BeterBed holding

Annual Report 2016

Profile

Beter Bed Holding is a European retail organisation that strives to offer its customers a comfortable and healthy night's rest every night at an affordable price. The company does this via stores and its own web shops through the formats:

- Matratzen Concord, located in Germany, Switzerland and Austria.
- Beter Bed, located in the Netherlands and Belgium.
- Beddenreus, located in the Netherlands.
- El Gigante del Colchón, located in Spain.
- Sängjätten, located in Sweden.
- Literie Concorde, located in France.

The retail formats ensure products of good quality, offer customers the best advice and always the best possible deal.

Beter Bed Holding is also active as a wholesaler of branded products in the bedroom furnishing sector via its subsidiary DBC International. The international brand M line is sold in the Netherlands, Germany, Belgium, Spain, Austria, Switzerland, France, Sweden and the United Kingdom.

In 2016, the company achieved net revenue of € 410.5 million with a total of 1,206 stores. 66.4% of this figure was realised outside the Netherlands.

Beter Bed Holding has been listed on the Euronext Amsterdam since December 1996 and its shares (BBED NL0000339703) have been included in the AScX Index.

For more information please visit www.beterbedholding.com.

A Dutch language version of this annual report is also available on www.beterbedholding.nl.
In case of textual contradictions between the Dutch and the English version the first shall prevail.

Contents

About us

Introduction

Dear Reader,

Beter Bed Holding looks back on a year in which performance varied sharply from country to country. Ultimately the group as a whole realised higher revenue with slightly rising margins. It did so, however, with higher expenses that caused operating profit to decrease slightly in 2016 compared to previous year.

It was possible to achieve growth in revenue by realising more revenue in existing stores, increasing the number of stores and the acquisition of Sängjätten in Sweden.

The group succeeded in continuing the outstanding performance of the previous year in the Benelux. Both revenues and margins improved and investments in the omnichannel strategy with a primary focus on retail marketing, customer satisfaction, innovation and acceleration in logistics bore fruit. The key indicator for operational performance, the Net Promoter Score, used to measure customer satisfaction, rose at both the Beter Bed formats in the Benelux and at the Beddenreus format in the Netherlands.

The success in the Benelux is, in addition to a successful execution of the 'From Good to Great' strategy, due in part to favourable macroeconomic developments such as lower mortgage interest rates. There also continues to be a recovering housing market, a high level of consumer confidence and high propensity to buy. Customers give high ratings to the up-to-date range, offered in an attractive store ambience, combined with outstanding service and advice.

The situation was different at primarily Matratzen Concord (MC) in Germany. The trend of negative growth in revenue that already became visible in 2015 continued throughout the entire year in line with developments in the mattress market. While German consumer confidence remained unabatedly high, the propensity to buy in the bed and mattress segment was clearly lower than in previous years. Matratzen Concord was ultimately able to maintain its position in the German mattress market.

The execution of the first year of the new strategy incurred a delay in all the countries in which MC operates due to the late delivery of the new technical webshop platform in late 2016.

MC Austria was able to benefit both from the increase in the number of stores owing to the acquisition of BettenMax in late 2015 and successful promotions. In closing, MC Switzerland continues to struggle with the consequences of the substantial adjustment to the exchange rate in 2015, which continues to negatively affect consumer spending.

The margin on goods once again rose slightly in 2016. This increase was achieved through improvements in conditions, the range, product innovation and, when possible, price increases.

Expenses rose primarily as a result of the expansion of the omnichannel and customer satisfaction activities in the Netherlands and Germany as part of the strategy, the increase in the number of stores and the higher logistics expenses Beter Bed Benelux had to incur in connection with its full-service concept (targeted advice, home delivery and installation) due to the sharp growth in revenue.

The formats in Spain and France cautiously continued the expansion that began in 2015 and posted increased revenue. The own stores of the Sängjätten format in Sweden acquired in the second half of 2016 have been converted and restyled and given a new contemporary range.

Finally, 2016 saw the successful introduction of our M line brand in the UK market where the range is offered through the Dreams bed format that operates nationwide.

While economic developments in the various countries appear to be favourable, the outlook for 2017 is primarily determined by the extent to which revenue recovers in the German market (more than 50% of group revenue). Through the final delivery of the new webshop platform in the first quarter of 2017 and a refined range, promotion and advertising strategy, we expect to see a slight improvement in the first half of 2017.

Given the results achieved so far, we will continue to pursue the various objectives set out in our ‘From Good to Great 2016-2020’ strategic plan with the primary focus being on maximising customer satisfaction in an omnichannel environment, which will be promoted by a sharpened retail marketing focus and innovations and supported by an acceleration in logistics. The company furthermore aims to gain market leadership in the various markets through like-for-like growth in revenue and expansion.

After driving organic growth in revenue across the company through various new initiatives, investments and experiments for a number of years, a stringent cost control and investment policy will be followed in 2017.

The company was once more able to take steps forward towards further professionalisation in 2016. Everyone in the company worked with commitment and passion to enable this.

We are fully aware of our employees' high level of dedication and consequently wish to thank each employee for her or his contribution.

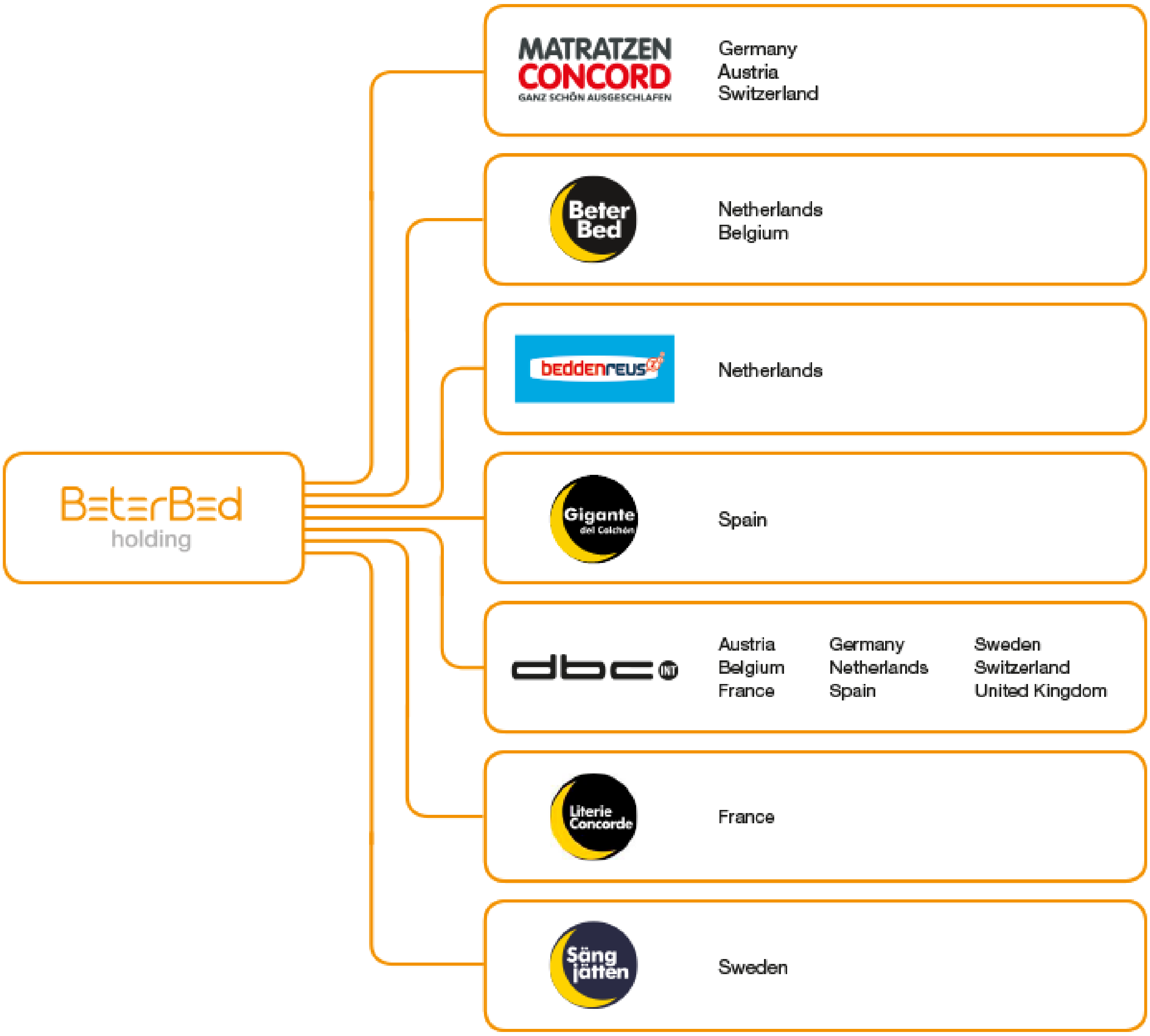
Yours sincerely,

Ton Anbeek,
Chief Executive Officer

Uden, The Netherlands, 16 March 2017

On the annual report website an eco-version of the annual report is available.

Organigram


BeterBed
holding
MATRATZEN CONCORD
GANZ SCHÖN AUSGESCHLAFEN
Germany
Austria
Switzerland
Beter Bed
Netherlands
Belgium
beddenreus
Netherlands
Gigante del Colchón
Spain
dbc INT
Austria
Belgium
France
Germany
Netherlands
Spain
Sweden
Switzerland
United Kingdom
Literie Concorde
France
Säng jätten
Sweden

Facts and figures

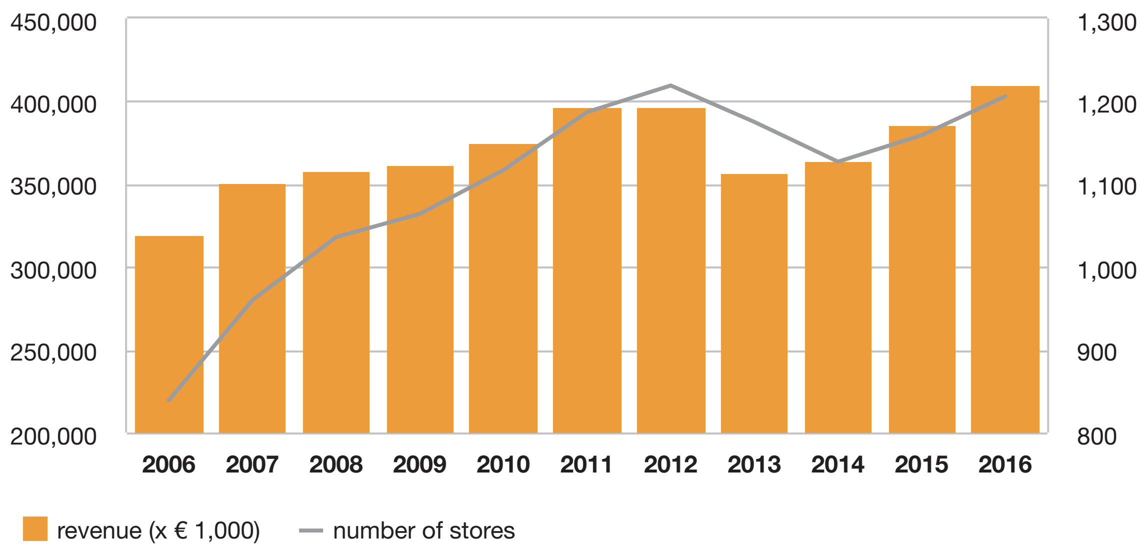
2016 in brief

2016 was characterised by:

- Continuing economic recovery in the Netherlands.
- Lower propensity to buy in the mattress segment in Germany.
- Expansion in virtually all countries.
- Acquisition of Sängjätten in Sweden.
- Further expansion of pilot in France.
- Introduction of M line in the United Kingdom.
- Increased customer satisfaction.
- Growing role of omnichannel.

- 6.5% growth in revenue (like-for-like 2.8%).
- Margin improves by 10 basis points.
- 8.7% decrease in EBITDA.
- € 19.0 million net profit.
- € 0.87 earnings per share (2015: € 1.03).
- € 0.74 dividend per share (2015: € 0.87).
- 108 store openings and 63 store closures; an increase of 45 stores on balance. The group had 1,206 stores at year-end 2016.

Revenue and number of stores



Key figures

at 31 December in thousand €, unless otherwise stated	2016		2015	
Revenue	**410,457**		385,440	
Gross profit	**237,107**	**57.8%**	222,215	57.7%
Total operating expenses	**211,072**	**51.4%**	191,516	49.7%
EBITDA[1]	**37,528**	**9.1%**	41,115	10.7%
Operating profit (EBIT)	**26,035**	**6.3%**	30,699	8.0%
Net profit	**19,015**	**4.6%**	22,559	5.9%
Average number of outstanding shares (in 1,000)	**21,956**		21,947	
Earnings per share in €	**0.87**		1.03	
Diluted earnings per share in €	**0.86**		1.02	
Share price in € at year-end	**16.90**		22.48	
Solvency	**53.5%**		57.5%	
Interest-bearing debt/EBITDA	**-**		-	
Number of staff at year-end (FTE)	**2,765**		2,513	
Number of retail stores at year-end	**1,206**		1,161	
Share of certified mattresses (NL / D)	**93%**		83%	
Diversity in top management	**29%** ♀		25% ♀	
Energy consumption (in kWh/m²)	**67.1**		73.3	
Customer satisfaction (eKomi)	**9.0**		8.8	

1 Operating profit before depreciation, amortisation, impairment, and book value disposals.

Number of stores per format

Formats		1 Jan. 2016	Closed	Opened	31 Dec. 2016
Matratzen Concord	Germany	849	40	52	**861**
	Austria	85	4	3	**84**
	Switzerland	58	4	5	**59**
		992	48	60	**1,004**
Beter Bed	The Netherlands	90	6	6	**90**
	Belgium	7	-	3	**10**
		97	6	9	**100**
El Gigante del Colchón	Spain	36	2	14	**48**
Beddenreus	The Netherlands	34	7	6	**33**
Sängjätten	Sweden	-	-	16	**16**
Literie Concorde	France	2	-	3	**5**
Total		1,161	63	108	**1,206**

Number of stores per country

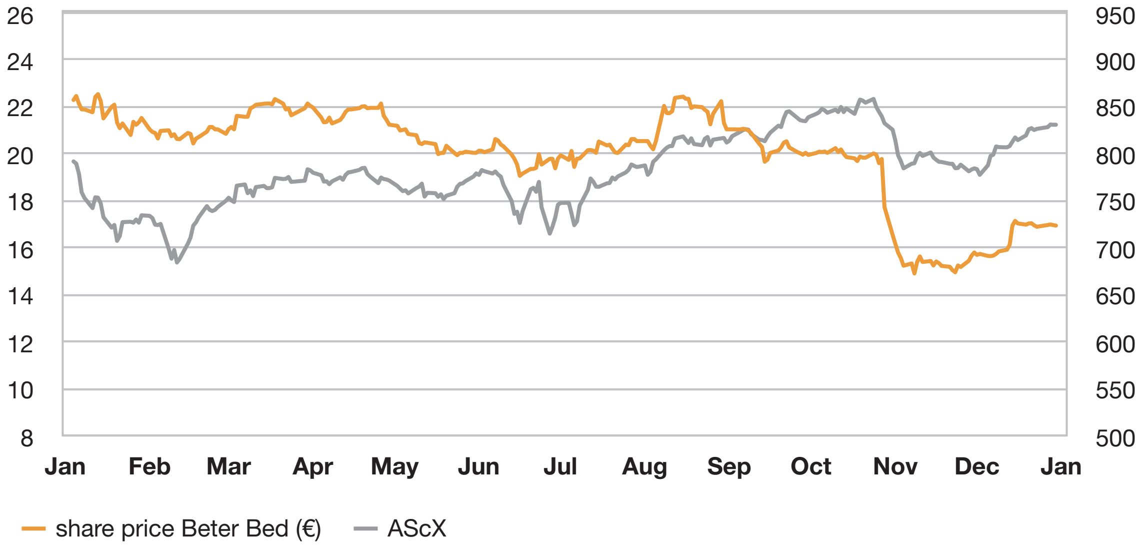
Country	1 Jan. 2016	Closed	Opened	31 Dec. 2016
Germany	849	40	52	**861**
The Netherlands	124	13	12	**123**
Spain	36	2	14	**48**
Austria	85	4	3	**84**
Switzerland	58	4	5	**59**
Sweden	-	-	16	**16**
Belgium	7	-	3	**10**
France	2	-	3	**5**
Total	1,161	63	108	**1,206**

Share information

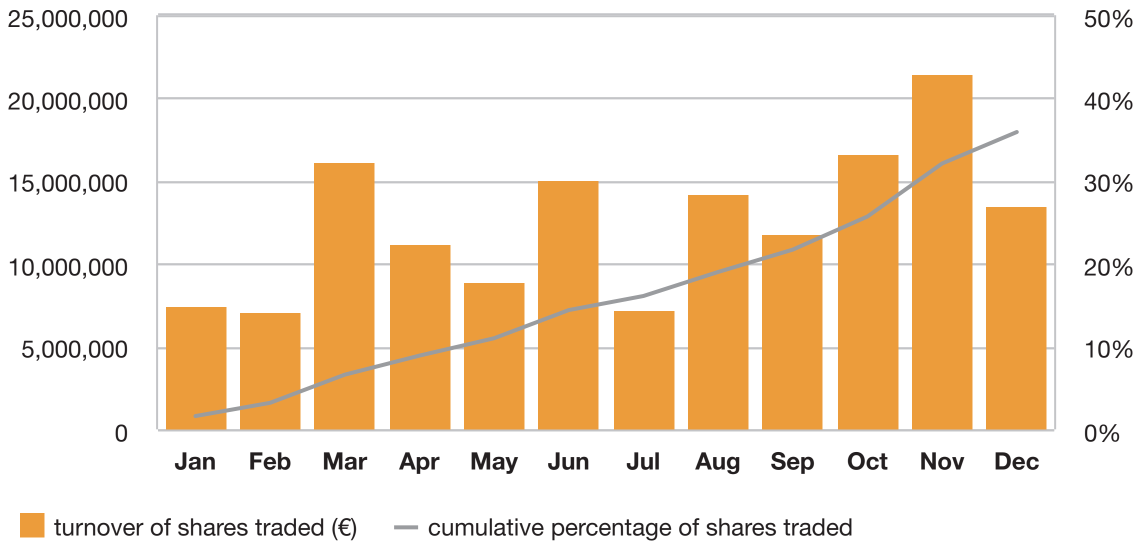
General

The shares in Beter Bed Holding N.V. are quoted on Euronext Amsterdam under security code NL0000339703. The shares of Beter Bed formed part of the Euronext Amsterdam Small cap Index (AScX) in 2016. The number of shares outstanding at the end of 2016 totalled 21,955,562. Shares repurchased and not yet cancelled totalled zero at the end of the year under review. The average number of shares used to calculate earnings per share is 21,955,562. The number of shares used to calculate the diluted earnings per share is equal to 22,003,666. Earnings per share for 2016 are € 0.87 compared to € 1.03 in 2015. The diluted earnings per share in 2016 are € 0.86 (2015: € 1.02).

Share price development



Trading volume

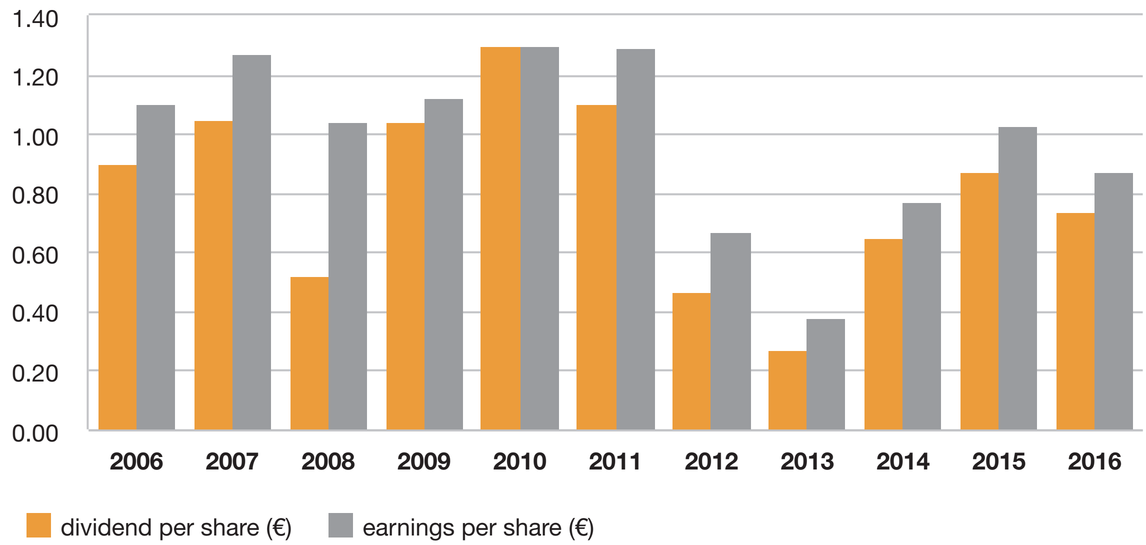


The diagram above shows the turnover of the shares traded on Euronext Amsterdam per month and the cumulative percentage of the outstanding shares that were traded in 2016 (as at 1 January 2017).

Dividend policy

Beter Bed Holding N.V.'s dividend policy focuses on maximising shareholder returns whilst maintaining a healthy capital position. Subject to conditions, the company's objective is to pay out at least 50% of the realised net profit to the shareholders. This payment will be made in the form of an interim dividend following publication of the third-quarter figures and a final dividend following the approval of the dividend proposal by the Annual General Meeting. This system makes it possible to spread out payment of the dividend evenly over the year. The payment of the dividend may never result in the company's solvency falling below 30% on any publication date. Furthermore, the net interest-bearing debt/EBITDA ratio may not exceed two.

Dividend and earnings per share



Each year the Management Board determines, subject to the approval of the Supervisory Board, the percentage of profit that will be reserved. The decision to pay out an interim dividend is likewise subject to the approval of the Supervisory Board.

	2016	2015	2014
Number of outstanding shares	**21,955,562**	21,955,562	21,905,562
Repurchased but not cancelled shares	**-**	-	2,723
Closing price (€)	**16.90**	22.48	17.20
Highest closing price (€)	**22.50**	23.74	18.88
Lowest closing price (€)	**14.86**	15.91	15.20
Earnings per share (€)	**0.87**	1.03	0.77
Dividend per share (€)	**0.74**	0.87	0.65
Payout ratio	**85%**	85%	85%
Market capitalisation (in € million)	**371**	494	377

Investor Relations policy

The company informs shareholders, investors and the market on a regular basis. This is done by means of the publication of quarterly press releases based on trading updates and complete financial reports upon publication of the annual figures and half-year figures.

It is also considered important to maintain the relationship with existing shareholders and to bring the company and the Beter Bed Holding share to the attention of potential investors. In addition to the aforementioned press releases, this responsibility is fulfilled by organising analysts' meetings and roadshow programs following the publication of the annual figures and the half-year figures.

Furthermore, the company attends conferences organised by brokers and receives interested parties at the company's offices or at its stores.

Substantial holdings

In compliance with chapter 5.3 of the Dutch Financial Supervision Act the following holdings have been included in the Substantial Holdings register of the Netherlands Authority for the Financial Markets (AFM).

Shareholder	Date of notification	Share
Delta Lloyd Deelnemingen Fonds, Amsterdam, NL	28-01-2015	9.9%
Breedinvest B.V., Laren, NL	10-11-2014	9.1%
ASR Nederland N.V., Utrecht, NL	06-10-2008	6.6%
Kempen Capital Management N.V., Amsterdam, NL	01-06-2014	6.2%
Todlin N.V., Maarsbergen, NL	01-11-2006	5.2%
Lazard Frères Gestion SAS, Paris, F	12-04-2016	5.2%
Belegging- en Exploitatiemaatschappij 'De Engh B.V.', Naarden, NL	24-09-2010	5.2%
Navitas B.V., Alphen aan den Rijn, NL	28-10-2014	5.1%
Schroders Plc, London, GB	19-08-2016	5.0%
Capfi Delen Asset Management N.V., Antwerp, BE	29-08-2016	4.8%
Ameriprise Financial Inc., Minneapolis (MN), US	08-09-2011	4.7%
Harris Associates L.P., Chicago (IL), US	19-02-2010	4.6%

Options

Options for shares are provided with a view to further enhancing the involvement and motivation of the Management Board and the Management.

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

Year of issue	Management Board	Management	Exercise price in €	Duration up to and inclusive
2011	50,000	83,650	14.67	28-04-2017
2014	48,000	49,800	17.37	19-05-2019
2015	60,000	53,333	22.79	19-05-2020
2016	90,000	107,500	19.99	18-05-2021

Insider regulations

The company maintains an internal code on inside information and disclosure. The amended regulations went into effect on 1 March 2017. The persons subject to these regulations have declared in writing that they will comply with the provisions contained in these regulations. The internal code on inside information is available on the Beter Bed Holding website.

Management Board

A.H. Anbeek
Chief Executive Officer (1962)

Ton Anbeek earned a degree in Business Administration from Erasmus University Rotterdam and a degree in Organisational Psychology from Utrecht University.

He began his career in 1987 at Unilever where he held a range of positions in marketing and sales within various operating companies in the Netherlands. In 2001 he was appointed to the position of Global Marketing Director for all Unilever fabric softener brands and whilst fulfilling this role he lived and worked in London. He was appointed in 2004 to the position of Managing Director of Unilever Maghreb S.A. (Libya, Tunisia, Algeria, Morocco and Mauritania) and lived and worked in Casablanca during this period.

He joined Koninklijke Auping BV in Deventer, the Netherlands as Managing Director in early 2007.

Ton Anbeek joined Beter Bed Holding N.V. on 1 January 2010 and was subsequently appointed as Chief Executive Officer effective 1 March 2010. In the AGM on 19 May 2014 he was reappointed for a term of four years.

Ton Anbeek holds Dutch nationality.

B.F. Koops
Chief Financial Officer (1957)

Bart Koops holds a degree in Business Economics and Accountancy from the VU University Amsterdam.

He began his career in 1985 at Van Dien & Co as an accountant and EDP auditor. Following a brief interlude in the insurance sector at Prudential Leven N.V., from 1994 onwards he fulfilled management and board positions at various Vendex-KBB subsidiaries, including De Bijenkorf Department Store, Hema and M&S Mode. He was appointed CFO of the Etam Group in 2006. From 2008 through 2011, he served in the Middle East as CFO of the Retail Division of M.H. Alshaya Co WLL. He has worked as a consultant since returning to the Netherlands, holding posts including interim CFO at Selexyz Boekhandels BV, CEO at AT5 Amsterdam and project manager at De Bijenkorf Department Store.

Bart Koops joined Beter Bed Holding N.V. on 1 April 2013, after which he was appointed as Chief Financial Officer of Beter Bed Holding N.V. at the AGM on 25 April 2013. As of 19 March 2015 he was appointed as Supervisory Director of Spar Holding B.V.

Bart Koops holds Dutch nationality.

Strategy

Vision and Mission

Vision

Beter Bed Holding is an active player, as an omnichannel retailer, in the retail and wholesale markets for beds and mattresses. Europe, in the broadest sense, is its playing field. All retail formats have, to a greater or lesser degree, a 'value-for-money' positioning, supported by extensive customer service, regardless of the market in which the individual chain operates. The group strives for market leadership in all countries in which it is active.

The essence of its vision statement can be formulated as follows:

In every country in which we operate, we intend to become the market leader in the 'value-for-money' segment in the bed and mattress market, in a socially responsible manner.

Mission

Beter Bed Holding's raison d'être and drivers can be expressed in the following mission statement:

Each day, there is nothing that inspires and motivates us more than ensuring that all our customers can sleep soundly and comfortably at an affordable price:

'Hard at work on a good night's rest'

Objectives 2016-2020

Customer satisfaction

Beter Bed Holding aims to provide its customers with optimum service within an omnichannel environment in all the markets in which the company operates. Customers' wishes are leading in this respect and customer satisfaction serves as the benchmark. The retail formats are also positioned and expanded in such a way as to ensure that growth opportunities are optimally utilised. Market share is increased and market leadership is strengthened in this way.

Net profit

Increasing net profit regardless of market conditions. Beter Bed Holding aims to achieve above-average growth and expansion of its leading market position, even in challenging market conditions. Customer satisfaction leading to like-for-like growth, expansion within existing formats, improving margins, and controlled development of expenses are the key drivers of net profit.

Balance sheet structure

Maintaining a strong balance sheet with solvency of at least 30% and a net interest-bearing debt/EBITDA ratio of no greater than two. The dividend policy is applied and net working capital and leverage are managed within these parameters, taking into account the desired liquidity.

Corporate Social Responsibility

Beter Bed Holding and its subsidiaries treat the interests of their stakeholders in a conscious and conscientious manner. Sound entrepreneurship and respect for people and planet go together in this regard.

Strategy

The company's objectives, which are based on the themes of customer satisfaction, net profit, balance sheet structure and CSR, will be achieved through:

Retail marketing

The positioning of all Beter Bed Holding formats is continually being refined. All the formats provide top-quality products and advice for the lowest or best price. Based on these strengths, strong emphasis is placed on increasing customer satisfaction, like-for-like growth and substantial growth of the online revenue. The ultimate aim is to increase the market share in an omnichannel retail environment. The various formats face different challenges with respect to achieving this aim.

The Benelux must primarily improve the transaction strength (higher conversion and higher order values). In contrast, the principle challenge for the other countries is to increase attractiveness (attract more visitors). Each format has developed its own strategy and plan for achieving this aim.

Innovation will be a key driver for growth in revenue. This pertains to both product and brand innovation within each format’s private brand strategy. In order to achieve this, the development strength within Purchasing will be enhanced and the cooperation with strategic suppliers will be intensified.

With a view to bringing about a further increase in customer satisfaction, substantial investments in training and educating our sales and logistics employees will be made.

The marketing department will make a large contribution to the development of the various formats through consistent communications in the stores and brochures and on the websites. Marketing spending will be increased in the years ahead in order to support the positioning and innovative character of the different formats.

E-Commerce

The e-commerce or omnichannel proposition will be further refined in all countries. The customer journey will be fully facilitated, which means customers will receive optimum service during all moments of contact. Online-only ranges will also be developed and the range of bed textiles will be expanded. Marketing spending for e-commerce support will be increased substantially. The objective of all of the above is to gain a fair share in online revenue.

In order to give shape to the omnichannel strategy, the management teams in the Netherlands and Germany have been strengthened and responsibility for E-commerce has been placed at the Management Board level. In addition, the E-commerce departments will be expanded further to include the required functional specialists needed to build and operate state-of-the-art webshops (including partnerships in the Benelux with parties including Wehkamp.nl, Bol.com and Fonq.nl, and in the German-speaking countries with potential parties such as Amazon.de).

Expansion

In addition to the like-for-like growth, expansion will contribute to revenue performance. Within the Benelux, this will primarily take place in Belgium. With respect to Matratzen Concord, stores are expected to be opened in Germany, Austria and Switzerland.

Expansion in the number of stores is also foreseen in Spain, France and (at a later stage) Sweden. This expansion will take place under strict conditions concerning the investment per store, the operating expenses and flexible rental periods.

Alongside the expansion within the existing formats, the company will expressly look for opportunities for further organic growth or acquisitions in existing and new countries.

Purchasing and sales

Purchasing has been allocated a key role in implementing the strategy. In addition to the product innovation stated above, Purchasing has the following objectives:

- improving margins;
- developing the online range;
- optimising delivery times;
- having fewer (but more strategic) suppliers with fewer SKUs;
- developing additional ranges;
- creating maximum synergy among the various formats in the different countries;

Sales will ensure an optimum omnichannel customer experience supported by advice tools, configurators, Net Promoter Scores and customer reviews.

Back office (HR, Finance, Logistics and IT)

The Back office functions are expected to work in a sales-, service- and customer-focussed manner. Customer satisfaction, further professionalisation and proactiveness are the key terms in this regard.

HR has a leading role to play in this respect. It must focus on a range of matters including inflow, throughflow and outflow, management development, attracting young talent (especially for Sales), permanent training and creating a customer-centred, high-performance KPI and team culture. The HR function is fulfilled at the Management Board level in order to achieve this.

The Finance function will develop into a Business Support function, whereby the analysis capacity will be expanded by means including implementing a modern business information warehouse and applying function-specific dashboards.

Logistics must focus on acceleration within the chain. Customer wishes such as same-day delivery and next-day delivery will become leading and drop shipments will be facilitated when desired. The optimal logistics infrastructure will be determined on a per-country basis given the nature of the formats.

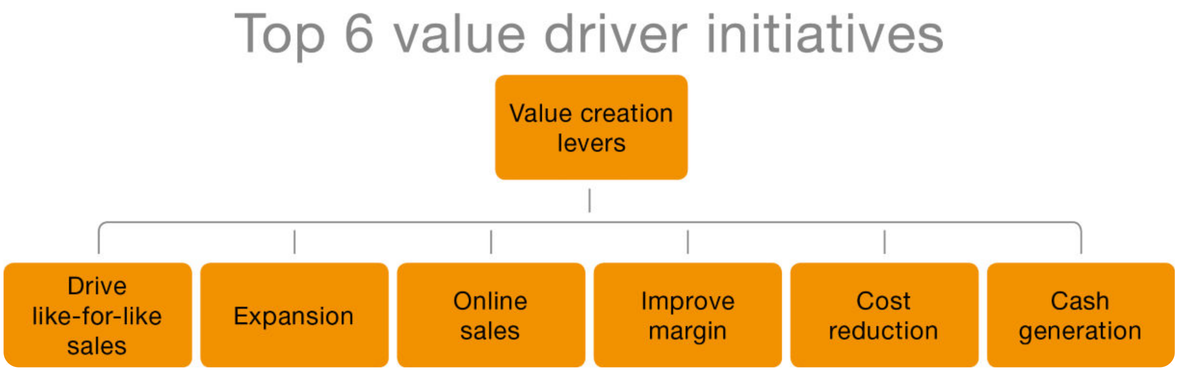
New front ends have been or will be developed within the IT function based on a robust backbone (SAP) that offer maximum flexibility with respect to customer wishes. The front ends involve both the cash register systems in the stores and the e-commerce platforms. Explicit attention is also paid to information security in general and cyber security in particular.

Corporate Social Responsibility

Beter Bed Holding's awareness of its corporate social responsibility is borne out in its existing compliance reports, ongoing stakeholder dialogue and structured approach to CSR that is embedded in the organisation. It is Beter Bed Holding's ambition to further develop initiatives in the field of promoting the circular economy from within the sector and in dialogue with strategic suppliers.

Value drivers

The above strategic approach leads to value creation in six areas that can be grouped as follows:



Report of the Management Board

General

2016 can be characterised as a year with multiple and sometimes contrasting faces. The major themes of the ’From Good to Great 2016-2020’ strategic plan, including customer satisfaction, retail marketing, further development of the omnichannel proposition, innovation and acceleration in the logistics chain, have been addressed in all countries.

In the Benelux, major progress has been achieved on all fronts and the strategy has been actively carried out under the leadership of a partially new and younger management team. Striking results were achieved through both a sharp increase in revenue and the expansion of the E-commerce department, product innovations, the expanded sales training program and the enhanced customer focus. The Net Promoter Score, which is an indicator of customer satisfaction, rose from 40 to 50. This means Beter Bed can contend with the top of the retail sector.

This all resulted in 20.9% growth in revenue at Beter Bed Benelux (the market grew by 8.5% according to sector organisation INretail), while there was also already substantial growth in revenue in 2015. Revenue in both the Netherlands and Belgium rose considerably and the renewed Beddenreus format also showed favourable development. The group envisions mainly expansion of the Beter Bed format in Belgium and the Beddenreus format in the Netherlands in the near future.

In contrast to the good results in the Benelux, revenue performance in Germany was more difficult. Even though in line with the mattress market, the decrease in revenue is disappointing. This disappointment is intensified by the fact that a number of important strategic initiatives were not implemented in a timely fashion. This included the introduction of a new digital technical webshop platform aimed at increasing the online and offline attractiveness (attracting more customers) that was not implemented on time due to a delay in its delivery and did not sufficiently achieve the desired effect within the context of growing demand for box springs. The decrease further relates to the rise of the online-only one-size-fits-all mattresses that have been introduced with very high acquisition expenses per order and an exceptionally high level of returns. Revenue in Germany ultimately decreased by 4.0%.

The process of developing Matratzen Concord into an omnichannel organisation and strengthening the management team in the areas of Marketing, Purchasing and E-commerce was nonetheless carried out according to plan. Some of the stores have also been remodelled to give them a contemporary look and feel and the number of stores was increased by a net total of 12. A store was opened in Düsseldorf in late 2016 under the name Boxspring Betten by Concord that offers a wide range of box springs.

In Austria, all BettenMax stores were converted into Matratzen Concords within a short space of time and the stores have since then contributed to the result. The situation in Switzerland has remained difficult since the adjustment to the exchange rate in early 2015.

The expansion in Spain was continued and the number of stores at year-end 2016 stood at 48 (year-end 2015: 36). Revenue rose by 21.9%.

It was decided in the summer of 2016 to expand Literie Concorde further in southern France. Three stores were opened in late 2016, bringing the total number of stores to five. There will be a total of six stores, most of which are located in the Rhone valley, participating in the pilot at the time of the evaluation in late 2017.

The acquisition of Sängjätten in Sweden was finalised in the summer of 2016. The group took possession of 16 own stores as a result of this acquisition. In addition, 9 stores are operated by franchisees. The own stores were converted to the Beter Bed format in late 2016 and were given, among other things, a new, up-to-date (Beter Bed) range.

In summary, the group realised revenue of € 410.5 million in 2016, which represents an increase of € 25.1 million (6.5%) compared to the previous year. Growth in revenue in comparable stores amounted to 2.8%.

	2016	2015	Change
Revenue (in € million)	**410.5**	385.4	6.5%
Gross profit (in € million)	**237.1**	222.2	6.7%
EBITDA (in € million)	**37.5**	41.1	-8.7%
Net profit (in € million)	**19.0**	22.6	-15.7%
Number of stores	**1,206**	1,161	3.9%
Number of employees (FTE)	**2,765**	2,513	10.0%

Gross profit once again developed positively and rose to 57.8% (2015: 57.7%). Improved purchasing conditions, an adjustment in the sales mix and range and product innovation contributed substantially to this result.

Average expenses per store amounted to € 176,700 (2015: € 166,200). The increase was primarily caused by the development of the omnichannel organisation, efforts in the field of customer satisfaction (customer care and training for logistics and sales employees), further professionalisation of, for example, BI, IT and logistics departments, management development training programs in both the Netherlands and Germany, the growth in the number of stores, the conversion of the Swedish stores and the increased revenue at Beter Bed Benelux, which is accompanied by higher logistics expenses.

Operating profit decreased by 15.2% to € 26.0 million in 2016 (2015: € 30.7 million). EBITDA as a percentage of revenue decreased to 9.1% (2015: 10.7%). Net profit amounted to € 19.0 million (2015: € 22.6 million); a decrease of 15.7%.

The number of stores rose by 45 in 2016, 16 of which were the result of the acquisition of Sängjätten in Sweden. The group operated 1,206 stores in eight countries at the end of 2016.

Investment, financing and cash flow

Total investments amounted to € 19.8 million in 2016. A total of € 16.5 million was invested in new and existing stores. The largest investments were made in the remodelling of stores in Germany (Matratzen Concord), the Netherlands (Beddenreus), Austria (conversion of BettenMax) and Sweden (acquisition and conversion of Sängjätten). The number of stores increased by 45 (net). Substantial investments were also made in the omnichannel infrastructure (e-commerce and webshops) in the year under review.

Cash flow[1] amounted to € 30.5 million in 2016 (2015: € 33.0 million). Solvency remained high, at 53.5% at year-end 2016 (2015: 57.5%).

As the company operates on a debt-free basis, the net interest-bearing debt/EBITDA ratio was zero at year-end 2016, as had also been the case in 2015.

The reduction of net working capital, while maintaining the commercial strength of the formats, was continued in 2016. Notwithstanding the increase in stock position due to the expansion of the number of stores, the further reduction of working capital achieved during the year under review was largely due to an € 11.3 million increase in current liabilities.

1 *net profit plus depreciation, amortisation, impairments and carrying amount of disposals.*

Matratzen Concord is a pan-European 'Fach Discount' (mainly cash & carry) format that primarily serves the replacement market and focuses on the sales of principally mattresses, bed bases, box springs and bed textiles. The chain has 1,004 stores in three countries (Germany, Switzerland and Austria). While the stores have traditionally been located near consumers in and around city centres, they are increasingly also located in retail parks.

	2016	2015	Change
Revenue (x € 1,000)	**257,029**	262,150	-2.0%
Number of stores	**1,004**	992	1.2%
Number of employees (FTE)	**1,895**	1,809	4.8%

Revenue in comparable stores decreased at Matratzen Concord by 4.8%, while total revenue in 2016 decreased by 2.0%. This decrease occurred primarily in Germany and was largely due to German consumers' lower propensity to buy, which was reflected in the lower number of visitors. In addition, a number of important strategic initiatives, including the introduction of a new digital technical webshop platform aimed at increasing the (online) attractiveness (attracting more visitors), have not been effected on time or sufficiently due to a delay in delivery of the platform. This has all taken place within the context of a growing demand for box springs and a growing offering of online-only one-size-fits-all mattresses that were introduced with extremely high acquisition costs per order and a high number of returns.

The process of remodelling the stores in Germany started in 2016. All of the stores will be modernised within three years. Approximately 100 stores were remodelled to this new standard in 2016. The same modernisation is being carried out in Austria and Switzerland.

60 stores were opened and 48 stores were closed in the year under review.

www.matratzen-concord.de
www.matratzen-concord.at
www.matratzen-concord.ch

Beter Bed is a full-service format of bedroom furniture showrooms in the mid-segment of the market with an outstanding price-quality ratio. Customers order the items in the store or on the website and they are then delivered to and assembled at the customers' homes. The stores are located in the Benelux, preferably on furniture boulevards or in the vicinity of other furniture stores.

	2016	2015	Change
Revenue (x € 1,000)	**122,430**	101,254	20.9%
Number of stores	**100**	97	3.1%
Number of employees (FTE)	**612**	544	12.5%

Revenue of Beter Bed increased by 20.9% to € 122.4 million in 2016. This was the highest revenue ever achieved by Beter Bed. The increase is a result of unabatedly high consumer confidence, the favourable housing market, the successful elaboration of the ranges within a service-oriented retail and online environment and the expansion of the number of stores in Belgium.

Beter Bed's online sales developed excellently in 2016. The share of online sales in the revenue currently amounts to 6.2% (2015: 5.0%).

A net total of three stores were opened in the year under review. The order intake in comparable stores in 2016 rose by 19.2%.

www.beterbed.nl
www.beterbed.be

Beddenreus is a cash & carry format in the discount segment of the Dutch market. The stores are located in the Netherlands, predominantly on furniture boulevards.

	2016	2015	Change
Revenue (x € 1,000)	**11,635**	10,313	12.8%
Number of stores	**33**	34	-2.9%
Number of employees (FTE)	**74**	59	25.4%

The remodelling of the Beddenreus stores was completed in 2016. The new interior design and the look and feel of the Beddenreus stores have proven to be successful and adjustments to the product range have also contributed to the increased revenue. The like-for-like order intake rose by 18.9% in 2016. Online revenue as a percentage of total revenue rose to 4.3% (2015: 2.2%).

www.beddenreus.nl

El Gigante del Colchón is the cash & carry format for the Spanish market. The location strategy and the look and feel of the stores are comparable to those of Matratzen Concord.

	2016	2015	Change
Revenue (x € 1,000)	**7,234**	5,933	21.9%
Number of stores	**48**	36	33.3%
Number of employees (FTE)	**80**	60	33.3%

Revenue at comparable stores rose by 3.7% and a net total of 12 stores were opened. This expansion will be continued in the coming years.

www.gigantedelcolchon.com

Sängjätten is a full-service format in the Swedish market, comparable to Beter Bed. There are a total of 25 stores, of which 9 are franchises. The company was added to the group in June 2016. The new Sängjätten look and feel was introduced in December 2016 through various means including a new logo and new store signage. All the own shops have also been remodelled and been given a new product range.

	2016
Revenue (x € 1,000)	**4,966**
Number of stores	**16**
Number of employees (FTE)	**52**

www.sangjatten.se

Literie Concorde launched a pilot in France in mid-2014. The format had five stores in southern France at the end of 2016. There will be a total of six stores, most of which are located in the Rhône valley, participating in the pilot at the time of the evaluation in late 2017.

www.literie-concorde.fr

DBC International (Dutch Bedding Company) is the wholesale division of Beter Bed Holding. A range of items including mattresses is being developed under the name M line and marketed via an international dealer network, via a select group of Beter Bed and Matratzen Concord stores and via El Gigante del Colchón, Literie Concorde and Sängjätten. DBC International delivers its products to clients in the Netherlands, Germany, Spain, Belgium, Austria, Switzerland, France, Sweden and the United Kingdom.

	2016	2015	Change
Revenue (x € 1,000)	**16,999**	14,855	14.4%
Number of employees (FTE)	**8**	11	-27.3%

The revenue of DBC International increased in 2016. Growth was realised in 2016 with respect to both the international dealer network and the own stores. The M line range has also been available in the United Kingdom since mid-2016 thanks to the introduction of the brand by the bedroom specialist Dreams.

www.mline.nl

Staff and organisation

The group had 2,765 employees (FTE) on 31 December 2016. There were 2,513 employees at year-end 2015. The increase was caused primarily by the acquisition of Sängjätten and the organic growth in almost all countries and the expansion of the omnichannel activities of the group as a whole.

The quality of the services and our employees' focus on service largely determine the success of the retail formats of Beter Bed Holding N.V. A customer-friendly approach, a first-time-right and a KPI focussed attitude, and speed of delivery are crucial for our reputation and the results. This is why we continuously focus attention on the training and development of our employees in both the commercial and operational fields.

Employees working in both the retail organisation and in logistics are given training with respect to product knowledge and behaviour. In addition, employees are given scope to complete individual training and educational programs when necessary.

In 2016, a leadership program was launched in the Benelux and 360-degree assessments were introduced. Management positions are filled with local employees in all countries. The company furthermore seeks to have a larger number of women in management positions. The organisation currently has ten women (29%) in top management positions (2015: 25%).

Risk management and risks

General

The following general control measures are in place at Beter Bed Holding to manage risks:

The organisation applies a matrix that describes the risks, their financial and other impact, the probability of their occurrence, the control measures and the actions to be taken. This matrix is updated and discussed in the Audit Committee twice a year and the key points are reported to the Supervisory Board. The risks are classified in the categories Financial, Operational, Board and Management, Legal, Social, Information and Tax.

Risk appetite

Beter Bed Holding operates in the European bed and mattress segment. Beter Bed Holding's risk appetite is based on a strong operating cash flow, a healthy balance sheet without external financing and carefully considered financial management. Although the company's daily operations involve taking risks, Beter Bed Holding adopts a carefully considered and balanced approach to those risks. More information about the risk appetite in the various categories defined by Beter Bed Holding is explained below.

The opportunities and threats identified by Beter Bed Holding for the group as a whole and for the individual companies in economic, strategic and commercial terms are determined in the annual budget cycle. The budget drawn up by the Management Board of Beter Bed Holding is discussed with and approved by the Supervisory Board.

All business units (in the Netherlands and abroad) report monthly to the group on the financial results (revenue, margin, expenses and operating profit) and the financial position. The Beter Bed Holding Management Board discusses these reports in monthly meetings held with the various management teams, an approach which provides for direct monitoring of the various operations. Endeavours are made to achieve a high degree of uniformity in the various reports to enhance their effectiveness. The administrative and accounting records of the operations are maintained in the SAP (ERP) environment implemented in the organisation several years ago.

The external auditor reviews the internal control structure during the annual audit of the financial statements. The audit findings are discussed by the external auditor with both the Management Board and the Supervisory Board, also in the absence of the Management Board.

The principal risks for Beter Bed Holding and its affiliated operating companies are as follows:

The **financial strategic** risks relate to the failure to achieve revenue due to the entry of new competitors, the introduction of new products, brands and revenue models. The positioning, product range, pricing and service level of the formats in their own markets are continually refined on the basis of frequent, extensive and thorough consumer research, market information and competition analysis. The company also follows a proactive omnichannel strategy that has been elaborated and tailored to consumers' wishes in each country. This strategy allocates an express role to the stores in combination with own online webshops and strategic web partners whenever possible. The risks section of the general notes to the financial statements gives further information on a number of specific financial risks associated with the normal business operations.

The company identifies **operational strategic** risks with respect to supplier side consolidation, which could jeopardise margins and supplies. To mitigate this risk, internal agreements are in place on the maximum share in revenue that an individual supplier can have within the group. In addition, regular consultation takes place at the highest executive level (CEO) with the principal suppliers. The organisation also applies an extensive system of supplier management, enabling continuous monitoring of the performance of individual suppliers and early identification of indications of potential problems at suppliers. Moreover, the product range sourced from any one supplier can in principle be transferred to another supplier within an acceptable timeframe.

Legal strategic risks relate to non-compliance with legislation and regulations in various fields, including product liability, consumer protection and reporting. These risks are mitigated by systematically requesting advice from experts with relevant knowledge, including legal specialists, tax specialists, accountants and competent authorities. In addition, audits are conducted at regular intervals. Beter Bed Holding is not prepared to take risks relating to non-compliance with legislation and regulations.

The **social strategic** risks primarily relate to damage to the company's image and reputation as a result of defective products or irresponsible actions in a broader sense. It should be noted that the formats do not manufacture products for the product range. Control systems ensure that products meet the applicable requirements. The organisation has adopted codes of conduct in various fields to ensure responsible conduct. The corporate culture, in which integrity and ethical business conduct are core values, makes a significant contribution to the mitigation of risks. The company has also adopted a whistleblower policy.

The main operational risks relate to the availability of **information** systems that support the primary processes and the availability of the logistics facilities. These risks are managed by designing the IT architecture in a manner that ensures that the cash register systems can operate standalone and that backups can continually be made of the data of all back-office systems, in turn ensuring that the external IT infrastructure will be operational within the timeframe required for continuity purposes in the event of an emergency. System integrity is monitored by applying a clear release policy and strict change management procedures. In 2016, Beter Bed Holding implemented a project in cooperation with an external party focused on further optimising digital security in the broadest sense of the term. Most of the findings from this project have been followed up, as a result of which security has been elevated to a higher level. The logistics risks relate largely to the situation in the Netherlands, where three distribution centres (DCs) are in operation. Should an emergency occur at one of these DCs then the other two can serve as backups. Each DC also has an individual business continuity plan.

Tax
Beter Bed Holding has adopted explicit tax principles. The main principles are that Beter Bed Holding maintains an open relationship with the tax authorities in the countries in which it operates, agrees on tax rulings solely to confirm the correct interpretation (and application) of the tax rules and tax laws and does not adopt (abnormal) tax arrangements focused exclusively on tax avoidance. Beter Bed Holding has signed a compliance agreement with the Dutch Tax and Customs Administration within the context of 'horizontal monitoring'. This ensures that any tax issues are discussed openly and on the basis of full transparency. The Management Board reports twice a year on relevant tax issues to the Audit Committee.

Independent auditor's report
The independent auditor assesses the internal control measures relating to the financial statements to the extent required for an efficient and effective audit approach. He reports his findings to the Management Board and to the Supervisory Board in his management letter and his independent auditor's report, respectively.

In control statement

Based on the aforementioned and considering the limitations inevitably associated with any internal risk management and control systems, the company's systems provide the Management Board with a reasonable degree of security with regard to financial risks that the financial statements do not contain any material misstatements and that the annual report gives a true and fair view of the situation on the balance sheet date and the developments during the year under review. These risk management and control systems operated properly during the year under review, and there are no indications that this situation should change in the current year. With regard to the other risks, the company maintains a risk management and control system adapted to the company's size, which also performed adequately during the year under review.

True and fair view statement

The Management Board declares that, to the best of its knowledge, the annual report provides a true and fair view of the situation on the balance sheet date, developments during the financial year of Beter Bed Holding N.V. and those of its affiliates whose details are included in its financial statements, along with expected developments, with regard to which special attention is paid to investments and conditions on which developments of revenue and profitability depend, unless this conflicts with vital interests. The Management Board also declares that, to the best of its knowledge, the financial statements provide a true and fair view of the assets, liabilities, financial position at the balance sheet date and the result of Beter Bed Holding N.V. and the companies included in the consolidation of the financial year.

Expectations and outlook

While economic developments in the various countries appear to be favourable, the outlook for 2017 is primarily determined by the extent to which revenue recovers in the German market (more than 50% of group revenue). Through the final delivery of the new webshop platform in the first quarter of 2017 and a refined promotion and advertising strategy, we expect to see a slight improvement in the first half of 2017.

Given the results achieved so far, we will continue to pursue the various objectives set out in our 'From Good to Great 2016-2020' strategic plan with the primary focus being on maximising customer satisfaction in an omnichannel environment, which will be promoted by a sharpened retail marketing focus and innovations and supported by an acceleration in logistics. The company furthermore aims to gain market leadership in the various markets through like-for-like growth in revenue and expansion.

After driving organic growth in revenue across the company through various new initiatives, investments and experiments for a number of years, a stringent cost control and investment policy will be followed in 2017.

Uden, The Netherlands, 16 March 2017

A.H. Anbeek,
Chief Executive Officer

B.F. Koops,
Chief Financial Officer

CSR

CSR at Beter Bed Holding

Introduction

The social value of a good night's sleep is generally recognised. People who sleep well are happier and healthier. Facilitating this may be Beter Bed Holding's most important social contribution, which is delivered by offering a broad range of good quality products with suitable advice at competitive prices. The fact that CSR forms part of the core of Beter Bed Holding's actions is reflected in the company's vision, mission, strategy and objectives that clearly set out its corporate social responsibility.

While Beter Bed Holding recently stated its wish to review its CSR policy, it will naturally continue to move forward on its chosen path in order to make further improvements relating to the following objectives:

- Optimising/reducing our ecological footprint through less energy consumption in stores and distribution centres and driving and flying fewer kilometres whenever possible.
- Complying with the code of conduct for suppliers.
- Regularly checking the safety of our mattresses and beds for our customers and employees.
- Regularly evaluating employee satisfaction.
- Realising the objective of appointing 35% women in top management positions in the period 2017-2020.

In addition, two new themes have been added to the policy through which Beter Bed Holding expressly seeks to align itself with key international developments as set out in agreements, including the United Nations Global Compact Initiative and the Paris Agreement.

Beter Bed Holding will first of all seek to ensure, with the help of the new European guideline from December 2015, that in each country in which it operates an innovation fund will be set up by the industry (manufacturers and retailers). The related objective is to promote research at the front of the chain, which will make it possible to develop mattresses that are easier to disassemble and recycle (in terms of raw materials), whilst promoting more research at the end of the chain in order to develop applications for reuse so that a recycling policy can also genuinely be applied.

In addition, it is crucially important to place emphasis on an upcycling policy, which means that raw materials will be reused as much as possible (ideally 100%), instead of giving mattresses a second life only once (for example in the form of a judo mat). The latter is also sometimes called downcyling.

While there is currently no upcycling yet, the number of applications for recycling used mattresses still remains very limited, which means that a large part of the processes still occurs through incineration. With a view to setting up an innovation fund of this type based on an eco-disposal fee for consumers, the sector (retailers and manufacturers) is entering into various dialogues in order to learn from the tyre sector, the glass sector and the home appliance sector. Beter Bed Holding is very closely involved in this endeavour in the Netherlands.

Beter Bed Holding is delighted that the Dutch Ministry of Economic Affairs and the Dutch Ministry of Infrastructure and Environment have explicitly stated the mattress sector as one in which the industry can collectively develop policy and achieve clear progress in the years ahead.

Beter Bed Holding is also actively studying, in association with the Netherlands Organisation for Applied Scientific Research TNO, how it can develop sustainable bed systems in the medium term based on a lease concept whereby the consumer pays a monthly fee. A similar concept is currently being applied by, for example, Philips Lighting for a number of its customers in the Netherlands whereby these customers no longer buy lighting equipment, but only purchase light. This provides them an incentive to produce lighting products that last longer, which will ultimately reduce the total amount of waste. Beter Bed Holding wishes to go even further by designing or commissioning the design of bed systems that also enable raw materials to be recycled more effectively and in larger quantities.

This is the sixth time Beter Bed Holding N.V. has presented a report on its activities and progress in the field of CSR according to the guidelines of the Global Reporting Initiative (GRI). The company is also once again reporting in accordance with the G4 reporting guidelines this year.

CSR objectives

Quantitative objectives

The updated objectives for the period until 2020 are presented in this annual report. The key figures from the past have been added whenever possible.

Subject	2016	2015	2014	Target 2020	
Safe products	**93%**	83%	82%	**100%**	**Certified mattresses**
Diversity in top management	**29%**	25%	22%	**35%**	**Women in top management**
Energy consumption (GJ)	**67.1**	73.3	74.3	**50.0**	**kWh/m²**
Customer satisfaction	**9.0**	8.8	-		**eKomi**

Qualitative objectives

- To formulate an approach for achieving environmental objectives that will be different for each country. This strategy must be in line with the specific local challenges and relevant legislation and regulations in each country.
- To proactively take responsibility for the obligation to endeavour to work with its strategic suppliers to make the chain more sustainable.
- To make an active contribution in the sector and in the chain in order to attain a design for recycling. To seek to work together with both internationally recognised research centres and forerunners in the field of Research & Development.

Design for recycling

The company recognises both the urgency and importance of recycling high-quality raw materials. Progress must be made in the following areas in order to achieve results in the upcycling of primarily mattresses:

- Production using only recyclable raw materials or to the greatest extent possible.
- Creation of high-quality applications for these raw materials at the end of the lifecycle.

These are ambitious objectives that can only be achieved through active collaboration with both the sector and the chain. The Dutch Ministry of Economic Affairs and the Dutch Ministry of Infrastructure and Environment have explicitly designated the mattresses sector as a sector that must develop policy and achieve clear progress in the field of sustainability in the years ahead.

Good housekeeping

In addition to the above, Beter Bed Holding carries out an active good housekeeping policy that enables maintaining and when possible improving the scores on the different objectives that have been achieved in the past years. This relates to matters including:

- Having all strategic suppliers sign the code of conduct.
- The quality of the recycling process. This involves first of all the take-back of the packaging materials when delivering goods to customers. Waste is also separated as much as possible before being sent to waste processing companies.
- Absenteeism due to illness must be lower than the average of the comparative group that is different in each country.
- The absence of fines relating to environmental legislation, consumer interests and human rights.
- Newly purchased trucks must always be in the highest energy-efficiency category.

The company will comply with the principle global guidelines and standards in the field of CSR. The code of conduct is in line with both the OECD guidelines and the agreements made by the ILO.

CSR policy

What Beter Bed Holding stands for

For Beter Bed Holding and its subsidiaries, corporate social responsibility means they make a positive contribution to the society in which they operate. This contribution is shaped through measures including complying with the applicable legislation and regulations at all times and by always treating the interests of all stakeholders respectfully.

Beter Bed Holding is aware of its corporate social responsibility, which is attested to by the existing reports relating to compliance, the ongoing stakeholder dialogue it conducts and in the structural approach to the topic of CSR that is imbedded in the organisation.

Code of conduct

The general code of conduct issued by Beter Bed Holding further defines what corporate social responsibility means to the company. These guiding principles, which are also expressed in the culture within the company (values and norms and conduct), have been imbedded in the organisation procedurally whenever possible. The code of conduct for suppliers is a further elaboration of the general code of conduct. Both codes correspond with the United Nations Global Compact Code

The Supervisory Board and the Management Board endorse the principles for good corporate governance as included in the Dutch Corporate Governance Code. Beter Bed Holding has a whistleblower policy available for employees. Different complaints procedures for the various formats (both internally for employees and externally for customers and/or other stakeholders) have also been put in place.

A CSR steering committee, under the supervision of Beter Bed Holding, has been established within the Beter Bed organisation since 2015 and is directly involved in formulating the policy in the field of CSR and in realising its defined objectives. This team has an international focus, but concentrates primarily on the Netherlands and Germany as the largest countries within the group.

The Management Board renders accountability to the Supervisory Board for the conducted CSR policy. The specific CSR objectives are submitted by the Management Board to the Supervisory Board.

Stakeholder dialogue

The organisation has been conducting an active dialogue with its stakeholders since 2014. It will once again engage in dialogue with stakeholders, including employees, customers, shareholders, retailers, suppliers, the Council for the Dutch Retail Trade (RND) and the specialists of the Dutch Association of Investors for Sustainable Development (VBDO) and Eumedion, in 2017.

Standards and partnerships

Beter Bed Holding endorses and supports the following externally developed economic, environmental and social charters, principles and other initiatives:

- Beter Bed Holding is a participant in the United Nations Global Compact Code. The ten principles of the Global Compact Code have been included in both the general code of conduct and the code of conduct for the company's suppliers.
- The CO_2 emissions are calculated using the guidelines of the Greenhouse Gas Protocol.
- The CSR report and the GRI Index have been drawn up according to the G4 Reporting Principles. The organisation may switch to the revised 'Standards' guidelines following the 2017 stakeholder dialogue.
- Beter Bed Holding has signed the D&I Company's Charter (formerly Talent to the Top) and in doing so has committed to the principles contained in the Charter. The Charter is a public commitment, a code that sets out clear agreements for realising gender diversity at the senior and sub-senior levels of companies. Signing the Charter is voluntary, but not non-committal.

Beter Bed Holding is also a member of the INretail sector organisation and is a member of other bodies including the Council for the Dutch Retail Trade (RND).

Scope

The customer

The health and satisfaction of the customers and employees of Beter Bed Holding's different retail formats are the key starting points for the company's policy and actions. 93% of the sold mattresses were tested for hazardous substances and certified in 2016. The objective is for all mattresses from strategic suppliers to be tested and certified by 2020.

Customer satisfaction

The 'Imbedded customer interaction' customer feedback program was launched in 2016. Customers and visitors were given the opportunity to provide detailed feedback on their store and their experiences concerning the delivery. Nearly 7,000 people in the Benelux took the opportunity to post their feedback on the eKomi website. Customers give the formats a score of 9 on a scale of 1 to 10. Both positive and more critical comments are used to improve the service and range.

More than 1,000 customers gave Matratzen Concord an average score of 4.6 out of 5 on the 'Trusted Shops' website in Germany. The quality of the service at Matratzen Concord has been tested by TÜV Saarland in Germany. The inspection service asked consumers to rate the service. Matratzen Concord emerged as the best store in the bedroom furnishings retail sector with a score of 1.9 (GUT).

Beter Bed also once again succeeded in maintaining its service at a high level in the Netherlands in 2016. More than 98% of deliveries took place to the customer's satisfaction the first time. Packaging materials were collected after delivery and the old mattresses were also collected and recycled, for a small fee.

Employees

The honest and accurate advice provided by the employees to customers is a crucial key to customer satisfaction and business success. Establishing a lasting relationship between the right employees and the company requires a good employment terms policy.

Proud of our employees

The employees are our company's representatives. They ensure the provision of professional services in a pleasant store environment. Because local people are the best at serving the local market, the management positions are held by local employees in all the countries.

Quality of the employees

The commitment and quality of the employees largely determine the success of the company, with personal high-quality advice having a direct effect on the amount of revenue. Evaluation and performance interviews are carried out annually in order to ensure the quality of the employees. All the employees have these annual evaluation moments in order to assess whether there are still good working conditions and whether they are satisfied, and to explore potential development opportunities. The company began applying 360-degree assessments in 2016.

Training and education take place on a structured basis. The Beter Bed Academy has, in association with the NCOI and the Dutch National Consortium for Corporate Groups (NCvB), been developed for this purpose in 2010. Training on the job with electronic support (e-learning and e-training) was introduced in 2014 for all employees working in the stores and in logistics in the Netherlands.

The last time employee satisfaction was surveyed at Beter Bed Netherlands was in 2014. The organisation will have employee satisfaction measured again by an external agency in 2017.

Employee safety and health

The company attaches great importance to the safety and health of all its employees. The policy is aimed at further reducing work-related absenteeism by ensuring a safe and healthy working environment and by providing employees with intensive guidance.

The company's absenteeism due to illness rate stood at 3.9%. A slight rise was seen in Germany and Austria, while the absenteeism rate fell in the Netherlands.

Diversity

The company is convinced that a balanced composition of teams and management teams makes a positive contribution to its performance. Beter Bed Holding has signed the D&I Company's Charter (formerly Talent to the Top). This initiative is a code containing clear agreements and a public commitment to realising gender diversity at the top of the organisation.

The company stated in the last annual report that it will carry out additional activities aimed at increasing the number of women in management positions. The number of female managers increased by two and the number of male managers increased by three in 2016. The percentage of women in management positions has consequently risen from 24.8% to 25.4%.

Diversity	2016			2015		
	Men	**Women**	♀	**Men**	**Women**	♀
Supervisory Board	**3**	**1**	**25.0%**	3	1	25.0%
Management	**100**	**34**	**25.4%**	97	32	24.8%
Employees	**928**	**2,469**	**72.7%**	832	2,276	73.2%

Suppliers and government

Suppliers

Both the commercial and ethical sides of the relationship are important when selecting suppliers. An absolute condition in this regard is that both the suppliers and their suppliers comply with the legislation and regulations applicable in their country. The way of doing business must correspond with the norms and values of Beter Bed Holding that are based on the United Nations Global Compact Code.

The strategic suppliers have been asked to sign the code of conduct. The suppliers of all the formats of Beter Bed Holding have signed the code of conduct. All strategic suppliers are based in Europe. At least two suppliers are assessed annually to determine whether they comply with the supplier terms of Beter Bed Holding. These suppliers will also be asked to render account on the way in which they shape their CSR policy starting in 2017.

Beter Bed Holding attaches importance to the respectful treatment of animals.

The aim of deepening the relationship with strategic suppliers is to attain a better collaboration and in doing so to achieve the joint objectives in the field of sustainability. Controlling the chain will demand a joint effort on the part of the company and its suppliers.

Legislation and regulations

Beter Bed Holding expressly follows the OECD (Organisation for Economic Cooperation and Development) guidelines. The company is in this way anticipating forthcoming more stringent legislation and regulations in the field of CSR reporting. The guidelines obligate 'companies of importance to society' to be transparent about their non-financial performance relating to matters such as the strategy, the environment, working conditions, human rights, corruption and diversity at the executive level.

Honest contribution

The topic of tax evasion is and has been covered extensively in the media. The OECD also presented a series of measures in the autumn of 2015 aimed against 'Base Erosion and Profit Shifting' (BEPS). This was reason for Beter Bed Holding to formulate its tax policy more explicitly. This is founded on the principle that the organisation wants to pay a fair amount of tax in the countries in which it operates. The organisation also declares that it will not use any constructions to evade tax.

Supervision and confidence

The Netherlands Food and Consumer Product Safety Authority (NVWA) carries out product safety system inspections and audits at Beter Bed. The NVWA has confidence in the way in which Beter Bed has set up its product safety process and puts it into practice. The result of the system inspection and the audit meant that the NVWA conducted only limited supervision of Beter Bed through 2020. This is the highest mark of confidence the government can give an organisation in the field of product safety.

Environment

General

Reducing the ecological footprint is a key objective of Beter Bed Holding's CSR policy. The policy covers a broad spectrum of topics including saving energy, reducing CO_2 emissions, using less packaging, using less environmentally hazardous substances in the products sold and promoting the circular economy. This is in line with the ambitions formulated at the climate summit in Paris and CSR Netherlands' Ambition Report 2020.

The ecological footprint

Beter Bed Holding has made reducing the CO_2 emissions per square meter of sales floor surface a top priority since 2010 and as a result it has reduced its footprint by 20% over the past years. Energy audits were carried out successfully at eight locations in the Netherlands in 2016. The course of energy consumption over the past years is shown in the table below:

Energy consumption (TJ)	2016	2015	2014	2013	2012
Electricity	**99**	105	111	114	121
Natural gas	**106**	102	102	133	118
Fuel oil	**25**	24	25	30	29

The carbon footprint

Beter Bed Holding is committed to limiting the emission of greenhouse gases by efficiently using the sources of energy that are necessary for business operations. The emission of greenhouse gases is calculated using the indicators of the GHG Protocol; greenhouse gases are reported in kilogrammes of CO_2.

The CO_2 emissions

CO_2 emissions totalled 14,361 tonnes in 2016, which is a decrease of 28.1% compared to 2015. This decrease was achieved primarily through efforts in the field of electricity. The primary contribution to this reduction was made by Matratzen Concord, which switched to green electricity in October 2015 and as a result CO_2 emissions in Germany fell by 95%. Beter Bed Netherlands also made an important contribution towards achieving this result by reducing CO_2 emissions in the stores by 698 tonnes since 2014 due to the remodellings.

CO_2 emissions	2016	2015	2014	2013	2012
Natural gas	**6,296**	6,087	6,090	7,935	7,013
Fuel oil	**1,766**	1,638	1,703	2,055	2,007
Diesel	**1,554**	1,275	1,361	1,261	1,389
Electricity	**3,013**	9,153	11,741	12,066	12,731
Air travel	**38**	38	29	24	35
Commute travel	**1,694**	1,773	1,672	1,704	1,823
Total	**14,361**	19,964	22,596	25,045	24,998

The stores and offices of Beter Bed Holding are not located in the vicinity of nature reserves with a high level of biodiversity. The company therefore does not report on this topic.

Waste

The total amount of waste fell by 5% to 3,600 tonnes in 2016. The figures fit in with the trend whereby the amount of waste has been reduced by 39% since 2010. The objective to take back, separate and recycle packaging materials was also achieved in 2016. In order to make a better contribution to realising a circular economy, the company will remain in dialogue with its waste processors and suppliers with the aim of finding a solution that will enable used mattresses to be used in new products.

Waste (tonnes)	2016	2015	2014	2013	2012
Cardboard and paper	**1,500**	1,500	1,700	1,900	2,300
Other	**2,100**	2,300	3,000	2,500	2,900
Total	**3,600**	3,800	4,700	4,400	5,200

Report of the external specialist

Reporting guidelines

In its annual report, Beter Bed Holding reports for the sixth time on its activities and progress in the area of Corporate Social Responsibility (CSR) according to the guidelines of the Global Reporting Initiative (GRI). In the stakeholder dialogue, it was established that the report largely follows the G4 Reporting Principles. Detailed information will be presented in a more extensive CSR report. The digital version of the CSR report includes the GRI Index, as well as a list of definitions used. The codes of conduct of Beter Bed Holding are available on the website www.beterbedholding.com.

Scope and framework of the report

In this report on the 2016 calendar year, Beter Bed Holding reports on all its formats in all countries with the exception of France and Sweden.

Consistency in reporting process

The figures presented in this report are generated on the basis of consistent definitions and are thus comparable to the figures in previous years. These definitions are stated in the CSR report.

The information on the formats is provided by a permanent team of employees. This consistency ensures that reporting is fast and accurate. MVOplossingen is pleased to see that all reporting parties apart from Spain are included in the CSR steering group. This not only enhances the quality of the regular reporting, it provides more information on developments at the formats as well.

Strengths

- In this annual report, the policy and the developments are related to important trends in CSR, such as the climate conference in Paris and the 'Rapport Ambitie 2020' (Ambition Report 2020) from CSR Netherlands.
- Customer satisfaction is not only measured, but also made transparent on external websites

Steps to be taken

- Beter Bed Holding will apply the latest GRI standards on CSR in its reporting in 2017.
- The decision to enter into an active dialogue with stakeholders in 2017 shows clearly that the CSR policy is firmly embedded in the organisation.

MVOplossingen believes that the report of Beter Bed Holding presents a good and accurate picture of its business operation with respect to CSR. The CSR report with GRI Index features a high level of detail and transparency, enabling stakeholders to conduct a meaningful dialogue with the company.

Arnhem, The Netherlands, 16 March 2017

Menno Kuiper,
Specialist in communication on CSR in annual reports at consultancy agency MVOplossingen

Governance

Corporate Governance

General

The Supervisory Board and the Management Board subscribe to the principles for good corporate governance as laid down in the Dutch Corporate Governance Code. The Supervisory Board and the Management Board recommend that shareholders and other stakeholders review these documents on www.beterbedholding.com. A full overview of all best practice provisions is available on this website, stating whether or not the company complies with these individual provisions. The notes included here relate to the Code as amended by the Dutch Corporate Governance Code Monitoring Committee in December 2008.

The new corporate governance code was presented in December 2016. Beter Bed Holding will render account on the basis of the new code in the annual report 2017.

Our policy has resulted in the following documents:

- Supervisory Board regulations.
- Audit Committee regulations.
- Remuneration Committee regulations.
- Management Board regulations.
- Code of Conduct.
- Share option scheme.
- Whistleblower policy.
- Investor Relations policy.

These documents are also available on the website referred to above.

As usual, Corporate Governance and each substantial adjustment in the corporate governance structure of the company and in its compliance with the corporate governance code will be submitted to the Annual General Meeting for discussion under a separate agenda item during the Annual General Meeting on 18 May 2017.

The full text of the Dutch Corporate Governance Code is available on www.commissiecorporategovernance.nl.

Departures from the Corporate Governance Code

The company observes all the best practice provisions with the exception of those stated in this section. With respect to the best practices not or not fully observed by the company, an explanation is given for why this decision has been made. In other cases, an explanation is given of how some of the best practices are applied within the company.

Best practice II.2.3
The elements of this best practice are included in the company's option program.

Best practice II.2.4
Allocation of options is at the discretion of the Supervisory Board. The options allocated since 2013 were in accordance with this best practice. Options allocated up to year-end 2012 were available for exercise within a period shorter than three years, subject to profit objectives being realised. Management Board members not eligible for reappointment after completing their first term may exercise their options up to three months after leaving employment. Options may in addition be exercised without special restrictions in the event of a bid to acquire all the shares in the company.

Best practice II.2.8
The employment contract with the Management Board members does not include the possibility of a one-time increase of the Board member's salary by up to the amount of their annual salary in the event that the

dismissal of the Board member is clearly unreasonable. Beter Bed Holding therefore applies a stricter standard than that set by the Corporate Governance Code.

Best practice II.2.10
The company applies this best practice as follows: a variable remuneration may be allocated to individual Management Board members on the basis of an assessment by and to some extent at the discretion of the Supervisory Board. For the Chief Executive Officer this was capped in 2016 at 60% of gross fixed annual salary; 50% of this is linked to quantitative objectives periodically set by the Supervisory Board, and the remaining 50% is based on the realisation of qualitative objectives. For the Finance Director, the variable remuneration in 2016 is capped at 50% of gross fixed annual salary; 40% is based on the realisation of quantitative objectives, and the remaining 60% is based on the realisation of qualitative objectives. The Supervisory Board may, at its discretion and only in the event of extraordinary circumstances, decide to adjust the variable remuneration.

Best practice III.4.3
The position of Company Secretary is held by an employee of the company, currently the Group Controller.

Best practice III.5.14
In view of the size of the company, the tasks of the Selection and Appointment Committee are performed by the Supervisory Board as a whole.

Best practice III.6.4
There were no transactions in 2016 between the company and natural or legal persons holding at least 10% of the shares in the company that were of material significance to the company and/or the persons concerned.

The best practice provisions of part III.8. ('one-tier board') and part IV.2. ('certification of shares') do not apply to the company.

Best practice IV.3.1
The company does not organise webcasts of analysts' meetings etc. for reasons of cost. The data are published on the website in advance and the presentations are made available on the website prior to the meeting.

Best practice IV.3.11
The company has no operational or potentially usable protective measures against an acquisition of control of the company.

Best practice V.3.1 to V3.3
The best practice provisions of part V.3. ('internal audit function') do not apply to the company since the company does not have an internal audit function due to its size. The Audit Committee reviews annually whether there is a requirement for an internal auditor in accordance with best practice provision V.3.3.

Takeover directive

In the context of the EU Takeover Directive (Article 10) Decree, the following notifications must be given insofar as they are not included in this annual report:

Capital structure
The company' authorised capital consists of two million euros (€ 2,000,000). The company's issued capital consists of 21,955,562 ordinary shares having a nominal value of two euro cents (€ 0.02) each. Each share confers the right to cast one vote.

Limitations on the transfer of shares

Beter Bed Holding N.V. has not imposed any restrictions on the transfer of its shares. No depositary receipts for shares have been issued with the company's concurrence.

Substantial holdings

A statement of the substantial holdings in Beter Bed Holding N.V. in respect of which a notification requirement applies in accordance with the relevant provisions stipulated in the Dutch Financial Supervision Act (*Wet financieel toezicht*) is included in the section share information (see page 9).

Special controlling rights

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

Employees' share option scheme

The organisation has an employees' share option scheme pursuant to which options on shares (including new shares to be issued) are granted to the Management Board, as well as to the management teams of the various formats.

Limitations on voting rights

Each share confers the right to cast one vote. The voting rights attached to the shares in the company are not restricted, and neither are the terms in which voting rights may be exercised restricted.

Agreements on limitations on the transfer of shares

Beter Bed Holding N.V. is not aware of any agreements with a shareholder that could give rise to any restriction on the transfer of shares or to any restriction on voting rights.

Appointment and dismissal of members of the Management and Supervisory Boards, and amendments of the Articles of Association

The manner in which members of the Supervisory Board and the Management Board may be appointed and dismissed, and the provisions that govern amendments to the articles of association are stipulated in the articles of association of Beter Bed Holding N.V.

Management Board members are appointed by the Annual General Meeting on the nomination of one person (or as many persons as legally required in order to be binding) for each vacancy, to be drawn up by the Supervisory Board. A nomination that the Supervisory Board has drawn up in a timely manner is binding. However, the Annual General Meeting can remove the binding nature of the nomination at any time by means of a resolution that is adopted by an absolute majority of the votes cast and that represent more than one-third of the issued capital. Each Management Board member is appointed or reappointed for a term of four years, unless the resolution to appoint (or reappoint) the Management Board member in question provides otherwise. The Annual General Meeting can suspend or dismiss a Management Board member. The Annual General Meeting can resolve to suspend or dismiss a Management Board member, other than on a proposal from the Supervisory Board, only by means of an absolute majority of the votes cast and that represent more than one-third of the issued capital. The Supervisory Board can suspend a Management Board member.

Supervisory Directors are appointed by the Annual General Meeting on the nomination of one person (or as many persons as legally required in order to be binding) for each vacancy, to be drawn up by the Supervisory Board. The Supervisory Board will give the Works Council an opportunity, in a timely manner, to provide a recommendation with respect to the draft nomination that the Supervisory Board has drawn up, and the Supervisory Board may not adopt that nomination until the Works Council has provided such a recommendation, has given notice that it will not provide such a recommendation or has not provided such a recommendation within a reasonable term that has been set for it to do so. A nomination that the Supervisory Board has drawn up in a timely manner is binding. However, the Annual General Meeting can remove the binding nature of the nomination at any time by means of a resolution that is adopted by an absolute majority of the votes cast and that represent more than one-third of the issued capital. The Annual General Meeting can resolve to suspend or dismiss a Management Board member, other than on a proposal from the Supervisory Board, only by means of an absolute majority of the votes cast and that represent more than one-third of the issued capital.

Each Supervisory Director will retire on the day of the first Annual General Meeting that is held four years after his/her appointment, unless the resolution to appoint provides otherwise.

The Annual General Meeting is authorised (on the proposal of the Management Board, approved by the Supervisory Board) to amend the articles of association. A proposal to amend the articles of association will be handled in consultation with Euronext Amsterdam N.V.; the consultation(s) will be held before the amendment to the articles of association is proposed to the Annual General Meeting. When a proposal to amend the articles of association is made, that proposal must be stated in the invitation to the Annual General Meeting, in which context a copy of that proposal, in which the amendment is included verbatim, must be deposited for inspection at the office of Beter Bed Holding N.V. and an institution that has been approved by Euronext Amsterdam N.V. or other paying agent and made available to the shareholders free of charge until after the meeting has ended. A notarial deed will be drawn up in respect of an amendment to the articles of association. Euronext Amsterdam N.V. and the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*) will be notified of the draft of the amendment to the articles of association no later than the time of the notice convening the Annual General Meeting at which the votes will be cast in respect of the amendment or upon any occasion on which the shareholders are notified of the amendment.

The Management Board's powers

The Management Board’s powers in general are stipulated in the applicable legislation and the articles of association. The Management Board’s powers with respect to the issue of shares are specified in articles 10 and 11 of the articles of association.

At the Annual General Meeting that was held on 19 May 2016, a resolution was passed to grant the Management Board the power to issue new shares (and rights to new shares) up to a maximum equal to 10% of the number of outstanding shares. That power was granted for a term of 16 months as from the date of that Annual General Meeting.

The Management Board’s powers in respect of restricting or excluding the preferential right are specified in article 11 of the articles of association.

At the Annual General Meeting that was held on 19 May 2016, a resolution was passed to grant the Management Board the power to restrict or exclude the preferential right. That power was granted for a term of 16 months as from the date of that Annual General Meeting.

The Management Board’s powers with respect to acquiring/purchasing own shares are specified in article 13 of the articles of association.

At the Annual General Meeting that was held on 19 May 2016, a resolution was passed to grant the Management Board the power to acquire/repurchase own shares, up to a maximum equal to 10% of the number of outstanding shares. The maximum purchase price may not exceed 10% above the average closing price on the five trading days prior to the day of acquisition. That power was granted for a term of 16 months as from the date of that Annual General Meeting.

Significant agreements and changes in the control of the company

Beter Bed Holding N.V. will not be a party to any major agreements that are concluded, amended or dissolved subject to the condition of a change of control over the company after a public bid within the meaning of Article 5:70 of the Financial Supervision Act has been made

Redundancy agreements in the event of a public takeover bid

Beter Bed Holding N.V. has not concluded any agreements with a Management Board member or employee that provides for any severance pay in the case of a termination of employment in connection with a public bid within the meaning of the Financial Supervision Act.

Supervisory Board

D.R. Goeminne (1955)
Chairman

Mr Goeminne earned his degree in Applied Economics from the University of Antwerp.

He has held management positions at a number of manufacturing and retail companies. Until 2007 he has served as Chairman of the Group Management of department store chain V&D (Vroom & Dreesmann) and as a member of the Executive Board of Maxeda (Vendex/KBB). He has been CEO at Ter Beke NV since 1 June 2013.

Mr Goeminne also serves on the Supervisory Boards of Stern Groep N.V. and Wielco BV and he is a non-executive Management Board member at Van de Velde NV, JBC NV and Wereldhave Belgium NV.

Mr Goeminne holds Belgian nationality.

W.T.C. van der Vis (1967)

Mr Van der Vis studied Business Administration at Nyenrode Business University and earned a Master of Business Administration (cum laude) at the Manchester Business School in the United Kingdom.

He served as CEO of Koninklijke Ahrend NV in Germany and the Czech Republic from 1994 to 1998. He was with the Pearle Europe Group (nowadays Grandvision) from 1998 to 2009, initially as CEO Central Europe operating from Germany and then from 2004 as Group CEO. He worked for Esprit Holdings Limited in Hong Kong as Executive Director of the Board & Group CEO until 2013.

Mr Van der Vis also serves on the Supervisory Board of BasicFit N.V. (Chairman) and Sonova Holding AG.

He holds Dutch nationality.

E.A. de Groot (1965)

Ms De Groot earned a degree in Business Economics from the University of Amsterdam. She then went on to complete the Registered Investment Analyst course of study conducted by the Dutch Association of Investment Professionals (VBA).

From 1987 to 2012, she worked in the financial sector where she held a wide range of positions in the fields of financing, capital management and risk management. She has served in a number of roles including Executive Vice President at ABN AMRO (until 2008) and interim CFO at Van Lanschot Bankiers (2009/2010). She has been CFO and member of the management board at Schiphol Group since 1 May 2012.

She is also a board member at Aéroports de Paris and serves on the Supervisory Board of Vitens N.V.

Ms De Groot holds Dutch nationality.

A.J.L. Slippens (1951)
Vice chairman

Mr Slippens earned degrees in Food Technology from the University of Applied Sciences HAS in Den Bosch and in Business Administration from Nijenrode Business University.

From 1978 to September 2008, he successively served as Head of Purchasing, Deputy Director, Sales Director and CEO of Sligro Food Group N.V. He has furthermore served on advisory bodies at various family-owned companies.

Mr Slippens also serves on the Supervisory Board of Blokker Holding B.V. (Chairman), Copaco B.V. and Value 8 N.V.

He holds Dutch nationality.

Report of the Supervisory Board

General

The Supervisory Board is comprised of Ms E.A. de Groot, Mr D.R. Goeminne (Chairman), Mr A.J.L. Slippens (Vice Chairman) and Mr W.T.C. van der Vis. The CVs of the members of the Supervisory Board are included in the section Supervisory Board (see page 49). In accordance with the provisions of the Dutch Corporate Governance Code, all Supervisory Board members are independent.

Supervisory Directors are appointed for a period that runs up to and including the day of the first Annual General Meeting that is held four years after their appointment. Supervisory Directors retire periodically in accordance with a schedule to be drawn up by the Supervisory Board. The following retirement by rotation schedule applies:

Supervisory Director	Appointed	Reappointed	**Retirement/Reappointment**
W.T.C. van der Vis	25 April 2013		**AGM 2017**
D.R. Goeminne	1 May 2010	19 May 2014	**AGM 2018**
A.J.L. Slippens	1 May 2010	19 May 2014	**AGM 2018**
E.A. de Groot	1 May 2011	19 May 2015	**AGM 2019**

2016 results

The Supervisory Board closely followed the revenue and profit development of Beter Bed Holding. The consistent execution of the policy defined by the Management Board and the focus on revenue growth and profitability are gratifying. The Supervisory Board shares the dissatisfaction of the Management Board with regard to the disappointing results in Germany. The group's revenue increased by 6.5% to € 410.5 million in 2016. EBITDA fell by € 3.6 million to € 37.5 million. The EBITDA margin decreased from 10.7% to 9.1%.

Despite the lower results for 2016, the Supervisory Board firmly believes that the company should continue its strategy 'From Good to Great 2016-2020' without change, while of course maintaining an even tighter focus on developments in the German market.

Financial statements, discharge, dividend

The financial statements were prepared by the Management Board and the auditor, PwC Accountants N.V., subsequently issued an unqualified auditor's report on these financial statements. That report is included in the independent auditor's report in the section Additional details (see page 93). The Supervisory Board discussed the financial statements in detail in the presence of the Management Board and PwC Accountants.

Following the publication of the trading update on the third quarter results in October 2016, the company decided to distribute an interim dividend of € 0.34 per share (2015: € 0.39). In accordance with the Management Board's proposal, we propose distributing a final dividend of € 0.40 per share. This means that 85% of the profit for 2016 will be distributed in the form of shareholder dividends. This is in line with the dividend policy (see page 10), which was approved in the Annual General Meeting on 27 April 2005.

The Supervisory Board has approved the 2016 financial statements and proposes to adopt these at the Annual General Meeting to be held on 18 May 2017, and to discharge the members of the Management Board in respect of their management and the members of the Supervisory Board in respect of their supervision with regard to the financial year 2016.

Composition of the Supervisory Board

The members of the Supervisory Board are appointed by the Annual General Meeting. The Supervisory Board aims for an adequate balance of knowledge of, and experience with, the company's operations. The Board has established two committees: the Audit Committee and the Remuneration Committee. The full Board fulfils the role of the Selection and Appointment Committee in accordance with the Dutch Corporate Governance Code.

No reappointments took place in 2016. At the Annual General Meeting on 18 May 2017, Mr W.T.C. van der Vis will be nominated for reappointment as a member of the Supervisory Board for a period of four years.

Activities of the Supervisory Board

In 2016 the Supervisory Board was closely involved in developments related to Beter Bed Holding and its subsidiaries. During the reporting year, the Chairman frequently liaised with the Management Board in preparation for the meetings between the Supervisory Board and the Management Board. The former met with the latter on six occasions. Furthermore, the Supervisory Board also held three conference calls with the Management Board.

The Supervisory Board received regular, timely, detailed verbal and written updates from the Management Board throughout the year. Extensive attention was paid to the operating results of the various formats and the group. The Supervisory Board also visited several Beter Bed stores in Belgium.

The company met with the external auditor on two occasions. In March 2016, the results for 2015 and the audit findings were discussed. The half-year results were discussed in August 2016, along with the results of the audit of the half-year results conducted by the external auditor.

The budget for 2017, which was discussed during the meeting of 15 December 2016, sets out the company's operational and financial objectives, along with the policy that should ensure that these objectives are achieved.

The performance of the Supervisory Board and that of the individual Supervisory Directors, the relationship with the Management Board and the composition of the Supervisory Board were discussed in closed meetings. The performance of the Management Board and the employment terms policy were naturally on the agenda as well.

After an explanation provided by its Audit Committee, the Supervisory Board discussed the update of the risk assessment process with the Management Board. We believe that the procedures related to risk analysis, risk management, risk control and audits by the external auditor with respect to the AO/IC (Administrative Organisation and Internal Control) provide sufficient certainty for the in-control statement relating to the performance of the risk control and risk management system.

The Supervisory Board was pleased to see that the percentage of women in top management positions within the group continued to increase.

Audit Committee

During the financial year, the Audit Committee was comprised of Ms De Groot (Chairman), Mr Goeminne and Mr van der Vis. The composition of the Audit Committee is in accordance with the provisions of the Dutch Corporate Governance Code, with Ms De Groot serving as financial expert.

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

The Audit Committee convened on two occasions in the past financial year. On both occasions, the Audit Committee met with the external auditor in the absence of the Management Board.

The Audit Committee extensively discussed the financial statements and the Report of the Management Board, and the half-year results and associated management letters including the key audit subjects with the Management Board and the external auditor, PwC Accountants N.V. The Audit Committee also focused on the audit plan for 2016, compliance with previous recommendations, tax issues, liquidity and funding, and the company's risk management and control system.

The Audit Committee and the Management Board continued to take the view in 2016 that the company, in view of its size, complexity and system of internal controls, does not require an internal audit department. In the light of the revised Dutch Corporate Governance Code of 8 December 2016 and the growth of the company, arrangements concerning the internal audit department will be reconsidered. The Management Board will present a proposal to the Supervisory Board at the start of 2017 concerning those arrangements.

Remuneration Committee

The Remuneration Committee is comprised of Ms De Groot, Mr Slippens (Chairman), Mr Goeminne and Mr van der Vis. In 2016, two committee meetings and frequent consultations were held. The Remuneration Committee also discussed the performance and remuneration of the top twenty managers of the organisation with the Management Board.

The remuneration report (see page 55) follows the Report of the Supervisory Board.

Management and Supervisory Board diversity

There are currently no women on the Statutory Management Board of the company and one of the four seats on the Supervisory Board is occupied by a woman. Beter Bed Holding N.V. consequently does not officially fulfil the requirement for a balanced distribution of seats (30% male/female).

Selection of members of the Management Board and Supervisory Board will continue to be based on broad experience, background, skills, knowledge and insights, with due regard for the importance of a balanced composition.

Conclusion

The Supervisory Board is aware of the broad interests represented by the company and of its responsibility towards all the company's stakeholders: shareholders, employees, customers, suppliers and financiers. We would therefore like to refer you to our website, www.beterbedholding.com, which always contains the most up-to-date information on the company.

In 2016, the company was able to achieve continued progress in many areas and realised the majority of its strategic plans for that year. All of this is mainly due to the hard work and loyalty of all employees in the various countries, for which we wish to express our sincere gratitude to them.

Uden, The Netherlands, 16 March 2017

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

Remuneration report

Remuneration policy

The remuneration policy was approved by the Annual General Meeting on 23 April 2009 and was amended in part at the Annual General Meetings in 2013 and 2016. The complete text is published on the company's website. The Remuneration Committee advises the Supervisory Board when it is formulating the remuneration policy and determining the individual remuneration of the Management Board. The objective of the remuneration policy is to recruit, motivate and retain qualified persons as Management Board members, who enable Beter Bed Holding N.V. to achieve its strategic and operational objectives. The remuneration policy is enterprising in nature, but it also must be reasonably in ratio with the other members of management, all of the foregoing taking into consideration the social context, corporate governance structure and the interests of the stakeholders in Beter Bed Holding N.V.

Remuneration of the Management Board

The remunerations of the Management Board consist of the following competitive elements:

- a fixed salary;
- a pension scheme;
- a variable remuneration;
- options on shares;
- other employment benefits.

Competitive fixed salary

The market terms are determined on the basis of knowledge and experience of the individual Supervisory Directors by means of a benchmark that the Supervisory Board conducts once every three years with a reference group of approximately ten comparable companies. At the beginning of 2015, that assessment was carried out once again, after which the fixed salaries of both Management Board members were adjusted.

Competitive pension scheme

The pension scheme is a defined contribution scheme. The percentage of the contribution is determined by investigating the situation at other companies, in which context the members of the Supervisory Board are involved, in addition to the maximum permitted for tax purposes in that respect. The Chief Executive Officer and the Finance Director received a contribution for 2016 equal to 30% and 25% of the fixed salary, respectively.

Variable remuneration

The variable remuneration is largely profit related and is partially at the Supervisory Board's discretion.

In 2016, the maximum variable remuneration for the Chief Executive Officer was equal to 60% of the gross fixed annual salary (split into 50% for quantitative objectives and 50% for qualitative objectives), and for the Finance Director it was equal to 50% of the gross fixed annual salary (split into 40% for quantitative objectives and 60% for qualitative objectives).

The following table summarises the quantitative (including variables such as turnover and EBITDA) and qualitative objectives that are aligned to the strategy and the results achieved by the Management Board, which shows that the Management Board partially realised both the quantitative and qualitative objectives.

	CEO			CFO		
	Max	Score	Reward	Max	Score	Reward
Score quantitative goals	**50%**	**25%**	**12.5%**	**40%**	**25%**	**10%**
Qualitative goals						
Like-for-like growth	10%	100%	10%			
Net Promotor Score	10%	100%	10%			
Expansion	10%	50%	5%			
E-commerce	10%	50%	5%			
Team effectiveness	10%	100%	10%	12%	100%	12%
IT				12%	100%	12%
Logistics				12%	100%	12%
Business Support				12%	50%	6%
CSR				12%	50%	6%
Score qualitative goals	**50%**	**80%**	**40%**	**60%**	**80%**	**48%**
Total	**100%**		**52.5%**	**100%**		**58%**
Amount			**€ 110,250**			**€ 72,500**

The individual objectives stipulate clear strategic trigger points, which cannot be explained in more detail for competiveness reasons.

The budget is set at a level that the Supervisory Board considers challenging but achievable at the time at which it is set. The evaluation of the extent to which the quantitative objectives have been met has taken into consideration – and will take into consideration in the future – the extent to which there can be deemed to be normal market conditions and the extent to which there has been sound business practice.

The following chart provides an overview of the remuneration of Messrs Anbeek and Koops for 2016.

in thousand €	Total	Salary	Pension	Variable remuneration	Employee stock options[1]
A.H. Anbeek	686	350	105	110	121
B.F. Koops	482	250	63	73	96

1 Number of options granted multiplied by the value of the option at the time of granting.

Options on shares

Options on shares are used as a long-term incentive. Options are granted not only to the Management Board, but also to the management teams in the various formats.

‘Change of control’ clauses have not been included in the Management Board members’ contracts. However, when a bid for all the shares in the company is declared unconditional all options may be exercised, regardless of the status of the realisation of the objectives.

In 2016 the Remuneration Committee evaluated the effect of the option program, which led to a modification of the program. The most important adjustments (outlined broadly) relate to:

- vesting at one time, three years after the date of issue.
- vesting in the event that the TSR (Total Shareholder Return) of Beter Bed Holding N.V. has exceeded the TSR of a Peer Group.
- when it exercises the option right the Management Board must use the financial benefit it has acquired to acquire shares in Beter Bed Holding, which subsequently may not be converted to cash for a term of four years.

The amended program was approved by the Annual General Meeting of 19 May 2016.

The Remuneration Committee used the scenario analyses referred to in Corporate Governance Code best practice II.2.1 when it formulated the remuneration policy and determined the individual remuneration.

At the end of 2016, Messrs Anbeek (CEO) and Koops (CFO) held the following options on shares in Beter Bed Holding N.V.:

	2016		2015		2014		2011
	CEO	**CFO**	CEO	CFO	CEO	CFO	CEO
Number (in 1,000)	**50**	**40**	33	27	27	21	50
Value of each option at time of awarding	**€ 2.41**		€ 2.45		€ 1.84		€ 1.58
Exercise price	**€ 19.99**		€ 22.79		€ 17.37		€ 14.67
Expiry date	**18 May 2021**		19 May 2020		19 May 2019		28 April 2017
Profit target in millions of €	**-**		-		-		32
Target	**TSR compared to peer group**		TSR>AScX		TSR>AScX		-
Target achieved	**-**		No		Partly (33.3%)		No

The value at the time of the grant for the 2011 series was determined by means of an actuarial calculation with the aid of the Black & Scholes model. Black & Scholes in combination with Monte Carlo simulations were used for the series as from 2014.

Other employment benefits

Both Management Board members have a lease car at their disposal.

Remuneration of the Supervisory Board

The following remunerations have applied since 19 May 2015:

- Supervisory Directors' fee: € 21,000.
- Remuneration for participation in a committee: € 4,500.
- Extra remuneration for the chairmanship: € 10,000.

The remuneration of the Supervisory Board is evaluated every three years. In 2016 the remuneration (in euros) was as follows:

Supervisory Director	Supervisory Board	Audit Committee	Remuneration Committee	Chairman	**Total 2016**	Total 2015
D.R. Goeminne	21,000	4,500	4,500	10,000	**40,000**	40,000
A.J.L. Slippens	21,000	-	4,500	-	**25,500**	25,500
E.A. de Groot	21,000	4,500	4,500	-	**30,000**	30,000
W.T.C. van der Vis	21,000	4,500	4,500	-	**30,000**	30,000

Financial Statements

Consolidated balance sheet

Per 31 December

in thousand €	Notes	2016	2015
Fixed assets			
Tangible assets	1. 12.		
Land		**7,132**	7,132
Buildings		**3,983**	3,999
Other fixed operating assets		**26,955**	23,389
		38,070	34,520
Intangible assets	2. 12.		
Intangible operating assets		**7,002**	3,477
Financial assets	3.		
Deferred tax assets		**1,217**	1,185
Long-term accounts receivable		**660**	395
		1,877	1,580
Total fixed assets		**46,949**	39,577
Current assets			
Inventories	4.		
Finished products and goods for resale		**61,884**	57,926
Receivables	5.		
Trade accounts receivable		**4,332**	1,920
Other receivables		**8,660**	6,742
		12,992	8,662
Cash and cash equivalents	6.	**21,792**	25,512
Total current assets		**96,668**	92,100
Total assets		**143,617**	131,677

Per 31 December

in thousand €	Notes	2016	2015
Equity			
Equity attributable to equity holders of the parent	7.		
Issued share capital		**439**	439
Share premium account		**18,434**	18,434
Reserve for currency translation differences		**913**	1,097
Revaluation reserve		**2,812**	2,812
Other reserves		**35,265**	30,409
Retained earnings		**19,015**	22,559
Total equity		**76,878**	75,750
Liabilities			
Non-current liabilities			
Provisions	8.	**198**	538
Deferred tax liabilities	9.	**2,154**	2,279
		2,352	2,817
Current liabilities	10.		
Trade payables		**31,856**	22,903
Profit tax payable	17.	**1,410**	2,231
Taxes and social security contributions		**9,565**	8,368
Other liabilities		**21,556**	19,608
		64,387	53,110
Total liabilities		**66,739**	55,927
Total equity and liabilities		**143,617**	131,677

Consolidated profit and loss account

in thousand €	Notes	2016		2015	
Revenue	12.	**410,457**		385,440	
Cost of sales		**(173,350)**		(163,225)	
Gross profit		**237,107**	**57.8%**	222,215	57.7%
Personnel expenses	13.	**100,523**		92,176	
Depreciation and amortisation	15.	**11,168**		9,825	
Other operating expenses	16.	**99,381**		89,515	
Total operating expenses		**211,072**	**51.4%**	191,516	49.7%
Operating profit (EBIT)		**26,035**	**6.3%**	30,699	8.0%
Finance income		**144**		368	
Finance costs		**(302)**		(419)	
Profit before taxation		**25,877**	**6.3%**	30,648	8.0%
Income tax expense	17.	**(6,862)**		(8,089)	
Net profit		**19,015**	**4.6%**	22,559	5.9%
Earnings per share	19.				
Earnings per share in €		**0.87**		1.03	
Diluted earnings per share in €		**0.86**		1.02	

Consolidated statement of comprehensive income

in thousand €	2016			2015		
	Gross	**Tax**	**Net**	Gross	Tax	Net
Profit	**25,877**	**(6,862)**	**19,015**	30,648	(8,089)	22,559
Non-recyclable:						
Change in revaluation reserve						
- due to revaluation of land	**-**	**-**	**-**	(47)	12	(35)
Recyclable:						
Movements in reserve for						
currency translation differences	**(184)**	**-**	**(184)**	283	-	283
Total comprehensive income	**25,693**	**(6,862)**	**18,831**	30,884	(8,077)	22,807

Consolidated cash flow statement

in thousand €	2016	2015
Cash flow from operating activities		
Operating profit	**26,035**	30,699
Interest paid	**(148)**	(51)
Income tax paid	**(7,838)**	(4,443)
Depreciation and amortisation	**11,168**	9,825
Costs share-based compensation	**301**	192
Movements in:		
– Inventories	**(2,457)**	(4,445)
– Receivables	**(4,345)**	(1,104)
– Provisions	**(340)**	(713)
– Current liabilities	**11,800**	5,857
– Other	**(131)**	192
	34,045	36,009
Cash flow from investing activities		
Additions to (in)tangible assets	**(16,534)**	(15,963)
Acquisitions	**(3,287)**	-
Disposals of (in)tangible assets	**325**	591
Changes in long-term accounts receivable	**(265)**	(124)
	(19,761)	(15,496)
Cash flow from financing activities		
Share (re)issuance	**-**	803
Dividend paid	**(18,004)**	(16,687)
	(18,004)	(15,884)
Change in net cash and cash equivalents	**(3,720)**	4,629
Net cash and cash equivalents at the beginning of the financial year	**25,512**	20,883
Net cash and cash equivalents at the end of the financial year	**21,792**	25,512

Consolidated statement of changes in equity

in thousand €	Total	Issued share capital	Share premium reserve	Reserve for currency translation	Revalua-tion reserve	Other reserves	Retained earnings
Balance on 1 Jan. 2015	**68,635**	**438**	**17,673**	**814**	**2,847**	**30,003**	**16,860**
Net profit 2015	22,559	-	-	-	-	-	22,559
Other components of comprehensive income 2015	248	-	-	283	(35)	-	-
Profit appropriation 2014	-	-	-	-	-	16,860	(16,860)
Final dividend 2014	(8,124)	-	-	-	-	(8,124)	-
Interim dividend 2015	(8,563)	-	-	-	-	(8,563)	-
(Re)issuance of shares	803	1	761	-	-	41	-
Costs of share-based compensation	192	-	-	-	-	192	-
Balance on 31 Dec. 2015	**75,750**	**439**	**18,434**	**1,097**	**2,812**	**30,409**	**22,559**
Net profit 2016	**19,015**	**-**	**-**	**-**	**-**	**-**	**19,015**
Other components of comprehensive income 2016	**(184)**	**-**	**-**	**(184)**	**-**	**-**	**-**
Profit appropriation 2015	**-**	**-**	**-**	**-**	**-**	**22,559**	**(22,559)**
Final dividend 2015	**(10,539)**	**-**	**-**	**-**	**-**	**(10,539)**	**-**
Interim dividend 2016	**(7,465)**	**-**	**-**	**-**	**-**	**(7,465)**	**-**
Costs of share-based compensation	**301**	**-**	**-**	**-**	**-**	**301**	**-**
Balance on 31 Dec. 2016	**76,878**	**439**	**18,434**	**913**	**2,812**	**35,265**	**19,015**

General notes

General

Beter Bed Holding N.V. operates in the European bedroom furnishings market. Its activities include retail trade through the chains Beter Bed, Matratzen Concord, El Gigante del Colchón, Beddenreus, Sängjätten and Literie Concorde. Beter Bed Holding is also active in the field of developing and wholesaling branded products in the bedroom furnishing sector via its subsidiary DBC International. The registered office of Beter Bed Holding N.V. is in Uden, the Netherlands.

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 prepared in conformity with International Financial Reporting Standards (IFRS) as adopted in the European Union and their interpretations as approved 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 prepared in euros and all amounts have been rounded off to thousands (€ 000), unless stated otherwise.

Certain prior-year amounts have been reclassified in line with the presentation for the year under review. These reclassifications relate mainly to the company profit and loss account.

The 2016 consolidated financial statements of Beter Bed Holding N.V. have been prepared by the Management Board and discussed in the meeting of the Supervisory Board on 16 March 2017. 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 on 18 May 2017. As a result of the latest adaptation of Section 402 of Book 2 of the Dutch Civil Code, the company financial statements contain no longer an abbreviated profit and loss account.

Application of new standards

A number of new standards, amendments to and interpretations of existing standards entered into effect in 2016. The new standards, amendments and interpretations of relevance to the company had no impact on the company's capital 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 2016 financial statements. Only those standards and interpretations are listed below that Beter Bed Holding N.V. reasonably expects to have an impact on the disclosures, the financial position or the results of the company upon future application. Beter Bed Holding N.V. 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 2018.
IFRS 16 Leases, effective 1 January 2019.

IFRS 9 and IFRS 15 are not expected to have a significant effect on the consolidated financial statements of Beter Bed Holding.

IFRS 16, conversely, does have a significant effect. The company has more than 1,200 stores in various European countries. Nearly all these stores are rented. The notes for the rental agreements are current enclosed under Note 20 ‘Commitments not included in the balance sheet’. The monthly rental costs are currently recognised by debiting to the profit and loss account on the basis of the prevailing lease standard (IAS 17). Pursuant to IFRS 16, these rental and lease agreements shall need to be recognised in the balance sheet. The future ‘right of use’ will then be capitalised and the future lease obligation will be recognised. In addition, there will be a shift from the operating lease costs to the amortisation and interest expenses.

In 2016, Beter Bed Holding performed an initial analysis of the impact of IFRS 16 on the group. This revealed that it is to be expected that the balance sheet total will increase significantly by an amount dependent on the assumptions made for the discount rate and the renewal period for the rental agreements. This is also applicable to EBITDA. An adjustment of equity may also be necessary. IFRS 16 will, in conclusion, inevitably have a great impact on a number of ratios, including solvency. In 2017, Beter Bed Holding shall further detail the initial analysis, refine the assumptions to be made and then select a transition option. In 2017, Beter Bed Holding shall also – in view of the number of rental and lease agreements – further review how an automated solution could provide for transparent, efficient and effective recognition pursuant to IFRS 16.

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, because Beter Bed Holding holds the majority of voting rights or can control the financial and operating activities in another manner. 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.

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[1]	Cologne, Germany	100
El Gigante del Colchón S.L.	Barcelona, Spain	100
Linbomol S.L.	Barcelona, Spain	100
Literie Concorde SAS	Reichstett, France	100
M Line Bedding S.L.	Barcelona, Spain	100
Madrasser Concord ApS[1]	Copenhagen, Denmark	100
Matratzen Concord (Schweiz) AG	Malters, Switzerland	100
Matratzen Concord GmbH	Cologne, Germany	100
Matratzen Concord GmbH	Vienna, Austria	100
Procomiber S.L.	Barcelona, Spain	100
Schlafberater.com GmbH[1]	Cologne, Germany	100
Sängjätten Sverige AB	Helsingborg, Sweden	100
Sängjätten Sverige Wholesale AB	Helsingborg, Sweden	100

1 Liquidated in 2016

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; profit and loss account items are translated at the rate of exchange at the time of the transaction. The resultant exchange differences are credited or debited to the profit and loss account. Exchange differences in the financial statements of foreign group companies included in the consolidation are taken directly to equity through other comprehensive income. The results and assets and liabilities of consolidated foreign participating interests are translated into euros at the average exchange rate per month and the closing 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

Property, plant and equipment

Items of property, plant and equipment other than land are valued at the cost of purchase or construction less straight-line depreciation based on the expected economic life or lower recoverable amount. Land is carried at fair value on the basis of periodic valuations by an outside expert. Any revaluations are recognised in equity through other comprehensive income, with a provision for deferred taxation being formed at the same time. Land and items of property, plant and equipment in the course of construction are not depreciated.

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

Leases

The determination whether an arrangement forms or contains a lease is based on the substance 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 on a straight-line basis over the term of the lease.

Intangible assets

Initial measurement of intangible assets is at cost. The cost of intangible assets obtained through an acquisition is equal to the fair value as of the acquisition date. Thereafter, valuation is at cost minus accumulated amortisation and impairments. Development costs are capitalised when they are likely to generate future economic benefits.

Intangible assets are assessed in order to determine whether they have a finite or indefinite useful life.

Intangible assets are amortised over their useful life and tested for impairment if there are indications that the intangible asset may be impaired. The amortisation period and method for an intangible asset with a finite useful life are assessed in any event at the end of each period under review. Any changes in the expected useful life or expected pattern of the future economic benefits from the asset are recognised by means of a change in the amortisation period or method and must be treated as a change in accounting estimate. Amortisation charges on intangible assets with a finite useful life are recognised in the profit and loss account.

Any gains or losses arising from the derecognition of intangible assets are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account when the asset is derecognised.

Impairment of assets

The company reviews at each reporting date whether there are indications that an asset has been impaired. If there is any such indication or if the annual impairment testing of an asset is required, the company estimates the asset's recoverable amount.

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

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

Derecognition of financial assets and liabilities

A financial asset (or, if applicable, part of a financial asset or part of a group of similar financial assets) is derecognised if the group is no longer entitled to the cash 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 liability is derecognised when the obligation has been discharged or cancelled or has expired. If an existing financial liability is replaced by another from the same lender, under substantially different terms, or if substantial modifications are made to the terms of the existing liability, the replacement or modification is accounted for by recognising the new liability in the balance sheet and derecognising the original liability. The difference between the relevant carrying amounts is recognised in profit or loss.

Taxation

Tax liabilities for current or prior 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 enacted tax laws.

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

Deferred tax assets are recognised for available tax loss carryforwards and deferred tax assets arising from temporary differences at the balance sheet date between the tax base of assets and liabilities and the carrying amount in 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.

Inventories

Inventories are valued at the lower of cost and net realisable value. The cost consists of the final purchase price less purchase discounts and plus additional direct costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs for settling the sale. Unrealised intercompany gains and losses are eliminated from the inventory valuation.

Cash and cash equivalents

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

Provisions

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

Other assets and liabilities

Other assets and liabilities are valued at amortised cost. Where necessary an allowance for doubtful debts is applied for receivables. 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

Revenue

The revenue is understood as the proceeds of the sale of goods and services to third parties less discounts and similar rebates, and sales taxes. Sales are recognised as revenue when the goods are delivered to consumers and other customers and all significant risks and rewards of ownership of the goods have been transferred to the buyer.

Cost of sales

This comprises 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’ scheme. This pension fund is not, however, able at present to provide data that enable a strict application of IAS 19. The principal reason for this is that the company’s share in the Wonen Industrial Pension Fund cannot be sufficiently reliably determined. Consequently this pension scheme is accounted for as a defined contribution scheme.

Virtually all other pension schemes are defined contribution schemes. The contributions paid to the Wonen Industrial Pension Fund and to insurers respectively are recognised as expenses in the year to which they relate. There are no company-specific pension schemes in the other countries.

Depreciation and amortisation

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

Cash flow statement

The cash flow statement is prepared 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 current bank overdrafts, inasmuch as this does not relate to the current component of non-current loans. Current bank overdrafts are an integral part of 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 costs of the transactions settled with employees in equity instruments are valued at the fair value on the date of grant. Fair value is determined on the basis of a combined model of Black & Scholes and Monte Carlo simulations. Performance conditions are taken into account when determining the value of the transactions settled in equity instruments.

The costs of the transactions settled in equity instruments are recognised, together with an equal increase in equity, in the period in which the conditions relating to the performance and/or services are met, ending on the date on which the employees concerned become fully entitled to the grant (the date upon which it vests). The accumulated costs for transactions settled in equity instruments on the reporting date reflect the degree to which the vesting period has expired and also reflects the company's best estimate of the number of equity instruments that will eventually vest. The amount that is charged to the profit and loss account for a certain period reflects the movements in the accumulated expense.

Risks

The main financial risk consists in failing to achieve the budgeted revenue and therefore the planned cash margins, mainly as a result of changes in consumer behaviour in response to changing economic conditions. Revenues and order intakes for each format are reported on a daily basis to manage this risk. On a weekly basis, data on realised margins, numbers of visitors, conversion and average order values are added to them and commented on.

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

Currency risks, arising mainly from purchases in dollars, are not hedged. 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 € 108 (2015: € 192) on the operating profit (EBIT) if sales prices remain the same. There are virtually no financial instruments in foreign currencies. The currency risks owing to the presence and/or transactions in Sweden and Switzerland and the potential volatility of the Swedish krona and the Swiss franc are considered to be limited due to the fact that the majority of goods purchases takes place in euros.

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 the interest rate of 50 basis points would be € 0 before tax (2015: € 0), on the basis of the use of the credit facilities at year-end 2016. The carrying amount of the financial liabilities 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 carrying amount. 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 liabilities (see page 79). For an explanation of the other risks, please refer to the related section of the Report of the Management Board (see page 21).

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 must not exceed two. The item inventories is by far the most important in the working capital. Targets have been defined for this for each format. These variables are included in the weekly reports.

Solvency at year-end 2016 was 53.5% (2015: 57.5%). The net interest-bearing–debt/EBITDA ratio was 0.0 in 2016 (2015: 0.0).

EBITDA is defined as operating profit or loss before depreciation and amortisation of non-current assets and before disposals of non-current assets.

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. The principal operating segments are comparable in each of the following respects:

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

- Customers for the products and services
  The operating segments sell direct to consumers, focusing specifically on customers in the 'value for money' segment.

- Distribution channels for the products and services
  The operating segments generate their revenue in stores (the offline retail channel) and also have a webshop (online retail channel). Online revenue compared with total revenue is similar for the operating segments.

- Economic characteristics
  The operating segments have similar economic characteristics, e.g. in terms of revenue, gross profit and inventory turnover rate.

In view of the comparability of the above characteristics, the operating segments are aggregated into a single reportable segment.

Seasonal pattern

Owing to the seasonal pattern in consumer demand, revenue and net profit are usually lower in the second and third quarter than in the first and fourth quarter.

Estimates

In preparing the financial statements, the Management Board is required to exercise judgment, make assumptions and estimates that affect the application of the accounting standards and the valuation of the recognised assets and liabilities and income and expenses. Owing to those judgments, assumptions and estimates, the actual valuation may subsequently differ materially from the reported valuation.

The actual timing of the utilisation of amounts in provisions is uncertain when determining them beforehand. Judgments, assumptions and estimates are continually reviewed and are based on historical experience and other factors, including future expectations. These future expectations are based on reasonable expectations concerning the relevant factors affecting the financial statement item concerned.

Adjustments of estimates are recognised in the period in which those adjustments are made and, where relevant, in the future periods concerned.

Where significant estimates are made when drawing up the financial statements, an explanation is provided in the notes for each item in question. Accounting estimates were applied mainly for the measurement of intangible assets and property, plant and equipment and the provision for onerous contracts and taxation.

Accounting for acquisitions

Acquisitions are accounted for on the basis of the purchase accounting method. From the date of acquisition, the results and the identifiable assets and liabilities of the acquired company are included in the consolidated financial statements. The date of acquisition is the date on which control can be exercised in the company concerned. The purchase price comprises the cash amount or equivalent thereof that has been agreed to acquire the acquiree plus any directly attributable costs. Any amount by which the purchase price exceeds the net amount of the fair value of the identifiable assets and liabilities is capitalised as goodwill under intangible assets. If the purchase price is lower than the net amount of the fair value of the identifiable assets and liabilities, the difference (badwill) is credited to profit or loss.

Acquisition of Sängjätten

On 2 June 2016, Beter Bed Holding N.V. concluded an agreement in principle with Sängjätten AB, with its registered office in Gothenburg (Sweden) on the acquisition of specific assets, the personnel and the rental agreements of the Sängjätten Group. The resolutory and other conditions governing this acquisition are laid down in the Share Purchase Agreement that the parties signed on 2 June 2016.

Pursuant to an Asset Transfer Agreement, these assets have since been transferred from the Sängjätten Group to a newly incorporated company, Sängjätten Sverige AB, with its registered office in Helsingborg (Sweden). Beter Bed Holding N.V. subsequently acquired 100% of the shares in Sängjätten Sverige AB from Sängjätten AB on 17 June 2016.

The Sängjätten format is compatible with the Beter Bed business model and retail format, and can achieve operational, commercial and financial synergy. In acquiring Sängjätten, Beter Bed Holding has obtained a nationwide chain in Sweden.

The acquisition is recognised in the group's financial results on the basis of the purchase accounting method. The date of acquisition, the date on which the dominant control of the assets and activities of the acquired party is effectively transferred to the acquiring party, was 17 June 2016.

The purchase price of the shares was set at € 3.3 million. The net fair value of the Sängjätten assets and liabilities was also € 3.3 million. The acquired assets were comprised of inventories (€ 1.5 million), the capitalisation of the Sängjätten brand name (€ 1.8 million) and tangible fixed assets (€ 0.3 million). The acquisition also extended to the acquisition of staff liabilities of € 0.3 million.

The revenue of the acquired activities amounted to € 5.0 million in the period from 17 June to 31 December 2016. The operating profit in this period amounted to € 0.6 million negative. When this acquisition had been a member of the Beter Bed Holding N.V. group throughout the year under review then this revenue would have been increased by about € 5.0 million.

Notes to the consolidated balance sheet and profit and loss account

in thousand €, unless otherwise stated

1. Property, plant and equipment

	Land	Buildings	Other fixed operating assets	Total
Book value 1 January 2015	**5,460**	**3,240**	**20,189**	**28,889**
Additions	1,719	1,149	11,725	14,593
Revaluation	(47)	-	-	(47)
Effect of movements in exchange rates	-	-	82	82
Disposals	-	-	(591)	(591)
Depreciation	-	(390)	(8,016)	(8,406)
Book value 31 December 2015	**7,132**	**3,999**	**23,389**	**34,520**
Accumulated depreciation	-	6,343	70,314	76,657
Accumulated revaluation	(3,750)	-	-	(3,750)
Purchase price	**3,382**	**10,342**	**93,703**	**107,427**
Book value 1 January 2016	**7,132**	**3,999**	**23,389**	**34,520**
Acquisitions	**-**	**-**	**293**	**293**
Additions	**-**	**239**	**12,899**	**13,138**
Effect of movements in exchange rates	**-**	**-**	**(1)**	**(1)**
Disposals	**-**	**-**	**(325)**	**(325)**
Depreciation	**-**	**(255)**	**(9,300)**	**(9,555)**
Book value 31 December 2016	**7,132**	**3,983**	**26,955**	**38,070**
Accumulated depreciation	**-**	**6,599**	**76,371**	**82,970**
Accumulated revaluation	**(3,750)**	**-**	**-**	**(3,750)**
Purchase price	**3,382**	**10,582**	**103,326**	**117,290**

A further explanation of the investments is enclosed in the Report of the Management Board (see page 24).

The cumulative revaluation relates to the land in Uden, Nieuw-Vennep and Hoogeveen, as well as the value of the land forming part of the retail properties owned. These retail properties are located in Elst, Den Helder, 's Hertogenbosch and Uden. The land forming part of the retail properties was valued on 30 June 2015 and the land forming part of the distribution centres in Uden and Hoogeveen was valued on 25 November 2015, both by an independent valuer. The valuation of the distribution centre in Nieuw-Vennep was performed on 25 July 2014 by an independent valuer. The valuations have been performed using the rental value capitalisation method.

The items of property, plant and equipment are intended for own use.

2. Intangible assets

	2016	2015
Book value 1 January	**3,477**	3,517
Acquisitions	**1,776**	-
Additions	**3,396**	1,370
Effect of movements in exchange rates	**(34)**	9
Amortisation	**(1,613)**	(1,419)
Book value 31 December	**7,002**	3,477
Accumulated amortisation	**7,693**	6,260
Purchase price	**14,695**	9,737

A further explanation of the investments is enclosed in the Report of the Management Board (see page 24).

Following the acquisition of Sängjätten, the 'Sängjätten' brand name has been capitalised at € 1.8 million with an amortisation period of 20 years. The majority of the other intangible fixed assets is comprised of licenses and software.

3. Financial assets

The financial assets consist on the one hand of non-current receivables of € 660 (2015: € 395) and on the other of deferred tax assets of € 1,217 (2015: € 1,185).

The non-current receivables relate to guarantee deposits for the rental agreements for stores. These are classified under financial assets due to the non-current nature of these receivables.

The deferred tax assets at 31 December 2016 can be broken down as follows:

	2016	2015
Tax losses carried forward	**643**	632
Temporary differences in valuation of (in)tangible assets	**291**	291
Temporary differences in valuation of pensions	**261**	251
Temporary differences in valuation of stock	**22**	11
Balance at 31 December	**1,217**	1,185

At year-end 2016, a tax credit of € 643 (2015: € 632) for future loss carry-forwards was recognised under financial assets. € 530 of this tax credit related to the acquisition of BettenMax in 2015. At the time of the acquisition, BettenMax had tax losses available for carrying forward that had not been capitalised. As Beter Bed Holding expects, on the basis of the currently available information, to be able to set off these tax losses within five years, they have been capitalised in full.

An amount of € 10,797 (2015: € 8,824) in loss carryforwards has not been recognised. Beter Bed Holding's policy is that tax losses available for carryfoward are capitalised only if reasonable possibilities for set-off are expected within five years on the basis of a substantiated forecast of the results for tax purposes. Set-off of these losses is insufficiently probable on the basis of the currently available information. The tax losses available for carryforward expire as follows:

Term	
1 year	-
2 to 5 years	1
6 to 10 years	896
11 to 15 years	4,528
Indefinite	5,372

Movements in deferred tax assets in 2016 and 2015 were as follows:

	2016	2015
Balance at 1 January	**1,185**	497
Through profit and loss account	**32**	(70)
From takeover subsidiary	**-**	758
Through equity	**-**	-
Balance at 31 December	**1,217**	1,185

4. Inventories

This comprises inventories held in stores of € 55,239 (2015: € 50,962) and inventories held in warehouses of € 6,645 (2015: € 6,964). The write-down for possible obsolescence included in this item can be broken down as follows:

	2016	2015
Balance at 1 January	**1,633**	1,673
Additions	**1,595**	806
Withdrawals	**(1,354)**	(846)
Balance at 31 December	**1,874**	1,633

In view of the amount of the gross profit, the turnover rate and the fact these products are generally not dependent on trends to any significant extent, the risk of obsolescence of inventories is comparatively low. The prices realised in sales of obsolescent inventories usually exceed their cost.

The provision for obsolescent inventories relates mainly of returned goods that cannot be returned to suppliers, damaged products, showroom products, products that will no longer be carried and products with a very low turnover. The direct net realisable value is estimated for each of these categories. If the carrying amount exceeds the direct net realisable value, the inventories are written down by this difference.

The total carrying amount of inventories for which there is a risk of obsolescence is € 6,203 (2015: € 3,240). The direct net realisable value of these inventories is € 4,329 (2015: € 1,607). Therefore the percentage of inventories for which there is a risk of obsolescence compared with total inventories was 9.7% (2015: 5.4%).

5. Receivables

All receivables fall due within less than one year and are carried at amortised cost, 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.

Provisions are recognised for individual receivables if there are objective indications that the probability of uncollectibility for them exceeds 50%. This assessment is performed on the basis of past experience and other relevant information, such as bankruptcy of the debtor concerned.

A provision of € 25 (2015: € 67) has been recognised for receivables due from wholesalers. This is 5.9% (2015: 47.9%) of the overdue receivables.

6. Cash and cash equivalents

This item relates to cash, cheques and bank balances. The amount consists of the following: cash € 380 (2015: € 301), bank balances € 20,070 (2015: € 23,495) and cash in transit € 1,343 (2015: € 1,716).

7. Equity

Movements in equity items are shown in the consolidated statement of changes in equity (see page 65). The company's authorised share capital amounts to € 2,000, divided into 100 million ordinary shares with a nominal value of € 0.02 each.

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

	2016	2015
Issued and paid-up shares as at 1 January	**21,955,562**	21,905,562
Share issue on exercise of employee stock options	-	50,000
Issued and paid-up shares as at 31 December	**21,955,562**	21,955,562
Shares in portfolio as at 1 January	-	2,723
Repurchased during the year	-	-
(Re)issue on exercise of options	-	(2,723)
Sale of shares in portfolio	-	-
Shares in portfolio as at 31 December	-	-

The revaluation reserve relates to land.

A proposal will be submitted to the Annual General Meeting to distribute a final dividend in cash of € 0.40 per share. The total dividend for 2016 will therefore amount to € 0.74 per share (2015: € 0.87).

8. Provisions

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

The provision for onerous rental contracts can be broken down as follows:

	2016	2015
Balance at 1 January	**898**	2,055
Additions	**-**	-
Withdrawals	**(450)**	(714)
Releases	**(173)**	(443)
Balance at 31 December	**275**	898
Of which current (in other liabilities)	**77**	360
Total provision for onerous rental contracts	**198**	538

The release in 2016 is mainly due to early termination and/or buy-out of one rental contract.

9. Deferred tax liabilities

The deferred tax liabilities relate mainly to the differences between the valuation of inventories and non-current assets, including land, in the Netherlands, Germany and Switzerland for tax and financial reporting purposes. These differences are long-term in nature. The deferred tax liabilities at 31 December 2016 can be broken down as follows:

	2016	2015
Revaluation of company land	**937**	937
Temporary differences in valuation of stock	**761**	699
Temporary differences in valuation of (in)tangible assets	**376**	563
Temporary differences in valuation of rent obligations	**80**	80
Total	**2,154**	2,279

Movements in this item in 2016 and 2015 were as follows:

	2016	2015
Balance at 1 January	**2,279**	2,218
Through profit and loss account	**(125)**	73
Through equity	**-**	(12)
Balance at 31 December	**2,154**	2,279

10. Current liabilities

To fund the group the company has current account facilities totalling € 41.5 million at its disposal. Furthermore, facilities totalling € 7.6 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 lenders.

These current account facilities include two committed facilities in the amount of € 10.0 million each which will expire on 10 July 2020 and 15 July 2020 respectively. No security has been provided for the committed facilities. The main conditions of the credit facilities are a minimum solvency of 25% and a maximum 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 € 0.6 million (2015: € 0.5 million). Of the facilities available specifically to provide guarantees, a total € 6.3 million was used at year-end 2016 (2015: € 6.0 million).

The other liabilities can be broken down as follows:

	2016	2015
Prepayments	**9,804**	8,525
Accruals personnel and staff benefits	**8,408**	8,146
Other	**3,344**	2,937
Total	**21,556**	19,608

The item accrual for staff costs and employee benefits includes a pension liability for a former employee. This liability of € 1.5 million (2015: € 1.4 million) has been calculated on an actuarial basis.

11. Financial liabilities

	up to 3 months	3 to 12 months	1 to 5 years
2016			
Accounts payable	**31,856**	**-**	**-**
Credit institutions	**-**	**-**	**-**
Total	**31,856**	**-**	**-**
2015			
Accounts payable	22,903	-	-
Credit institutions	-	-	-
Total	**22,903**	**-**	**-**

The market value of the financial liabilities approximates their amortised cost.

12. Information by geographical area

Revenue by country	2016	%	2015	%
Germany	**213,800**	**52**	222,792	58
The Netherlands	**138,115**	**34**	115,254	30
Other countries	**59,824**	**14**	48,744	12
Intercompany adjustment	**(1,282)**	**-**	(1,350)	-
Total	**410,457**	**100**	385,440	100

(In)tangible fixed assets by country	2016	2015
The Netherlands	**24,731**	23,580
Germany	**13,236**	10,853
Other countries	**7,105**	3,564
Total	**45,072**	37,997

13. Personnel expenses

The operating expenses include the following wage and salary components:

	2016	2015
Wages and salaries	**82,684**	75,611
Social security costs	**14,881**	14,106
Pension costs	**2,657**	2,267
Costs share-based compensation	**301**	192
Total	**100,523**	92,176

The pension contributions relate virtually exclusively to defined contribution schemes or schemes designated as such. Within the costs of employee stock options, € 135 relate to the current and former members of the company's Management Board (2015: € 83).

Average number of employees

The companies included in the consolidation had an average of 2,621 employees (FTE) in 2016 (2015: 2,427):

	2016	2015
Germany	**1,610**	1,560
The Netherlands	**636**	586
Spain	**69**	61
Austria	**152**	122
Switzerland	**96**	87
Belgium	**11**	11
France	**3**	-
Sweden	**44**	-
Total	**2,621**	2,427

14. Option program

The options are long-term in nature and can be exercised providing that the profit target has been met. Until 2013, the costs of the options program were 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 below.

The conditions were 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 design of the option program was modified in 2016. The options are vested in full three years after their award (in contrast to 33.3% vested annually). In addition, the TSR of Beter Bed Holding achieved after three years is compared with the TSR of nine relevant national and international listed companies that jointly form a peer group. The Management Board of Beter Bed Holding N.V. is under the obligation to retain shares awarded under the option programme for a period of at least four years. The former option policy / option agreement continues to prevail for options already awarded until 2016.

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.

	2016	2015	2014	2011
Number granted	**197,500**	186,000	166,700	218,000
of which A.H. Anbeek	***50,000***	*50,000*	*40,000*	*50,000*
of which B.F. Koops	***40,000***	*40,000*	*32,000*	-
Number outstanding	**197,500**	113,333	97,800	133,650
Value according to Black & Scholes	**€ 2.41 - € 2.44**	€ 2.19 - € 2.67	€ 1.78 - € 1.93	€ 1.58
Exercise from	**19-05-2019**	19-05-2018	19-05-2017	28-10-2013
Exercise through	**18-05-2021**	19-05-2020	19-05-2019	28-04-2017
Profit target (in millions)	**-**	-	-	€ 32.0
Profit target achieved in year	**-**	-	-	-
TSR > AScX	**-**	No	Partly (33,3%)	-
TSR > Peer Group	**-**	-	-	-
Share price on the grant date	**€ 20.00**	€ 22.79	€ 17.37	€ 14.67
Exercise price	**€ 19.99**	€ 22.79	€ 17.37	€ 14.67
Expected life	**5 years**	5 years	5 years	3.8 years
Risk-free rate of interest (%)	**-0.52**	0.30	0.78 - 0.46	1.71
Volatility (%)[1]	**25.40**	26.58	27.50 - 21.94	32.15
Dividend yield (%)	**3.40**	5.40	5.20	9.00

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.*

In 2016 87,108 options expired, as a number of employees holding options left the company before the expiration dates. In addition a total of 127,750 options expired in 2016 due to the expiry of their term. Furthermore, a portion of the options expired because the vesting conditions were not satisfied. The series concerned are the series 2013 part III, 2014 part II and 2015 part I. Lastly, 197,500 new options were granted in 2016. See the summary of options series outstanding (see page 12).

15. Depreciation and amortisation

	2016	2015
Depreciation and impairment on tangible assets	**9,555**	8,406
Amortisation and impairment on intangible assets	**1,613**	1,419
Total of depreciation, amortisation and impairment	**11,168**	9,825

The depreciation and amortisation rates applied are based on expected economic life and are as follows:

Company land	0%
Buildings	3.33%
Other fixed operating assets	10% - 33%
Intangible assets	5% - 33%

16. Other operating expenses

The other operating expenses comprise € 47.8 million in rental and lease costs (2015: € 45.2 million), with the remainder relating mainly to selling and distribution costs.

17. Income taxes

The reconciliation between the effective tax rate and the results of the calculation of the profit before taxes, multiplied by the local tax rate in the Netherlands, was as follows on 31 December 2016 and 31 December 2015:

	2016	2015
Profit before taxes	**25,877**	30,648
Tax using the company's domestic tax rate: 25,0% (2015: 25,0%)	**6,469**	7,662
Adjustment profit tax previous years	**105**	(40)
Permanent differences	**(1,406)**	(1,559)
Future loss set-off not included	**602**	397
Recognition of previously unrecognized deferred tax assets	**-**	-
Tax losses carried forward	**(42)**	-
Effect of the tax rates outside the Netherlands	**1,134**	1,629
At an effective tax rate of 26,5% (2015: 26,4%)	**6,862**	8,089
Profit tax in the consolidated profit and loss account	**6,862**	8,089

The EU is continuing its work on the harmonisation of tax legislation. As a result, it is expected that Beter Bed Holding will no longer be able to make use of certain tax facilities in Germany as from 2017. This will probably have a detrimental effect on the group's effective tax rate in 2017.

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

	2016	2015
Tax for current year	**6,802**	7,985
Adjustment of profit tax for prior years	**105**	(40)
Temporary differences	**(146)**	(14)
Utilisation tax losses carried forward	**101**	158
Profit tax in the consolidated profit and loss account	**6,862**	8,089

18. Remuneration of the Management and Supervisory Boards

The remuneration of members of the Management Board was as follows in 2016 and 2015:

	A.H. Anbeek		B.F. Koops		Total	
	2016	2015	**2016**	2015	**2016**	2015
Salary	**350**	350	**250**	250	**600**	600
Variable remuneration	**110**	180	**73**	91	**183**	271
Pension	**105**	105	**63**	63	**168**	168
Share-based compensation	**78**	52	**57**	31	**135**	83
Social security charges	**16**	15	**16**	15	**32**	30
Lease car	**13**	13	**16**	16	**29**	29
Total	**672**	715	**475**	466	**1,147**	1,181

The variable remuneration relates to the year under which it is classified and is recognised in the expenses of that year. The variable remuneration of the CEO is based for 50% on the achievement of quantitative targets; the remaining 50% depends on the achievement of qualitative targets. The CFO's variable remuneration is based for 40% on the achievement of quantitative results while the remaining 60% is based on the achievement of qualitative targets. For more detailed information, see remuneration report (see page 55).

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

At the end of the financial year, the CEO held 3,000 shares in Beter Bed Holding N.V. and the CFO held 1,500 shares. They do not hold any exercisable options for shares in Beter Bed Holding N.V. per 31 December 2016.

The remuneration of the members of the Supervisory Board was as follows in 2016 and 2015:

	2016	2015
D.R. Goeminne	**40**	40
A.J.L. Slippens	**26**	26
E.A. de Groot	**30**	30
W.T.C. van der Vis	**30**	30
Total	**126**	126

The members of 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 € 19.0 million divided by the average number of outstanding shares totalling 21,955,562 equates to earnings per share of € 0.87 in 2016 (2015: € 1,03). Due to the options series outstanding, the number of shares used for the calculation of diluted earnings per share is equal to 22,003,666. This results in diluted earnings per share of € 0.86 (2015: € 1,02).

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 broken down as follows:

Duration	2017	2018	2019	2020	2021	after 2021
Rental agreements	42,128	28,637	19,529	12,047	7,122	1,277
Lease agreements	2,092	1,550	1,130	721	457	380
Total	44,220	30,187	20,659	12,768	7,579	1,657

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

In the year under review, amounts of € 45.1 million (2015: € 42.6 million) arising from rental agreements and € 2.7 million (2015: € 2.6 million) arising from lease agreements were accounted for in the profit and loss account.

At year-end 2016, the Wonen Industrial Pension Fund for the Home Furnishings Industry had an estimated funding ratio 94.3% (year-end 2015: 103.3%). As at 31 December 2016, the company had no additional obligation.

21. Audit fees

The fees for the audit of the financial statements and other non-audit services by the independent auditor PwC Accountants N.V. were:

	2016	2015
Audit of financial statements	**252**	189
Other non-audit services	**16**	16
Total	**268**	205

The fees for the audit of the financial statements and other non-audit services performed by PwC Accountants N.V. in the Netherlands were € 145 (2015: € 104).

The other non-audit service in 2016 relates to the review of the interim figures.

22. Related parties

The companies listed in principles of consolidation (see page 67) are included in the consolidation of Beter Bed Holding N.V. and its participating interests.

Beter Bed Holding N.V. has issued declarations of joint and several liability for all Dutch group companies for the obligations arising from legal transactions entered into by these group companies. Pursuant to these letters of guarantees, the Dutch group companies have made use of the exemption options laid down in Section 403, paragraphs 1 and 3, of Part 9, Book 2 of the Dutch Civil Code.

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

23. Events after the balance sheet date

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	2016	2015
Fixed assets			
Tangible assets		**-**	1
Intangible assets		**138**	155
Financial assets	1.	**184,474**	165,636
Total fixed assets		**184,612**	165,792
Current assets			
Receivables	2.	**4,966**	3,184
Cash and cash equivalents	3.	**-**	4
Total current assets		**4,966**	3,188
Total assets		**189,578**	168,980

in thousand € (before proposed profit appropriation)	Notes	2016	2015
Capital and reserves	4.		
Issued share capital		**439**	439
Share premium account		**18,434**	18,434
Reserve for currency translation differences		**913**	1,097
Revaluation reserve		**2,812**	2,812
Other reserves		**35,265**	30,409
Retained earnings		**19,015**	22,559
Total equity		**76,878**	75,750
Liabilities			
Provisions	5.	**14,770**	13,843
Current liabilities	6.	**97,930**	79,387
Total liabilities		**112,700**	93,230
Total equity and liabilities		**189,578**	168,980

Company profit and loss account

in thousand €	**2016**	2015
Cost of sales	**2,638**	2,491
Gross profit	**2,638**	2,491
Personnel expenses	**1,305**	1,546
Depreciation and amortisation	**45**	54
Other operating expenses	**1,419**	1,002
Total operating expenses	**2,769**	2,602
Operating profit (EBIT)	**(131)**	(111)
Finance income	**6,555**	6,814
Finance costs	**(391)**	(596)
Profit before taxation	**6,033**	6,107
Income tax expense	**(1,606)**	(1,528)
Net income from subsidiaries	**14,588**	17,980
Net profit	**19,015**	22,559

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

Beter Bed Holding N.V. had an average number of 7 employees (FTE) in 2016 (2015: 7).

The company financial statements are presented in euros and all amounts are rounded to thousands (€ 000) unless stated otherwise. Following the recent amendment of Section 402 of Book 2 of the Dutch Civil Code, the company financial statements no longer include an abbreviated profit and loss account.

The note on executive remuneration (see page 83) is included in the notes to the consolidated balance sheet and profit and loss account.

The fees charged for the audit of the financial statements (see page 85) and other non-audit services by the auditor PwC Accountants N.V. are also disclosed in the notes to the consolidated balance sheet and profit and loss account.

1. Financial assets

This item includes the participating interests in the group companies (see page 67) and the amounts owed by the group companies.

The loans to participating interests item recognises loans in accordance with market conditions to Beter Beheer B.V and Sängjätten Sverige AB of € 87,240 (2015: € 87,240) and € 419 (2015: € 0) respectively. The loan to Beter Beheer B.V. is a fixed-interest loan at an interest rate of 7% (2015: 7%). The loan to Sängjätten Sverige AB is also a fixed-interest loan at an interest rate of 6.5%. The remaining term to maturity of the loan to Beter Beheer B.V. is two years. The loan to Sängjätten Sverige AB was granted in June 2016, and has no expiry date. No security was provided for these loans. The fair value of the loans is equal to their nominal value.

Movements in this item were as follows:

	Participating interests in group companies	Loans	Total
Balance at 1 January 2015	**70,988**	**88,240**	**159,228**
Net income from subsidiaries	18,966	-	18,966
Dividend received	(12,056)	-	(12,056)
Capital contribution	250	-	250
Changes in exchange rates	283	-	283
Revaluation	(35)	-	(35)
Repayment of loans	-	(1,000)	(1,000)
Balance at 31 December 2015	**78,396**	**87,240**	**165,636**
Balance at 1 January 2016	**78,396**	**87,240**	**165,636**
Net income from subsidiaries	**14,588**	**-**	**14,588**
Dividend received	**(665)**	**-**	**(665)**
Acquisitions	**3,298**	**-**	**3,298**
Granted loans to group companies	**-**	**874**	**874**
Changes in exchange rates	**(179)**	**(5)**	**(184)**
Change to provisions for subsidiaries	**1,377**	**(450)**	**927**
Balance at 31 December 2016	**96,815**	**87,659**	**184,474**

2. Receivables

	2016	2015
Group companies	**2,253**	545
Taxes and social security contributions	**32**	33
Other receivables	**2,681**	2,606
Total	**4,966**	3,184

All receivables fall due within one year.

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

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 2016 21,955,562 shares had been issued and paid up (2015: 21,955,562).

There are no shares that have been repurchased and not yet cancelled. Repurchased shares are no longer included in the earnings per share calculation.

The movement in the equity items is explained in the consolidated statement of changes in equity (see page 65). 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 2016 and 2015 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 2016 and 2015 are as follows:

	2016	2015
Balance at 1 January	**13,843**	12,857
Results from subsidiaries	**927**	986
Balance at 31 December	**14,770**	13,843

6. Current liabilities

The breakdown of this balance sheet item is as follows:

	2016	2015
Credit institutions	**96,176**	78,334
Taxes and social security contributions	**1,127**	246
Other liabilities, accruals and deferred income	**627**	807
Total	**97,930**	79,387

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

7. Commitments not included in the balance sheet

Together with the other Dutch operating companies, the company is part of a tax entity for corporation tax purposes. Each of the operating companies is jointly and severally liable for the tax payable of all operating companies included in the tax entity. The company settles the corporation tax with the operating companies concerned on the basis of the profit or loss before income tax of the operating company concerned.

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

8. 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.

9. Appropriation of profit

Appropriation of profit pursuant to the articles of association

Article 34 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.

Appropriation of profit

2016	
Profit for the year	19,015
Interim dividends paid	(7,465)
Addition to reserves[1]	(2,768)
Available for payment	**8,782**

1 On the basis of the balance of outstanding and repurchased shares as at 31 December 2016.

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

Uden, The Netherlands, 16 March 2017

Management Board
A.H. Anbeek, CEO
B.F. Koops, CFO

Supervisory Board
D.R. Goeminne, Chairman
A.J.L. Slippens, Vice chairman
E.A. de Groot
W.T.C. van der Vis

Additional details

Independent auditor's report

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

Report on the financial statements 2016

Our opinion

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of Beter Bed Holding N.V. as at 31 December 2016 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- the accompanying company financial statements give a true and fair view of the financial position of Beter Bed Holding N.V. as at 31 December 2016 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2016 of Beter Bed Holding N.V., Uden ('the company'). The financial statements include the consolidated financial statements of Beter Bed Holding N.V. and its subsidiaries (together: 'the Group') and the company financial statements. The consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2016;
- the following statements for 2016: the consolidated profit and loss account and the consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2016;
- the company profit and loss account for the year then ended;
- the notes, comprising a summary of the accounting policies and other explanatory information.

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

The 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 section 'Our responsibilities for the audit of the financial statements' of our report.

Independence

We are independent of Beter Bed Holding N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

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

Our audit approach

Overview and context

Beter Bed Holding N.V. is a European retail- and wholesale organisation in the bedroom furnishing sector.

The group comprises of several components and therefore we considered our group audit scope and approach as set out in the scope of our group audit section. We paid specific attention to the areas of focus driven by the operations of the company, being revenue and inventories.

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where management made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by management that may represent a risk of material misstatement due to fraud.

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit of a retail organisation. Due to the fact that there is a high level of automation and IT, we have added IT specialists to our audit team to perform procedures necessary to assess and validate IT systems as part of our audit procedures. Furthermore, we included specialists in the areas of income tax and employee benefits in our team.

The outlines of our audit approach were as follows:

Materiality
- Overall materiality: € 4,000,000 based on 1% of total revenue.

Audit scope
- We conducted audit work on the financial reporting of Beter Bed B.V., BBH Services GmbH & Co. KG (consolidated), Matratzen Concord GmbH (Vienna, Austria) and Procomiber S.L. as part of the audit of the consolidated financial statements of Beter Bed Holding N.V.
- We have performed audit procedures on specific line items of the financial reporting of the components Beter Bed Beheer B.V. and Beter Bed Holding N.V.
- Audit coverage: 91% of consolidated revenue, 86% of total assets and 84% of profit before taxation.

Key audit matters
- Accuracy of revenue
- Existence and valuation of inventories

Materiality
The scope of our audit is influenced by the application of materiality which is further explained in the section 'Our responsibilities for the audit of the financial statements'.
We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements on our opinion.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	€ 4,000,000 (2015: € 2,890,000).
How we determined it	1% of total revenue. (2015: 0.75%).
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis we believe that revenue is an important metric for the financial performance of the company. Profit before taxation is not considered an appropriate benchmark, because this would result in large fluctuations in overall group materiality year over year. Last year we applied a more conservative 0.75% due to our first year as the auditor. Based on our experiences with the organisation and more insight in the organisation and their operating environment we increased the benchmark to 1%.
Component materiality	To each component in our audit scope, we, based on our judgement, allocate materiality that is less than our overall group materiality. The range of materiality allocated across components was between € 200,000 and € 4,000,000.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them misstatements identified during our audit above € 100,000 (2015: € 100,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

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

Beter Bed B.V. and BBH Services GmbH & Co. KG (consolidated) were subjected to audits of their complete financial information as those components are individually significant to the group. Contribution to revenue, total assets and profit before taxation were important considerations in that respect. Additionally, Matratzen Concord GmbH (Vienna, Austria) and Procomiber S.L. were subjected to audits of their complete financial information as well.

Beter Bed Beheer B.V. and Beter Bed Holding N.V. were subjected to specific risk-focussed audit procedures to achieve appropriate coverage on financial line items in the consolidated financial statements.

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

Revenue	91%
Total assets	86%
Profit before taxation	84%

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

The group audit team performed an audit on the complete financial information of Beter Bed B.V. and specific risk-focussed audit procedures at two components. Where the work was performed by component auditors, we determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

As the auditor of the group we used the work performed by the component auditor of BBH Services GmbH & Co. KG (consolidated), Matratzen Concord GmbH (Vienna, Austria) and Procomiber S.L. Before the start of their audit procedures we have shared detailed instructions including the results of our risk analysis performed as part of our audit of the financial statements of Beter Bed Holding N.V. We determined the level of involvement at the three components we needed to have in their audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. We have access to the audit file of the BBH Services GmbH & Co. KG (consolidated) audit team and reviewed their audit file in a lot of detail. The group engagement team visited the component team multiple time throughout the year and for example attended the year end clearance meeting on site in Germany for BBH Services GmbH & Co. KG (consolidated) and Matratzen Concord GmbH (Vienna, Austria) and attended the clearance meeting of Procomiber S.L by phone.

The group consolidation, financial statement disclosures and a number of complex items such as share based payments, income tax and related disclosures and the company statements are audited by the group engagement team at the head office.

By performing the procedures above at components, combined with additional procedures at group level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the group as a whole to provide a basis for our opinion on the consolidated financial statements.

Key audit matters

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

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

Key audit matter	How our audit addressed the matter
Accuracy of revenue *Note 12 to the consolidated profit and loss account in the financial statements* Revenue is an important measure used to evaluate the performance of the company (also refer to the materiality). There is a risk that the revenue is presented for amounts higher than what has been actually generated by the company, therefore this is a key audit matter. Revenue is accounted for when the sales transactions have been completed, when goods are delivered to the customer and all economic risks for Beter Bed have been transferred as a result. Revenue is generated through store sales as well as online sales. Delivery has been completed when goods are paid and transferred to the customer in store, or when goods are paid by the customer and delivered on location. These transactions are mainly processed automatically through IT.	Our audit procedures include testing of design, existence and operating effectiveness of (automated) internal control procedures implemented as well as test of details to ensure accurate processing of revenue transactions. The most important internal control procedure for the accuracy of the revenues is the automated three-way-match in SAP. We assessed the Information Technology General Controls (ITGC) as a basis to be able to reperform the three-way-match between salesorder-delivery-invoice. Furthermore, we have performed risk assessment analytical procedures on realized revenue through detailed store comparison. The results of our controls testing, reperformance of the three-way-match and analytical procedures have been the basis for the nature and scoping of the additional test of details, which mainly consisted of testing individual salesorders by reconciling them to proof of delivery (on location) or release.

Key audit matter	How our audit addressed the matter
Existence and valuation of inventories *Note 4 to the consolidated balance sheet in the financial statements* Total inventories of € 62 million represent 43% of total assets of Beter Bed Holding N.V. These inventories mainly consist of inventories in the stores and inventories kept at the distribution centers. Valuation of the inventories is at cost or at lower net realizable value. Valuation at cost includes different components including allocated supplier bonuses. The allocation of supplier bonuses and the assessment of revaluation of inventories to net realizable value is partly based on management estimates. This, in combination with the significant share of inventories as part of total assets, made us	Our audit procedures to test the existence of the inventories mainly consist of testing the relevant internal control procedures, specifically by testing the inventory cycle counts that are periodically performed by management and the automated recording of sales transactions (three-way-match). Throughout the year, we have attended a selection of inventory cycle counts in stores and in the distribution centers, to validate counts performed by the company. We compared our count results with the results of the counts by Beter Bed representatives. To validate the valuation of inventories, we performed test of details on historical costs, actual margins and valuation of obsolete inventories.

Key audit matter	How our audit addressed the matter
conclude that existence and valuation of inventories are a key audit matter of our audit.	Historical costs were tested through sampling reconciling historical costs with the original purchase invoice. We assessed whether there were inventories which were sold with a (consistent) negative margin by evaluating recent sales invoices from January and February 2017 to validate management's assessment and decision whether inventories should or should not be provided for. Furthermore we analysed the inventory turnaround and compared that to management's estimates on obsolete inventories. For the allocation of supplier bonuses to the valuation of inventories at cost we recalculated the supplier bonuses per supplier based on supporting contracts. The settled supplier bonuses were tested by reconciling them to the bank statements. Furthermore we have validated mathematical accuracy of the allocation to inventories as per year end.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the report of the management board;
- CSR;
- the Corporate governance report;
- the report of the supervisory board; and
- the remuneration report.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains all information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the directors' report and the other information pursuant to Part 9 Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of Beter Bed Holding N.V. on 19 May 2015 by the supervisory board following the passing of a resolution by the shareholders at the annual meeting held on 19 May 2015. For the audit of the 2016 financial statements we were re-appointed by the supervisory board on 19 May 2016, following the passing of a resolution by the shareholders at the annual meeting. We have a total period of uninterrupted engagement appointment as auditors of the company of 2 years.

Responsibilities for the financial statements and the audit

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 with Part 9 of Book 2 of the Dutch Civil Code; and 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 using the going-concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant 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 responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Eindhoven, The Netherlands, 16 March 2017

PricewaterhouseCoopers Accountants N.V.
Original has been signed by W.C. van Rooij RA

Appendix to our auditor's report on the financial statements 2016 of Beter Bed Holding N.V.

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things of the following:

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

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

On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Other information

Historical summary

at 31 December	**2016**	2015	2014	2013	2012	2011
Result (in thousand €)						
Revenue	**410,457**	385,440	363,953	357,363	397,288	397,035
Gross profit	**237,107**	222,215	208,653	203,185	223,843	224,410
EBITDA[1]	**37,203**	41,115	31,284	22,272	38,143	46,798
Operating profit (EBIT)	**26,035**	30,699	23,042	12,284	23,719	38,288
Net profit	**19,015**	22,559	16,860	8,198	14,418	28,025
Depreciation, amortisation and impairment	**11,168**	9,825	8,242	9,988	14,424	8,510
Cash flow[2]	**30,183**	32,975	25,102	18,186	28,842	36,535
Net investment	**16,209**	15,372	12,207	4,633	10,262	13,082
Capital (in thousand €)						
Total assets	**143,617**	131,677	117,123	102,485	110,855	114,571
Equity	**76,878**	75,750	68,635	57,963	55,832	62,015
Figures per share						
Net profit in €	**0.87**	1.03	0.77	0.38	0.67	1.29
Cash flow in €	**1.37**	1.50	1.15	0.84	1.33	1.69
Dividend paid in €	**0.74**	0.87	0.65	0.27	0.47	1.10
Average number of outstanding shares (in 1,000 of shares)	**21,956**	21,947	21,855	21,734	21,681	21,660
Share price in € at year-end	**16.90**	22.48	17.20	17.61	13.20	13.99
Ratios						
Revenue growth	**6.5%**	5.9%	1.8%	-10.0%	0.1%	6.0%
Gross profit/revenue	**57.8%**	57.7%	57.3%	56.9%	56.3%	56.5%
EBITDA/revenue	**9.1%**	10.7%	8.6%	6.2%	9.6%	11.8%
Operating profit/revenue	**6.3%**	8.0%	6.3%	3.4%	6.0%	9.6%
Net profit/revenue	**4.6%**	5.9%	4.6%	2.3%	3.6%	7.1%
Solvency	**53.5%**	57.5%	58.6%	56.6%	50.4%	54.1%
Other information						
Number of stores at year-end	**1,206**	1,161	1,127	1,175	1,219	1,187
Number of FTE at year-end	**2,765**	2,513	2,369	2,420	2,495	2,451
Revenue per FTE (in € 1,000)	**148**	153	154	148	159	165

1 *Operating profit plus depreciation, amortisation, impairments and carrying amount of disposals. Before 2015, the operating profit was not adjusted for the carrying amount of disposals.*

2 *Net profit plus depreciation, amortisation, impairments and carrying amount of disposals. Before 2015, net profit was not adjusted for the carrying amounts of disposals.*

Financial calendar

12 May 2017	Q1 2017 trading update
18 May 2017	Annual General Meeting
19 May 2017	Declaration of dividend
22 May 2017	Listing ex-dividend (final) 2016
23 May 2017	Record date of final dividend 2016
8 June 2017	Payment of final dividend 2016
14 July 2017	Q2 2017 trading update
30 August 2017	Half-year figures 2017
30 August 2017	Analysts' meeting half-year figures 2017
3 November 2017	Q3 2017 trading update
7 November 2017	Listing ex-dividend (interim) 2017
8 November 2017	Record date of interim dividend 2017
22 November 2017	Payment of interim dividend 2017
19 January 2018	Q4 2017 trading update

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

This annual report is published by

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Report

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