated statement of changes in equity (see page 69). The revaluation reserve is the statutory revaluation reserve and relates to company land. The reserve for currency translation differences is also a statutory reserve. Neither reserve is freely distributable.

5. Provisions

At year-end 2014 and 2013 the provisions consisted in full of the provision for participating interests. The participating interests provision is a provision for participating interests that have negative net asset value after setting off loans provided by the company. The movements in the provisions in 2014 and 2013 are as follows:

| | 2014 | 2013 |
|-------------------------------|---------------|---------------|
| Balance at 1 January | 13,208 | 7,828 |
| Other movements | (351) | 5,380 |
| Balance at 31 December | 12,857 | 13,208 |

6. Current liabilities

The breakdown of this balance sheet item is as follows:

| | 2014 | 2013 |
|---|---------------|---------------|
| Credit institutions | 80,053 | 82,065 |
| Group companies | - | - |
| Taxes and social security contributions | - | - |
| Other liabilities, accruals and deferred income | 918 | 443 |
| Total | 80,971 | 82,508 |

In 2014, Beter Bed Holding put in place a new cash pool structure in which no current account intra-group balances are used.

7. Financial statement audit fees

The fees for the audit of the financial statements performed by Ernst & Young Accountants LLP amounted to:

| | 2014 | 2013 |
|-------------------------------|------------|------------|
| Audit of financial statements | 207 | 187 |
| Other non-audit services | 16 | 42 |
| Total | 223 | 229 |

The other non-audit engagement entails the assessment of the half-year figures.

8. 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.

Beter Bed Holding N.V. has issued declarations of joint and several liability for all Dutch group companies for the obligations arising from all legal transactions entered into by these group companies.

Uden, The Netherlands, 12 March 2015

Management Board

A.H. Anbeek
B.F. Koops

Supervisory Board

D.R. Goeminne
A.J.L. Slippens
E.A. de Groot
W.T.C. van der Vis

ADDITIONAL DETAILS

Post-balance sheet events

No events that are required to be disclosed occurred in the period between the end of the year under review and the preparation of these financial statements.

Appropriation of profit

Appropriation of profit pursuant to the articles of association

Article 34 of the Articles of Association link 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

2014

| | |
|-----------------------------------|--------------|
| Profit for the year | 16,860 |
| Interim dividend | (6,133) |
| Addition of reserves ¹ | (2,623) |
| Available for payment | 8,104 |

¹ On the basis of the balance of outstanding and repurchased shares as at 31 December 2014.

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

Independent auditor's report

To: the shareholders and Supervisory Board of Beter Bed Holding N.V.

Report on the audit of the financial statements 2014

Our opinion

We have audited the financial statements 2014 of Beter Bed Holding N.V., based in Uden. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The consolidated financial statements give a true and fair view of the financial position of Beter Bed Holding N.V. as at 31 December 2014, and of its result and its cash flows for 2014 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9, Book 2 of the Dutch Civil Code.
- The company financial statements give a true and fair view of the financial position of Beter Bed Holding N.V. as at 31 December 2014, and of its result for 2014 in accordance with Part 9, Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. the consolidated balance sheet as at 31 December 2014;
2. the following statements for 2014: consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and the consolidated statement of changes in equity;
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. the company balance sheet as at 31 December 2014;
2. the company profit and loss account for 2014;
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

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

We are independent of Beter Bed Holding N.V. in accordance with the Regulation on the independence of auditors in assurance engagements (the Dutch ViO) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Accountants Code of Conduct Regulation (the Dutch VGBA).

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

Materiality

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgment we determined the materiality for the financial statements as a whole at € 2,500,000. The materiality is based on approximately 0.75% of the 2014 revenue, which we consider to be the most relevant and relatively stable base to determine the materiality. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

The materiality for the financial statements as a whole is allocated to the audit of the group entities based on the relative size of the individual entity.

We agreed with the Supervisory Board that misstatements in excess of €125,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view are relevant on qualitative grounds.

Scope of the group audit

Beter Bed Holding N.V. is head of a group of entities. The financial information of this group is included in the consolidated financial statements of Beter Bed Holding N.V.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

Our group audit mainly focused on significant group entities such as the Beter Bed and Beddenreus formulas in the Netherlands, Matratzen Concord in Germany and the holding entity also based in the Netherlands. For Beter Beheer in the Netherlands we performed specific audit procedures on tangible fixed assets and cash and cash equivalents, since these items represent a significant proportion of the total. We performed the audit procedures on the Dutch entities ourselves. We used the work of other EY auditors when auditing the German entity. The audit procedures on the significant entities represent 86% of the consolidated revenue.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have obtained sufficient and appropriate audit evidence with respect to the group's financial information to issue an opinion on the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

The revenues of Beter Bed Holding N.V. as included in the financial statements under the general accounting principles and specifically in disclosure note 12 are based on the delivery of goods and services to third parties less discounts. A part of the revenue is recognised directly in the stores upon direct receipt of the goods by the customer. The remaining part of the revenue is realised upon delivery at the customer's home. The main risks identified for the financial statements are related to the proper allocation of revenue to the correct financial year and the realisation of correct and complete margins.

We have designed our audit procedures to obtain certainty with respect to this revenue recognition. Our audit approach contains both internal control testing procedures and a number of substantive audit procedures. For a number of entities we applied data analysis as well. An important part of our audit concerned the correct allocation of revenues between the financial years and we have focused on the margin analyses which were performed with a high level of detail.

Closure of Slaapgenoten and Matrassen Concord in the Netherlands and Belgium

As included in disclosure note 'Provisions' in the financial statements, Beter Bed Holding N.V. has simplified its formula portfolio in the Benelux countries. The operations of the formulas Matrassen Concord in the Netherlands and Belgium and Slaapgenoten were completely terminated in the course of 2014. The 2013 financial statements already stated a provision for rental obligations. The provision is subject to subjective estimates, and takes account of subletting.

During our audit we focused on the run-off of the provision during the year. Furthermore, we assessed management's current estimates for the remaining part of the provision and concluded that account has again been taken of subletting.

Responsibilities of management and the Supervisory Board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9, Book 2 of the Dutch Civil Code, and for the preparation of the annual report in accordance with Part 9, Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements on the basis of the going concern assumption unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management must disclose events and circumstances that could cast reasonable doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of certainty, which means we may not have detected all errors and fraud during our audit.

We have exercised professional judgment and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included:

- identifying and assessing the risks of material misstatement in the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of the internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal controls;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- establishing that management's use of the going concern assumption is acceptable, and based on the audit evidence obtained, whether there are events or circumstances that could lead to reasonable doubt as to the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may lead to the company no longer being able to continue as a going concern;

- evaluating the overall presentation, structure and content of the financial statements, including the disclosures;
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal controls that we identify during our audit.

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

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

Report on other legal and regulatory requirements

Report on the annual report and the other data

Pursuant to legal requirements of Part 9, Book 2 of the Dutch Civil Code (concerning our obligation to report about the annual report and the other data):

- We have no deficiencies to report as a result of our examination whether the annual report, to the extent we can assess, has been prepared in accordance with Part 9, Book 2 of the Dutch Civil Code, and whether the information as required by Part 9, Book 2 of the Dutch Civil Code has been included.
- We report that the annual report, to the extent we can assess, is consistent with the financial statements.

Appointment

We were appointed as the auditor of Beter Bed Holding N.V. by the Supervisory Board with effect from the audit for year 1996, and have acted as external auditor since that date.

Eindhoven, The Netherlands, 12 March 2015

Ernst & Young Accountants LLP

signed W.J. Spijker

