



Agenda Extraordinary General Meeting Beter Bed Holding N.V.

Tuesday, 26 November 2019 at 14.00 hours CET – Rosarium, Amstelpark 1, Europaboulevard, Amsterdam (The Netherlands)

1. Opening
2. Divestment of Matratzen Concord (*voting item*)
3. Announcements
4. Any other business
5. Closing

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Notes to the Extraordinary General Meeting

2. Divestment of Matratzen Concord (voting item)

In this agenda item 2 shareholders are asked to vote on the approval of divestment of Matratzen Concord (as defined below), including the authorisation of the management board to issue new shares in connection with the divestment of Matratzen Concord (as further explained below) and to limit or exclude pre-emptive rights for the issue of such shares (as further explained below).

Background and description of the transaction

- On 25 June 2019, Beter Bed Holding N.V. (the "**Company**") announced that it is investigating an exit of the Matratzen Concord business in Germany, Austria and Switzerland ("**Matratzen Concord**"). The main reasons for the contemplated divestment of Matratzen Concord are to limit financial impact on the Group and to ensure that Matratzen Concord can regain momentum. It is also expected that a successful divestment of the business in Germany, Austria and Switzerland will allow the Beter Bed Group to focus on driving faster growth of its remaining activities.
- Since the announcement, the Company has investigated several future possibilities and corporate structures and conducted reviews with potentially interested parties. The Company subsequently initiated an auction sales process to ensure the best possible outcome for the Company and all stakeholders of Matratzen Concord and the remaining Group, including the Company's shareholders.
- The Company's management board (the "**Management Board**"), with approval of the Company's supervisory board (the "**Supervisory Board**"), eventually selected Magical Honour Limited (the "**Purchaser**") as preferred buyer taking into account the best interests of the Company and stakeholders of both Matratzen Concord and the remaining Group, including the Company's shareholders. The Company and the Purchaser reached agreement on the divestment of Matratzen Concord on 13 October 2019.
- The Company agreed with the Purchaser a purchase price of € 5 million on a cash- and debt-free basis corrected for certain working capital and operational accruals. The parties further agreed upon an additional contingent deferred payment in cash dependent on the performance of Matratzen Concord in the first year after completion.
- The Purchaser will also commit to invest € 15 million in Matratzen Concord to ensure Matratzen Concord's recovery and future growth.
- The divestment of Matratzen Concord to the Purchaser is to be accompanied by a concurrent equity investment in the Company of € 5 million (consisting of 2,150,000 shares at € 2.32 per share) (the "**Transaction**").
- The Management Board, with approval of the Company's Supervisory Board, would like to request approval for the Transaction, including (i) authorisation of the Management Board to issue up to 2,150,000 new shares in the share capital of the Company in connection with the Transaction (as further explained below) and (ii) authorisation to limit or exclude pre-emptive rights for the issue of such shares (as further explained below).
- In the unexpected event that the Company will not be able to conclude the exit of Matratzen Concord including the issuance of new shares as planned, the Company will have (i) liquidity concerns, and (ii) a substantially higher debt level and will have to (i) restart discussions with its lenders and other stakeholders on the funding of the Company through to the point when the Group no longer includes Matratzen Concord, or (ii) explore other sources for liquidity funding.
- The Management Board further refers to Beter Bed's half-year report, published on 30 August 2019, for more information.

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Description of Matratzen Concord

- Matratzen Concord is a pan-European 'Fach Discount' retailer primarily focusing on sales of value-for-money mattresses, bed bases, box springs and bed textiles in Germany, Austria and Switzerland. With its strong brand recognition, Matratzen Concord aims to be the number one in mattresses, by “offering best quality rest at affordable prices” through its 779 stores all over Germany, Austria and Switzerland. Matratzen Concord employs approximately 1,675 FTE per May 2019
- The operational results of Matratzen Concord have recently stabilised under leadership of the new management Marc-Derek Schönberger (CEO) and Henry Cohen (CFO). It is the intention of all parties involved that they will continue as the management board of Matratzen Concord under the Purchaser’s ownership.

Description of the Purchaser

- The Purchaser is a vehicle that consists of an Asian private equity investor with strong ties to key players in the bedding industry. It has a strong track record of ownership, transformation and realisation of investment returns.
- In order to transform Matratzen Concord, the Purchaser will leverage strong industrial expertise to drive sourcing synergies, to realise shorter route-to-market for both product and technology innovations, and to benefit from vertical industry integration opportunities.

Rationale for the Transaction

- The Company launched a new strategy in October 2018, which has resulted in a strong performance in the Benelux region. However, the recovery of Matratzen Concord turned out to be more time-consuming than earlier anticipated, and has had a significant financial impact.
- Matratzen Concord is experiencing continued difficult market circumstances and the expected turnaround will require more time and more liquidity funding. Although the Management Board and the Supervisory Board see some promising signs following the actions taken at Matratzen Concord since October 2018, the results are not what the Management Board and Supervisory Board had hoped for. To limit financial impact on the Group and to ensure that Matratzen Concord can regain momentum, the Management Board with the approval of the Supervisory Board initiated a sales process for Matratzen Concord.
- The divestment of Matratzen Concord will allow the Company to fully focus on its remaining activities. The key focus for the remaining Group will be on the core operations in the Benelux, which is well positioned to accelerate the current strong growth by further investing in new products, campaigns, technology and the expertise of the employees. The Management Board also intends to increase focus on boosting the Digital and Wholesale channels, where the current growth rates are ahead of what was initially anticipated, and the operations in Sweden.
- The Management Board refers to Beter Bed's half-year report, published on 30 August 2019, for an outline of Beter Bed's financials, where Matratzen Concord is reported as discontinued operations.
- The Management Board and the Supervisory Board believe the Purchaser is well positioned to transform Matratzen Concord into a financially healthy company by leveraging its expertise and committing significant funds to continue the restructuring. The Management Board is therefore convinced that the divestment to the Purchaser is in the best interests of Matratzen Concord's customers, employees, suppliers and other stakeholders.
- The Management Board is also convinced that the divestment to the Purchaser is in the best interests of the Company's stakeholders in view of amongst others the agreed financial terms and the strategic partnership with the Purchaser as a new key shareholder of the Company.

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Key terms and conditions of the Transaction

- The Transaction comprises the sale of all Matratzen Concord Group companies: BBH Services GmbH & Co. KG, BBH Beteiligungs GmbH, Matratzen Concord GmbH, Matratzen Concord GesmbH and Matratzen Concord AG.
- The purchase price for the divestment of Matratzen Concord is € 5 million on a cash- and debt-free basis corrected for certain working capital and operational accruals, upon completion of the divestment.
- The parties agreed an additional contingent deferred payment in cash dependent on the performance of Matratzen Concord in the first year after completion.
- As part of the divestment of Matratzen Concord, the Purchaser is committing to invest € 15 million in Matratzen Concord to ensure the company's recovery and future growth.
- After completion of the divestment of Matratzen Concord, the Purchaser will invest € 5 million in the Company in return for 2,150,000 shares. At € 2.32 per share this represents a premium of 36% compared to the closing share price on 11 October 2019. As a result of such issuance, the Purchaser will hold circa 8.9% of the shares in the Company. To show the Purchaser's long-term commitment to the Company, it has agreed to a lock-up period of 18 months.
- Completion is subject to regulatory clearance in Germany, limited confirmatory due diligence and the approval of the Company's shareholders.
- It is expected that the divestment of Matratzen Concord to the Purchaser can be completed by the end of 2019.
- In case the Purchaser defaults under the transaction documentation and completion of the Transaction does not occur, a termination fee of € 2 million is payable by the Purchaser to the Company.

Authorisation of the Management Board to issue new shares in connection with the Transaction

In order to enable the Company to issue shares in connection with the Transaction, it is proposed to authorise the Management Board to resolve on the issuance of shares up to a maximum, in the aggregate, of 2,150,000 shares in the share capital of the Company (the "**Issue Authorisation**").

The Issue Authorisation shall be subject to the following limitations:

- (i) the Issue Authorisation will only be valid for a period of 18 months as from 26 November 2019, ending on 26 May 2021; and
- (ii) the Issue Authorisation may only be used in connection with the Transaction; and
- (iii) any issuance of shares pursuant to this Issue Authorisation will be subject to the approval of the Supervisory Board.

For the avoidance of doubt, this Issue Authorisation will not affect the authorisation to issue shares or grant rights to subscribe to shares granted at the Company's annual general meeting of 2019.

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Authorisation of the Management Board to limit or exclude pre-emptive rights in connection with the Transaction

In connection with any issuance of shares described above, it is further proposed to authorise the Management Board to limit or exclude pre-emptive rights in relation to any issuance of shares pursuant to the Issue Authorisation (the "**Pre-Emptive Rights Authorisation**").

The Pre-Emptive Rights Authorisation shall be subject to the following limitations:

- (i) the Pre-Emptive Rights Authorisation will only be valid for a period of 18 months as from 26 November 2019, ending on 26 May 2021; and
- (ii) the Pre-Emptive Rights Authorisation to limit or exclude pre-emptive rights may only be used in respect of issuances of shares in connection with the Transaction; and
- (iii) any resolution of the Management Board to limit or exclude pre-emptive rights will be subject to the approval of the Supervisory Board.

For the avoidance of doubt, this Pre-Emptive Rights Authorisation will not affect the authorisation to exclude or limit pre-emptive rights granted at the Company's annual general meeting of 2019.

Approval requested

- With this agenda item the Management Board, with the approval of the Supervisory Board and taking into account best interests of the Company and the stakeholders of both Matratzen Concord and the remaining Group, requests the general meeting to approve the Transaction, including the grant of the Issue Authorisation and the Pre-Emptive Rights Authorisation.
- The press release from the Company dated 14 October 2019 regarding the Transaction is available on the corporate website of the Company (<https://beterbedholding.com/press/press-releases>) and is incorporated by reference in this agenda with explanatory notes.

Recommendation Management Board and Supervisory Board

- In reaching their decision to recommend to the general meeting of the Company to approve the Transaction, including the grant of the Issue Authorisation and the Pre-Emptive Rights Authorisation, the Management Board and Supervisory Board considered both the possible financial and non-financial consequences of the Transaction in consultation with their advisors. The Management Board and Supervisory Board unanimously determined, having duly considered the relevant strategic, financial and risk aspects, that the Transaction, including the grant of the Issue Authorisation and the Pre-Emptive Rights Authorisation, is in the best interests of the Company and all its stakeholders, including the Company's shareholders.
- The Company is being advised on the Transaction by AXECO Corporate Finance as financial advisor and De Brauw Blackstone Westbroek N.V. as legal advisor.

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