



## Annual Report 2011

**Beter Bed** Holding

## Profile

Beter Bed Holding N.V. operates in the European bedroom furnishings market. Its activities include retail trade through a total of 1,187 stores at the end of 2011 that operate via the chains Beter Bed (the Netherlands and Belgium), Matratzen Concord (Germany, Switzerland, Austria, the Netherlands, Belgium and Poland), El Gigante del Colchón (Spain), BeddenREUS, Dormaël and Slaapgenoten (all three active in the Netherlands) and MAV (Germany). Beter Bed Holding is also active in the field of developing and wholesaling branded products in the bedroom furnishings sector in the Netherlands, Germany, Belgium, Spain, Austria, Switzerland and Turkey via its subsidiary DBC International. Beter Bed Holding N.V. achieved net revenue of € 397.0 million in 2011. 63% of the net revenue is realised outside the Netherlands. The company has been listed on NYSE Euronext Amsterdam since December 1996 and the share Beter Bed Holding is included in the Amsterdam Small Cap Index.

GRI 2.2; 2.5

For more information please visit [www.beterbedholding.com](http://www.beterbedholding.com).

A Dutch language version of this annual report is also available on [www.beterbedholding.nl](http://www.beterbedholding.nl). In case of textual contradictions between the Dutch and the English version, the first shall prevail.



**Beter Bed** Holding



HARD AT WORK ON A  
GOOD NIGHT'S REST

## Corporate Social Responsibility Report in accordance with the guidelines of the Global Reporting Initiative (GRI)

The references in the right margin of this report are to the reported GRI indicators.

### Legend:

-  Fully reported
-  Partially reported



The human dimension:  
consumption was compared with the average consumption of a Dutch household.

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# Introduction

Dear reader,

For Beter Bed Holding N.V. 2011 was a year in which her key markets showed two distinct, diverging trends. On the positive side we saw solid growth in our Matratzen Concord formula in Germany, driven by high consumer confidence, anniversary promotions and advertising campaigns. On the negative side we were witness to historically low consumer confidence in the Netherlands, triggered by the European sovereign debt crisis, the crisis involving the Dutch pension system, and the crisis affecting the Dutch housing market. This has caused uncertainty and cautiousness among consumers, and since August 2011 it has resulted in lower number of visitors and revenues at our Dutch stores.

Despite these contrary trends in our two key markets, I am pleased to report that we once again managed to achieve higher revenue and net profit in 2011. The same applies to our market share, which we were once again able to increase in all our markets.

In 2011 we also created a successful basis for our updated multichannel e-commerce strategy, aimed at efficiently and effectively facilitating customers in their online pre-purchase research and online order completion. Both the strategic partnership with online retailer wehkamp.nl launched in February and the Beter Bed website and web shop, which were re-launched and integrated in October, have been successful. One of our priorities for 2012 will be developing a corresponding social media strategy.

GRI 2.9

In the wake of the above-mentioned successful online developments, we also began reducing the number of square metres per store in the Netherlands, as well as further lowering rents per square metre and reducing lease terms to a maximum of five years at our physical stores.

As reported, our company has worked very hard and very successfully in recent years to create a high level of operational and promotional excellence based on strong cost-consciousness. As a third pillar, we have added the creation of retail marketing excellence, based on a clear customer focus and the principle that the customer is king. Each year again – and more so each year – our well-trained, committed employees make the difference, and I would to thank them sincerely for their motivation and commitment in 2011.

GRI PR5



In 2011, we also began reporting on Beter Bed Holding's Corporate Social Responsibility (CSR) policy. In our 2010 annual report, we also published our vision statement: 'In every country in which we operate, we intend to become the market leader in the value-for-money segment of the bed and mattress market, in a socially responsible manner'. When we adopted this vision statement, we also provided transparency in the 2010 annual report on the Beter Bed Holding Code of Conduct.

GRI 1.1

GRI 4.8

In this annual report, we are taking it one step further. For 2011, we account, in an integrated report, for the manner in which we have implemented CSR in our company. We do this by reporting both on our performance in 2011 and on our objectives for the coming years, in accordance with the guidelines of the Global Reporting Initiative (GRI) at application level C.

GRI 3.1; 3.3

We feel it is important to report on CSR because it allows us to express our conviction that the future growth of Beter Bed Holding can only be secured in a sustainable manner if we achieve some important non-financial objectives in addition to the standard annual financial targets. In this report, we have therefore begun formulating a number of specific, measurable objectives related to people and the environment.

For example, we have agreed that, besides complying with European guidelines, we will have more mattresses tested for the presence of hazardous substances by independent research institutes. In order to minimise health risks for our customers and employees and keep damage to the environment to a minimum, we aim for 80 percent of our mattresses to be tested and certified by 2016. Another new objective and CSR-related activity is to collect all packaging materials from our customers after products are delivered. This allows us to have the materials recycled while at the same time increasing customer satisfaction.

GRI PR1

GRI PR5

A prime focus in 2012 will be to formulate measurable objectives and organising new activities related to energy efficiency. We aim to continue issuing annual progress reports. The results contained in this report serve as a baseline measurement for these reports.

GRI EN7

I personally feel it is important for all links in the chain to work even more closely together to also implement the cradle-to-cradle principles ('waste equals food') in the bed and mattress industry, in order to significantly reduce the ever-growing waste stream in our industry. We are therefore pleased to announce that at least two of our suppliers announced their commitment to the cradle-to-cradle philosophy in 2011. I am also strongly in favour of greater representation of women in management positions at our retail formulas in the various countries, not least because the vast majority of our customers is female.

GRI EN22

GRI EN27

GRI EC7; LA13

Although market conditions are expected to remain challenging in 2012, particularly in the Netherlands, we expect to be able to increase our market share once again this year on the back of our continued, successful strategy, which we recently enhanced.

I would finally like to take this opportunity to commemorate the loss in 2011 of our deeply valued Supervisory Director J. Blokker. During my tenure as CEO of Beter Bed Holding, I had come to know Mr Blokker as a born retailer who would never shy away from debate. His astute comments and keen mind will be sorely missed.

Yours sincerely,

Ton Anbeek,  
Chief Executive Officer

Uden, the Netherlands, 1 March 2012



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Annual Report 2011

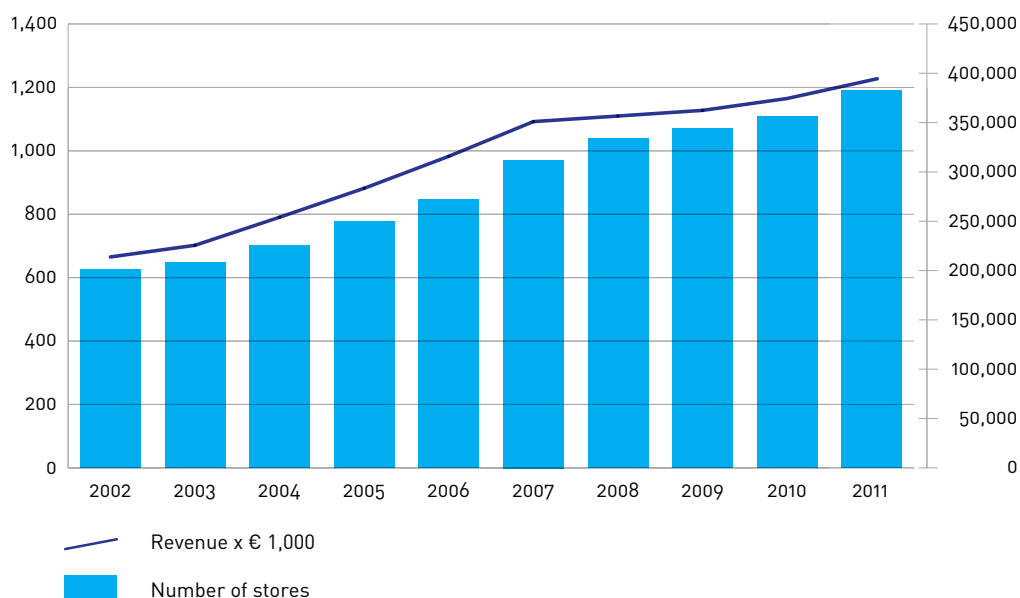
# 2011 in brief

## 2011 was characterised by:

- Debt crisis turning into euro crisis.
- German consumer purchases up; Dutch consumer spending down.
- Matratzen Concord's 25th anniversary.
- 6.0% growth in revenue.
- 9.6% operating profit (EBIT).
- € 28.0 million net profit.
- € 1.10 dividend per share (2010: € 1.30).
- 123 store openings, 53 store closures; 70 new stores on balance.
- 1,187 stores.
- Adoption of issues for CSR report.

GRI EC1

## Revenue and number of stores



# Key figures

at 31 December, in thousand €, unless otherwise stated

|                                                                      | 2011           |              | 2010           |              |
|----------------------------------------------------------------------|----------------|--------------|----------------|--------------|
| <b>Revenue</b>                                                       | <b>397,035</b> |              | <b>374,724</b> |              |
| <b>Gross profit</b>                                                  | <b>224,410</b> | <b>56.5%</b> | <b>209,507</b> | <b>55.9%</b> |
| <b>Total operating expenses</b>                                      | <b>186,122</b> | <b>46.9%</b> | <b>172,047</b> | <b>45.9%</b> |
| <b>EBITDA</b>                                                        | <b>46,798</b>  | <b>11.8%</b> | <b>45,308</b>  | <b>12.1%</b> |
| <b>Operating profit (EBIT)</b>                                       | <b>38,288</b>  | <b>9.6%</b>  | <b>37,460</b>  | <b>10.0%</b> |
| <b>Net profit</b>                                                    | <b>28,025</b>  | <b>7.1%</b>  | <b>27,937</b>  | <b>7.5%</b>  |
| <b>Average number of outstanding shares<br/>(in 1,000 of shares)</b> | <b>21,660</b>  |              | <b>21,512</b>  |              |
| <b>Earnings per share €</b>                                          | <b>1.29</b>    |              | <b>1.30</b>    |              |
| <b>Diluted earnings per share €</b>                                  | <b>1.29</b>    |              | <b>1.29</b>    |              |
| <b>Share price in € at year-end</b>                                  | <b>13.99</b>   |              | <b>21.26</b>   |              |
| <b>Solvency (%)</b>                                                  | <b>54.1</b>    |              | <b>53.4</b>    |              |
| <b>Net interest-bearing debt/EBITDA</b>                              | <b>0.18</b>    |              | <b>0.15</b>    |              |
| <b>Interest cover</b>                                                | <b>88.2</b>    |              | <b>96.3</b>    |              |
| <b>Number of staff at year-end (FTE)</b>                             | <b>2,451</b>   |              | <b>2,353</b>   |              |
| <b>Number of retail stores at year-end</b>                           | <b>1,187</b>   |              | <b>1,117</b>   |              |

GRI 2.8; EC1

# Formulas

## Matratzen Concord



This pan-European formula serves the replacement market, focussing on the sale of mattresses, bed bases, box springs and bed textiles to consumers predominantly based on a cash & carry concept. The chain encompasses 963 stores with an average floor space of approximately 272 m<sup>2</sup>. The stores are situated near consumers primarily at so-called C locations in and around city centres. The collections feature an extremely favourable price-quality ratio and at each location customers can count on receiving professional and personalised advice. The product concepts developed within the company contribute considerably to the formula's success. The formula operates in Germany, Austria, Switzerland, the Netherlands, Belgium and Poland. Matratzen Concord is the market leader in the German mattress market. The formula's strategy is aimed at further expanding its European market leadership in the fragmented mattress specialist market in the various countries.

GRI 2.2; 2.7

**[www.matratzen-concord.de](http://www.matratzen-concord.de)**  
**[www.matratzen-concord.at](http://www.matratzen-concord.at)**  
**[www.matratzen-concord.ch](http://www.matratzen-concord.ch)**

**[www.matrassenconcord.nl](http://www.matrassenconcord.nl)**  
**[www.matrassenconcord.be](http://www.matrassenconcord.be)**  
**[www.materace-concord.pl](http://www.materace-concord.pl)**

## Beter Bed



Beter Bed offers a chain of bedroom furniture showrooms in the middle of the market featuring an excellent price-quality ratio. Consumers order the items in the store which are then delivered and assembled at their homes. The stores are located in the Netherlands, and, since 2011, also in Belgium, predominantly at 'furniture boulevards' or in the vicinity of other home furnishings stores. Beter Bed stores have an average floor space of circa 1,200 m<sup>2</sup>. In the stores, consumers can choose from a wide and up-to-date range of bedroom furnishings, mattresses, box springs, bed bases, bed textiles and other items at competitive prices.

Beter Bed is market leader in the Netherlands and enjoys a high level of name recognition among consumers. Beter Bed's strategy is based on further strengthening its position in the Dutch and Belgian market.

**[www.beterbed.nl](http://www.beterbed.nl)**

## DBC International



The wholesaler DBC International develops slow foam (i.e. 'NASA' foam) mattresses under the name M Line. These mattresses feature unique, pressure-reducing qualities and some are equipped with a patented spring system. They are sold both by the own formulas and via third parties. The M Line products are also used in the healthcare sector. DBC continually seeks to improve existing products and to develop new, high-quality products by leveraging the latest technologies in the field of mattresses, bed bases, box springs, mattress covers and pillows. DBC International supplies to customers in the Netherlands, Germany, Spain, Belgium, Turkey, Austria and Switzerland.  
**[www.mline.nl](http://www.mline.nl)**

## El Gigante del Colchón



This company, which was acquired in 2005, operated 67 stores at year-end 2011. It had 20 stores at the time of acquisition. The stores have an average floor space of 300 m<sup>2</sup>. The location strategy and the store image are comparable to those employed by Matratzen Concord. It is not, however, a cash & carry concept because Spanish consumers generally purchase double beds that are difficult to transport by private car. The products are consequently delivered to and upon request assembled at consumers' homes.  
**[www.gigantedelcolchon.com](http://www.gigantedelcolchon.com)**

## BeddenREUS



BeddenREUS is a discount cash & carry formula in the Netherlands. The stores are located both at home furnishing centres and at B and C locations and have an average floor space of approximately 800 m<sup>2</sup>. There were 39 stores at the end of 2011.  
**[www.beddenreus.nl](http://www.beddenreus.nl)**



## Slaapgenoten/Dormaël Slaapkamers

**Slaapgenoten®**  
It's your place to sleep

This chain of fifteen own stores and one franchise store operates at the high end of the Dutch bedroom furniture specialist market. The stores are situated at preferred locations in the Netherlands and have approximately 1,050 m<sup>2</sup> of floor space. They allow consumers to shop in attractive surroundings where they can choose from exclusive collections featuring numerous top brands. Slaapgenoten is a self-created concept that is designed for customers who want top quality. The franchisee operates under the name Dormaël Slaapkamers.

**[www.slaapgenoten.nl](http://www.slaapgenoten.nl)**

**[www.dormaelslaapkamers.nl](http://www.dormaelslaapkamers.nl)**

## Matratzen-AbVerkauf (MAV)

**MAV**  
Matratzen

This cash & carry formula, developed for the German market in 2006, is a hard-discount concept for the sale of primarily mattresses, bed bases and bed textiles for the German market. Consumer communications are conducted almost exclusively on the basis of price. There were 15 stores at the end of 2011 (2010: 17). The stores have an average floor space of 146 m<sup>2</sup>.

**[www.mav-matratzen.de](http://www.mav-matratzen.de)**



## Number of stores per formula

| Formula                                                                                 |                 | 1 Jan. 2011  | Closed    | Opened     | 31 Dec. 2011 |
|-----------------------------------------------------------------------------------------|-----------------|--------------|-----------|------------|--------------|
| <b>Matratzen Concord</b>                                                                | Germany         | 775          | 28        | 53         | 800          |
|                                                                                         | Austria         | 52           | 1         | 11         | 62           |
|                                                                                         | Switzerland     | 38           | -         | 9          | 47           |
|                                                                                         | The Netherlands | 38           | 2         | 3          | 39           |
|                                                                                         | Belgium         | 8            | 1         | 2          | 9            |
|                                                                                         | Poland          | 4            | -         | 2          | 6            |
|                                                                                         |                 | <b>915</b>   | <b>32</b> | <b>80</b>  | <b>963</b>   |
| <b>Beter Bed</b>                                                                        | The Netherlands | 85           | 7         | 8          | 86           |
|                                                                                         | Belgium         | -            | -         | 1          | 1            |
|                                                                                         |                 | <b>85</b>    | <b>7</b>  | <b>9</b>   | <b>87</b>    |
| <b>El Gigante del Colchón</b><br><b>BeddenREUS</b><br><b>Slaapgenoten</b><br><b>MAV</b> | Spain           | 53           | 1         | 15         | 67           |
|                                                                                         | The Netherlands | 35           | 4         | 8          | 39           |
|                                                                                         | The Netherlands | 12           | 3         | 7          | 16           |
|                                                                                         | Germany         | 17           | 6         | 4          | 15           |
| <b>Total</b>                                                                            |                 | <b>1,117</b> | <b>53</b> | <b>123</b> | <b>1,187</b> |

## Number of stores per country

| Country         | 1 Jan. 2011  | Closed    | Opened     | 31 Dec. 2011 |
|-----------------|--------------|-----------|------------|--------------|
| Germany         | 792          | 34        | 57         | 815          |
| The Netherlands | 170          | 16        | 26         | 180          |
| Spain           | 53           | 1         | 15         | 67           |
| Austria         | 52           | 1         | 11         | 62           |
| Switzerland     | 38           | -         | 9          | 47           |
| Belgium         | 8            | 1         | 3          | 10           |
| Poland          | 4            | -         | 2          | 6            |
| <b>Total</b>    | <b>1,117</b> | <b>53</b> | <b>123</b> | <b>1,187</b> |

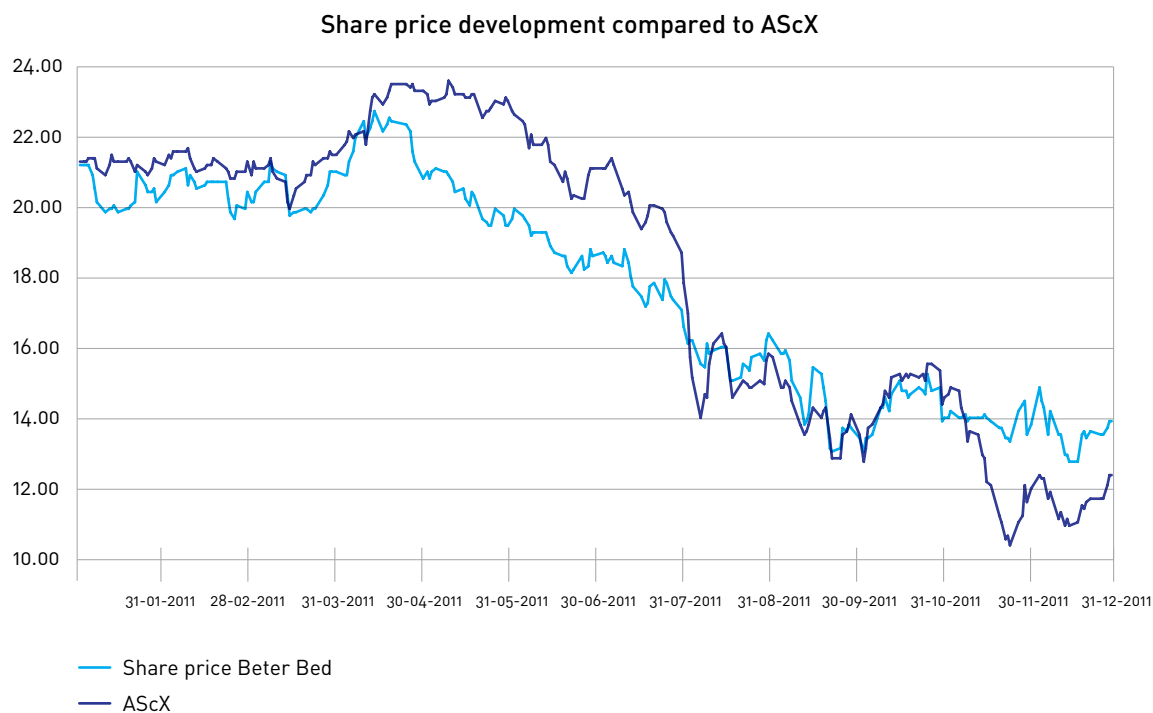
GRI 2.3; 2.5; 2.7; 2.9

# Share information

The shares in Beter Bed Holding N.V. are quoted on NYSE Euronext Amsterdam under security code NL0000339703. The shares of Beter Bed formed part of the Euronext Amsterdam Small Cap Index (AScX) in 2011. The number of shares outstanding at the end of 2011 totalled 21,805,117. No new shares were issued and repurchased in 2011. Shares repurchased and not yet cancelled totalled 132,925 at the end of the year under review. 59,620 shares were reissued in the year under review as a result of employee options being exercised. The average number of shares used to calculate earnings per share is 21,660,472. The number of shares used to calculate the diluted earnings per share is equal to 21,764,039. Earnings per share for 2011 total € 1.30 compared to € 1.30 in 2010. The diluted earnings per share in 2011 are € 1.29 (2010: € 1.29).

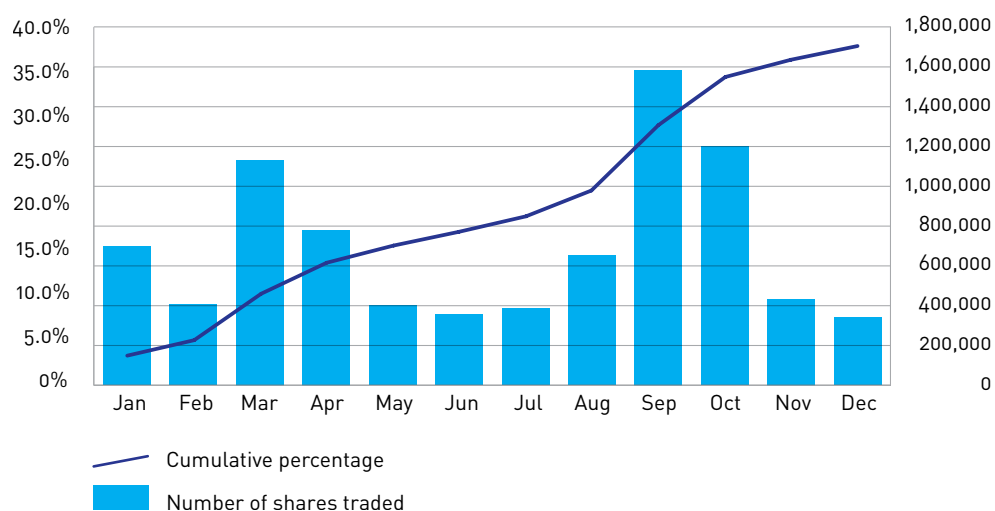
GRI 2.9

## Share price development



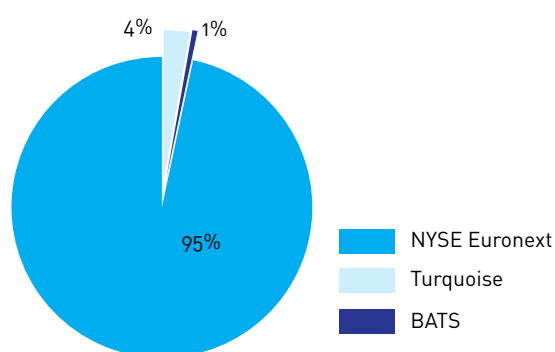
## Trading volume

The diagram below shows the number of shares traded on NYSE Euronext Amsterdam per month and the cumulative percentage of the outstanding shares that were traded in 2011 (as at 1 January).



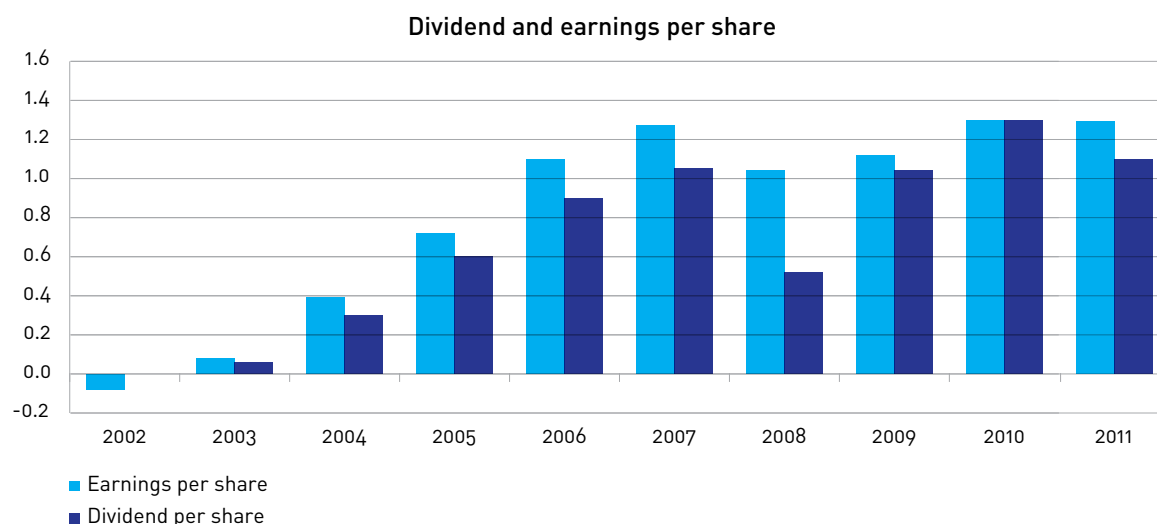
Three liquidity providers operated on behalf of the Beter Bed share in 2011, namely ING Commercial Banking, Rabobank International and The Royal Bank of Scotland N.V.

## Distribution of trading volume



The above diagram shows the share of the volume traded in 2011 between NYSE Euronext and the two main alternative trading platforms, Turquoise and BATS.

## 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 executed 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 of Shareholders. 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 be greater than 2.

Subject to the approval of the Supervisory Board, the Management Board determines annually what portion of the profit is to be reserved. The decision to pay an interim dividend is also subject to the approval of the Supervisory Board.

|                                      | 2011       | 2010       | 2009       | 2008       | 2007       |
|--------------------------------------|------------|------------|------------|------------|------------|
| Number of outstanding shares         | 21,805,117 | 21,805,117 | 21,805,117 | 21,805,117 | 21,805,117 |
| Repurchased but not cancelled shares | 132,925    | 192,545    | 403,480    | 515,980    | 238,736    |
| Closing price (€)                    | 13.99      | 21.26      | 15.80      | 8.51       | 17.77      |
| Highest closing price (€)            | 22.77      | 21.80      | 17.09      | 18.20      | 27.76      |
| Lowest closing price (€)             | 12.75      | 15.85      | 6.94       | 7.24       | 16.80      |
| Earnings per share (€)               | 1.29       | 1.30       | 1.12       | 1.04       | 1.27       |
| Dividend per share (€)               | 1.10       | 1.30       | 1.04       | 0.52       | 1.05       |
| Payout ratio                         | 85%        | 100%       | 93%        | 50%        | 83%        |
| Market capitalisation (in € million) | 305        | 464        | 345        | 181        | 383        |

## Investor Relations policy

The company seeks to inform shareholders, investors and the market on a regular basis. This is done by means of the publication of press releases containing complete financial reports on a quarterly basis and through trading updates preceding the publication of the annual figures and half-year figures.

GRI 4.4; 4.14

It is also considered important to bring the company and the Beter Bed Holding share to the attention of prospective investors and to maintain the relationship with existing shareholders. 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 interim figures. The company furthermore attends conferences organised by brokers and receives interested parties at the company's offices or at its stores.

Two analysts' meetings were held in 2011. In addition, company representatives attended four conferences, where they spoke with 24 investors, and 10 road shows were held, where they spoke with 50 investors in all. Furthermore, they spoke to a total of 35 investors and analysts at our offices, in stores or by telephone.

## Substantial holdings

The following holdings as of the date of this annual report have been included in the Substantial Holdings register of the Netherlands Authority for the Financial Markets (AFM) in compliance with chapter 5.3 of the Dutch Financial Supervision Act:

GRI 2.9

| Shareholder                                                       | Date of notification | Share |
|-------------------------------------------------------------------|----------------------|-------|
| Breedinvest B.V., Laren, NL                                       | 01-11-2006           | 12.8% |
| Delta Deelnemingen Fonds, Gouda, NL                               | 01-11-2006           | 11.6% |
| Delta Lloyd N.V., Amsterdam, NL                                   | 06-05-2011           | 5.7%  |
| ASR Nederland N.V., Utrecht, NL                                   | 06-10-2008           | 6.6%  |
| Kempen Oranje Participaties N.V., Amsterdam, NL                   | 01-01-2010           | 6.5%  |
| Menor Investments B.V., Limmen, NL                                | 09-01-2009           | 5.7%  |
| Todlin N.V., Maarsbergen, NL                                      | 01-11-2006           | 5.2%  |
| Belegging- en Exploitatiemaatschappij 'De Engh B.V.', Naarden, NL | 24-09-2010           | 5.1%  |

## Options

Options for shares to be issued have been provided with a view to further enhancing the involvement and motivation of the Management Board and the Management. In total 218,000 options were awarded to the Management Board and the Management in the year under review. The options can be exercised from 28 October 2013 for a period of three and a half years, provided that a net profit of at least € 32 million is achieved in at least one year of the validity period, adjusted for net profit from any acquisitions.

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

| Year of issue | Management Board | Former Management Board | Management | Exercise price in € | Duration up to and inclusive |
|---------------|------------------|-------------------------|------------|---------------------|------------------------------|
| 2006          | 6,250            | 50,000                  | 100,000    | 17.08               | 27-10-2012                   |
| 2007          | 6,250            | 50,000                  | 104,000    | 20.92               | 30-04-2013                   |
| 2008          | 4,685            | 37,500                  | 13,185     | 8.15                | 29-04-2014                   |
| 2009          | 15,000           | 50,000                  | 144,250    | 15.23               | 28-04-2015                   |
| 2010          | 70,000           | -                       | 141,500    | 19.07               | 29-04-2016                   |
| 2011          | 75,000           | -                       | 143,000    | 14.67               | 28-04-2017                   |

## Insider regulations

The company maintains insider regulations, which were amended effective 3 November 2008. The persons subject to these regulations have declared in writing that they will comply with the provisions contained in these regulations. The regulations are available on the Beter Bed Holding website.

## Financial calendar 2012

|                 |                                                   |
|-----------------|---------------------------------------------------|
| 2 March 2012    | Publication of annual results 2011                |
| 2 March 2012    | Analysts' meeting annual results 2011             |
| 7 March 2012    | Publication of annual report 2011                 |
| 18 April 2012   | Annual General Meeting of Shareholders            |
| 20 April 2012   | Ex-dividend date                                  |
| 24 April 2012   | Record date                                       |
| 10 May 2012     | Publication of 1st quarter 2012 results           |
| 15 May 2012     | Dividend payment date                             |
| 20 July 2012    | Publication of 2nd quarter 2012 trading statement |
| 30 August 2012  | Publication of half-year figures 2012             |
| 30 August 2012  | Analysts' meeting half-year figures 2012          |
| 26 October 2012 | Publication of 3rd quarter 2012 results           |
| 18 January 2013 | Publication of 4th quarter 2012 trading statement |

The current financial calendar is available on [www.beterbedholding.com](http://www.beterbedholding.com).

# Vision and mission

## Vision

In addition to providing inspiration and direction, a vision statement answers questions about where we would like to take our company, where we intend to be several years from now and what the point is on the horizon. Beter Bed Holding operates in the retail and wholesale markets for beds and mattresses throughout Europe. All our retail formulas have positioned themselves as value-for-money stores, regardless of the segment in which they operate. The group aims to be the market leader, not only in Germany and the Netherlands but in all the countries in which it is established. We can sum up our vision as follows:

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

GRI 4.8

## Mission

A company's mission statement answers questions such as: what is our raison d'être, and what drives us as a company? Beter Bed Holding's answers are as follows:

**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 and strategy

## Objectives

- Positioning the company's retail formulas such that growth opportunities can be exploited to maximum effect. Beter Bed aims to expand its position in all the markets in which it operates by offering strong, competitively positioned retail formulas. The needs of consumers (local or otherwise) and the 'customer is king' principle form the basis for our actions. This will allow the company to further strengthen its position as the European market leader, always in a socially responsible manner.
- Increasing net profit, regardless of market conditions and consumer confidence. When faced with exceptional market conditions or low consumer confidence, net profit may decline temporarily.
- A strong, healthy balance sheet with solvency of at least 30% and a ratio between net interest-bearing debt and EBITDA not exceeding two.
- We intend to continue publishing annual progress reports related to our CSR policy (see page 35 and continued). In 2012, we will also be committed to achieving our CSR objectives and to developing new objectives and activities, for example relating to energy efficiency. **GRI EN7**

## Strategy

The company will achieve its objectives based on the following strategy:

### Formula management

- Growth in revenue at comparable stores (like-for-like growth) by increasing the number of visitors and improving conversion rates and average order values. This ensures that revenue will grow while costs remain virtually level.
- Enhancing the distinctive features of the retail formulas (formula management), including by developing our own marketing and product concepts based on purchasing strength. New product concepts are developed through the use of, for example, technological developments related to foam and spring systems used in the mattresses, as well as by responding to trends in demand (local or otherwise), such as the demand for box springs in the Benelux market.
- Beter Bed Holding aims to test the bulk of its mattresses for the presence of hazardous substances, in order to keep health hazards for our customers and damage to the environment to a minimum. We aim for 80% of our mattresses to be certified and tested by independent institutes for the presence of hazardous materials by 2016. **GRI PR1**
- In order to serve our customers as effectively as possible and ensure the company's continuity as well as possible, Beter Bed Holding is developing separate websites and (where possible) establishing strategic partnerships (such as that with wehkamp.nl) in all countries in which it operates. This will allow our customers to perform even more efficient pre-purchase online research and to make their purchase online, if desired, after they have tried beds and received advice at one of our physical stores.

### Expansion

- The expansion of the existing store concepts in the Netherlands and internationally. Flexible leases are a key aspect of our expansion strategy. When market conditions are less favourable, the rent and other costs related to a potential new store must be in line with the expected lower revenue.

### Cost control

- Low investment per store and flexibility in the leases. In unfavourable market conditions, this provides the company with the advantage of being able to adjust the number of stores relatively quickly.
- A stringent cost policy, aimed at reducing costs while avoiding ‘pennywise-pound foolish’ practices.
- Increasing the number of initiatives in order to make energy consumption (gas, power and diesel) at Beter Bed Holding in the various countries more energy-efficient each year.

GRI EN7

### Information technology

- Continuously improving primary and auxiliary organisational processes through excellent information provision and a culture based on the ‘measure to manage’ principle. State-of-the-art IT systems allow the organisation to respond rapidly to new trends and opportunities to improve efficiency and adjust capacity in changing market conditions.

### Logistics

- Ability to manage the supply chain as effectively and efficiently as possible, from purchasing up to and including home delivery.
- Removing packaging materials, particularly plastics and cardboard, when delivering products to customers. By 2015, these packaging materials will be segregated at the distribution centres and presented for recycling.

### Team development and people development

- Continuously highlighting the key values and Code of Conduct of Beter Bed Holding in all formulas and countries.
- Continuous optimisation through in-company training of our sales staff and other employees by improving sales methods and sales advice.
- Beter Bed Holding aims for at least 25 percent of management positions at the company to be held by women by 2016.

GRI 4.8



# Organigram



# History

|      |                                                                                                                                                                                             |
|------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1981 | Establishment of predecessor 'Beter Bed' in title                                                                                                                                           |
| 1986 | Launch of the company's bed factory in the Netherlands                                                                                                                                      |
| 1994 | Acquisition of bed factory in Poland                                                                                                                                                        |
| 1995 | CVC Capital Partners and Algemeen Beurs Introductiefonds become co-shareholders                                                                                                             |
| 1996 | Stock market flotation in December                                                                                                                                                          |
| 1997 | Launch of Beter Baby<br>Acquisition of DFC Comfort, including Benelux distribution rights for Tempur products                                                                               |
| 1998 | Acquisition of Dormaël Slaapkamers (nine stores)<br>Acquisition of Matratzen Concord (240 stores in Germany, six in Austria, one in Switzerland and one in the Netherlands)                 |
| 2000 | Start of expansion of Matratzen Concord in France and Italy<br>Closure of bed factory in the Netherlands<br>Management buy-out of Beter Baby                                                |
| 2001 | Termination of operations of DFC Comfort and distribution of Tempur products<br>Establishment of DBC International and launch of the first M Line mattresses                                |
| 2002 | Start of implementation of new IT systems<br>Nesbic launches tender offer for all shares, then withdraws the offer                                                                          |
| 2003 | Closure of Matratzen Concord in France and Italy                                                                                                                                            |
| 2005 | Opening of first Slaapgenoten store in Son, the Netherlands<br>Acquisition of El Gigante del Colchón (20 stores in the region of Catalonia, Spain)<br>Closure of last bed factory in Poland |
| 2006 | Opening of first MAV store in Cologne, Germany                                                                                                                                              |
| 2007 | Opening of first Matrassen Concord store in Hasselt, Belgium                                                                                                                                |
| 2008 | Beter Bed's 25th Anniversary<br>Opening of first Matratzen Concord store in Warsaw, Poland<br>Opening of 1,000th store                                                                      |
| 2010 | Record net profit of € 27.9 million                                                                                                                                                         |
| 2011 | Opening of first Beter Bed store in Olen, Belgium<br>1,187 stores at year-end 2011<br>25th Anniversary of Matratzen Concord                                                                 |
| 2012 | More than 1,200 stores                                                                                                                                                                      |

# Personal profiles

## Supervisory Board

The Supervisory Board has the following members: Mr D.R. Goeminne, Mr A.J.L. Slippens, Ms E.A. de Groot and Mr C.A.S.M. Renders. With the exception of Mr Goeminne, who is a citizen of Belgium, all Supervisory Directors have the Dutch nationality.

GRI 4.1; 4.2;  
LA13

### **D.R. Goeminne, Chairman (1955, male)**

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, and has served as Chairman of the Group Management of department store chain V&D (Vroom & Dreesmann) until 2007 and as a member of the Executive Board of Maxeda (Vendex/KBB). Mr Goeminne currently serves on the Supervisory Boards of Beter Bed Holding N.V., Stern Groep N.V., Selexyz Boekhandels BV, iCentre BV and Wielco BV and he is a non-executive Management Board member at Van de Velde NV, Uitgeverij Lannoo NV, Fun NV, Cassis/Paprika NV, Ter Beke NV and Wereldhave NV.

### **A.J.L. Slippens, Vice Chairman (1951, male)**

Mr Slippens holds 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. He also serves on the Supervisory Boards of Beter Bed Holding N.V., Simac Techniek N.V. (Chairman), Pacombi Beheer B.V. (Chairman), Van Lanschot Bankiers N.V., Free Record Shop Holding B.V. and Blokker Holding B.V.

### **E.A. de Groot (1965, female)**

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 2008, she worked at ABN AMRO Bank where she held a wide range of positions, serving the last five years as Executive Vice President at Group Risk Management. She has been established as an independent adviser and interim manager since 2009. In this role she fulfils projects within the financial sector. Her commissions have included acting as interim CFO at Van Lanschot Bankiers for nine months. Ms De Groot does not hold any other supervisory directorships.

### **C.A.S.M. Renders (1962, male)**

Mr Renders has been the director-owner of Renders Management B.V. since 1988. After earning a degree in commercial law in Leiden and successfully completing the Simon School-Erasmus MBA program in Rotterdam/Rochester, Mr Renders began his career as a consultant in the area of mergers and acquisitions in 1986. Mr Renders holds supervisory directorships at Beter Bed Holding N.V. and a few closely-held companies.



## Management Board

The Management Board of Beter Bed Holding is comprised of Mr A.H. Anbeek, Chief Executive Officer and Mr D. van Hoeve, Finance Director. Both Mr Anbeek and Mr Van Hoeve hold Dutch nationality.

GRI 4.1; 4.2;  
LA13

### **A.H. Anbeek (1962, male)**

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 until 2001. 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 B.V. in Deventer, the Netherlands as Managing Director in early 2007.

Mr Anbeek joined Beter Bed Holding N.V. on 1 January 2010 and was subsequently appointed Chief Executive Officer effective 1 March 2010.

### **D. van Hoeve (1970, male)**

Duncan van Hoeve earned a degree in Business Economics at the Avans University of Applied Sciences in Breda, the Netherlands during the first half of the 1990's. He successfully completed the postgraduate HOFAM controller's program in 1999 and since then he has been registered as a Qualified Controller (QC).

He began his career in 1995 as an Accountant at Fijnmechanische Industrie Adema & Touw B.V., a supplier of mechanical and electromechanical products.

In 1998, he accepted a position as Controller at the former Beter Bed Holding N.V. subsidiary called Beter Baby B.V.; a retail organisation that specialised in the sale of baby nurseries and baby items. Following the management buy-out of this company, he joined Beter Bed Holding N.V. in 2000 where he was appointed to the position of Group Controller in 2001.

He has held the position of Finance Director at Beter Bed Holding N.V. since 1 September 2009.



# Report of the Management Board

## General

As noted, consumer confidence and propensity to buy are key predictive indicators for trends in the markets in which Beter Bed operates. At no time in Beter Bed Holding's history did these two indicators vary so significantly in the company's two main markets, the Netherlands and Germany, as in 2011.

GRI 2.8

Consumer sentiment deteriorated rapidly in the Netherlands in 2011 due to the worsening European sovereign debt crisis, the pension crisis, and the rules for providing mortgages in a sluggish housing market, which have been tightened by the Dutch government and the banks. In December 2011, consumer confidence reached a record low since 1986. Although revenue in the Netherlands increased by more than 1% up to and including the third quarter of 2011, the sharp decline in revenue during the fourth quarter caused revenue in the Netherlands to drop by more than 2% for the full year 2011, due in part to the increase in the number of stores in the Netherlands and other factors, total revenue (-2%) did not decline as fast as revenue at comparable stores (-6%).

Trends were much more positive in Germany, where, despite public concern regarding the euro's future and turbulence in the financial markets, consumer confidence remained relatively high. This was due in part to the positive sentiment resulting from the sharp increase in exports, the lower unemployment rate, a rise in disposable income and a revival in the housing market, although the impact of this latter trend is somewhat limited in Germany due to the relatively low number of homeowners. Driven by the strong promotions in Matratzen Concord's anniversary year, the formula ended 2011 in Germany with a more than 6% increase in revenue at comparable stores. During the second half of 2011, growth in revenue at comparable stores even increased to 10%, which, in the fourth quarter, was fuelled in part by the easy basis for comparison due to the absence of winter weather conditions. Full-year revenue increased by more than 10% in Germany - this rate was higher than revenue at comparable stores (+6%), due in part to the increase in the number of stores.

As a result of the above, the group increased its revenue at comparable stores by 0.4% for the full year 2011, and managed to increase revenue from 2010 in all countries except the Netherlands.

|                                 | 2011  | 2010  | Change |
|---------------------------------|-------|-------|--------|
| Revenue (in € million)          | 397.0 | 374.7 | 6.0%   |
| Operating profit (in € million) | 38.3  | 37.5  | 2.2%   |
| Net profit (in € million)       | 28.0  | 27.9  | 0.3%   |
| Number of stores                | 1,187 | 1,117 | 6.3%   |
| Number of employees (FTE)       | 2,451 | 2,353 | 4.2%   |

The growth in revenue at comparable stores plus the increase in the number of stores resulted in a 6.0% increase in consolidated revenue, to € 397 million (up from € 374.7 million in 2010). During the year under review, gross margin increased from 55.9% in 2010 to 56.5% in 2011. The higher marketing expenses and the increase in the number of stores among others caused total costs to increase by 8%, which, for the full year 2011, resulted in a 2.2% increase in operating profit: from 37.5 million in 2010 to 38.3 million in 2011. Operating profit as a percentage of revenue declined from 10.0% in 2010 to 9.6% in 2011. Net profit increased by 0.3%: from € 27.9 million for 2010 to € 28.0 million for 2011.

During the year under review, a total of 123 new stores were opened and 53 existing stores were closed. Of these latter stores, 24 closures were the result of relocation to a superior site in the vicinity of the existing store; the other 29 stores were closed due to underperformance. Page 13 of this report contains a list of openings and closures broken down by formula and by country.

## Investments, financing and cash flow

Investments in 2011 totalled € 13.3 million - an increase of € 5.1 million from 2010 (€ 8.2 million). In 2011, the bulk of the investments - € 9.8 million - were invested in new and existing stores, while most of the remaining amount was invested in IT. Cash flow (net profit plus depreciation) for 2011 was € 36.5 million - compared to € 35.8 million in 2010. Solvency at year-end 2011 was 54.1% (2010: 53.4%). At year-end 2011, the ratio of net interest-bearing debt and EBITDA was 0.18, versus 0.15 at year-end 2010. Of the € 10.0 million loan secured at the end of the second quarter of 2009, a total of € 5.0 million remained at year-end 2011.

## Operations

| <b>Matratzen Concord</b>  | <b>2011</b> | <b>2010</b> | <b>Change</b> |
|---------------------------|-------------|-------------|---------------|
| Revenue (x € 1,000)       | 241,976     | 216,266     | 11.9%         |
| Number of stores          | 963         | 915         | 5.2%          |
| Number of employees (FTE) | 1,633       | 1,568       | 4.1%          |

Revenue at comparable stores increased by 5.2% at Matratzen Concord in 2011, after revenue at comparable stores increased by 1.3% during the first half of 2011 and by 8.5% during the second half of the year. Through the use of targeted promotional campaigns, the company tried to gain maximum benefit from its 25th anniversary in 2011. In the second half of the year, revenue was also boosted by the fact that the Vitalis Star mattress came out as the winner of the German Stiftung Warentest, being voted 'Best Buy' and 'Best in Test'.

In Germany, which accounts for more than 80% of Matratzen Concord's revenue, strong consumer confidence also helped boost revenue, in addition to the chain's 25th anniversary. This resulted in a revenue increase of more than 6% at comparable stores, the fastest growth in revenue at comparable stores in Germany since 2004.



In 2011, Matratzen Concord's revenue increased by 11.0% to € 242.0 million, while the number of stores increased by 5.2%: from 915 to 963. During the year under review, a total of 80 stores were opened and 32 stores were closed. Of the 32 closures, a total of 13 were the result of location upgrades. Key factors in the growth of Matratzen Concord continue to be the development and further expansion of brands (including private labels) and the opening of new stores.

We would finally like to call attention to the increasing number of armed robberies at our German stores. We deeply regret that, in February 2011, an employee of Matratzen Concord in Bonn died during one of these holdups. Our thoughts go out to the surviving family members.

#### **Beter Bed**

|                           | 2011    | 2010    | Change |
|---------------------------|---------|---------|--------|
| Revenue (x € 1,000)       | 107,949 | 113,697 | -5.1%  |
| Number of stores          | 87      | 85      | 2.4%   |
| Number of employees (FTE) | 525     | 524     | 0.2%   |

In 2011, Beter Bed increased its focus on consumers who search for product information online and purchase products online. In February, the company entered into a strategic partnership with the Netherlands' largest online department store, wehkamp.nl. This retailer currently sells Beter Bed's core range in its web shop. In October 2011, the all-new web shop beterbed.nl was re-launched. Although online revenue remains relatively low in absolute terms, the re-launch caused online revenue to grow sharply in 2011 from 2010.

During the year under review, six physical stores in the Netherlands were relocated: Roermond, Spijkenisse, Roosendaal, Duiven, Maastricht and Amsterdam Arena. Store coverage was further increased by new store openings in Rotterdam and Sneek and the closure of a store in Lelystad. A new store was opened in Olen, Belgium in September 2011, marking the return of Beter Bed to Flanders after 17 years and giving Flemish consumers the opportunity to sleep soundly and comfortably at affordable prices, just like their Dutch counterparts.

The order intake at comparable stores declined by 7.0% in 2011; total revenue dropped by 5.1% from 2010. The difference between these two percentages is due mainly to the increase in the number of stores, the successful relocations, and the growth in online revenue.

#### **El Gigante del Colchón**

|                           | 2011   | 2010   | Change |
|---------------------------|--------|--------|--------|
| Revenue (x € 1,000)       | 14,741 | 13,071 | 12.8%  |
| Number of stores          | 67     | 53     | 26.4%  |
| Number of employees (FTE) | 121    | 98     | 23.5%  |

The marginal revenue growth at comparable stores during the first half of 2011 could not be sustained in the second half of the year. Uncertainty regarding the future of the euro and the Spanish parliamentary elections made Spanish consumers more cautious during the second half of 2011, and revenue at comparable stores for the full year dropped by 4.5%. Nevertheless, revenue for 2011 increased by 12.8% from 2010, caused in part by the increase in the number of stores. A total of 15 stores were opened during the year under review, while one store was closed. In 2011, the number of stores in the greater Madrid area also increased from four stores at year-end 2010 to nine stores at year-end 2011.

#### BeddenREUS

|                           | 2011   | 2010   | Change |
|---------------------------|--------|--------|--------|
| Revenue (x € 1,000)       | 14,467 | 14,309 | 1.1%   |
| Number of stores          | 39     | 35     | 11.4%  |
| Number of employees (FTE) | 71     | 68     | 4.4%   |

In 2011, three stores located in Duiven, Spijkenisse and Zwiindrecht moved to different locations, and new stores were opened in Roermond, Rotterdam, Maastricht, Hoorn and Cruquius. One store in Leeuwarden was closed. The order intake at comparable stores declined by 4.0%. Revenue for 2011 increased by 1.1% from 2010, to € 14.5 million.

#### Slaapgenoten/Dormaël Slaapkamers

|                           | 2011  | 2010  | Change |
|---------------------------|-------|-------|--------|
| Revenue (x € 1,000)       | 8,105 | 8,170 | -0.8%  |
| Number of stores          | 16    | 12    | 33.3%  |
| Number of employees (FTE) | 32    | 25    | 28.0%  |

The difficult market conditions during the second half of 2011 resulted in a 5.5% decline in the order intake at comparable stores. Slaapgenoten experienced growth in the past year, with new store openings in Leeuwarden, Roosendaal, Rotterdam, Maastricht and Sneek. Stores in Duiven and Amsterdam Arena could be relocated, resulting in a reduction in floor space. The Groningen store was closed. The total order intake increased by 1.4% due to the increase in the number of stores. However, revenue dropped by 0.8% to € 8.1 million.

#### Matratzen-AbVerkauf (MAV)

|                           | 2011  | 2010  | Change |
|---------------------------|-------|-------|--------|
| Revenue (x € 1,000)       | 2,623 | 2,972 | -11.7% |
| Number of stores          | 15    | 17    | -11.8% |
| Number of employees (FTE) | 27    | 33    | -18.2% |

Matratzen-AbVerkauf closed six stores and opened four stores in 2011. Due to the lower number of stores and the 0.8% decline in revenue at comparable stores, total revenue dropped by 11.7% to € 2.6 million.

| DBC                       | 2011   | 2010   | Change |
|---------------------------|--------|--------|--------|
| Revenue (x € 1,000)       | 18,828 | 16,489 | 14.2%  |
| Number of employees (FTE) | 14     | 13     | 7.7%   |

After achieving record revenue in 2010, DBC managed to improve this record in 2011 as well, with both third-party sales and sales through the Group's formulas increasing once again in 2011. The new 'M Line' mattress line launched at the end of 2010 (whose 'M Line VI' model was voted 'Best in Test' by the Dutch Consumers' Association in 2011) helped increase revenue by 14.2% from 2010. At the end of 2011 M Line was also sold in more than 500 stores of Matratzen Corcord in Germany, Austria and Switzerland.

## Staff and organisation

As of 31 December 2011, the various companies that make up Beter Bed Holding employed a total of 2,451 FTEs, compared to 2,353 employees at year-end 2010. The increase is mainly the result of the increase in the number of stores. The commitment and quality of the employees largely determines the company's success. Employees at the Beter Bed retail formulas provide high-quality personal advice that contributes to the amount of the revenue. The manner in which the sales process is completed by the logistics organisation and our service staff also affects how customers regard their purchasing experience or talk about it with others. The company operates on the principle that the customer is king. The support departments must facilitate these processes as customer friendly and efficiently as possible, and in so doing they contribute substantially to the company's reputation and profit. Ongoing development and training of all employees is therefore a key factor in increasing the company's profit, and training programs related to subjects such as product knowledge and sales methods are offered on a continuous basis.

GRI LA10

Internal candidates are generally preferred when it comes to filling vacant management positions in the organisation; these candidates are given the opportunity to acquire the knowledge required through targeted training courses.

In all our markets, the company aims to hire local staff to fill management positions, as the Management Board strongly believes they know best what is relevant to their customers in their markets. The company is also looking to increase the number of women in managerial roles.

GRI EC7

## Corporate Governance

The Management Board of Beter Bed Holding endorses the principles of the Dutch Corporate Governance Code and attempts to enforce this Code as much as possible. Pages 46 and 47 of this report explain in what aspects the company departs from the best practice provisions contained in the Dutch Corporate Governance Code.

## Risk management and risks

While the Beter Bed Holding Management Board takes its responsibility for risk management and the risk management and risk control systems implemented in the organisation for this purpose extremely seriously, assuming calculated risk is inherent to any business activity. No matter how a company's internal risk management and risk control system is organised, it can never provide absolute certainty that objectives related to strategy, operations, reporting and compliance with rules and regulations will always be achieved. Indeed, experience has shown that errors in judgment can be made when taking decisions, that a cost-benefit assessment must be made, that simple mistakes or errors can have major consequences, and that conspiracy between employees can cause internal control measures to be circumvented.

The following general control measures have been implemented in order to manage risk in the company:

- The extensive risk analysis was updated in conjunction with the management teams of the main retail formulas. This analysis distinguishes between a number of risk areas: financial, operational, board and management, legal, social, information, and tax. This risk analysis is a regular agenda item for the meetings of the Audit Committee; the main points are subsequently discussed by the full Supervisory Board.
- In the annual budget cycle, threats and opportunities are analysed for each separate operation, in order to identify opportunities and risks from an economic, strategic and commercial perspective. The budget is discussed with, and subsequently approved by, the Supervisory Board.
- The profit and loss account and balance sheet are reported to Beter Bed Holding each month in a detailed template. This includes a comparison with the same period of the previous year and with the budget for the period. This report is discussed during the monthly meeting between the management teams and Management Board of Beter Bed Holding.
- As in previous years, the external auditor reviewed the accounts and internal controls system this year.

The main risks to which the Beter Bed companies are exposed include:

- Failure to achieve the budgeted revenue, e.g. as a result of general economic trends.
- Continuity of the IT systems used.
- Continuity of the distribution centres.



The measures implemented to manage these risks are described below.

- Daily reports are submitted to the Management Board of Beter Bed Holding of the revenue of Matratzen Concord and the number of orders received by Beter Bed, BeddenREUS and El Gigante del Colchón. The other companies report their revenues on a weekly basis.
- The Management Board of Beter Bed Holding holds weekly meetings with the management teams of the various formulas.
- Back-up and recovery procedures have been implemented for the main IT systems.
- Beter Bed operates three distribution centres in the Netherlands, which means that, in the event of a disaster, the risk is distributed in terms of the delivery of goods to customers. In addition, a business continuity plan has been drafted for the main distribution centre that should reduce the impact of any disaster.

Below is a list of the other risks to which the company is exposed, including the main policy measures implemented.

- Beter Bed is exposed to currency risk because it purchases goods in US dollars and maintains assets in Switzerland and Poland. The currency risks, which are not hedged, are reviewed periodically. In 2011, Beter Bed's purchases totalled \$4.1 million (compared to \$5.8 million in 2010). If sales prices remain unchanged, a 5% change in the average price of the dollar has an effect of approximately € 148,000 (2010: € 207,000) on the operating profit (EBIT).
- Due to the company's current capital structure, measures to reduce interest rate risk are not necessary. The impact of an interest rate increase or drop by 50 basis points on the company's profit will be approximately € 42,000 before tax at year-end 2011, based on the use of account overdraft facilities (year-end 2010: € 35,000).
- Credit risk is limited to wholesale operations and accounts receivable from suppliers based on bonus agreements. Other than the company's standard, stringent credit control process, no specific measures are necessary. At year-end 2011, the amount in accounts receivable for which the term has passed but which has not been depreciated, was € 113,000 (year-end 2010: € 138,000).
- Due to the nature of the company's operations and its equity position, the company's liquidity risk is limited. However, the crisis in the financial markets has once again demonstrated the importance of maintaining a strong financial position. In the current economic climate, it remains important for companies to maintain a distance from the covenants with lenders. A description of the available account overdraft facilities and the securities provided are included on page 75 of this report.
- Beter Bed Holding has signed a compliance agreement with the Dutch tax authorities under which all Dutch tax issues are discussed with the tax authorities based on transparency.
- The number of products included in our range that are subjected to stringent sustainability and safety tests (including for hazardous substances) increases each year - see the section on Corporate Social Responsibility (CSR) starting on page 35 and continued.

GRI PR1

The currency risk to which the company is exposed was reviewed once again during the year under review. With the impact of this currency risk on consolidated profit being negligible, the company has decided to maintain its existing policy of not hedging currency risk.

Other key priorities in the year under review included:

- The company's fundability.
- Creating stress scenarios in the event that revenue would remain below budget by at least 10%. The scenarios also contain fully developed plans for the measures to be implemented at that time.
- The impact on the company of the collapse of the euro.
- The CSR reporting format and the formulation of new objectives and activities relating to people and the environment.

## In-control statement

Based on the above and considering the limitations inevitably associated with any internal risk management and control system, the company's systems provide the Management Board with a reasonable degree of security with regard to financial risk that the financial reports do not contain any material misstatements and that the annual report provides a true and fair view of the situation on the balance sheet date and of developments during the year under review. These 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 operated adequately during the year under review.

## True and fair view statement

The Management Board believes 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. Unless it conflicts with vital interests, a key priority is investment and the conditions on which changes in revenue and profitability depend. The Management Board also believes that, to the best of its knowledge, the financial statements provide a true and fair view of the assets, liabilities, financial position and profit of Beter Bed Holding N.V. and the companies included in the consolidation.

## Outlook for the first few months of 2012

Trends in the group's key markets during the first two months of 2012 are virtually identical to those in the last quarter of 2011. Revenue at comparable stores has increased in Germany to date, while having declined in the Netherlands. It currently does not seem unlikely that the impact on operating profit of the reduced order intake at comparable stores in the Netherlands can be offset by the revenue growth in Germany.

In Germany, consumer confidence will remain at the same high level. Consumers will remain uncertain in 2012, particularly in the Netherlands and Spain, with propensity to buy therefore expected to remain relatively low. Despite these difficult conditions, the pricing and promotional policy, which was tightened in 2011, will remain focused in 2012 on continuously increasing market share in all markets where the company operates.

In terms of expansion, the company expects to again open between 70 and 80 new stores net (i.e. the balance of openings and closures) in 2012, barring any unforeseen circumstances.

Uden, the Netherlands, 1 March 2012

A.H. Anbeek,  
Chief Executive Officer

# Corporate Social Responsibility

In 2011, we began reporting on Beter Bed Holding's Corporate Social Responsibility (CSR) policy. In our 2010 annual report, we also published our vision statement: 'In every country in which we operate, we intend to become the market leader in the value-for-money segment of the bed and mattress market, in a socially responsible manner'. When we adopted this vision statement, we also provided transparency in the 2010 annual report on the Beter Bed Holding Code of Conduct.

GRI 4.8

In this annual report, we are taking reporting on our CSR activities and results one step further. For 2011, we account, in an integrated report, for the manner in which we have implemented CSR in our company. We do this by reporting both on our performance in 2011 and on our objectives for the next years, in accordance with the guidelines of the Global Reporting Initiative (GRI) at application level C.

We feel it is important to report on CSR because it allows us to express our conviction that the future growth of Beter Bed Holding can only be secured in a sustainable manner if we achieve some important non-financial objectives in addition to the standard annual financial targets. We have accordingly started to formulate several specific, measurable goals in terms of people and planet in this report.

GRI 1.1

We have for instance decided internally that in addition to meeting European directives, we will have more mattresses tested by independent research institutes for hazardous substances. To minimise both health risks for our customers and environmental risks, we are aiming for testing and certification of 80% of our mattresses by 2016. Another specific CSR activity and goal is to recover all packaging materials from our customers' premises after product delivery. This enables us to recycle the material while raising customer satisfaction at the same time. In 2012 we will formulate additional, measurable goals and initiate new activities in the area of energy savings. We intend to continue to report annually on the progress we achieve. The results in this report will serve as a baseline for that purpose.

GRI PR1

GRI PR3

GRI EN7; PR5

I personally feel it is important for all links in the chain to work even more closely together to also implement the cradle-to-cradle principles ('waste equals food') in the bed and mattress industry, in order to significantly reduce the ever-growing waste stream and quantities of hazardous substances in our industry in the long term. We are therefore pleased to announce that a number of our suppliers announced their commitment to the cradle-to-cradle philosophy in 2011. I am also strongly in favour of greater representation of women in management positions at our retail formulas in the various countries, not least because the vast majority of our customers is female.

Growth therefore goes far beyond investing in more revenue for us. For us, growth also means working towards a diverse organisation that respects humans and animals and our planet. On the basis of this vision, everyone involved in the company can contribute. We firmly believe that this will not just benefit our results and reputation, but also lead to greater satisfaction in our work.

Ton Anbeek,  
Chief Executive Officer

## Consumers

The health and satisfaction of the customers of the various retail formulas of Beter Bed Holding is the key guiding principle, each and every day, for the company's policies and conduct.

### Quality and safety of products

Beter Bed Holding sets great store by the health and safety of its customers and employees. The goal is to deliver demonstrably high quality and safe products and services. One thing this means, for instance, is that in a few years' time, a concise but clear description of the applied materials and production and transport processes must be available for the principal products.

GRI PR1

Testing mattresses for hazardous substances is an important element in guaranteeing safe products. The majority of suppliers to the company already do so themselves for the production processes and end products, and the company of course also demands guarantees for this. Over and above this, all products meet all European directives. But Beter Bed Holding wants to take this further by increasingly having the large majority of its mattresses tested and certified for hazardous substances by independent institutes. Performing those tests will further minimise the risks for our customers' and employees' health as well as environmental damage.

In 2011, the company began taking stock of the number of certified mattresses. The survey showed that in Germany, 68% of mattresses are certified, while 13% are currently being tested. In the Netherlands, 34% of all mattresses sold are currently certified; this rate is expected to increase to 55% in 2012. The goal for 2012 is for all Beter Bed Holding formulas to report on certification rates. Changes to the current range and the launch of new mattresses in the range will be used in the coming years to set higher standards for mattresses and test and certify a larger number of mattresses. In 2012, the company will take additional steps to ensure that, by 2016, 80% of mattresses included in the range of all Beter Bed Holding formulas are tested and certified.

GRI PR3

In addition to high quality and safety standards for products of the company, very high importance is accorded to the safety and health of the people working in the logistical processes. Deliveries of products in shipping containers are therefore accompanied as standard by inspections for the presence of hazardous gases performed by an outside certified institution. Also, audits are performed on a sample basis at suppliers in high-risk countries, for instance, to ensure that no hazardous substances and/or gases were used in the production process. Moreover, once every two years distribution centres and load bays of trucks in the Netherlands are tested for hazardous substances.



### **Customer satisfaction as the key to success**

Delivering good service and complaint resolution are important elements in expanding the company's retail marketing excellence. Further initiatives will be undertaken in the coming years to improve and expand procedures to raise customer satisfaction. In addition to the call centre in the Netherlands, for instance, where we respond to and handle complaints and questions from customers, new methods are being used to improve and safeguard customer satisfaction. Since the start of 2011, a more proactive approach of customers, which uses the internet and social media, has been adopted with a view to quicker and better complaints resolution. Complaints provide the company with a great deal of knowledge about customers' wishes and where to target improvements. Complaints are therefore increasingly being viewed as opportunities, and our policy has been adapted accordingly.

GRI PR5

Managerial staff also needs a proper understanding of customers' and employees' views and concerns. A start was made in 2011 in the Netherlands on ensuring that managers and supervisory staff occasionally accompany the delivery and assembly of products or visits by customer service staff to customers. They also sit alongside staff in the call centre on a more regular basis. This enables them to listen closely to what customers and employees have to say and to set up more efficient and better processes. It ultimately also provides a more secure grasp of the social and environmental aspects that play a part in business operations.

Customer satisfaction is measured by reference to the numbers of both positive and negative responses received. In addition, internal standards are applied to measure and raise customer satisfaction. An example is the 'first time right' principle, under which track is kept of the number of cases in which deliveries of products to our customers are performed correctly and completely on first delivery. The idea behind this principle is that correct and complete deliveries considerably increase the likelihood of having a satisfied customer. The goal is therefore to continually maintain the 'first time right' percentage at a high level.

## **Employees**

The company has worked hard and successfully in the past few years to build a high degree of operational and promotional excellence, while maintaining strong cost control. Building retail marketing excellence has been added to this as a third pillar. This centres on a clear focus on the customer and the principle that "the customer is always king". The well-trained and committed employees of Beter Bed Holding make the difference in every country, again and again, year in year out.

### **Training and development of employees**

An element in building retail marketing excellence is an even better advice and needs-driven approach to customers. Diversity, qualifications, training and development of all employees are essential to successfully pursuing the company's strategy. With that in mind, all sales staff in the Netherlands, for instance, will receive several days' training over the next few years to enable them to provide even better advice to customers.

GRI LA11

GRI LA10

The Beter Bed Academy was developed in conjunction with the NCOI Training Group and the National Consortium for Business Groups (NCvB). This gives employees of Beter Bed in the Netherlands an opportunity to take senior secondary vocational education courses and to obtain a nationally recognised senior secondary vocational education diploma (mbo). The courses offered by the Beter

Bed Academy are mbo-2 Logistics Staff (Logistiek Medewerker), mbo-3 Principal Salesperson (Eerste Verkoper) or Logistics Team Leader (Logistiek Teamleider) and mbo-4 Trade Manager (Manager Handel). Over the course of last year, 77 employees started at the Beter Bed Academy. The first participants received their diplomas in 2011. These courses referred to above improve the knowledge base of employees and the quality of the company. They also offer employees opportunities for personal development, obtaining (submodule) certificates and strengthening their position in the labour market. In the future, the courses at the Beter Bed Academy will also be provided in conjunction with other businesses, for instance, in the case of logistics courses, with Sligro Food Group.

As part of the development of our managers, annual meetings are organised to present the policy of the company or of the retail formula and exchange knowledge and experience. The intention is to focus more closely during these meetings on knowledge and activities regarding social and environmental aspects of business operations.

### Diversity

Diversity in the composition of (management) teams partly determines the company's success. In principle, internal candidates are given priority in filling vacancies that arise in management positions in the organisation. These candidates are given an opportunity to acquire the necessary knowledge via selective training courses. The company also aims to increase the number of women in management positions. Women obviously have, as do men, excellent purchasing, sales and management skills, and a very good understanding of what our customers (the majority of whom are female!) are looking for. The aim is to have appointed at least 25% women in management positions by 2016.

GRI EC7; LA13

|                   | 2011 |       | 2010 |       |
|-------------------|------|-------|------|-------|
|                   | Men  | Women | Men  | Women |
| Store management  | 87%  | 13%   | 87%  | 13%   |
| Senior management | 88%  | 12%   | 92%  | 8%    |

In Germany two women were recently appointed as sales manager (25%). In all countries we aim to hire local people for managerial roles because, as the company firmly believes, they know best what is relevant to their customers in their markets. Consequently, the retail chain El Gigante del Colchón has been headed by a Spaniard since early 2011. At present all retail chains within Beter Bed Holding are led by local managers.

The majority of employees within the Beter Bed Holding organisation are women. Many of these are sales employees at our stores. Also, many people work part-time within the various formulas. Most employees have a contract for an indefinite period. In the Netherlands and Spain, the formulas have their own logistics operation, and as a result the percentage of male employees is slightly higher in relative terms in those countries.

GRI LA1; LA13

|                     | 2011              |           | 2010              |           |
|---------------------|-------------------|-----------|-------------------|-----------|
| Number of FTEs      | 2,451             |           | 2,353             |           |
|                     | Men               | Women     | Men               | Women     |
|                     | 34%               | 66%       | 34%               | 66%       |
| Number of employees | 3,038             |           | 2,876             |           |
|                     | Men               | Women     | Men               | Women     |
| Diversity           | 29%               | 71%       | 29%               | 71%       |
|                     | Full-time         | Part-time | Full-time         | Part-time |
| Type of contract    | 25%               | 75%       | 27%               | 73%       |
|                     | Indefinite period | Flexible  | Indefinite period | Flexible  |
| Type of contract    | 91%               | 9%        | 91%               | 9%        |

GRI LA1; LA13

### Employee health and satisfaction

We set great store not just by the development and training of our employees but by good working conditions and the satisfaction of employees as well. Promoting the health and satisfaction of the employees are important basic principles in determining, improving and expanding all of the company's plans and activities.

Various criteria and standards are applied for creating appropriate working conditions. These are premised on compliance with statutory and regulatory requirements in all countries in which Beter Bed Holding operates. In addition, our Code of Conduct includes basic principles for creating appropriate working conditions (see Code of Conduct on [www.beterbedholding.com](http://www.beterbedholding.com)). All employees have received a copy of this Code of Conduct and consequently know what is expected of them and what they can expect from the company.

### Percentage of signed Codes of Conduct

All business partners are likewise expected to comply with the Code of Conduct. The Code of Conduct was therefore sent to all suppliers in 2011. 66.5% of suppliers to Beter Bed Holding have already signed and returned the Code of Conduct.

GRI HR2; 4.8

In the table below the percentage of signed Codes of Conduct of the two most important countries is mentioned.

|             | Returned |
|-------------|----------|
| Netherlands | 70%      |
| Germany     | 63%      |

There are annual appraisal and evaluation discussions with all employees. These are important moments to assess, for instance, the appropriateness of working conditions, whether an employee is satisfied and possible development and improvement opportunities.

GRI LA12

The last survey of employee satisfaction in the Netherlands was carried out in 2008. Beter Bed Holding intends to perform a new survey in the Netherlands for 2012.

### Absenteeism due to illness

Absenteeism due to illness is below the local national average in all countries in which Beter Bed Holding operates. Changes in absenteeism due to illness are carefully monitored. This is supported by work on measures to prevent illness and absenteeism of employees and to promote employees' return to work following a period of illness.

GRI LA7

| Percentage of absenteeism due to illness | 2011 | 2010 |
|------------------------------------------|------|------|
| The Netherlands                          | 3.4% | 3.8% |
| Germany                                  | 3.5% | 3.0% |

## Environment

The environment is considered in all activities of the company. We are working hard to save energy, to reduce CO<sub>2</sub> emissions, mileages driven and packaging waste, use progressively less environmentally hazardous substances and to promote recycling wherever possible.

GRI EN18

### Reducing our footprint

During the year under review a start was made on collecting and collating data on the ecological footprint of Beter Bed Holding. The reports on data for flight mileages, fuel, electricity and gas consumption in this document will serve as a baseline to assess our performance in the coming years. Both near and long-term goals will be formulated in the coming year on the basis of these reports. The aim is to further improve and, where possible, standardise and expand our data collection in 2012.

GRI EN7

At the same time, new activities will be looked at in 2012 that contribute to reducing the company's footprint. An appropriate balance is sought in all energy saving initiatives between environmental aspects, cost aspects and customer satisfaction. For instance, specific ways will be considered this year to reduce electricity and gas consumption by using different lighting, switching lights off earlier in the evenings, discussing the subject of better insulation with landlords etc. An Energy Performance Advice plan was recently drawn up for the distribution centre in Uden and the head office. The actions it designated as having cost pay-back periods of less than five years will be carried out.

Another way in which the company is seeking to reduce its impact on the environment is by optimising the design of logistics processes. More efficient routes and more addresses on a route translate into fewer kilometres and therefore less fuel, for instance. This benefits the environment and also presents cost savings. It is a major challenge to take this further in the next few years while at the same time continuing to work on ensuring that customer deliveries are as swift and flexible as possible.

|             | 2011                     | 2010                     |
|-------------|--------------------------|--------------------------|
| Electricity | 32,900 MWh               | 33,450 MWh               |
| Natural gas | 2,220,000 m <sup>3</sup> | 2,140,000 m <sup>3</sup> |
| Diesel      | 1,090,000 litres         | 1,040,000 litres         |
| Gasoline    | 50,000 litres            | 59,000 litres            |

Total electricity consumption in 2011 was 32,900 MWh. Electricity consumption at the stores was 76 kWh per square metre of floor space.



According to Milieu Centraal the electricity consumption of a Dutch household equals 3,500 kWh. The electricity consumption of Beter Bed Holding is therefore equal to that of 9,400 households, or all inhabitants of the town of Castricum in the province North Holland (the Netherlands).

GRI EN3

Total gas consumption for 2011 was 2,220,000 m<sup>3</sup>. Gas consumption at the stores totalled 5 m<sup>3</sup> per square metre of floor space.



According to Milieu Centraal the gas consumption of a Dutch household equals 1,600 m<sup>3</sup>. The gas consumption of Beter Bed Holding is therefore equal to that of 1,400 households or all inhabitants of the town of Baarle-Nassau in the province North Brabant (the Netherlands).

GRI EN4

In 2011, Beter Bed Holding emitted a total of 22.7 million kilos of carbon dioxide. Carbon emissions at the stores totalled 55 kilos per square metre of floor space.



According to Milieu Centraal the CO<sub>2</sub> emissions of a Dutch household equal 9,000 kilograms CO<sub>2</sub>. The emissions of Beter Bed Holding are therefore equal to those of 2,500 households or all inhabitants of the town of Ruurlo in the province Gelderland (the Netherlands).

GRI EN16

|                                    | 2011          | 2010          |
|------------------------------------|---------------|---------------|
| CO <sub>2</sub> emissions          | 22,700 tonnes | 22,600 tonnes |
| <b>Scope 1: Direct emissions</b>   |               |               |
| Gas consumption                    | 4,000 tonnes  | 3,900 tonnes  |
| Freight transport                  | 1,500 tonnes  | 1,500 tonnes  |
| <b>Scope 2: Indirect emissions</b> |               |               |
| Electricity                        | 15,000 tonnes | 15,200 tonnes |
| <b>Scope 3: Other emissions</b>    |               |               |
| Flight transport                   | 70 tonnes     | 70 tonnes     |
| Home-work commuting                | 2,100 tonnes  | 2,000 tonnes  |

## Recovering and recycling packaging materials

In many of the countries in which Beter Bed Holding operates, customers themselves take the products back to their home from the store (cash & carry-formula). In the Netherlands and Spain, the products are delivered to customers' homes. At present the packaging materials are mostly left with the customer. The company has recently decided to change this and to recover the waste after delivery. This provides it with greater control over where the waste, mainly plastic and cardboard, ends up and gives us an opportunity to separate the waste. In addition, and this is certainly not unimportant, many customers will be happy to see the packaging materials being removed from their premises.

GRI EN22

GRI EN27

The goal for both the Netherlands and Spain is to remove and separate 100% of the packaging materials after delivery by 2015. This will impact the organisation of the logistical processes. The possible extra costs do not outweigh the results, however; better waste separation, recycling and a higher degree of customer satisfaction.

|                     | 2011         | 2010         |
|---------------------|--------------|--------------|
| Paper and cardboard | 2,600 tonnes | 2,500 tonnes |
| Other waste         | 3,500 tonnes | 3,400 tonnes |
| Recycled waste      | 30%          | 31%          |

In the years ahead the company will also report on progress in the areas of waste collection and recycling. In addition we will select a waste processing company that is able to guarantee that as much as possible of the material is actually recycled.

GRI EN22

The company is seeking to transition in the coming years from environmentally benign to environmentally beneficial operations.

## Reporting standards

This is Beter Bed Holding's first report on its activities and progress in the field of Corporate Social Responsibility (CSR). As is the case for its CSR policy and CSR performance, the company is a learning organisation in the field of reporting as well. This report presents both qualitative and quantitative information on the 2011 calendar year. Where possible the information is integrated into the financial chapters. To structure content and to present the issues concerned in a cohesive manner, it has been decided to consolidate a major portion of the information in the chapter Corporate Social Responsibility.

GRI 3.5

The report is supplemented by extra information on [www.beterbedholding.com](http://www.beterbedholding.com), where the Code of Conduct of Beter Bed Holding and the GRI table are also available.

GRI 4.8

## Compliance with GRI guidelines

Beter Bed Holding has opted to report in conformity with the Global Reporting Initiative (GRI). This aligns our reporting with the GRI G3 standard, currently the most widely used standard throughout the world. Beter Bed Holding aims to grow in an organic and pragmatic manner in reporting on CSR. On the company's request, the consulting firm MVOplossingen has confirmed that the CSR report reports at the application level C. The basis on which it has been verified by a third party is described in the next chapter.

| Report Application Level |                                                                      | C                                                                                                                         | C+                        | B                                                                                                                                                         | B+                        | A                                                                                                                                                                                            | A+                        |
|--------------------------|----------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|---------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|
| Standard Disclosures     | G3 Profile Disclosures                                               | Report on:<br>1.1<br>2.1 - 2.10<br>3.1 - 3.8, 3.10 - 3.12<br>4.1 - 4.4, 4.14 - 4.15                                       | Report Externally Assured | Report on all criteria listed for Level C plus:<br>1.2<br>3.9, 3.13<br>4.5 - 4.13, 4.16 - 4.17                                                            | Report Externally Assured | Same as requirement for Level B                                                                                                                                                              | Report Externally Assured |
|                          | G3 Management Approach Disclosures                                   | Not Required                                                                                                              |                           | Management Approach Disclosures for each Indicator Category                                                                                               |                           | Management Approach Disclosures for each Indicator Category                                                                                                                                  |                           |
|                          | G3 Performance Indicators & Sector Supplement Performance Indicators | Report on a minimum of 10 Performance Indicators, including at least one from each of: social, economic, and environment. |                           | Report on a minimum of 20 Performance Indicators, at least one from each of: economic, environment, human rights, labor, society, product responsibility. |                           | Respond on each core G3 and Sector Supplement* Indicator with due regard to the materiality principle by either: a) reporting on the indicator or b) explaining the reason for its omission. |                           |

\* Sector supplement final version

## Selection of topics

It has been decided to implement the selection of the performance indicators in a practical manner for this first report. This means that the availability of data provided a basis for the selection of the performance indicators. This report will be discussed with various groups of stakeholders in the coming year, including shareholders, the Dutch Association of Investors for Sustainable Development (VBDO) and our own management teams. The discussions with these stakeholders will clarify whether the selection needs to be extended.

GRI 4.14; 4.15

GRI 4.16; 4.17

## Scope of the report

In this report for the 2011 calendar year, Beter Bed Holding reports on all formulas in the Netherlands, Germany, Switzerland, Spain, Austria and Belgium. Departures from this basis are explicitly designated in this report.

GRI 2.9; 3.1;  
3.6; 3.7

## External assessment of the report by MVOplossingen

In the judgement of MVOplossingen, the report of Beter Bed Holding comfortably meets the application level C. The GRI table (see website [www.beterbedholding.com](http://www.beterbedholding.com)) shows where the profile and performance indicators are reported. MVOplossingen has stated in that table whether the indicator concerned is reported on in full or in part. The GRI table also refers to the page where the information is to be found. Lastly, the report states the place in the text where the indicator is discussed. Overall, Beter Bed Holding has reported on 22 performance indicators of which 15 in full and 7 in part.

In addition to this assessment in terms of transparency and quantity, MVOplossingen has qualitatively assessed the report in terms of relevance and materiality.

## Relevance

The relevance of the information depends on the need of stakeholders for the information provided. Beter Bed Holding did not engage in stakeholder dialogue ahead of its first integrated report.

GRI 4.14; 4.15

The relevance assessment therefore focuses on a comparison of the report with annual reports of other Dutch retail organisations. In addition the topics as published by the VBDO on the internet have also been taken into account in the assessment. On the basis of that information, the following topics are considered to be the most relevant:

- The importance of safe products and good services delivered to customers.
- Training and development opportunities for employees including the subject of diversity.
- Health and satisfaction of employees.
- The ecological footprint, represented as the CO<sub>2</sub> emissions of the organisation.
- Compliance with the Code of Conduct, as published on [www.beterbedholding.com](http://www.beterbedholding.com).

GRI 4.8

Accordingly, in the judgement of MVOplossingen, Beter Bed Holding reports on all relevant topics.

MVOplossingen has urgently advised Beter Bed Holding to engage in dialogue with the various stakeholder groups, particularly the shareholders, the VBDO and employees, on the topics in the annual report.

GRI 4.16; 4.17

## Materiality

The materiality of the information is determined by the importance of the information provided for the organisation as a whole. In terms of the organisation, all major business units are included in the report. Only the activities in Poland, whose share in revenue is negligible, have not been included.

For the continued existence of the organisation in the longer term, it is crucially important for Beter Bed Holding that its products do not cause any harm to its customers. The subject of consumer safety is therefore not only described but also accompanied by a goal.

The ecological footprint, the impact of the organisation on the environment, of a retail chain consists mainly in its electricity and gas consumption. Both sources of energy are reported on. Beter Bed Holding has logistical operations of its own in both the Netherlands and Spain, and litres of fuel consumed are reported as well in both countries.

In the judgement of MVOplossingen, the report of Beter Bed Holding meets the materiality requirements to be set for a GRI report at the application level C.

Arnhem, the Netherlands, 1 March 2012

Menno Kuiper,  
Specialist in sustainability reporting at the consulting firm MVOplossingen

# Corporate Governance

The Supervisory Board and the Management Board subscribe to the principles for good corporate governance as laid down in the Dutch Corporate Governance Code.

GRI 4.6

The company's website, [www.beterbedholding.com](http://www.beterbedholding.com), gives a full overview of all the best practice provisions and whether or not the company complies with these individual provisions.

The notes included in this chapter relate to the Corporate Governance Code amended by the Dutch Corporate Governance Monitoring Committee in December 2008.

During the year under review, the Supervisory Board and Management Board reassessed the application of the Code. As a result, we can report full compliance with best practice provisions II.1.3 and IV.3.12.

As per usual, Corporate Governance will be included as a separate agenda item at the Annual General Meeting of Shareholders to be held on 18 April 2012.

The company complies with all best practice provisions with the exception of the best practice provisions mentioned in this section. Where applicable, the reasons for not complying or not fully complying with a best practice provision are explained. In addition, details are provided for a number of best practice provisions regarding their application within the company.

## Best practice II.2.3.

The components included in this best practice will be incorporated into the option program that is in operation within the company.

## Best practice II.2.4.

Options are awarded at the discretion of the Supervisory Board. This best practice will be complied with for options provided from 2012 according to the following stipulations. For options provided up to and including 2011 may be exercised earlier than after three years providing the profit target has been met. If a Management Board member is not eligible for reappointment at the conclusion of a first appointment period, his or her options may be exercised up to three months following termination of employment. Options can furthermore be exercised without special restrictions should an offer for all the shares of the company be fulfilled.

## Best practice II.2.8.

The contract of employment with the Management Board member does not allow for the possibility of raising the maximum amount equal to one annual salary if dismissal during the first appointment period should appear to be unreasonable.

### Best practice II.2.10.

The company shall apply this best practice rule as follows. Variable remuneration may be awarded according to the evaluation and (partially) at the discretion of the Supervisory Board. This is maximised at 60% of the gross fixed annual salary; 30% will be related to the targets set periodically by the Supervisory Board; the remaining 30% will be paid entirely at the discretion of the Supervisory Board. The Supervisory Board can, at its discretion and only in the event of special circumstances, decide to adjust the variable remuneration.

### Best practice II.2.11.

The clause included in this best practice has not been implemented by the company. Please refer to the comment on best practice provision II.2.10.

### Best practice III.4.3.

The position of Secretary of the company will be fulfilled by an employee of the company, currently the Finance Director.

### Best practice III.5.14.

The Selection and Appointment Committee will be formed by the entire Supervisory Board in view of the company's size.

The best practice provisions in section III.8. 'one-tier management structure' and section IV.2. 'certification of shares' do not apply to the company.

### Best practice IV.3.1.

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

The best practice provisions of Section V.3., 'Internal audit function', do not apply to the company, as the company does not have an internal audit function in place on account of its size.

# Report of the Supervisory Board

## General

Supervisory Directors are appointed for a period that runs up to and including the day of the first Annual General Meeting of Shareholders, which is held four years after their appointment. Supervisory Directors retire periodically in accordance with a schedule to be drawn up by the Board. The CVs of the Supervisory Directors are included in the section titled 'Personal profiles' on page 24 of this annual report.

GRI 4.10

The Supervisory Board is comprised of Mr D.R. Goeminne (Chairman), Mr A.J.L. Slippens (Vice Chairman), Mr C.A.S.M. Renders and Ms E.A. de Groot. With the exception of Mr Goeminne, who has Belgian nationality, all Supervisory Directors are Dutch nationals. In accordance with the provisions of the Dutch Corporate Governance Code, all Supervisory Directors are impartial.

GRI LA13

The following retirement by rotation schedule applies:

| Supervisory director | Appointed/reappointed | Retirement/reappointment |
|----------------------|-----------------------|--------------------------|
| C.A.S.M. Renders     | 23 April 2009         | AGM 2013                 |
| D.R. Goeminne        | 26 April 2010         | AGM 2014                 |
| A.J.L. Slippens      | 26 April 2010         | AGM 2014                 |
| E.A. de Groot        | 28 April 2011         | AGM 2015                 |

Despite the sharp fluctuations in consumer confidence in the various countries in which we operate with our retail formulas, revenue increased by 6.0% in 2011, and the company has reported an increase in net profit from 2010.

The Supervisory Board is pleased with the way in which the Management Board has directed the company, set the right priorities, and, in so doing, achieved the desired result. This has allowed it to strengthen its position and create a basis for continued growth in the coming years.

## Financial statements, discharge, dividend

The financial statements were prepared by the Management Board and our auditor, Ernst & Young Accountants, subsequently issued an unqualified audit opinion with these financial statements. The report issued by Ernst & Young Accountants is included on pages 89 and 90 of this annual report. We discussed the financial statements in detail in the presence of the Management Board and Ernst & Young Accountants.

GRI EC1

After the third-quarter figures were published in October 2011, the company decided to pay an interim dividend of € 0.47 per share. In accordance with the Management Board's proposal, we propose distributing a final dividend of € 0.63 per share. This means that 85% of the profit for 2011 will be paid in the form of shareholder dividend, which is in line with the dividend policy adopted by the Annual General Meeting of Shareholders on 27 April 2005 (see page 16 of this report). The Supervisory Board approved the 2011 financial statements, and at the Annual General Meeting of Shareholders scheduled for 18 April 2012 it will propose that these financial statements be adopted accordingly.

## Composition of the Supervisory Board

The members of the Supervisory Board are appointed by the Annual General Meeting of Shareholders. 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 Board fulfils the role of the Selection and Appointment Committee by itself, in accordance with the Dutch Corporate Governance Code.

GRI 4.1; 4.2

GRI 4.7

After the Annual General Meeting of Shareholders the number of Supervisory Directors was reduced from five to four following the death of Mr J. Blokker. We would once again like to express our tremendous gratitude to him for the outstanding contribution he made to the company as a born retailer.

We have decided not to increase the number of Supervisory Directors, as the size of the Board is appropriate under the present circumstances, and the composition of the Supervisory Board matches the profile of the Board as published on the company's website. In accordance with the schedule, Mr C.A.S.M. Renders is due to retire in 2013.

Mr Renders has been a Supervisory Director at Beter Bed Holding since 1997. Under the Corporate Governance Code, which provides that the current maximum term for a Supervisory Director is twelve years, Mr Renders cannot be reappointed. In the course of 2012, the Board will therefore start looking for a suitable replacement.

## Supervisory Board Meetings

In 2011, the Supervisory Board was closely involved in developments related to Beter Bed Holding and its subsidiaries. During the reporting year, the Chairman regularly 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, and in addition a strategic session was held in Barcelona. The Supervisory Board also held two conference calls with the Management Board. Additionally, the members of the Supervisory Board met on two occasions, as well as visiting El Gigante del Colchón in Barcelona. A delegation of the Board visited Matratzen Concord in Cologne.

The Supervisory Board received regular, detailed verbal and written updates from the Management Board throughout the year.

The meetings with the Management Board were well prepared, making it possible for board members to accurately assess sales, operational, strategic and organisational developments at the company. Naturally, changes in operating results were a prime focus in the past year, with key priorities being trends in Spain, the positioning of the various retail formulas in the European



markets, Corporate Social Responsibility (CSR) policy, online sales strategy, the company's medium-term strategy, competitive conditions in the various markets, the company's financial structure, its internal control systems, and Corporate Governance.

The company met with the external auditor on two occasions. In March 2011 they discussed the results for 2010 and the audit findings. The interim results were discussed in August 2011, along with the results of the audit of the interim results conducted by the external auditor.

The budget for 2012, which was adopted during the meeting of 14 December 2011, sets out the company's operational and financial targets, along with the policy that should ensure that these targets are achieved. Within this context the Board also approved the proposed investments. In our closed meetings, we discussed issues such as our own performance and the composition of the Board. The performance of the Management Board and the employee benefits policy were naturally on the agenda as well. As part of their evaluation of their own performance, all Supervisory Directors completed a detailed survey that focused on the following issues: composition of the Supervisory Board, organisation and conduct of the meetings, the Board's own performance, the performance of its committees, and its relationship with the Management Board.

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.

## Audit Committee

During the financial year, the Audit Committee was comprised of Mr E.F. van Veen (Chairman up to and including the Annual General Meeting of Shareholders of 28 April 2011), Mr C.A.S.M. Renders, Mr D.R. Goeminne and Ms E.A. de Groot (Chairperson effective from the Annual General Meeting of Shareholders). The composition of the Audit Committee is in accordance with the provisions of the Dutch Corporate Governance Code, with Ms De Groot serving as a 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 governance requirements.

The Audit Committee met on two occasions during the past financial year; the external auditor attended both these meetings, as did the Management Board (in part). Due to its size, the company does not maintain an internal accounting department.

The main issues discussed during the meetings of the Audit Committee included the 2010 financial statements and the 2011 half-year results, audit reports, the 2010 management letter, the 2011 audit plan, compliance with the external auditor's recommendations, risks, and the risk management and control system. Other issues addressed included the Dutch corporation tax return, the status of the Wonen Industrial Pension Fund, possible changes to accounting with regard to lease obligations, the nomination of the external auditor, and the 2010 annual report. A special focus was the impact of the economic crisis and declining consumer confidence and propensity to buy on the company's cash flow and fundability.

## Remuneration Committee

Since 1 January 2012, the Remuneration Committee consists of all members of the Board and meets at least twice per year. The Remuneration Report follows the Report of the Supervisory Board on page 53 of this report.

## Corporate Governance

The Supervisory Board endorses the principles of good governance as contained in the Dutch Corporate Governance Code. Pages 46 and 47 of this report set out the Management Board's views regarding the Dutch Corporate Governance Code. This policy has resulted in the following documents:

GRI 4.4

- Supervisory Board regulations.
- Audit Committee regulations.
- Remuneration Committee regulations.
- Management Board regulations.
- Code of Conduct.
- Whistleblowers policy.
- Investor Relations policy.

The Supervisory Board recommends that shareholders and other stakeholders review these documents on [www.beterbedholding.com](http://www.beterbedholding.com).

On the recommendation of the Management Board and the Supervisory Board, the Annual General Meeting of Shareholders agreed to the proposed amendment of the Articles of Association during the reporting year. The reason for this amendment was to reduce the term for members of the Supervisory Board to a maximum of three four-year periods again, in accordance with the Corporate Governance Code. Furthermore, the Articles of Association have been updated and brought in line with the applicable laws and regulations.

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](http://www.beterbedholding.com), which always contains the most up-to-date information on the company.

After holding the 2011 Annual General Meeting of Shareholders in Uden, the company's place of business, we decided to hold it in Amsterdam again this year for practical reasons (i.e. easier accessibility for the majority of shareholders).

We would finally like to emphasise that our financial performance for 2011 was good after a record performance in 2010, and that this would not have been possible without the outstanding commitment of all our employees in the various European countries and the nearly 1,200 stores. We thank them all for their excellent work.

Uden, the Netherlands, 1 March 2012

D.R. Goeminne, Chairman  
A.J.L. Slippens, Vice Chairman  
E.A. de Groot  
C.A.S.M. Renders

# Remuneration Report

During the year under review, the Remuneration Committee was comprised of Mr C.A.S.M. Renders (Chairman), Mr D.R. Goeminne and Mr A.J.L. Slippens. The Committee met on two occasions in 2011, and, although it is not part of its formal duties, it consulted with the Management Board regarding compensation of the organisation's top twenty managers.

GRI 4.5

## Remuneration policy

The remuneration policy has most recently been approved by the Annual General Meeting of Shareholders on 23 April, 2009. The Remuneration Committee advises the Supervisory Board on the formulation of the remuneration policy and on fixing the individual remuneration of the members of the Management Board. The remuneration policy is designed to attract, motivate and retain qualified employees who allow Beter Bed Holding to achieve its strategic and operational objectives, taking into account the social context, corporate governance, and the interests of the stakeholders of Beter Bed.

## Remuneration of the Management Board

The remuneration of the Management Board consists of the following components:

- Competitive fixed salary.
- Competitive pension scheme.
- Variable remuneration.
- Options for new shares.

### Competitive fixed salary

The competitiveness of the fixed salary is determined according to the knowledge and experience of the Supervisory Directors and is not based on external studies.

### Competitive pension scheme

A defined contribution scheme will be the default scheme used at the company. The percentage of the defined contribution will be determined by taking into account the other companies with which the members of the Supervisory Board are affiliated as well as the maximum amount permitted under tax law. In 2011 the Chief Executive Officer and the Finance Director received a contribution equivalent to 30% and 9% of their fixed salaries, respectively.

### Variable remuneration

The variable remuneration is largely result-related and is awarded partially at the discretion of the Supervisory Board. The maximum variable remuneration in 2011 for the Chief Executive Officer and the Finance Director amounted to 60% and 50% of the fixed salary respectively. The variable remuneration of the CEO is based for 50% on the achievement of quantitative objectives; the remaining 50% is at the discretion of the Supervisory Board. The Finance Director's variable remuneration is based for 40% on the achievement of quantitative results while the remaining 60% is based on the achievement of qualitative objectives.

For 2011, the breakdown of the component of the variable remuneration that depends on quantitative objectives is as follows:

- Upon realisation of 90% of the budgeted operating profit (EBIT), 25% of the variable remuneration that depends on the quantitative objectives is paid.
- Upon realisation of an operating profit of between 90% and 120% of the budgeted operating profit, the pro rata component, subject to a maximum of 75% of the variable remuneration that is based on the quantitative objectives, is paid.

The budget is set at a level that the Supervisory Board deems to be challenging yet feasible at the time of determining the budget. The extent to which there are normal market conditions and whether there has been sound business practice are and will be taken into account when assessing the degree to which the quantitative objectives have been achieved. For competitive reasons, the budgeted operating profit will not be published.

### **Options for new shares**

As a long-term incentive, the company awards options for new shares. These options are awarded to both the Management Board and the management teams of the various formulas. A maximum of 1% of the outstanding share capital may be awarded in options per year. Options are generally awarded after the completion of the third quarter and at the discretion of the Supervisory Board. The options are always conditional. A net profit target that is defined at the time of issuing the options must be achieved during the period to expiry before the options may be exercised. The value of the options is determined by an actuarial calculation based on the Black & Scholes model.

The contracts of the Management Board members do not include change of control clauses. Should, however, an offer for all the shares in the company be fulfilled, all the options may be exercised regardless of the status of the achievement of the targets.

When formulating the remuneration policy and determining the individual salary, the Remuneration Committee carried out the scenario analyses referred to in the Corporate Governance Code best practice II.2.1.

### **Changes in 2012**

After reviewing the applicable options scheme in 2011, the Remuneration Committee has decided to amend the scheme effective 2012. The purpose of these amendments is to align the long-term incentives more closely and to improve transparency. The following changes and additions have been provided for:

- Implementation of a generally applicable option scheme including the vesting conditions.
- Objective, formalised system to set criteria for allocating options.
- Allocation of options on the date of the Annual General Meeting of Shareholders.
- Term of options to five years.
- Reconsideration of net profit target.



### Variable remuneration for 2011

For 2011, the objectives for the component of the variable remuneration based on quantitative and qualitative objectives was not fully realised.

The table below shows the remuneration of Mr Anbeek and Mr Van Hoeve for 2011.

| in €          | Total   | Salary  | Pension | Variable remuneration | Employee stock options |
|---------------|---------|---------|---------|-----------------------|------------------------|
| A.H. Anbeek   | 604,589 | 315,000 | 94,500  | 115,889               | 79,200                 |
| D. van Hoeve* | 211,400 | 125,000 | 11,800  | 35,000                | 39,600                 |

\* Non-statutory Director

At year-end 2011, both Mr Anbeek and Mr van Hoeve held the following options for shares in Beter Bed Holding N.V.:

|              | Series | Number | Value of each option at time of awarding |      | Exercise price |       | Expiry date | Profit target in millions of € | Profit target achieved |
|--------------|--------|--------|------------------------------------------|------|----------------|-------|-------------|--------------------------------|------------------------|
| A.H. Anbeek  | 2010   | 50,000 | €                                        | 3.54 | €              | 19.07 | 29-04-2016  | 32.0                           | No                     |
|              | 2011   | 50,000 | €                                        | 1.58 | €              | 14.67 | 28-04-2017  | 32.0                           | No                     |
| D. van Hoeve | 2006   | 6,250  | €                                        | 3.15 | €              | 17.08 | 27-10-2012  | 27.5                           | Yes                    |
|              | 2007   | 6,250  | €                                        | 3.56 | €              | 20.92 | 30-04-2013  | 36.0                           | No                     |
|              | 2008   | 4,685  | €                                        | 1.39 | €              | 8.15  | 29-04-2014  | 22.5                           | Yes                    |
|              | 2009   | 15,000 | €                                        | 3.20 | €              | 15.23 | 28-04-2015  | 25.0                           | Yes                    |
|              | 2010   | 20,000 | €                                        | 3.54 | €              | 19.07 | 29-04-2016  | 32.0                           | No                     |
|              | 2011   | 25,000 | €                                        | 1.58 | €              | 14.67 | 28-04-2017  | 32.0                           | No                     |

The value at the time of awarding is determined using an actuarial calculation based on the Black & Scholes model.

For the 2010 option series, a longer term for the options was mistakenly used and included in the report. This was corrected in the year under review, and the term was adjusted to that of previous years. Contrary to the company's policy, the Extraordinary Meeting of Shareholders held in November 2009 approved the immediate exercise of the options by the CEO in the event that his contract would not be renewed after four years.



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## Financial Statements 2011

# Consolidated balance sheet

at 31 December in thousand €

| before proposed profit appropriation   | Notes         | 2011           | 2010           |
|----------------------------------------|---------------|----------------|----------------|
| <b>FIXED ASSETS</b>                    |               |                |                |
| <b>Tangible fixed assets</b>           | <b>1. 11.</b> |                |                |
| Land                                   |               | 5,317          | 5,317          |
| Buildings                              |               | 4,241          | 4,604          |
| Other fixed operating assets           |               | 24,428         | 19,484         |
|                                        |               | <b>33,986</b>  | <b>29,405</b>  |
| <b>Intangible fixed assets</b>         | <b>2. 11.</b> |                |                |
| Goodwill                               |               | 3,811          | 3,811          |
| <b>Financial fixed assets</b>          |               |                |                |
| Deferred tax assets                    | 16.           | 1,316          | 1,206          |
| Long-term accounts receivable          | 3.            | 614            | 508            |
|                                        |               | <b>1,930</b>   | <b>1,714</b>   |
| <b>CURRENT ASSETS</b>                  |               |                |                |
| <b>Stocks</b>                          | <b>4.</b>     |                |                |
| Finished products and goods for resale |               | 59,461         | 56,633         |
| <b>Debtors</b>                         | <b>5.</b>     |                |                |
| Trade accounts receivable              |               | 1,664          | 1,086          |
| Other debtors                          |               | 6,644          | 4,567          |
|                                        |               | <b>8,308</b>   | <b>5,653</b>   |
| <b>Cash and cash equivalents</b>       | <b>6.</b>     | <b>7,075</b>   | <b>16,761</b>  |
| <b>Total assets</b>                    |               | <b>114,571</b> | <b>113,977</b> |

|                                                            | Notes      | 2011           | 2010           |
|------------------------------------------------------------|------------|----------------|----------------|
| <b>LIABILITIES</b>                                         |            |                |                |
| <b>Equity attributable to equity holders of the parent</b> | <b>7.</b>  |                |                |
| Issued share capital                                       |            | 436            | 436            |
| Share premium account                                      |            | 16,145         | 16,145         |
| Reserve for currency translation differences               |            | 768            | 504            |
| Revaluation reserve                                        |            | 2,740          | 2,722          |
| Other reserves                                             |            | 13,901         | 13,107         |
| Retained earnings                                          |            | 28,025         | 27,937         |
|                                                            |            | <b>62,015</b>  | <b>60,851</b>  |
| <b>Long-term liabilities</b>                               | <b>8.</b>  |                |                |
| Deferred tax liabilities                                   |            | 2,000          | 1,924          |
| Credit institutions                                        |            | 3,000          | 5,000          |
|                                                            |            | <b>5,000</b>   | <b>6,924</b>   |
| <b>CURRENT LIABILITIES</b>                                 |            |                |                |
| <b>Current liabilities</b>                                 | <b>9.</b>  |                |                |
| Credit institutions                                        |            | 5,314          | 2,000          |
| Trade creditors                                            |            | 12,879         | 17,189         |
| Profit tax payable                                         | <b>16.</b> | 2,992          | 3,536          |
| Taxes and social security contributions                    |            | 9,082          | 8,940          |
| Other liabilities                                          |            | 17,289         | 14,537         |
|                                                            |            | <b>47,556</b>  | <b>46,202</b>  |
| <b>Total liabilities</b>                                   |            | <b>114,571</b> | <b>113,977</b> |

# Consolidated profit and loss account

| at 31 December in thousand €          | Notes | 2011           |       | 2010           |       |
|---------------------------------------|-------|----------------|-------|----------------|-------|
| Revenue                               | 11.   | 397,035        |       | 374,724        |       |
| Cost of sales                         |       | (172,625)      |       | (165,217)      |       |
| <b>Gross profit</b>                   |       | <b>224,410</b> | 56.5% | <b>209,507</b> | 55.9% |
| Wage and salary costs                 | 12.   | 87,757         |       | 81,190         |       |
| Depreciation of tangible fixed assets | 14.   | 8,510          |       | 7,848          |       |
| Other operating expenses              | 15.   | 89,855         |       | 83,009         |       |
| <b>Total operating expenses</b>       |       | <b>186,122</b> | 46.9% | <b>172,047</b> | 45.9% |
| <b>Operating profit (EBIT)</b>        |       | <b>38,288</b>  | 9.6%  | <b>37,460</b>  | 10.0% |
| Financial income                      |       | 394            |       | 459            |       |
| Financial expenses                    |       | (828)          |       | (848)          |       |
| <b>Profit before taxation</b>         |       | <b>37,854</b>  | 9.5%  | <b>37,071</b>  | 9.9%  |
| Income tax expense                    | 16.   | (9,829)        |       | (9,134)        |       |
| <b>Net profit</b>                     |       | <b>28,025</b>  | 7.1%  | <b>27,937</b>  | 7.5%  |
| <b>Earnings per share</b>             | 18.   |                |       |                |       |
| Earnings per share in €               |       | 1.29           |       | 1.30           |       |
| Diluted earnings per share in €       |       | 1.29           |       | 1.29           |       |

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# Consolidated statement of comprehensive income

| at 31 December in thousand €                                     | 2011          |                |               | 2010          |                |               |
|------------------------------------------------------------------|---------------|----------------|---------------|---------------|----------------|---------------|
|                                                                  | Gross         | Tax            | Net           | Gross         | Tax            | Net           |
| Net profit                                                       | 37,854        | (9,829)        | 28,025        | 37,071        | (9,134)        | 27,937        |
| Change in revaluation reserve due to<br>a change in the tax rate | -             | 18             | 18            | -             | -              | -             |
| Movements in reserve for currency<br>translation differences     | 264           | -              | 264           | 367           | -              | 367           |
| <b>Total comprehensive income</b>                                | <b>38,118</b> | <b>(9,811)</b> | <b>28,307</b> | <b>37,438</b> | <b>(9,134)</b> | <b>28,304</b> |

# Consolidated cash flow statement

at 31 December in thousand €

|                                                                                             | 2011            | 2010            |
|---------------------------------------------------------------------------------------------|-----------------|-----------------|
| <b>Cash flow from operating activities</b>                                                  |                 |                 |
| Operating profit                                                                            | 38,288          | 37,460          |
| Financing income received                                                                   | 394             | 459             |
| Financing expenses paid                                                                     | (828)           | (848)           |
| Profit tax paid                                                                             | (10,407)        | (8,626)         |
| Depreciation                                                                                | 8,510           | 7,848           |
| Costs employee stock options                                                                | 489             | 507             |
| Movements in:                                                                               |                 |                 |
| – Stocks                                                                                    | (2,828)         | (5,166)         |
| – Debtors                                                                                   | (2,655)         | (286)           |
| – Short-term liabilities                                                                    | (1,416)         | 425             |
| – Other                                                                                     | 273             | 269             |
|                                                                                             | <b>29,820</b>   | <b>32,042</b>   |
| <b>Cash flow from investing activities</b>                                                  |                 |                 |
| Additions to tangible fixed assets                                                          | (13,336)        | (8,151)         |
| Disposals of tangible fixed assets                                                          | 254             | 659             |
| Changes in long-term accounts receivable                                                    | (106)           | 67              |
|                                                                                             | <b>(13,188)</b> | <b>(7,425)</b>  |
| <b>Cash flow from financing activities</b>                                                  |                 |                 |
| Repayment of loan                                                                           | (2,000)         | (2,000)         |
| Income from the reissuance of shares                                                        | 542             | 1,959           |
| Dividend paid                                                                               | (28,174)        | (24,971)        |
|                                                                                             | <b>(29,632)</b> | <b>(25,012)</b> |
| <b>Change in net cash and cash equivalents</b>                                              | <b>(13,000)</b> | <b>(395)</b>    |
| Cash and cash equivalents at the end of the financial year                                  | 7,075           | 16,761          |
| Current bank overdraft not including repayment obligations at the end of the financial year | 3,314           | -               |
| Net cash and cash equivalents at the end of the financial year                              | 3,761           | 16,761          |
| Cash and cash equivalents at the start of the financial year                                | 16,761          | 17,156          |
| <b>Change in net cash and cash equivalents</b>                                              | <b>(13,000)</b> | <b>(395)</b>    |

# Consolidated statement of changes in equity

in thousand €

|                                                  | Total         | Issued<br>share<br>capital | Share<br>premium<br>reserve | Reserve<br>for<br>currency<br>translation | Revalua-<br>tion<br>reserve | Other<br>reserves | Retained<br>earnings |
|--------------------------------------------------|---------------|----------------------------|-----------------------------|-------------------------------------------|-----------------------------|-------------------|----------------------|
| <b>Balance on 1 Jan. 2010</b>                    | <b>55,052</b> | <b>436</b>                 | <b>16,145</b>               | <b>137</b>                                | <b>2,722</b>                | <b>11,694</b>     | <b>23,918</b>        |
| Net profit 2010                                  | 27,937        | -                          | -                           | -                                         | -                           | -                 | 27,937               |
| Other components of<br>comprehensive income 2010 | 367           | -                          | -                           | 367                                       | -                           | -                 | -                    |
| Profit appropriation 2009                        | (14,853)      | -                          | -                           | -                                         | -                           | 9,065             | (23,918)             |
| Interim dividend 2010                            | (10,118)      | -                          | -                           | -                                         | -                           | (10,118)          | -                    |
| Reissuance of shares                             | 1,959         | -                          | -                           | -                                         | -                           | 1,959             | -                    |
| Costs of employee stock options                  | 507           | -                          | -                           | -                                         | -                           | 507               | -                    |
| <b>Balance on 31 Dec. 2010</b>                   | <b>60,851</b> | <b>436</b>                 | <b>16,145</b>               | <b>504</b>                                | <b>2,722</b>                | <b>13,107</b>     | <b>27,937</b>        |
| Net profit 2011                                  | 28,025        | -                          | -                           | -                                         | -                           | -                 | 28,025               |
| Other components of<br>comprehensive income 2011 | 282           | -                          | -                           | 264                                       | 18                          | -                 | -                    |
| Profit appropriation 2010                        | (17,988)      | -                          | -                           | -                                         | -                           | 9,949             | (27,937)             |
| Interim dividend 2011                            | (10,186)      | -                          | -                           | -                                         | -                           | (10,186)          | -                    |
| Reissuance of shares                             | 542           | -                          | -                           | -                                         | -                           | 542               | -                    |
| Costs of employee stock options                  | 489           | -                          | -                           | -                                         | -                           | 489               | -                    |
| <b>Balance on 31 Dec. 2011</b>                   | <b>62,015</b> | <b>436</b>                 | <b>16,145</b>               | <b>768</b>                                | <b>2,740</b>                | <b>13,901</b>     | <b>28,025</b>        |

# General notes

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

Certain prior period amounts have been reclassified to conform to current period presentation. On the balance sheet the deposits in connection with the rent of stores are presented as financial fixed assets given the long term nature of these receivables.

The 2011 consolidated financial statements of Beter Bed Holding N.V. have been drawn up by the Management Board and were considered in the meeting of the Supervisory Board on 1 March 2012. These financial statements are still to be adopted by the shareholders. The adoption of the financial statements has been placed on the agenda of the Annual General Meeting of Shareholders on 18 April 2012. Pursuant to Section 402, of Book 2 of the Dutch Civil Code, the company financial statements contain an abbreviated profit and loss account.

## Application of new standards

During the financial year the company applied the following new and amended IFRS standards and IFRIC interpretations effective as of January 1, 2011, as relevant to the company:

IAS 24: Related party disclosures, effective January 1, 2011.

IAS 32: Financial instruments: Presentation - classification of rights issues, effective February 1, 2010.

IFRIC 14: Prepayments of a minimum funding requirement, effective January 1, 2011.

IFRIC 19: Extinguishing financial liabilities with equity instruments, effective July 1, 2010.

Improvements to IFRSs (issued May 2010), effective January 1, 2011.

The application of these standards and interpretations did not have a material impact on the company's capital and profit/loss.

There has been no early implementation of new standards, amendments to existing standards, new IFRIC standards or interpretations the application of which is mandatory for the financial years commencing after 1 January 2011. The following new standards, interpretations and amendments could potentially be relevant to the company:

- IAS 1: Presentation of financial statements, effective July 1, 2012.
- IAS 12: Income taxes - recovery of tax assets, effective January 1, 2012.
- IAS 19: Employee benefits, effective January 1, 2013.
- IAS 27: Separate financial statements, effective January 1, 2013.
- IAS 28: Investments in associates and joint ventures, effective January 1, 2013.
- IFRS 7: Financial instruments: Disclosures - Amendment to disclosures, effective July 1, 2011.
- IFRS 9: Financial instruments, effective January 1, 2013.
- IFRS 10: Consolidated financial statements, effective January 1, 2013.
- IFRS 11: Joint arrangements, effective January 1, 2013.
- IFRS 12: Disclosure of interests in other entities, effective January 1, 2013.
- IFRS 13: Fair value measurement, effective January 1, 2013.

It is expected that in the future, the application of these new standards, amendments to existing standards and new interpretations will result primarily in amended notes to a number of items in the financial statements.

## Principles of consolidation

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

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

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

## Principles for the translation of foreign currencies

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

## Accounting policies

### **Tangible fixed assets**

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

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

### **Lease agreements**

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

### **Goodwill**

Goodwill is the difference between the acquisition price minus the fair value of identifiable assets and the fair value of the acquired liabilities. Goodwill is valued at cost minus any possible impairment losses. Goodwill is checked at least annually for impairment, if events or changes in circumstances indicate that the book value has possibly been impaired.

To check for impairment, the goodwill that arose from a business combination is attributed from the acquisition date to the company's cash-flow generating units, or combinations of units, which are expected to profit from the synergy of the business combination, regardless of whether other assets or liabilities of the company are attributed to these units or groups of units. Goodwill impairments cannot be reversed after initial recognition.

### **Impairment of assets**

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

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

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

#### **Derecognition in the balance sheet of financial assets and liabilities**

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

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

#### **Taxation**

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

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

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

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

**Stocks**

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

**Cash and cash equivalents**

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

**Other assets and liabilities**

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

## Determination of the result

**Revenue**

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

**Cost of sales**

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

**Expenses**

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

**Pensions**

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

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

### **Depreciation**

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

## Cash flow statement

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

## Share-based transactions

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

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

The expenses of the transactions settled in equity instruments are, together with an equal increase to the capital and reserves, entered in the period in which the conditions relating to the performance and/or services are met, ending on the date on which the involved employees receive full rights to allotment (the date upon which these rights have become unconditional).

The cumulative expenses, for transactions settled in equity instruments on the reporting date, reflect the degree to which the waiting period has expired and also reflects the company's best estimation of the number of equity instruments that will ultimately be allotted unconditionally. The amount that is charged to the profit and loss account for a certain period reflects the movements in the cumulative expense that is entered at the beginning of that period.

## Risks

Currency risks, arising mainly from purchases in dollars, are not covered. A five percent change in the average dollar exchange rate would, on the basis of the purchasing volumes in the financial year, produce an effect of approximately € 148 (2010: € 207) on the operating profit (EBIT) if sales prices remain the same. There are virtually no financial instruments in foreign currencies.

Owing to the current capital structure of the company, interest rate risk is very limited. The effect on the result of a change (increase or decrease) in interest rate by 50 basis points would be approximately € 42 before tax (2010: € 35), on the basis of the use of the credit facilities at year-end 2010. The book value of the financial obligations is virtually equal to the fair value.

Credit risk is limited to the wholesale operations and trade receivables under bonus agreements. No specific measures are required for this, in addition to standard credit control. The fair value of receivables is equal to their book value. The maximum credit risk equals the carrying amount of the receivables.

Liquidity risk is not very significant, owing to the nature of the company's operations and financial position. A description of the available credit facilities is set out on page 75 of this report. For an explanation of the other risks, please refer to the related section in the Report of the Management Board on page 31 and continued.

## Capital management

The company has a target solvency of at least 30% (in accordance with the dividend policy). In addition, the ratio of net interest-bearing debt/EBITDA may not exceed 2. The item stocks is by far the most important in the working capital. Targets have been defined for this for each formula. These variables are included in the weekly reports.

## Information by segment

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

## Estimates

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

# Notes to the consolidated balance sheet and profit and loss account

at 31 December in thousand €

## 1. Tangible fixed assets

|                                    | Land         | Buildings    | Other fixed operating assets | Total          |
|------------------------------------|--------------|--------------|------------------------------|----------------|
| <b>Book value 1 January 2010</b>   | <b>5,323</b> | <b>4,956</b> | <b>19,384</b>                | <b>29,663</b>  |
| Investments                        | -            | -            | 8,151                        | 8,151          |
| Revaluation                        | -            | -            | -                            | -              |
| Transfers                          | (6)          | 11           | (5)                          | -              |
| Currency adjustment                | -            | -            | 98                           | 98             |
| Disposals                          | -            | -            | (659)                        | (659)          |
| Depreciation                       | -            | (363)        | (7,485)                      | (7,848)        |
| <b>Book value 31 December 2010</b> | <b>5,317</b> | <b>4,604</b> | <b>19,484</b>                | <b>29,405</b>  |
| Accumulated depreciation           | -            | 4,510        | 63,861                       | 68,371         |
| Accumulated revaluation            | (3,654)      | -            | -                            | (3,654)        |
| <b>Purchase price</b>              | <b>1,663</b> | <b>9,114</b> | <b>83,345</b>                | <b>94,122</b>  |
| <b>Book value 1 January 2011</b>   | <b>5,317</b> | <b>4,604</b> | <b>19,484</b>                | <b>29,405</b>  |
| Investments                        | -            | -            | 13,336                       | 13,336         |
| Revaluation                        | -            | -            | -                            | -              |
| Transfers                          | -            | -            | -                            | -              |
| Currency adjustment                | -            | -            | 9                            | 9              |
| Disposals                          | -            | -            | (254)                        | (254)          |
| Depreciation                       | -            | (363)        | (8,147)                      | (8,510)        |
| <b>Book value 31 December 2011</b> | <b>5,317</b> | <b>4,241</b> | <b>24,428</b>                | <b>33,986</b>  |
| Accumulated depreciation           | -            | 4,873        | 69,757                       | 74,630         |
| Accumulated revaluation            | (3,654)      | -            | -                            | (3,654)        |
| <b>Purchase price</b>              | <b>1,663</b> | <b>9,114</b> | <b>94,185</b>                | <b>104,962</b> |

The revaluation relates to the company land at Uden and Hoogeveen and the land forming part of retail properties owned. These properties are located in the Dutch cities of Elst, Den Helder, 's-Hertogenbosch and Uden. This land was revalued on 12 October 2009 by an independent valuer.

The value of land is defined as the price that would be paid in a private sale of the land in undeveloped state but prepared for building, offered free of all third-party rights and in the way most suitable for the immovable property, after best preparation, by the highest-bidding candidate, with any taxes payable to the government and/or sales tax and notarial charges being borne by the buyer.

The company believes real value has not changed significantly since the most recent appraisal.

The tangible fixed assets are intended for own use.

## 2. Intangible fixed assets

The goodwill relates to the acquisition of the Spanish companies. The cash flow-generating unit to which this acquired goodwill is allotted is El Gigante del Colchón. The realisable value of the goodwill is determined on the basis of the present value of the company. This is calculated on the basis of the future cash flows, based on the financial budgets and prognoses of the cash flow-generating units over a period of five years. A growth rate of 2.5% per year has been used after those five years (2010: 2.5%). The growth rate used relates to the expected inflation for the coming years.

The net present value of expected cash flows calculated using a discount rate before taxes of 13.8% (2010: 15.0%) supports the goodwill recognised as at the balance sheet date.

## 3. Long-term accounts receivables

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

## 4. Stocks

This comprises stocks held in stores to the value of € 52,054 (2010: € 49,759) and stocks held in warehouses to the value of € 7,407 (2010: € 6,874). The write-down for possible obsolescence included in this item can be specified as follows:

|                               | 2011         | 2010         |
|-------------------------------|--------------|--------------|
| <b>Balance at 1 January</b>   | <b>1,466</b> | <b>1,469</b> |
| Additions                     | 203          | 150          |
| Withdrawals                   | (19)         | (153)        |
| <b>Balance at 31 December</b> | <b>1,650</b> | <b>1,466</b> |

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

## 5. Debtors

All the accounts receivable fall due within less than one year and are carried at amortised cost price which is equal to the nominal value. Sales in stores and deliveries are settled in cash. Receivables relate mainly to receivables due from wholesale customers and trade receivables arising from agreed bonuses. A provision of € 55 (2010: € 62) is recognised for wholesale accounts receivable. This is 33% (2010: 30%) of the overdue receivables.

## 6. Cash and cash equivalents

This item relates to the cash and bank balances. The amount is composed as follows: cash € 339 (2010: € 433), bank balances € 3,224 (2010: € 14,229) and cash in transit € 3,512 (2010: € 2,099).

## 7. Equity

The movements in the equity items are shown in the consolidated equity movement overview on page 63. The company's authorised share capital amounts to € 1,250, divided into 62.5 million ordinary shares with a nominal value of € 0.02.

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

|                                                    | 2011       | 2010       |
|----------------------------------------------------|------------|------------|
| <b>Issued and paid-up shares as at 1 January</b>   | 21,805,117 | 21,805,117 |
| Share issue on exercise of employee stock options  | -          | -          |
| <b>Issued and paid-up shares as at 31 December</b> | 21,805,117 | 21,805,117 |
| <b>Shares in portfolio as at 1 January</b>         | 192,545    | 403,480    |
| Repurchased during the year                        | -          | -          |
| Reissue on exercise of options                     | (59,620)   | (210,935)  |
| <b>Shares in portfolio as at 31 December</b>       | 132,925    | 192,545    |

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

The revaluation reserve relates to land.

A proposal will be submitted to the Annual General Meeting of Shareholders to distribute a final dividend in cash of € 0.63 per share. The total dividend for 2011 will therefore amount to € 1.10 per share (2010: € 1.30).

## 8. Long-term liabilities

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

The movements in this item in 2011 and 2010 are as follows:

|                               | 2011         | 2010         |
|-------------------------------|--------------|--------------|
| <b>Balance at 1 January</b>   | <b>1,924</b> | <b>1,816</b> |
| To profit and loss account    | 94           | 108          |
| To equity                     | (18)         | -            |
| <b>Balance at 31 December</b> | <b>2,000</b> | <b>1,924</b> |

Within deferred tax liabilities at the end of the financial year, € 914 (2010: € 932) relate to the revaluation of land and € 1,086 (2010: € 992) to the difference between the valuation of stock for tax purposes and for financial reporting purposes.

A loan of € 10.0 million at a fixed rate of interest of 4.75% was entered into in June 2009. The loan has a term of five years and is repaid by monthly installments. The annual repayment obligation of € 2.0 million is paid from present cash flows and reported in the balance sheet in Current liabilities - Credit institutions. The interest amounts to € 190 for 2012 and € 107 for the years thereafter.

## 9. Current liabilities

To fund the group the company has current account facilities totalling € 34.2 million at its disposal. Furthermore, facilities totalling € 7.4 million are available for providing guarantees.

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

The above-mentioned current account facilities include a committed facility in the amount of € 10.0 million, which will expire on 31 July 2015. As security for the committed facility, mortgages have been provided for the Uden and Hoogeveen distribution centres and for the Den Helder store premises.

At the end of the year under review, a total of € 3.3 million of the current-account facilities was used. In addition, these facilities were used to provide bank guarantees, mainly for the purpose of rent payments in the amount of € 0.8 million (2010: € 0.9 million). Of the facilities available specifically to provide guarantees, a total of € 5.8 million was in use at year-end 2011 (2010: € 5.6 million).

Creditors in the Netherlands are generally paid within ten days. In Germany, payment terms are 15 days following the end of the month of delivery.

## 10. Financial obligations

The financial obligations can be specified as follows:

|                     | up to 3 months | 3 to 12 months | 1 to 5 years |
|---------------------|----------------|----------------|--------------|
| <b>2011</b>         |                |                |              |
| Accounts payable    | 12,879         | -              | -            |
| Credit institutions | 3,814          | 1,500          | 3,000        |
| <b>Total</b>        | <b>16,693</b>  | <b>1,500</b>   | <b>3,000</b> |
| <b>2010</b>         |                |                |              |
| Accounts payable    | 17,189         | -              | -            |
| Credit institutions | 500            | 1,500          | 5,000        |
| <b>Total</b>        | <b>17,689</b>  | <b>1,500</b>   | <b>5,000</b> |

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

## 11. Information by geographic area

| Revenue by country      | 2011           | %          | 2010           | %          |
|-------------------------|----------------|------------|----------------|------------|
| Germany                 | 204,000        | 51         | 185,019        | 49         |
| The Netherlands         | 146,831        | 37         | 150,512        | 40         |
| Other countries         | 47,057         | 12         | 39,943         | 11         |
| Intercompany adjustment | (853)          | -          | (750)          | -          |
| <b>Total</b>            | <b>397,035</b> | <b>100</b> | <b>374,724</b> | <b>100</b> |

### Fixed assets by country

Intangible fixed assets totalling € 3,811 (2010: € 3,811) carried in the balance sheet at 31 December 2011 consisted in full of the goodwill paid in 2005 on the acquisition of the activities in Spain.

| Tangible fixed assets | 2011          | 2010          |
|-----------------------|---------------|---------------|
| The Netherlands       | 19,306        | 16,758        |
| Germany               | 10,875        | 9,408         |
| Other countries       | 3,805         | 3,239         |
| <b>Total</b>          | <b>33,986</b> | <b>29,405</b> |

## 12. Wage and salary costs

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

|                                 | 2011          | 2010          |
|---------------------------------|---------------|---------------|
| Wages and salaries              | 72,304        | 66,618        |
| Social security costs           | 12,897        | 12,130        |
| Pension costs                   | 2,067         | 1,935         |
| Costs of employee stock options | 489           | 507           |
| <b>Total</b>                    | <b>87,757</b> | <b>81,190</b> |

The pension contributions relate virtually exclusively to defined contribution schemes or schemes designated as such. Of the total cost for employee stock options, € 149 relate to the current and former members of the company's Management Board (2010: € 158).

### Average number of employees

All the companies included in the consolidation had an average of 2,401 employees (FTE) in 2011 (2010: 2,300):

|                 | 2011         | 2010         |
|-----------------|--------------|--------------|
| Germany         | 1,428        | 1,368        |
| The Netherlands | 688          | 677          |
| Austria         | 111          | 85           |
| Spain           | 96           | 98           |
| Switzerland     | 57           | 53           |
| Belgium         | 11           | 10           |
| Poland          | 10           | 9            |
| <b>Total</b>    | <b>2,401</b> | <b>2,300</b> |

### 13. Option program

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

|                                   | 2011        | 2010*       | 2009        | 2008        | 2007        | 2006        |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Number granted                    | 218,000     | 218,000     | 218,000     | 163,300     | 216,500     | 212,500     |
| Number outstanding                | 218,000     | 211,500     | 209,250     | 55,370      | 160,250     | 156,250     |
| Value according to                |             |             |             |             |             |             |
| Black & Scholes                   | € 1.58      | € 3.54      | € 3.20      | € 1.39      | € 3.56      | € 3.15      |
| Exercise from                     | 28-Oct-2013 | 29-Oct-2012 | 28-Oct-2011 | 29-Oct-2010 | 31-Oct-2009 | March 2009  |
| Exercise through                  | 28-Apr-2017 | 29-Apr-2016 | 28-Apr-2015 | 29-Apr-2014 | 30-Apr-2013 | 27-Oct-2012 |
| Profit target (in millions)       | € 32.0      | € 32.0      | € 25.0      | € 22.5      | € 36.0      | € 27.5      |
| Profit target achieved in year    | -           | -           | 2010        | 2009        | -           | 2007        |
| Share price on the allotment date | € 14.67     | € 19.07     | € 15.23     | € 8.15      | € 20.92     | € 17.08     |
| Exercise price                    | € 14.67     | € 19.07     | € 15.23     | € 8.15      | € 20.92     | € 17.08     |
| Expected life                     | 3.8 year    | 5.5 year    | 3.8 year    | 3.8 year    | 3.8 year    | 4.2 year    |
| Risk-free rate of interest        | 1.71%       | 2.25%       | 2.40%       | 3.80%       | 4.30%       | 3.90%       |
| Volatility**                      | 32.15%      | 40.40%      | 48.00%      | 38.00%      | 33.20%      | 41.10%      |
| Dividend yield                    | 9.00%       | 7.35%       | 5.00%       | 9.00%       | 6.70%       | 8.50%       |

\* In 2011, the terms for the 2010 option series were amended retroactively - for details on the background to this amendment, please see the remuneration report on page 53 and beyond. The amended terms did not result in a change in the value determined in 2010, based on the Black & Scholes model.

\*\* 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 2011, 59,620 options were exercised at an average price of € 20.48. These consisted of 6,250 options of the series from 2006 and 53,370 options of the series from 2008. A total of 21,500 options expired in 2011.

### 14. Depreciation

Depreciation in the year under review amounted to € 8,510 (2010: € 7,848).

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

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

## 15. Other operating expenses

Other operating expenses include € 46.6 million in rental expenses and lease expenses (2010: € 43.7 million). The remainder of these costs relates mainly to selling and distribution costs.

## 16. Income tax expense

A tax asset is recognised at year-end 2011 under financial fixed assets of € 1,097 (2010: € 1,026) relating to future tax loss carryforwards.

The differences between the valuation of tangible fixed assets for tax purposes and for financial reporting purposes give rise to the recognition of a tax asset of € 219 (2010: € 180).

An amount of € 1,433 (2010: € 1,077) in tax loss carry forwards is not recognised in the balance sheet, as their utilisation is currently assessed as being unlikely. These tax-offsettable losses are subject to the following terms:

| Term              |       |
|-------------------|-------|
| 1 year            | -     |
| 2-3 years         | 16    |
| 4-5 years         | 77    |
| More than 5 years | 1,340 |

The reconciliation between the tax liability and the results of the calculation of the profit before taxes, multiplied by the local tax rate in the Netherlands, was as follows on 31 December 2011 and 31 December 2010:

|                                                                        | 2011          | 2010          |
|------------------------------------------------------------------------|---------------|---------------|
| <b>Profit before taxes</b>                                             | <b>37,854</b> | <b>37,071</b> |
| At the applicable legal rate of 25.0% in the Netherlands (2010: 25.5%) | 9,464         | 9,453         |
| Adjustment profits tax previous years                                  | (22)          | (119)         |
| Non-deductible expenses / excepted income                              | (1,334)       | (1,514)       |
| Future loss set-off not included                                       | 388           | 469           |
| Recognition of previously unrecognized deferred tax assets             | (36)          | (186)         |
| Tax rate changes                                                       | (12)          | -             |
| Effect of the tax rates outside the Netherlands                        | 1,381         | 1,031         |
| <b>At an effective tax rate of 26.0% (2010: 24.6%)</b>                 | <b>9,829</b>  | <b>9,134</b>  |
| Profit tax taken to the consolidated profit and loss account           | 9,829         | 9,134         |

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

|                                                               | 2011         | 2010         |
|---------------------------------------------------------------|--------------|--------------|
| <b>Tax for current year</b>                                   | <b>9,867</b> | <b>9,313</b> |
| Adjustment of profit tax for prior years                      | (22)         | (119)        |
| Temporary differences                                         | 55           | 77           |
| Future tax loss carryforwards                                 | (71)         | (137)        |
| <b>Profit tax in the consolidated profit and loss account</b> | <b>9,829</b> | <b>9,134</b> |

## 17. Remuneration for the members of the Management Board and the Supervisory Board

In 2011 and 2010 the remuneration for the members of the Management Board and the Supervisory Board is as follows:

| in €                                | Total          |                  | Salary         |                | Variable remuneration |                | Pension        |                | Employee stock options |                |
|-------------------------------------|----------------|------------------|----------------|----------------|-----------------------|----------------|----------------|----------------|------------------------|----------------|
|                                     | 2011           | 2010             | 2011           | 2010           | 2011                  | 2010           | 2011           | 2010           | 2011                   | 2010           |
| A.H. Anbeek                         | 604,589        | 747,000          | 315,000        | 300,000        | 115,889               | 180,000        | 94,500         | 90,000         | 79,200                 | 177,000        |
| F.J.H. Geelen <sup>1)</sup>         | -              | 185,063          | -              | 78,750         | -                     | 78,750         | -              | 27,563         | -                      | -              |
| D. van Hoeve                        | 211,400        | 219,377          | 125,000        | 100,000        | 35,000                | 40,000         | 11,800         | 8,577          | 39,600                 | 70,800         |
| <b>Total Management Board</b>       | <b>815,989</b> | <b>1,151,440</b> | <b>440,000</b> | <b>478,750</b> | <b>150,889</b>        | <b>298,750</b> | <b>106,300</b> | <b>126,140</b> | <b>118,800</b>         | <b>247,800</b> |
| M.J.N.M. van Seggelen <sup>2)</sup> | 10,833         | 32,500           | 10,833         | 32,500         |                       |                |                |                |                        |                |
| E.F. van Veen <sup>2)</sup>         | 9,000          | 27,000           | 9,000          | 27,000         |                       |                |                |                |                        |                |
| C.A.S.M. Renders                    | 27,000         | 27,000           | 27,000         | 27,000         |                       |                |                |                |                        |                |
| J. Blokker <sup>3)</sup>            | 9,205          | 18,000           | 9,205          | 18,000         |                       |                |                |                |                        |                |
| D.R. Goeminne                       | 29,167         | 15,750           | 29,167         | 15,750         |                       |                |                |                |                        |                |
| A.J.L. Slippens                     | 22,500         | 15,750           | 22,500         | 15,750         |                       |                |                |                |                        |                |
| E.A. de Groot <sup>4)</sup>         | 15,000         | -                | 15,000         |                |                       |                |                |                |                        |                |
| <b>Total Supervisory Board</b>      | <b>122,705</b> | <b>136,000</b>   | <b>122,705</b> | <b>136,000</b> |                       |                |                |                |                        |                |

1) For the period 1 January 2010 up to and including 31 March 2010

2) For the period 1 January 2011 up to and including 30 April 2011

3) For the period 1 January 2011 up to and including 31 July 2011

4) For the period 1 May 2011 up to and including 31 December 2011

The variable remunerations relate to the year in which they are classified and are included in the expenses of that year. For a detailed explanation, please refer to the Remuneration Report on page 53 of this annual report.

As on the date of this report, Mr Van Hoeve holds 1,000 shares in the company.

The members of the Supervisory Board do not have any options on shares in Beter Bed Holding N.V.

## 18. Earnings per share

The net profit of € 28,025 divided by the average number of outstanding shares totalling 21,660,472 equals earnings per share of € 1.29. Due to the option series outstanding, the number of shares used for the calculation of the diluted earnings per share is equal to 21,764,039. This results in diluted earnings per share of € 1.29.

## 19. Commitments not included in the balance sheet

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

| Duration          | 2012          | 2013          | 2014          | 2015          | 2016         | after 2016   |
|-------------------|---------------|---------------|---------------|---------------|--------------|--------------|
| Rental agreements | 40,886        | 28,360        | 20,635        | 14,259        | 9,467        | 4,800        |
| Lease agreements  | 2,161         | 1,512         | 967           | 469           | 301          | 165          |
| <b>Total</b>      | <b>43,047</b> | <b>29,872</b> | <b>21,602</b> | <b>14,728</b> | <b>9,768</b> | <b>4,965</b> |

The majority of the rental agreements for the company premises required for the Beter Bed formula are long-term agreements (between five and ten years), with options for renewal.

The majority of the rental agreements for the Matratzen Concord formula have been concluded for a period between five to ten years, whereby a clause has been included stipulating that the agreements can be terminated without charge within the first two years.

In the year under review amounts of € 43.9 million (2010: € 41.0 million) arising from rental agreements for real estate and € 2.6 million (2010: € 2.7 million) arising from lease agreements have been recorded in the profit and loss account.

At year-end 2011, the Wonen Industrial Pension Fund for the Home Furnishings Industry had a funding ratio of 94.9%. This was one of the factors that prompted premiums to be raised effective 2012. As at 31 December 2011, the company had no additional obligation.

## 20. Related parties

The companies listed on page 66 of this report are included in the consolidation of Beter Bed Holding N.V. and its participating interests.

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

## 21. Post-balance sheet events

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

# Company balance sheet

at 31 December in thousand €

| before proposed profit appropriation         | Notes | 2011           | 2010           |
|----------------------------------------------|-------|----------------|----------------|
| <b>Fixed assets</b>                          |       |                |                |
| Tangible fixed assets                        |       | 9              | 10             |
| Financial fixed assets                       | 1.    | 148,399        | 126,427        |
|                                              |       | <b>148,408</b> | <b>126,437</b> |
| <b>Current assets</b>                        |       |                |                |
| Debtors                                      | 2.    | 1,944          | 4,537          |
| Cash and cash equivalents                    | 3.    | -              | -              |
|                                              |       | <b>1,944</b>   | <b>4,537</b>   |
| <b>Total assets</b>                          |       | <b>150,352</b> | <b>130,974</b> |
|                                              |       |                |                |
|                                              |       | 2011           | 2010           |
| <b>Capital and reserves</b>                  | 4.    |                |                |
| Issued share capital                         |       | 436            | 436            |
| Share premium account                        |       | 16,145         | 16,145         |
| Reserve for currency translation differences |       | 768            | 504            |
| Revaluation reserve                          |       | 2,740          | 2,722          |
| Other reserves                               |       | 13,901         | 13,107         |
| Retained earnings                            |       | 28,025         | 27,937         |
|                                              |       | <b>62,015</b>  | <b>60,851</b>  |
| <b>Provisions</b>                            | 5.    | <b>1,126</b>   | <b>473</b>     |
| <b>Current liabilities</b>                   | 6.    | <b>87,211</b>  | <b>69,650</b>  |
| <b>Total liabilities</b>                     |       | <b>150,352</b> | <b>130,974</b> |

# Company profit and loss account

| at 31 December in thousand €                 | 2011          | 2010          |
|----------------------------------------------|---------------|---------------|
| <b>Net profit of participating interests</b> | <b>22,625</b> | <b>21,242</b> |
| <b>Other income / expenses</b>               | <b>5,400</b>  | <b>6,695</b>  |
| <b>Net profit</b>                            | <b>28,025</b> | <b>27,937</b> |

# Notes to the company balance sheet and profit and loss account

at 31 December in thousand €

## General

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

The company financial statements are presented in euros and all amounts are rounded to thousands (€ 000) unless stated otherwise.

The option provided by Section 402 of Book 2 of the Dutch Civil Code to include an abbreviated profit and loss account in the company financial statements has been used.

## 1. Financial fixed assets

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

|                                                | Participating interests in<br>group companies | Loans         | Total          |
|------------------------------------------------|-----------------------------------------------|---------------|----------------|
| <b>Balance at 1 January 2011</b>               | <b>31,433</b>                                 | <b>94,994</b> | <b>126,427</b> |
| Profit from participating interest in 2011     | 22,625                                        | -             | 22,625         |
| Dividend paid                                  | (1,588)                                       | -             | (1,588)        |
| Revaluation                                    | 18                                            | -             | 18             |
| Exchange gain                                  | 264                                           | -             | 264            |
| Movements in loans owed by group companies     | (246)                                         | 246           | -              |
| Movements in participating interests provision | 653                                           | -             | 653            |
| <b>Balance at 31 December 2011</b>             | <b>53,159</b>                                 | <b>95,240</b> | <b>148,399</b> |

## 2. Debtors

|                 | 2011         | 2010         |
|-----------------|--------------|--------------|
| Group companies | -            | 2,719        |
| Other debtors   | 1,944        | 1,818        |
| <b>Total</b>    | <b>1,944</b> | <b>4,537</b> |

All debtors fall due within one year.

### 3. Cash and cash equivalents

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

### 4. Equity

The company's authorised capital amounts to € 1,250, divided into 62.5 million ordinary shares with a nominal value of € 0.02 each. At the end of 2011 21,805,117 shares had been issued and paid up. The number of shares outstanding has not changed in the year under review.

Shares repurchased and not yet cancelled total 132.925. These shares have not been deducted from the number of issued and paid-up shares. These repurchased shares are no longer included in the earnings per share calculation.

The movement in the equity items is explained in the consolidated statement of changes in equity on page 63.

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 2011 and 2010 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 2011 and 2010 are as follows:

|                        | 2011  | 2010 |
|------------------------|-------|------|
| Balance at 1 January   | 473   | 219  |
| Other movements        | 653   | 254  |
| Balance at 31 December | 1,126 | 473  |

### 6. Current liabilities

The breakdown of this balance sheet item is as follows:

|                                                 | 2011   | 2010   |
|-------------------------------------------------|--------|--------|
| Credit institutions                             | 62,635 | 64,805 |
| Group companies                                 | 23,847 | 2,000  |
| Taxes and social security contributions         | 296    | 2,421  |
| Other liabilities, accruals and deferred income | 433    | 424    |
| Total                                           | 87,211 | 69,650 |

## 7. Financial statement audit fees

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

|                               | 2011       | 2010       |
|-------------------------------|------------|------------|
| Audit of financial statements | 149        | 153        |
| Other audit services          | -          | -          |
| Other non-audit services      | 20         | 16         |
| <b>Total</b>                  | <b>169</b> | <b>169</b> |

## Commitments not included in the balance sheet

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

Uden, The Netherlands, 1 March 2012

### Management Board

A.H. Anbeek

### Supervisory Board

D.R. Goeminne

A.J.L. Slippens

E.A. de Groot

C.A.S.M. Renders

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Other information

# Appropriation of profit

## Appropriation of profit pursuant to the articles of association

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

### **Paragraph 1**

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

### **Paragraph 2**

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

## Appropriation of profit in thousand €

|                              |               |
|------------------------------|---------------|
| Profit for 2011              | 28,025        |
| Interim dividend             | (10,186)      |
| Addition of reserves*        | (4,186)       |
| <b>Available for payment</b> | <b>13,653</b> |

\* On the basis of the balance of outstanding and repurchased shares as at 31 December 2011

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

# Auditor's report

## Independent auditor's report

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

### **Report on the financial statements**

We have audited the accompanying financial statements 2011 of Beter Bed Holding N.V., Uden, The Netherlands. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at December 31, 2011, the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at December 31, 2011 the company profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

### *Management's responsibility*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Report of the Management Board in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

*Opinion with respect to the consolidated financial statements*

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Beter Bed Holding N.V. as at December 31, 2011 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

*Opinion with respect to the company financial statements*

In our opinion, the company financial statements give a true and fair view of the financial position of Beter Bed Holding N.V. as at December 31, 2011 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

**Report on other legal and regulatory requirements**

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Report of the Management Board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the report of the Management Board, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Eindhoven, 1 March 2012

Ernst & Young Accountants LLP

was signed W.J. Spijker

# Historical summary

| at 31 December                                            | 2011    | 2010    | 2009    | 2008    | 2007    | 2006    |
|-----------------------------------------------------------|---------|---------|---------|---------|---------|---------|
| <b>Result (in thousand €)</b>                             |         |         |         |         |         |         |
| Revenue                                                   | 397,035 | 374,724 | 361,470 | 358,565 | 351,171 | 320,017 |
| Gross profit                                              | 224,410 | 209,507 | 197,832 | 195,486 | 188,741 | 171,024 |
| EBITDA*                                                   | 46,798  | 45,308  | 40,388  | 38,517  | 44,320  | 40,598  |
| Operating profit (EBIT)                                   | 38,288  | 37,460  | 32,638  | 31,208  | 37,346  | 34,481  |
| Net profit                                                | 28,025  | 27,937  | 23,918  | 22,126  | 27,572  | 23,830  |
| Depreciation                                              | 8,510   | 7,848   | 7,750   | 7,309   | 6,974   | 6,117   |
| Cash flow                                                 | 36,535  | 35,785  | 31,668  | 29,435  | 34,546  | 29,947  |
| Net investment                                            | 13,082  | 7,590   | 5,648   | 9,541   | 10,497  | 7,655   |
| <b>Capital (in thousand €)</b>                            |         |         |         |         |         |         |
| Total assets                                              | 114,571 | 113,977 | 109,077 | 96,978  | 95,160  | 82,957  |
| Equity                                                    | 62,015  | 60,851  | 55,052  | 42,703  | 45,066  | 42,701  |
| <b>Figures per share</b>                                  |         |         |         |         |         |         |
| Net profit in €                                           | 1.29    | 1.30    | 1.12    | 1.04    | 1.27    | 1.10    |
| Cash flow in €                                            | 1.69    | 1.66    | 1.49    | 1.38    | 1.60    | 1.38    |
| Dividend paid in €                                        | 1.10    | 1.30    | 1.04    | 0.52    | 1.05    | 0.90    |
| Average number of outstanding shares (in 1,000 of shares) | 21,660  | 21,512  | 21,310  | 21,319  | 21,653  | 21,643  |
| Share price in € at year-end                              | 14      | 21      | 16      | 9       | 18      | 19      |
| <b>Ratios</b>                                             |         |         |         |         |         |         |
| Revenue growth                                            | 6.0%    | 3.7%    | 0.8%    | 2.1%    | 9.7%    | 11.5%   |
| Gross profit/net revenue                                  | 56.5%   | 55.9%   | 54.7%   | 54.5%   | 53.7%   | 53.4%   |
| EBITDA/net revenue*                                       | 11.8%   | 12.1%   | 11.2%   | 10.7%   | 12.6%   | 12.7%   |
| Operating profit/revenue                                  | 9.6%    | 10.0%   | 9.0%    | 8.7%    | 10.6%   | 10.8%   |
| Net profit/revenue                                        | 7.1%    | 7.5%    | 6.6%    | 6.2%    | 7.9%    | 7.4%    |
| Solvency                                                  | 54.1%   | 53.4%   | 50.5%   | 44.0%   | 47.4%   | 51.5%   |
| Interest cover                                            | 88.2    | 96.3    | 49.5    | 36.1    | 79.1    | 54.2    |
| <b>Other information</b>                                  |         |         |         |         |         |         |
| Number of stores at year-end                              | 1,187   | 1,117   | 1,064   | 1,036   | 960     | 839     |
| Number of retail staff at year-end                        | 2,451   | 2,353   | 2,274   | 2,227   | 2,075   | 1,810   |
| Revenue per staff (in € 1,000)                            | 165     | 163     | 163     | 165     | 179     | 180     |

\* Operating profit before depreciation and amortisation.



This annual report is published by

**Beter Bed Holding N.V.**

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Annual report publication date: 7 March 2012  
Publication date of previous annual report: 17 March 2011

**GRI 3.1**

**GRI 3.2**

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

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# GRI Table

| Legend                                                                            |                                                        |
|-----------------------------------------------------------------------------------|--------------------------------------------------------|
|  | Fully reported                                         |
|  | Partly reported                                        |
| N.r.                                                                              | Not reported                                           |
| N.a.                                                                              | Not applicable                                         |
| →                                                                                 | Reference to chapter or paragraph in the annual report |
| www                                                                               |                                                        |

| Strategy and analysis |                                                                                                                                               | Report                                                                                      |
|-----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|
| 1.1                   | Statement from the most senior decision-maker of the organisation about the relevance of sustainability to the organisation and its strategy. |  35<br>5 |
|                       | → Introduction                                                                                                                                |                                                                                             |
|                       | → Introduction of chapter Corporate Social Responsibility                                                                                     |                                                                                             |
| 1.2                   | Description of key impacts, risks and opportunities.                                                                                          | N.r.                                                                                        |

| Organisational profile |                                                                                                                                                                                                        | Report                                                                                                          |
|------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|
| 2.1                    | Name of the reporting organisation.                                                                                                                                                                    |  Cover                     |
|                        | Beter Bed Holding                                                                                                                                                                                      |                                                                                                                 |
| 2.2                    | Primary brands, products, and/or services.                                                                                                                                                             |  Cover<br>10-12            |
|                        | → Formulas                                                                                                                                                                                             |                                                                                                                 |
| 2.3                    | Operational structure of the organisation, including main divisions, operating companies, subsidiaries and joint ventures.                                                                             |  13<br>22                  |
| 2.4                    | Location of the organisation's headquarters.                                                                                                                                                           |  Cover                     |
| 2.5                    | Number of countries where the organisation operates and, names of countries with either major operations or that are specifically relevant for the sustainability issues covered in the annual report. |  Cover<br>13               |
| 2.6                    | Nature of ownership and legal form.                                                                                                                                                                    |  Cover                     |
| 2.7                    | Markets (geographic breakdown, sectors served and types of customers/beneficiaries).                                                                                                                   |  13<br>10-12               |
| 2.8                    | Scale of the reporting organisation.                                                                                                                                                                   |  9<br>26-30                |
| 2.9                    | Significant changes during the reporting period regarding to size, structure, or ownership.                                                                                                            |  43<br>4<br>13<br>14<br>17 |
| 2.10                   | Awards received in the reporting period.                                                                                                                                                               | N.r.                                                                                                            |

| Report Parameters                      |                                                                                                                                                                                                                                                                                                                                 | Report           |                       |
|----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|-----------------------|
| 3.1                                    | Reporting period (e.g., fiscal/calendar year) for information provided.<br>Calendar year 2011                                                                                                                                                                                                                                   | GRI              | Cover                 |
| 3.2                                    | Date of the most recent previous report (if any).<br>17-03-2011                                                                                                                                                                                                                                                                 | GRI              | Cover                 |
| 3.3                                    | Reporting cycle (annual, biennial, etc.)<br>Annual                                                                                                                                                                                                                                                                              | GRI              | 5                     |
| 3.4                                    | Contact point for questions regarding the report or its contents.                                                                                                                                                                                                                                                               | GRI              | Cover                 |
| 3.5                                    | Process for defining report content.<br>→ Reporting guidelines                                                                                                                                                                                                                                                                  |                  | 42                    |
| 3.6                                    | Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).<br>→ Scope and limitations of the report                                                                                                                                                                       | GRI              | 43                    |
| 3.7                                    | State any specific limitations on the scope or boundary of the report<br>→ Scope and limitations of the report                                                                                                                                                                                                                  | GRI              | 43                    |
| 3.8                                    | Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations.                                                                                                               | N.a.             |                       |
| 3.9                                    | Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report.                                                                                                                        | N.r.             |                       |
| 3.10                                   | Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).                                                                                           | N.a.             |                       |
| 3.11                                   | Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.                                                                                                                                                                                                       | N.a.             |                       |
| 3.12                                   | Table identifying the location of the Standard Disclosures in the report.<br><br>www.beterbedholding.com                                                                                                                                                                                                                        | GRI Index<br>www |                       |
| 3.13                                   | Policy and current practice with regard to seeking external assurance for the report.                                                                                                                                                                                                                                           | N.a.             |                       |
| Governance, Commitments and Engagement |                                                                                                                                                                                                                                                                                                                                 | Report           |                       |
| 4.1                                    | Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight.<br>→ Personal profiles                                                                                                                   | GRI              | 49-52<br>24-25        |
| 4.2                                    | Indicate whether the chair of the highest governance body is also an executive officer (and, if so, their function within the organisation's management and the reasons for this arrangement).<br><br>The Supervisory Board has an independent and non-managerial position within Beter Bed Holding.<br>www.beterbedholding.com | GRI              | 49-52<br>24-25<br>www |
| 4.3                                    | For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.                                                                                                                                                            | N.a.             |                       |

| Governance, Commitments and Engagement |                                                                                                                                                                                                                                                                                                                | Report                                      |
|----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|
| 4.4                                    | Mechanisms for shareholders and employees to provide recommendations or directions to the highest governance body.<br><br>→ Investor Relations policy<br>→ Corporate Governance<br><a href="http://www.beterbedholding.com">www.beterbedholding.com</a>                                                        | GRI 51<br>17<br>www                         |
| 4.5                                    | Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organisation's performance (including social and environmental performance).<br>Remuneration report                                                       | GRI 53-55                                   |
| 4.6                                    | Processes in place for the highest governance body to ensure conflicts of interest are avoided.<br>→ Corporate Governance<br><a href="http://www.beterbedholding.com">www.beterbedholding.com</a>                                                                                                              | GRI 46-47<br>www                            |
| 4.7                                    | Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental, and social topics.<br><a href="http://www.beterbedholding.com">www.beterbedholding.com</a>                                          | GRI 49-52<br>www                            |
| 4.8                                    | Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.<br><br><a href="http://www.beterbedholding.com">www.beterbedholding.com</a>                                         | GRI 35<br>19<br>21<br>42<br>39<br>44<br>www |
| 4.9                                    | Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles. | N.r.                                        |
| 4.10                                   | Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.<br>→ Report of the Supervisory Board                                                                                                                     | GRI 48                                      |
| 4.11                                   | Explanation of whether and how the precautionary approach or principle is addressed by the organisation.                                                                                                                                                                                                       | N.r.                                        |
| 4.12                                   | Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses.                                                                                                                                                          | N.r.                                        |
| 4.13                                   | Memberships in associations (such as industry associations) and/or national/international advocacy organisations.                                                                                                                                                                                              | N.r.                                        |

| Governance, Commitments and Engagement |                                                                                                                                                                                                                               | Report |                |
|----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|----------------|
| 4.14                                   | List of stakeholder groups engaged by the organisation.                                                                                                                                                                       | GRI    | 43<br>44<br>17 |
|                                        | Shareholders, VBDO, Management Beter Bed Holding                                                                                                                                                                              |        |                |
| 4.15                                   | Basis for identification and selection of stakeholders with whom to engage.                                                                                                                                                   | GRI    | 43<br>44       |
|                                        | Pragmatic selection, with check after report by dialogue.                                                                                                                                                                     |        |                |
| 4.16                                   | Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.                                                                                                                     | GRI    | 43<br>44       |
|                                        | → Selection of the subjects                                                                                                                                                                                                   |        |                |
| 4.17                                   | Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting.                                       | GRI    | 43<br>44       |
|                                        | → Selection of the subjects                                                                                                                                                                                                   |        |                |
| Economic Performance Indicators        |                                                                                                                                                                                                                               | Report |                |
| EC1                                    | Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments. | GRI    | 9<br>8<br>48   |
|                                        | → Financial Statements                                                                                                                                                                                                        |        |                |
| EC2                                    | Financial implications and other risks and opportunities for the organisation's activities due to climate change.                                                                                                             | N.r.   |                |
| EC3                                    | Coverage of the organisation's defined benefit plan obligations.                                                                                                                                                              | GRI    | 70             |
|                                        | → Financial Statements                                                                                                                                                                                                        |        |                |
| EC4                                    | Significant financial assistance received from government.                                                                                                                                                                    | N.r.   |                |
| EC5                                    | Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.                                                                                                            | N.r.   |                |
| EC6                                    | Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.                                                                                                               | N.r.   |                |
| EC7                                    | Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.                                                                                         | GRI    | 38<br>30       |
|                                        | → Employee - Diversity                                                                                                                                                                                                        |        |                |
| EC8                                    | Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.                                                                  | N.a.   |                |
| EC9                                    | Understanding and describing significant indirect economic impacts, including the extent of impacts.                                                                                                                          | N.r.   |                |
| Environmental Performance Indicators   |                                                                                                                                                                                                                               | Report |                |
| EN1                                    | Materials used by weight or volume.                                                                                                                                                                                           | N.r.   |                |
| EN2                                    | Percentage of materials used that are recycled input materials.                                                                                                                                                               | N.r.   |                |
| EN3                                    | Direct energy consumption by primary energy source.                                                                                                                                                                           | GRI    | 41             |
|                                        | Gas: 2,220,000 m <sup>3</sup>                                                                                                                                                                                                 |        |                |
|                                        | Diesel: 1,090,000 litres                                                                                                                                                                                                      |        |                |
|                                        | Gasoline: 50,000 litres                                                                                                                                                                                                       |        |                |

| Environmental Performance Indicators |                                                                                                                                                                                                                                                | Report |                      |
|--------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|----------------------|
| EN4                                  | Indirect energy consumption by primary source.<br>Electricity: 32,900 MWh                                                                                                                                                                      | GRI    | 41                   |
| EN5                                  | Energy saved due to conservation and efficiency improvements.                                                                                                                                                                                  | N.r.   |                      |
| EN6                                  | Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.                                                                               | N.r.   |                      |
| EN7                                  | Initiatives to reduce indirect energy consumption and reductions achieved.                                                                                                                                                                     | GRI    | 40<br>35<br>20<br>21 |
|                                      | → Environment - Reducing of footprint                                                                                                                                                                                                          |        |                      |
| EN8                                  | Total water withdrawal by source.                                                                                                                                                                                                              | N.a.   |                      |
| EN9                                  | Water sources significantly affected by withdrawal of water.                                                                                                                                                                                   | N.a.   |                      |
| EN10                                 | Percentage and total volume of water recycled and reused.                                                                                                                                                                                      | N.r.   |                      |
| EN11                                 | Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected.                                                                                                   | N.r.   |                      |
| EN12                                 | Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.                                                                      | N.r.   |                      |
| EN13                                 | Habitats protected or restored.                                                                                                                                                                                                                | N.a.   |                      |
| EN14                                 | Strategies, current actions, and future plans for managing impacts on biodiversity.                                                                                                                                                            | N.a.   |                      |
| EN15                                 | Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.                                                                                             | N.a.   |                      |
| EN16                                 | Total direct and indirect greenhouse gas emissions by weight.<br>Total CO <sub>2</sub> emissions 22,700 ton CO <sub>2</sub><br>Scope 1: 5,500 ton CO <sub>2</sub><br>Scope 2: 15,000 ton CO <sub>2</sub><br>Scope 3: 2,170 ton CO <sub>2</sub> | GRI    | 41                   |
| EN17                                 | Other relevant indirect greenhouse gas emissions by weight.                                                                                                                                                                                    | N.r.   |                      |
| EN18                                 | Initiatives to reduce greenhouse gas emissions and reductions achieved.<br>→ Environment - Reducing of footprint                                                                                                                               | GRI    | 40                   |
| EN19                                 | Emissions of ozone-depleting substances by weight.                                                                                                                                                                                             | N.r.   |                      |
| EN20                                 | NO, SO, and other significant air emissions by type and weight.                                                                                                                                                                                | N.r.   |                      |
| EN21                                 | Total water discharge by quality and destination.                                                                                                                                                                                              | N.r.   |                      |
| EN22                                 | Total weight of waste by type and disposal method.<br>Waste = 6,100 ton, of which 2,600 ton consists of paper and cardboard<br>Recycled waste: 30%                                                                                             | GRI    | 42                   |
| EN23                                 | Total number and volume of significant spills.                                                                                                                                                                                                 | N.a.   |                      |
| EN24                                 | Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.                                  | N.a.   |                      |
| EN25                                 | Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff.                                                           | N.r.   |                      |

| Environmental Performance Indicators                   |                                                                                                                                                                                   | Report |                      |
|--------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|----------------------|
| EN26                                                   | Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.                                                                          | N.r.   |                      |
| EN27                                                   | Percentage of products sold and their packaging materials that are reclaimed by category.                                                                                         | GRI    | 42<br>5              |
|                                                        | → Environment - Recovering and recycling packaging materials                                                                                                                      |        |                      |
| EN28                                                   | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.                                        | N.r.   |                      |
| EN29                                                   | Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce.       | N.r.   |                      |
| EN30                                                   | Total environmental protection expenditures and investments by type.                                                                                                              | N.r.   |                      |
| Labor Practices and Decent Work Performance Indicators |                                                                                                                                                                                   | Report |                      |
| LA1                                                    | Total workforce by employment type, employment contract, and region.                                                                                                              | GRI    | 38-39                |
|                                                        | → Employees - Diversity                                                                                                                                                           |        |                      |
| LA2                                                    | Total number and rate of employee turnover by age group, gender, and region.                                                                                                      | N.r.   |                      |
| LA3                                                    | Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.                                                          | N.r.   |                      |
| LA4                                                    | Percentage of employees covered by collective bargaining agreements.                                                                                                              | N.r.   |                      |
| LA5                                                    | Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.                                                               | N.r.   |                      |
| LA6                                                    | Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advice on occupational health and safety programs. | N.r.   |                      |
| LA7                                                    | Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.                                                              | GRI    | 40                   |
|                                                        | → Employees - Absenteeism                                                                                                                                                         |        |                      |
| LA8                                                    | Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.    | N.r.   |                      |
| LA9                                                    | Health and safety topics covered in formal agreements with trade unions.                                                                                                          | N.r.   |                      |
| LA10                                                   | Average hours of training per year per employee by employee category.                                                                                                             | GRI    | 37<br>30             |
|                                                        | → Employees - Education and development                                                                                                                                           |        |                      |
| LA11                                                   | Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.                            | GRI    | 37-38                |
|                                                        | → Employees - Education and development                                                                                                                                           |        |                      |
| LA12                                                   | Percentage of employees receiving regular performance and career development reviews.                                                                                             | GRI    | 39                   |
|                                                        | 100%                                                                                                                                                                              |        |                      |
| LA13                                                   | Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.            | GRI    | 24-25<br>48<br>38-39 |
|                                                        | Supervisory Board 24, 48                                                                                                                                                          |        |                      |
|                                                        | Management 25, 38                                                                                                                                                                 |        |                      |
|                                                        | Employees 38-39                                                                                                                                                                   |        |                      |
| LA14                                                   | Ratio of basic salary of men to women by employee category.                                                                                                                       | N.r.   |                      |

| Human Rights Performance Indicators |                                                                                                                                                                                | Report |    |
|-------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|----|
| HR1                                 | Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.                              | N.r.   |    |
| HR2                                 | Percentage of significant suppliers and contractors that have undergone screening on human rights and actions.<br>60% of the suppliers has signed the code of conduct.         | GRI    | 39 |
| HR3                                 | Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained. | N.r.   |    |
| HR4                                 | Total number of incidents of discrimination and actions taken.                                                                                                                 | N.r.   |    |
| HR5                                 | Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.   | N.r.   |    |
| HR6                                 | Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour.                           | N.r.   |    |
| HR7                                 | Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour.   | N.r.   |    |
| HR8                                 | Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations.                      | N.a.   |    |
| HR9                                 | Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations.                      | N.a.   |    |

| Society Performance Indicators |                                                                                                                                                                                                | Report |     |
|--------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|-----|
| S01                            | Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.                    | N.r.   |     |
| S02                            | Percentage and total number of business units analysed for risks related to corruption.                                                                                                        | N.r.   |     |
| S03                            | Percentage of employees trained in organisation's anti-corruption policies and procedures.                                                                                                     | N.r.   |     |
| S04                            | Actions taken in response to incidents of corruption.                                                                                                                                          | N.r.   |     |
| S05                            | Public policy positions and participation in public policy development and lobbying.<br>→ Code of conduct - How do we deal with political issues?                                              | GRI    | www |
| S06                            | Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.<br>€ 0<br>→ Code of conduct - How do we deal with political issues? | GRI    | www |
| S07                            | Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes.                                                                           | N.r.   |     |
| S08                            | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.                                                                   | N.r.   |     |

| Product Responsibility Performance Indicators |                                                                                                                                                                                                        | Report |                           |
|-----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|---------------------------|
| PR1                                           | Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures. | GRI    | 36<br>32<br>20<br>35<br>5 |
|                                               | → Customer - Quality of our products                                                                                                                                                                   |        |                           |
| PR2                                           | Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.           | N.r.   |                           |
| PR3                                           | Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.                                           | GRI    | 36<br>35                  |
|                                               | 68% of the mattresses in Germany has been tested and certified.                                                                                                                                        |        |                           |
|                                               | 34% of the mattresses in the Netherlands has been tested and certified.                                                                                                                                |        |                           |
|                                               | Objective: 80% in 2016                                                                                                                                                                                 |        |                           |
| PR4                                           | Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.                                        | N.r.   |                           |
| PR5                                           | Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.                                                                                              | GRI    | 37<br>4<br>5<br>35        |
| PR6                                           | Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.                                                 | N.r.   |                           |
| PR7                                           | Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.           | N.r.   |                           |
| PR8                                           | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.                                                                                           | N.r.   |                           |
| PR9                                           | Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.                                                            | N.r.   |                           |

# Code of Conduct

## Code of Conduct

### **What are our basic criteria?**

- Beter Bed Holding N.V. complies with the laws and regulations applicable in all countries in which we operate.
- We support and honour human rights in accordance with the Universal Declaration of Human Rights.
- We do not cooperate with any organisations that violate human rights or make use of child labour.
- We also expect our business partners to compensate their employees in accordance with the laws and regulations applicable in the country concerned. Under no circumstances may employees be discriminated against or exploited, nor may they be required to perform forced labour. Employees must enjoy freedom of association, including the right to form and join trade unions.
- Our partners will provide healthy workplaces and a healthy working environment.
- Justice, honesty, integrity and transparency are inherent to all the relationships we establish with others.

### **What do we expect from our employees, and what can they expect from us?**

- We aim to provide our employees with a working environment that fosters and promotes continuous improvement, commitment, flexibility, trust and enterprise.
- All employees must work in a safe and healthy environment and be offered the opportunity to develop.
- Every individual counts and is respected.
- All employees have access to information and consultation processes.
- We comply with privacy laws and regulations. Any personal data relating to our employees are treated with care. We expect the same from our employees in relation to the privacy of their colleagues or employers.
- In the workplace, our employees are expected to conduct themselves in an honest, ethical and fair manner, in accordance with the applicable laws and regulations and with accepted standards of decency.
- Our products, brands and company name are discussed in social media on a daily basis, including on networks used by our employees. Here, too, we expect them to comply with accepted standards of decency and conduct themselves online in the same manner as in the workplace. Business-critical and confidential information must not be shared. Customers, shareholders, colleagues and competitors may not be compromised by any information relating to our employees.
- Leadership, enterprise, trust and excellence are the core values of the Beter Bed company culture.

### **What can consumers expect from us?**

- We would like to build long-term, personal relationships with as many customers as possible, based on honest and sound advice. Our products always provide good value for money. We must not disappoint our customers as regards the sustainability, usefulness and safety of our products.
- We value service, flexibility and custom work very highly. Labels, quality labels, advertisements and our communications regarding our products and services must not be misleading. Beter Bed therefore complies with the rules prescribed by the Advertising Code.

- In the event of any complaints, we are always willing to engage in dialogue with our customers, and we will handle these complaints in a fair and reasonable manner in order to reach a solution.

#### **How do we like to conduct business?**

- Beter Bed works with international suppliers. In selecting these suppliers, both the commercial and the ethical aspects of the relationship are important. Our way of conducting business must be compatible with our standards and values.
- With our business partners, too, we aim to build long-term relationships, based on the condition that both the supplier and its suppliers and subcontractors comply with the laws and regulations applicable in their country.
- We neither offer nor accept bribes or other improper inducements for the purpose of business gains. Employees are prohibited from offering gifts or payments that might be interpreted as bribes. Any request or offer for bribes must be reported to the management.
- It is important to us that all transactions are recorded accurately, completely and in a timely manner, in accordance with the accounting principles applicable at the company. This improves transparency throughout the organisation. All funds and operating assets must be correctly administered.
- In addition, we assume that our competitors operate in a similarly honest and ethical manner. Accordingly, employees of Beter Bed are not permitted to discredit any of our competitors or disadvantage them by illegal means.
- We do not abuse any economic power position we might enjoy, nor do we make (secret) arrangements with third parties that violate the applicable competition laws.
- We aim to prepare our financial statements such that they are as transparent as possible, as well as to continuously improve our accountability to the Supervisory Board. We respect the voice and the protection of our shareholders. In our annual report, we account for our implementation of the Dutch Corporate Governance Code.

#### **What are our requirements for the manufacture and transport of our products?**

- We comply with strict rules for the import and transport of our products. For example, products imported from overseas must be transported in containers that have been confirmed to be gas-free by an independent agency in the port of, for example, Rotterdam. We do not accept any containers that have not been officially confirmed to be gas-free. In addition, we regularly test products transported in these containers for the presence of hazardous substances.
- We aim to provide safe products and services at all times. This means that for all products, a full description must be provided of the materials, production processes and transport processes utilised, and we aim to have safety tests in place for all our products.
- If it is established that a particular substance is hazardous to health or harmful to the environment, we immediately bar this substance and actively search for better alternatives, in partnership with our suppliers. Substances that are banned in Europe are prohibited from use. We closely monitor the positions of, and developments at, non-governmental organisations in order to stay ahead of regulations.
- Our products are not available in stores until we and our suppliers have tested them extensively for safety (including public health and construction), sustainability, and compliance with European regulations. For these tests, we work together with our suppliers, and, increasingly, with independent agencies. If a product does not comply, we find acceptable alternatives instead.

#### **How do we consider the environment?**

- We are mindful of the environment in all our practices, both in the manufacturing process and in relation to the products themselves. To the extent possible, we make an effort to save energy and reduce carbon emissions, our mileage and the amount of packaging waste produced, as well as to gradually reduce our use of environmentally harmful substances and promote recycling (based on biodegradable and technically reusable materials).
- The wood used in our products is legal and its origin is documented. We do not purchase any types of wood listed in appendix I of the CITES list (Convention on International Trade in Endangered Species).
- We also expect our suppliers to contribute positively to the well-being of humans, animals and the environment. We reject any form of violation of animal welfare at all times. We only use down and feathers from animals that were killed before the down and feathers were removed. Furthermore, we do not use products from suppliers that use ingredients derived from animals that were abused for the production of foie gras.

#### **How do we deal with political issues?**

- While we respect the political views of our employees, their opinions must never be presented as reflecting those of Beter Bed as an organisation.
- As a rule, Beter Bed does not become involved in politics and does not express any value judgments regarding political systems, parties or opinions.
- Employees are prohibited from using Beter Bed funds, property or services in order to contribute to political parties or their representatives. We, for our part, will never exert pressure in order to induce employees to provide political or financial support to any political party or its representatives.

#### **Compliance with our Code of Conduct**

As the Code of Conduct contains general rules, it cannot provide for every situation.

We expect that all our employees, as well as our business associates, are able to assume their responsibility and act in compliance with this Code of Conduct.

We conduct tests on a random basis and request that our business associates permit the performance of unannounced tests. Any necessary changes are inspected after two months; if, upon re-inspection, it emerges that they still do not comply, we terminate the partnership.