

BeterBed  
holding



Annual Report  
2019



## Financial statements

# Consolidated balance sheet

## At 31 December and before result appropriation

in thousand €	Notes	2019	2018
<b>Non-current assets</b>			
Intangible assets	1.	8,483	11,311
Property, plant and equipment	2.	10,596	41,257
Right-of-use assets	3.	41,747	-
Deferred tax assets	4.	2,087	13,273
Other non-current financial assets	5.	64	94
<b>Total non-current assets</b>		<b>62,977</b>	65,935
<b>Current assets</b>			
Inventories	6.	22,233	55,679
Trade receivables	7.	1,830	3,014
Income tax receivable	7.	1,594	636
Other receivables	7.	8,655	9,243
Cash and cash equivalents	8.	2,115	6,173
<b>Total current assets</b>		<b>36,427</b>	74,745
<b>Total assets</b>		<b>99,404</b>	140,680

## At 31 December

in thousand €	Notes	2019	2018
<b>Equity</b>			
Issued share capital	9.	482	439
Share premium	9.	23,391	18,434
Equity instruments	9.	3,500	-
Revaluation reserve		386	3,200
Foreign currency translation reserve		514	548
Other reserves		27,337	47,265
Retained earnings		(52,575)	(23,250)
<b>Total equity attributable to equity holders of the parent</b>		<b>3,035</b>	<b>46,636</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Provisions	10.	-	1,003
Lease liabilities	11.	29,241	-
Deferred tax liabilities	4.	802	3,452
		<b>30,043</b>	<b>4,455</b>
<b>Current liabilities</b>			
Borrowings	13.	9,994	22,998
Provisions	10.	-	4,040
Lease liabilities	11.	16,346	-
Trade payables	12.	14,182	24,409
Income tax payable		-	2,050
Other taxes and social security contributions	12.	7,532	10,931
Other liabilities	12.	18,272	25,161
		<b>66,326</b>	<b>89,589</b>
<b>Total liabilities</b>		<b>96,369</b>	<b>94,044</b>
<b>Total equity and liabilities</b>		<b>99,404</b>	<b>140,680</b>

# Consolidated profit and loss account

in thousand €, unless otherwise stated	Notes	2019	2018 <sup>1</sup>
<b>Continuing operations</b>			
Revenue	14.	185,805	172,812
Materials and services from third parties		(87,270)	(78,763)
<b>Gross profit</b>		<b>98,535</b>	<b>94,049</b>
<b>Other income</b>	17.	<b>6,404</b>	<b>-</b>
Personnel expenses	15.	(47,064)	(40,824)
Depreciation, amortisation and impairment	18.	(21,676)	(7,168)
Other operating expenses	19.	(36,631)	(41,464)
Total operating expenses		(105,371)	(89,456)
<b>Operating profit / (loss) (EBIT)</b>		<b>(432)</b>	<b>4,593</b>
Finance costs	20.	(2,450)	(688)
<b>Profit / (loss) before tax from continuing operations</b>		<b>(2,882)</b>	<b>3,905</b>
Income tax	21.	(1,284)	2,976
<b>Net profit / (loss) from continuing operations</b>		<b>(4,166)</b>	<b>6,881</b>
<b>Discontinued operations</b>			
Profit / (loss) after tax from discontinued operations		(48,409)	(30,131)
<b>Net loss</b>		<b>(52,575)</b>	<b>(23,250)</b>
<b>Earnings per share from all operations</b>	22.		
Earnings per share in €		(2.38)	(1.06)
Diluted earnings per share in €		(2.38)	(1.06)
<b>Earnings per share from continuing operations</b>			
Earnings per share in €		(0.19)	0.31
Diluted earnings per share in €		(0.19)	0.31

1 Following IFRS 5 the comparative figures present the continuing operations and the result from discontinued operations are presented as a single line.

# Consolidated statement of comprehensive income

in thousand €	Notes	2019	2018
<b>Loss for the year</b>		<b>(52,575)</b>	(23,250)
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Revaluation of land	2.	389	295
Tax effect relating to revaluation		(97)	(73)
Change of applicable tax rate	4.	(181)	181
<i>Items that may be reclassified to profit or loss (net of tax):</i>			
Exchange differences on translation of foreign operations		228	(125)
<b>Total comprehensive income, net of tax</b>		<b>(52,236)</b>	(22,972)
<b>Total comprehensive income, net of tax</b>			
Continuing operations		(3,827)	7,159
Discontinued operations		(48,409)	(30,131)
<b>Total comprehensive income, net of tax</b>		<b>(52,236)</b>	(22,972)

# Consolidated cash flow statement

in thousand €	Notes	2019	2018 <sup>1</sup>
<b>Operating activities</b>			
Result (loss) for the period from operations		(432)	4,593
<i>Adjustments for:</i>			
- Depreciation and impairment right-of-use assets	3.	14,584	-
- Depreciation and impairment of property, plant and equipment	2.	5,299	5,024
- Amortisation and impairment of intangible assets	1.	1,793	2,144
- Transfer book profit from sale and leaseback to investing activities	2.	(6,404)	-
- Costs relating to the sale of discontinued operations		4,294	-
- Other		25	46
<i>Adjusted operating result for the period</i>		<b>19,159</b>	<b>11,807</b>
<i>Working capital adjustments:</i>			
- Decrease / (Increase) in inventories	6.	(1,403)	(2,329)
- Decrease / (Increase) in trade and other receivables	7.	3,200	(211)
- Increase / (Decrease) in trade and other liabilities	12.	2,045	2,464
<i>Change in working capital</i>		<b>3,842</b>	<b>(76)</b>
Costs share-based compensation	16.	135	83
Income tax received/(paid)		702	(2,271)
Discontinued operations		(20,599)	(6,523)
<b>Cash flow from operating activities</b>		<b>3,239</b>	<b>3,020</b>
<b>Investing activities</b>			
Capital expenditure on purchase of intangible assets	1.	(96)	(91)
Capital expenditure on purchase of property, plant and equipment	2.	(4,301)	(8,667)
Proceeds from sale and leaseback		19,176	-
Changes in non-current receivables		25	10
Divestment of subsidiaries		(17,562)	-
Discontinued operations		15,473	(8,187)
<b>Cash flow used in investing activities</b>		<b>12,715</b>	<b>(16,935)</b>

<sup>1</sup> Following IFRS 5, the comparative figures present the continuing operations and the cash flow from discontinued activities are presented as a single line per category.

in thousand €	Notes	2019	2018 <sup>1</sup>
<b>Financing activities</b>			
Contribution of equity	9.	5,000	-
Contribution of equity instruments	9.	3,500	-
Dividends paid		-	(659)
Dissolved intercompany structure		-	74,940
Repayment of borrowings	13.	(16,504)	-
Proceeds from borrowings	13.	3,500	21,195
Interest paid		(1,326)	(688)
Payment lease liabilities	13.	(14,410)	-
Discontinued operations		-	(74,940)
<b>Cash flow from / (used in) financing activities</b>		<b>(20,240)</b>	<b>19,848</b>
<b>Movement in cash and cash equivalents</b>		<b>(4,286)</b>	<b>5,933</b>
Net foreign exchange difference		228	53
Opening balance	8.	6,173	187
<b>Closing balance</b>		<b>2,115</b>	<b>6,173</b>

1 Following IFRS 5, the comparative figures present the continuing operations and the cash flow from discontinued activities are presented as a single line per category.



# Consolidated statement of changes in equity

in thousand €	Notes	Issued share capital	Share premium	Equity instru- ments <sup>1</sup>	Revalua- tion reserve <sup>1</sup>	Foreign currency trans- lation reserve <sup>1</sup>	Other reserves	Retained earnings	Total
Balance at 1 January 2018		439	18,434	-	2,797	673	38,316	9,525	70,184
Net profit / (loss) 2018		-	-	-	-	-	-	(23,250)	(23,250)
Other components of comprehensive income 2018		-	-	-	403	(125)	-	-	278
Total Comprehensive income		-	-	-	403	(125)	-	(23,250)	(22,972)
Profit appropriation 2017		-	-	-	-	-	9,525	(9,525)	-
Final dividend 2017		-	-	-	-	-	(659)	-	(659)
Costs of share-based compensation	16.	-	-	-	-	-	83	-	83
<b>Balance at 31 December 2018</b>		<b>439</b>	<b>18,434</b>	<b>-</b>	<b>3,200</b>	<b>548</b>	<b>47,265</b>	<b>(23,250)</b>	<b>46,636</b>
Net profit / (loss) 2019		-	-	-	-	-	-	(52,575)	(52,575)
Discontinued operations		-	-	-	-	(262)	262	-	-
Other components of comprehensive income 2019		-	-	-	111	228	-	-	339
<b>Total Comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>111</b>	<b>(34)</b>	<b>262</b>	<b>(52,575)</b>	<b>(52,236)</b>
Profit appropriation 2018		-	-	-	-	-	(23,250)	23,250	-
Contributions of equity (instruments)		43	4,957	3,500	-	-	-	-	8,500
Recycling of revaluation		-	-	-	(2,925)	-	2,925	-	-
Costs of share-based compensation	16.	-	-	-	-	-	135	-	135
<b>Balance at 31 December 2019</b>		<b>482</b>	<b>23,391</b>	<b>3,500</b>	<b>386</b>	<b>514</b>	<b>27,337</b>	<b>(52,575)</b>	<b>3,035</b>

<sup>1</sup> Concerns restricted equity.

# Notes to the consolidated financial statements

## General information

Beter Bed Holding N.V. operates in the European bedroom furnishings market. Its activities include retail trade through the chains Beter Bed, Beddenreus, Sängjätten and Matratzen Concord (until 2 December 2019). Beter Bed Holding N.V. is also active in the field of developing and wholesaling branded products in the bedroom furnishing sector via its subsidiary DBC International. The registered office of Beter Bed Holding N.V. is Linie 27 in Uden, the Netherlands. Beter Bed Holding N.V.'s shares are listed on Euronext Amsterdam.

The consolidated financial statements comprise the financial information of the Company itself and that of its subsidiaries (referred to together as the Group). The list of subsidiaries is presented in the note on 'Principles of consolidation' (see page 78).

The 2019 consolidated financial statements of Beter Bed Holding N.V. have been prepared by the Management Board and were authorised by both the Management Board and Supervisory Board for issuing on 17 March 2020.

## Basis of preparation of financial statements

The consolidated financial statements of Beter Bed Holding N.V. have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs, hereafter referred to as IFRS). The company financial statements have been prepared using the option of article 2:362-8 of the Dutch Civil Code, meaning that the accounting principles used are the same as for the consolidated financial statements.

## Basis of measurement of financial statements & significant accounting policies

The consolidated financial statements have been prepared on a historical cost basis, except for land, derivative financial instruments, debt and equity financial assets which have been measured at fair value. Unless explicitly stated otherwise, the amounts stated in these notes refer to the consolidated figures. The financial statements are presented in euros and have been rounded to thousands of euros, unless otherwise stated.

## Changes to the presentation of comparative figures

From the date on which all criteria of IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations - are met, discontinued operations are deconsolidated on the balance sheet to assets and liabilities of discontinued operations. In the statement of profit and loss and the statement of cash flow, on which all IFRS 5 criteria are met, are deconsolidated and separately reported.

## Foreign currency translation

The consolidated financial statements have been prepared in euros. The euro is the functional currency of Beter Bed Holding N.V. and is the Group's reporting currency. Monetary assets and liabilities in foreign currencies are converted at the exchange rate on the balance sheet date; profit and loss account items are converted at the exchange rate at the time of the transaction. Non-monetary assets and liabilities in foreign currencies which are measured at fair value are converted at the exchange rate when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not translated. The resulting exchange differences are credited or debited to the profit and loss account, presented in finance costs.

Exchange differences in the financial statements of foreign group companies included in the consolidation are taken directly to equity through other comprehensive income. The results and assets and liabilities of consolidated foreign participations are translated into euros at the average exchange rate per month and the closing rate for the year under review respectively. Upon a disposal of a foreign entity, the deferred accumulated amount recognised in equity of that foreign entity concerned is taken to the profit and loss account.

The table below shows the applied currency rates of 2019 respectively 2018.

	SEK/EUR	CHF/EUR	USD/EUR
<b>Year-end exchange rate</b>			
31-12-2018	10.2548	1.1269	1.1450
31-12-2019	10.4468	1.0854	1.1234
<b>Average exchange rates</b>			
2018	10.2567	1.1549	1.1815
2019	10.5867	1.1127	1.1197

## Principles of consolidation

The consolidated financial statements comprise of the financial statements from Beter Bed Holding N.V. and its Group entities. Group entities are defined as entities controlled by the Company, meaning the Company is exposed to or is entitled to the variable results following the Company's involvement and ability to influence these results in her power to steer on the activities of that entity.

In general the Group assumes that it has control if it holds the majority of the voting rights. However, in all cases factors that are relevant to support this assumption are considered and include contractual arrangements with any other vote holders of the investee, voting rights from other arrangements and the potential voting rights of the Group. When there are changes in circumstances or facts which could impact if the Group controls an investee, a reassessment will be made to conclude if an investee still needs to be consolidated. Group entities are included in the consolidation at the date when the entities gains control. As of the date an entity does not meet the aforementioned criteria of an investee, the entity is no longer included in the consolidation.

For consolidation purposes, the Group has applied the full consolidation method. All financial relations and results between consolidated companies are eliminated in full. If the Group loses control over an investee, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while a gain or loss is recognised in profit or loss. In case an investee is retained but the Group ceases control it is recognised at fair value.

## Interests in subsidiaries

The Group's subsidiaries at 31 December 2019 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name	Registered Office	Ownership interest held by the Group in %	
		2019	2018
Bedden & Matrassen B.V.	Uden, The Netherlands	100	100
Beter Bed B.V.	Uden, The Netherlands	100	100
Beter Beheer B.V. <sup>1</sup>	Uden, The Netherlands	100	100
DBC International B.V.	Uden, The Netherlands	100	100
DBC Nederland B.V.	Uden, The Netherlands	100	100
Sängjätten Sverige AB	Göteborg, Sweden	100	100
Sängjätten AB	Göteborg, Sweden	100	-
BBH Beteiligungs GmbH <sup>2</sup>	Cologne, Germany	-	100
BBH Services GmbH & Co K.G.	Cologne, Germany	-	100
Beter Bed Holding N.V. y Cia S.L. <sup>3</sup>	Barcelona, Spain	-	100
El Gigante del Colchón S.L. <sup>3</sup>	Barcelona, Spain	-	100
Linbomol S.L. <sup>3</sup>	Barcelona, Spain	-	100
M Line Bedding S.L. <sup>3</sup>	Barcelona, Spain	-	100
Matratzen Concord (Schweiz) AG <sup>2</sup>	Malters, Switzerland	-	100
Matratzen Concord GmbH <sup>2</sup>	Cologne, Germany	-	100
Matratzen Concord GesmbH <sup>2</sup>	Vienna, Austria	-	100
Procomiber S.L. <sup>3</sup>	Barcelona, Spain	-	100
Sängjätten Sverige Wholesale AB <sup>4</sup>	Göteborg, Sweden	-	100

1 In 2020 Beter Beheer B.V. is renamed into Beter Bed Financial Services B.V.

2 The activities in Germany, Austria and Switzerland have been divested in a share deal in 2019.

3 The Spanish entities have been liquidated in 2019.

4 Sängjätten Sverige Wholesale AB has been liquidated in 2019.



## Use of estimates

### Estimates and judgments

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

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

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

Where estimates are made when preparing the financial statements, an explanation is provided in the notes for each item in question.

- Impairment testing (see page 95).
- Taxation (see page 109).
- Inventories (see page 100).
- Trade Receivables (Financial Instruments) (see page 100).

## Going concern

The financial statements have been prepared on a going concern basis.

Over the year ending on 31 December 2019 the Group had a total net loss of € 52.6 million and a total cash flow from operating activities of € 3.2 million. These numbers include the operational and divestment loss of the discontinued operations of Matratzen Concord, and the final costs relating to the liquidation of the remaining legal entities in Spain for which the operational activities were sold in 2018.

Excluding the results of the discontinued operations the Group had an operating loss of € 0.4 million and a positive operational cash flow of € 23.8 million. Normalised for one-off cost, these results indicate that the continuing operations of the Group are able to generate positive operating profits and free cash flows.

The divestment of Matratzen Concord and the liquidation of the remaining Spanish entities, together with the newly entered into banking covenant, the sale and leaseback of the real estate property for Uden, Hoogeveen and Nieuw-Vennep and the (partly perpetual) shareholder loans provide a stable platform for the remaining activities.

The positive outlook of the continuing operations in combination with the divestment of Matratzen Concord, supports management that the Group can continue as going concern.

Given the current social and economic circumstances, which have no relation to the business operations year to date, we believe our business could be impacted for a period of time. Looking ahead, we see increased uncertainties following the COVID-19 worldwide outbreak and market volatility. These conditions could indicate the possible existence of a material uncertainty which may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

We have no indication whether the governmental measures will have an effect in preventing a further spread around the world. Therefore we currently do not know whether these measures will be effective and what kind of duration we will be faced with. Such situation, especially when it takes longer, may have an effect on the financial performance of the Company. The Group has taken many measures to ensure our customers and employees continue to be safe while interacting together. The Group has initiated, already for a couple of weeks, a task force to ensure supply is managed and alternatives are available in case supply of goods is getting under pressure. Critical inventory has been identified and incremental stock has been ordered. Only as of 14 March we saw an initial decline in consumer traffic where till that moment our traffic, order intake and sales were developing very well against previous year. In Belgium the government has decided to have stores closed at the weekend and this has affected order intake. Baring transport disruption our current order book foresees usual revenue levels for the next 4 to 6 weeks. The financial situation of the Group is currently healthy. At the moment we are in discussion with the banks to successfully agree new credit facilities and the establishment of a fit-for-the-future group financing structure. Current uncertainty might delay this process. We appreciate that the government has indicated to support companies when needed to ensure continuity for companies and employees. At this moment we do not have any reason to believe that the Group is not able to continue as a going concern.

## Refinancing including divestment Matratzen Concord

In July 2020 the current credit facilities available to the Group will expire. As a result of this upcoming expiration, the Company is working on several initiatives to secure new credit facilities in order to contribute to its operational business goals.

The financial deleveraging realised during the course of 2019 consisted of:

- Sale-and-leaseback transactions on real estate in the Netherlands.
- Issuance of share capital.
- Agreement of a shareholder loan (partly perpetual).
- The divestment of Matratzen Concord in Germany, Austria and Switzerland.

These initiatives led to a cash income of € 38.3 million of which € 16.7 million was used to repay outstanding bank debt. Per year-end 2019, this resulted in a substantially lower utilisation (€ 5.7 million utilised) of the credit facility compared to the € 43.5 million at the Group's disposal. Following the repayment, new financial covenants were agreed with the financing parties.

The recently optimised business structure, followed by current and expected positive free cash flow during 2020, will contribute to successfully agree new credit facilities during the first half of 2020 and the establishment of a fit-for-the-future Group financing structure.

In 2020 Beter Bed Holding N.V. will continue working on optimising and continuing its credit facilities. So far, requests for proposals are issued to several financial institutions. At the date of the annual report, several meetings with these parties have been held to discuss requested terms and conditions.

## Formal ending of the Spanish operations

In 2019 the Company liquidated the Spanish legal entities which led to the formal ending of the Spanish operations. This resulted in the utilisation of the deferred tax assets formed in 2018 amounting € 4.9 million. As a consequence these deferred tax assets have been reclassified from deferred tax assets to current tax assets.

## Changes in significant accounting policies

### IFRS 16 Leases, effective 1 January 2019

Until the 2018 financial year leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. The Company has chosen to grandfather the existing lease contracts upon first-time adoption, meaning applying IFRS 16 to all contracts that included a lease in accordance with IAS 17.

Beter Bed Holding N.V. has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

Beter Bed Holding N.V. leases various offices, warehouses, retail stores, equipment and vehicles.

It has adopted IFRS 16 through application of the 'modified retrospective approach' and applies the standard to its rented stores, car and truck leases in countries in which Beter Bed Holding N.V. is active. In accordance with the practical expedients the standard proposes, Beter Bed Holding N.V. has made no specific distinction in type of costs for car and truck leases and subsequently full lease costs will be capitalised. Also, all lease contracts for which the underlying asset value is defined to be below US\$ 5,000 or short-term (less than 12 months) are exempted at adoption and going forward from capitalisation as lease assets.

Beter Bed Holding N.V. has implemented a software tool which enables transparent, efficient and effective reporting of lease contracts under the new IFRS 16 standard. This tool provides insights in leased assets and its associated liabilities per country and per category.

Lease contracts will be capitalised for the duration of non-cancellable periods (mostly fixed periods of four to eight years) and renewal periods are only taken into account if deemed reasonably certain. Assets and liabilities arising from a lease are initially measured on a present value basis.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The incremental borrowing rate applied by Beter Bed Holding N.V., is periodically determined by an external valuator. A specific discount rate (incremental borrowing rate) is applied to a portfolio of leases with reasonably similar characteristics depending on their duration and associated country, varying between 0% and 3.4%.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of twelve months or less. Low-value assets comprise IT equipment and small items of office furniture.

Aforementioned variables and applied practical expedients have resulted in an identification of right-of-use assets amounting € 142.5 million (continuing operations € 49.4 million and discontinued operations € 93.1 million) and will therefore result in an increase of the total balance sheet of this magnitude per 1 January 2019. Moreover, the profit and loss statement will display a shift from operational lease costs to depreciation costs and interest charges.

Adoption of this standard also has an inevitable and significant impact on several ratios, including solvency and the net interest-bearing debt/EBITDA. However, the covenants with credit institutions are not impacted, given the fact that the covenants include conditions stating that ratios concerned are calculated excluding the impact of new reporting standards.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect or are known. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

## Practical expedients applied

In applying IFRS 16 for the first time, Beter Bed Holding N.V. has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics (varying between 0-1.32%).
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019.
- Accounting for operating leases with a remaining lease term of less than twelve months as at 1 January 2019 as short-term leases.
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application.
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Beter Bed Holding N.V. has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

## Measurement of lease liabilities

The table below shows the reconciliation of the off-balance commitments per the end of December 2018 and the opening balance of IFRS 16.

in thousand €	Benelux	New Business	DACH	Total
Operating lease commitments disclosed at 31 December 2018	35,743	10,180	89,667	135,590
Add/(less): Changes from contract reassessment <sup>1</sup>	3,338	(919)	1,518	3,937
Add/(less): Changes applied in IBRs (discounting effect) <sup>2</sup>	788	225	1,985	2,998
<b>Lease liability recognised at 1 January 2019</b>	<b>39,869</b>	<b>9,486</b>	<b>93,170</b>	<b>142,525</b>
Of which are:				
- Current lease liabilities				45,841
- Non-current lease liabilities				96,684
<b>Lease liability recognised at 1 January 2019</b>				<b>142,525</b>

<sup>1</sup> Resulting from the IFRS 16 adoption, all contracts have been reassessed in detail on accuracy, completeness and options (where relevant) in the first half year of 2019.

<sup>2</sup> In 2018 a general discounting factor of 2% was applied to calculate the operational lease commitments. Due to the introduction of IFRS 16, specific IBRs per country and per asset class have been applied leading to a higher commitment.



## Segment reporting

Various operating segments have been identified within the Group as these segments are reviewed by the decision-makers within the entity. These operating segments independently generate revenue and incur expenses. The principal operating segments are comparable in each of the following aspects:

- **Nature of the products and services**

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

- **Customers for the products and services**

The operating segments sell directly to consumers, focusing specifically on customers in the value-for-money segment.

- **Distribution channels for the products and services**

The operating segments generate their revenue in stores (the offline retail channel) and also have a web shop (online retail channel). Online revenue compared to total revenue is similar for the operating segments.

- **Economic characteristics**

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

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

Information by geographical area is disclosed in [note 14](#) (see page 106).

## Discontinued operations

A disposal group qualifies as discontinued operations if it is a component of an entity that has been disposed of, and:

- Represents a separate major line of business or geographical area of operations.
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit and loss.

## Exit of Matratzen Concord

On 2 December 2019, Beter Bed Holding N.V. successfully completed the divestment of the Matratzen Concord companies in Germany, Austria and Switzerland with economic transfer at the end of 30 November 2019. The financial result relating to the discontinued operations is set out below.

The parties agreed upon an additional contingent deferred payment of up to maximum € 7.5 million from Matratzen Concord to Beter Bed Holding N.V. if certain profitability milestones are met in the first year after the transaction. At the time of the sale the fair value of the consideration was determined at zero. It has been recognised as a financial asset at fair value through profit or loss.

## Exit of El Gigante del Colchón

Beter Bed Holding N.V. has divested the operations of El Gigante del Colchón effective 1 November 2018. Via an asset deal all stores and employees related to the operation were transferred to the purchaser. The liquidation of the legal entities in Spain has been realised in 2019. The associated activities are presented as discontinued operations.

## Financial performance and cash flow information

The financial performance and cash flow information presented below are for the relevant periods during 2019 and 2018 respectively. Matratzen Concord (MC) was divested via a share deal and the results below represent January up to and including November 2019 (2018: full year). The activities of El Gigante del Colchón (EGDC) have been divested via an asset deal on 1 November 2018 and the included results relate to January-October 2018; the remaining dormant legal entities have been liquidated in 2019 leading to some remaining costs that are included in the overview.

in thousand €	2019			2018		
	MC	EGDC	Total	MC	EGDC	Total
Sales	162,747	4	162,751	223,520	6,310	229,830
Cost of sales	(73,241)	(15)	(73,256)	(96,662)	(3,453)	(100,115)
<b>Gross profit</b>	<b>89,506</b>	<b>(11)</b>	<b>89,495</b>	126,858	2,857	129,715
Other expenses	(116,696)	(407)	(117,103)	(155,606)	(7,503)	(163,109)
<b>Loss before income tax</b>	<b>(27,190)</b>	<b>(418)</b>	<b>(27,608)</b>	(28,748)	(4,646)	(33,394)
Income tax (expense)/gain	(7,533)	-	(7,533)	3,263	-	3,263
<b>Loss from discontinued operations</b>	<b>(34,723)</b>	<b>(418)</b>	<b>(35,141)</b>	(25,485)	(4,646)	(30,131)
Net cash in/(out)flow from operating activities	(20,599)	-	(20,599)	(4,226)	(2,298)	(6,524)
Net cash in/(out)flow from investing activities	15,891	(418)	15,473	(7,485)	(702)	(8,187)
Net cash in/(out)flow from financing activities	-	-	-	(87,228)	12,288	(74,940)
<b>Net increase / (decrease) in cash generated by the subsidiary</b>	<b>(4,708)</b>	<b>(418)</b>	<b>(5,126)</b>	(98,939)	9,288	(89,651)

## Details of the sale of Matratzen Concord

in thousand €	2019
Consideration received or receivable:	
- Cash	7,134
- Fair value of contingent consideration	-
Total disposal consideration	7,134
Carrying amount of net assets sold	(20,402)
<b>Gain / (loss) on sale after income tax</b>	<b>(13,268)</b>

The carrying amounts of assets and liabilities as at the date of economic transfer (30 November 2019) were:

in thousand €	2019
Intangible fixed assets	1,090
Property, plant and equipment	14,586
Right-of-use assets	68,274
Trade receivables	906
Inventories	20,553
Other assets	2,768
Cash and cash equivalents	4,146
<b>Total assets</b>	<b>112,323</b>
Trade payables	(6,142)
Lease liabilities	(68,447)
Other liabilities	(17,332)
<b>Total liabilities</b>	<b>(91,921)</b>
<b>Net assets</b>	<b>20,402</b>

## Significant accounting policies relating to balance sheet

### Financial instruments

#### Non-derived financial instruments

Non-derived financial instruments include other financial fixed assets, trade and other accounts receivables, cash and cash equivalents, liabilities to credit institutions, trade and other payables. Initial recognition of non-derived financial instruments is at fair value. Thereafter, these non-derived financial assets are valued at amortised cost (excluding cash and cash equivalents).

#### Impairments of financial assets

Beter Bed Holding N.V. applies a model of the impairments of financial assets against amortised cost. In order to determine the provision, Beter Bed Holding N.V. applies a general or simplified method.

For the general method, the following is applied:

- A 12-month expected credit loss; or
- Lifetime expected credit losses for financial assets when the credit risk increases significantly due to certain circumstances. All credit losses for the expected lifetime are accounted for; or
- Lifetime expected credit losses for financial assets, whereby interest is calculated based on the net receivable less impairment loss.

Loans granted to subsidiaries and receivables against suppliers following the supplier model, as well as all other receivables go through the process of impairment testing based on the aforementioned general method.

The simplified method is applied to other receivables. For these, at inception, lifetime expected credit losses are processed, which are determined following a historical set of average irrecoverable amounts (based on historical debt collection details).

#### Trade and other receivables

Trade and other receivables represent the Group's right to an amount of consideration that is unconditional. Trade and other receivables are carried at amortised cost, less impairment losses.

#### Trade and other payables

Trade and other payables are carried at amortised cost.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and other call deposits payable on demand. Bank overdrafts that are repayable on demand, and form an integral part of the Group's cash management, are included as a component of cash and cash equivalents in the statement of cash flow. They are measured at fair value.

#### Offsetting financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

### Derecognition of financial assets and liabilities

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



A financial liability is derecognised when the obligation has been discharged or cancelled or has expired. If an existing financial liability is replaced by another from the same lender, under substantially different terms, or if substantial modifications are made to the terms of the existing liability, the replacement or modification is accounted for through recognition of the new liability in the balance sheet and derecognition of the original liability. The difference between the relevant carrying amounts is accounted for through profit and loss.

## Intangible assets

Intangible assets relate to the brand name *Sängjätten* and (acquired) software. For each category the applicable finite useful life has been determined and applied.

Intangible assets with finite lives are amortised over their useful life and tested for impairment if there are indications that the intangible asset might be impaired. The amortisation period and method for an intangible asset with a finite useful life are assessed at least at the end of each period under review; the applied amortisation percentages vary between 5% and 33%. Any changes in the expected useful life or expected pattern of the future economic benefits from the asset are recognised by means of a change in the amortisation period or method and must be treated as a change in accounting estimate. Amortisation charges on intangible assets with a finite useful life are recognised in the profit and loss account.

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

## Property, plant and equipment

Tangible fixed assets other than land are valued at the cost of purchase or construction less straight-line depreciation and impairments (if applicable) based on the expected economic life or lower recoverable amount. Land is carried at fair value on the basis of the valuations by an external expert in December 2018, who used the GIY/NIY method.

Any revaluations are recognised in equity through other comprehensive income, with a provision for deferred taxation being formed at the same time. Land and other tangible fixed assets under construction are not depreciated.

Applied depreciation percentages are as follows:

- Land 0%.
- Buildings 3.33%.
- Other fixed operating assets 10-33%.
- Right-of-use assets 8-100% (depending on remaining lifetime of underlying contract as of adoption).

Depreciation, amortisation and impairment are presented combined in the profit and loss and detailed in its notes.

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

The tangible fixed assets are intended for own use.

## Inventories

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

## Impairment of assets

The Group reviews at each reporting date whether there are indications that an asset has been impaired. If there is any such indication or if the annual impairment testing of an asset is required, the Group estimates the asset's recoverable amount. Intangible assets with an indefinite useful life are tested for impairment annually. Impairment losses are recognised in profit or loss.

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

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

## Restricted reserves

These non-distributable reserves are formed for exchange differences for participations, for the revaluation of tangible fixed assets and for the equity instruments. These reserves have also been included in the consolidated statement of changes in equity to ensure reconciliation with the shareholders' equity as recognised in the company financial statements.

## Dividend

The holders of ordinary shares are entitled to receive dividend as determined from time to time by the Annual General Meeting.

The Management Board has the authority to decide, with the approval of the Supervisory Board, what portion of the profit will be allocated to the reserves. If applicable, the declared but unpaid dividends are recognised as a liability.

## Provisions

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

## Employee benefits

### Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit and loss when incurred. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments will occur.

### Defined benefit plans

The Group currently does not have any defined benefit plans.

## Taxes

Current income tax assets and liabilities are valued at the amount that is expected to recover from or paid to the tax authorities. The amount is calculated on the basis of the tax rates set by law and enacted tax laws, which are reviewed periodically. Current income tax items directly related to items in equity are also recognised in equity.

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

Deferred tax assets are recognised for available tax loss carry forwards and deferred tax assets arising from temporary differences at the balance sheet date between the tax base of assets and liabilities and the carrying amount in the financial statements. Deferred tax assets are valued at nominal value. Deferred tax assets arising from future tax loss carry forwards are only recognised to the extent that it is probable that sufficient future taxable profits will be available against which these 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 enacted tax laws. Deferred tax items are recognised in correlation to the underlying transaction either in the overview of comprehensive income (OCI) or directly in equity.

Deferred tax assets and deferred tax liabilities are offset by the Group if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

## Significant accounting policies relating to the profit or loss account

### Presentation

The presentation of the profit and loss account is based on the categorical classification. Gross profit is the result of revenue less cost of materials and services from third parties. Personnel expenses, depreciation, amortisation and impairments of fixed assets and other operating expenses are presented immediately after gross profit due to short term influenceability and the fact that these costs do not directly relate to the level of revenue.

### Revenue

The revenue is understood as the proceeds of the sale of goods and services to third parties less discounts and similar rebates, and sales taxes. Revenue is recognised when mutual contractual obligations are met. Revenue is based on transaction prices allocated to individual performance obligations, being either a distinct good or service or a series of distinct goods or services that are largely the same, and showing the same pattern of transfer to a customer. Revenue from sales of goods is recognised in the profit and loss upon transfer of the right of disposal of the goods by the Group. In the circumstance when goods are instantly being taken by consumers, this is at the time of payment at the cash register. In the circumstance when goods are assembled and/or delivered, the sales are recognised at the moment when the transfer has led to a physical delivery of the goods to the customer.

### Materials and services from third parties

This comprises the cost and associated services of the goods sold, after deduction of any payment discounts and purchase bonuses received, added with directly attributable purchase and supply cost.

### Expenses

Expenses 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 is in use within the Company. In the Netherlands, the majority of the employees participate in the Detailhandel Industrial Pension Fund. This is an average pay scheme with a maximum pension accrual on the income for social security contributions. Consequently this pension scheme is accounted for as a defined contribution scheme.

The other pension schemes are also defined contribution schemes. The contributions paid to the Detailhandel Industrial Pension Fund and insurance companies respectively are recognised as expenses in the year to which they relate. There are no company-specific pension schemes in the other countries.

### Depreciation and amortisation

Depreciation and amortisation are calculated using the straight-line method based on the expected economic life of the underlying assets. Additions in the year under review are depreciated and amortised from the date of purchase respectively inception for right-of-use assets onwards.



## Significant accounting policies to the cash flow statement

The cash flow statement is prepared using the indirect method. Beter Bed Holding N.V. discloses discontinued operations in a separate note (see page 84).

## Capital and financial risk management

### Financial risk management

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

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

### Currency risk

Currency risk, arising mainly from purchases in dollars, is not hedged. A 5% change in the average dollar exchange rate would, on the basis of the purchasing volumes in the financial year, result in an effect of approximately € 90,000 (2018: € 83,000) on the operating profit (EBIT) if sales prices remain the same. There are virtually no financial instruments in foreign currencies. Currency risk owing to the presence and/or transactions in Sweden and Switzerland (relating to discontinued operations) and the potential volatility of the Swedish krona and the Swiss franc (relating to discontinued operations) are considered to be limited due to the fact that the majority of goods purchases takes place in euros.

### Interest rate risk

Interest rate risk resulting from the current capital structure of the Company is limited. The effect on the result following a change (increase or decrease) in the interest rate of 50 basis points would be € 0.1 million before taxation (2018: € 0.2 million), on the basis of the use of the credit facilities at year-end 2019. The carrying amount of the financial liabilities is virtually equal to the fair value.

## Credit risk

Credit risk is limited to the wholesale operations and trade receivables under bonus agreements.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for the relevant trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of revenue over a period of 36 months before 31 December 2019 or 1 January 2019 respectively and the corresponding historical credit losses experienced within this period.

## Liquidity risk

Liquidity risk resulting from the current capital structure is limited.

## Capital management

The Group's objectives when managing capital are to:

- Safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

In 2019 the fixed assets became pledged to the banks as security for its credit facility. The activation of pledge security dismissed the Group from the applicable solvency and debt/EBITDA preconditions relevant up to that moment. We refer to the note [Borrowings](#) (see page 104) on the applicable agreements at year-end.

Daily management of the cash positions and the banks' headroom is part of the standard checks and balances of the Group and continuously monitored. When necessary, conscious planning on payments is executed.

## 1. Intangible assets

in thousand €	Software	Brand	Total
Cost	18,468	1,725	20,193
Accumulated amortisation	(10,947)	(130)	(11,077)
<b>At 1 January 2018</b>	<b>7,521</b>	<b>1,595</b>	<b>9,116</b>
Additions	5,054	-	5,054
Disposals	(92)	-	(92)
Amortisation charges	(2,148)	(86)	(2,234)
Impairment charges	(463)	-	(463)
Foreign exchange differences	(70)	-	(70)
<b>Movement 2018</b>	<b>2,281</b>	<b>(86)</b>	<b>2,195</b>
Cost	23,360	1,725	25,085
Accumulated amortisation	(13,558)	(216)	(13,774)
<b>At 31 December 2018</b>	<b>9,802</b>	<b>1,509</b>	<b>11,311</b>
Additions	96	-	96
Amortisation charges	(1,718)	(75)	(1,793)
Discontinued operations	(1,103)	-	(1,103)
Foreign exchange differences	-	(28)	(28)
<b>Movement 2019</b>	<b>(2,725)</b>	<b>(103)</b>	<b>(2,828)</b>
Cost	15,867	1,694	17,561
Accumulated amortisation	(8,790)	(288)	(9,078)
<b>At 31 December 2019</b>	<b>7,077</b>	<b>1,406</b>	<b>8,483</b>

The intangible assets are comprised of software (€ 7.1 million) and the Sängjätten brand name (€ 1.4 million).

In the purchased software an amount of € 1.4 million is included related to assets under construction (2018: € 3.1 million).

In relation to the migration to one web shop platform in the Netherlands and Belgium an impairment of € 0.5 million in the 2018 results was recognised for the old platform.

## 2. Property, plant and equipment

in thousand €	Land	Buildings	Other fixed operating assets	Total
Cost or fair value	7,090	10,506	115,699	133,295
Accumulated depreciation	-	(6,827)	(82,232)	(89,059)
<b>At 1 January 2018</b>	<b>7,090</b>	<b>3,679</b>	<b>33,467</b>	<b>44,236</b>
Additions	-	-	12,274	12,274
Revaluation	295	-	-	295
Disposals	-	-	(432)	(432)
Depreciation charges	-	(327)	(13,168)	(13,495)
Impairment charges	-	-	(1,639)	(1,639)
Foreign exchange differences	-	-	18	18
<b>Movement 2018</b>	<b>295</b>	<b>(327)</b>	<b>(2,947)</b>	<b>(2,979)</b>
Cost or fair value	7,385	10,506	127,559	145,450
Accumulated depreciation	-	(7,154)	(97,039)	(104,193)
<b>At 31 December 2018</b>	<b>7,385</b>	<b>3,352</b>	<b>30,520</b>	<b>41,257</b>
Additions	-	-	4,301	4,301
Revaluation	389	-	-	389
Disposals	(6,859)	(2,555)	(43)	(9,457)
Depreciation charges	-	(285)	(4,724)	(5,009)
Impairment charges	-	-	(290)	(290)
Discontinued operations	-	-	(20,595)	(20,595)
<b>Movement 2019</b>	<b>(6,470)</b>	<b>(2,840)</b>	<b>(21,351)</b>	<b>(30,661)</b>
Cost or fair value	915	2,012	70,471	73,398
Accumulated depreciation	-	(1,500)	(61,302)	(62,802)
<b>At 31 December 2019</b>	<b>915</b>	<b>512</b>	<b>9,169</b>	<b>10,596</b>

In relation to the anticipated closure of some stores with low profitability in Sweden, an impairment of € 0.3 million has been recognised in 2019.

The impairment in 2018, relates to the discontinuation of the operations in Spain, amounting € 1.2 million and to the store closures in Germany, Austria and Switzerland following the restructuring of Matratzen Concord, amounting € 0.4 million.

## Carrying amounts that would have been recognised if land were stated at cost

If freehold land were stated on the historical cost basis, the amounts would be as follows:

in thousand €	2019	2018
<b>Freehold land</b>		
Cost	402	3,360
Accumulated depreciation	-	-
<b>Net book amount at 31 December</b>	<b>402</b>	<b>3,360</b>

## Gains on sale-and-leaseback transactions

During 2019 the Group has entered into three separate sale-and-leaseback transactions for its distribution centers in Uden, Hoogetveen and Nieuw-Vennep. These resulted in a gain amounting € 9.7 million of which at year-end € 6.4 million relates to the rights transferred to the buyer-lessor and has been processed directly in the consolidated profit and loss account. The remainder has been included in the value of the right-of-use assets (and is therefore unrecognised); at year-end an amount of € 3.3 million remains to be realised in the upcoming years.

## 3. Right-of-use assets

in thousand €	Right-of-use assets: Property	Right-of-use assets: Fleet	Total
Cost	-	-	-
Accumulated amortisation	-	-	-
<b>At 31 December 2018</b>	-	-	-
Accounting changes at 1 January 2019	134,795	7,703	142,498
Additions	7,382	(231)	7,151
Depreciation charges	(12,768)	(1,235)	(14,003)
Impairment charges	(581)	-	(581)
Discontinued operations	(91,335)	(1,807)	(93,142)
Foreign exchange differences	(173)	(3)	(176)
<b>Movement 2019</b>	<b>37,320</b>	<b>4,427</b>	<b>41,747</b>
Cost	50,669	5,662	56,331
Accumulated amortisation	(13,349)	(1,235)	(14,584)
<b>At 31 December 2019</b>	<b>37,320</b>	<b>4,427</b>	<b>41,747</b>

In relation to the anticipated closure of some stores with low profitability in Sweden, an impairment of € 0.6 million has been recognised in 2019.

## Leases

The total cash outflow for leases relating to continuing operations in 2019 was € 14.4 million (2018: € 15.8 million).

### Lease amounts recognised in the statement of profit or loss

in thousand €	2019	2018 <sup>1</sup>
<b>Depreciation charge of right-of-use assets</b>		
Property lease	(12,768)	(10,615)
Other lease	(1,235)	(1,246)
Total depreciation charge	(14,003)	(11,861)
Impairment charges	(581)	-
Interest expense (included in finance cost)	(349)	-
<b>Total amount recognised in the statement of profit or loss</b>	<b>(14,933)</b>	<b>(11,861)</b>

<sup>1</sup> IFRS 16 was adopted as of 2019. The comparative figures are based upon the like-for-like lease amounts.

The increase in expenses has been influenced by the sale-and-leaseback transactions in the fourth quarter of 2019.

Expenses following from short-term leases, low-value assets and/or variable lease payments are not included in the abovementioned lease amounts. Due to its insignificance, these are not disclosed either.

## 4. Deferred tax balances

### Deferred tax assets

in thousand €	2019	2018
The balance comprises temporary differences attributable to:		
- Tax losses	1,018	12,758
- Valuation of property, plant and equipment	190	294
- Valuation of pension obligations	-	221
- Valuation due to lease accounting (IFRS 16)	754	-
- Valuation due to interest deductibility	125	-
<b>At 31 December</b>	<b>2,087</b>	<b>13,273</b>

Movements:

in thousand €	Tax losses	Property, plant and equipment	Pension Inventories obli- gations	Lease accounting	Interest	Total	
At 1 January 2018 (Charged)/credited	1,772	312	253	16	-	-	2,353
- to profit or loss	10,986	(18)	(32)	(16)	-	-	10,920
At 31 December 2018 (Charged)/credited	12,758	294	221	-	-	-	13,273
- discontinued activities	(6,890)	-	(221)	-	-	-	(7,111)
- transfer to current tax assets	(4,850)	-	-	-	-	-	(4,850)
- to profit or loss	-	(104)	-	-	754	125	775
At 31 December 2019	1,018	190	-	-	754	125	2,087

## Significant estimates

At year-end 2019 a tax credit of € 3,777 thousand (2018: € 8,562 thousand) relating to continuing operations for future loss carry-forwards was recognised under financial assets. A tax credit amounting € 4.9 million in relation to the (anticipated) liquidation of the Spanish legal entities has been realised in 2019 and thus could be transferred to current tax assets.

Beter Bed Holding N.V. has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the business plans and improvement initiatives enrolled. The tax losses have been capitalised to the extent in which tax profits are expected in the coming five years.

An amount of € 14,160 thousand (2018: € 7,257 thousand relating to continuing operations) in loss carry-forwards has not been recognised. Beter Bed Holding N.V.'s policy is that tax losses available for carry-forward are capitalised only if reasonable possibilities for set-off are expected within five years on the basis of a substantiated forecast of the results for tax purposes. Set-off of these losses is insufficiently probable on the basis of the currently available information.

The tax losses available for carry-forward expire as follows:

Term	Total
1 year	-
2 to 5 years	-
6 to 10 years	2,759
11 to 15 years	-
Indefinite	15,178
Total tax losses	17,937
Not recognised	(14,160)
<b>At 31 December 2019</b>	<b>3,777</b>



## Deferred tax liabilities

in thousand €	2019	2018
The balance comprises temporary differences attributable to:		
- Valuation of (in)tangible assets	105	1,743
- Revaluation of land	129	825
- Valuation of inventories	568	835
- Other	-	49
<b>At 31 December</b>	<b>802</b>	<b>3,452</b>

Movements:

in thousand €	Valuation of (in)tangible assets	Revaluation of land	Valuation inventories	Other	Total
At 1 January 2018	1,609	932	770	72	3,383
(Charged)/credited					
- to profit or loss	134	-	65	(23)	176
- to other comprehensive income	-	(107)	-	-	(107)
<b>At 31 December 2018</b>	<b>1,743</b>	<b>825</b>	<b>835</b>	<b>49</b>	<b>3,452</b>
(Charged)/credited					
- discontinued activities	(1,432)	-	(320)	(49)	(1,801)
- to profit or loss	(206)	(877)	53	-	(1,030)
- change in applied tax rate	-	181	-	-	181
<b>At 31 December 2019</b>	<b>105</b>	<b>129</b>	<b>568</b>	<b>-</b>	<b>802</b>

## 5. Other non-current financial assets

Other non-current financial assets are composed as follows:

in thousand €	2019	2018
Other receivables	64	94
<b>Balance at 31 December</b>	<b>64</b>	<b>94</b>

Other receivables relate to deposits supporting lease contracts of retail stores.

At year-end 2019 and 2018, the measured amounts at amortised costs equals its carrying amount.

## 6. Inventories

in thousand €	2019	2018
Distribution centers	9,331	7,261
Retail stores	12,902	48,418
<b>Balance at 31 December</b>	<b>22,233</b>	55,679

An amount of € 34.8 million of the inventory at year-end 2018 related to the discontinued operations.

## 7. Receivables

### Trade receivables

in thousand €	2019	2018
Trade receivables	1,954	3,022
Allowance for expected credit losses	(124)	(8)
<b>Balance at 31 December</b>	<b>1,830</b>	3,014

An amount of € 1.6 million of the trade receivables at year-end of 2018 related to the discontinued operations.

### Information about the impairment of trade receivables and the Group's exposure to credit risk

The impairment of trade receivables is based on the expected credit losses model following the simplified approach. Reference is made to Credit Risks as described under Capital and financial risk management (see page 92).

Trade receivables are written off where there is no reasonable expectation of recovery; in 2019 an amount of € 24 thousand has been written off (2018: € 10 thousand). Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make a contractual payment for a period of greater than 120 days past due.

The carrying amounts of trade and other receivables are considered to be the same as their fair values, due to their short-term nature.

### Income tax receivables

in thousand €	2019	2018
Tax receivable due to liquidation of Spanish entities	4,910	-
Tax (payable)/receivable relating to fiscal result	(3,316)	636
<b>Balance at 31 December</b>	<b>1,594</b>	636

Both tax positions are with the Dutch tax authorities.

## Other receivables

Other receivables amounting € 8,655 thousand (2018: € 9,243 thousand) are comprised of to be received credit invoices, prepaid costs, advance payments and miscellaneous receivables.

An amount of € 1.8 million of the other receivables end of 2018 related to the discontinued operations.

## 8. Cash and cash equivalents

in thousand €	2019	2018
Bank balances	1,262	2,842
Cash	111	470
Cash in transit	742	2,861
<b>Balance at 31 December</b>	<b>2,115</b>	<b>6,173</b>

## 9. Equity

### Issued share capital and share premium

	2019 Shares	2018 Shares	2019 €'000	2018 €'000
<b>Issued share capital and share premium</b>				
Ordinary shares:				
- Fully paid and share premium	21,955,562	21,955,562	18,873	18,873
- Issued for cash	2,150,000	-	5,000	-
<b>Total share capital and premium at 31 December</b>	<b>24,105,562</b>	<b>21,955,562</b>	<b>23,873</b>	<b>18,873</b>

The authorised share capital of Beter Bed Holding N.V. amounts to € 2 million and is divided into 100 million ordinary shares with a nominal value of € 0.02 each. On 31 December 2019 a total of 24,105,562 ordinary shares were issued and outstanding.

All shares rank equally with regard to the Company's residual assets.

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

The divestment of Matratzen Concord was accompanied by a concurrent equity investment in Beter Bed Holding N.V. of Magical Honour Limited of € 5 million, consisting of 2.15 million ordinary shares at € 2.32 per share.

The share option programs 2014 and 2016 (see page 107) did not result in the issuance of shares.

## Equity instruments

in thousand €	2019	2018
Balance at 1 January	-	-
Proceeds from borrowings	3,500	-
<b>Total equity instruments at 31 December</b>	<b>3,500</b>	<b>-</b>

In 2019 an existing shareholder loan has been converted into a perpetual shareholder loan. The loan carries an interest of 7.5% up to June 2020 and 15% thereafter. Both repayment of the loan and interest are at discretion of Beter Bed Holding N.V. and can be deferred to a future period. Up to full redemption of the loan and its interest, no cash or other distributions can be made to ordinary shareholders.

The fair value of the perpetual shareholder loan equals its carrying amount. The fair value is based upon level 3 of the valuation method following the fair value hierarchy (level 3: inputs for assets or liability that are not based on observable market data).

As the perpetual loan agreement became effective as of 31 December 2019, no interest was included in the 2019 financial statements.

## 10. Provisions

in thousand €	2019	2018
Restructuring provision		
- Non-current	-	4,040
- Current	-	1,003
<b>Provisions in the consolidated balance sheet</b>	<b>-</b>	<b>5,043</b>

The provision end of 2018 fully related to the discontinued operations.

## Information about individual provisions and significant estimates

### Restructuring Matratzen Concord

In the fourth quarter of 2018 the decision was made to restructure Matratzen Concord.

The decision comprised mainly:

- The closure of 172 Matratzen Concord retail stores in Germany, Austria and Switzerland.
- Reduction of 64 FTE of supporting staff of Matratzen Concord.
- Decrease of inventories with at least € 8 million.

The one-off cost of the restructuring operation amounted to € 7.6 million and was beyond the earlier communicated plans. The cost mainly related to termination of rental agreements, dismissal payments and impairment of assets. The various costs are presented in their respective categories in the profit and loss account.

## Termination of Spanish activities

During 2018 it was concluded that the Spanish activities did insufficiently contribute to the financial results of the Group and would neither do so in the foreseeable future. Via an asset deal, the activities have been transferred to a third party as per 1 November 2018. The legal closure of the remaining legal companies has been executed in 2019.

In relation to the restructuring of Matratzen Concord in Germany, Austria and Switzerland, a provision of € 5.0 million was recognised in 2018. This amount relates to employee termination payments and to lease contract termination costs.

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

## Movement in provisions

in thousand €	Restructuring
Carrying amount at 1 January 2018	121
Charged/(credited) to profit or loss	
- Additional provisions recognised	4,999
- Withdrawals	(77)
<b>Total provisions at 31 December 2018</b>	<b>5,043</b>
Charged/(credited) to profit or loss	
- Discontinued operations	(5,043)
<b>Total provisions at 31 December 2019</b>	<b>-</b>

## 11. Lease liabilities

### Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

in thousand €	2019	1 January 2019
<b>Right-of-use assets</b>		
Property lease	37,320	134,822
Other lease	4,427	7,703
<b>At 31 December resp. 1 January 2019</b>	<b>41,747</b>	<b>142,525</b>
<b>Lease liabilities</b>		
Current	16,346	41,028
Non-current	29,241	101,497
<b>At 31 December resp. 1 January 2019</b>	<b>45,587</b>	<b>142,525</b>

In 2018, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as ‘finance leases’ under IAS 17 *Leases*, if any. The assets were presented in property, plant and equipment and the liabilities as part of the Group’s borrowings. For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to note *Changes in significant accounting policies* (see page 82). Expenses of short-term leases and low-value leases are insignificant. As per 1 January 2019 an amount of € 93.2 million of the lease liabilities related to the discontinued operations.

## 12. Trade payables, taxes and other liabilities

Trade payables are unsecured and are usually paid within 30 days of recognition. An amount of € 11.7 million of the trade payables at year-end 2018 related to the discontinued operations.

Other taxes and social security contributions, composed of VAT, labour tax and social security premiums, are valued at nominal value.

The carrying amounts of other liabilities are considered to be the same as their fair values, due to their short-term nature.

### Other liabilities

Other liabilities are composed as follows:

in thousand €	2019	2018
Prepayments customers	10,347	12,050
Accrual staff cost	5,068	7,037
Other liabilities	2,857	6,074
<b>At 31 December</b>	<b>18,272</b>	<b>25,161</b>

An amount of € 14.3 million of the other liabilities at year-end 2018 related to the discontinued operations.

## 13. Borrowings

in thousand €	2019	2018
Revolving credit facilities	3,320	18,000
Shareholder loan	3,500	-
Bank overdraft	3,174	4,998
<b>At 31 December</b>	<b>9,994</b>	<b>22,998</b>

### Credit Facilities

To fund the Group, the Company has current account facilities totalling € 23.3 million at its disposal, including facilities available for providing guarantees.

These current account agreements include two multi-purpose facilities with ABN AMRO and BNP Paribas, amounting to € 10.0 million each, expiring in July 2020. First ranking security is provided in respect of pledge on shares in all Dutch companies, its bank accounts, receivables, inventories and the stores in Uden, Elst and Den Helder. The main conditions of the credit facilities are a net (senior) debt/EBITDA ratio below 2.5x, a guarantor cover over 70% threshold and a month-end clean down of uncommitted multi-purpose facility below € 14.1 million outstanding.

At the end of 2019 Beter Bed Holding N.V. complied with all bank covenants.

At the end of the year an amount of € 3.3 million (2018: € 23.0 million) was used under the revolving credit facilities. These facilities were also used for providing bank guarantees for the purpose of rental payments amounting to € 0.6 million (2018: € 0.7 million). Of the facilities available specifically to provide guarantees, a total of € 0.9 million was used at year-end 2019 (2018: € 6.8 million).

At the end of the year € 3.2 million under the bank overdraft was utilised.

## Shareholder loan

In the second half year of 2019 shareholder loans were received for an amount of € 7.0 million as part of the re-financing of the Group (refer to note [Going Concern](#) (see page 80)). At year-end an amount of € 3.5 million has been converted into a perpetual shareholder loan qualifying as equity. Second ranking security is provided in respect of pledge on shares in all Dutch companies, its bank accounts, receivables, inventories and the stores in Uden, Elst and Den Helder.

## Terms and repayment schedule

in thousand €	Nominal interest rate	Year of maturity	Face value	Carrying amount
Revolving credit facilities	Euribor + 1.50 - 2.00	2020	3,320	3,320
Shareholder loan	30%	2020	3,500	3,500
Bank overdraft	Euribor + 0.80 - 1.30	2020	3,174	3,174
<b>At 31 December 2019</b>			<b>9,994</b>	<b>9,994</b>

## Changes in liabilities arising from financing activities

in thousand €	Liabilities from financing activities		
	Borrowings	Leases	Subtotal
<b>Financial liabilities at 1 January 2018</b>	<b>(17,481)</b>	-	<b>(17,481)</b>
Proceeds from credit facilities	(5,517)	-	(5,517)
<b>Financial liabilities at 31 December 2018</b>	<b>(22,998)</b>	-	<b>(22,998)</b>
Recognised on adoption of IFRS16	-	(142,525)	(142,525)
<b>Financial liabilities at 31 December 2018 after adoption IFRS16</b>	<b>(22,998)</b>	<b>(142,525)</b>	<b>(165,523)</b>
Discontinued operations	-	93,142	93,142
Repayment of borrowings	16,504	-	16,504
Proceeds from shareholder loan	(3,500)	-	(3,500)
Payment lease liabilities	-	14,410	14,410
Sale-and-leaseback commitments	-	(6,331)	(6,331)
Proceeds from changes in other lease commitments	-	(3,934)	(3,934)
Discounting impact of recognised lease liabilities	-	(349)	(349)
<b>Financial liabilities at 31 December 2019</b>	<b>(9,994)</b>	<b>(45,587)</b>	<b>(55,581)</b>



## 14. Information by geographical area

Revenue by country, in thousand €	2019	%	2018	%
The Netherlands	158,731	85.4	150,122	86.9
Belgium	10,516	5.7	8,985	5.2
Sweden	16,558	8.9	13,705	7.9
<b>Total revenue</b>	<b>185,805</b>	<b>100.0</b>	<b>172,812</b>	<b>100.0</b>

(In)tangible fixed assets by country, in thousand €	2019	%	2018	%
The Netherlands	48,403	79.6	25,969	84.1
Belgium	4,223	6.9	1,845	6.0
Sweden	8,200	13.5	3,055	9.9
<b>Total</b>	<b>60,826</b>	<b>100.0</b>	<b>30,869</b>	<b>100.0</b>

## 15. Personnel expenses

in thousand €	2019	2018
Wages and salaries	33,028	29,196
Social security costs	6,745	6,133
Pension costs	3,141	2,764
External staffing	4,015	2,648
Employee stock options	135	83
<b>Total expenses</b>	<b>47,064</b>	<b>40,824</b>

Wages and salaries include an amount of € 362 thousand for the severance package of Mr Van den Ochtend. The pension contributions relate to defined contribution schemes or schemes designated as such. Within the costs of employee stock options, € 99 thousand relates to the current and former members of the Company's Management Board (2018: € 28 thousand).

### Average number of staff

FTE	2019	2018
The Netherlands	776	750
Belgium	30	23
Sweden	108	94
<b>Total FTE</b>	<b>914</b>	<b>867</b>

## 16. Option program

### Share-based compensation

Share-based compensation relates to the equity-settled option programs. Charges recognised in the 2019 statement of income for both programs amounted to € 135 thousand and are included in salaries and wages.

### Option program

Under the option program, a number of options are granted to key staff each year. The number of participants of the option program at year-end 2019 was 7 (2018: 8).

Options are exercised at the discretion of the holder however may only be exercised after the completion of a three-year vesting period. In addition, the TSR ('Total Shareholder Return') of Beter Bed Holding N.V. achieved after three years is compared with the TSR of nine relevant nationally and internationally listed companies that jointly form a peer group. The Management Board of Beter Bed Holding N.V. is under the obligation to retain shares awarded under the option program, for a period of at least four years.

The 2019 signing options may only be exercised after the completion of a two year vesting period. These options expire and are considered to have lapsed after a period of three years following the grant date. Vesting of the options is independently to performance indicators.

The following table summarises information about the stock options outstanding at year-end:

Year of grant	Outstanding at 31 December 2018	Granted	Exercised	Forfeited / Expired	Outstanding at 31 December 2019	Exercise price	Vesting date	Expiry date
2016 Management	5,000	-	-	(5,000)	-	19.99	19-05-19	18-05-21
2017 Management	5,000	-	-	-	5,000	15.53	18-06-20	17-05-22
2018 Management	27,500	-	-	-	27,500	8.24	26-04-21	25-04-23
2018 Signing options	100,000	-	-	(100,000)	-	13.06	01-04-21	31-03-22
2019 Management	-	200,000	-	(85,000)	115,000	4.34	24-04-22	24-04-24
2019 Signing options	-	300,000	-	-	300,000	4.34	24-04-21	24-04-22

The fair value of the options is determined using the Monte Carlo simulation models (applicable for management options) and the binomial tree model (applicable for signing options of the CEO). This model contain input variables, including the risk free interest rate, volatility of the underlying share price, exercise price and share price at date of the grant; parameters differ within both models.

	2019 Management options	2019 Signing options	2018 Management options
Share price at grant date (€)	4.41	4.41	9.04
Exercise price (€)	4.34	4.34	8.24
Expected volatility	28.55%	32.16%	22.80%
Expected average option life in years	5 years	3 years	5 years
Weighted average risk free rate	(0.34)	(0.53)	0.03
Dividend yield	0.36%	0.36%	4.70%
Fair value of option granted (€)	0.91	0.95	1.11

The option value models require the input of highly subjective assumptions, including the expected share price volatility. Volatility is determined using the historical volatility of the Beter Bed Holding N.V. share. The Group's employee stock options have characteristics that are significantly different from those of traded options, and changes in the subjective input assumptions can affect the fair value estimate. There are no market conditions applicable to the grant.

## 17. Other income

Other income represents the realised gains at inception on the divestment of land and property resulting from the IFRS 16 accounting for sale-and-leaseback transactions.

## 18. Depreciation, amortisation and impairment

in thousand €	2019	2018
Depreciation and impairment on tangible assets	19,883	4,879
Amortisation and impairment on intangible assets	1,793	2,289
<b>Total of depreciation, amortisation and impairment</b>	<b>21,676</b>	7,168

Increased depreciation on tangible fixed assets is driven by the adoption of IFRS 16.

## 19. Other operating expenses

The other operating expenses are comprised as follows:

in thousand €	2019	2018
Housing expenses	4,280	15,584
Sales and marketing expenses	11,129	9,909
Travel and entertainment expenses	6,677	6,640
General expenses	12,114	6,844
Other personnel expenses	2,364	2,415
Other costs	67	72
<b>Total expenses</b>	<b>36,631</b>	41,464

Housing expenses are resulting from the adoption of IFRS 16 replaced by depreciation of right-of-use assets and interest relating to lease liabilities as of 2019.

General expenses increased reflecting incidental advisory and legal costs relating to the transition of the Group.

## 20. Finance costs

in thousand €	2019	2018
Interest expenses on recognised lease liabilities	349	-
Other interest cost	2,101	688
<b>Total interest expenses</b>	<b>2,450</b>	<b>688</b>

Lease liabilities are calculated using the applicable incremental borrowing rate. The rate applied during 2019 amounts on average 0.74%.

## 21. Income tax

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

in thousand €	2019	%	2018	%
<b>Profit / (loss) before taxes from continuing operations</b>	<b>(2,882)</b>	<b>100.0</b>	3,905	100.0
Tax using the company's domestic tax rate: 25.0% (2018: 25.0%)	(721)	25.0	976	25.0
Unrecognised operating losses	1,703	(59.1)	793	20.3
Step-up rate The Netherlands 19%-25%	(38)	1.3	(38)	(1.0)
Permanent tax differences	400	(13.9)	98	2.5
Spain recoverable tax	(60)	2.1	(4,805)	(123.1)
<b>At an effective tax rate of 44,6% (2018: 76,2%)</b>	<b>1,284</b>	<b>(44.6)</b>	<b>(2,976)</b>	<b>(76.2)</b>

The effective tax rate decreased to 44.6% in 2019 (2018: 76.2%). Excluding the impact of differences resulting from Spain, the effective tax rate would have been 46.6% (2018: 46.8%) is heavily influenced by non-tax deductible expenses.

2019 includes a tax gain of € 0.1 million (2018: € 4.8 million) that is recognised in relation to the (anticipated) liquidation of the Spanish legal entities. This liquidation loss regulation is part of the Dutch corporate income tax laws and regulations.

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

in thousand €	2019	2018
<i>Current tax expenses / (gains)</i>		
Current tax on fiscal profits for the year	3,256	2,310
Tax regarding Spain result 2019	(60)	-
Other	(107)	(6)
<b>Total current tax expense</b>	<b>3,089</b>	<b>2,304</b>
<i>Deferred income tax</i>		
Decrease/(increase) in deferred tax assets	(775)	(5,241)
(Decrease)/increase in deferred tax liabilities	(1,030)	(39)
<b>Total deferred tax expense/(income)</b>	<b>(1,805)</b>	<b>(5,280)</b>
<b>Income tax expense/(gain)</b>	<b>1,284</b>	<b>(2,976)</b>
<i>Income tax is attributable to:</i>		
Result from continuing operations	1,284	(2,976)
<b>Income tax expense/(gain)</b>	<b>1,284</b>	<b>(2,976)</b>

## 22. Earnings per share

in cents €	2019	2018
<b>Basic earnings per share</b>		
From continuing operations attributable to the ordinary equity holders of the company	(19)	31
From discontinued operation	(219)	(137)
<b>Total basic earnings per share attributable to the ordinary equity holders of the company</b>	<b>(238)</b>	<b>(106)</b>
<b>Diluted earnings per share</b>		
From continuing operations attributable to the ordinary equity holders of the company	(19)	31
From discontinued operation	(219)	(137)
<b>Total diluted earnings per share attributable to the ordinary equity holders of the company</b>	<b>(238)</b>	<b>(106)</b>

### Reconciliation of earnings used in calculating earnings per share

in thousand €	2019	2018
<b>Basic earnings per share</b>		
Result attributable to the ordinary equity holders of the company used in calculating basic earnings per share:		
- From continuing operations	(4,166)	6,881
- From discontinued operations	(48,409)	(30,131)
<b>Total result used in calculating basic earnings per share</b>	<b>(52,575)</b>	<b>(23,250)</b>

### Weighted average number of shares used as the denominator

Number	2019	2018
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	22,132,274	21,955,562
Adjustments for calculation of diluted earnings per share:		
- PIK interest on shareholder loan in arrears <sup>1</sup>	-	-
- Options <sup>2</sup>	-	-
<b>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</b>	<b>22,132,274</b>	<b>21,955,562</b>

<sup>1</sup> Non-dilutive in 2019 and not applicable in 2018.

<sup>2</sup> Non-dilutive in both 2019 and 2018.

## 23. Remuneration of the Management Board and Supervisory Board

The remuneration of members of the Management Board was as follows in 2019 and 2018:

	2019								
	Salary	Variable remuneration	Options on shares	Pension benefits	Social security charges	Sub-total	Other employee benefits	Severance cost	Total
A.J.G.P.M. Kruijssen	450	351	91	135	12	1,039	42	-	1,081
H.G. van den Ochtend <sup>1</sup>	255	-	8	64	12	339	12	362	713
<b>Total</b>	<b>705</b>	<b>351</b>	<b>99</b>	<b>199</b>	<b>24</b>	<b>1,378</b>	<b>54</b>	<b>362</b>	<b>1,794</b>

1 Up to and including 12 December 2019.

	2018								
	Salary	Variable remuneration	Options on shares	Pension benefits	Social security charges	Sub-total	Other employee benefits	Severance cost	Total
A.J.G.P.M. Kruijssen <sup>1</sup>	338	142	8	101	8	597	41	-	638
H.G. van den Ochtend <sup>2</sup>	85	43	-	21	3	152	4	-	156
B.F. Koops <sup>3</sup>	149	-	20	37	10	216	8	-	224
<b>Total</b>	<b>572</b>	<b>185</b>	<b>28</b>	<b>159</b>	<b>21</b>	<b>965</b>	<b>53</b>	<b>-</b>	<b>1,018</b>

1 As of 1 April 2018.

2 As of 1 September 2018.

3 Up to and including 31 July 2018.

The variable remuneration relates to the year under which it is classified and is recognised in the expenses of that year.

The cost listed under Options on shares represent the amount accounted for in the profit and loss account for that year.

The cost in 2019 include the severance package relating to Mr H. van den Ochtend including the salary until formal dismissal. Mr Van den Ochtend is no longer attending Beter Bed Holding N.V.

At the end of the financial year, Mr Kruijssen held 10,000 shares in Beter Bed Holding N.V.



The remuneration of the members of the Supervisory Board was as follows in 2019 and 2018:

in thousand €	2019	2018
B.E. Karis	36.7	2.5
H.C.M. Vermeulen	21.0	17.0
A. Beyens	30.0	2.5
P.C. Boone	30.0	2.5
G.E.A. Reijnen <sup>1</sup>	18.2	-
D.R. Goeminne <sup>2</sup>	13.3	40.0
E.A. de Groot <sup>3</sup>	-	27.5
W.T.C. van der Vis <sup>3</sup>	-	27.5
A.J.L. Slippens <sup>3</sup>	-	8.5
<b>Total</b>	<b>149.2</b>	<b>128.0</b>

<sup>1</sup> G.E.A. Reijnen was appointed as a member of the Supervisory Board at the Annual General Meeting held at 25 April 2019. She stepped down from the Supervisory Board on 12 December 2019 upon her appointment as CFO.

<sup>2</sup> D.R. Goeminne stepped down from the Supervisory Board after the Annual General Meeting held at 25 April 2019.

<sup>3</sup> Stepped down in 2018.

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

## 24. Events after the balance sheet date

There have been no subsequent events between the end of the year under review and the preparation of these financial statements which ought to be disclosed.

## 25. Related party transactions

The companies listed in principles of consolidation (see page 78) are included in the consolidation of Beter Bed Holding N.V. and its participating interests.

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

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

There were no transactions in 2019 between the Company and natural or legal persons holding at least 10% of the shares in the Company that were of material significance to the company and/or the persons concerned.

## Key management personnel compensation

in thousand €	2019	2018
Short-term employee benefits	1,432	1,018
Termination benefits	362	-
<b>Total</b>	<b>1,794</b>	<b>1,018</b>

Key management personnel compensation relates to the Management Board. Detailed remuneration disclosures are provided in note 23 (see page 112).

There have been no other relevant transactions with key management personnel.

## Transactions with other related parties

in thousand €	2019	2018
Subscription for new ordinary shares by Magical Honour Limited	5,000	-
Perpetual shareholder loan	3,500	-
Shareholder loan	3,500	-
Interest on shareholder loan	1,575	-
<b>Total</b>	<b>13,575</b>	<b>-</b>

# Company financial statements

## Company balance sheet

At 31 December and before result appropriation

in thousand €	Notes	2019	2018
<b>Non-current assets</b>			
Intangible assets		155	218
Financial assets	26.	51,415	84,784
<b>Total non-current assets</b>		<b>51,570</b>	<b>85,002</b>
<b>Current assets</b>			
Other receivables	27.	4,581	4,225
Cash and cash equivalents	28.	809	32,346
<b>Total current assets</b>		<b>5,390</b>	<b>36,571</b>
<b>Total assets</b>		<b>56,960</b>	<b>121,573</b>
<b>Equity</b>			
Issued share capital		482	439
Share premium		23,391	18,434
Equity instruments		3,500	-
Revaluation reserve		386	3,200
Foreign currency translation reserve		514	548
Other reserves		27,337	47,265
Retained earnings		(52,575)	(23,250)
<b>Total equity</b>	29.	<b>3,035</b>	<b>46,636</b>
<b>Liabilities</b>			
Provisions	30.	4,850	5,647
Other liabilities	31.	49,075	69,290
<b>Total liabilities</b>		<b>53,925</b>	<b>74,937</b>
<b>Total equity and liabilities</b>		<b>56,960</b>	<b>121,573</b>

## Company profit and loss account

in thousand €	2019	2018
Revenue	-	-
Materials and services from third parties	(1,013)	(1,480)
<b>Gross profit</b>	<b>1,013</b>	<b>1,480</b>
Personnel expenses	(2,539)	(1,130)
Depreciation, amortisation and impairment	(77)	(19)
Other operating expenses	(7,352)	(2,199)
Total operating expenses	(9,968)	(3,348)
<b>Operating profit/(loss) (EBIT)</b>	<b>(8,955)</b>	<b>(1,868)</b>
Finance income	57	5,800
Finance cost	(1,979)	(843)
<b>Profit/(loss) before taxation</b>	<b>(10,877)</b>	<b>3,089</b>
Income tax	2,319	4,117
Result participations	(44,017)	(30,456)
<b>Net profit / (loss)</b>	<b>(52,575)</b>	<b>(23,250)</b>

# Notes to the company financial statements

## General information

Beter Bed Holding N.V. operates in the European bedroom furnishings market. Its activities include retail trade through the chains Beter Bed, Beddenreus, Sängjätten and Matratzen Concord (until 2 December 2019). Beter Bed Holding N.V. is also active in the field of developing and wholesaling branded products in the bedroom furnishing sector via its subsidiary DBC International. The registered office of Beter Bed Holding N.V. is Linie 27 in Uden, the Netherlands. Beter Bed Holding N.V.'s shares are listed on Euronext Amsterdam.

The company financial statements have been compiled on the basis of Title 9, Book 2 of the Dutch Civil Code. Beter Bed Holding N.V. uses the option of art. 362.8 Title 9, Book 2 of the Dutch Civil Code to prepare the company financial statements, using the same accounting policies as in the consolidated financial statements (IFRS as adopted for use in the European Union).

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

Beter Bed Holding N.V. had an average number of 5 employees (FTE) in 2019 (2018: 6).

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

## 26. Financial assets

This item includes the participating interests in the Group companies (see page 78) and the amounts owed by the group companies.

Movements in this item were as follows:

in thousand €	Share in subsidiaries	Loans	Deferred tax assets	Total
<b>Balance at 1 January 2018</b>	<b>98,543</b>	<b>87,240</b>	-	<b>185,783</b>
Net income from subsidiaries: profit / (loss)	(25,090)	-	-	(25,090)
Capital contribution	3,556	-	-	3,556
Repayment of loans	-	(87,240)	-	(87,240)
Exchange rate differences	(125)	-	-	(125)
Revaluation	403	-	-	403
Change to provision for subsidiaries	2,647	-	-	2,647
Valuation differences	-	-	4,850	4,850
<b>Balance at 31 December 2018</b>	<b>79,934</b>	-	<b>4,850</b>	<b>84,784</b>
Net income from subsidiaries: profit / (loss)	(33,323)	-	-	(33,323)
Capital contribution	7,495	-	-	7,495
Exchange rate differences	(61)	-	-	(61)
Revaluation	111	-	-	111
Transfer to current tax assets	-	-	(4,850)	(4,850)
Valuation differences	-	-	125	125
Divestments	(2,866)	-	-	(2,866)
<b>Balance at 31 December 2019</b>	<b>51,290</b>	-	<b>125</b>	<b>51,415</b>

## 27. Receivables

in thousand €	2019	2018
Receivables from group companies	-	1,823
Corporate income taxes	1,557	653
VAT receivables	246	140
Other receivables	2,778	1,609
<b>At 31 December</b>	<b>4,581</b>	<b>4,225</b>

All receivables fall due within one year.

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

## 28. 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.

## 29. Equity

The authorised share capital of Beter Bed Holding N.V. amounts to € 2 million and is divided into 100,000,000 ordinary shares with a nominal value of € 0.02 each. On 31 December 2019 a total of 24,105,562 ordinary shares were issued and outstanding.

All shares rank equally with regard to the Company's residual assets.

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

The movement in the equity items is explained in the consolidated statement of changes in equity (see page 76).

in thousand €	2019	2018
Shareholders' equity at year-end	3,035	46,636
<i>Restricted reserves:</i>		
Issued share capital	(482)	(439)
Revaluation reserve	(386)	(3,200)
Foreign currency translation reserve	(514)	(548)
Equity instruments	(3,500)	-
<b>Total unrestricted reserves at 31 December</b>	<b>(1,847)</b>	<b>42,449</b>



## 30. Provisions

At year-end 2019 and 2018 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 2019 and 2018 are as follows:

in thousand €	2019	2018
<b>Balance at 1 January</b>	<b>5,647</b>	9,912
Net income from subsidiaries: (profit) / loss	<b>6,177</b>	5,366
Capital contribution	<b>(10,361)</b>	(12,278)
Exchange rate differences	<b>(295)</b>	-
Divestments	<b>3,682</b>	-
Transfer from financial fixed assets	-	2,647
<b>Balance at 31 December</b>	<b>4,850</b>	5,647

In 2019 the negative equity of some of the subsidiaries has been purified through capital deposits. As such, these subsidiaries are now independently capable to meet their obligations. This has resulted in a decrease of the provision for participating interests of Beter Bed Holding N.V.

## 31. Current liabilities

The breakdown of this balance sheet item is as follows:

in thousand €	2019	2018
Borrowings	<b>9,994</b>	19,905
Payables to group companies	<b>35,869</b>	48,351
Taxes and social security contributions	<b>51</b>	27
Other liabilities	<b>3,161</b>	1,007
<b>At 31 December</b>	<b>49,075</b>	69,290

Beter Bed Holding N.V. uses a cash pool structure as a result of which there are only short-term current account intra-group balances.

## 32. Commitments not included in the balance sheet

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

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

### 33. Post-balance sheet events

There have been no subsequent events between the end of the year and the preparation of these financial statements which are required to be disclosed.

### 34. Audit fees

The fees for the audit of the financial statements and other non-audit services by the independent auditor PwC Auditors were:

in thousand €	2019 Total	2018 Total
Audit of financial statements	454	468
Continuing operations	318	367
Discontinued operations	136	101
Other non-audit services	-	16
Continuing operations	-	11
Discontinued operations	-	5
<b>Total audit fees</b>	<b>454</b>	<b>484</b>

The other non-audit services relate to the review of the interim figures.

An amount of € 136 thousand (2018: € 101 thousand) relates to the discontinued operations.

### 35. Appropriation of result

The Management Board proposes to deduct the net result of € (52,575) thousand in full from the other reserves. The proposal for the appropriation of result has not been taken into the balance sheet.

Uden, the Netherlands, 17 March 2020

#### Management Board

A.J.G.P.M. Kruijssen, CEO

#### Supervisory Board

B.E. Karis, Chair

P.C. Boone, Vice-Chair

A. Beyens

H.C.M. Vermeulen

## Additional details

### Independent auditor's report

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

### Report on the financial statements 2019

#### Our opinion

- the consolidated financial statements of Beter Bed Holding N.V. together with its subsidiaries ('the Group') give a true and fair view of the financial position of the Group as at 31 December 2019 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- the company financial statements of Beter Bed Holding N.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2019 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

#### What we have audited

We have audited the accompanying financial statements 2019 of Beter Bed Holding N.V., Uden. The financial statements include the consolidated financial statements of the Group and the Company financial statements.

The consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2019;
- the following statements for 2019: the consolidated profit and loss account, and the consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity; and
- the notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2019;
- the company profit and loss account for the year then ended;
- the notes to the company financial statements, comprising the accounting policies applied and other explanatory information.

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

#### Material uncertainty related to going concern

We draw attention to the going concern paragraph in note 'Going Concern' of the Notes to the Consolidated financial statements. This note indicates that the Group's business operations may be severely impacted by the COVID-19 (Corona) virus. This indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing.

We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

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

## **Independence**

We are independent of Beter Bed Holding N.V. in accordance with the European Union Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

## **Our audit approach**

### **Overview and context**

Beter Bed Holding N.V. is a retail- and wholesale organisation in the bedroom furnishing sector. The Group is comprised of several components and therefore we considered our group audit scope and approach as set out in the section 'The scope of our group audit'.

The deleveraging of the Group and its finance position characterised the financial year 2019. The current financing agreements with the banks and shareholders expire in July 2020 so that new financing agreements need to be obtained. This has resulted in the decision to deleverage the Group for example by divesting Matratzen Concord (Germany, Austria and Switzerland) and sale-and-leaseback transactions on the real estate in the Netherlands as noted in the section 'Going concern (see page 80)' of the annual report. The management board has made plans to realize a successful refinancing. Because of the significance of management's assertion with respect to the probability of refinancing, we have paid specific attention to this in our audit as described in the key audit matter 'Financial positioning and refinancing'.

The decision to divest Matratzen Concord led to the share deal with Magical Honour Limited in December 2019. As 39% of the revenue over 2019 relates to Matratzen Concord, this represents a major line of business. This affected our audit procedures, we therefore included the 'accounting for the completed sale of Matratzen Concord' as a key audit matter.

Beter Bed Holding N.V. has strategic objectives related to increasing customer satisfaction and growth of both revenue and market share. To reach the objectives, investments are made in online solutions, shop formulas and extension/optimisation of shops in different countries. Based on this, revenue is an important metric for stakeholders. As a result, we have identified accuracy of revenue as a key audit matter. Furthermore, we have used revenue as the basis for determining materiality as is further disclosed in the section 'Materiality'.

Additionally, we identified the transition to the new accounting standard 'IFRS 16 – Leases' as a key audit matter because of the significant amount of lease contracts within the Group.

As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we considered where the management board made important judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In the annual report, the entity has disclosed the accounting estimates and most important sources of estimation uncertainty in the section *estimates and judgements* (see page 80). This has not resulted in other key audit matters besides those mentioned above.

Another area of focus, that was not considered as key audit matter, was the existence and valuation of inventory. Existence and valuation of inventory was considered a key audit matter in previous years. However, as a result of the developments at the Group such as the focus on bringing down inventory levels and the sale of Matratzen Concord we consider the risk profile to be lower. As in all of our audits, we also addressed the risk of management override of controls, including evaluating whether there was evidence of bias by the management board that may represent a risk of material misstatement due to fraud.

We ensured that the audit teams at both group and component level included the appropriate skills and competences which are needed for the audit. Therefore, we have included specialists and experts in our team in the areas of IT, income tax, IFRS 16 and refinancing matters.

The outline of our audit approach was as follows:



#### **Materiality**

- Overall materiality: € 3,400,000.

#### **Audit scope**

- We conducted audit work on the financial reporting of 5 entities.
- We have audited the complete financial information of Beter Bed B.V., BBH Services GmbH & Co. KG (consolidated) and Matratzen Concord GmbH (Vienna, Austria). As Matratzen Concord is divested on 2 December 2019 (economic transfer 30 November 2019), the discontinued operations have been part of Beter Bed Holding N.V. for 11 months in 2019. Specific audit procedures were performed for the components Beter Beheer B.V. and Beter Bed Holding N.V.
- Audit coverage: 86% of consolidated revenue, 91% of total assets (continued operations) and 83% of profit before taxation.

#### **Key audit matters**

- Accounting for the completed sale of Matratzen Concord
- Financial positioning and re-financing
- Transition to the accounting standard 'IFRS 16 - Leases'
- Accuracy of revenue

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#### **Materiality**

The scope of our audit is influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgement we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

<b>Overall group materiality</b>	€ 3,400,000 (2018: € 3,960,000).
<b>Basis for determining materiality</b>	We used our professional judgement to determine overall materiality. As a basis for our judgement we used 1% of revenue.
<b>Rationale for benchmark applied</b>	We have applied this benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis we believe that revenue is an important metric for the financial performance of the Group. Profit before taxation is not considered an appropriate benchmark, because this would result in large fluctuations in overall group materiality year over year.
<b>Component materiality</b>	<p>To each component in our audit scope, we, based on our judgement, allocate materiality that is less than our overall group materiality. The range of materiality allocated across components was between € 1,500,000 and € 3,000,000.</p> <p>We have allocated a lower materiality level of € 1,500,000 to Beter Bed B.V. based on 1% of revenue of the continued business on a standalone basis.</p>

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

We agreed with the supervisory board that we would report to them misstatements identified during our audit above € 100,000 (2018: € 100,000) as well as misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

### The scope of our group audit

Beter Bed Holding N.V. is the parent company of a group of entities. The financial information of this group as listed in 'The principles of consolidation (see page 78)', is included in the consolidated financial statements of Beter Bed Holding N.V.

We tailored the scope of our audit to ensure that we, in aggregate, gain sufficient coverage on the financial statements for us to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls, and the markets in which the components of the Group operate. In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at component level by the Group engagement team and by each component auditor.

The group audit primarily focussed on the significant components: Beter Bed B.V. and BBH Services GmbH & Co. KG (consolidated). At the level of BBH Services GmbH & Co. KG a subconsolidation is made for the German entities, including Matratzen Concord Germany.

We have performed an audit of the complete financial information for Beter Bed B.V. as this entity is individually financially significant considering the financial volumes. Since Matratzen Concord has been divested as of 2 December 2019, BBH Services GmbH & Co. KG (consolidated) and Matratzen Concord GmbH (Vienna, Austria) were subject to audits of their complete financial information until the divestment date. For Beter Beheer B.V. and Beter Bed Holding N.V. specific audit procedures have been performed on material financial line items to achieve appropriate coverage on financial line items in the consolidated financial statements.

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

Revenue	86%
Total assets	91%
Profit before tax	83%

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

The group audit team performed audit procedures on the components Beter Bed B.V., Beter Beheer B.V. and Beter Bed Holding N.V. As the auditor of the Group we used the work performed by the component auditor of BBH Services GmbH & Co. KG (consolidated) and Matratzen Concord GmbH (Vienna, Austria).

Where component auditors performed the work, we determined the level of involvement needed in their audit work to be able to conclude on whether sufficient and appropriate audit evidence has been obtained as a basis for our opinion on the consolidated financial statements as a whole.

Before the start of their audit procedures we have shared detailed instructions. As group auditor, we have had periodic meetings with the auditor of the components where we discussed risks, the audit approach, process of the audit, and based on reports received from the auditor, findings and conclusions. The group audit team reviewed the audit file of the component auditor to assess the quality of work performed. We discussed the financial results, (important) estimates and findings of the audit with the financial director and the audit team of the components.

The group engagement team performed the audit work on the group consolidation, notes to the financial statements and with certain specific items. These include share-based payments, taxes and related disclosures and the company financial statements of Beter Bed Holding N.V.

By performing the procedures above at components together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information as a whole to provide a basis for our opinion on the financial statements.

### Key audit matters

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

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

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**Key audit matter****Accounting for the completed sale of Matratzen Concord**  
*Note 'Discontinued operations' of the Notes to the Consolidated financial statements*

During summer 2019, Beter Bed Holding N.V. announced its intention to divest Matratzen Concord (Germany, Austria and Switzerland) and the sale was completed on 2 December 2019 with a loss of €13.3 million. Management reports the Matratzen Concord Business as discontinued operations in accordance with IFRS 5 – 'Non-Current Assets Held for Sale and discontinued operations'.

The accounting for the completed sale of Matratzen Concord is significant to the financial statements and non-routine. Relevant elements of the transaction include, amongst others, the identification of the disposal group and presentation of the disposal group's results as discontinued operations, the application of the Sale, Purchase and Investment Agreement (SPIA) and to determine the deal result and consideration (to be) received for shares sold.

For stakeholders it is particularly important to be able to properly distinct continued from discontinued operations and that this segregation is correctly made and presented, given the Group's strategy. Therefore, we considered the accounting for the transaction and the classification as discontinued operations as key audit matter.

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**Our audit work and observations**

Our audit procedures included, among others, an evaluation of the identification of the disposal group, the accounting for the legal separation and estimation of the deal result, and consideration (to be) received for shares sold of Matratzen Concord as done by Beter Bed Holding N.V. We have evaluated the identification of the disposal group and presentation of the results of Matratzen Concord as discontinued operation against the requirements of IFRS 5.

The results of Matratzen Concord are included in the consolidated financial information until the moment of sale. As such, we have not changed the audit scope and performed full scope audits on the balance at the moment of the sale of BBH Services GmbH & Co. KG (consolidated) and Matratzen Concord GmbH (Vienna, Austria).

We evaluated the Sale, Purchase and Investment Agreement (SPIA), confirmed the effective date of the sale, tested the calculation of expected deal proceeds to be in line with the SPIA, vouched the cash proceeds received and checked management's calculations used for mathematical accuracy. Part of the SPIA is the transfer of subscription shares. We have evaluated supporting documentation for this transfer.

We tested the disentanglement of Matratzen Concord from the Group by reconciling financial information of the component to the consolidation. In addition, we also assessed the adequacy of the disclosure in note 'Discontinued operations' of the notes to the consolidated financial statements.

Based on the audit procedures performed, we have not found any material findings.

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**Key audit matter****Financial positioning and refinancing**  
*Note 'Going concern' of the Notes to the Consolidated financial statements*

Current credit facilities will expire per July 2020 and therefore new credit facilities need to be secured before that date to fulfil Beter Bed Holding N.V.'s financing needs.

To successfully initiate the refinancing of the Group, management had to take a number of actions to arrive at a fundable business case. Beter Bed Holding N.V. deleveraged, by means of sale-and-leaseback transactions of the three distribution centres in the Netherlands,

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**Our audit work and observations**

Our audit procedures included evaluating the different transactions and assessing the adequacy of the disclosures in the financial statements.

For the three sale-and-leaseback transactions, we have evaluated contractual terms to verify classification as sale-and-leaseback. We tested the calculation of the transaction result and assessed the valuation of the lease asset by recalculating the right of use asset and lease liability. No material findings were noted.

We have evaluated the loan agreements with the



#### Key audit matter

issuance of share capital, obtaining a shareholder loan which is subsequently partly converted into a perpetual loan, and the divestment of Matratzen Concord in Germany, Austria and Switzerland (the discontinued operations). These actions were finalized in 2019.

Next to these actions, the expected refinancing was substantiated by the management board's analysis of the continuing business. In this analysis, the management board made various assumptions like order intake, revenue growth rates for the online and offline channels, gross margin percentages, operating expenses, working capital needs and free cash flows, risks and opportunities.

The management board has analysed and assessed the liquidity position and -needs of the Group and is confident that the refinancing will be completed in time and is currently discussing its financing needs with various banks. Given the importance of a timely refinance to Beter Bed Holding N.V.'s operations we consider this a key audit matter.

#### Our audit work and observations

shareholders for relevant factors such as principal amount, interest and repayment terms and reconciled the principal amount to the cash receipts. Half of the shareholder loan has been converted to a perpetual loan per 31 December 2019. Management has assessed the classification of the perpetual loan as equity. We have evaluated this assessment based on the underlying contracts and noted no material findings.

For our audit work on the issuance of share capital and the divestment of Matratzen Concord, we refer to the key audit matter 'Accounting for the completed sale of Matratzen Concord'.

We have assessed the analysis of the continuing business and its underlying assumptions with the support of our experts. Where possible, we have tested these assumptions by comparing them to previously realised results, current results, operational KPIs, results of actions taken and external sources. By assessing this analysis, we used a mix of audit techniques such as inquiry with different people within the Group, calculations on the different models, reconciliation to supporting documentation and external documents.

In addition, we have evaluated the disclosure notes in the financial statements.

Based on the work performed we have no material findings with respect to the appropriateness of management's assertion regarding the refinancing.

#### Key audit matter

***Transition to the accounting standard 'IFRS 16 – Leases' Notes 3 and 11 to the consolidated balance sheet and profit and loss account***

IFRS 16 – 'Leases' became effective for annual reporting beginning on or after 1 January 2019. The application of the new standard gives rise to a right-of-use asset of €142 million and a corresponding increase in lease liabilities of €142 million in the opening balance including discontinued operations. Beter Bed decided to apply the modified retrospective approach for the transition accounting. Under this approach, the cumulative effect of initially applying IFRS 16 is recognized as an adjustment to equity at the date of initial application.

The assessment of the impact of the new standard is a key audit matter, as the balances disclosed are material, the update of the accounting policy requires policy elections,

#### Our audit work and observations

Our audit procedures included an evaluation of management's implementation process, including the evaluation of the updated accounting policy and policy elections, the completeness and accuracy of the lease contracts identified and recorded in the lease accounting system and calculation of the right-of-use asset and lease liability.

We performed testing on a sample basis on the accuracy of the lease contracts input in the lease accounting system. We furthermore performed independent testing on a sample basis on the accuracy of calculation of the output from the software tool for several populations. We have tested completeness of the identified lease contracts on a sample basis based on available store information and lease payments made during the year. Our tests resulted in matters that were discussed with and subsequently addressed by management.

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**Key audit matter**

the implementation process to identify and process all relevant data associated with the leases (including implementing IT software) is complex and the measurement of the right of use asset and lease liability is based on estimations. Most important in these estimations are the assumptions on discount rates and lease terms, including termination and renewal options.

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**Our audit work and observations**

We assessed the Information Technology General Controls for the software tool used to register and calculate lease liabilities as a basis to be able to rely on the calculations made. No material findings were noted.

We challenged management's assumptions, specifically on the discount rates, the application of a single discount rate for a portfolio of leases and the assessment of renewal options by considering market conditions and comparison of rates used to available external market data. We have made use of valuation experts as part of our audit in assessing the discount rates. We found assumptions to be reasonable.

We assessed the adequacy of the disclosures on the impact of the new standard in note 3 and 11 to the consolidated financial statements.

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**Key audit matter*****Accuracy of revenue***

*Note 14 to the consolidated balance sheet and profit and loss account*

Revenue is an important key measure used to evaluate the performance of the Group by various stakeholders (also refer to the section 'Materiality').

Revenue is accounted for when mutual contractual obligations are met. When goods are instantly being taken by consumers in the shop, this is at the time of payment at the cash register. When goods are assembled and/or delivered at the customer's home, the sales are recognised at the moment when the transfer has led to a physical delivery of the goods. These transactions are mainly processed automatically through IT. Revenue is generated through both an online channel as well as in store.

Given the fact that revenue is a key measure and given the negative 2019 results, management may feel pressure to present better results than actually generated. As such there is a risk of overstatement of revenue. Therefore, we considered the accuracy of revenue as a key audit matter.

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**Our audit work and observations**

We have evaluated the design of the controls that ensures accurate processing of revenue transactions and verified the existence and operating effectiveness of the most important (automated) internal controls implemented by management.

Amongst these controls are controls related to the interface between the cash-register and the financial administration, four-eye principle which is applied when making price changes, the reconciliation of electronic payments made to drivers with bank receipts and the financial administration and the automated 'three-way match'. Additionally, by means of a sample we took notice of the internal representations where local management takes responsibility for the reported revenue and determined that these do not contain exceptional items, which could give further direction to the audit of the revenue.

We found that we could rely on the operating effectiveness of the internal controls for the purpose of our audit.

The most important internal control procedure for the accuracy of the revenue is the automated three-way-match. We assessed the Information Technology General Controls as a basis to be able to reperform the three-way-match between sales order-delivery-invoice. By means of data-analysis, we have made the reconciliation to the sales order, packing slip and invoice. No material findings were noted.

Furthermore, we have performed risk assessment analytical procedures on realized revenue through

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## Key audit matter

## Our audit work and observations

detailed store comparison. These did not lead to identification of additional risks.

The results of our controls testing, reperformance of the three-way-match and analytical procedures have been the basis for the nature and scoping of the additional test of details, which mainly consisted of testing individual sales transactions by reconciling them to proof of delivery (on location) or release. Additionally, we performed substantive procedures on credit notes sent throughout the year and after balance sheet date to ensure appropriate revenue recognition per year-end and we have performed audit procedures on the appropriate cut-off of revenue by reconciling invoices to the bill of lading to determine that revenue is accounted for in the correct period. Finally, we performed detailed testing on journal entries. These audit procedures have not resulted in material findings.

## Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of: Facts & figures, CEO statement, Beter Bed Operations, Report of the Management Board, Corporate Social Responsibility, Corporate Governance, Report of the Supervisory Board and Remuneration report and additional details pursuant to Part 9 of Book 2 of the Dutch Civil Code.

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

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 and the sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

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

By performing our procedures, we comply with the requirements of Part 9 of Book 2 and section 2:135b subsection 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The management board is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code and the remuneration report in accordance with the sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

## Report on other legal and regulatory requirements

### Our appointment

We were appointed as auditors of Beter Bed Holding N.V. on 19 May 2015 by the passing of a resolution at the annual meeting following the proposal of the supervisory board on 12 March 2015. Our appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of 5 years.

### No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

### Services rendered

The services, in addition to the audit, that we have provided to the Company and its controlled entities, for the period to which our statutory audit relates, are disclosed in [note 34 \(see page 121\)](#) to the financial statements.

## Responsibilities for the financial statements and the audit

### Responsibilities of the management board and the supervisory board for the financial statements

The management board is responsible for:

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

As part of the preparation of the financial statements, the management board is responsible for assessing the Group's ability to continue as a going concern. Based on the financial reporting framework mentioned, the management board should prepare the financial statements using the going-concern basis of accounting unless the management board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. The management board should disclose events and circumstances that may cast significant doubt on the Group's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the Group's financial reporting process.

### Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

Eindhoven, the Netherlands, 17 March 2020

PricewaterhouseCoopers Accountants N.V.

Original has been signed by W.C. van Rooij RA

## Appendix to our auditor's report on the financial statements 2019 of Beter Bed Holding N.V.

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

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

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

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

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

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

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

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

## Appropriation of result pursuant to the articles of association

Article 34 of the articles of association states the most important provisions pertaining to the appropriation of result:

### 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.

This annual report is published by

**Beter Bed Holding N.V.**

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