BeterBed holding

Half-year figures 2018

Profile

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

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

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

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

In 2017, the company achieved net revenue of € 416.4 million with a total of 1,188 stores. 64.2% of this figure was realised outside the Netherlands.

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

For more information please visit www.beterbedholding.com.

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Press release

Interim report

Uden, The Netherlands, 27 July 2018

Germany causes a disappointing first half for Beter Bed Holding

- **Changes in leadership team Germany completed**
- **Measures Germany initiated**
- **The Netherlands continues to outperform the market**
- **Group strategy project started**
- **Evaluation Spanish format El Gigante del Colchón concluded**
- **No interim dividend to be paid in 2018**
- **New CFO Hugo van den Ochtend to be appointed during EGM**

Key figures interim results

(in millions of € unless stated otherwise)

	2018 H1	2017 H1	Change
Revenue	**201.6**	209.8	-3.9%
Gross profit	**56.3%**	57.5%	-1.2%
EBITDA	**(0.7)**	17.5	-104.0%
EBIT	**(7.9)**	11.5	-168.7%
Net profit (loss)	**(6.8)**	7.5	-190.7%
Earnings per share (in €)	**(0.31)**	0.34	-191.2%

John Kruijssen, CEO

'The first half of 2018 showed a mixed picture. Our results were affected by several external challenges and internal changes. The German negative trend affected the group financial results in the first half. The initiated measures in April resulted in an improving trend in sales, order intake and traffic despite high temperatures (like-for-like sales Germany Q1 -9.4% and Q2 -4.5%). We feel confident that we are addressing our challenges head-on. We are continuing to focus on our customers and the delivery of the best value-for-money proposition in each market.

We are pleased to announce our new CFO Hugo van den Ochtend, who will assume his position on September 1st 2018. Together with our completed and strengthened leadership teams in Germany and the Netherlands, we feel well positioned and capable to steer the group towards a sustainable, improved performance. We already initiated a strategy process in which we articulate the group strategy, including amongst others: customer value propositions and a cost effective operating model. In any case, we will protect our strong market positions and continue to explore opportunities for growth as we build upon our core. We will present a strategy update in Q4.'

H1 2018 reporting of business

In the first half year, Beter Bed Holding N.V. realised a revenue of € 201.6 million, which is a decrease of € 8.2 million (-3.9%) compared to last year (H1 2017: € 209.8 million).

In Germany, the impact of the supplier related issues in Q4 2017 as well as our decision to install a new leadership team have carried over into the first half of this year. While the demand has been shifting towards box spring and online, the market remains attractive for our value proposition. With our management team in Germany now completed we are embracing these trends and develop winning strategies. Among others we optimized the mattress assortment and this quarter we will launch several newly developed mattresses and add a discount price box spring. To further strengthen and commercialize our online position and store, we started initiatives to increase traffic and to boost sales. First results are showing that we have managed to reverse the trend of revenue decline in Germany, with the LFL in Q2 improving to -4.5% compared to -9.4% in Q1 and -15.7% in Q4 2017. Furthermore, E-commerce continues to grow strongly with 17.1%.

For the Netherlands order intake growth was 4.8% in Q1 and 3.1% in Q2 (4.2% Q1 LFL, 2.5% Q2 LFL), exceeding market growth according to INretail. With a new general manager and sales director for Beter Bed Benelux, we continue to improve and strengthen our position in the value-for-money segment. Among others we reduced delivery times, implemented a new brand communication campaign including action oriented tag-ons and improved the convenience of our online store to grow more aggressively. So far, for E-commerce we see strong performance with growth in the Netherlands & Belgium at 19.0%.

Our new business development agenda continues to build momentum, with double-digit revenue growth of 13.8% in Sweden (Q2 3.4%) and of 48.6% in Belgium (Q2 33.8%).

Alongside, we have grown our order book per 30th June 2018 across the Beter Bed Holding group with 17.2% to € 23.2 million compared to last year.

The evaluation of the performance of the format El Gigante del Colchón in Spain as part of the Beter Bed Holding group led to the conclusion that sufficiently profitable operations are unlikely in the short to medium term. The exploitation of El Gigante del Colchón as part of the Beter Bed Holding group will therefore be stopped. In HY2 we will look into possibilities to transfer exploitation. The aim is to conclude before the end of this year.

During the first half year, several incidentals for recruiting leadership and rebuilding traffic in Germany, amounted to approximately € 4 million. An amount of approximately € 2 million relates to our new business development agenda in Sweden and Belgium. Building logistic structures at Matratzen Concord and Sängjätten resulted in an increase of costs of approximately € 2 million. Decisive actions are being taken to limit short term costs and improve structural cost effectiveness. First steps have been taken to rationalize the German store portfolio, so far resulting in a net close of 15 stores. In parallel the business activities across the Netherlands and Germany are being integrated further. To exploit the untapped potential in the wholesale business, we have established a focused team for DBC with separate management representation.

For the group as a whole we are confident that our path to recovery has started and that we will continue to build momentum with our commercial and turnaround agenda.

Investments and cash flow

Investments in intangible and tangible fixed assets in the first six months of 2018 totalled € 11.9 million (H1 2017: € 9.9 million). Investments in stores in this period amounted to € 7.2 million (H1 2017: € 6.8 million). A significant part of this amount related to the remodelling of the Matratzen Concord stores in the German-speaking countries, and the remaining amount was invested mainly in IT. Decisive actions have been taken to limit capex substantially.

Financing/solvency

Solvency amounted to 42.1% on 30 June 2018. This was 44.8% at year-end 2017. The net interest-bearing debt/ EBITDA ratio over the period 1 July 2017 until 30 June 2018 amounted to 1.54. We stay well within all our agreed covenants.

Operational

28 stores were opened and 30 stores were closed in the first half of 2018. The group had a total of 1,186 stores per 30 June 2018. The actions foreseen in Germany and Spain will result in a reduction of our store base.

Number of stores

Format		31-12-2017	Closed	Opened	30-6-2018
Matratzen Concord	Germany	849	23	8	**834**
	Austria	85	3	3	**85**
	Switzerland	65	1	4	**68**
		999	27	15	**987**
Beter Bed	The Netherlands	84	-	-	**84**
	Belgium	11	-	4	**15**
		95	-	4	**99**
El Gigante del Colchón	Spain	45	3	-	**42**
Beddenreus	The Netherlands	33	-	-	**33**
Sängjätten	Sweden	16	-	9	**25**
Total		1,188	30	28	**1,186**

Matratzen Concord

Revenue of the format Matratzen Concord for the first half of 2018 totalled € 112.2 million (55.6% of total group revenue). This is a decrease of 9.5% in comparison to the first half of 2017. 83.4% of the revenue of this format was achieved in Germany and 16.6% in Austria and Switzerland. Revenue at comparable stores (at least one year open) decreased by 7.3%.

Beter Bed

This format operates in the Netherlands and Belgium. Revenue grew in the first six months of 2018 by € 3.4 million to € 69.9 million, which equals an increase of 5.1%. The order intake at comparable stores increased by 4.2% in the first six months of 2018. Beter Bed contributed 34.7% to the total group revenue.

Other formats

Revenue of the other formats rose by 0.9% in the first six months of 2018 to € 19.5 million. The other formats contributed 9.7% to the total group revenue. This includes the revenues of the retail formats Beddenreus (the Netherlands), Sängjätten (Sweden), El Gigante del Colchón (Spain) and the wholesaler DBC.

Revenue performance per country in the first six months of 2018 was as follows:

	2018 H1
The Netherlands	**3.1%**
Germany	**-9.3%**
Austria	**0.4%**
Switzerland[1]	**-17.4%**
Spain	**-18.8%**
Sweden[2]	**13.8%**
Belgium	**48.6%**

1 -9.9% in local currency (CHF)

2 20.3% in local currency (SEK)

Outlook for the second half of 2018

With strengthened management teams now in place, we feel confident we can regain our fair share in the developing segments in Germany, grow e-commerce more aggressively in the Netherlands, continue to drive our new business development agenda and exploit the potential in the wholesale business.

Additionally we have initiated a comprehensive strategy review, in which we will revisit our group strategy to chart the course for Beter Bed Holding and its underlying formats for the future. While staying true to our DNA of customer service and value-for-money we will explore new avenues for profitable growth. This will also include a redesign of our operating model to further leverage the power of the group. We will present a strategy update to the markets in Q4.

Finally, we will be strongly focussing on cash, cost and capex management.

Interim dividend

Following the results of the first half year of 2018, the company will not pay interim dividend in the fourth quarter.

FOR MORE INFORMATION:

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Consolidated balance sheet

in thousand €	30-6-2018	31-12-2017
Fixed assets		
Tangible assets		
Land	**7,090**	7,090
Buildings	**3,515**	3,679
Other fixed operating assets	**36,638**	33,467
	47,243	44,236
Intangible assets		
Intangible operating assets	**10,450**	9,030
Financial assets		
Deferred tax assets	**5,591**	2,353
Long-term accounts receivable	**492**	526
	6,083	2,879
Total fixed assets	**63,776**	56,145
Current assets		
Inventories		
Finished products and goods for resale	**66,062**	65,697
Receivables		
Trade accounts receivable	**2,671**	3,014
Other receivables	**6,819**	9,669
Profit tax receivable	**2,038**	4,536
	11,528	17,219
Cash and cash equivalents	**7,534**	17,669
Total current assets	**85,124**	100,585
Total assets	**148,900**	156,730

in thousand €	**30-6-2018**	31-12-2017
Equity		
Equity attributable to equity holders of the parent		
Issued share capital	**439**	439
Share premium account	**18,434**	18,434
Reserve for currency translation differences	**582**	673
Revaluation reserve	**2,797**	2,797
Other reserves	**47,250**	38,316
Retained earnings	**(6,756)**	9,525
Total equity	**62,746**	70,184
Liabilities		
Non-current liabilities		
Provisions	**39**	44
Deferred tax liabilities	**3,738**	3,383
	3,777	3,427
Current liabilities		
Credit institutions	**21,787**	17,481
Trade payables	**28,754**	30,629
Profit tax payable	**1,976**	1,482
Taxes and social security contributions	**8,871**	9,667
Other liabilities	**20,989**	23,860
	82,377	83,119
Total liabilities	**86,154**	86,546
Total equity and liabilities	**148,900**	156,730

Consolidated profit and loss account

in thousand €	First half year			
	2018		2017	
Revenue	**201,603**		209,772	
Cost of sales	**(88,022)**		(89,170)	
Gross profit	**113,581**	**56.3%**	120,602	57.5%
Personnel expenses	**55,640**		52,871	
Depreciation and amortisation	**6,977**		5,993	
Other operating expenses	**58,854**		50,272	
Total operating expenses	**121,471**	**60.3%**	109,136	52.0%
Operating profit (loss) (EBIT)	**(7,890)**	**-3.9%**	11,466	5.5%
Finance income	**68**		255	
Finance costs	**(504)**		(368)	
Profit (loss) before taxation	**(8,326)**	**-4.1%**	11,353	5.4%
Income tax gain (expense)	**1,570**		(3,890)	
Net profit (loss)	**(6,756)**	**-3.4%**	7,463	3.6%
Earnings per share				
Earnings per share in €	**(0.31)**		0.34	
Diluted earnings per share in €	**(0.31)**		0.34	

Consolidated statement of comprehensive income

in thousand €	First half year	
	2018	2017
Net profit (loss)	**(6,756)**	7,463
Non-recyclable:		
Change in revaluation reserve		
- due to revaluation of land	**-**	-
Recyclable:		
Movements in reserve for currency translation differences	**(91)**	(10)
Total comprehensive income	**(6,847)**	7,453

The amounts listed above are net amounts. In principle the movement in reserve for translation differences is fully recyclable. The movement in revaluation is not. There is no tax impact on the translation differences reserve.

Consolidated cash flow statement

in thousand €	First half year	
	2018	2017
Cash flow from operating activities		
Operating profit (loss)	**(7,890)**	11,466
Net finance costs	**(436)**	(110)
Income tax paid	**1,679**	(6,318)
Depreciation and amortisation	**6,977**	5,993
Costs share-based compensation	**68**	163
Movements in:		
– Inventories	**(365)**	(3,690)
– Receivables	**3,193**	2,486
– Provisions	**(5)**	(39)
– Current liabilities (excl. credit institutions)	**(5,542)**	(6,446)
– Other	**154**	(10)
	(2,167)	3,495
Cash flow from investing activities		
Additions to (in)tangible assets	**(11,893)**	(9,931)
Disposals of (in)tangible assets	**244**	78
Changes in long-term accounts receivable	**34**	(4)
	(11,615)	(9,857)
Cash flow from financing activities		
Dividend paid	**(659)**	(8,782)
	(659)	(8,782)
Change in net cash and cash equivalents	**(14,441)**	(15,144)
Net cash and cash equivalents at the beginning of the financial year	**188**	21,792
Net cash and cash equivalents at the end of the financial year	**(14,253)**	6,648

Consolidated statement of changes in equity

in thousand €	Total	Issued share capital	Share premium reserve	Reserve for currency translation	Revaluation reserve	Other reserves	Retained earnings
Balance on 1 Jan. 2017	**76,878**	**439**	**18,434**	**913**	**2,812**	**35,265**	**19,015**
Net profit 2017	7,463	-	-	-	-	-	7,463
Other components of comprehensive income 2017	(10)	-	-	(10)	-	-	-
Profit appropriation 2016	-	-	-	-	-	19,015	(19,015)
Final dividend 2016	(8,782)	-	-	-	-	(8,782)	-
Costs of share-based compensation	163	-	-	-	-	163	-
Balance on 30 June 2017	**75,712**	**439**	**18,434**	**903**	**2,812**	**45,661**	**7,463**
Balance on 1 Jan. 2018	**70,184**	**439**	**18,434**	**673**	**2,797**	**38,316**	**9,525**
Net profit (loss) 2018	**(6,756)**	**-**	**-**	**-**	**-**	**-**	**(6,756)**
Other components of comprehensive income 2018	**(91)**	**-**	**-**	**(91)**	**-**	**-**	**-**
Profit appropriation 2017	**-**	**-**	**-**	**-**	**-**	**9,525**	**(9,525)**
Final dividend 2017	**(659)**	**-**	**-**	**-**	**-**	**(659)**	**-**
Costs of share-based compensation	**68**	**-**	**-**	**-**	**-**	**68**	**-**
Balance on 30 June 2018	**62,746**	**439**	**18,434**	**582**	**2,797**	**47,250**	**(6,756)**

General notes

The consolidated interim financial data of Beter Bed Holding N.V. (domiciled in Uden, the Netherlands) contained in this interim report, consisting of the consolidated balance sheet as at 30 June 2018; the consolidated profit and loss account; the consolidated statement of comprehensive income; the consolidated cash flow statement and the consolidated statement of changes in equity for the period from 1 January 2018 to 30 June 2018, plus the notes, have been reviewed by our external auditor. The other consolidated statements contained in this interim report, including the notes, have not been reviewed or audited for the purpose of this interim report. These statements and notes were taken from the 2017 financial statements of Beter Bed Holding N.V. (domiciled in Uden, the Netherlands) and the 2017 interim report, respectively. The company's Management Board is responsible for drafting and disclosing the interim financial data in accordance with IAS 34, 'Interim Financial Reporting', as accepted within the European Union. The notes constitute an integral part of this condensed consolidated interim report.

Beter Bed Holding N.V. defines EBITDA as follows: operating profit plus depreciation, amortisation, impairments and book value of disposals.

General details

Beter Bed Holding is domiciled in Uden, the Netherlands and listed on Euronext Amsterdam. The consolidated interim report of Beter Bed Holding N.V. (the 'company') for the first half of 2018 covers the company and its operating companies (collectively referred to as the 'group'). This consolidated interim report has been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34, 'Interim Financial Reporting'. It does not contain all the information required for full financial statements and is to be reviewed in conjunction with the group's consolidated financial statements for 2017. This consolidated interim report was approved by the Supervisory Board on 26 July 2018.

Accounting principles and policies for the determination of the result

The accounting principles and policies for the determination of the result are identical to those for the 2017 financial statements. The application of new standards has not resulted in any material changes in the figures and notes included in these half-year figures for 2018.

IFRS 16 leases will be effective as of 1 January 2019. In the annual report of 2018 a further note will be included on this standard. From the different transition options Beter Bed Holding has chosen the 'modified retrospective approach'. With respect to the definition of leases Beter Bed Holding chooses to be aligned with the analysis made in the past under IAS 17. We are on track with the implementation of a software solution to complete the IFRS 16 calculations in HY2.

Estimates

The preparation of interim reports requires that the management form a judgement and make estimates and assumptions that affect the application of financial reporting standards, the reported value of assets and liabilities and the level of income and expenditure. Actual outcomes may vary from these estimates.

Unless otherwise specified, in the preparation of this consolidated interim report the significant judgements formed by the management in the application of the group's financial reporting standards and the main sources of estimation used are identical to the judgments and sources used in preparing the consolidated financial statements for the 2017 financial year.

Risk

The risks recognised by the company and the internal control environment correspond with the information contained on this subject in the 2017 annual report. Based on the current developments Beter Bed Holding estimates that the risks increased in HY1.

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

Related parties

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

Post-balance sheet events

The Supervisory Board announced (see separate press release) that they intend to appoint Hugo van den Ochtend as Chief Financial Officer (CFO) and Statutory Director. The proposed appointment will be placed on the agenda of the Extraordinary General Meeting on 11 September 2018 in accordance with the articles of association and legal and statutory requirements.

The evaluation of the performance of the format El Gigante del Colchón in Spain, as part of the Beter Bed Holding group, led to the conclusion that sufficiently profitable operations are unlikely in the short to medium term. The exploitation of El Gigante del Colchón as part of the Beter Bed Holding group will therefore be stopped. In HY2 we will look into possibilities to transfer exploitation. The aim is to conclude before the end of this year.

No other events that are required to be disclosed occurred in the period between the end of the reporting period and this interim report.

Notes to the consolidated balance sheet

Tangible fixed assets

Investments in stores totalled € 7.2 million during the first half of 2018 (versus € 6.8 million in the first half of 2017). Among the investments in other fixed operating assets are also investments in IT. Land is stated at fair value, based on regular appraisals carried out by an external expert. The company is of the view that the fair value has not changed significantly since the most recent appraisals.

Equity

The movements in the equity items are shown in the consolidated statement of changes in equity (see page 13). As at end of June 2018, a total of 21,955,562 shares were issued and paid up. During the reporting period, the number of issued and fully paid shares remained unchanged. Beter Bed Holding does not hold shares in portfolio.

The average number of outstanding shares during the reporting period for the calculation of the earnings per share was 21,955,562. The number of shares used to calculate the diluted earnings per share is equal to 21,960,277.

During the reporting period, the final dividend for the 2017 financial year was fixed at € 0.37 per ordinary share with a nominal value of € 0.02 and was paid accordingly. The total amount of dividend paid during the reporting year was € 0.7 million.

Notes to the consolidated profit and loss account

Other operating expenses

The other operating expenses consist of € 25.9 million in rental and leasing costs (2017: € 25.2 million). The remainder of these expenses consists mainly of selling and distribution costs.

Income taxes

The effective tax rate for the first six months of the year decreased from 34.3% to 18.9%. This decrease is attributable to the weak results in Germany in the first half and tax losses carryforwards that have not been capitalised (for the time being).

Statement from the Management Board

The Management Board, to the best of her knowledge, hereby confirms that:

- the interim figures 2018 give a true and fair view of the assets, liabilities, financial position, cash flows and profit or loss of the company and the entities included in the consolidation;

- the interim figures 2018 give a true and fair view of the important events of the past six-month period and their impact on the half-year financial statements, as well as the principal risks and uncertainties for the six-month period to come, and, the most important related party transactions.

Uden, The Netherlands, 26 July 2018

The Management Board
A.J.G.P.M. Kruijssen

Review report

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

Introduction

We have reviewed the accompanying consolidated interim financial information for the six-month period ended 30 June 2018 of Beter Bed Holding N.V., Uden, which comprises the consolidated balance sheet as at 30 June 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the period then ended and the selected explanatory notes. The management board is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, Review of Interim Financial Information Performed by the Independent Auditor of the company. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information for the six-month period ended 30 June 2018 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

Rotterdam, The Netherlands, 26 July 2018

PricewaterhouseCoopers Accountants N.V.

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