BeterBed holding

Annual Report 2020

Contents

BBH at a glance

Key figures

in thousand €, unless otherwise stated	2020		2019	
Financial result				
Revenue	**222,061**	**100.0%**	185,805	100.0%
Gross profit	**121,854**	**54.9%**	98,535	53.0%
Other income	**-**	**0.0%**	6,404	3.4%
Total operating expenses	**(109,212)**	**(49.2)%**	(105,371)	(56.7)%
Operating profit/(loss)	**12,642**	**5.7%**	(432)	(0.2%)
EBITDA[1]	**19,220**	**8.7%**	9,418	5.1%
Net profit/(loss)	**7,938**	**3.6%**	(4,166)	(2.2%)
Movement in cash and cash equivalents	**19,781**		(4,286)	
Share				
Weighted average number of outstanding shares (in 1,000)	**25,085**		22,132	
Dividend per share in €	**-**		-	
Basic earnings per share in €	**0.32**		(0.19)	
Ratios				
Solvency at year-end	**13.6%**		3.1%	
Net interest-bearing debt/EBITDA	**0.12**		1.06	
Organisation				
Number of employees at year-end (FTE)	**1,027**		1,005	
Number of retail stores at year-end	**151**		161	
Number of m^2 store surface at year-end	**138,706**		143,536	
CSR				
Share of certified mattresses (NL/BE)	**94%**		93%	
Gender diversity in senior management	**36% ♀**		36% ♀	
Energy consumption (in kWh/m^2)	**43.3**		41.3	
Customer satisfaction (eKomi) (NL/BE)	**9.3**		9.4	

1 EBIT plus depreciation of PPE and amortisation of intangible assets. EBITDA is not considering depreciation on right of use assets arising from IFRS 16 lease agreements.

All details in this annual report relate to the continuing operations, unless otherwise stated.

Statement of the CEO

Dear Reader,

I am pleased that 2020 was a year in which Beter Bed Holding N.V. performed very well, showing strong recovery both commercially and financially following the more challenging years of 2018 and 2019, with record like-for-like sales growth for the Group of 21.2%, and like-for-like order intake growth for the Group of 24.8%. Furthermore, the fourth quarter of 2020 marked an impressive seven consecutive quarters of revenue growth, both online and offline.

2020 was, of course, a year like no other. COVID-19 impacted on every facet of daily life. Our sector was no exception, and the pandemic is likely to continue shaping the contours of commerce for many months to come. I am proud of how our entire business responded throughout this period, from shop floor to delivery teams, and from our back office employees to management.

Despite all the challenges that COVID-19 presented, it was a year in which we saw opportunities for our business. The drivers for our success during this period have been both strategic and cultural. Strategically, from the beginning of the pandemic, we continued to be proactive and decided not to downscale operations at a time when many retailers chose to do the opposite. What is more, we increased investment in our marketing, when many others were again doing the reverse. We also intensified our digitalisation, creating engaging new online customer contact points, intentionally increasing stock to avoid supply chain pressure, and successfully introducing more flexibility in terms of people, warehousing and delivery capacity to customers.

Culture enables strategy, and is especially important at times of great challenge. Our people are passionate about helping our customers and share a collective can-do attitude. This passion was seen time and again during 2020, as they continued to deliver an outstanding service in spite of the difficult circumstances. Whether it was new safety practices for home deliveries or working for home for those that could, our people embraced new working practices, enabling us to meet the increased demand for our products and services.

Our decision to keep our doors open when others were closing theirs, was in no small part due to the increased public consciousness about the importance of sleep, and the resulting effect this had on customer behaviour. During the COVID-19 pandemic, many people have come to appreciate just how important a good night's sleep is to their happiness, to their health, and to their productivity. The result is that they became more engaged with their own health, and demanded high quality and affordable sleep solutions.

Just as the other two pillars of healthy living – diet and exercise – have led to a marked shift in consumer demand for gyms and healthy food alike, we believe the increased interest in quality of sleep will continue to define consumer demand in our industry long after COVID-19. Our organisational design will therefore change over time to enable us to meet the changing needs of customer and business partners, as this is core to our strategy of providing expert sleep advice.

Looking ahead, notwithstanding the long-term opportunities we see in the future, it is difficult to predict whether markets will continue to grow in the short and medium term. While the positive underlying trend indicates that demand will stay buoyant, the macroeconomic effects of COVID-19 could dampen demand, and potential disturbances to supply chains should not be underestimated.

With respect to our leading brands, in 2020 Beter Bed Benelux continued to show strong sales and order intake both online and offline. Key actions included committing more resources to our digital platforms, adapting our product range to meet changing consumer demands, implementing improvements in warehousing and logistics, activating continuous marketing campaigns and ensuring operations remained safe for customers and employees.

Sängjätten delivered a significant turnaround in 2020. In addition to closing less strategically important stores, we revamped and revitalised our stores, in close cooperation with our suppliers, introducing exciting new product ranges, and launching engaging new marketing campaigns that promoted the importance of quality sleep. During the year, Sängjätten started to generate much improved order intakes and sales, and costs have been reduced for 2021 as a result of rightsizing the organisation.

While DBC is well under way in terms of positioning itself as a branded international wholesale business, COVID-19 delayed these developments for a number of months. Our popular M line nonetheless performed very well in Beter Bed Benelux, as well as through dealer stores. An important development at the end of the third quarter was the announcement of our agreement to partner with DeRUCCI, the single biggest bed retailer in Asia. We are excited by the potential of this partnership, with deliveries of M line to China beginning in the first half of 2021.

Overall, Beter Bed Holding N.V. was able to deliver significant commercial and financial progress, finishing the year in a much healthier and more sustainable position than in 2019. For this reason, our Group is also in a far stronger position to implement the next steps of our strategic journey, delivering both sustainable growth and shareholder value.

We are passionate about doing business in a more sustainable way. While Beter Bed Holding N.V. has established a variety of CSR-related initiatives in recent years, we nonetheless realise that much work remains to be done to ensure that sustainability is a priority and central to all that we do. In recognition of this, in 2020, we appointed a senior CSR & Sustainability lead to drive our work in this area. Reporting directly to our Management Board, the CSR & Sustainability lead will oversee the integration of sustainability considerations into our renewed strategy. Given that 2020 was the last year in our four-year non-financial targets, we took the decision to assess both our existing CSR activities and strategy at the same time. We will publish our new CSR strategy, including the new targets for the coming years, later in 2021.

In terms of our governance, Mrs Maaike Schipperheijn and Mrs Barbara van Hussen were appointed to the Supervisory Board at the 2020 Annual General Meeting, bringing considerable financial and legal expertise respectively. Unfortunately, Mr Huub Vermeulen was unable to continue as a non-executive director due to time constraints as a result of other business commitments. Both the Management Board and Supervisory Board benefited from his insights, and we wish to thank him for his many contributions during his tenure. No changes in the Management Board occurred during 2020.

At the time of writing, there is a second national lockdown in the Netherlands, which has required us to close our stores since 15 December. At the moment the Government has allowed us a limited opening of stores by appointment. While the Government hopes to allow the opening of stores without restrictions as of early April, this remains uncertain given the current number of COVID-19 cases and the status of the vaccine roll-out. The closure of our stores has impacted our order intake, and consequently sales going forward. We are working hard to reach and serve our customers through appointments in stores and other channels, such as our online and third-party platforms. Although we are experiencing very strong growth in these channels, this will not fully offset the effect on orders of having to close our physical store network. In light of this, we continue to reduce operational costs as much as possible, and we are being very diligent in terms of decisions related to CAPEX, in addition to focussing on cash control. We are confident that we will be able to return to normal levels of intake and sales once stores can reopen without restrictions, or even higher if the trend we saw in Belgium in 2020 is repeated in the Netherlands. Until that time, we continue to plan for all eventualities.

It would not have been possible to continue serving our customers and deliver improved commercial and financial performance in 2020 without the individual and collective work of our many employees and stakeholders. We recognise that we are operating in unprecedented times in which no one has been unaffected in some way personally or professionally. On behalf of the Group, I would therefore like to sincerely thank everyone for their continued dedication, commitment and resilience during this challenging time.

Yours sincerely,

John Kruijssen,
CEO

Uden, the Netherlands, 11 March 2021

About Beter Bed Holding N.V.

Beter Bed Holding N.V. is a sleep specialist operating in the European retail, wholesale and B2B sectors, providing the very best beds and sleep products at affordable prices to match the unique needs of every customer. We believe that the better we sleep, the happier, healthier and more productive we are. And we will not rest until everyone gets the high-quality sleep they deserve.

We operate through different brands in different regions:

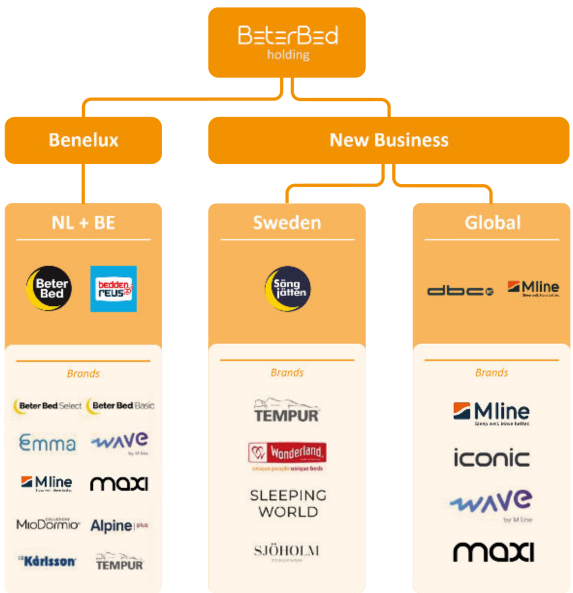
- Beter Bed brand in the Netherlands and Belgium;
- Beddenreus brand in the Netherlands; and
- Sängjätten brand in Sweden.

In addition, through its subsidiary DBC International, Beter Bed Holding N.V. has a wholesale business in branded products in the bedroom furnishings sector, which includes international brands such as M line, Wave and Maxi.

At year-end 2020, Beter Bed Holding N.V.'s 151 stores generated revenue of over € 200 million, with approximately 15% share of online revenue.

Beter Bed Holding N.V. has been listed on Euronext Amsterdam with security code BBED NL0000339703 since December 1996.

Organisational structure



Regions

Benelux

Benelux markets include Beter Bed stores in the Netherlands (84) and Belgium (17), together with Beddenreus stores in the Netherlands (34). Online customers are predominantly served through Beter Bed and Beddenreus' respective websites, while several third-party platforms generate additional revenue. In 2020, online business grew to more than 15% of our revenue.

Beter Bed

Beter Bed is the market leader in bedding in the Benelux, and is a full-service omni-channel retailer in the value-for-money segment, featuring an outstanding price-quality ratio. Beds, box springs and mattresses are delivered and assembled at our customers' homes. The stores are located in the Benelux, often in the vicinity of other furniture chains and stores.

www.beterbed.nl
www.beterbed.be

Beddenreus

Beddenreus is a bedding retailer that operates in the discount segment. The stores are located in the Netherlands, predominantly on furniture boulevards. In addition to cash & carry, beds, box springs and mattresses can all be delivered to customers' homes for a delivery fee.

www.beddenreus.nl

Benelux	2020	2019	Change
Revenue (x € 1,000)	**198,247**	163,656	21.1%
Number of stores at year-end	**135**	134	0.7%
Number of employees (FTE) at year-end	**929**	897	3.6%

New Business

The New Business operations comprise Sängjätten in Sweden and the DBC wholesale business.

DBC (Dutch Bedding Company) International

DBC International markets a range of high-quality sleeping systems and brands developed in-house. DBC sells its M line, Wave, Iconic and Maxi products through an international wholesale network and growing B2C, B2B and B2B2C channels. As a result, its success extends beyond the Netherlands, Belgium and Sweden. In the Netherlands, DBC started the first M line brand store, and online customers are served through M line and Wave's own websites.

www.mline.nl
www.wavebymline.nl

DBC	2020	2019	Change
Revenue (x € 1,000)	**9,217**	5,591	64.9%
Number of employees (FTE) at year-end	**20**	16	24.4%

Sängjätten

Sängjätten is a full-service omni-channel retailer that operates in the value-for-money segment in the Swedish market. Sängjätten offers a wide range of products including premium brands, such as Tempur, Sjöholm and Wonderland, and aims to provide customers with the very best sleep advice. Customers order the products in stores or online, and their purchases are then delivered and assembled at their homes.

www.sangjatten.se

Sängjätten	2020	2019	Change
Revenue (x € 1,000)	**14,597**	16,558	(11.8)%
Number of stores at year-end	**16**	27	(40.7)%
Number of employees (FTE) at year-end	**71**	88	(19.2)%

Store portfolio

Beter Bed Holding N.V. continuously monitors the performance of individual stores based upon various retail performance indicators. Based on these indicators, the decision was made to discontinue operations in certain locations. As a result, the total number of own-operated stores decreased to 151 by the end of 2020. In the Benelux, to improve the business performance five stores were opened and four were closed. In Sweden, Sängjätten closed eight stores in 2020, as they were not considered viable for the future. Furthermore, three stores were transferred to franchisees, and one external store joined the franchise network. The number of own-operated stores in Sweden therefore reduced to 16 by the end of 2020, and the franchise network consisted of four Sängjätten stores.

In the Netherlands, DBC opened a M line brand store in Nijhoff Shopping in Baarn, which is not included in the table below.

The table below shows the development of the number of stores in 2020.

Number of stores	1-1-2020	Opened	Closed	Franchise	31-12-2020
Beter Bed Netherlands	83	2	1	-	**84**
Beddenreus	34	2	2	-	**34**
Beter Bed Belgium	17	1	1	-	**17**
Total Benelux	134	5	4	-	**135**
Sängjätten	27	-	8	3	**16**
Total	161	5	12	3	**151**

Management report

General

In the exceptional financial year of 2020, Beter Bed Holding N.V. realised an acceleration in revenue and order intake growth in all activities both online and offline. In doing so, we proved to be resilient and highly effective in responding to the COVID-19 crisis, with the hard work, spirit and flexibility of our dedicated employees across all regions, supported by committed suppliers, translating into many satisfied customers, new and existing.

After a strong start to the year, with positive revenue development and good results in Q1, we experienced the first effects of COVID-19, which led to a very significant drop in traffic and order intake in the final two weeks of March. With different government policies across EU states to contain the virus, and following the decline in customer traffic, we took a range of actions: in the Netherlands, we took all necessary precautions to keep our stores open; in Belgium, we were forced to close stores completely; and in Sweden, we reduced opening hours.

In our B2B business, we faced a temporary decline in orders due to low demand from dealers and customers. We were quick to respond by enhancing our online presence; implementing precautionary measures to keep our stores, warehouses and logistics, and offices up and running; and staying connected with customers through creative and engaging marketing campaigns that reflected our sleep philosophy.

Throughout the COVID-19 pandemic, we have continued to safeguard the business through precautionary measures to ensure safe working and shopping environments, as well as through a continued focus on cost control, disciplined capital spend and strict cash flow management. Despite our largest operations being based in Uden, North Brabant, which was the most affected region in the Netherlands at the start of the pandemic, only a small proportion of our employees contracted the virus. This is a reflection of the responsible behaviour of our employees, who have exhibited great professionalism by following all precautionary measures with the upmost seriousness. Our customer experience centre personnel, for instance, called all customers a day before delivery to check that they were not exhibiting any COVID-19 symptoms, while our drivers took all precautions and social distanced during deliveries at customers' houses. Furthermore, in-store employees took every care to reduce the chance of the virus being passed from employee to customer or customer to customer. Customer traffic was reduced through appointments on demand, and mattress covers were even placed on beds to help prevent two customers touching the same surface while testing a mattress.

To avoid supply chain delays, we are continuing to work hard to secure safety stocks with European strategic suppliers. In April 2020, we experienced the first positive effects of this approach, before seeing spectacular improvements in our order intake in both online and offline in May and June. During this period, we recorded more traffic, improved conversion and higher ticket value per customer, in addition to the B2B order situation starting to recover again. With the stresses and strains of home working, home schooling and social distancing, we continued to communicate with our customers about the added importance quality sleep. We were also effective in delivering our customer promise through marketing campaigns for high-end products from brands such as M line and Tempur.

In the second half of the year, we saw continued growth in order intake and revenues. Our sharpened commercial strategy resonated well with customers, especially during the first wave of COVID-19. Our businesses continued to show healthy gross margins and are growing like-for-like. High order intake during the year, despite the store closures as a result of the second lockdown in mid-December, resulted in a record level order book of € 24.8 million, which is 18.7% higher compared with the previous year. Overall, we not only saw significant year-on-year growth, but this growth rate also far outstripped that of other players in an already growing market.

During 2020, Beter Bed Holding N.V. further improved its financial position, with an extension of the existing financing facilities of € 22.3 million with our incumbent banks until 31 December 2021. Furthermore, the shareholder loan of € 3.5 million plus incurred interest was converted into newly issued shares. Following the divestment of Matratzen Concord in 2019, the purchase price mechanism was settled, which resulted in an improved purchase price.

In order to minimise the risks associated with COVID-19, we held our Annual General Meeting through a live webcast and postponed the presentation of our strategy update. Instead, we continued to make strong progress during the year to further sharpen our strategy, implementing a number of key elements. These included further digitalising our company, such as replatforming, using a chatbot, and introducing subscription, all of which go hand in hand with changes to our systems and business model.

In addition, we delivered upon our promises from our previous CSR strategy. A group-wide project team, sponsored by the Management Board, was established to enhance our CSR strategy. A new CSR scorecard is currently being developed. In the meantime, a significant step forward has been made with the launch of eco-friendly products across product categories. These include the bed ‘Karlsson Bädd’, a new sustainable and innovative bed, and Kayori bed textiles, both of which are recyclable.

A further professionalisation of our category department resulted in an improved product range and a growth of our reported gross margin. We further strengthened our relationships with key suppliers, ensuring continuity in our supply chain, and marketing campaigns were designed based on secured availability of supplies.

The Benelux business performed strongly in 2020 despite the unprecedented worldwide COVID-19 pandemic with store closures during lockdown. Financial performance was very strong in 2020, with both order intake and sales growing, and we improved our position as the market leader in the Benelux. Our retail stores in the Benelux benefited from an expanded product range, and pressed ahead with marketing efforts to retain visibility during COVID-19. Successful omni-channel campaigns further boosted results. We successfully developed box spring lease in 2020, and initial interest from customers was very positive. We plan to accelerate its roll-out in 2021.

COVID-19 has further accelerated the shift of customer traffic to digital channels, pushing online sales to 18.9% of total Benelux sales in the fourth quarter, and 15.9% for the full year. To further strengthen our digital self-service proposition, a range of omni-channel tools have been implemented, including appointment to store, WhatsApp customer care messaging, call me now services and a chatbot. The Beter Bed website was replatformed to make it faster and scalable, which enables a better mobile experience. New digital marketing tooling and big data computing capabilities were also introduced, resulting in more efficient and relevant customer insights.

Our wholesale business DBC showed strong sales and order intake from individual dealers, Beter Bed Benelux and the online channel. Intensive marketing campaigns for M line, predominantly linked to the Tour de France, boosted its brand awareness. DBC is expanding beyond international wholesale, and is now growing in the B2B2C and B2B channels. New initiatives in 2020 included a M line brand store in Baarn and the introduction of the Iconic M line product line. In October 2020, it signed a partnership agreement with DeRUCCI, one of the largest retailers in Asia, to expand international sales. This partnership will start with the launch of the premium brand M line in the Chinese market in 2021.

Sängjätten improved its customer value proposition, which resulted in an increased order intake for almost all stores compared with 2019. In addition to closing eight stores in 2020, we changed the distribution model of four stores to that of a franchise agreement. All our own stores underwent a refit, in cooperation and with funding of strategic suppliers, which led to marked improvements in both traffic and average ticket value. Sängjätten is now much better positioned as an independent sleep specialty store in the Swedish market.

At the time of writing this management report, we are amid an unprecedented public health crisis caused by COVID-19, and fostering a healthy lifestyle is more important than ever. On 14 December 2020, we launched our 'Slaapkoppen' (sleepy heads) campaign, focusing on the effects of sleeping well on people’s health, well-being and happiness, in addition to their nutrition and exercise. This new brand positioning campaign will highlight the importance of getting a good night’s sleep. As customers are paying more attention to sleep habits and are trying to increase sleep time and consistency, Beter Bed Holding N.V. is at the forefront of creating a better sleep environment for customers by establishing collaborations with Philips in relation to sleep stimulation products, such as the one sleep & wake-up light and anti-snoring band. Our exclusive partnership with Emma also contributes to providing better sleep. With their innovative Emma-Motion mattress, we have a smart mattress that can optimise sleep by tracking and automatically adjusting during sleep.

Our strategy in 2020

Executive summary

In this section we articulate our Group's vision to offer the best quality sleep, to everyone, all the time.

Our vision is that everyone can sleep better, and we believe that Beter Beds Holding N.V. is uniquely positioned to help people thanks to our leadership position in providing high quality sleep solutions.

Adapting to the environment has been, and will continue to be, central to our success, with the increasing importance of our online, omni-channel, subscription models and personalised offerings. Moreover, our Group will continue to offer expert advice and offer value-for-money, accessible and sustainable sleep solutions that contribute to a healthy lifestyle.

In order to make our vision a reality, we have identified three key drivers:

- Establishing more in-depth lifetime customer relationships;
- Engaging seamlessly across all channels; and
- Expanding our business to new markets and geographies, bringing sleep benefits to more people, organisations and partners.

We aim to support customer relationships, improve our offering, increase efficiency and create new business models by building upon a scalable and data-driven business. In doing so, our Group's vision not only inspires the way in which we engage with our customers and our B2B/wholesale partners, but is also central to strategic decisions about how we leverage our different channels and our broad portfolio of offerings.

Mission statement

We believe the better people sleep,
the happier they are
the healthier they are and
the more productive they are.
And we won't rest until everyone gets the high-quality sleep they deserve.

Beter Bed Holding at a glance

Beter Bed Holding N.V. is a sleep specialist operating in the European retail, wholesale and B2B sectors, providing the very best beds and sleep products at affordable prices to match the unique needs of every customer.

Beter Bed Holding and the changing market environment

Retail environment

The increasing importance of online demands a seamless omni-channel experience. Meanwhile, consumers are favouring subscriptions over ownership. The customer journey is constantly changing and digitalisation increases the possibilities of personalised offerings. Accessibility remains critical, yet relies less on physical proximity.

The consumer experience challenge

Many of today's customers are understandably confused, with 40% finding it difficult to find the right sleeping solution. Buying a bed is perceived as a complex process. Indeed, the two most common reasons to not invest in a new bed or mattress are an inability to find the right sleep solution and the perception that they are prohibitively priced.

Out of frustration, many people take shortcuts and end up with a suboptimal one-size-fits-all sleep solution. This leaves an unfulfilled need for the kind of bespoke and true value-for-money advice that we provide.

Bedding industry dynamics

Online players are gaining market share by enhancing service levels, in addition to combining a significant marketing spend and a lean organisation with low entry price points. This causes margin pressure and demands cost leadership. Moreover, new entrants to the market are also capitalising on the perception of beds being too expensive and not affordable.

Customer needs

Five important trends in our customers' needs are paramount to our current strategy and vision for the future.

Health and well-being is becoming increasingly important, and the positive effect of a good night's sleep is evident on both of these. For this reason, we continue to impact our customers' **lifestyle** in a healthy and **accessible** manner by providing good sleep. To be truly relevant for today's customers, we will make high-quality products and services **affordable** for everyone. We will build on our mid-term strategy as the value-for-money leader by improving our proposition, offering the best sleep advice and offering a seamless omni-channel experience.

We continue to develop our products and services in a responsible way. In doing so, we examine our **sustainability**, or Corporate Social Responsibility (CSR) performance, by examining six separate but related topics.

- Circular economy
- Safety and quality
- Responsible supply chain management
- Energy and CO_2 emissions
- Safe working conditions

We see an opportunity in these changing dynamics to win, lead and outcompete.

Better sleep for everyone all the time

Three strategic drivers

Customer-intimate omni-channel
We aim to improve sleep for all our customers based on their unique personal needs. For this reason, we want to get to know our customers better and build true lifetime customer relationships, engaging with them through the channels they choose.

Business expansion
We want to bring the benefits of better sleep to many more people, organisations and partners. With our strong and award-winning brands, we see significant opportunities to develop new business models, such as subscription, and more into new markets segments.

Scalable & data-driven backbone
Advanced data capabilities are pivotal for building strong customer relationships, improving product and service quality, increasing efficiency, and discovering new business models. A data-driven, scalable and flexible operating model is therefore a crucial strategic driver to realise our mission.

Transforming into a digital first omni-channel organisation

New world of testing, buying and using
We envision a future for testing sleep products in which testing not only takes place in our stores, but also in our customers' homes on a continuous basis.

Customers are able to test and experience a wide range of products in our stores, with our experts advising which mattresses best fit their preferences, body type and sleep positions with digital test configurators. Providing this level of service, entails shifting the role of our stores to an earlier stage in the customer journey for research and testing. By using our various websites and through third-party platforms, customers can now research anywhere, purchase everywhere and test continuously.

As circumstances at home are different than in stores, and can change over time, testing does not begin and end at our stores. With smart sleep products, we are able to analyse data on a whole range of essential factors for quality sleep. These include body position, movement, pressure points, room temperature, humidity, air quality, light and noise. This enables us to provide an online-driven customer journey, in which occasional transactions are replaced by an ongoing relationship with numerous customer touchpoints. Continuous testing and data gathering also allows us to leverage a third-party platform through which we can provide an even better service to our customers with our partners' products and services, tailored to our customers' need.

The changing role of our stores
To facilitate our omni-channel driven and continuous customer relationship, we will change our store formats. While our physical presence remains important for our customers to test and experience our products in the early stage of the customer journey, we will make our network even more relevant through store differentiation to better serve specific customer segments, both online and offline. Every aspect of our stores is data-driven, from location decision-making to personalised in-store testing and advice.

Business expansion

B2B improving sleep of guests and employees

As the awareness about the importance of quality of sleep increases, we believe companies, governments and other organisations will increasingly want to benefit from having a well-rested and productive workforce. Well-rested employees make fewer mistakes, are healthier, cause fewer accidents and are happier.

Furthermore, hotels and other players in the leisure industry will see that sleep facilities become an increasingly important differentiating factor for guests when booking their accommodation. By offering the best sleep, companies can stand out in an ever more competitive and transparent market.

Given these developments, we see very significant opportunities for growth in the B2B and B2B2C segments. Over the years, the popularity of our M line brand has grown significantly internationally, and it has been endorsed by professional athletes, researchers, and sport associations alike. With these strong and prize-winning brands, we will continue to bring sleep improvement to new B2B customers in both existing and new geographies.

These markets represent a very significant area of potential growth. We will help the players in these markets to improve the sleep of their employees and guests through tailored propositions, building on our strong brands. These propositions inherently entail large volumes, which provides opportunities for additional services, including data-driven insights into sleep quality, data-driven and timely replacement of old mattresses, and optimised cleaning schemes based on occupancies per room. Through extensive services built around the mutual objective of improving sleep, we can be distinctive in these markets and build strong long-term relationships with B2B and B2B2C partners.

Wholesale – Data-driven expansion

We have seen that traditional geographical expansion of retail formats – both organic and inorganic – is challenging. Worldwide, many retailers are hampered in their efforts to cross country borders effectively due to a lack of local knowledge, high upfront investments and limited cross-border synergies. Many brands enjoy considerable success, however, with their geographic expansion, as they enter new markets with a distinctive brand profile and focused marketing, building direct customer relationships while also making use of existing, local channels.

Our strong and award-winning brands are well-positioned for expansion to international retailers. We aim to accelerate our growth along these brand axes. In addition to the EU market, we see opportunities in the rapidly growing bedding markets around the world. Through partnerships with local retailers, our brands can be introduced in local markets without baring the risks and investments of opening new retail chains. Through creating brand loyalty, we can leverage our brands to build long-term customer relationships in these new markets.

Furthermore, we will also develop creative channel partnerships to make our solutions better accessible to more people. We will achieve this by linking better sleep to third party offerings, thereby creating a strong, combined proposition.

We aim to accelerate these models with a data-driven approach. Through the analysis of customer and market data, the most profitable wholesale customers can be identified and targeted. This prevents churn at an early stage, maximising the outcome of the partnerships.

Online pure play

We see opportunities to make inroads into new markets through an asset-light, online pure play business model. This model makes it possible to enter markets quickly with limited risks and upfront investments.

By rolling out pure play business models, we are able to create customer bases in new markets, whilst also leveraging our commercial and operational platforms in our existing markets. This represents an effective adequate channel to quickly and iteratively test and enhance new and innovative propositions, products and services.

In addition, as the online pure play businesses grow, they develop a critical mass by gradually creating a physical footprint to grow into customer segments beyond the pure online customers. This path for growth ensures a balanced ratio between physical stores and our online and offline customer base, creating a lean cost structure and limited upfront investments.

By partnering with other online marketplaces, we will further expand our reach to customers. Furthermore, as we grow our online business, we are able to build online marketplaces and platforms open to third parties. Through our strong online platform, we create an ecosystem of partners that improve sleep with a wider variety of different products and services than offered in our own portfolio. By providing customers access to more sleep solutions, we enhance our proposition, strengthening our leadership position in sleep.

The growing role of data

We see data as a defining factor of our future success. To truly bring our omni-channel and sleep services to the next level and streamline our processes, we will develop a scalable data-driven backbone. This enables us to better understand customer sleep data to increase the relevance of the service and advice we provide them.

Data in an omni-channel environment

To maintain a position as market leader in the sleep domain, it is paramount to develop and maintain a holistic view of the interplay between customers, channels and products along the entire and ever-evolving customer journey.
Genuinely knowing our customers enables us to develop a smoother customer journey with personalised offerings.

Towards data-driven sleep services

Connecting current and new sleep-products in an ecosystem through the Internet of Things (IoT) will allow us to offer individual and digital sleep coaching to our customers. Shifting from bedding to the complete realm of sleeping by ‘entering the bedroom’ offers the possibility to remain relevant throughout a customer’s lifetime. These data-driven sleep services build on the personalised offerings, ensuring customer lifetime value maximisation.

A key element to enable customer intimacy is investing in additional upstream data-gathering capacity that goes beyond one-dimensional customer data and makes it possible to capture aspects of customer preference and behaviour in the buying journey (such as ordering pods and traffic trackers). Only when executed simultaneously across channels, will this result in a holistic 360-degree customer view, together with valuable and actionable commercial insights. As improving sleep quality will be ever more central to our proposition, building structural capabilities in the field of data engineering, analytics and insight generation are of vital importance.

Partnering for success

If we wish to be able to deliver products and services to our customers in an efficient manner across all current and future channels, it is key to move away from monolithic legacy systems and shift to a scalable retail core. Creating a flexible layer with harmonised and automated group services (such as finance, human resources and IT) enables us to provide a scalable backbone for internal and external business development.

People, Culture and Leadership

The Group's vision on human capital

Beter Bed Holding N.V.’s distinctive character is built on three fundamental pillars that reinforce one another: people, culture and leadership. The way in which we cultivate these core elements determines how successful we are in both the short and long term.

As a retail/wholesale company, our people are of course crucial to all that we do, as the majority of the Beter Bed Holding team performs customer facing roles.

To deliver our strategic ambition a particular type of employee is required, with specific strengths. A warm and engaging persona, knowledge, and the ability to provide expert advice, and, together with a ‘first-time-right’ approach, are all fundamentally important to ensure our customers receive the best advise on how to improve the quality of their sleep. To enable our people to improve their skills in these areas and become better at what they do every day, employees receive development training through our Beter Bed Academy, management development programs, and leadership coaching, among other things.

People can only make use of all their talents and meet their full potential in a healthy, energetic and open culture. We try to build an environment in which people are given the space to develop. In particular, we value and encourage our people to use their own initiative and entrepreneurial skills, in addition to engaging others in discussion to enhance our working practices. We pride ourselves on being a culturally flat organisation, and consider quality of argument to be more important than an individual’s seniority.

To achieve strategic goals, both now and in the future, our Group is best served by a performance-driven culture across all aspects of our business. In order to develop and deliver this philosophy in a consistent way across the Group, our Human Resources team plays an important facilitating role. We strongly believe that by focussing intensely on the development of this performance-driven culture, people will not only develop better in their current roles, but the talent pipeline will also grow, making it easier to fill vacancies internally. That notwithstanding, it remains important to achieve a good mix within teams, with experience both from the Group, as well as experience from beyond our organisation. This helps us to grow as an employer of choice for new employees, in addition to enhancing the pride and satisfaction of existing employees working for Beter Bed Holding N.V.

Culture
Our distinct culture is built on our values, which determine the way we do business. Throughout our Group, our employees share a passion for our products, helping customers, and a strong belief that we can enhance the quality of sleep through providing the right products and services. Our people are becoming more expert at how we utilise data and research, and we are also working in close partnership with digital specialists in order to provide more objective quality advice. The entrepreneurial character of our Group makes us proactive, enthusiastic about improving what we do, constructively critical of each other, and always prepared to work together to help customers new and old.

We believe it to be important to have a positive impact on the communities in which we operate. To this end, we are increasingly involved in society through our sponsorship activities, participating in various projects, and assisting charitable organisations. We endeavour to be transparent in all our activities, and to act in a responsible way at all times. While this is an important requirement for all publicly listed companies, transparency is particularly essential to our culture and who we are as a company.

Organisation structure
As a result of the divestment of Matratzen Concord, our Group is gradually moving to a different organisational model in which we work in a different way. Where in the past operating units managed themselves, we believe that the organisational model can be simplified and much more efficient. This means that central staff will work for all commercial channels, while these directors' main responsibility will be overseeing the respective businesses. Given the COVID-19 pandemic, this change was not fully implemented in 2020, although it will be completed in 2021.

Health and safety
We believe it is important that customers and employees can work and engage with our Group in a safe, diverse and inclusive way. Furthermore, we believe that the COVID-19 pandemic has further underlined the importance of maintaining stringent health and safety standards. Given that a significant part of our Company's work entails physically demanding work, we work hard to make this aspect of employees' work easier and safer. As a responsible employer, we understand that companies with aging workforces will need to address issues surrounding roles and responsibilities for some members of our teams in more physically demanding roles.

Employee file
Beter Bed Holding N.V. is relatively modest in size, with 917 employees in the Netherlands, 71 in Sweden and 39 in Belgium. While the number of flexible workers has grown considerably in recent years in the markets in which we operate, our own workforce consists largely of fixed-term contracts. This is in part due to having a large proportion of loyal employees who have served our Company for a number of years, and partly due to the importance of having a team of specialists who can provide expert advice to customers. We run our warehouse and transportation activities ourselves as the delivery and fitting of the products, in particular, is a vitally important part of the process. Delivery needs to be perfect, as we provide a store-to-bedroom, not a door-to-door service. For this reason, we employ fluent speakers of the language in the countries in which we operate so that they can engage with customers and in a friendly and highly professional way. We work hard to train our warehouse and transport employees every bit as much in these soft skill areas as the more technical requirements of their roles.

The development of the number of employees is as follows:

	2020[1]	2019 [1]	2018 [1]	2017 [1]	2016 [1]
Diversity					
Women	**534**	535	500	470	371
Men	**687**	651	596	553	474
Total	**1,221**	1,186	1,096	1,023	845
Age					
<30	**433**	421	340	288	225
30-50	**487**	491	512	480	443
>50	**301**	274	244	255	177
Total	**1,221**	1,186	1,096	1,023	845
Diversity in senior management					
Women	**5**	5	4	3	6
Men	**9**	9	10	11	11
Total	**14**	14	14	14	17
Full-time/part-time					
Full-time - women	**93**	92	71	80	41
Full-time - men	**403**	416	401	393	336
Part-time - women	**440**	470	429	390	330
Part-time - men	**285**	208	195	160	138
Total	**1,221**	1,186	1,096	1,023	845
Fixed-term/temporary contracts					
Fixed - women	**383**	353	352	327	263
Fixed - men	**439**	386	385	374	331
Temporary - women	**150**	172	148	142	108
Temporary - men	**249**	275	211	180	143
Total	**1,221**	1,186	1,096	1,023	845

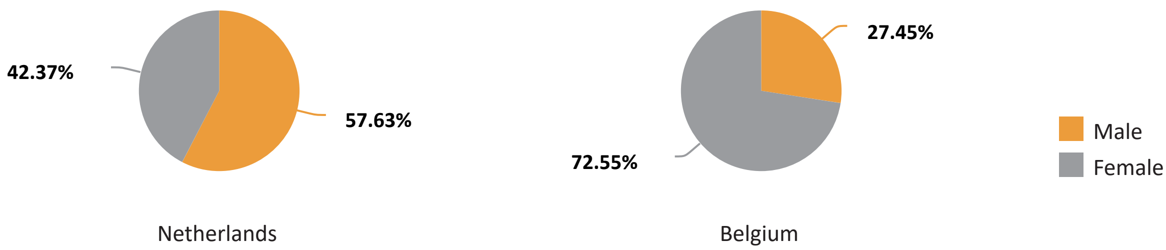
1 Number of employees at year-end

	2020	2019	2018	2017	2016
By region					
The Netherlands	**1,073**	1,028	908	906	828
Sweden	**97**	120	156	93	-
Belgium	**51**	38	32	24	17
Total	**1,221**	1,186	1,096	1,023	845
Parental leave					
Women (number)	**5**	15	17	11	11
Men (number)	**9**	4	10	10	10
Total	**14**	19	27	21	21

Diversity

We believe in the importance of having a diverse workforce in terms of education/experience, nationality/cultural background, gender and age, and strive for a balance across our Company.

Through experience, we have observed how beneficial diverse teams in terms of roles and gender have been upon performance and building the right culture. Overall, it is our view that the Group is performing well with respect to gender diversity, with a 50/50 female/male split at Management Board level and 40/60 split at a Supervisory Board level since 2020. While we already achieved a healthy balance, diversity continues to be a focus area. For more information, please see the diversity policy on the corporate website of Beter Bed Holding N.V. The pie chart below shows the male/female split within our organisation in the Netherlands and Belgium.



Learning and development

As mentioned above, employees' continuous learning and learning together as teams is of great importance to ensure we are able to perform better, to get more enjoyment from what we do, and to enable people use more of their talents within our Group, in addition to new roles with other employers, as former employees can represent new ambassadors for the Group. In 2020, more than 50 employees received a promotion due to the way in which they had developed during the year.

We believe that employees find their work more enjoyable and rewarding when they are equipped with the right tools, which in turn has a positive effect upon productivity. We achieve this through the Beter Bed Academy, which shares knowledge in a practical and innovative way, including videos about products and cross-selling, tutorials, vlogs and virtual tours; all with the aim of informing, transferring knowledge and generating sales.

Works council
We attach great value to having a well-functioning works council, and are pleased with the working relationship the works council has with the Management Board, the professionalism they demonstrate and the professional way in which they represent all employees. We consider the working relationship to be transparent, critical, proactive from both sides and cooperative.

Code of Conduct
For Beter Bed Holding N.V. and our subsidiaries, Corporate Social Responsibility means making a positive contribution to the society in which we operate. This contribution will continue to be shaped by factors such as compliance with legislation and regulations, and a conscious and respectful approach to stakeholders' concerns at all times.

The general Code of Conduct goes into further detail about what Corporate Social Responsibility means for Beter Bed Holding N.V. These principles are reflected in the company's culture, meaning that standards and values, in addition to conduct, are enshrined in procedures within the organisation wherever possible. Every employee must commit to the rules stipulated in this Code of Conduct. The supplier Code of Conduct is a more in-depth version of the general Code of Conduct. Both Codes of Conduct are aligned with the United Nations Global Compact Code.

Most memorable events from a human resources perspective
Beter Bed is a member of a hybrid learning environment (De Hybride Leeromgeving), a network organisation consisting of entrepreneurs, government institutions and educational organisations. The hybrid learning environment focuses on attracting new employees, and retaining people and companies in Uden, the Netherlands, the municipality in which Beter Bed's head office is located. We are proud that Beter Bed fulfils an exemplary role when it comes to sharing best practices, and informing and inspiring the Group in areas such as learning and development.

Remuneration within the Group
In view of the extraordinary circumstances due to the COVID-19 pandemic, we decided to offer employees a special reward in 2020 for the remarkable performance they undertook during the year.

Financial results

Financial results from continuing operations	2020	2019
Revenue (in € million)	**222.1**	185.8
EBIT (in € million)	**12.6**	(0.4)
Net profit/(loss) from continuing operations (in € million)	**7.9**	(4.2)
Number of stores at year-end	**151**	161
Number of employees (FTE) at year-end	**1,027**	1,005

Revenue

Group revenue from continuing operations in 2020 was € 222.1 million, which is 19.5% higher compared with € 185.8 million in 2019, with like-for-like revenue growth of 21.2%. Both the Benelux and the New Business operations contributed to this revenue growth. The Benelux reported significant year-on-year revenue growth of 21.1%, with like-for-like revenue growth of 20.7%, whereas New Business, which comprises Sängjätten in Sweden and the DBC wholesale business, delivered year-on-year revenue growth of 8.7% with like-for-like revenue growth of 25.3%. The Group's online activities have increased significantly, at a growth rate of 86.5%. From a regional perspective, 88% of revenue in 2020 was generated in the Netherlands (2019: 85%), 5% in Belgium (2019: 6%) and 7% in Sweden (2019: 9%).

Gross profit

Gross profit as a percentage of revenue increased to 54.9% compared with 53.0% last year. Cost of goods improvements were mainly realised by reallocated sourcing and re-engineering of products. As a result of higher revenue at a higher gross margin, gross profit for the year increased by 23.8% to € 121.9 million, compared with € 98.5 million in 2019.

Operating expenses

Total operating expenses for 2020 were € 109.2 million, compared with € 105.4 million in 2019. The higher operating expenses were mainly driven by higher marketing investments to grow the online and offline order intake, and logistics costs.

Total personnel expenses amounted to € 47.8 million, compared with € 47.1 million last year. This was mainly explained by a higher number of employees in the Benelux to fulfil the supply chain activities related to the increased order intake and wage inflation.

Depreciation, amortisation and impairment expenses were € 20.8 million in 2020 compared with € 21.7 million in 2019. This decrease is mainly the consequence of the level of investments related to the liquidity constraints until 2019, and the impact of COVID-19 in 2020.

Other operating expenses increased by € 4.1 million to € 40.7 million in 2020 (2019: € 36.6 million). This increase was mainly related to the additional marketing investments to grow the online as well as the offline order intake. Furthermore, additional logistic expenses were incurred to deliver the order intake.

EBITDA

EBITDA (excluding IFRS 16) increased from € 9.4 million in 2019 to € 19.2 million in 2020, reflecting a 19.5% increase in revenue, improved gross profit percentage and higher operating expenses. 2020 EBIT increased year-on-year to € 12.6 million. (2019: EBIT loss of € 0.4 million). Net profit from continuing operations amounted to € 7.9 million (2019: net loss of € 4.2 million).

Net result

The total net result for the year 2020 was a profit of € 7.9 million (2019: total net loss of € 52.6 million). On 2 December 2019, the Company completed the sale of Matratzen Concord in Germany, Austria and Switzerland to Magical Honour Limited. Matratzen Concord is presented as 'discontinued operations' in the financial statements for the period up to 30 November 2019. The 2019 net result after tax of discontinued operations, including the loss from the sale, was a loss of € 48.4 million. Further details can be found in the paragraph Discontinued operations (see page 104) of the Notes to the consolidated financial statements.

Financial instruments

Financial instruments held by Beter Bed Holding N.V. are limited to primary financial instruments. Beter Bed Holding N.V. has a policy not to actively secure or hedge financial risks, for example interest rate and currency risks, and consequently does not use derivative financial instruments.

The primary financial instruments mainly relate to cash and cash equivalents, including positions from credit institutions and trade receivables/payables. Per year-end, Beter Bed Holding N.V. is exposed to currency risks related to the Swedish Krona and the US Dollar. Interest risks regarding the credit facilities are considered low on balance sheet date and are also forward looking. A more in-depth analysis on Beter Bed Holding N.V.'s risk exposure is outlined in the Risk Management paragraph (see page 32).

Business performance

Cash flows

Total cash flow generated from operating activities in 2020 was € 43.1 million (2019: € 3.2 million). The operational cash flow generation of our continued business was positive, and we have achieved working capital improvements in all areas.

Total cash flow from investing activities in 2020 was an outflow of € 3.5 million compared with an inflow of € 12.7 million in 2019. The total amount of investments in both tangible and intangible fixed assets amounted to € 3.6 million in 2020, compared with € 4.4 million in 2019. The majority of these investments related to investments in IT and E-commerce platforms, five new stores and required maintenance in existing stores.

Cash, liquidity and debt financing

The cash flow from financing activities for the year was an outflow of € 19.8 million (2019: outflow of € 20.2 million), due to the deleveraging and the significant improvements in our financial position. The financing cash flow consists of repayment of borrowings of € 4.2 million and the payment of lease liabilities for an amount of € 15.2 million, and interest paid.

The cash position changed significantly during 2020. At year-end 2020, the Group reported a net cash position of € 19.3 million (2019: net debt of € 7.9 million).

Financing and solvency

In July 2020, Beter Bed Holding N.V. further improved its healthy financial position, with an extension of the existing financing facilities of € 22.3 million with our incumbent banks until 31 December 2021. Furthermore, the shareholder loan of € 3.5 million plus incurred interest was converted into newly issued shares. In total, 2.13 million new shares were issued for this transaction. Furthermore, Beter Bed Holding N.V. agreed to decrease the interest rate applicable to the perpetual loan to 10% until mid-2021.

Solvency increased due to the operating profit and the conversion of the shareholder loan into newly issued shares, standing at 13.6% as at 31 December 2020 (2019: 3.1%).

Highlights of our operations

Benelux

Revenue of the Beter Bed and Beddenreus stores in the Benelux in 2020 was € 198.2 million, which is 21.1% higher compared with € 163.7 million in 2019, with like-for-like revenue growth of 20.7%. Despite the COVID-19 pandemic related, forced lockdown period of in total 13 weeks in Belgium and late 2020 more than two weeks in the Netherlands the like-for-like order intake grew in 2020 by 24.0% compared with the prior year. The continued positive trend in revenue is the result of a combination of investments in ‘always on’ marketing activities, the continued strong online and digital proposition and the addition of new brands, such as Maxi.

Although significant investments in margin were made to grow the order intake, the Benelux was fortunately able to secure an increase in the gross margin percentage. Furthermore reallocated sourcing as well as re-engineering of products had a positive impact.

In 2020, costs increased compared with the prior year, mainly related to marketing activities and incremental supply chain costs to fulfil customer demands.

Online performance has seen very significant growth rates during the COVID-19 pandemic, and the shifting customer behaviour towards online with online sales channel share increasing from 10.5% in 2019 to 15.9% in 2020, while stores also outperformed last years' sales results.

New Business

The New Business operations comprise Sängjätten in Sweden and the DBC wholesale business. The total operations realised € 23.8 million revenue, representing a total growth of 8.7% and a like-for-like sales growth of 25.3% compared with the previous year.

Like-for-like revenue of Sängjätten grew by 7.3% in 2020. Sängjätten repositioned the brand and changed assortment, focusing on sleep expertise and upgrading the look and feel of the stores. The support structure was also simplified, leading to a significant decrease in overhead costs. In Q2, the franchise model was re-introduced in Sweden. The transition of the network, which currently consists of 16 own-operated stores and 4 franchisees, had a positive impact on the overall result, with higher gross margin and lower cost.

The DBC wholesale business continued to show strong revenue results for both existing B2B and new customers. We continue to add new B2B customers, including local dealers and international retailers. Going forward, we see significant opportunities for further acceleration of these activities. For DBC, this will include further investments in additional sales force, which will in particular enable them to drive the M line brand in existing markets and a number of carefully selected new markets.

Risk management

General

Beter Bed Holding N.V.’s operations, which are based on the Group’s strategic objectives, are affected by the management of a number of opportunities and risks. For this reason, we have implemented a risk management system to monitor and control the Group’s most important risks. This involves applying a matrix that describes the risks, their financial and non-financial impact, the probability that they will occur, control measures, and the actions to be taken. This matrix is updated and discussed in the Audit Committee twice a year, and the key points are reported to the Supervisory Board.

Risk appetite

Beter Bed Holding N.V. operates in the bed and mattress segment. Beter Bed Holding N.V.'s risk appetite is based on the Company’s operational results, financial position, and carefully considered financial management. Although our daily operations involve taking risks, Beter Bed Holding N.V. adopts a prudent and balanced approach to risk. More information about our risk appetite in the various categories defined by Beter Bed Holding N.V. is explained below.

The opportunities and threats identified by Beter Bed Holding N.V. for both the Group as a whole and for the individual Companies are determined during the annual budget cycle in economic, strategic and commercial terms. The budget is drawn up by Beter Bed Holding N.V.’s Management Board and is discussed with and approved by the Supervisory Board.

All business units report their financial results (revenue, margin, expenses and operating profit) and financial position to the Group on a monthly basis. Beter Bed Holding N.V.’s Management Board discusses these reports in monthly meetings held with the respective management teams, which ensures close monitoring of the various operations. To enhance the effectiveness of the various reports, we endeavour to achieve a high degree of uniformity in the various reports. The administrative and accounting records of the operations are maintained in the SAP (ERP) environment across the organisation, with the exception of Sweden. In addition to these control measurements, the Company requests that managers responsible for the individual business units sign a letter of representation in which they confirm their compliance with all relevant laws and regulations, together with a confirmation that internal control measurements have been working effectively. Furthermore, the letter of representation also requests that the respective managers comment on any potential fraud matters and incidents that have occurred during the reporting period.

Beter Bed Holding N.V. has also established an Internal Audit Function (IAF). The IAF has been placed externally, and is an independent and objective body that aims to contribute to the further professionalisation of the entire organisation (in accordance with the Internal Audit Charter). From a risk management perspective, the IAF is qualified as the ‘3rd line of defence’, after the ‘1st line of defence’ of operational management and the ‘2nd line of defence’ of the internal control structure. The IAF’s findings are discussed with both the Management Board and the Audit Committee.

The external independent auditor or ‘4th line of defence’ reviews the Administrative Organisation and Internal Control (AO/IC) during the annual audit of the financial statements. The audit findings are discussed by the external independent auditor with both the Management Board and the Supervisory Board, including not in the presence of the Management Board.

Strategic risks

The Company’s success depends on its ability to achieve its strategic and financial objectives. Like any business, Beter Bed Holding N.V. could be impacted by or subject to the effect of different strategic risks that are beyond, or partly beyond, the Company’s control or influence.

In 2020, the Company undertook an update of any possible strategic risks that could be of relevance, as can be seen in the following grid.

These strategic risk factors can be summarised as follows:

1. Key individuals – the extent to which the Company is reliant on the people element, as opposed to the process and system elements.
2. Information Technology and Data Management – the extent to which strategic objectives and supporting IT infrastructure are optimally aligned.
3. Corporate Social Responsibility – political, social or economic developments that could impact industry and market expectations, and therefore also impact on the Company’s reputation or operations.
4. Catastrophe – resilience and ability to respond to catastrophic events that could threaten the organisation’s operations.
5. Talent – ability to attract and retain the requisite skills and knowledge to realise change.
6. Customer – changing customer demands that could impact on profitability.
7. Liquidity – issues relating to the timely and/or sufficient availability of capital/liquidity to realise strategic ambitions within the desired timelines.
8. Fraud – the bypassing of internal control procedures that could result in fraudulent activities by employees.

This list should not be considered a complete list of potential risks that the Company could face.

In addition to these strategic risks, various other principal risks applicable to Beter Bed Holding N.V. and its affiliated operating companies can be summarised as follows:

Financial risks relate to the failure to generate revenue due to the entry of new competitors, together with the introduction of new products, brands and sales models. The positioning, product range, pricing and service level of the various retail brands in their own markets are continually refined on the basis of frequent, extensive and thorough customer research, market information, and competition analysis.

The Company also follows a proactive omni-channel strategy that has been elaborated and tailored to customers' wishes in each country. This strategy allocates an express role to the stores in combination with their respective online store and strategic web partners whenever possible.

Operational risks are identified by the Group with respect to supplier side consolidation, which could affect margins and supplies. To mitigate this possible risk, internal agreements exist with regards to the maximum share in revenue that an individual supplier can have within the Group. In addition, regular consultation takes place at the highest executive level (Management Board) with the principal suppliers. The organisation also applies an extensive system of supplier management, which enables the continuous monitoring of the performance of individual suppliers, in addition to the early identification of potential issues with suppliers. Moreover, the product range sources from one supplier can in principle be transferred to another supplier within an acceptable timeframe.

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

Social risks primarily relate to damage to the Group's image and reputation as a result of defective products or irresponsible actions in a broader sense. It should be noted that the Group does not manufacture products for the product range. Appropriate control systems ensure that our products meet the applicable requirements, and Beter Bed Holding N.V. accepts no risks related to safety. The organisation has adopted codes of conduct in various fields to ensure responsible conduct in this regard. Our corporate culture, in which integrity and ethical business conduct are core values, makes a significant contribution to the mitigation of risks. Furthermore, the Company has also adopted a whistleblowers' policy.

Other operational risks relate to the availability of information systems that support our core operations and the availability of logistics facilities. These risks are mitigated by designing the IT architecture in such a way that the cash register systems can operate standalone, and that backups can continually be made of data in all our back office systems. This in turn ensures that our external IT infrastructure will be operational within the timeframe required for continuity purposes in the event of an emergency. System integrity is monitored by applying a clear release policy and strict change management procedures. Logistics risks relate largely to the situation in the Netherlands, where three distribution centres (DCs) are in operation. Should an emergency occur at one of these DCs, the other two can serve as backups. Furthermore, each DC also has an individual business continuity plan.

Financial reporting

Financial reporting at Beter Bed Holding N.V. is structured within a tight framework of budgeting, reporting and forecasting. A distinction is made between reports for internal and external use. External reporting at group level consists of an annual report, which includes financial statements audited by the external independent auditor, as well as a half-year report, which contains summarised financial information. External reports are based on the internal financial reporting, in accordance with EU-IFRS.

Internal financial reporting consists of consolidated monthly reports in which current developments are compared with the monthly cumulative and non-cumulative budgets, and also the previous year. In addition, each month we update our forecast for the annual results, including the short and mid-term cash flow forecast. The monthly budgets are part of the annual group budget, which is prepared every year by the Management Board and approved by the Supervisory Board. In accordance with the internal allocation of management responsibilities, internal financing reporting has a layered structure. The internal financial and operating results are firstly analysed and clarified at this level of management responsibilities. The Management Board discusses the monthly reports with the responsible management teams. The consolidated group reports are shared with the Supervisory Board on a monthly basis.

Tax

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

Independent auditor's report

The external independent auditor assesses the internal control measures relating to the financial statements to the extent required for an efficient and effective audit approach. It reports its findings to the Management Board and the Supervisory Board in its management letter and independent auditor's report (see page 141), respectively.

Expectations and outlook

Beter Bed Holding N.V. is passionate about providing customers, retailers and other stakeholders with high-quality and affordable products that enable people to get a good night's sleep. We do so at an important time for our sector, with the science of sleep and its health and well-being benefits increasingly understood by the public at large. Thanks to our strong market leadership, our accessibility online and offline, and our well-known and trusted product brands, we are confident that Beter Bed Holding N.V. will be able to benefit from this growing awareness of the importance of sleep. Financially the Group further stabilised, has a loyal shareholder community, and secured financing with its incumbent banks, meaning we are well-positioned to deliver on our strategic ambition in the coming years.

While it is impossible to provide a definitive statement regarding the outlook for the Group due to the volatility and unpredictability caused by COVID-19 – from the effect on the macroeconomic environment, financial markets and stock markets, unemployment rates and of course consumer confidence – we believe we have the correct strategy and a financially solid foundation. Looking to 2021, notwithstanding exceptional circumstances, we expect to see further improvement in the future.

Uden, the Netherlands, 11 March 2021

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

G.E.A. Reijnen,
CFO

Governance

Management Board biographies

A.J.G.P.M. Kruijssen (1965) - CEO

Background

In addition to completing a course in Small Business & Retail Management in 1984, John Kruijssen completed the Advanced Food Retailing program at Nyenrode Business University in 1996. From 1984 to 1997, he gained experience in a diverse range of managerial positions at companies such as Halfords Nederland B.V. and Unigro N.V., The Netherlands. This was followed by various management and executive positions at Royal Dutch Shell in both The Netherlands and the United Kingdom. From 2010 to 2015, he served as CEO of Markeur Holding B.V., and from 2015 to 2018 as CEO of Detailresult Group N.V. John joined Beter Bed Holding N.V. in the position of CEO on 1 April 2018, and was appointed as a Statutory Director in the position of Chief Executive Officer at the AGM on 26 April 2018. John Kruijssen is a Dutch citizen.

G.E.A. Reijnen (1967) - CFO

Background

Gabrielle Reijnen earned a master’s degree in Business Economics from Erasmus University Rotterdam, the Netherlands, and also completed the Harvard Business School Advanced Management Program for Senior Executives (AMP 182). She previously was Managing Director at ABN AMRO and Alvarez & Marsal, and Head of Corporate Coverage and member of the Management Team with RBS in the Netherlands. Mrs Reijnen serves as a Supervisory Board member at Aegon Bank N.V., Aspen Oss B.V., Bouwinvest Real Estate Investors B.V. and is a board member of Stichting Continuïteit Merus. From 25 April 2019 until 12 December 2019 Gabrielle Reijnen served as Supervisory Board member at Beter Bed Holding N.V. and Chair of the Audit Committee. On 12 December 2019 Gabrielle was appointed as CFO. Gabrielle Reijnen is a Dutch citizen.

Supervisory Board biographies

B.E. Karis (1958) - Chair

Background

Mr Karis studied tourism before joining Dorint Group in Germany as Sales Manager for the Benelux region in 1983. After three years of executive training at Vroom & Dreesmann, he subsequently fulfilled several positions at Vroom & Dreesmann and Ikea. From 2000 until 2004 he was Vice President Ikea Retail Europe, and from 2004 until 2007 was Senior Vice President General Merchandise for Ahold. He acted as Chief Executive Officer and Chairman of the Board at Zeeman Group B.V. until 2017. Mr Karis is a Dutch citizen and does not hold shares in Beter Bed Holding N.V.

Responsibilities

Mr Karis is Chair of the Selection and Appointment Committee and a member of the Remuneration Committee.

P.C. Boone (1967) - Vice Chair

Background

Mr Boone earned a degree in Business Economics and Administration at the EUVA (European University of Antwerp) in 1992. In 1999 and 2004 he undertook a management development program for high-potentials at Nyenrode University and SHV Holdings N.V. respectively. From 1992 until 2010, he worked for Makro (SHV Holdings NV) in various national and international management positions, before being appointed CEO of Metro AG in Russia. From 2015 until 2018, Mr Boone was member of the Management Board of Metro AG, where he fulfilled the role of COO. He was also a member of the APA in Germany. Since 2020, he has served as a Supervisory Board member at Sligro Food Group, and since 2021 as CEO of Pick n Pay Stores Ltd. Mr Boone is a Dutch citizen and does not hold shares in Beter Bed Holding N.V.

Responsibilities

Mr Boone is Chair of the Remuneration Committee, and a member of the Audit Committee and Selection and Appointment Committee.

A. Beyens (1961)

Background

Mr Beyens earned a Master of Science in Commercial Engineering at Brussels University in 1984 and an MBA degree at the University of Antwerp in 1991. Since 1985, Mr Beyens has worked for Ab-Inbev in various international management and executive positions. In 2012, as CEO at Starbev he oversaw the sale of MCBC, and was CEO at Pelican Rouge until 2017. Mr Beyens is currently Operation Partner at Mid Europa Partners. In addition, he is a non-executive management board member at Duvel Moortgat, Chair at Hortex and the Antwerp Management School and a board member at Moji Brendovi. Mr Beyens is a Belgian citizen and does not hold shares in Beter Bed Holding N.V.

Responsibilities

Mr Beyens is a member of the Audit Committee.

M.C. Schipperheijn (1975)

Background

Mrs Schipperheijn holds a Master of Science in Business Economics from Maastricht University, and subsequently studied to become a registered accountant (NBA) at Tilburg University in 2002. She also undertook a Presidents Program at Singularity University. Until 2002, Mrs Schipperheijn worked as a Chartered Accountant at KPMG, after which she held various international financial management and board positions at Shell and joint ventures of Shell until 2017. Until September 2019, she was CFO and a member of the board at Euroports. On 1 November 2020, she was appointed CFO at Royal Reesink B.V. Mrs Schipperheijn is a Dutch citizen and does not hold shares in Beter Bed Holding N.V.

Responsibilities

Mrs Schipperheijn is Chair of the Audit Committee.

B.M.A. van Hussen (1971)

Background

Mrs Van Hussen (1971) earned a Law degree at the Erasmus University Rotterdam and followed postgraduate programs in corporate law at Radboud University Nijmegen and strategic leadership at Harvard Business School. Until 2017, she worked as an M&A partner at DLA Piper, where she was a board member on the International Executive Board from 2014 to 2016. Since 2018, Mrs Van Hussen has been a M&A partner at JB Law. Mrs Van Hussen held, and continues to hold, various executive and supervisory positions at, among others, Blokker Holding and Stichting Continuiteit Ahold Delhaize. She is also regularly appointed as an operating officer by the Enterprise Chamber of the Amsterdam Court of Appeal. Mrs Van Hussen is a Dutch citizen and does not hold shares in Beter Bed Holding N.V.

Responsibilities

Mrs Van Hussen is a member of the Remuneration Committee and the Selection and Appointment Committee.

Corporate Governance

Beter Bed Holding N.V. is a public limited liability company incorporated under Dutch law and listed on Euronext Amsterdam in the Netherlands. The Company has a two-tier board structure, consisting of a Management Board and a Supervisory Board, both of which are accountable to the General Meeting for the performance of their duties.

The corporate governance structure is based on the articles of association, the Dutch Civil Code requirements, the revised 2016 Dutch Corporate Governance Code (hereafter referred to as 'the Code'), applicable securities laws, and Euronext Amsterdam's respective rules and regulations.

The Company monitors and assesses the corporate governance structure to ensure compliance with the Code, applicable laws and regulations, and relevant developments. In the event of a substantial change to the corporate governance structure that affects compliance with the Code, shareholders will be informed at a General Meeting.

Management Board

The Management Board represents the Company. The authorisation to do so is also granted to each member of the Management Board on an individual basis. Biographies of members of the Management Board can be found in the Management Board section (see page 38).

Role and responsibilities

The Management Board is responsible for the day-to-day management of Beter Bed Holding N.V.'s operations, in addition to the continuity of the Company and the Company's goals, objectives, long-term value creation strategy, policy and results. In fulfilling its duties, the Management Board is guided by the Company's interests, and considers the interests of the stakeholders as a whole. The Management Board is accountable for its actions to the Supervisory Board and the General Meeting. The Management Board consults with the Supervisory Board on important matters. Decisions on such matters are then submitted to the Supervisory Board for its preapproval, as further described in the Company's articles of association, which are available on the Company's corporate website.

Composition and appointment

The articles of association state that the Management Board must consist of one or more members. Each member of the Management Board is appointed for a maximum period of four years, with the possibility of reappointment for consecutive four-year terms in accordance with the Code. The General Meeting appoints the members of the Management Board, subject to the right of the Supervisory Board to make a binding nomination. The General Meeting may at all times, by a resolution passed with an absolute majority of the votes cast, representing more than one third of the issued share capital, resolve that the nomination submitted by the Supervisory Board is not binding. In such an event, the appointment of a member of the Management Board in contravention of the Supervisory Board's nomination requires a resolution of the General Meeting adopted with an absolute majority of the votes cast, representing more than one third of the issued share capital. A resolution of the General Meeting to suspend or dismiss members of the Management Board, other than following a proposal from the Supervisory Board, requires an absolute majority of the votes cast, representing more than one third of the issued share capital. The Supervisory Board can suspend a member of the Management Board.

Management Board Remuneration

The Supervisory Board determines each member of the Management Board's remuneration, following a proposal by the Remuneration Committee. This proposal is based on Beter Bed Holding N.V.'s remuneration policy for the Management Board, which was most recently approved by the Annual General Meeting in 2020. The remuneration policy is subject to a binding vote of the General Meeting once every four years. The application of the remuneration policy is described in the remuneration report as part of the 2020 annual report, and was subject to an advisory vote at the General Meeting for the first time in 2020. This was due to the implementation of the Shareholder Rights Directive (SRD II) into the Dutch Civil Code on 1 December 2019 ('*Wet inzake implementatie van de herziene EU Aandeelhoudersrichtlijn*'). Further information about the (application of the) remuneration policy can be found in the remuneration report (see page 54).

Conflicts of interest

Members of the Management Board must report any potential or actual conflict of interest to the Chair of the Supervisory Board. The Supervisory Board shall decide whether a conflict of interest exists. The member of the Management Board who has a potential or actual conflict of interest shall neither participate in discussions nor decision-making about any subject or transaction about which the member in question has a conflict of interest. Decisions to enter into transactions under which members of the Management Board have conflicts of interest that are of material significance to the Company and/or to the relevant member(s) of the Management Board, require the approval of the Supervisory Board. In 2020, no conflicts of interest were reported.

Supervisory Board

The Supervisory Board consists of five members. All members are independent under the terms of best practice provision 2.1.7 to 2.1.9 inclusive of the Code. Biographies of members of the Supervisory Board can be found in the Supervisory Board section (see page 39).

Role and responsibilities

The Supervisory Board supervises the Management Board and Beter Bed Holding N.V.'s general affairs, and supports the Management Board by providing advice. The Supervisory Board work constructively to support and advise the Management Board, and regularly discusses the Company's strategy, the implementation of the strategy, and the principal associated risks. In performing its duties, the Supervisory Board acts in the best interests of the Company and its stakeholders – employees, shareholders, customers and society – and the environment.

The articles of association require that certain decisions taken by the Management Board be subject to the approval of the Supervisory Board. For further information on the Supervisory Board's activities in the area of corporate governance, please see the Report of the Supervisory Board (see page 48).

Composition and appointment

The articles of association state that the Supervisory Board shall consist of a minimum of three members. Members of the Supervisory Board may be appointed for a maximum period of 12 years in accordance with the Code. The Supervisory Board appoints a Chair and a Vice Chair from amongst its members. The Supervisory Board members retire periodically in accordance with a rotation plan, which can be downloaded from the Company's corporate website. The Supervisory Board has the right to make a binding nomination to the General Meeting, which then votes to appoint the member(s) in question. The Supervisory Board provides Beter Bed B.V.'s Work Council with the opportunity, in good time, to advice the Supervisory Board with regards to the draft list of candidates drawn up by the Supervisory Board, and does not adopt said list of candidates until the Works Council has issued such advice or indicated that it will not be issuing advice, or has not issued advice within a reasonable period of time. The full procedure of appointment and dismissal of members is outlined in articles 25-27 of the Company's articles of association. In 2020, at the Annual General Meeting, Mr Huub Vermeulen resigned after two years of service, and Mrs Barbara van Hussen and Mrs Maaike Schipperheijn were appointed.

The General Meeting may at all times, by a resolution passed with an absolute majority of the votes cast, representing more than one third of the issued share capital, resolve that the nomination submitted by the Supervisory Board is not binding. In such instances, the appointment of a member of the Supervisory Board in contravention of the Supervisory Board's nomination requires a resolution of the General Meeting adopted with an absolute majority of the votes cast, representing more than one third of the issued share capital. A resolution of the General Meeting to suspend or dismiss members of the Supervisory Board also requires an absolute majority of the votes cast, representing more than one third of the issued share capital.

Supervisory Board Committees

The Supervisory Board has three committees: the Audit Committee, Remuneration Committee, and Selection and Appointment Committee. Each of these committees is composed of members of the Supervisory Board. Their role is to assist and advise the Supervisory Board in fulfilling its responsibilities. For an overview of all activities performed by the committees, reference is made to the Report of the Supervisory Board. The tasks and procedures of each committee are outlined in the Supervisory Board regulations, which can be found on the Company's corporate website.

Supervisory Board remuneration

Members of the Supervisory Board's remuneration, together with the additional remuneration of the Chair and the members of its committees, is determined by the General Meeting, and most recently approved by the Annual General meeting in 2020. Following the implementation of the SRD II into the Dutch Civil Code on 1 December 2019 ('*Wet inzake implementatie van de herziene EU Aandeelhoudersrichtlijn*'), the remuneration policy for the Supervisory Board must be submitted to the General Meeting every four years, the first time of which was in 2020. The remuneration (see page 54) of individual members of the Supervisory Board can be found in the Report of the Supervisory Board. The remuneration policy can be found on the corporate website, after having been approved by the General Meeting.

Conflicts of interest

Members of the Supervisory Board (excluding the Chair) must report any potential or actual conflict of interest to the Chair of the Supervisory Board. If the potential or actual conflict of interest involves the Chair of the Supervisory Board, it must be reported to the Vice Chair of the Supervisory Board. The Supervisory Board shall decide whether a conflict of interest exists. The member of the Supervisory Board who has a potential or actual conflict of interest shall neither participate in discussions nor decision-making about any subject or transaction about which the member in question has a conflict of interest. Decisions to enter into transactions under which members of the Supervisory Board have conflicts of interest that are of material significance to the Company and/or to the relevant member(s) of the Supervisory Board, require the approval of the Supervisory Board. In 2020, no conflicts of interest were reported.

Diversity and inclusion

Beter Bed Holding N.V. strongly believes in creating an inclusive workplace that supports and promotes diversity. The Company seeks to achieve this across the organisation through its company-wide diversity and inclusion strategy. Following the advice of the Social Economic Council (SER), which was subsequently adopted by the Dutch parliament in December 2019 and the Dutch government in February 2020, Beter Bed Holding N.V.'s diversity strategy is focused on comprehensive inclusion and equality approach throughout the organisation. Gender diversity is one of the key elements of this strategy.

Diversity in the Management Board and Supervisory Board

The Management Board's composition is based on diversity of experience, background, skills, knowledge and insights. Following the approval of Mrs Gabrielle Reijnen as Statutory Director of the Company by the 2020 Annual General Meeting of the appointment, Beter Bed Holding N.V. has a 50% female representation on the Management Board. As such, it qualifies as gender balanced under the terms of article 2:166 of the Dutch Civil Code, as applicable during 2020.

The Supervisory Board established a profile regarding its own size and composition, taking into account the nature of Beter Bed Holding N.V.'s business, its activities and the desired experience and expertise. In addition to the profile, the goals for diversity and inclusion aim to have a minimum of 30% female in the Supervisory Board. Following the appointment of Mrs Barbara van Hussen and Mrs Maaike Schipperheijn as members of the Supervisory Board in 2020, the Supervisory Board is also in line with these gender-balance requirements.

Risk management and internal control framework

Beter Bed Holding N.V.'s operations are based on the Company's strategic objectives, which are related to opportunities and risks. In this respect, a risk management system to monitor and control the Company's most important risks has been implemented. The organisation applies a matrix that describes the risks, their financial and non-financial impact, the probability of their occurrence, the control measures, and the actions to be taken. This matrix is updated and discussed in the Audit Committee twice a year, and the key points are reported to the Supervisory Board. The Audit Committee assists the Supervisory Board in its responsibility to oversee the system of internal control and risk management, including the effectiveness of the internal auditor. For more information, please see the Audit Committee activities.

External independent auditor

Before being presented to the Annual General Meeting for adoption, annual financial statements prepared by the Management Board must be examined by an external independent auditor. The General Meeting has the authority to appoint the external independent auditor. Each year, the Supervisory Board nominates the external independent auditor for (re)appointment by the Annual General Meeting, taking the Audit Committee's advice into account. The role and scope of the external independent auditor, together with the auditor's fee, are decided upon by the Supervisory Board on the recommendation of the Audit Committee. Prior to publication, the half-year results and reports, in addition to the annual financial statements, are discussed with the Audit Committee in the presence of the external independent auditor, and subsequently with the Supervisory Board.

The external independent auditor attends all Audit Committee meetings, in addition to Supervisory Board meetings during which the annual financial statements are to be approved and the year-end audit of the external independent auditor is discussed. The Audit Committee monitors the performance of the external independent auditor and the effectiveness of the external audit process, in addition to its independence. The rotation of the external independent auditor's lead partner is also evaluated. The Audit Committee reports on an annual basis to the Supervisory Board with regards to the functioning of the external independent auditor and the relationship with the external independent auditor, while also giving due consideration to the Management Board's observations.

PricewaterhouseCoopers Accountants N.V. was appointed as the external independent auditor by the 2015 Annual General Meeting. It has been reappointed by the Annual General Meeting every subsequent year. In 2020, the lead partner was changed due to the rotation requirements.

Beter Bed Holding N.V. has an Internal Audit Function established by the Management Board that reports functionally to the Chair of the Audit Committee. The role of the internal audit function is to assess the design and operation of the internal risk management and control systems. The scope of work of the internal audit function is regulated by an Internal Audit Charter. In line with the Code, both the appointment and dismissal of the internal auditor shall be submitted to the Chair of the Audit Committee for approval, with a recommendation issued by the Management Board. Furthermore, in line with the Code, the Management Board, senior management and the Audit Committee are involved in the preparation and approval of the annual internal audit plan. The annual internal audit plan is submitted to the Management Board and Audit Committee for approval.

General Meeting

The General Meeting is held at least once a year and takes place in Uden, Utrecht, ‘s-Hertogenbosch or Amsterdam, the Netherlands. General Meetings are convened by public notice on Beter Bed Holding N.V.’s website. Recurring agenda items are: the compilation of the annual report, the adoption of the annual accounts, the release from liability of Management Board and Supervisory Board members, and the advisory vote on the execution of the remuneration policy during the present year. When deemed necessary in the interests of the Company, an Extraordinary General Meeting may be convened by resolution of the Management Board or the Supervisory Board. The minutes and the resolutions of the General Meeting are recorded in writing. The minutes are available to the shareholders on the Company’s website no later than three months after the meeting. During 2020, one General Meeting was held: the Annual General Meeting on 13 May 2020, further details of which can be found on the Company’s website.

Voting rights

Ordinary shares in Beter Bed Holding N.V. carry one vote per share. Neither the voting rights attached to the shares in the Company, nor the terms in which voting rights may be exercised, are restricted. The voting rights attached to any shares held by the Company are suspended as long as they are held in treasury. General Meeting resolutions are adopted by an absolute majority of the votes cast, unless a special majority exists under Dutch law or the Company’s articles of association.

Special controlling rights
No special controlling rights are attached to the shares in the Company.

Agreements on limitations on the transfer of shares
On 2 December 2019, subject to certain exceptions, Beter Bed Holding N.V. entered into a lock-up agreement under which Magical Honour Limited agreed not to sell or otherwise transfer their shares for a period of 18 months (i.e. 2 June 2021).
Beter Bed Holding N.V. is not aware of any agreements with a shareholder that could give rise to any restriction on voting rights.

Significant agreements and changes in the control of the Company
Beter Bed Holding N.V. is not party to any major agreements that have been concluded, amended or dissolved subject to the condition of a change of control of the Company after a public bid under the terms of Article 5:70 of the Financial Supervision Act.

Amendment of the articles of association

The General Meeting may resolve to amend the articles of association if it acts on a proposal by the Management Board that has also been approved by the Supervisory Board. Before making such a proposal to amend the articles of association, the Company will consult with Euronext Amsterdam N.V. regarding the content of the proposed amendment. The full procedure of amendment of the articles of association is explained in article 46 of the Company's articles of association. A resolution of the General Meeting to amend the articles of association requires an absolute majority of the votes cast, irrespective of the share capital represented at the General Meeting.

Capital structure

The authorised share capital of Beter Bed Holding N.V. amounts to € 2,000,000 and is divided into 100,000,000 ordinary shares with a nominal value of € 0.02 each. On 31 December 2020, a total of 26,240,397 ordinary shares were issued and are outstanding.

Issue of shares

The Management Board may issue shares or grant rights to subscribe for shares if so designated by the General Meeting or the articles of association. This Management Board resolution is subject to the prior approval of the Supervisory Board. No resolution of the General Meeting or the Management Board is required for the issuance of shares pursuant to the exercise of a previously granted right to issue shares or to subscribe for shares.

On 13 May 2020, the Annual General Meeting passed a resolution extending the Management Board's authorisation to resolve to issue ordinary shares or grant rights to subscribe for such shares. The authorisation was granted for a period of 18 months from the date of the Annual General Meeting, and will be in effect until 13 November 2021. This authority is limited to 10% of the number of issued ordinary shares for general purposes, and authorises the restriction or exclusion of the pre-emption rights for existing shareholders for such issue or grant of rights.

Repurchase by the Company of its own shares

The 2020 Annual General Meeting resolved to authorise the Management Board to acquire shares in the capital of the Company up to 10% of the issued share capital, subject to certain conditions. The authorisation was granted for a period of 18 months from the date of the General Meeting, and will be in effect until 13 November 2021.

Cancellation by the Company of its own shares

The 2020 Annual General Meeting resolved to authorise the Management Board to cancel acquired shares in the capital of the Company up to 10% of the issued share capital, subject to certain conditions. The authorisation was granted for a period of 18 months from the date of the Annual General Meeting, and will be in effect until 13 November 2021.

Substantial holdings and short positions

Shareholders owning 3% or more of the issued capital and/or voting rights of a listed Company (a substantial holding or short position) are required to report this to the Netherlands Authority for Financial Markets (AFM) as soon as this threshold is reached or exceeded. The thresholds for substantial shareholding notifications are: 3%, 5%, 10%, 20%, 30%, 40%, 50%, 60%, 75% and 95% of the Company's issued share capital and/or voting rights. Shareholders that directly or indirectly own 3% or more of the Company's issued capital and/or voting rights were registered with the AFM as of 31 December 2020, and are listed in Substantial holdings (see page 68).

Compliance with the Code

Insofar as applicable, Beter Bed Holding N.V. complies with all the relevant provisions of the Code. The provisions of the Code relating to 4.4 ('Issuing depositary receipts for shares') and 5 ('One-tier governance structure') are not applicable to the Company.

Report of the Supervisory Board

General

As of 31 December 2020, the Supervisory Board consists of Mr B.E. Karis (Chair), Mr P.C. Boone (Vice Chair), Mr A. Beyens, Mrs B.M.A. van Hussen and Mrs M.C. Schipperheijn. Biographies of the respective members of the Supervisory Board are included in the Supervisory Board section (see page 39). All Supervisory Board members are independent in accordance with and with respect to the Dutch Corporate Governance Code.

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

Supervisory Director	Appointed	**Retirement/ reappointment**
B.E. Karis	03-12-2018	**AGM 2023**
A. Beyens	03-12-2018	**AGM 2023**
P.C. Boone	03-12-2018	**AGM 2023**
B.M.A. van Hussen	13-05-2020	**AGM 2024**
M.C. Schipperheijn	13-05-2020	**AGM 2024**

In accordance with best practice provision 2.2.2 of the Dutch Corporate Governance Code, Mrs Van Hussen and Mrs Schipperheijn were appointed as Supervisory Directors in the Annual General Meeting on 13 May 2020 for a term ending on the first Annual General Meeting to be held after their four-year term has elapsed. The latter has also taken on the role of Chair of the Audit Committee.

In the Annual General Meeting of 13 May 2020, Mr Huub Vermeulen stepped down, a decision that the Supervisory Board and Management Board regret but understand. The Supervisory Board is very grateful to Mr Vermeulen for his valuable contribution over the past two years and wishes him all the best for the future.

2020 Results

The Supervisory Board closely monitored the development of Beter Bed Holding N.V. and, more specifically, the finalisation of the agreement with Magical Honour Limited in the early phase of the year.

The development of revenue and order intake in the Benelux and in New Business were very positive despite the initial impact in late March following the first COVID-19 lockdown announcement in the Netherlands. The strong growth in the Benelux, the increase in online sales, the recovery in Sweden, and the acceleration of DBC are all strong proof points that the Group's sharpened strategy has started to deliver results.

The Supervisory Board is convinced that having built on the successful restructuring in 2019 with a significantly improved commercial performance in 2020, the Group has much more to deliver in the coming years. Further investments in the digitalisation of the Group, enhancements to the store formats, a next step in warehousing and logistics, and new business models will all help to further grow the business and its profitability, although delivering this will take time, dedication and investments. For this reason, sound strategic thinking, excellent operational implementation and very secure financial management are required to ensure that this journey can be completed in a timely way.

Financial statements and discharge

The 2020 financial statements were prepared by the Management Board and approved by the Supervisory Board. The external independent auditor, PricewaterhouseCoopers Accountants N.V., subsequently issued an unqualified auditor's report on these financial statements. This report is included in the independent auditor's report in the section other information (see page 140). The Supervisory Board discussed the financial statements in detail in the presence of the Management Board and PricewaterhouseCoopers Accountants N.V.

The Management Board, with the approval of the Supervisory Board, proposes to adopt these financial statements at the Annual General Meeting to be held on 12 May 2021, and to discharge the members of the Management Board in respect of their management, and the members of the Supervisory Board in respect of their supervision, with regard to the financial year 2020.

Composition of the Supervisory Board

Supervisory Directors are appointed by the General Meeting. The Supervisory Board aims for an appropriate balance in terms of knowledge of, and experience with, the Group's operations. The Supervisory Board has established three committees: the Audit Committee; the Remuneration Committee; and the Selection and Appointment Committee. The responsibilities of the respective Supervisory Directors are included in their biographies.

Activities of the Supervisory Board

In 2020, the Supervisory Board was closely involved and actively participated in developments related to Beter Bed Holding N.V. and its subsidiaries. During the reporting year, the Chair frequently liaised with the Management Board in preparation for the meetings between the Supervisory Board and the Management Board. Seven physical meetings between the Management Board and the Supervisory Board took place in 2020. Furthermore, the Supervisory Board also held four virtual meetings with the Management Board in 2020. Frequent calls were made at close of business on Fridays from April until July 2020 to ensure the Supervisory Board was fully up to date with respect to the challenges and developments posed by the COVID-19 pandemic.

The table below shows the attendance of Supervisory Board members at Supervisory Board meetings, conference calls and Committee meetings. In the event of not being able to attend a meeting, Supervisory Board members provided comments and views on the meeting documents in writing before the meetings.

	SB meetings	AC meetings	RC meetings	SAC meetings
B.E. Karis	100% (11/11)	100% (1/1)	100% (3/3)	100% (1/1)
P.C. Boone	100% (11/11)	100% (2/2)	100% (3/3)	100% (1/1)
A. Beyens	100% (11/11)	100% (2/2)	100% (1/1)	-
B.M.A. van Hussen	100% (6/6)	-	100% (2/2)	100% (1/1)
M.C. Schipperheijn	100% (6/6)	100% (1/1)	-	-
H.C.M. Vermeulen[1]	60% (3/5)	-	-	-

1 Stepped down as Supervisory Director as per 13-05-2020.

Supervisory Directors perform an assessment of the functioning of the Supervisory Board, the Supervisory Board Committees and the individual Supervisory Board members on an annual basis. In 2020, the members of the Supervisory Board performed the assessments with structured questionnaires prepared in coordination with the Company. The assessment of the Chair of the Supervisory Board was led by the Vice Chair of the Supervisory Board without the Chair being present.

During 2020, the Supervisory Board monitored the performance of the Management Board members in the Supervisory Board-only meeting(s). Following the discussions during the year and following the assessment, the Supervisory Board provided feedback to the Management Board. The Supervisory Board concluded that the relationship between Management Board and Supervisory Board was good and constructive, while also sufficiently critical.

Throughout the year, the Supervisory Board received regular, timely and detailed verbal and written updates from the Management Board. Extensive attention was paid to the operating results of the various formats, in particular when the COVID-19 pandemic started to have a material impact on society, and the Group, in addition to the implementation of the Group's strategy.

In January 2020, the Supervisory Board and Management Board met with Magical Honour Limited. This meeting was organised to enable Magical Honour, as a strategic material investor in the Group, to become acquainted with the Supervisory Board.

During the first half of 2020, the Management Board and the Supervisory Board again intensified their contact as a result of the COVID-19 pandemic. In the conference calls, which took place at close of business on Fridays, the Management Board informed the Supervisory Board about the developments in the business, such as customer traffic, order intake, sales, effect on gross margin, cost initiatives and sickness of employees, financial scenarios with and without lock-downs, and the progress on establishing a new financing agreement.

Contact was also made with Beter Bed B.V.'s Works Council and the Directors of the business units, in addition to the newly appointed lead auditor from PricewaterhouseCoopers Accountants N.V.

The Supervisory Board met with the external independent auditor amongst others on the following occasions: in March 2020, the results for 2019 and the audit findings were discussed; the half-year results were discussed in July 2020; and lastly, the results for 2020 until the end of November, in addition to the findings with regard to the internal control environment, were discussed in December 2020.

The budget for 2021 sets out the Company's operational and financial objectives, together with the policies that should ensure that these objectives are achieved.

The performance of the Management Board and the implementation of the remuneration policy for the Management Board were discussed in meetings without members of the Management Board being present. Consultation also took place in individual interviews about the performance of the members of the Management Board.

Audit Committee

During the financial year 2020, the Audit Committee consisted of Mr Boone, acting as Chair ad interim, Mr Beyens, Mr Karis and Mrs Schipperheijn. Following the Annual General Meeting of 13 May 2020, Mr Karis stepped down as a member of the Audit Committee and Mrs Schipperheijn was appointed as a Supervisory Board member, succeeding Mr Boone as Chair of the Audit Committee. As per 13 May 2020, the composition of the Audit Committee was in accordance with the provisions of the Dutch Corporate Governance Code, with Mrs Schipperheijn serving as financial expert.

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

The Audit Committee convened on two occasions in the financial year 2020. On two occasions the Audit Committee met with the external independent auditor without the Management Board being present.

The Audit Committee discussed the financial statements, the report of the Management Board, and the management letter with the Management Board and the external independent auditor of PricewaterhouseCoopers Accountants N.V. The Audit Committee also focused on the audit plan, compliance with previous recommendations, tax positions, liquidity and funding, and the Group's risk management and control system. In addition, discussions took place between the Internal Auditor and the Chair of the Audit Committee.

In 2020, supported by an external consultant, the Company undertook an update of any possible strategic risks that could be of relevance, the outcome of which was discussed and agreed with the Supervisory Board.

Remuneration Committee

In 2020, the Remuneration Committee was comprised of Mr Boone (Chair), Mr Karis, Mrs Van Hussen and Mr Beyens (until 13 May 2020). In 2020, three committee meetings were held. The Remuneration Committee also discussed the performance and remuneration of the top twenty managers of the organisation with the Management Board. The Remuneration report (see page 54) follows the report of the Supervisory Board.

Selection and Appointment Committee

According to provision 2.3.2 of the Corporate Governance Code, a separate Selection and Appointment Committee was installed in 2020. The Selection and Appointment Committee prepares the Supervisory Board’s decision-making on selection and appointment of members of the Management Board and the Supervisory Board, and reports to the Supervisory Board on its deliberations and findings. In 2020, the Selection and Appointment Committee was comprised of Mr Karis (Chair), Mr Boone, Mrs Van Hussen and Mr Beyens (until 13 May 2020). In 2020, one such committee meeting was held.

The Selection and Appointment Committee regulations can be found on the Company's website.

Conclusion

In 2020, the Group was able, despite the effects caused by COVID-19, to secure a healthy and significant recovery of performance in sales, gross margin and cash, resulting in a much improved financial result. An extension of the financial arrangement with the two incumbent banks was secured, and the outstanding 50% of the shareholder loan including the interest was re-paid through the issuance of shares in July 2020.

While the economic climate remains difficult to predict given the short-, medium- and long-term effects of the COVID-19 pandemic, we are confident that the Group is continuing to make good progress in the execution of its strategy. Behind the scenes, the development of the strategy has continued, and we are satisfied that it is being effectively implemented step by step. The primary concern, however, is to safeguard the health of customers and employees given the challenging times in which we live.

The Supervisory Board will continue to engage with the Management Board in order to ensure that the Company further meets its growth potential in the most profitable way. This needs to occur through the delivery of a further sharpened and signed off strategic plan, which should lead to revenue and margin growth, and cost reduction.

Nothing can be achieved without the passionate and committed contribution of the Company's employees and stakeholders, particularly during such a challenging time as the COVID-19 pandemic. The Supervisory Board is therefore very grateful to everyone within the Group for their relentless passion, energy and contribution in realising the Company's objectives.

Uden, the Netherlands, 11 March 2021

B.E. Karis, Chair
P.C. Boone, Vice Chair
A. Beyens
B.M.A. van Hussen
M.C. Schipperheijn

Remuneration report

This report provides an overview of the Remuneration policy as approved by the Annual General Meeting of Beter Bed Holding N.V. in 2020 ("Remuneration policy") and explains how this policy has been put into practice over the past financial year. The first section details remuneration of the individual members of the Management Board. The second section describes the remuneration of the Supervisory Board. This is followed by an outlook for 2021.

This remuneration report is intended to reflect the reporting requirements as provided by article 2:135b of the Dutch Civil Code (DCC), effective on 1 December 2019, and implements the EU Shareholder Rights Directive II (SRD II), effective on 3 April 2017. One of the key objectives of SRD II is to provide greater transparency for company stakeholders.

Highlights

This section describes the key considerations that the Remuneration Committee takes into account when designing pay programs and making compensation decisions.

2020 was an extraordinary year during which the Company faced unique circumstances as a result of COVID-19. The Company nonetheless proved to be resilient as a result of formulating very effective responses to the COVID-19 crisis, with the hard work of dedicated employees and support of committed suppliers leading to many loyal and new customers. Throughout the pandemic, the Management Board has shown decisive and proactive leadership in which pragmatic and commercial actions were key to guiding the organisation through uncertain times. The Company arranged a refinancing of its banking facilities, converted part of the shareholder loan to equity, and developed a new company strategy. While market conditions during 2020 were challenging, our businesses performed very well, both commercially and organisationally, with results that significantly exceeded our expectations.

At Beter Bed Holding N.V.'s Annual General Meeting of 13 May 2020, the composition of the Management Board changed with the appointment of Mrs Reijnen as Statutory Director in the position of CFO. Mrs Reijnen joined the Company as CFO in December 2019, having up to that time served as a member of the Supervisory Board.

In order to amend the Remuneration policy to align with the new legislation as provided by article 2:135a and b DCC implementing SRD II, a new remuneration policy for the Management Board was proposed and approved by 99.99% at the Annual General Meeting of 13 May 2020. For the same reason, the Remuneration Committee had also drawn up a new remuneration policy for the Supervisory Board. This policy was proposed and also approved by 99.99% at the Annual General Meeting of 13 May 2020. The Remuneration policy is published on the website of the Company. Under the normal four-year renewal cycle, an updated policy will be presented to shareholders for approval at the 2024 AGM.

During 2020, the Management Board's remuneration was implemented in accordance with the Remuneration policy. To ensure that remuneration is linked to performance, a proportion of the remuneration package is variable and dependent on the short-term and long-term performance of the individual member of the Management Board and the Company. The Supervisory Board did not deviate from the Remuneration policy.

Primary remuneration elements for 2020

The table below outlines the primary elements of our Management Board remuneration program. In 2020, the Remuneration Committee decided to amend the Remuneration policy, replacing the share option plan with a performance share unit (PSU) plan.

	Salary	Bonus	PSUs	Options
Who receives	Members of the Management Board			
When granted	Reviewed every 12 months	Annually for reported financial year	In general annually in Q1	*Replaced by PSU plan as of AGM 2020*
Form of delivery	Cash		Equity	
Type of performance	Short-term emphasis		Long-term emphasis	
Performance period	Ongoing	1 year	3 year + 2 year additional holding period	In general 3-year vesting period + 2-year holding period
How payout is determined	Committee judgment	Formulaic & Committee judgment	Formulaic; Committee verifies performance before pay-out	Formulaic; depends on share price on exercise/ vesting date
Most recent performance measures	N/A	Financial KPIs: Revenue growth (25%), Gross margin (15%), EBITDA (25%), Operational cash flow (15%); and qualitative objectives (20%) not driven by financial KPIs	ROCE (50%) and Customer satisfaction-NPS (50%)	Share price appreciation

Peer group

In principle, the remuneration level is validated by a benchmark comparison once every three years, and reviewed annually. This helps to determine the overall competitiveness of our Management Board remuneration. The selection of the peer group is discussed and approved by the Supervisory Board. In the years during which no benchmark is performed, the Supervisory Board considers the appropriateness of any changes to the base salary based on the market environment, in addition to the average salary adjustments of the Company's employees in the Netherlands.

In 2020, the Remuneration Committee adopted a peer group for compensation benchmarking purposes. This benchmark comparison of the remuneration of Beter Bed Holding N.V. with that of a peer group of Dutch small cap companies showed that while the base salary and the short-term incentive (STI) were in line with market practice, the variable long-term remuneration was far below the median. The existing long-term incentive (LTI) paid out in share options did not fully reflect the need to incentivise achieving Beter Bed Holding N.V.'s ambitious strategic objectives over the long term. The Supervisory Board therefore proposed to replace the share option plan and introduce a performance share unit (PSU) plan in the remuneration package, and replacing the share option plan. This PSU plan is a conditional award of 50% of the base salary, as part of a balanced remuneration package. It offers an approximately 50:50 ratio of fixed and variable remuneration, with comparable portions of STI and LTI.

A similar PSU plan was also introduced in 2020 for a select number of senior managers in order to safeguard internal alignment. In consultation with shareholders and their representatives, support was received for the direction of this policy. The proposed policy had been presented to the Works Council, which rendered a positive advice.

Summary of Management Board remuneration

During 2020, the Management Board was composed of Mr John Kruijssen - CEO, and Mrs Gabrielle Reijnen - CFO.

The table below provides a summary remuneration of the Management Board.

in thousand euros	A.J.G.P.M. Kruijssen		G.E.A. Reijnen [1]		H.G. van den Ochtend [2]	
	2020	2019	2020	2019	2020	2019
Base salary	**472**	450	**300**	-	**-**	255
Benefits	**81**	54	**91**	-	**-**	24
Pension	**142**	135	**75**	-	**-**	64
Total fixed remuneration	**695**	639	**466**	-	**-**	343
Proportion %	***54%***	*59%*	***53%***	-	-	*48%*
Annual bonus	**368**	351	**195**	-	**-**	-
PSUs	**236**	-	**150**	-	**-**	-
Stock options	**-**	91	**69**	-	**-**	8
Total variable remuneration	**604**	442	**414**	-	**-**	8
Proportion %	***46%***	*41%*	***47%***	-	-	*1%*
Extraordinary items	**-**	-	**-**	-	**-**	362
Total	**1,299**	1,081	**880**	-	**-**	713

1 Appointed CFO as of 12 December 2019 and member of the Management Board as of 13 May 2020.
2 CFO until 12 December 2019.

Base salary
Base salaries for members of the Management Board depend on the scope of their responsibilities, and are based on the knowledge, insight and experience of the individual. The Supervisory Board sets a market competitive base salary for each member of the Management Board. Salary levels are reviewed annually, taking the market environment and average salary adjustments for employees in the Netherlands into account, without any commitment to increase. The remuneration is validated by a benchmark comparison every three years.

Benefits
Benefits include social security charges and remuneration for items such as medical insurance, death and disability insurance, and car allowances. Members of the Management Board also benefit from directors' and officers' liability insurance coverage. These benefits are in line with market practice.

Pension
Members of the Management Board receive a contribution to their pension plan. The contribution is defined as a percentage of base salary, and is capped at 30% of base salary for the CEO and 25% of base salary for the CFO.

Variable remuneration

The variable income part of the remuneration consists of STIs and LTIs. The distribution between STIs and LTIs for on-target performance aims to achieve a proper balance between short-term results and long-term value creation. The parameters relating to the various elements of the variable income part of the remuneration are established and – where necessary – adjusted at the discretion of the Supervisory Board, taking into consideration the general rules and principles of the Remuneration policy itself. The STIs and LTIs relate to the performance in the respective year.

One-year variable remuneration

Amounts earned under the annual STI plan and paid out in cash.

PSUs

The amount, reported above, represents the aggregate grant date fair value of share awards in the form of PSUs granted in the year shown. In general, the aggregate grant date fair value is the amount that the Company expects to expense for accounting purposes over the award's vesting schedule, and does not correspond to the actual value that the members of the Management Board will realise from the award. In particular, the actual value of PSUs received is different from the accounting expense as it is dependent on performance.

Stock options

The amount, reported aforementioned, represents the aggregate grant date fair value of option awards granted in the years shown. These amounts reflect the Company's accounting expense and do not correspond to the actual value that members of the Management Board will realise. On being appointed as CFO, and in line with Remuneration policy of the Company, Mrs Reijnen was awarded a single granting of 100,000 signing options as approved by the AGM in 2020.

Extraordinary items

Severance compensation to Mr Van den Ochtend consisted of the payment of six months' notice period and nine months fixed salary, in line with the management contract.

Implementation of remuneration policy in 2020

This section provides an overview of the application of the Remuneration policy in 2020, other remuneration information to ensure reporting transparency, and important contract terms of the members of the Management Board.

Base salary

The base salary level benchmark was considered for 2020. The base salary for the CEO was increased to € 472,364 in line with the agreed collective wage agreement (CAO) wage increases for employees in the Netherlands since his appointment in 2018. The annual base salary of the new CFO was set at € 300,000.

Short-term variable remuneration

Members of the Management Board participate in the short-term annual incentive plan, which rewards achievement of predefined operational objectives considered crucial to achieving the strategic goals of the Company over a one-year period. At the beginning of each year, the Supervisory Board selects specific performance indicators, reflecting current operational priorities, and assigns a weighting and a target level to each indicator.

Performance targets must be realistic and sufficiently challenging. In addition to a specific target level for each performance indicator, the Supervisory Board sets a threshold performance level below which no pay-out is granted, and a maximum performance level where maximum pay-out is reached. Specific short-term target levels are not published ex-ante, as they are considered commercially sensitive. These targets are, however, reviewed appropriately and accounted for ex-post.

Performance at the predefined target levels on all indicators results in target payout in cash of 60% of base salary for the CEO and 50% for the CFO. Depending on performance, the actual payout may range from a threshold level of 80% to a maximum of 130% of target payout. Performance below threshold level is not rewarded.

The benchmark conducted in 2020 indicated that the target STI levels as a percentage of base salary provided to members of the Management Board were in line with the market median.

2020 Performance criteria and outcomes

On an annual basis, the Supervisory Board determines the most relevant performance criteria for the Management Board with regards to the STI plan. In addition, the Supervisory Board sets realistic and sufficiently challenging target levels for each performance criteria. For 2020, the performance criteria selected reflect the operational focus on growing the business and optimising profitability. These criteria are: revenue growth for the key business and EBITDA, each weighted at 25%; and gross margin and operational cash flow, each weighted at 15%. To improve the quality and predictability of the organisation, two additional qualitative criteria targets also apply: improving the corporate governance structure; and completing the refinancing of the Company before mid-July of 2020, each weighted at 10%.

		Performance period	Threshold (80%)	Target (100%)	Maximum (130%)	Weighting	Result	Variable payout
	QUANTITATIVE PERFORMANCE CRITERIA							
	Revenue growth[1]	FY 2020			19.6%	**25%**	Above maximum	
	Gross margin[2]	FY 2020			54.9%	**15%**	Above maximum	
Management Board A.J.G.P.M. Kruijssen (CEO) G.E.A. Reijnen (CFO)	EBITDA[3]	FY 2020			€ 19.2 mln	**25%**	Above maximum	**130%**
	Operational cash flow[4]	FY 2020			€ 27.9 mln	**15%**	Above maximum	
	QUALITATIVE PERFORMANCE CRITERIA							
	Improving the corporate governance structure	FY 2020		✓		**10%**		
	Completing the refinancing of the Company before the summer	FY 2020		✓		**10%**		

1 (Sales Act YTD - Sales LY YTD) / Sales LY YTD.
2 Gross profit as percentage of revenue.
3 EBITDA (excluding IFRS16).
4 Adjusted operational cash flow (excluding IFRS16).

Each member of the Management Board's performance was determined against these criteria. The assessment of performance under the STI plan is undertaken by the Remuneration Committee. A proposal is then made to the Supervisory Board. This proposal for approval includes an assessment of the coherence between the proposed payment and overall business performance. For members of the Management Board, the STIs were evaluated based upon achievement of performance goals for the Company. The Supervisory Board applies an element of judgment in assessing alignment between calculated payout and overall business performance.

A.J.G.P.M. Kruijssen (CEO)				
Target variable pay:				
€ 472,364 (base salary)* 60% = € 283,418	x	outcome 130%	=	€ 368,444 (78% of base salary)
G.E.A. Reijnen (CFO)				
Target variable pay:				
€ 300,000 (base salary)* 50% = € 150,000	x	outcome 130%	=	€ 195,000 (65% of base salary)

With the business performing strongly in 2020 and the Company exceeding its annual targets for all performance metrics, the bonus pool was funded at 130% of the target. The Supervisory Board deemed the payout fair and reflective of the Company's overall performance.

Long-term variable remuneration

In 2020, Beter Bed Holding N.V. replaced its LTI plan based on stock options with performance share units (PSUs). This LTI rewards members of the Management Board and senior management for achieving the Company's strategic objectives over a three-year period. The incentive is awarded in both PSUs and facilitates share ownership. Participation aligns management with sustainability and long-term interest of the Company, together with value creation for shareholders.

Members of the Management Board receive a conditional granting of shares on an annual basis to a value equivalent to 50% of base salary. The award is conditional, and is based on:

- Performance delivered on predefined targets over a three-year period.
- Continued employment until vesting date.

Each year when granting shares, the Supervisory Board sets performance conditions that reflect the intended long-term value creation and targets for the required performance levels. The performance conditions selected and their weighting in performance assessment is published in the Remuneration report for the respective year that the conditional award is made.

At vesting, the performance delivered on each of the performance targets is assessed. If the targets are fully met, 100% of the conditionally granted number of shares will vest. Depending on the actual performance delivered, vesting may range from 60% of the conditional award at threshold level to a maximum of 140%. Vested shares are entitled to dividends in shares during the performance period. In the event of a performance under threshold level, the shares are not awarded.

After vesting of the shares, a further two-year holding period applies. Board members may sell shares to cover applicable taxes due at vesting ('sell to cover').

In the event of a member of the Management Board leaving the Company before vesting due to retirement, permanent disability or death, all unvested performance shares are vested in full. In the event of a resignation due to business disposition, collective dismissal or compromise agreement, the vesting is prorated for the period between award and termination date. In the event of voluntary resignation, all conditional shares are forfeited.

Long-term incentives in 2020

The annual grants are set as a percentage of the base salary of the members of the Management Board. The following overview shows the number of PSUs and stock options granted to each member of the Management Board in 2020. Each of these awards was approved under the 2020 Remuneration policy, which was approved at the 2020 AGM.

			Estimated future payouts under Performance Share Units (#)						
Management Board	Grant date	Award type	Threshold	Target	Maximum	Stock options (#)	Stock option exercise price (€)	Grant date fair value of awards (€)	Subject to 2-year holding period
A.J.G.P.M. Kruijssen (CEO)	13-05-2020	Annual equity	85,223	142,039	198,855			-	✓
G.E.A. Reijnen (CFO)	13-05-2020	New hire				100,000	1,6628	69,310	
	13-05-2020	Annual equity	54,124	90,209	126,293			-	✓

Grant date fair value of awards
In general, the aggregate grant date fair value is the amount that the Company expects to expense in its financial statements over the award's vesting schedule.
- For stock options, fair value is calculated using the Black-Scholes value of each option on the grant date.
- For PSUs, the actual value of the units received will depend on the Company's performance, as described above.
Fair value is calculated by multiplying the per unit value of the award by the number of units at target. The per unit value is based on the closing price of the Company's stock on the grant date, adjusted to reflect the probability of achieving the performance conditions, using a Monte Carlo simulation that includes multiple inputs such as stock price, performance period, volatility and dividend yield.

PSUs

Members of the Management Board were granted PSUs in 2020 that could convert into shares of Beter Bed Holding N.V. at the end of the three-year performance period 2020-2022.

The following table shows the number of PSUs granted to our members of the Management Board in 2020.

Management Board	Specification of plan	Performance period	Award date	Vesting date	End of holding period	PSUs awarded at beginning of year	PSUs awarded in 2020	PSUs vested	PSUs subject to performance condition	PSUs awarded and invested at year-end	PSUs subject to holding period
A.J.G.P.M. Kruijssen (CEO)	PSUs	2020-2022	13-05-2020	31-12-2022	31-12-2024	-	142,039	-	142,039	142,039	142,039
G.E.A. Reijnen (CFO)	PSUs	2020-2022	13-05-2020	31-12-2022	31-12-2024	-	90,209	-	90,209	90,209	90,209

- PSUs have a 3-year performance period between 1 January 2020 and 31 December 2022.
- PSUs pay out in stock, based upon the achievement of certain performance metrics.
- PSUs vest at the beginning of 2023 when the Remuneration Committee certifies that the performance conditions have been achieved.
- The 2020 PSUs are subject to a 2-year holding period.

Outstanding equity awards

The following table summarises the information about outstanding options and PSUs awards as of year-end. It includes unexercised stock options (vested and unvested) and PSUs for which vesting conditions were not yet satisfied as at 31 December 2020.

Management Board	Year of grant	Award type	Number outstanding	Portion exercisable	Exercise price (€)	Expiration date	Market value (€)	Vesting schedule
A.J.G.P.M. Kruijssen (CEO)	2019	Options	300,000	-	4.34	24-04-2022	-	100% on 24-4-2021
	2019	Options	50,000	-	4.34	24-04-2024	-	100% on 24-4-2022
	2020	PSUs	142,039	-			610,768	100% in 2023, subject to performance
G.E.A. Reijnen (CFO)	2020	Options	100,000	-	1.66	01-01-2024	264,000	100% on 1-1-2023
	2020	PSUs	90,209	-			387,899	100% in 2023, subject to performance

Market value
The market value of PSUs is calculated by multiplying the closing price of BBH stock as of 31 December 2020 (€ 4.30) (the last trading day of the year) by the number of shares underlying each award and assuming satisfaction of the target levels for the applicable performance conditions. For options, the market value is calculated by multiplying the number of shares underlying each award by the spread between the award's exercise price and the closing price of BBH stock as of 31 December 2020.

Other information

Pay ratio

Both the Supervisory Board and the Management Board are committed to balanced internal pay ratios. An overall ratio compares the average pay of members of the Management Board with the average pay of all Beter Bed Holding N.V. employees. The average pay of employees is calculated on a full-time basis and encompasses the total remuneration, comprising base salary, benefits including social security paid, pension expenses, variable remuneration, PSUs and share options.

The table below shows the pay ratio over the last five years and how it is calculated:

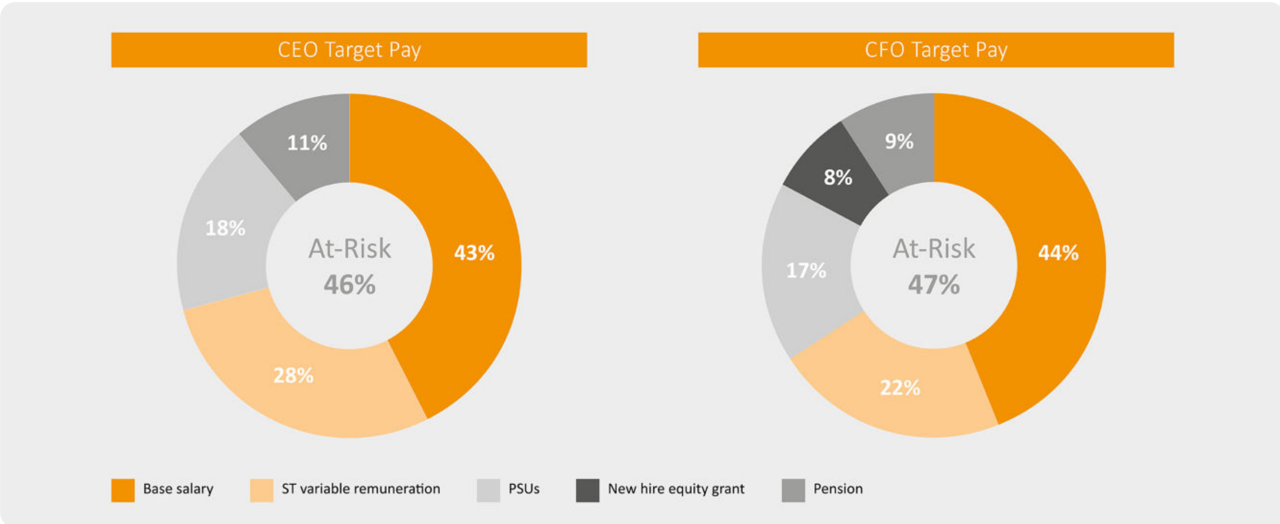
in thousand €	2020	2019	2018	2017	2016
Management Board[1]					
Average number of FTE	**2.0**	2.0	1.7	1.8	2.0
Remuneration for individual MB members					
- A.J.G.P.M. Kruijssen	**1,265**	1,081	597	-	-
- G.E.A. Reijnen	**721**	-	-	-	-
- H.G. van den Ochtend	**-**	351	152	-	-
- A.H. Anbeek	**-**	-	-	452	659
- B.F. Koops	**-**	-	216	456	459
Total MB remuneration	**1,986**	1,432	965	908	1,118
Average remuneration (A)	**993**	716	579	495	559
Other employees					
Average number of FTE	**1,025**	1,003	2,805	2,726	2,619
Employee expenses	**45,767**	45,632	109,290	104,912	99,405
Average remuneration (B)	**45**	45	39	38	38
Total					
Average number of FTE	**1,027**	1,005	2,807	2,728	2,621
Employee expenses	**47,753**	47,064	110,255	105,820	100,523
Average remuneration	**47**	47	39	39	38
A/B pay ratio	**22.2**	15.3	14.9	12.9	14.7

1 The Management Board remuneration relates to the expenses recognised in the year.

Year-on-year changes in our average employee pay are partially attributable to changes in our employee mix, including following divestments.

Target compensation mix

The Remuneration Committee believes that the target compensation mix for members of the Management Board aligns with the long-term interests of the shareholders. The charts below illustrate the target pay that is at risk for the respective members of the Management Board, represented as percentage of total remuneration. For further information see the summary remuneration. (see page 56)



Scenario analysis

A scenario analysis of the possible outcomes of the variable components, together with the impact these have on the Management Board members' remuneration, is conducted annually to minimise the risk that the performance criteria lead to inappropriate outcomes. The effect of different performance scenarios on the level and composition of remuneration for the year 2020 was analysed and the outcome taken into consideration by the Supervisory Board when reviewing the Management Board members' remuneration.

Share participation

The remuneration structure promotes the long-term ownership of shares by executives. The Supervisory Board encourages members of the Management Board to retain vested shares, and encourages investment in the Company's shares.

Management Board	Current shares
A.J.G.P.M. Kruijssen	**10,000**
G.E.A. Reijnen	**-**
Total	**10,000**

Other policy information and contract terms

Any use of right to reclaim

The Supervisory Board has the authority to adjust the pay-out or vesting of variable remuneration of the Management Board if the result, as calculated under the Policy, is not reasonable or fair under the prevailing circumstances. In the event of force majeure, serious illness, long-term absence or incapacity for work, the Supervisory Board decides how the STI and the LTI are applied. The Supervisory Board can reclaim in whole, or in part, any variable remuneration that has vested or has been paid out on the basis of incorrect information on the underlying performance achievement. Any such value adjustment or claw back is at the discretion of the Supervisory Board, and is accounted for in the Remuneration report submitted to the AGM.

No variable remuneration was clawed back in 2020.

Deviation from Remuneration policy

The Remuneration Committee did not deviate from its decision-making process in relation to the implementation of the Remuneration policy. Furthermore, it did not derogate from the Remuneration policy itself.

Change of control

In the event of change of control, any variable remuneration granted to a member of the Management Board, shall be (deemed to be) vested, regardless as to the status of the realisation of the objectives, and exercisable, if applicable, upon such change of control.

Term of appointment

The term of appointment for all members of the Management Board is four years. Members of the Management Board are employed under management services agreement for the duration of their appointment, after which time the agreement terminates automatically. Members of the Management Board may be reappointed for additional term(s) of four years.

Notice period

All members of the Management Board have a notice period of three months. For the Company, the notice period is six months for termination without cause under the applicable employment agreements with the respective members of the Management Board.

Severance compensation

In the event that a member of the Management Board's employment is terminated by, or at the initiative of, the Company, the member of the Management Board in question is entitled to a severance payment that will not exceed one year's base salary.

Governance

The Remuneration Committee prepares the Supervisory Board's decisions regarding the remuneration of individual members of the Management Board, within the scope of the applicable Remuneration policy.

In accordance with article 2:135a sub 2 DCC, the Supervisory Board proposes the Beter Bed Holding N.V. Management Board Remuneration policy for adoption to the General Meeting once every four years, the next time being at the AGM in the spring of 2024 at the latest. The decision for adoption of the Remuneration policy requires at least 75% of the cast votes in favour.

The Remuneration report describes the process that has been followed by the Remuneration Committee in relation to the implementation of the Remuneration policy over the given financial year, and, if applicable, any proposed revision of the Remuneration policy. Every year, the implementation of the Remuneration policy, through the Remuneration report, is put to an advisory vote at the AGM (in line with article 2:135b sub 2 DCC).

Alignment with long-term value creation

The remuneration of members of the Management Board is intended to encourage behaviours that focus on performance. This is to ensure that the Management Board reaches the annual expected level of performance, while also taking long-term sustainable value creation into consideration. These include building a scalable and data-driven backbone to support customer relationships, improving the offering, increasing efficiency and creating new business models.

The introduction of PSUs in 2020 further promotes share ownership and alignment with the Company's long-term value creation and shareholder interests. The Remuneration policy is also internally aligned, following remuneration principles that apply more broadly within the Company. This provides a shared sense of purpose and direction at the different management levels, together with a shared reward, when success is achieved. Internal consistency is assured by assessing internal pay ratios to reflect the required competencies and responsibilities at each level.

Stakeholder engagement and feedback

Both the Management Board and the Supervisory Board have a transparent relationship with the Works Council in the Netherlands. The Works Council was given the opportunity to share its advice with regards to the Remuneration policy in accordance with article 2:135a sub 3 DCC before it was proposed to the AGM 2020, and this advice was positive.

In preparation for the 2020 AGM, members of the Remuneration Committee engaged with several shareholders to explain the rationale of the new Remuneration policy, and received support for the adjustments. The proposal to adjust the Remuneration policy was adopted by the 2020 AGM with 99.99% votes cast in favour.

The Remuneration Committee considered shareholders' feedback in the AGM 2020 in relation to the Remuneration policy and the Remuneration report. This included: (i) the Supervisory Board's rationale to adjust the pay-out of the Management Board's variable remuneration of under the prevailing circumstances in relation to the adjusted performance criteria; (ii) severance compensation of the former CFO; and (iii) the Supervisory Board's rationale to replace the option plan with a PSU plan.

With regards to (i) and (ii), the Supervisory Board is of the view that these were the result of the extreme circumstances experienced in 2019. This underscores the importance of the Supervisory Board's discretion to have the authority to adjust the payout or vesting of variable remuneration of the Management Board if the result calculated under the new Remuneration policy is not reasonable or fair under the prevailing circumstances. With respect to (iii), the Supervisory Board is of the view that the PSU plan sharpens the focus on strategic targets and long-term value creation.

Remuneration of the Supervisory Board

This section provides an overview of the Remuneration policy for the Supervisory Board of Beter Bed Holding N.V., which was last amended at the 2020 AGM. The objective of the Remuneration policy for the Supervisory Board is to attract, motivate and retain qualified people as Supervisory Board members who can supervise and support Beter Bed Holding N.V. in the achievement of its strategic objectives, and in doing so realise the sustainable value creation for which the Company strives. To this end, the Policy offers Supervisory Board members a remuneration package that reflects the time spent and the responsibility of the role. A reference point for an adequate remuneration level and fitting remuneration structure is derived from a benchmark of Dutch listed companies of comparable size and complexity with a two-tier board structure. In preparing the 2020 Remuneration policy for the Supervisory Board, a benchmark comparison was performed using a reference group of fifteen Dutch small cap companies with a two-tier board structure. This indicated that an increase in the remuneration levels was warranted.

Composition of the remuneration package

Remuneration of the Supervisory Board is not dependent on the results of the Company. The policy offers fixed annual fees in cash only. Members of the Supervisory Board receive an annual base fee as shown in the table below, and there are no additional meeting fees. The Chair of the Supervisory Board receives an additional base fee due to the workload and broad responsibilities of this position. Travel expenses and facilities for members of the Supervisory Board are borne by the Company and reviewed by the Audit Committee. The Company does not provide loans, advance payments or guarantees to members of the Supervisory Board.

All members of the Supervisory Board	€ 40,000
Additional fee Chair	€ 10,000

Members of the Supervisory Board also benefit from directors' and officers' liability insurance coverage. These benefits are in line with market practice.

Summary compensation

The table below shows the remuneration for each member of the Supervisory Board during the financial year 2020. Amounts reflect the fact that Mr Vermeulen, who retired from the Supervisory Board in May 2020, and Mrs Schipperheijn and Mrs Van Hussen, who both joined the Supervisory Board in May 2020, did not serve for the entire year.

in thousand €

Supervisory Director	Supervisory Board	Chair	Total 2020	Total 2019
A. Beyens	40.0	-	**40.0**	30.0
P.C. Boone	40.0	-	**40.0**	30.0
B.M.A. van Hussen	25.0	-	**25.0**	-
B.E. Karis	40.0	10.0	**50.0**	36.7
M.C. Schipperheijn	25.0	-	**25.0**	-
H.C.M. Vermeulen	15.0	-	**15.0**	21.0
D.R. Goeminne	-	-	**-**	13.3
G.E.A. Reijnen	-	-	**-**	18.2
Total	**185.0**	**10.0**	**195.0**	**149.2**

Outlook 2021

Management Board salaries were assessed against the market environment and the adjustments for other employees. For 2021, no changes will be made. For the 2021 STI scheme, the Supervisory Board believes that the following four quantitative KPIs are appropriate: revenue growth and EBITDA, both of which weighted at 30%; and gross margin and free cash flow both of which weighted at 20%. To improve the quality and predictability of the organisation, two additional qualitative targets will also apply: development of the CSR strategy, with a scorecard for three-year period; and completion of the refinancing of the Company before year-end. While the Company does not disclose the exact targets as they qualify as commercially sensitive information, these targets and the performance related to them will be accounted for in the 2021 Remuneration report. No changes are anticipated for the 2021 long-term incentive scheme.

Statement of the Management Board

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

The Management Board declares that, to the best of its knowledge, the 2020 annual report provides a true and fair view of the situation on the balance sheet date, developments during the financial year of Beter Bed Holding N.V. and those of its affiliates whose details are included in its financial statements, together with expected developments, with regard to which special attention is paid to investments and conditions on which developments of revenue and profitability depend, unless this conflicts with vital interests. The Management Board also declares that, to the best of its knowledge, the 2020 financial statements provide a true and fair view of the assets, liabilities, financial position at the balance sheet date and the result of Beter Bed Holding N.V. and the companies included in the consolidation of the financial year.

Shareholder information

General

Beter Bed Holding N.V. shares are quoted on Euronext Amsterdam under security code NL0000339703. The number of shares outstanding at the end of 2020 totalled 26,240,397. Shares repurchased and not yet cancelled totalled zero at the end of the year. Beter Bed Holding N.V. did not hold any treasury shares as at 31 December 2020. The average number of shares used to calculate earnings per share is 25,085,247. The number of shares used to calculate diluted earnings per share is 25,445,329. In 2020, earnings per share from continuing operations were € 0.32 compared with € (0.19) in 2019. In 2020, diluted earnings per share from continuing operations were € 0.31 compared with € (0.19) in 2019.

BBED LISTED EURONEXT

Dividend policy

Beter Bed Holding N.V.'s dividend policy focuses on maximising shareholder returns whilst maintaining a healthy capital position. Subject to stable financial conditions, the Company's objective is to pay out at least 50% of net profit to shareholders. This payment will be made following the approval of the dividend proposal by the Annual General Meeting. The payment of dividend may never result in the Company's solvency falling below 30% on any publication date. Furthermore, the net interest-bearing debt/EBITDA ratio may not exceed two. Subject to the approval of the Supervisory Board, the Management Board determines annually what portion of the profit is to be reserved. The decision to pay an interim dividend is also subject to the approval of the Supervisory Board.

Investor Relations policy

Beter Bed Holding N.V. aims to keep private and institutional investors informed by providing them with equal and simultaneous information on the Company's performance and prospects. In doing so, Beter Bed Holding N.V. engages with shareholders and other investors (together called 'investors') and analysts in formal meetings as well as outside such meetings.

Events organised by Beter Bed Holding N.V. that are open to analysts and investors are announced in advance on the Company's corporate website. Analysts and investors that are invited are given the opportunity to follow the meetings by telephone or virtually. Presentations given during these meetings – if any – are posted on the Company's corporate website. The Investor Relations policy is also included in the Company's website.

If inside information is disclosed during a meeting or conference call, this information shall be made public without delay. Beter Bed Holding N.V. shall not disclose inside information during bilateral contacts with analysts or investors.

The Company considers each and every reasonable request for contact seriously, and will determine – at its sole discretion – whether it will accept invitations from its shareholders, or parties representing shareholders, to engage in a dialogue.

Beter Bed Holding N.V. is committed to a corporate governance structure that best suits its business and stakeholders.

Substantial holdings

In compliance with chapter 5.3 of the Dutch Financial Supervision Act the following holdings have been included in the Substantial Holdings register of the Netherlands Authority for the Financial Markets (AFM) as per 31 December 2020.

Shareholder	Date of notification	Share
"De Engh" B.V.	24-07-2020	10.99%
Teslin Participaties Coöperatief U.A.	24-07-2020	10.18%
Magical Honour Limited	02-12-2019	8.92%
Navitas B.V.	28-05-2020	6.71%
ASR Nederland N.V.	06-10-2008	6.64%
Ameriprise Financial Inc.	08-09-2011	4.72%
Harrison Associates L.P.	19-02-2010	4.58%

Financial calendar

16 April 2021	Q1 2021 trading update
12 May 2021	Annual General Meeting 2021
21 July 2021	Q2 2021 trading update, half-year results 2021 and analyst meeting
15 October 2021	Q3 2021 trading update

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

CSR report

Overview

Beter Bed Holding N.V.'s stores offer products that contribute to a good night's sleep, and thereby the well-being of our customers. We do this is in a socially responsible and sustainable way, and are transparent about our way of working.

Corporate Social Responsibility (CSR) objectives are central to Beter Bed Holding N.V.'s strategy. For this reason, the circular economy, the safety and quality of our products and services, responsible store management, energy and CO_2 emissions, and safe working conditions, are important topics material to our Company's activities in the coming years.

In order to be able to operate in a socially and environmentally responsible way, Beter Bed Holding N.V. is focussed on creating a healthy and stimulating environment for employees, developing sustainable products, and ensuring a responsible supply and waste chain.

Our Group makes a conscious effort to take the impact of business operations on people, the environment and society into account, and is focused on new market opportunities, growth and innovation. In this way, we take an active role in developing sustainable products and responsible disposal methods in the furniture industry.

In addition, Beter Bed Holding N.V. continuously examines new opportunities both within, and outside the organisation, to improve its sustainability performance, together with questioning which sustainable services and products really add value. We are always looking for appropriate solutions, preferably in collaboration with strategic players in the chain.

2020 at a glance

CIRCULAR ECONOMY

17,238
mattresses collected

38%
of sales contains recycled materials

SAFETY & QUALITY

94%
of all sold mattresses tested

customer satisfaction (eKomi score)
9.3

RESPONSIBLE CHAIN MANAGEMENT

85%
of the suppliers signed the Code of Conduct

5
strategic partnerships with suppliers

ENERGY & CO_2 EMISSIONS

0%
renewable energy purchased

75 TJ
total energy consumption

7,107 tonnes
CO_2 emissions

SAFE WORKING CONDITIONS

2.0 hours
safety training per logistic employee in NL

air quality tested in DCs, cargo areas and stores in NL

EMPLOYEES

36%
women in senior management positions

1,221
employees as per 31-12-2020

1,027
FTE as per 31-12-2020

Summary of facts

	2020	2019
Circular economy		
Yearly sold mattresses collected through return system	**7%**	8%
Sales from products with > 25% recycled content	**38%**	35%
Share of sales from modular products	**6%**	0%
Waste streams recycled high grade	**94%**	94%
Safety & quality		
Products that are tested on air quality (based on sales)	**94%**	93%
Number of incidents reported in the field of safety and quality	**-**	-
Customer satisfaction: eKomi score (score 0-10, weighted average based on sales)	**9.3**	9.4
Responsible chain management		
Suppliers that have signed the Code of Conduct	**85%**	82%
Number of strategic suppliers with proactive cooperation to ensure CSR criteria are pursued in the purchasing process	**5**	5
Tenders for products and services in the Netherlands where CSR criteria are taken into account	**50%**	40%
Energy & CO_2 emissions		
Purchase of renewable energy	**0%**	0%
Energy consumption (TJ)	**75**	79
CO_2 emissions (tonnes)	**7,107**	7,709
Safe working conditions		
Number of accidents with sick leave	**-**	-
Tests performed on air quality[1]		
- DCs	**Yes**	Yes
- Loading docks	**Yes**	Yes
- Stores	**Yes**	Yes
Training and education attended by logistics employees (average number of hours)	**2.0**	2.0

1 Tests performed in DCs (integrally) and loading docks and stores (by means of sampling).

The CSR year in brief

The CSR objectives we formulated in 2017 led to CSR being better embedded in the daily activities of the Group over the past three years. In addition, in line with the strategy, a category management team was created in order to improve and proactively collaborate with suppliers of sustainable innovations in the bedding industry.

Sustainable solutions are traditionally focused on the back-end of the chain. In 2020, we made significant strides in terms of offering circular and sustainable solutions. Customers now have the option, for instance, to hand in their old mattress to be recycled. In the reporting year, more than 17,000 mattresses that would have otherwise been burned were collected, resulting in a positive effect in terms of CO_2 emissions.

Our Group is currently working on its innovation pipeline for sustainable mattresses. In 2020, we developed, in collaboration with suppliers and the Ergonomic Institute of Munich, a complete range of sustainable products with, for example, natural materials, or modular construction, often in combination with the use of recycled materials.

We have already included a large number of sustainable products into different collections. From a modular box spring made from recyclable materials, to pillows and duvets made from recycled PET bottles. Beter Bed Holding N.V. has entered into an agreement with five strategic suppliers to develop more sustainable products. Together with our suppliers, we are also creating better ways of processing and collecting goods at the end of their life cycle, responsibly disassembling them and reusing the remaining materials.

Human rights and the fight against corruption are two further areas in which we believe we can make a positive difference. By entering into agreements about codes of conducts with our suppliers, we as a Group can respect international agreements and conventions on working conditions. At the end of 2020, 85% of our suppliers had signed the Code of Conduct. By ensuring that suppliers adhere to this code, we will reduce the risk of violating legislation pertaining to human rights, bribery and corruption. In our new CSR strategy, we will not only ensure these agreements are signed, but also ensure compliance by carrying out audits of our suppliers.

Health and safety on the work floor and in our stores remains an important topic. Employees must have confidence in the safety of their working conditions, and our customers must have confidence in the high quality and safety of products. In order to ensure this, we continually carry out quality tests in our stores and warehouses in the Benelux.

COVID-19 measures

The whole world is experiencing the effects of the COVID-19 pandemic. Beter Bed Holding N.V. is no exception, and in the interest of the health of our employees, the crisis team immediately took all necessary measures as advised by the Government of the Netherlands and the RIVM to reduce the spread of the virus.

Operational

1. Circular economy

A circular economy reduces the waste of resources by maximising the reuse of products and natural resources, and minimising those thrown away and destroyed.

In addition to environmental benefits such as reducing our ecological footprint, the circular economy can also help reap long-term financial benefits by safeguarding natural resources, reducing costs, and responding to the increasing demand for sustainable and responsible products. For this reason, circularity plays a key role in our Group's strategy.

Within the circular economy, a number of relevant topics exist: from design, type of material and promoting the use of environmentally friendly materials, to the development of new products.

We have established the following key performance indicators (KPIs) in relation to circular economy.

Proportion of returned mattresses versus the number sold

At the point of purchasing a new mattress, customers are asked whether they would like to make use of our disposal service for their old mattress. Prior to the collection, customers receive a bag in which they can put the old mattress, and then give this to the delivery team from Beter Bed Holding N.V**.** The returned mattresses are placed in a specially designed storage container located at one of our three distribution centres. In order to dispose of the returned mattresses, we have in the Netherlands and Belgium partnered with waste disposal company Renewi, which in turn recycles mattresses in partnership with RetourMatras B.V. This service is beneficial to both customers and the environment alike, with the old mattresses taken away and dismantled.

At RetourMatras B.V., which is located in the vicinity of the distribution centre in Uden, mattresses are first scanned to determine the contents, before the mattress cover is removed by machine. The covers are then compressed into a bale and offered to the textile industry, before being used to make furniture blankets and dusting cloths.

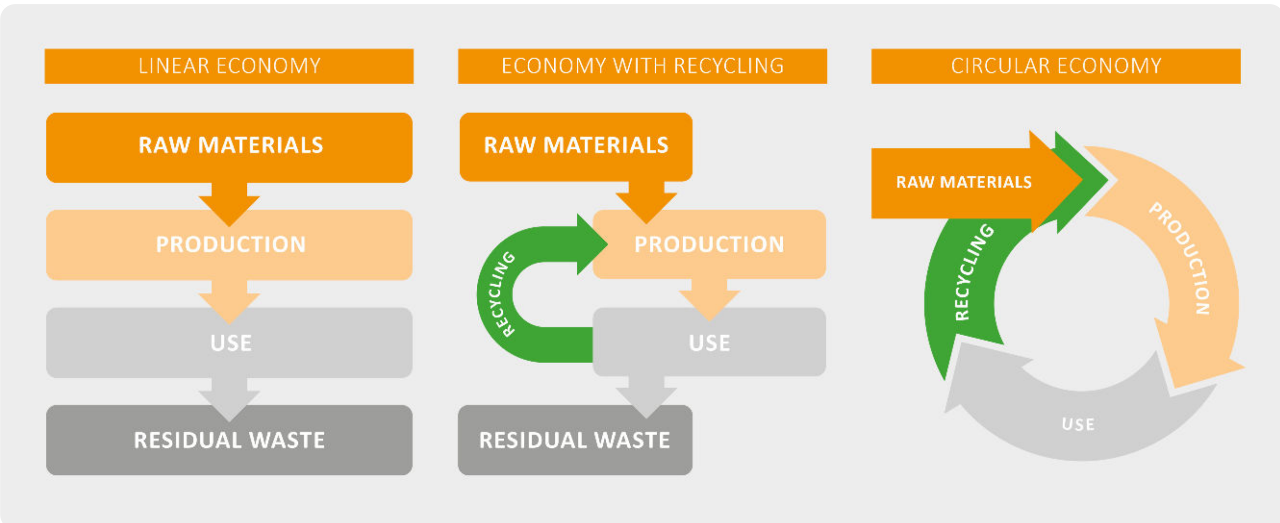
The metal springs are reused in the steel industry and fully recycled for a wide variety of uses. The foam, which comprises the majority of the mattress, is shredded, steamed and compressed. The resulting material can then be used, for example, for insulation. This is an effective form of downcycling. By following this disposal and dismantling process, we limit CO_2 emissions that result from burning mattresses, and the majority of the remaining materials are reused.

Sales from products with >25% recycled content

We urge suppliers developing products for our Company to use materials that: are easily recyclable; have been obtained in a responsible way; or are made of recycled material. For box springs, we insist that only FSC-certified wood be used. This quality certification helps protect and promote sustainable forestry, conserving wildlife habitats and safeguarding the rights of local people and forest workers, while also providing timber for industry.

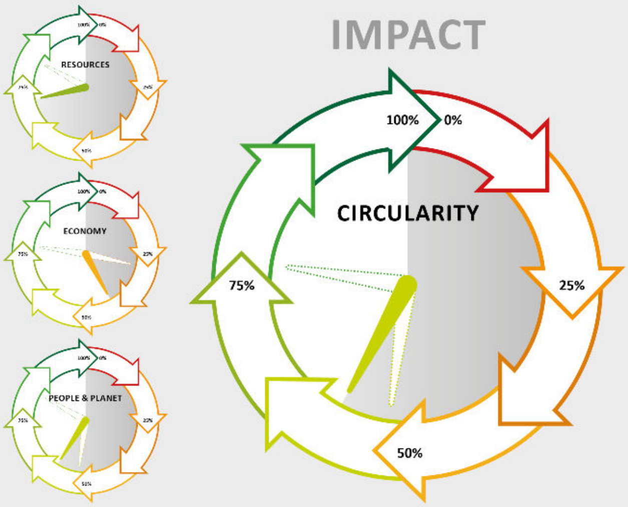
Special attention is paid during the procurement process of box springs and mattress covers, to the availability and suitability of materials from recycled PET bottles or recycled textiles, such as jeans. Examples of products that utilise these materials are the box spring Element, bed base Bädd, synthetic pillows, and duvets. We now have a complete collection of sustainable products, some of which can be offered through a lease model. By leasing, the lifespan of the articles can be extended, and we can ensure the responsible disposal of the products when returned.

Share of sales from modular products



We are able to extend product lifespan and simplify the disassembly process into a single homogenous waste stream by constructing products in a modular way. An example of such a product from Beter Bed's collection is the 100% modular constructed box spring Element, which is easily dissembled and consists of 100% recyclable materials, with no staples, glue or screws used.

Together with TNO, we have determined the precise level of sustainability of the box spring Element. The so-called 'circular character' of the innovative design has been confirmed in several tests and measurements. One of the means to determine the level of circularity is the IMPACT valuation method.



The Element bed system achieves circularity for a number of reasons: a weight reduction of more than 20% (29 kg) has been primarily achieved by using less polyester textile in the top mattresses, and wood in the headboard; in the mattress more pocket springs are used instead of PU-foam; and 90% of the wooden parts and 95% of the steel parts are reused. In addition, the materials from the top mattress and the mattress are recycled into higher-quality raw materials.

High-recyclable value waste stream

All waste at our distribution centres and headquarters is separated into four main categories: mattresses, paper/cardboard, plastic and residual waste. Special containers have been placed at the distribution centres, and waste is collected from our headquarters, distribution centres and the stores by Renewi, a waste-to-product company with which we have agreed to partner. Renewi's ambition is to become the leading company in its sector, focussing exclusively on creating value from, waste rather than burning or dumping waste.

Of the 14 million tonnes of waste that Renewi processes every year, 89% is recycled or used for energy production. This unique waste-to-product approach is in line with social and legal developments, and provides the most capital efficient solution for effective recycling and waste management. Every quarter, an overview of the processed waste and the recyclable value of our Company's waste is generated.

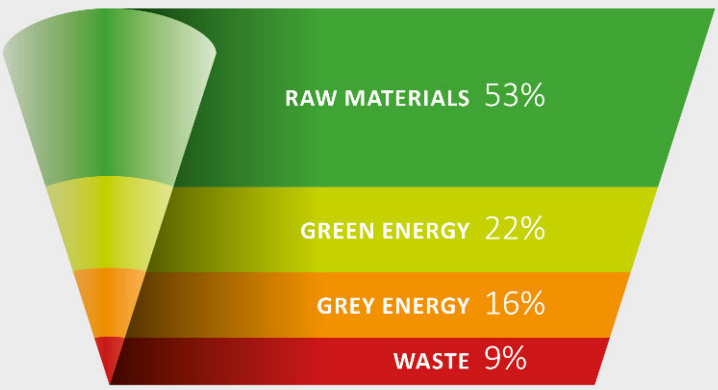
Total overview of weight per waste flow

Waste flow	TNO certified	Weight (kg)	%
Waste/residual waste	Yes	426,681	24%
Foil/plastics	Yes	214,961	12%
Hazardous waste	No	80	0%
Wood	Yes	100,040	5%
Mattresses	No	490,140	27%
Other	No	-	0%
Paper/cardboard	Yes	577,860	32%
Breakstone	Yes	3,800	0%
Confidential paper	Yes	804	0%
Total		1,814,366	100%

Recycling per waste flow (based on TNO certified flows)

TNO certified	Waste flow	Weight (kg)	Raw materials	Green energy	Grey energy	Waste
Yes	Waste/residual waste	426,681	21,334	153,605	157,872	93,870
Yes	Foil/plastics	214,961	210,661	-	2,150	2,150
Yes	Wood	100,040	8,003	92,037	-	-
Yes	Paper/cardboard	577,860	456,509	46,229	46,229	28,893
Yes	Breakstone	3,800	3,762	-	-	38
Yes	Confidential paper	804	675	129	-	-
Total		1,324,146	700,944	292,000	206,251	124,951

By recycling our waste flow in this way, we avoid 440,877 kg of CO_2 emissions. This is comparable to driving 2.2 million kilometres in a diesel car. If we had to compensate this quantity of CO_2 emissions, we would need 22,044 trees to grow for 1 year.



2. Safety and quality

Products that are tested on air quality (based on sales)

We take the safety of our customers and employees very seriously. It is therefore very important that we provide a safe environment for customers choosing products, and for employees working in stores, distribution centres and delivery teams. Mattresses sold by Beter Bed Holding N.V. are tested by TüV Rheinland in Arnhem to ensure that they do not contain any hazardous substances, and must comply with strict quality standards before they are brought to market.

Number of reported incidents in the field of safety and quality

Our quality department undertakes annual risk assessments in order to determine whether the general working conditions are safe. Close attention is paid, for example, to the accessibility to and use of safety devices, the load carried by employees, and air quality. By ensuring healthy working conditions, we can reduce employee absenteeism related to safety- and quality-related incidents. Any incidents that do occur are recorded and followed up on to prevent any future occurrences.

Customer satisfaction: eKomi-score (score 0-10, weighted average based on sales)

We want to not only know whether our customers are completely satisfied – be it in our stores, online or during a delivery – but also know how to improve our services in the future. Customers are therefore asked for feedback at multiple times: after placing an order, after delivery and via product reviews by email.

For our online sales, we measure customer satisfaction using eKomi. After the data is collected in eKomi, it is reviewed by the eKomi Feedback Management team, and then published online and linked to all large search engines. All reviews are then integrated into the website. Through our Customer Experience department, we can continuously track performance through eKomi's real-time statistics.

In 2020, we achieved a positive eKomi-score off 9.3. Despite the improvements that have been made to our services, the impact of the COVID-19 pandemic on planning and our suppliers' supply chains, in addition to the shortage of raw materials, has led to a longer delivery time for customers. The lack of reliable information, in particular, led to a lower level of satisfaction among some of our customers in the second half of the year. This resulted in a score that was 0.1 lower than in 2019.

3. Responsible Supply Chain Management

Suppliers that have signed the Code of Conduct

We are committed, as an organisation, to operating in a responsible way and to creating a sustainable future from an economic, social and ecological perspective. In this context, the working conditions of all employees involved in the production process are every bit as important as other vital factors, such as customer safety and environmental concerns.

These principles and values are central in choosing our suppliers. In addition to financial and commercial terms, we also take ethical considerations with regards to working conditions, health, environment, sustainability and animal welfare into account, and expect our suppliers to conduct their business in a way that is aligned with our principles and values. In this Code of Conduct, we have clearly defined our expectations for our suppliers. This will contribute to the further development of a sustainable purchasing policy, in which supply chain responsibility is the very foundation.

Suppliers are required to comply with the laws and regulations in all the countries in which they operate. In addition, suppliers are obliged to comply with international treaties and conventions with respect to working conditions, public health, hazardous substances, animal welfare and environment, even if these are not applicable to the country in which the supplier is active. Examples include treaties and conventions drawn up by the United Nations (UN), International Labour Organization (ILO) and the European Union (EU).

Our suppliers must possess all applicable permits. In the event of one or more of these being outstanding at the point of signing the Code of Conduct, the supplier must ensure that they receive these within three months of signing.

Number of strategic suppliers that we proactively collaborate with to ensure CSR criteria are pursued in the procurement process

We have agreed on a strategic collaboration with a number of suppliers that are responsible for the supply of a large proportion of goods purchased from us. In addition to collaborating for an extended period, agreements are made to work together on meeting joint CSR objectives.

Tenders for products and services in the Netherlands in which CSR criteria are taken into account

During all product tenders, we take product-specific requirements linked to our CSR objectives into consideration: suppliers are required subscribe to the Code of Conduct, and materials must meet the international requirements and have the necessary certificates. We are working on adding elements linked to our CSR objectives in tenders for services. For example, the use of non-hazardous cleaning materials cleaning companies, and the use of local maintenance services for buildings to limit distances travelled.

4. Energy and CO_2 emissions

Climate change presents a number of risks, including financial risks. This is particularly apparent with large-scale natural disasters, which underline the severity of the risks and consequences. Shareholders and investors increasingly recognise the importance of these issues and want to be able to take them into account in their investment decisions. Through our new CSR policy, we wish to be able to provide relevant and timely sustainability information to all our stakeholders, and clearly outline our priority of reducing our ecological footprint.

Our CSR policy contains a broad range of measures to conserve energy and reduce CO_2 emissions. Sustainability plays an important role at an operational level, with Beter Bed Holding N.V. encouraging its subsidiaries to examine their activities in a critical way, and limit their impact on the environment as much as possible, which in turn saves business costs in the long term.

Procurement of renewable energy

The procurement of renewable energy is undertaken centrally for our Benelux businesses. Energy for our headquarters, distribution centres and the stores are purchased from a single organisation. In doing so, Beter Bed Holding N.V. is one of a number of large companies in the Netherlands that tenders the procurement of energy centrally.

Energy consumption

Every year, steps are taken to reduce our energy consumption: all stores are equipped with temperature control systems that limit the maximum temperature during opening times. At night, the minimum temperature is set at the most efficient level so as to avoid needing to use elevated energy consumption when opening in the morning. Furthermore, all halls and/or sections of the distribution centres and the headquarters have movement sensors to control the lighting, and the lighting units switch to an energy-efficient system during opening hours.

Extended store opening times, increased delivery services (due to increased number of orders and customer requests), and the need to cool our stores during exceptionally long or warm summers all have a negative impact on energy consumption.

In addition, while the extra charging stations that we have installed for electric and hybrid vehicles have a positive effect on CO_2 emissions, they also contribute to increased energy consumption.

CO_2 emissions

Action has been taken across the Group to improve the efficiency and environmental friendliness of logistics processes. Journeys with only one member of our delivery teams are undertaken in smaller delivery vans so as to be more environmentally friendly. In addition, Beter Bed Holding N.V. encourages more drop shipments (in which the package or parcel is delivered directly from the supplier to the customer, as opposed to with Beter Bed Holding N.V's involvement). More packages are also being delivered through existing channels, such as PostNL.

CO_2 emissions are calculated on an annual basis using www.CO_2emissiefactoren.nl in order to acquire insights as to progress being made. The list of the respective emissions factors forms a basis on which to examine and compare our CO_2 footprint on an activity-by-activity basis. Companies, customers and CO_2 instruments can all use this CO_2 emission factors. The seven different categories provide a broad basis on which to better understand our full CO_2 footprint.

5. Safe working conditions

The safety of our employees is our number one concern and Beter Bed Holding N.V. always strives to maintain healthy and safe working conditions. In the short and long term, we wish to continue to attract outstanding employees to work for Beter Bed Holding N.V. We require that all employees fully understand the health and safety risks associated with working in warehouses, on the road, and in offices in order to help prevent any incidents that would impact on their safety or the safety of others. We believe that being a good employer means taking responsibility for everyone that works at Beter Bed Holding N.V., and for everyone carrying out work for the Group.

Since 2019, we have had the ambition to report on the number of work-related accidents. In order to help prevent accidents, we invest in a number of safety trainings. In addition, air quality is routinely tested in stores, distribution centres and truck loading points.

As would be expected in a company of our size, accidents do on occasion occur. Fortunately, no such accident during the reporting year had a significant material or physical consequence.

Number of accidents with sick leave

We are committed to reducing and further removing the risk of serious injury to our employees by:

- Undertaking a risk assessment and evaluation;
- Carrying out activities according to health and safety rules;
- Paying added attention to size and weight of packages when purchasing goods; and
- Providing safety training to logistics workers.

We are supported in this work by several professional organisations, such as the Dutch health and safety service (De Arbodienst), which shares advice and research. The activities are supervised by our works council, which also oversees compliance.

Tests performed on air quality

Air quality is measured on an annual basis at various locations in distribution centres, and in stores and truck spaces to guarantee a safe and healthy environment for our employees. The test involves placing capsules in a specific location and is carried out by TüV Rheinland. After these capsules have absorbed the air in the room, they are analysed by TüV Rheinland for hazardous substances.

Training undertaken by logistics employees (average number of hours)

The Quality department provides trainings in the areas of safety, working conditions and product knowledge. Two examples of such trainings are:

- Code 95 U19 (lifestyle training): in this training, employees gain helpful insights into their personal physical health, such as BMI and body fat percentage, together with an understanding of recommended safe lifting loads. Through a personal action plan, employees learn which areas they can work on to improve their health, and best way to do so.
- Emergency response training (BHV): in this training, employees learn how to respond in the event of a fire or evacuation, and the basics of first aid. A follow-up training is required for all trained employees every two years.

COVID-19 measures

To provide employees with as much security as possible in these uncertain times, we have undertaken a wide range of employee communications about how colleagues should interact with one another, how we can continue to provide an optimal level of service to our customers during the COVID-19 pandemic, and the safety measures that have been taken to achieve this.

Throughout the pandemic, the necessary adjustments have been made to our stores, distribution centre, transportation, and offices to create as safe a working and retail environment as possible, and to continue to provide optimal level of service to our customers.

Employees are required to stay at home should they or any member of their family exhibit any symptoms of COVID-19. Within the organisation, all employees follow a number of rules on behavioural norms, including no shaking of hands, maintaining 1.5 metres distance from one another, and washing their hands appropriately. Soap and disinfectant are readily available throughout the premises, and an extra cleaning protocol has been developed. Doors are kept open as much as possible so as to reduce the touching of door handles. Furthermore, our canteen facilities have been closed, and where possible, employees work from home, which is mainly applicable to office workers.

The layout of our warehouses has been adjusted so as to make it possible for our employees to social distance. At locations where this would not be possible, we have amended work and break times to enable social distancing by having fewer people in one place at any one time. For the safety of both our customers and our delivery teams, customers are contacted beforehand to determine whether it is safe to perform the delivery. Customers are also asked to maintain a safe distance and to clear the entrance space in advance. All delivery personnel are equipped with protective products and equipment such as disinfectant gel, cleaning clothes and masks.

In addition, extra protocols have been developed to enable customers to continue visiting our stores in a responsible way. Protective products and equipment have been made available both inside and outside our stores, in addition to physical adjustments.

Cough screens have been installed at checkouts, together with clear distance markers on the floor. Furthermore, chairs have been placed at appropriate marked distances from one another, and information posters placed in prominent places to explain the safety protocols. To enable customers to safely test pillows and mattresses, we have used special pillow and mattress covers, which are thoroughly cleaned after use.

Outside our stores, distance markings have been placed on the ground so that customers can safely queue in the event that the maximum legally permitted number of customers in the stores has already been reached. We subsequently took the decision to reduce the maximum number of people allowed in our stores even further for the comfort and reassurance of both our employees and customers alike.

Social involvement

As a responsible corporate citizen, we believe it is important to play a role in the communities in which we operate. In order to decide how and where we can use our resources to help good causes, we use two simple criteria: proximity and relevance.

Proximity

Sports clubs play crucial roles in local communities, bringing people together and promoting healthy lifestyles. We are proud to have sponsored local sport clubs, such as Udi ’19 and RKSV Volkel for many years.

In 2020, Beter Bed joined Xpress, a project launched across North Brabant. This collaboration between local art centres helps identify talented youngsters, and develops their creative and teamworking skills. Transferable skills such as these will in turn help not only those who have participated in the project, but also the businesses of the future. To help promote the project's work and provide assistance, Erik Weerts (second on the left), Financial Director of Beter Bed, has taken on an ambassadorial role.

Relevance

We have also been proud supporters of the Princess Máxima Centre in Utrecht, the Netherlands, since its foundation in 2014, supplying and maintaining all the beds and mattresses used in their parent-child rooms, so that children can be close by their parents during treatment for cancer. The annual PinZes campaign every November and December raises a considerable sum through customer donations for the Princess Máxima Centre, which we then double.

We also support a range of ad hoc initiatives related to our mission of helping everyone get high-quality sleep, for example, providing fold-up beds and mattresses to healthcare workers in various locations during the COVID-19 pandemic, in addition to investing in research and sponsorship.

Our premium mattress brand M line's slogan is: 'In order to deliver top performance throughout the day, you need a good night's sleep'. It is therefore with good reason that M line is the official sleep supplier of various elite sports teams. TeamNL, the Royal Dutch Football Association (KNVB) and Jumbo-Visma, the professional cycling and skating team, never travel without their own M line mattresses. Elite level sport involves not only rigorous training regimes and meticulous diets, but also high-quality sleep, as the body recovers best at night from exertion during the day. It is no surprise that athletes looking for the best results place so much value on having a good mattress. From Olympic gold medallist gymnast Epke Zonderland and speed skater Kjeld Nuis, to Dutch footballer Shanice van de Sanden to Belgian cyclist Wout van Aert, they all sleep on M line.

To support our mission, we are playing an important role in research conducted by various sports physicians and physiotherapists on the effects of a good night's sleep on elite athletes' performance. By doing so, we can better understand the science of sleep.

National child help funds (Nationaal Fonds Kinderhulp)

Unfortunately, a good night's sleep is not a given for everyone. 1 in 12 children in the Netherlands lives in poverty, and every year the national child help funds receives around 3,200 requests related to improving children's bedrooms. As a proud partner of the National child help funds, we are able to help children in need by donating returned M line mattresses, which are cleaned and fully checked, having been returned during the 100-day trial period.

A good night's sleep is particularly important for children and their development. Children that sleep well perform better cognitively, and are less likely to suffer from depression. In 2020, in order to highlight the importance of a good night's sleep for children, we gave away free picture books during children's book week (Kinderboekenweken), in which people were urged to donate to the national child help funds.

CSR strategy 2021

An insight into our CSR strategy

Current status

While Beter Bed Holding N.V. has in recent years established a variety of CSR-related initiatives, we understand much work remains to be done, and we are committed to conducting business in an ever more sustainable way. To give sustainability the priority it requires, and ensure it is fully integrated into our renewed strategy, we appointed a senior CSR & Sustainability lead, effective as of October 2020. The lead will report to the Management Board, which will oversee the Group's integrated sustainability strategy. As our non-financial targets expired in 2020 and needed to be updated, it is a logical moment to simultaneously assess both our current CSR activities and strategy.

Beter Bed Holding N.V. has been a leader in providing sleep solutions in the Netherlands since the 1980s. Today, the sleep domain - as an important factor in health & well-being - is more relevant than ever. Customers are increasingly interested in learning more about the products they buy, not only in terms of how a mattress is produced or what it is made off, but also how it can be recycled responsibly. To adequately address such sustainability concerns, now and in the future, we wish and need to enhance our sustainability performance.

Quick Scan

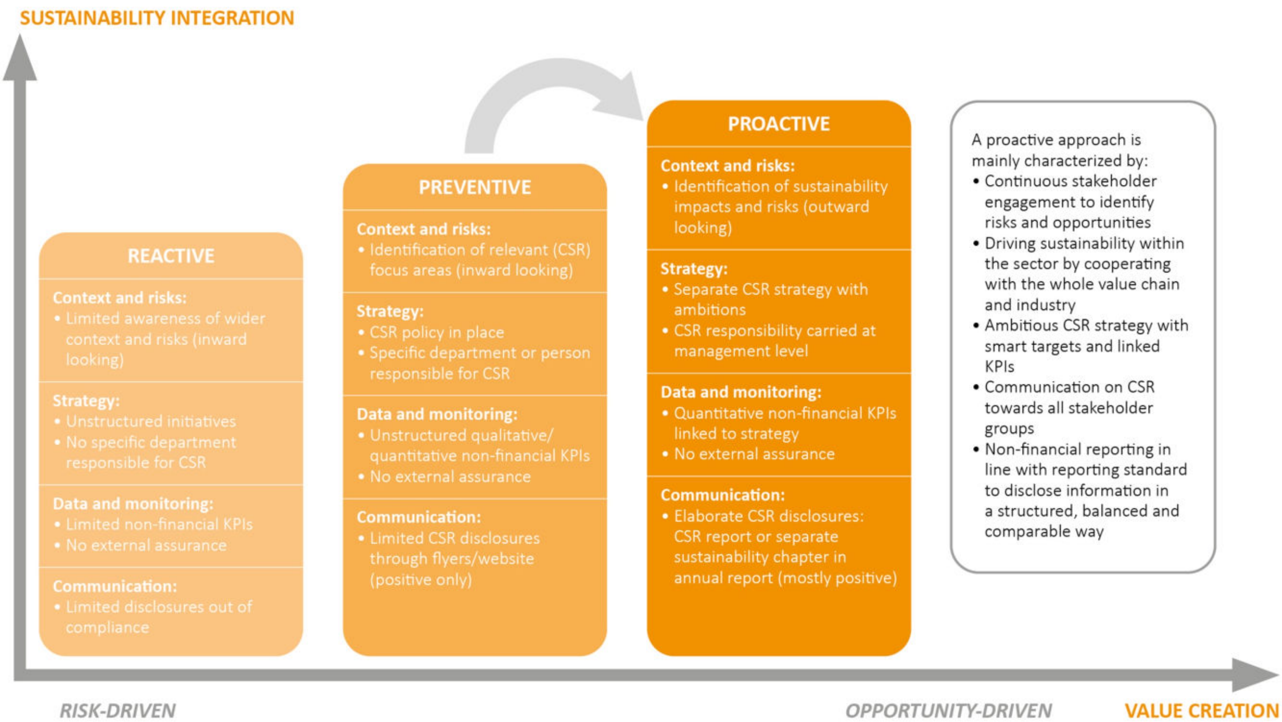
In order to get a clear, independent view of our efforts on sustainability and our position in the industry, we consulted an external party to conduct a Quick Scan of our CSR activities. Starting with an analysis of our environment, CSR trends and developments, they identified highly relevant legislative trends where we can improve. Secondly, our CSR strategy and disclosures were analysed against the performance of peers, selected customers and other listed companies. Together with the outcome of several interviews that were conducted with internal and external stakeholders, the analysis demonstrated our current position in the sustainability journey.

Assessment of our current CSR strategy

The analysis of the business context showed that several legislative trends have a direct or indirect effect on our business, such as the EU Non-Financial Reporting Directive (NFRD), EU Taxonomy, and Dutch climate agreement. An analysis of Beter Bed Holding N.V.'s current CSR disclosures and internal CSR management evidenced that Beter Bed Holding N.V. acts in compliance with relevant legislation, discloses information in line with relevant reporting standards, and is recognised as being active on sustainability. That notwithstanding, the analysis showed that Beter Bed Holding N.V.'s current approach, based on the CSR maturity model, is preventive in nature.

Transparency

As we believe transparency and honesty are paramount in such processes, as well as highly valued by our stakeholders, we have included a number of the insights gained and provide guidance on how we plan to follow up on them.



By systematically analysing non-financial risks and linking CSR with business strategy and goals, Beter Bed Holding N.V. can move towards a more proactive approach. In order to measure progress against our targets, we need to improve the quality of our non-financial data by reviewing our KPIs and current reporting processes. This will help us to set both ambitious and realistic goals from 2020 onwards.

Peer analysis

A similar assessment, based on publicly available information, was conducted of our peers, customers and a number of selected listed companies. The objective was to gain a clear understanding of both how they are reporting on CSR, and the steps they have taken to date. This provided clear insights on how Beter Bed Holding N.V. is positioned in the sector, where we are performing ahead of our peers, and the elements that require further attention.

Stakeholder engagement

We recognise the importance of engaging with stakeholders in the journey towards a renewed strategy. During the current process, we have been in talks with many stakeholders, and we will continue to going forwards. Our first talks included interviews with business partners in the value chain and various shareholders, in addition to conducting an employee survey. Topics discussed included opportunities and challenges that exist in our industry, our current positioning among peers, and the anticipated next steps that Beter Bed Holding N.V. should take in its sustainability journey.

Lessons learned

During the interviews with suppliers and customers – our partners in the value chain – the need to be more engaged in creating new sustainable product innovations or tackling sustainability across the supply chain was clearly evident. We realise that an enhanced dialogue and cooperation is key to driving sustainability within our industry.

The results of the employee survey showed that there is also an appetite for more engagement within the organisation. Almost 57% of respondents indicated that they would like to actively contribute to sustainability at Beter Bed Holding N.V., and over 84% stated that they believe sustainability to be an important business opportunity for Beter Bed Holding N.V. These represent encouraging results that we believe are important to take into consideration as part of our renewed strategy.

Next steps

The outcomes of the Quick Scan provided the opportunity to examine our strategy and CSR activities from a new perspective. Based on the recommendations resulting from the aforementioned analyses, new objectives and ambitions are currently being formulated. We will reassess and define our material topics, and report on these in a quantitative way, with clearly defined KPIs that measure progress against smart targets. All ingredients which will lead to a proactive approach by the standards of the CSR maturity model.

Our renewed CSR Strategy

We aspire to become a sustainability leader in the bed and mattress industry. To achieve this ambition, we have defined a plan of action that includes various steps, both for the short, medium and long term. Short-term steps include renewing our CSR strategy.

During this process, we will both set clear focus areas and formulate smart ambitions covering all relevant entities. To define these focus areas, we will conduct a new materiality assessment. This will result in a more focussed and structured approach to our reporting. Through our new strategy, we aim to take a more proactive attitude towards sustainability by cooperating with stakeholders across our whole value chain and the industry as a whole.

Sustainable Development Goals

An important element in defining the medium- and long-term steps, is our impact on society. At present, we are already actively involved in our communities and seek to have a positive impact through our products. Nonetheless, to take this a step further we will turn our focus towards the Sustainable Development Goals (SDGs), and examine which goals apply to our operations.

Sustainable Development Goal 12, Responsible Consumption and Production, will form part of this work, as it is an important driver towards a circular economy.

Circularity is one of our key focus areas and represents the end goal of many of our innovations, as we continuously examine for new ways to further reduce our waste generation by either reduction or recycling. Informing customers and creating greater awareness about this theme is an important success factor. As we move forward, we will continue to review the SDGs and select the most relevant goals and sub-targets. This will enhance how we measure our impact and thereby enable Beter Bed Holding N.V. to improve its reporting, while also contributing positively to society as a whole.

	Short-term/mid-term	*Long-term*
CONTEXT AND RISKS	• Conduct a new materiality assessment by engaging stakeholders in order to use this for reporting as well as strategic purposes • Start assessing non-financial risks systematically	• Set up continuous stakeholder engagement management to involve them in understanding impacts, risks and opportunities • Assess and report non-financial risks in line with TCFD
STRATEGY	• Redefine CSR strategy to further focus and be able to show the sustainability positioning of Beter Bed Holding N.V. • Formulate a purpose and ambitions • Identify relevant SDG's • Operationalise strategic pillars and set (new) non-financial, smart targets	• Start measuring and reporting contribution to the SDG's • Review and update CSR policies (like whistleblowers policy, SCoC)
DATA & MONITORING	• Review existing KPI's and set up new KPI's that match CSR strategy • Set up a reporting manual to define KPI's clearly incl. scope, reporting process, etc. • Improve performance management by increasing automatisation of data collection and implementing internal controls	• Conduct a pre-assurance to have a critical look at data quality and prepare for future assurance
COMMUNICATION	• Create a storyline and use material topics to structure CSR report, with increased alignment with GRI • Set the path for integrated reporting by building a value creation model	• Integrate CSR into annual report in alignment with IIRC guidelines to keep up with listed companies

CSR tables

GRI tables

Indicator		Application level	Reference to annual report
Strategy			
102-14	Statement from senior decision maker	CORE	Overview
102-15	Key impacts, risks, and opportunities	COMPREHENSIVE	Operational
Organisational profile			
102-1	Name of the organisation	CORE	Beter Bed Holding N.V.
102-2	Activities, brands, products, and services	CORE	About Beter Bed Holding N.V.
102-3	Location of headquarters	CORE	Uden, Linie 27
102-4	Location of operations	CORE	About Beter Bed Holding N.V.
102-5	Ownership and legal form	CORE	Stock listed N.V.
102-6	Markets served	CORE	About Beter Bed Holding N.V.
102-7	Scale of the organisation	CORE	About Beter Bed Holding N.V.
102-8	Information on employees and other workers	CORE	About Beter Bed Holding N.V. - People, Culture and Leadership - HR table
102-41	Collective bargaining agreements	CORE	End 2019 new master purchase agreements are introduced.
102-9	Supply chain	CORE	About Beter Bed Holding N.V.
102-10	Significant changes to the organisation and its supply chain	CORE	About Beter Bed Holding N.V.
102-11	Precautionary principle or approach	CORE	CSR
102-12	External initiatives	CORE	CSR strategy In addition, Beter Bed Holding N.V. has signed the Charter of D&I Company and has therefore committed itself to the principles of this Charter. The Charter is a public commitment with clear agreements for realising diversity at the top of the organisation. Beter Bed Holding N.V. is also a participant of the Global Compact Code of the United Nations. The ten principles of the Global Compact Code are also included in both the general Code of Conduct and the Code of Conduct for suppliers.
102-13	Memberships of associations	CORE	CSR strategy
102-18	Corporate Governance	CORE	CSR strategy, Corporate Governance
Identified material aspects & boundaries			
102-45	Entities included in the consolidated financial statements	CORE	About Beter Bed Holding N.V. CSR strategy
102-46	Defining report content and topic Boundaries	CORE	CSR strategy
102-47	List of material topics	CORE	Operational, CSR strategy
103-1	Explanation of the material topic and its Boundary	CORE	CSR strategy
102-48	Restatements of information	CORE	CSR strategy
102-49	Changes in reporting	CORE	About Beter Bed Holding N.V.
Stakeholder engagement			
102-40	List of stakeholder Groups	CORE	CSR strategy
102-41	Collective bargaining agreements	CORE	End 2019 new master purchase agreements are introduced.

Indicator		Application level	Reference to annual report
102-42	Identifying and selecting stakeholders	CORE	CSR strategy
102-43	Approach to stakeholder engagement	CORE	The Group will evaluate on a yearly basis whether the last stakeholder dialogue sufficiently reflects the insights of the different stakeholders. The stakeholders were interviewed in preparation for the development of the 2021-2024 CSR strategy. The materiality analysis has been performed as part of the reporting process.
102-44	Key topics and concerns raised	CORE	CSR strategy
Report profile			
102-50	Reporting period	CORE	Reporting year 2020
102-51	Date of most recent report	CORE	Annual report 2020 (11 March 2021) Annual report 2019 (17 March 2020) Annual report 2018 (13 March 2019)
102-52	Reporting cycle	CORE	Yearly
102-53	Contact point for questions regarding the report	CORE	Contact form on web site: www.beterbedholding.com
102-54	Claims of reporting in accordance with the GRI Standards	CORE	This report is in accordance with the GRI Standards: Core
102-55	GRI content index	CORE	Core
102-56	External assurance	CORE	Not applicable
102-16	Values, principles, standards, and norms of behaviour	CORE	Material themes for Beter Bed Holding N.V.
103-2	The management approach and its components	CORE	Material themes for Beter Bed Holding N.V.
103-3	Evaluation of the management approach	CORE	Introduction and CSR strategy
Materials			
301-2	Recycled input materials used	CORE	Circular economy
Energy			
302-1	Energy consumption within the organisation	CORE	Energy & CO_2 emissions and Energy table
302-4	Reduction of energy consumption	CORE	Energy & CO_2 emissions and Energy table
Emissions			
305-1	Direct (Scope 1) GHG emissions	CORE	Energy & CO_2 emissions and Energy table
305-2	Energy indirect (Scope 2) GHG emissions	CORE	Energy & CO_2 emissions and Energy table
305-5	Reduction of GHG emissions	CORE	Energy & CO_2 emissions and Energy table
Effluents and waste			
306-2	Waste by type and disposal method	CORE	Circular economy
301-3	Reclaimed products and their packaging materials	CORE	Circular economy and Waste table
Supplier environmental assessment			
308-1	New suppliers that were screened using environmental criteria	CORE	Responsible chain management
BBH1[1]	Strategic suppliers with whom Beter Bed Holding has a proactive cooperation to ensure CSR criteria are embedded in the purchase process	CORE	Responsible chain management
Health and safety at work			

Indicator		Application level	Reference to annual report
BBH2[1]	Number of accidents with and without sick leave	CORE	Safe working conditions
BBH3[1]	Tests performed on air quality in distribution centres, loading docks of trucks and stores	CORE	Safe working conditions
Training and education			
404-1	Average hours of training per year per employee	CORE	Safe working conditions
Diversity and equal opportunity			
405-1	Diversity of governance bodies and employees	CORE	About Beter Bed Holding N.V. - People, Culture and Leadership - HR table
Supplier social assessment			
414-1	New suppliers that were screened using social criteria	CORE	Responsible chain management
BBH4[1]	Tenders for products and services in the Netherlands where CSR criteria are taken into account	CORE	Responsible chain management
Customer health and safety			
BBH5[1]	Safe products from store assortment which are tested on air quality	CORE	Safety & quality of products and services
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	CORE	Safety & quality of products and services

1 BBH-indicators are indicators which are developed by BBH to monitor progress on the recalibrated CSR-strategy.

Energy table

The table below provides insight into the Group's energy information, in line with GRI requirements.

	2020		2019	
Scope I and II	**Energy (TJ)**	**CO_2 (tonnes)**[1]	Energy (TJ)	CO_2 (tonnes)
Electricity (grey)	**22**	**3,415**	23	3,672
Electricity (green)	**-**	**-**	-	-
Natural gas	**26**	**1,431**	28	1,583
Fuel oil	**-**	**-**	-	-
Diesel	**27**	**1,627**	28	1,692
Total	**75**	**6,473**	79	6,947
Energy intensity[2]	**0.34**	**0.03**	0.43	0.04
Scope III[3]		**CO_2 (tonnes)**		CO_2 (tonnes)
Air travel		**33**		89
Commute travel		**601**		674
Total		**634**		763

1 CO_2 based on the GHG-protocol. Emission factors and energy density based on www.CO_2emissiefactoren.nl (2017), DEFRA (2017) and Energy Information Administration (2015).

2 Based on sales in TJ and CO_2 in tonnes per € 1,000.

3 The available information on energy consumption in the supply chain is reported as part of the scope I emissions.

Waste table

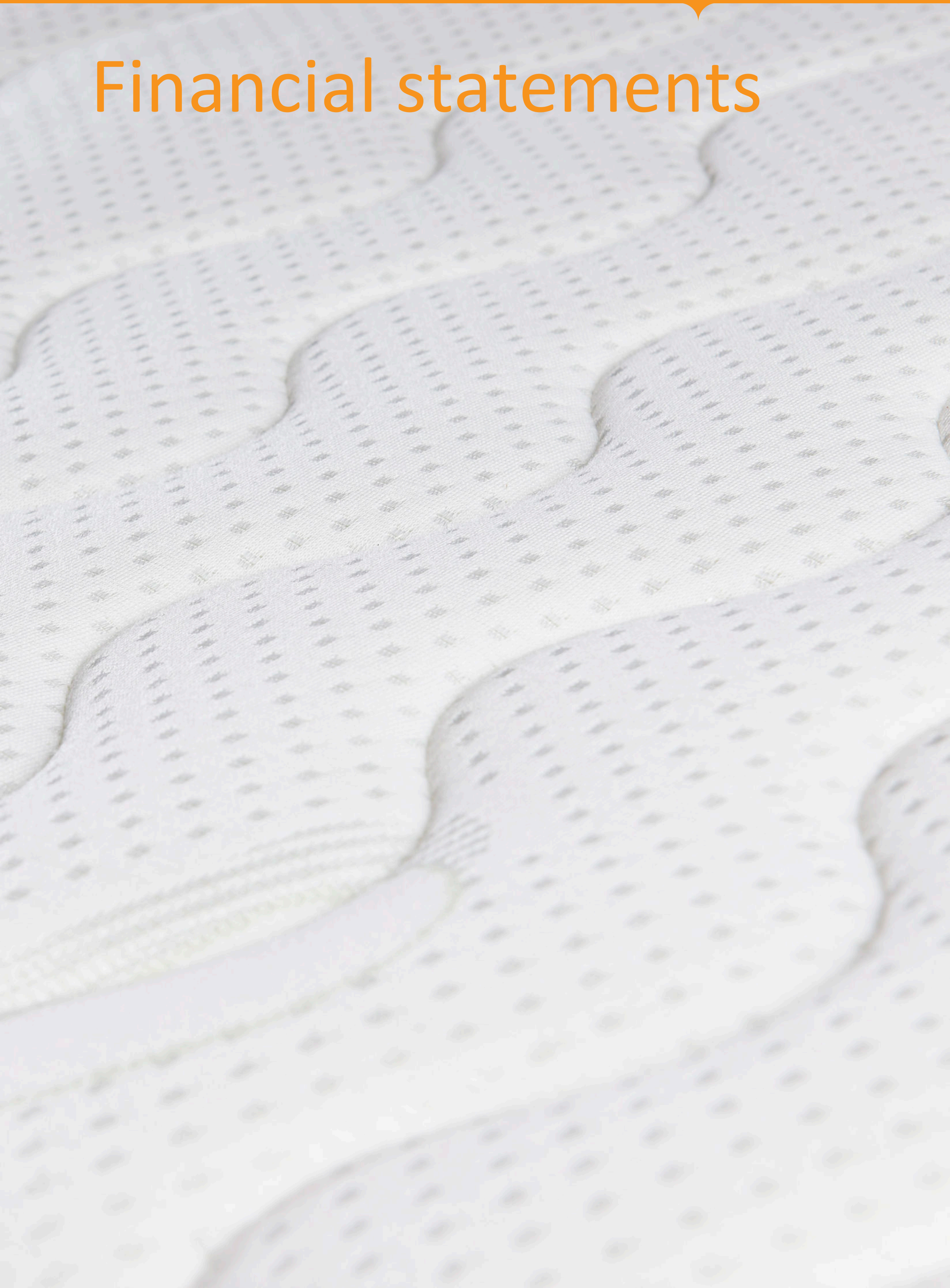
The table below provides insight into the Group's waste information, in line with GRI requirements.

Waste (tonnes)	**2020**	2019	2018	2017	2016
Cardboard and paper	**578**	543	541	583	629
Plastic	**215**	241	222	271	-
Other	**1,021**	1,051	918	1,009	1,247
Total	**1,814**	1,835	1,681	1,863	1,876
Recycled waste	**94%**	94%	94%	93%	84%

Precautionary principle

Substances not permitted by European Union (EU) standards and regulations are not be used in products sold by Beter Bed Holding N.V. In the event it is established that a substance does not comply with EU standards and regulations, the use of this substance by suppliers must be discontinued immediately. In such instances, the organisation will consult with the supplier in order to collectively identify better alternatives. Suppliers must comply with the REACH regulations when manufacturing goods. Under REACH, if strong indications exist that an operation that is taking place or about to take place will have serious effects on the environment, measures must be taken, even in the event of scientific uncertainty.

Financial statements



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Consolidated balance sheet

At 31 December and before result appropriation

in thousand €	Notes	2020	2019
Non-current assets			
Intangible assets	1.	**10,391**	8,483
Property, plant and equipment	2.	**5,512**	10,596
Right-of-use assets	3.	**39,613**	41,747
Deferred tax assets	4.	**1,986**	2,087
Other non-current financial assets	5.	**1,454**	64
Total non-current assets		**58,956**	62,977
Current assets			
Inventories	6.	**25,846**	22,233
Trade receivables	7.	**2,180**	1,830
Income tax receivable		**284**	1,594
Other receivables	7.	**6,673**	8,655
Cash and cash equivalents	8.	**21,627**	2,115
Total current assets		**56,610**	36,427
Total assets		**115,566**	99,404

At 31 December

in thousand €	Notes	2020	2019
Equity			
Issued share capital	9.	**525**	482
Share premium	9.	**27,967**	23,391
Equity instruments	9.	**3,814**	3,500
Revaluation reserve		**386**	386
Foreign currency translation reserve		**304**	514
Other reserves		**(25,211)**	27,337
Retained earnings		**7,938**	(52,575)
Total equity attributable to equity holders of the parent		**15,723**	3,035
Liabilities			
Non-current liabilities			
Lease liabilities	10.	**28,913**	29,241
Deferred tax liabilities	4.	**841**	802
		29,754	30,043
Current liabilities			
Borrowings	11.	**2,285**	9,994
Lease liabilities	10.	**14,859**	16,346
Trade payables	12.	**20,871**	14,182
Income tax payable	12.	**3,544**	-
Other taxes and social security contributions	12.	**10,888**	7,532
Other liabilities	12.	**17,642**	18,272
		70,089	66,326
Total liabilities		**99,843**	96,369
Total equity and liabilities		**115,566**	99,404

Consolidated profit and loss account

For the year ended 31 December 2020

in thousand €, unless otherwise stated	Notes	2020	2019
Continuing operations			
Revenue	13.	**222,061**	185,805
Materials and services from third parties		**(100,207)**	(87,270)
Gross profit		**121,854**	98,535
Other income	16.	-	6,404
Personnel expenses	14.	**(47,753)**	(47,064)
Depreciation, amortisation and impairment	17.	**(20,802)**	(21,676)
Other operating expenses	18.	**(40,657)**	(36,631)
Total operating expenses		**(109,212)**	(105,371)
Operating profit/(loss) (EBIT)		**12,642**	(432)
Finance costs	19.	**(943)**	(2,450)
Profit/(loss) before tax from continuing operations		**11,699**	(2,882)
Income tax	20.	**(3,761)**	(1,284)
Net profit/(loss) from continuing operations		**7,938**	(4,166)
Discontinued operations			
Profit/(loss) after tax from discontinued operations		-	(48,409)
Net profit/(loss)		**7,938**	(52,575)
Earnings per share from all operations	21.		
Earnings per share in €		**0.32**	(2.38)
Diluted earnings per share in €		**0.31**	(2.38)
Earnings per share from continuing operations			
Earnings per share in €		**0.32**	(0.19)
Diluted earnings per share in €		**0.31**	(0.19)

Consolidated statement of comprehensive income

For the year ended 31 December 2020

in thousand €	Notes	2020	2019
Profit/(loss) for the year		**7,938**	(52,575)
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Revaluation of land	2.	-	389
Tax effect relating to revaluation		-	(97)
Change of applicable tax rate	4.	-	(181)
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**35**	228
Tax effect relating to exchange differences		**(9)**	-
Total comprehensive income/(loss) for the year, net of tax		**7,964**	(52,236)
Total comprehensive income/(loss) for the year, net of tax			
Continuing operations		**7,964**	(3,827)
Discontinued operations		-	(48,409)
Total comprehensive income/(loss) for the year, net of tax		**7,964**	(52,236)

Consolidated cash flow statement

For the year ended 31 December 2020

in thousand €	Notes	2020	2019
Operating activities			
Result (loss) for the period from operations		**12,642**	(432)
Adjustments for:			
- Net finance costs		**819**	-
- Depreciation and impairment of right-of-use assets	3.	**14,224**	14,584
- Depreciation and impairment of property, plant and equipment	2.	**3,354**	5,299
- Amortisation and impairment of intangible assets	1.	**3,224**	1,793
- 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
Adjusted operating result for the period		***34,263***	*19,159*
Working capital adjustments:			
- Increase in inventories	6.	**(3,613)**	(1,403)
- Decrease in trade and other receivables	7.	**1,632**	3,200
- Increase in trade and other liabilities	12.	**9,454**	2,045
Change in working capital		***7,473***	*3,842*
Cost of share-based compensation	15.	**341**	135
Guarantees	5.	**(162)**	-
Income tax received		**1,185**	702
Discontinued operations		**-**	(20,599)
Cash flow generated from operating activities		**43,100**	3,239
Investing activities			
Capital expenditure on purchase of intangible assets	1.	**(2,169)**	(96)
Capital expenditure on purchase of property, plant and equipment	2.	**(1,409)**	(4,301)
Capital expenditure on purchase of right-of-use assets	3.	**(171)**	-
Disposals in fixed assets	2.	**244**	-
Proceeds from sale and leaseback		**-**	19,176
Changes in non-current receivables		**-**	25
Divestment of subsidiaries		**-**	(17,562)
Discontinued operations		**-**	15,473
Cash flow (used in)/generated from investing activities		**(3,505)**	12,715

in thousand €	Notes	2020	2019
Financing activities			
Contribution of equity	9.	-	5,000
Contribution of equity instruments	9.	-	3,500
Repayment of borrowings	11.	**(4,209)**	(16,504)
Proceeds from borrowings	11.	-	3,500
Interest paid	19.	**(448)**	(1,326)
Payment lease liabilities	10.	**(15,157)**	(14,410)
Cash flow used in financing activities		**(19,814)**	(20,240)
Movement in cash and cash equivalents		**19,781**	(4,286)
Net foreign exchange difference		**(269)**	228
Opening balance	8.	**2,115**	6,173
Closing balance		**21,627**	2,115

Consolidated statement of changes in equity

in thousand €	Notes	Issued share capital	Share premium	Equity instruments[1]	Revaluation reserve[1]	Foreign currency translation reserve[1]	Other reserves	Retained earnings	Total
Balance at 1 January 2019		439	18,434	-	3,200	548	47,265	(23,250)	46,636
Net profit/(loss) 2019		-	-	-	-	-	-	(52,575)	(52,575)
Discontinued operations		-	-	-	-	(262)	262	-	-
Other components of comprehensive income 2019		-	-	-	111	228	-	-	339
Total comprehensive income/(loss)		-	-	-	111	(34)	262	(52,575)	(52,236)
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	-	-
Cost of share-based compensation	15.	-	-	-	-	-	135	-	135
Balance at 31 December 2019		**482**	**23,391**	**3,500**	**386**	**514**	**27,337**	**(52,575)**	**3,035**
Net profit/(loss) 2020		-	-	-	-	-	-	**7,938**	**7,938**
Other components of comprehensive income 2020		-	-	-	-	**26**	-	-	**26**
Total comprehensive income		-	-	-	-	**26**	-	**7,938**	**7,964**
Profit appropriation 2019		-	-	-	-	-	**(52,575)**	**52,575**	-
Contributions of equity		**43**	**4,576**	-	-	-	-	-	**4,619**
Interest on equity instruments		-	-	**314**	-	-	**(314)**	-	-
Recycling of revaluation		-	-	-	-	**(236)**	-	-	**(236)**
Cost of share-based compensation	15.	-	-	-	-	-	**341**	-	**341**
Balance at 31 December 2020		**525**	**27,967**	**3,814**	**386**	**304**	**(25,211)**	**7,938**	**15,723**

1 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 formats Beter Bed, Beddenreus and Sängjätten. Beter Bed Holding N.V. is also active in the field of developing and wholesaling branded products in the bedroom furnishing sector through its subsidiary DBC International. The registered office of Beter Bed Holding N.V. is Linie 27 in Uden, the Netherlands, trade register number 16040335. 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 Principles of consolidation (see page 102).

The 2020 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 11 March 2021.

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.

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

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 the discontinued operations deconsolidated and separately reported.

Changes in accounting policies and disclosures

New standards, amendments and/or interpretations to existing IFRS standards became effective in 2020. These new standards, amendments and interpretations, as far as they are relevant to the Group, have no impact on the valuation and classification of assets and liabilities of the Group, nor on its income statement or cash flows.

New standards, amendments and/or interpretations to existing IFRS standards have been published that only need to be applied to accounting periods beginning on or after January 1, 2021. As far as these standards, amendments and interpretations are applicable to the Group, these are expected to have no effect on the valuation and classification of assets and liabilities. The Group has decided not to opt for early adoption.

Notes to the consolidated financial position

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 2020 respectively 2019.

	SEK/EUR	USD/EUR
Year-end exchange rates		
31-12-2019	10.4468	1.1234
31-12-2020	10.0343	1.2271
Average exchange rates		
2019	10.5867	1.1197
2020	10.4881	1.1413

Principles of consolidation

The consolidated financial statements comprise the financial statements of 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 gain 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 2020 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.

		Ownership interest held by the Group in %	
Name	**Registered Office**	**2020**	**2019**
Bedden & Matrassen B.V.	Uden, The Netherlands	100	100
Beter Bed B.V.	Uden, The Netherlands	100	100
Beter Bed Financial Services B.V.	Uden, The Netherlands	100	100
DBC International B.V.	Uden, The Netherlands	100	100
DBC Nederland B.V.	Uden, The Netherlands	100	100
Nordic Bedding Company (NBC) B.V.[1]	Uden, The Netherlands	100	-
Sängjätten Sverige AB	Gothenburg, Sweden	100	100
Sängjätten AB	Gothenburg, Sweden	100	100

1 Nordic Bedding Company (NBC) B.V. incorporated as per 14 May 2020

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 113).
- Taxation (see page 128).
- Inventories (see page 119).
- Trade receivables (Financial instruments) (see page 119).

Impact of COVID-19 pandemic on the financial statements

This was a year where the world was consumed with uncertainty caused by the COVID-19 pandemic having an impact on every facet of life. Our sector was no exception resulting in a forced lockdown period of in total 13 weeks (April, May and November 2020) in Belgium and more than 2 weeks in the Netherlands late 2020 (December). Ultimately, we have not witnessed significant decreases in demand, whereas the Group's core processes and supply chain aren't significantly disrupted due to continuous pro-active collaboration with our strategic suppliers. Moreover, the Group was able to secure a healthy and significant recovery of performance in sales, gross margin and cash resulting in an improved financial performance compared to previous year. The Group also closed the financial year with a strong net cash position.

During the financial reporting process we also assessed the impact of COVID-19 on the financial estimates and judgements of the Group. We believe that COVID-19 has no impact on the valuation and classification of assets and liabilities of the Group as at balance sheet date.

As the COVID-19 pandemic continues to develop with uncertainty over its duration, we have considered a range of scenarios to stress-test the Group's liquidity position through the end of 2021 and a substantial part of 2022. Based on our current knowledge, available information and with appropriate mitigating actions, we expect to remain within the Group's financial covenants, while maintaining headroom under the existing credit facilities. We continue to monitor and address the impacts of the COVID-19 pandemic on our operations.

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 home delivery service.

- **Customers for the products and services**

The operating segments sell directly to customers, 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 13 (see page 124).

2019 events

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.

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 period 2019. Matratzen Concord (MC) was divested via a share deal and the results below represent January up to and including November 2019. The activities of El Gigante del Colchón (EGDC) have been divested through an asset deal on 1 November 2018. The remaining dormant legal entities have been liquidated in 2019 leading to some remaining costs that are included in the overview.

All transactions have been finalised in 2019, there is no impact on the result of 2020 from this event.

in thousand €		2019	
	MC	EGDC	Total
Sales	162,747	4	162,751
Cost of sales	(73,241)	(15)	(73,256)
Gross profit	89,506	(11)	89,495
Other expenses	(116,696)	(407)	(117,103)
Loss before income tax	(27,190)	(418)	(27,608)
Income tax (expense)/gain	(7,533)	-	(7,533)
Loss from discontinued operations	(34,723)	(418)	(35,141)
Net cash in/(out)flow from operating activities	(20,599)	-	(20,599)
Net cash in/(out)flow from investing activities	15,891	(418)	15,473
Net cash in/(out)flow from financing activities	-	-	-
Net increase/(decrease) in cash generated by the subsidiary	(4,708)	(418)	(5,126)

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)**
Profit/(loss) on sale after income tax	**(13,268)**

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
Total assets	**112,323**
Trade payables	(6,142)
Lease liabilities	(68,447)
Other liabilities	(17,332)
Total liabilities	**(91,921)**
Net assets	**20,402**

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).

Impairment of financial assets

Beter Bed Holding N.V. applies a model of the impairment 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 twelve-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 acquired brand name *Sängjätten* and (acquired) software. For each category the applicable finite useful life has been determined and applied.

Intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

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.

Applied amortisation percentages are as follows:

- Brand name 5%;
- Software 20-33%.

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. Valuations on the land are carried out at least every three years.

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.

Leases

The Group has various lease arrangements for offices, warehouses, retail stores, equipment and vehicles. Lease terms are negotiated on an individual basis locally and subject to domestic rules and regulations. This results in a wide range of different terms and conditions. At the inception of a lease contract, the Group assesses whether the contract conveys the right to control the use of an identified asset for a certain period in exchange for a consideration, in which case it is identified as a lease. The Group then recognises a right-of-use asset and a lease liability at the lease commencement date. The Group has chosen to apply any of the practical expedients as mentioned in IFRS 16 'Leases' such as portfolio approach, exemption for low value leases, and exemption for short-term leases.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial costs incurred, and lease payments made at or before the commencement date less any lease incentives received. 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. At the end of a lease contract when the asset is fully depreciated, the value at cost is reversed against accumulated depreciation. In the event of lease abandonment, the carrying amount of the related right-of-use asset is impaired to the recoverable amounts.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis over the lease term 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.

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.

For several leases, the Group has renewal/extension options. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise the option to renew.

The transfer to other non-current financial assets relates to the sublease receivable to stores in Sweden, which are converted into a franchise as part of the store network transition.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include fixed payments less any lease incentive receivable. The lease payments also include payments of penalties for terminating a lease, in case options to renew or for early termination are reasonably certain to be exercised. Non-lease components related to the leased asset and variable lease payments that do not depend on an index or a rate are recognised as an expense in the profit and loss.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date, if the interest rate implicit in the lease if not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments.

The lessee's incremental borrowing rate is the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The incremental borrowing rate applied is periodically determined by an external valuator. A specific discount rate is applied to a portfolio of leases with reasonably similar characteristics depending on their duration and associated country, varying between 0% and 2.5%.

Lease contracts entered into in a currency different than the local functional currency are subject to periodically foreign currency revaluations, which are recognised in the income statement in net finance costs.

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 cost of completion and the estimated cost 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. 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 (see page 137).

Perpetual loan

The Company received a shareholder loan. This loan is subordinated to all other debt of the Company. The tenor of this loan is perpetual. The loan carries interest which is perpetual and subordinated as well. The perpetual loan including interest qualifies as equity and is presented as equity instruments.

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 passage of time is recognised as interest expense.

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 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
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 circumstances, when goods are instantly being taken by customers, this is at the time of payment at the cash register. In the circumstances, 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.

Cash & carry sales are paid directly at purchase in the stores. Payment terms for store purchases (B2C) consist of a down payment upon purchase and a final payment upon delivery. Payment terms for wholesale activities are set at 30 days.

Warranties
An exchange warranty is provided to B2C customers. Product warranty is given for malfunctions in products. Warranty obligations are limited for the Company, as these are recharged in full to the suppliers.

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 costs.

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 Retail Industrial Pension Fund (Pensioenfonds Detailhandel). 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 Retail Industrial Pension Fund (Pensioenfonds Detailhandel) 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 the paragraph 2019 Events (see page 104).

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 € 0.2 million (2019: € 0.1 million) on the operating profit (EBIT), if sales prices remain the same. There are virtually no financial instruments in foreign currencies. The company is furthermore exposed to a currency risk on the Swedish krona (SEK). The currency risk on the SEK is mainly applicable on the net working capital of the Swedish subsidiary.

Interest rate risk

The maximum interest rate risk on the (un)committed credit facilities would be € 0.2 million before taxation at an increase of 100 basis points (2019: € 0.2 million). A change of the interest rate of the perpetual loan (see page 122) of 100 basis points is considered not to be material to the financial result of the Company. 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 2020 or 1 January 2020 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 July 2020, the existing credit facilities are extended. For more information on the main conditions and the securities, provided related to the credit facilities at year-end, reference is made to the note Borrowings (see page 122).

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	23,360	1,725	25,085
Accumulated amortisation	(13,558)	(216)	(13,774)
At 1 January 2019	**9,802**	**1,509**	**11,311**
Additions	96	-	96
Amortisation charges	(1,718)	(75)	(1,793)
Discontinued operations	(1,103)	-	(1,103)
Foreign exchange differences	-	(28)	(28)
Movement 2019	**(2,725)**	**(103)**	**(2,828)**
Cost	15,867	1,694	17,561
Accumulated amortisation	(8,790)	(288)	(9,078)
At 31 December 2019	**7,077**	**1,406**	**8,483**
Additions	**2,169**	**-**	**2,169**
Transfer from/(to) property, plant and equipment	**3,015**	**(103)**	**2,912**
Amortisation charges	**(3,145)**	**(79)**	**(3,224)**
Foreign exchange differences	**1**	**50**	**51**
Movement 2020	**2,040**	**(132)**	**1,908**
Cost	**21,760**	**1,644**	**23,404**
Accumulated amortisation	**(12,643)**	**(370)**	**(13,013)**
At 31 December 2020	**9,117**	**1,274**	**10,391**

Intangible assets are comprised of software (€ 9.1 million) and the Sängjätten brand name (€ 1.3 million).

In the purchased software an amount of € 0.6 million is included, related to assets under construction (2019: € 1.4 million).

During the year, it was noted that some intangible assets were classified as property, plant and equipment. These assets are transferred to intangible assets during the year based on their physical substance.

An amount of € 0.4 million is included in the amortisation charges for the year related to the impairment of intangible assets that are no longer in use, or items that were replaced by the Company.

2. Property, plant and equipment

in thousand €	Land	Buildings	Other fixed operating assets	Total
Cost or fair value	7,385	10,506	127,559	145,450
Accumulated depreciation	-	(7,154)	(97,039)	(104,193)
At 1 January 2019	**7,385**	**3,352**	**30,520**	**41,257**
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)
Movement 2019	**(6,470)**	**(2,840)**	**(21,351)**	**(30,661)**
Cost or fair value	915	2,012	70,471	73,398
Accumulated depreciation	-	(1,500)	(61,302)	(62,802)
At 31 December 2019	**915**	**512**	**9,169**	**10,596**
Additions	**-**	**-**	**1,409**	**1,409**
Disposals	**-**	**-**	**(771)**	**(771)**
Transfer to intangible fixed assets	**-**	**-**	**(2,912)**	**(2,912)**
Accumulated depreciation disposals	**-**	**-**	**527**	**527**
Depreciation charges	**-**	**(72)**	**(3,282)**	**(3,354)**
Foreign exchange differences	**-**	**-**	**17**	**17**
Movement 2020	**-**	**(72)**	**(5,012)**	**(5,084)**
Cost or fair value	**915**	**2,012**	**55,315**	**58,242**
Accumulated depreciation	**-**	**(1,572)**	**(51,158)**	**(52,730)**
At 31 December 2020	**915**	**440**	**4,157**	**5,512**

In the purchased other fixed operating assets an amount of € 0.1 million is included, related to assets under construction (2019: nil).

An impairment charge of € 0.4 million is included in the depreciation charges related to other fixed operating assets that are no longer in use or are replaced by the Company.

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 €	2020	2019
Freehold land		
Cost	**402**	402
Accumulated depreciation	**-**	-
Net book amount at 31 December	**402**	402

3. Right-of-use assets

in thousand €	Right-of-use assets: Property	Right-of-use assets: Fleet	Total
Cost	-	-	-
Accumulated amortisation	-	-	-
At 1 January 2019	**-**	**-**	**-**
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)
Movement 2019	**37,320**	**4,427**	**41,747**
Cost	50,669	5,662	56,331
Accumulated amortisation	(13,349)	(1,235)	(14,584)
At 31 December 2019	**37,320**	**4,427**	**41,747**
Additions	**1,976**	**-**	**1,976**
Modifications	**9,427**	**1,776**	**11,203**
Depreciation charges	**(12,257)**	**(1,967)**	**(14,224)**
Foreign exchange differences	**139**	**-**	**139**
Transfer to other non-current financial assets	**(1,228)**	**-**	**(1,228)**
Movement 2020	**(1,943)**	**(191)**	**(2,134)**
Cost	**62,072**	**7,438**	**69,510**
Accumulated amortisation	**(26,695)**	**(3,202)**	**(29,897)**
At 31 December 2020	**35,377**	**4,236**	**39,613**

No impairment has been recognised in 2020.

A reference is made to note 10 for the respective lease liability amounts related to the right-of-use assets (see page 121).

Due to the COVID-19 pandemic, we received some minor changes of our lease payments (e.g. discounts, rent free periods). The impact of these changes had no material effects on the right-of-use assets and respective lease liabilities, and are therefore not treated as a lease modification.

Leases
The total cash outflow for leases, relating to continuing operations in 2020 was € 15.2 million (2019 € 14.4 million).

Lease amounts recognised in the statement of profit or loss

in thousand €	2020	2019
Depreciation charge of right-of-use assets		
Property lease	**(12,257)**	(12,768)
Other lease	**(1,967)**	(1,235)
Total depreciation charges	**(14,224)**	(14,003)
Impairment charges	**-**	(581)
Interest expense (included in finance cost)	**(197)**	(349)
Total amount recognised in the statement of profit or loss	**(14,421)**	(14,933)

Expenses, resulting 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 €	2020	2019
The balance comprises temporary differences attributable to:		
- Tax losses	**1,018**	1,018
- Valuation of property, plant and equipment	**253**	190
- Valuation due to lease accounting (IFRS 16)	**715**	754
- Valuation due to interest deductibility	**-**	125
At 31 December	**1,986**	2,087

The vast majority of the deferred tax assets will be recovered later than one year.

The movement of the deferred tax assets is as follows:

in thousand €	Tax losses	Property, plant and equipment	Pension obligations	Lease accounting	Interest	Total
At 1 January 2019	12,758	294	221	-	-	13,273
(Charged)/credited						
- 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**
(Charged)/credited						
- to profit or loss	**-**	**34**	**-**	**(39)**	**(125)**	**(130)**
- change in applied tax rate	**-**	**29**	**-**	**-**	**-**	**29**
At 31 December 2020	**1,018**	**253**	**-**	**715**	**-**	**1,986**

Recoverability of operating losses

At year-end 2020 a tax credit of € 4,941 thousand (2019: € 3,777 thousand) for future loss carry-forwards was recognised under financial 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 € 14,970 thousand (2019: € 14,160 thousand) 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	**17,152**
Total tax losses	**19,911**
Not recognised	**(14,970)**
At 31 December 2020	**4,941**

Deferred tax liabilities

in thousand €	2020	2019
The balance comprises temporary differences attributable to:		
- Valuation of (in)tangible assets	**105**	105
- Revaluation of land	**129**	129
- Valuation of inventories	**598**	568
- Unrealised exchange differences	**9**	-
At 31 December	**841**	802

The movement of the deferred tax liabilities is as follows:

in thousand €	Valuation of (in)tangible assets	Revaluation of land	Valuation inventories	Unrealised exchange differences	Other	Total
At 1 January 2019	1,743	825	835	-	49	3,452
(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
At 31 December 2019	**105**	**129**	**568**	**-**	**-**	**802**
(Charged)/credited						
- recognised in OCI	**-**	**-**	**-**	**9**	**-**	**9**
- to profit or loss	**-**	**-**	**21**	**-**	**-**	**21**
- change in applied tax rate	**-**	**-**	**9**	**-**	**-**	**9**
At 31 December 2020	**105**	**129**	**598**	**9**	**-**	**841**

The vast majority of the deferred tax liabilities will be realised later than one year.

5. Other non-current financial assets

Other non-current financial assets are composed as follows:

in thousand €	2020	2019
Sublease receivable	**1,228**	-
Other receivable	**226**	64
Balance at 31 December	**1,454**	64

The sublease receivable relates to stores in Sweden, which are converted into a franchise as part of the store network transition.

Other receivables relate to deposits supporting lease contracts of retail stores and DCs in the Benelux.

The measured amounts at amortised cost equal the carrying amounts at year-end 2020 and 2019.

6. Inventories

in thousand €	2020	2019
Distribution centres	13,221	9,331
Retail stores	12,625	12,902
Balance at 31 December	25,846	22,233

At year-end 2020, an amount of € 155 thousand (2019: € 212 thousand) is measured for inventories carried at net realisable value. During 2020, an amount of € 6 thousand (2019: € 12 thousand) is recognised in the statement of income for the write-down of inventories.

7. Receivables

Trade receivables

in thousand €	2020	2019
Trade receivables	2,235	1,954
Allowance for expected credit losses	(55)	(124)
Balance at 31 December	2,180	1,830

The movement in the allowance for expected credit losses is as follows:

in thousand €	2020	2019
Balance as at 1 January	(124)	(71)
Write-offs against provision	79	79
Release/(addition) for the year	(10)	(132)
Foreign exchange differences	-	-
Balance at 31 December	(55)	(124)

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 111).

Trade receivables are written off, where there is no reasonable expectation of recovery; in 2020 an amount of € 10 thousand has been written off (2019: € 132 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 longer 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.

Other receivables

Other receivables, amounting € 6,673 thousand (2019: € 8,655 thousand), are comprised of credit invoices to be received, prepaid costs, advance payments and miscellaneous receivables.

8. Cash and cash equivalents

in thousand €	2020	2019
Bank balances	**20,948**	1,262
Cash	**31**	111
Cash in transit	**648**	742
Balance at 31 December	**21,627**	2,115

All cash and cash equivalents at reporting date are at the free disposal of the Group.

9. Equity

Issued share capital and share premium

	2020 Shares	2019 Shares	2020 €'000	2019 €'000
Issued share capital and share premium				
Ordinary shares:				
- Fully paid and share premium	**24,105,562**	21,955,562	**23,873**	18,873
- Issued for cash	**-**	2,150,000	**-**	5,000
- Shareholder loan conversion	**2,134,835**	-	**4,619**	-
Total share capital and premium at 31 December	**26,240,397**	24,105,562	**28,492**	23,873

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 2020 a total of 26,240,397 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.

In July 2020, the shareholder loan of € 3.5 million plus incurred interest of € 1.1 million was converted into share capital and share premium. In total 2,134,835 new shares have been issued for this transaction.

Equity instruments

in thousand €	2020	2019
Balance at 1 January	**3,500**	-
Proceeds from borrowings	**-**	3,500
Interest on equity instruments	**314**	-
Total equity instruments at 31 December	**3,814**	**3,500**

The equity instruments comprises of a perpetual loan (see page 122) and its incurred interest. This perpetual loan carried an interest percentage of 7.5% up to 16 July 2020, with a step up to 10% until mid-2021 and 15% thereafter. In conformity with the loan the interest is perpetual as well. These interest expenses are directly recognised in other reserves. Payment of dividend will only be allowed after full repayment of the perpetual loan and its incurred interest.

10. Lease liabilities

Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

in thousand €	2020	2019
Right-of-use assets		
Property lease	**35,377**	37,320
Other lease	**4,236**	4,427
At 31 December	**39,613**	41,747
Lease liabilities		
Non-current	**28,913**	29,241
Current	**14,859**	16,346
At 31 December	**43,772**	45,587

The Group leases various offices, warehouses, retail stores, equipment and vehicles from third parties under non-cancellable lease agreements. The lease agreements vary in duration, termination clauses and renewal options. The average incremental borrowing rate applied during 2020 is 0.44% (2019: 0.74%).

The average term of the lease liabilities is an approximate 3 years of which the first year is represented under the current lease liabilities. The remaining part is presented as non-current lease liabilities. On average the lease payments to be paid after the balance sheet date amounts to approximately € 14.6 million per year.

11. Borrowings

in thousand €	2020	2019
Revolving credit facilities	**2,285**	3,320
Shareholder loan	-	3,500
Bank overdraft	-	3,174
At 31 December	**2,285**	9,994

Credit facilities

To fund the Group, the Company has current account facilities, totalling € 22.3 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 31 December 2021. Security is provided in respect of pledge on shares in all Dutch companies, its bank accounts, movable assets, insurances, receivables, IP rights and domain names and the mortgage on the real-estate from the stores in Uden, Elst and Den Helder. The main conditions of the credit facilities are a total net debt/EBITDA ratio below 2.5x, the aggregate amount of utilisations under the uncommitted facility shall not exceed € 14.1 million on the 15th day of each month and a guarantor cover over 85% threshold.

At year-end 2020, Beter Bed Holding N.V. complied with all bank covenants. At the end of the year an amount of € 2.3 million (2019: € 3.3 million) was used under the revolving credit facilities and none (2019: € 3.2 million) of the bank overdrafts were utilised.

Shareholder loan

In the second half year of 2019 shareholder loans were received for an amount of € 7.0 million of which € 3.5 million was converted into a perpetual shareholder loan, qualifying as equity as of the end of 2019. In July 2020, the remaining shareholder loan of € 3.5 million plus incurred interest of € 1.1 million was converted into equity (see page 120).

Terms and repayment schedule

in thousand €	Nominal interest rate	Year of maturity	Face value	Carrying amount
Revolving credit facilities	Euribor + 4.00	2021	2,285	2,285
Uncommitted credit facilities	Euribor + 3.50	2021	-	-
At 31 December 2020			**2,285**	**2,285**

Changes in liabilities arising from financing activities

in thousand €	Liabilities from financing activities		
	Borrowings	Leases	Total
Financial liabilities at 1 January 2019	**(22,998)**	**(142,525)**	**(165,523)**
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)
Financial liabilities at 31 December 2019	**(9,994)**	**(45,587)**	**(55,581)**
Conversion incurred interest	**(1,119)**	**-**	**(1,119)**
Repayment of borrowings	**4,209**	**-**	**4,209**
Conversion into equity	**4,619**	**-**	**4,619**
Additions	**-**	**(13,008)**	**(13,008)**
Payment lease liabilities	**-**	**15,157**	**15,157**
Foreign exchange differences	**-**	**(145)**	**(145)**
Discounting impact of recognised lease liabilities	**-**	**(189)**	**(189)**
Financial liabilities at 31 December 2020	**(2,285)**	**(43,772)**	**(46,057)**

12. Trade payables, taxes and other liabilities

Trade payables are unsecured and are usually paid within 60 days of recognition.

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

The income tax payable relates to this year's fiscal result. The income tax position is with the Dutch tax authorities.

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

The Company had no other contingent liabilities or commitments as at 31 December 2020, except for trade purchase commitments of € 18.4 million.

Other liabilities

Other liabilities are composed as follows:

in thousand €	**2020**	2019
Prepayments customers	**10,389**	10,347
Accrual employee benefits	**4,018**	5,068
Other liabilities	**3,235**	2,857
At 31 December	**17,642**	18,272

Notes to the consolidated income statement

13. Information by geographical area

Revenue by country, in thousand €	2020	%	2019	%
The Netherlands	195,195	87.9	158,731	85.4
Belgium	12,269	5.5	10,516	5.7
Sweden	14,597	6.6	16,558	8.9
Total	222,061	100.0	185,805	100.0

Total assets by country, in thousand €[1]	2020	%	2019	%
The Netherlands	46,237	83.3	48,403	79.6
Belgium	4,331	7.8	4,223	6.9
Sweden	4,948	8.9	8,200	13.5
Total	55,516	100.0	60,826	100.0

1 Total assets include intangible assets, property, plant and equipment and right-of-use assets.

14. Personnel expenses

in thousand €	2020	2019
Wages and salaries	34,393	33,028
Social security costs	6,685	6,745
Pension costs	3,182	3,141
External staffing	3,152	4,015
Share-based compensation	341	135
Total	47,753	47,064

The pension contributions relate to defined contribution schemes or schemes designated as such.

Number of employees at year-end

FTE	2020	2019
The Netherlands	917	883
Belgium	39	34
Sweden	71	88
Total	1,027	1,005

15. Share-based compensation

Share-based compensation relates to the equity-settled option programs. In 2020, Beter Bed Holding N.V. replaced its long-term incentive plan based on stock options with Performance Share Units (PSUs). The stock option plan continues to be served till the expiry date. Total charges recognised in the 2020 statement of income for both programs amounted to € 341 thousand (2019: € 135 thousand) and are included in salaries and wages.

PSUs

The long-term incentive rewards members of the Management Board and senior management for the achievement of the Company's strategic objectives over a three-year period. The number of participants of the PSU plan at year-end 2020 were 13 (2019: none).

Under the PSU plan, an annual conditional grant of shares is awarded to the members of the Management Board and senior management. PSU plan conditions deviate between members of the Management Board and senior management. Members of the Management Board annually receive a conditional grant in shares to a value equivalent to 50% of base salary. The grant is conditional, based on:

- Performance delivered on predefined targets over a three-year period;
- Continued employment until vesting date.

Each year at grant, the Supervisory Board sets performance conditions that reflect the intended long-term value creation and targets for the required performance levels. Depending on the actual performance delivered, vesting may range from 60% of the conditional grant at threshold level to a maximum of 140% for the Management Board.

After vesting of the shares, a further two-year holding period applies. This two-year holding period only applies to PSUs of Board Members.

The following table summarises information about the PSU granted at year-end:

Year of grant	Outstan-ding at 31-12-2019	Granted[1]	Exercised	Forfeited /Expired	Outstan-ding at 31-12-2020	Vesting date	End of holding period[2]
2020 Management Board	-	232,248	-	-	232,248	31-12-22	31-12-24
2020 Management	-	27,834	-	-	27,834	31-12-22	-

1 At 100% of the conditional grant.

2 The management PSUs are not subject to a two-year holding period.

Stock option program

Under the option program, a number of options are granted to members of the Management Board and senior management each year. The number of participants of the option program at year-end 2020 were 8 (2019: 7).

On the occasion of her appointment as CFO, and in line with the Remuneration policy of the Company, Mrs Reijnen was awarded a single grant of 100,000 signing options as approved by the AGM in 2020.

Options are exercised at the discretion of the holder, however, may only be exercised after the completion of a three-year vesting period. Relating to the management options 2018 and 2019, 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 2020 signing options may only be exercised after the completion of a three-year vesting period. 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	Outstan-ding at 31-12-2019	Granted	Exercised	Forfeited /Expired	Outstan-ding at 31-12-2020	Exercise price (€)	Vesting date	Expiry date
2018 Management options	27,500	-	-	-	27,500	8.24	26-04-21	25-04-23
2019 Management options	65,000	-	-	-	65,000	4.34	24-04-22	24-04-24
2019 Signing options (CEO)	300,000	-	-	-	300,000	4.34	24-04-21	24-04-22
2019 Options (CEO)	50,000	-	-	-	50,000	4.34	24-04-22	24-04-24
2020 Signing options (CFO)	-	100,000	-	-	100,000	1.66	01-01-23	01-01-24

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 and CFO). 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.

	2020 Signing options	2019 Options[1]	2019 Signing options	2018 Options
Share price at grant date (€)	1.62	4.41	4.41	9.04
Exercise price (€)	1.66	4.34	4.34	8.24
Expected volatility	58.51%	28.55%	32.16%	22.80%
Expected average option life in years	4 years	5 years	3 years	5 years
Weighted average risk free rate	(0.61)	(0.34)	(0.53)	0.03
Dividend yield	0.00%	0.36%	0.36%	4.70%
Fair value of option granted (€)	0.69	0.91	0.95	1.11

1 2019 Options contain both board members and management options.

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.

16. Other income

Other income 2019 represents the realised gains at inception on the divestment of land and property resulting from the IFRS 16 accounting for sale-and-leaseback transactions. No other income has been realised in 2020.

17. Depreciation, amortisation and impairment

in thousand €	2020	2019
Depreciation charges right-of-use assets	**14,224**	14,584
Depreciation and impairment charges property, plant and equipment	**3,354**	5,299
Amortisation and impairment charges intangible assets	**3,224**	1,793
Total	**20,802**	21,676

18. Other operating expenses

The other operating expenses are comprised as follows:

in thousand €	2020	2019
Housing expenses	**4,485**	4,280
Sales and marketing expenses	**15,192**	11,129
Warehouse and logistic expenses	**7,565**	6,677
General expenses	**9,901**	12,114
Other personnel expenses	**2,848**	2,364
Other costs	**666**	67
Total	**40,657**	36,631

The sales and marketing expenses increased reflecting the investments to grow the online and offline order intake.

The 2019 general expenses reflected incidental advisory and legal costs related to the transition of the Group. The transition has been finalised in 2019.

19. Finance costs

in thousand €	2020	2019
Interest costs	**746**	2,101
Interest expenses on recognised lease liabilities	**197**	349
Total	**943**	2,450

The interest costs mainly relate to PIK interest on the shareholder loan incurred during the first half year of 2020. Lease liabilities are calculated using the applicable incremental borrowing rate. The average incremental borrowing rate applied during 2020 is 0.44% (2019: 0.74%).

20. Income tax

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

in thousand €	2020	%	2019	%
Profit/(loss) before taxes from continuing operations	**11,699**	**100.0**	(2,882)	100.0
Tax using the company's domestic tax rate: 25.0% (2019: 25.0%)	**2,925**	**25.0**	(721)	25.0
Adjustment profit tax previous years	**66**	**0.5**	-	-
Unrecognised operating losses	**446**	**3.8**	1,703	(59.1)
Step-up rate the Netherlands 16.5%-25%	**(17)**	**(0.1)**	(38)	1.3
Permanent tax differences	**293**	**2.5**	400	(13.9)
Spain recoverable tax	**-**	**-**	(60)	2.1
Effect of the tax rates outside the Netherlands	**48**	**0.4**	-	-
At an effective tax rate of 32.1% (2019: -44.6%)	**3,761**	**32.1**	1,284	(44.6)

The effective tax rate in the 2020 profit and loss account is 32.1% (2019: -44.6%). In 2020 the effective tax rate is mainly impacted by unrecognised operating losses and permanent tax differences.

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

in thousand €	2020	2019
Current tax expenses/(gains)		
Current tax on fiscal profits for the year	**3,544**	3,256
Tax regarding Spain result 2019	**-**	(60)
Adjustment of current tax of previous periods	**86**	-
Other	**-**	(107)
Total current tax expense	**3,630**	3,089
Deferred income tax		
Decrease/(increase) in deferred tax assets	**101**	(775)
Increase/(decrease) in deferred tax liabilities	**30**	(1,030)
Total deferred tax expense/(income)	**131**	(1,805)
Income tax expense/(gain)	**3,761**	1,284

21. Earnings per share

in €	2020	2019
Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	**0.32**	(0.19)
From discontinued operations	**-**	(2.19)
Total basic earnings per share attributable to the ordinary equity holders of the company	**0.32**	(2.38)
Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	**0.31**	(0.19)
From discontinued operations	**-**	(2.19)
Total diluted earnings per share attributable to the ordinary equity holders of the company	**0.31**	(2.38)

Reconciliation of earnings used in calculating earnings per share

in thousand €	2020	2019
Basic earnings per share (numerator)		
Result attributable to the ordinary equity holders of the company used in calculating basic earnings per share:		
- From continuing operations	**7,938**	(4,166)
- From discontinued operations	**-**	(48,409)
Total result used in calculating basic earnings per share	**7,938**	(52,575)

Weighted average number of shares used as the denominator

Number	2020	2019
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**25,085,247**	22,132,274
Adjustments for calculation of diluted earnings per share:[1]		
- Stock options	**100,000**	-
- PSUs	**260,082**	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**25,445,329**	22,132,274

1 Based upon closing price of BBH stock as per 31 December 2020.

22. Remuneration of the Management Board and Supervisory Board

The remuneration of members of the Management Board was as follows in 2020 and 2019:

in thousand €	Fixed remuneration 2020			Variable remuneration 2020			Other 2020	
	Salary	Other employee benefits	Pension benefits	One-year variable	PSUs	Options on shares	Extra-ordinary items	Total
A.J.G.P.M. Kruijssen	**472**	**81**	**142**	**368**	**70**	**132**	**-**	**1,265**
G.E.A. Reijnen	**300**	**91**	**75**	**195**	**45**	**15**	**-**	**721**
Total	**772**	**172**	**217**	**563**	**115**	**147**	**-**	**1,986**

in thousand €	Fixed remuneration 2019			Variable Remuneration 2019			Other 2019	
	Salary	Other employee benefits	Pension benefits	One-year variable	PSUs	Options on shares	Extra-ordinary items	Total
A.J.G.P.M. Kruijssen	450	54	135	351	-	91	-	1,081
H.G. van den Ochtend[1]	255	24	64	-	-	8	362	713
Total	**705**	**78**	**199**	**351**	**-**	**99**	**362**	**1,794**

1 Up to and including 12 December 2019.

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

The costs listed under Options on shares represent the amount accounted for in the profit and loss account for that year. The costs in 2019 include the severance package relating to Mr Van den Ochtend including the salary until formal dismissal.

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 2020 and 2019:

in thousand €	2020	2019
B.E. Karis	**50.0**	36.7
A. Beyens	**40.0**	30.0
P.C. Boone	**40.0**	30.0
B.M.A. van Hussen	**25.0**	-
M.C. Schipperheijn	**25.0**	-
H.C.M. Vermeulen[1]	**15.0**	21.0
G.E.A. Reijnen[2]	**-**	18.2
D.R. Goeminne[3]	**-**	13.3
Total	**195.0**	149.2

1 Stepped down as Supervisory Director as per 13-05-2020.

2 Stepped down as Supervisory Director as per 12-12-2019 upon her appointment as CFO.

3 Stepped down as Supervisory Director after the Annual General Meeting held at 25-04-2019.

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

23. Events after the balance sheet date

As of 3 March 2021 our stores in the Netherlands are open offering Netherlands residents shopping by appointment. At the moment we are only allowed to let in two customers per floor in time slots of at least 10 minutes. Customers must make a booking at least four hours in advance.

Subsequent to the date of the balance sheet, there are no other events material to the Group as a whole that require disclosure in this note.

24. Related party transactions

The companies listed in principles of consolidation (see page 102) 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, with the exception of Nordic Bedding Company (NBC) B.V., 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 2020 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 €	2020	2019
Short-term employee benefits	**1,986**	1,432
Termination benefits	**-**	362
Total	**1,986**	1,794

Key management personnel compensation relates to the Management Board. Detailed remuneration disclosures are provided in note 22 (see page 130).

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

Transactions with other related parties

in thousand €	2020	2019
Conversion shareholder loan and incurred interest into new ordinary shares	**4,619**	-
Interest on equity instruments	**314**	-
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
Total	**4,933**	13,575

Company financial statements

Company balance sheet

At 31 December and before result appropriation

in thousand €	Notes	2020	2019
Non-current assets			
Intangible assets		**79**	155
Financial assets	25.	**66,650**	51,415
Total non-current assets		**66,729**	51,570
Current assets			
Other receivables	26.	**804**	4,581
Cash and cash equivalents	27.	**19,217**	809
Total current assets		**20,021**	5,390
Total assets		**86,750**	56,960
Equity			
Issued share capital		**525**	482
Share premium		**27,967**	23,391
Equity instruments		**3,814**	3,500
Revaluation reserve		**386**	386
Foreign currency translation reserve		**304**	514
Other reserves		**(25,211)**	27,337
Retained earnings		**7,938**	(52,575)
Total equity	28.	**15,723**	3,035
Liabilities			
Non-current liabilities			
Provisions	29.	**5,503**	4,850
Deferred tax liabilities		**9**	-
		5,512	4,850
Current liabilities			
Other liabilities	30.	**65,515**	49,075
		65,515	49,075
Total liabilities		**71,027**	53,925
Total equity and liabilities		**86,750**	56,960

Company profit and loss account

For the year ended 31 December 2020

in thousand €	**2020**	2019
Revenue	**-**	-
Materials and services from third parties	**(734)**	(1,013)
Gross profit	**734**	1,013
Personnel expenses	**(2,304)**	(2,539)
Depreciation, amortisation and impairment	**(77)**	(77)
Other operating expenses	**(4,221)**	(7,352)
Total operating expenses	**(6,602)**	(9,968)
Operating profit/(loss) (EBIT)	**(5,868)**	(8,955)
Finance income	**236**	57
Finance costs	**(875)**	(1,979)
Profit/(loss) before taxation	**(6,507)**	(10,877)
Income tax	**1,263**	2,319
Result participations	**13,182**	(44,017)
Net profit/(loss)	**7,938**	(52,575)

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 formats Beter Bed, Beddenreus and Sängjätten. Beter Bed Holding N.V. is also active in the field of developing and wholesaling branded products in the bedroom furnishing sector through its subsidiary DBC International. The registered office of Beter Bed Holding N.V. is Linie 27 in Uden, the Netherlands, trade register number 16040335. 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). These policies also include the classification and presentation of financial instruments, being equity instruments or financial liabilities.

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

Beter Bed Holding N.V. had an average number of 7 employees (FTE) in 2020 (2019: 5).

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

25. Financial assets

This item includes the participating interests in the Group companies (see page 102) 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
Balance at 1 January 2019	**79,934**	**-**	**4,850**	**84,784**
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)
Other	-	-	125	125
Divestments	(2,866)	-	-	(2,866)
Balance at 31 December 2019	**51,290**	**-**	**125**	**51,415**
Net income from subsidiaries: profit/(loss)	**13,835**	**-**	**-**	**13,835**
Capital contribution	**990**	**-**	**-**	**990**
Exchange rate differences	**35**	**-**	**-**	**35**
Issuing of loan	**-**	**500**	**-**	**500**
Other	**-**	**-**	**(125)**	**(125)**
Balance at 31 December 2020	**66,150**	**500**	**-**	**66,650**

In July 2020, the Company issued a term loan facility of € 2.2 million to its subsidiary Nordic Bedding Company (NBC) B.V. Under this facility an amount of € 0.5 million was drawn in December 2020. The interest rate of this loan is six months EURIBOR increased by a spread of 3.75%. The loan must be repaid in full before July 2022. No securities are put in place.

26. Other receivables

in thousand €	2020	2019
Corporate income taxes	**284**	1,557
VAT receivables	**48**	246
Other receivables	**472**	2,778
At 31 December	**804**	4,581

All receivables fall due within one year.

27. 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.

28. Total 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 2020 a total of 26,240,397 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 100).

in thousand €	2020	2019
Shareholders' equity at year-end	**15,723**	3,035
Restricted reserves:		
Issued share capital	**(525)**	(482)
Revaluation reserve	**(386)**	(386)
Foreign currency translation reserve	**(304)**	(514)
Equity instruments	**(3,814)**	(3,500)
Total unrestricted reserves at 31 December	**10,694**	(1,847)

29. Provisions

At year-end 2020 and 2019 the provisions consisted in full of the provision for participating interests (see page 138). 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 2020 and 2019 are as follows:

in thousand €	2020	2019
Balance at 1 January	**4,850**	5,647
Net income from subsidiaries: (profit)/loss	**653**	6,177
Capital contribution	**-**	(10,361)
Exchange rate differences	**-**	(295)
Divestments	**-**	3,682
Balance at 31 December	**5,503**	4,850

In 2020 no capital deposits have been made to purify the negative equities of the subsidiaries and therefore remain in the provision for participating interests. The duration of the provisions is more than one year.

30. Other liabilities

The breakdown of this balance sheet item is as follows:

in thousand €	2020	2019
Borrowings	**2,285**	9,994
Payables to group companies	**57,704**	35,869
Corporate income taxes	**3,544**	-
Taxes and social security contributions	**341**	51
Other liabilities	**1,641**	3,161
At 31 December	**65,515**	49,075

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. These intra-group balances are unsecured and carry no interest. The fair value of these intra-group balances do not differ from their carrying amounts.

All amounts included in the current liabilities are due within one year.

31. 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. The Company does not form a tax entity for VAT purposes.

Beter Bed Holding N.V. has issued declarations of joint and several liability for all Dutch Group companies, with the exception of Nordic Bedding Company (NBC) B.V., 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.

32. Events after the balance sheet date

Subsequent to the date of the balance sheet, no events material to the Company occurred that require disclosure other than mentioned under note 23 (see page 131).

33. Audit fees

The following auditors' fees were expensed in the profit and loss account in the reporting period:

in thousand €	PwC Accountants NV 2020	Other PwC network firms 2020	Total PwC 2020	Total PwC 2019
Audit of financial statements	**319**	**41**	**360**	454
Audit-related fees	**2**	**-**	**2**	-
Tax advisory services	**-**	**-**	**-**	-
Other non-audit services	**-**	**-**	**-**	-
Total	**321**	**41**	**362**	454

No services were provided to discontinued operations in 2020. In 2019 a total of € 0.1 million related to services provided to discontinued operations.

34. Appropriation of result

The Management Board proposes to add the net result of € 7,938 thousand in full to the other reserves. The proposal for the appropriation of result has not been taken into the balance sheet.

Uden, the Netherlands, 11 March 2021

Management Board	Supervisory Board
A.J.G.P.M. Kruijssen, CEO	B.E. Karis, Chair
G.E.A. Reijnen, CFO	P.C. Boone, Vice Chair
	A. Beyens
	B.M.A. van Hussen
	M.C. Schipperheijn

Other information

Independent auditor's report

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

Report on the annual report 2020

Our opinion

In 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 2020 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 2020 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 2020 of Beter Bed Holding N.V., Uden.
The financial statements include the consolidated financial statements of the Group and the company financial statements.

The financial statements comprise:
- the consolidated balance sheet as at 31 December 2020;
- the following statements for 2020: 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 2020;
- 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.

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 regulations 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'.

Revenue growth of the continuing business and the COVID-19 pandemic and related lockdowns in several countries where the Group is present characterised year 2020 for Beter Bed Holding N.V. The recent (15 December 2020) closure of all non-essential stores in the Netherlands impacted the order intake and revenue both at the end of 2020 and beginning of 2021. Given the fact that revenue is a key measure and given the strong 2020 results compared to 2019 combined with the impact from COVID-19 and the governmental non-essential store shutdown, there is a risk of completeness through cut-off and occurrence of revenue. Therefore, we considered revenue as a key audit matter.

Management has taken steps in both 2020 and 2021 to reduce costs. The management board performed sensitivity analysis over the cashflow forecast to factor in the potential impact of the effects of COVID-19 on the Company's operations. Given the importance of a timely refinancing and the ongoing effect of the COVID-19 pandemic on the Company's liquidity, we have considered this a key audit matter.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management 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 Company describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty.

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a retail- and wholesale organization. We therefore included experts and specialists in the areas of amongst others IT and income tax in our team.

The outline of our audit approach was as follows:

Materiality

- Overall materiality: €2,221,000

Audit scope

- We conducted audit work on the financial reporting of 4 entities
- We have audited the complete financial information of Beter Bed B.V. and DBC Nederland B.V. Specific audit procedures were performed for the components Beter Bed Financial Services B.V. and Beter Bed Holding N.V.
- Audit coverage: 88% of consolidated revenue, 92% of consolidated total assets and 93% of consolidated profit before tax.

Key audit matters

- Financial position and refinancing;
- Revenue

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.

Overall group materiality	€ 2,221,000 (2019: € 1,858,000, like-for-like basis).
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement we used 1% of revenue.
Rationale for benchmark applied	We used revenue as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis, we believe that revenue is an important metric for the financial performance of the Company. Profit before taxation is not considered an appropriate benchmark, because this would result in large fluctuations in overall group materiality year over year.
Component materiality	To each component in our audit scope, we, based on our judgement, allocate materiality that is less than our overall group materiality. The range of materiality allocated across components was between €1,500,000 and €2,221,000. We have allocated a lower materiality level of €1,500,000 to DBC Nederland B.V. and €2,200,000 to Beter Bed B.V. based on 1% revenue of the continued business on a standalone basis.

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 (2019: €100,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

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

We tailored the scope of our audit to ensure that we, in aggregate, provide sufficient coverage of 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. There are no component auditors involved in this group audit.

The group audit primarily focussed on the significant components: Beter Bed B.V. and DBC Nederland B.V.

We performed audits on Beter Bed B.V. and DBC Nederland B.V. and their complete financial information, as those components are individually financially significant to the Group. We further subjected Beter Bed Financial Services B.V. and Beter Bed Holding N.V. stand alone to specific risk-focussed audit procedures as they include significant or higher risk areas.

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

Revenue	88%
Total assets	92%
Profit before tax	93%

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 engagement team performed the audit work for group entities Beter Bed B.V., DBC Nederland B.V., Beter Bed Financial Services B.V. and Beter Bed Holding N.V.

The engagement team performed the audit work on the group consolidation, financial statement disclosures and a number of complex items at the head office. These included, share-based payments, taxes and related disclosures and the company financial statements of Beter Bed Holding N.V.

By performing the procedures above, 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.

Our focus on the risk of fraud and non-compliance with laws and regulations

Our objectives

The objectives of our audit are:

In respect to fraud:

- to identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate audit responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

In respect to non-compliance with laws and regulations:

- to identify and assess the risk of material misstatement of the financial statements due to non-compliance with laws and regulations; and
- to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error when considering the applicable legal and regulatory framework.

The primary responsibility for the prevention and detection of fraud and non-compliance with laws and regulations lies with management with the oversight of the supervisory board.

Our risk assessment

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated the fraud risk factors to consider whether those factors indicated a risk of material misstatement due to fraud.

In addition, we performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable for the Group. We identified provisions of those laws and regulations, generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements such as the financial reporting framework and tax and pension laws and regulations.

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

Our response to the risks identified

We performed the following audit procedures to respond to the assessed risks:

- We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls that mitigate fraud risks.
- We performed data analysis of high-risk journal entries and evaluated key estimates and judgements for bias by Beter Bed Holding N.V., including retrospective reviews of prior year's estimates. Where we identified instances of unexpected journal entries or other risks through our data analytics, we performed additional audit procedures to address each identified risk. These procedures also included testing of transactions back to source information.
- We incorporated an element of unpredictability in our audit.
- We considered the outcome of our other audit procedures and evaluated whether any findings or misstatements were indicative of fraud. If so, we revaluated our assessment of fraud risk and its resulting impact on our audit procedures.
- We obtained audit evidence regarding compliance with the provisions of those laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements.
- As to the other laws and regulations, we inquired with management and/or the supervisory board as to whether the entity is in compliance with such laws and regulations and inspected correspondence, if any, with relevant licensing and regulatory authorities.

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.

Key audit matter	Our audit work and observations
Financial position and refinancing ***Notes to the consolidated financial statements*** The current credit facilities will expire per 31 December 2021 and given the uncertainties caused by the COVID-19 pandemic and related government measures on the Company's business operations, we focused on the ability of the Group to continue as a going concern. Next to uncertainties caused by the COVID-19 pandemic the Group's ability to continue as a going concern is also dependent on management's ability to refinance its credit facilities and to maintain liquidity to pay its creditors. The management board expects that refinancing will be negotiated before the expiration of the current credit facilities and that sufficient liquidity can be ensured for at least the next twelve months to continue as a going concern. The impact of the COVID-19 pandemic and related government measures together with the refinancing needs are evaluated by the management board in a liquidity forecast to anticipate for financing needs and to substantiate the entity's ability to continue as a going concern. The management board performed a sensitivity analysis over the cashflow forecast to factor in the potential impact of the effects of COVID-19 on the Company's operations. In the sensitivity analysis, the management board determined a base and worst-case scenario by making various assumptions like order intake, revenue growth rates for both the online and offline channels, gross margin percentages, operating expenses, working capital needs and free cash flows, risks and opportunities. The management board has analyzed and assessed the liquidity position and -needs of the Group for at least the next twelve months and is confident that the refinancing will be completed timely and that there is sufficient liquidity to continue to operate as a going concern. Given the importance of a timely refinancing and the ongoing effect of the COVID-19 pandemic on the Company's liquidity, we have considered this as a key audit matter.	We have assessed the liquidity forecast of the continuing business for each of the scenarios and its underlying assumptions made by the management board. Where possible, we have tested these assumptions by comparing them to previously realized results, current results, operational KPIs, results of actions taken and external sources. By assessing the liquidity forecast, we used a mix of audit techniques including inquiry with different people within the Company, inspecting calculations on the different models, reperformed reconciliations 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 and the entity's ability to continue as a going concern.

Key audit matter	Our audit work and observations
Revenue ***Notes to the consolidated income statement*** 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 recognized 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 strong 2020 results compared to 2019 combined with the impact from COVID-19 and the governmental store shutdown since 15 December 2020, there is a risk of completeness through cut-off and occurrence of revenue. Therefore, we considered revenue as a key audit matter.	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 completeness and occurrence 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 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 as at year-end and we have performed audit procedures on the appropriate cutoff 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:

- BBH at a glance *(including; Statement of the CEO, About Beter Bed Holding N.V., Organisational structure, Regions and Store portfolio)*;
- Management report *(including; General, Our strategy in 2020, People, Culture and Leadership, Financial results, Risk management and Expectations and outlook)*;
- Governance *(including; Management Board biographies, Supervisory Board biographies, Corporate Governance, Report of the Supervisory Board, Remuneration report, Statement of the Management Board and Shareholder information)*;
- CSR *(including; General, 2020 at a glance, Summary of facts, The CSR year in brief, Operational, CSR strategy 2021 and Precautionary principle)*;
- Other information *(including; Independent auditor's report and Appropriation of result pursuant to the articles of association)*.

We draw special attention to CSR (including; General, 2020 at a glance, Summary of facts, The CSR year in brief, Operational, CSR strategy 2021 and Precautionary principle) which has not been audited at all by us.

Based on the procedures performed as set out below, we conclude that the other information, excluding the above mentioned CSR part:

- 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.

Management 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 supervisory board following the passing of a resolution by the shareholders at the annual meeting held on 19 May 2015. Our appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of 6 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 33 (see page 139) 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

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

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

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

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our 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.

Rotterdam, 11 March 2021
PricewaterhouseCoopers Accountants N.V.

P.J.R.M. Wijffels RA

Appendix to our auditor's report on the financial statements 2020 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 management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the 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 actions taken to eliminate threats or safeguards applied.

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.

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Report

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