



BETER BED HOLDING
ANNUAL REPORT 2001

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BETER BED HOLDING

ANNUAL REPORT 2001



BETER BED HOLDING
Hard at work on a good night's rest





Company profile

Beter Bed Holding N.V. represents a group of businesses engaged in retail activities in the international bedroom furniture market. The company sells bedroom furniture, mattresses, bed bases and other bedroom accessories to consumers through three leading retail formulas. The retail chains operate in different market segments, each with its own image and identity. Consumers are attaching more and more importance to modern, attractively furnished bedrooms, as well as they are acknowledging the importance of a good night's rest. As a result, they are paying more attention to good-quality sleeping products and increasingly appreciate good advice from a bedroom furniture specialist.

The European bedroom furniture market is very fragmented and is served primarily by small private businesses owning one or just a few retail outlets. Beter Bed and Matratzen Concord, both forming part of Beter Bed Holding N.V., are leaders in their markets. The company's strategy is aimed at fast and profitable expansion in the fragmented European bedroom furniture market. As part of this strategy, the formulas aim to become market leaders in the various countries in which they are active. In addition, the company develops product formulas which are sold as own-brand products by the company's own retail chains as well as through other distribution channels.

Modern business practice requires companies to focus continuously on innovative trends and shifting spheres of interest. The company has a sound business strategy, enabling it to anticipate new developments quickly. Beter Bed Holding's objective is to rapidly expand and further strengthen its market position.



A chain of 80 bedroom furniture showrooms, 75 in The Netherlands and five in Germany, located in the middle segment of the market. These outlets sell a wide and up-to-date range of bedroom furniture, bed bases, mattresses and other articles at competitive prices. Beter Bed is a household name and the leading market player in The Netherlands.

Beter Bed's strategy is aimed at further strengthening of its position in the Dutch market as well as European expansion, as part of which the Beter Bed formula was launched in Germany.



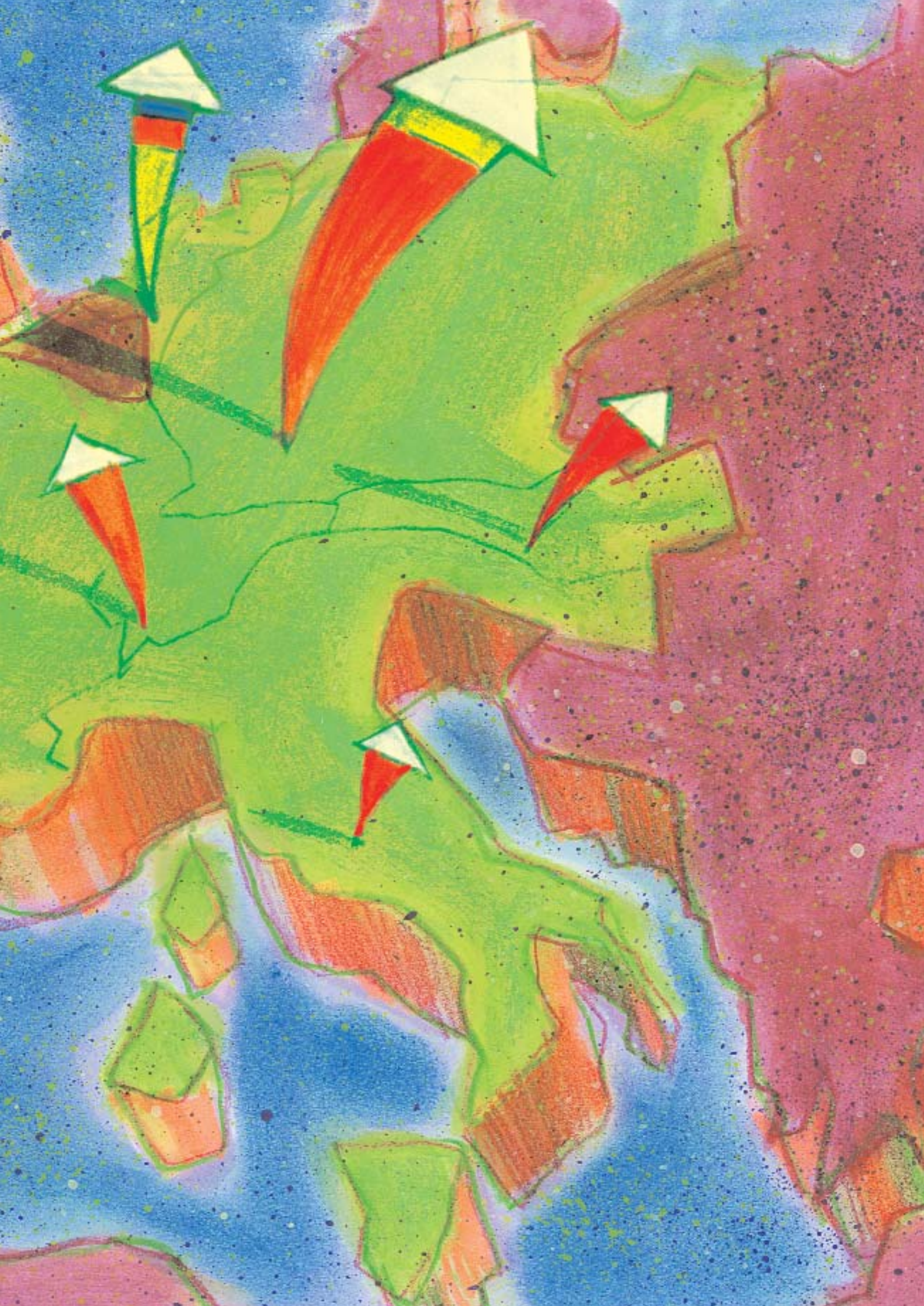
The formula aims at selling mattresses to consumers, based on the cash and carry formula. This chain consists of 463 outlets, with an average floor space of 225 m² at so-called C locations in and around city centres close to the consumer. The outlets offer customers a wide range at very competitive prices and provide personal advice. The formula is currently operated in Germany (399), Austria (17), Switzerland (16), The Netherlands (22), France (5) and Italy (4). In Germany Matratzen Concord has become the leading mattress specialist. Its strategy is aimed at strengthening its position as the leading European player in the fragmented mattress specialist market.



This chain of twelve outlets focuses on the higher segment of the Dutch bedroom furniture specialist market. It has been operated as a franchise formula since 2000, with outlets at the better locations in The Netherlands. The stylish showrooms offer consumers a large and exclusive range of furniture that includes many top brands.

	NL	D	A	CH	F	I
● Beter Bed	75	5				
● Matratzen Concord	22	399	17	16	5	4
● Dormaël	12					
Total	109	404	17	16	5	4





Key figures

	2001	2000	1999	1998	1997
Result (in € 1,000)					
Net turnover	238,876	226,325	207,175	108,705	86,924
Gross profit	128,895	125,160	111,452	59,271	48,138
Operating profit	20,090	21,173	22,141	12,770	11,219
Net profit	11,066	6,599	12,748	7,947	6,694
Depreciation	5,006	5,198	4,794	3,535	2,958
Cash flow	16,072	11,797	17,541	11,482	9,652
Net investments	8,674	1,570	5,670	7,100	5,278
Capital (in € 1,000)					
Total assets	71,318	68,213	73,272	56,724	47,692
Group equity	19,119	16,701	21,189	6,440	18,995
Figures per share					
Net profit	1.42	0.85	1.67	1.23	1.04
Cash flow	2.06	1.52	2.29	1.77	1.50
Dividend paid	0.50	0.57	0.57	0.41	0.36
Average number of ordinary shares (in thousands of shares)	7,790	7,754	7,662	6,490	6,417
Share price in € at year-end	13	11	27	30	18
Ratios					
Operating profit/net turnover	8.4%	9.4%	10.7%	11.7%	12.9%
Net profit/net turnover	4.6%	2.9%	6.2%	7.3%	7.7%
Solvency	26.8%	24.4%	28.9%	11.4%	39.8%
Interest cover	11.1	9.9	15.3	16.1	12.8
Other information					
Number of retail outlets at year-end	555	495	423	96	75
Number of staff in The Netherlands at year-end	599	618	735	699	697
Number of staff in Germany, Switzerland, Austria, France and Italy at year-end	782	648	539	10	-
Number of staff in Poland at year-end	426	492	506	519	413
Turnover per staff member (in € 1,000)	132	128	116	89	78

Report of the Supervisory Board

We are pleased to present the financial statements as drawn up by the Board of Directors and adopted by the Supervisory Board as well as the Directors' report for the year 2001. The financial statements were audited by Ernst & Young who issued an unqualified auditors' report thereon, which is included under 'Other information'. The financial statements will be submitted to the annual general meeting to be held on 25 April 2002 for approval. Unconditional approval of this annual report serves to endorse the Board of Directors' conduct of the company's affairs and the Supervisory Board's supervision thereof, to the extent that this is evidenced by the annual report.

The profit for 2001 amounted to € 11.1 million. The Supervisory Board has approved the Board of Directors' proposal to add € 7.2 million of the net profit for the financial year to reserves. An amount of € 3.9 million is therefore at the disposal of the annual general meeting for dividend distribution. Following a proposal from the Board of Directors, the Supervisory Board recommends that the dividend be set at € 0.50 per share in cash.

In 2001, the Supervisory Board regularly received information from the Board of Directors both orally and in writing. The Supervisory Board had eight meetings with the Board of Directors in 2001. In addition to the routine items, special attention was paid to the restructuring of the organisation of Beter Bed, the expansion of Matratzen Concord, the start of the new company DBC International and the phase-out of the production activities. Other subjects that were discussed included the medium-term strategy and the corporate risks.

In 2001, following the Supervisory Board's approval, option rights for new shares were once again issued to the management.

The Supervisory Board is aware of the broad interests that the company represents and realises its social responsibility with regard to all those involved in the company. Developments in the field of Corporate Governance are addressed on a regular basis.

We are satisfied with the results for 2001 and with the manner in which the expansion of the company's strategy and policy was realised. We would like to express our gratitude and appreciation to the Board of Directors and staff for their commitment and dedication.

Uden, 9 April 2002

Supervisory Board

M.J.N.M. van Seggelen, chairman

E.F. van Veen, vice-chairman

M.J.A.M. Diks

L.R.J. van Rappard

C.A.S.M. Renders MBA

Supervisory Board

M.J.N.M. van Seggelen, Chairman (62)

Other offices: Director of Symark B.V. and a member of the Supervisory Board of various companies

E.F. van Veen, Vice-Chairman (62)

Other offices: former Vice-President of Koninklijke Numico N.V. and a member of the Supervisory Board of various companies

M.J.A.M. Diks (47)

Other offices: Director of Dinvest B.V.

L.R.J. van Rappard (42)

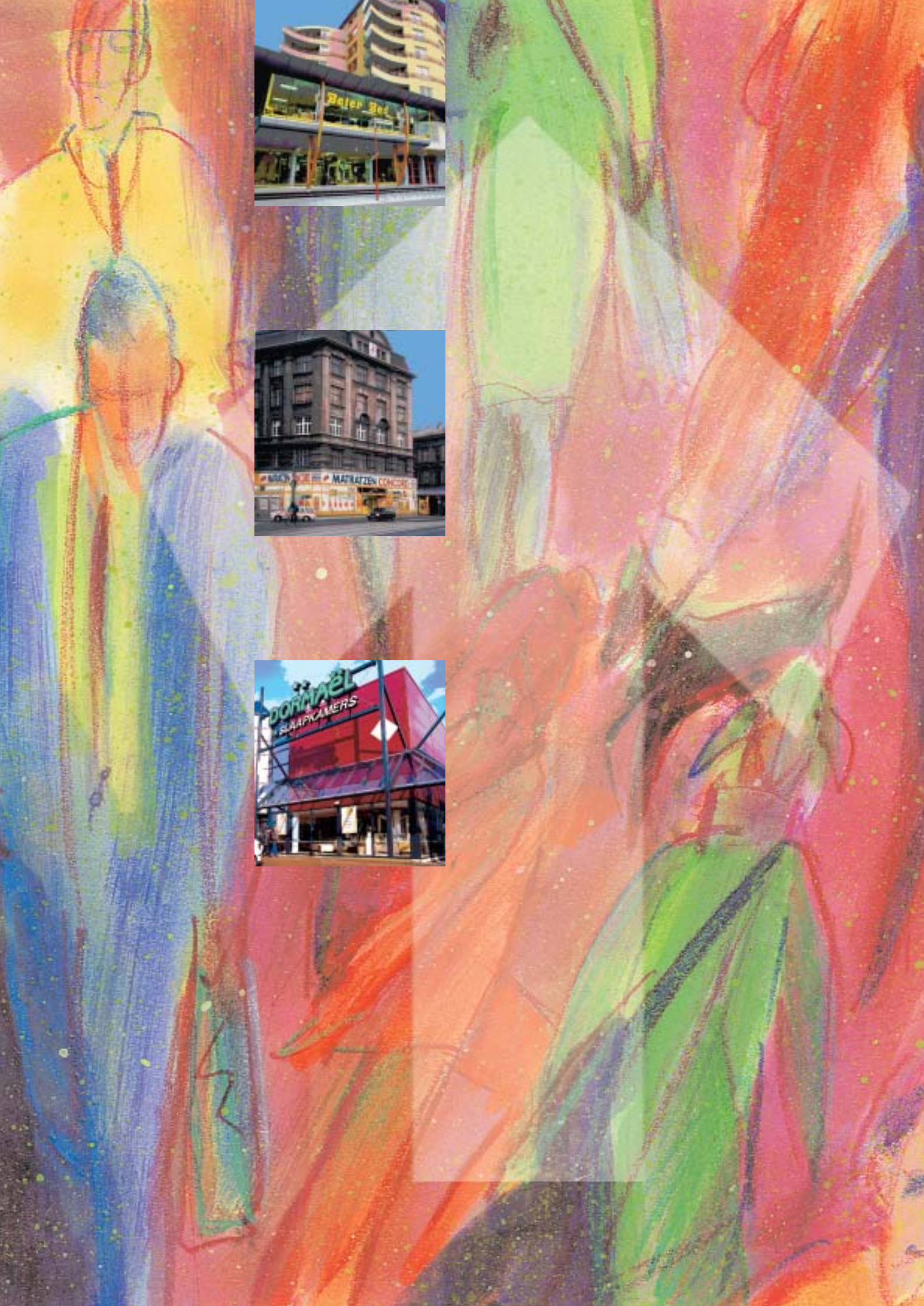
Other offices: Director of CVC Europe and a member of the Supervisory Board of various companies

C.A.S.M. Renders (39)

Other offices: Director of Renders Management B.V. and a member of the Supervisory Board of various companies

The members of the Supervisory Board are appointed for a period that expires on the day of the first annual general meeting, held four years after their appointment. Board members step down periodically according to a schedule drawn up by the Supervisory Board. A list of other companies at which the Board members hold supervisory directorships is available for inspection at the company's offices upon request.





Directors' report

General

In the year 2001 the company focussed on the recovery of profitability. The measures taken in the year 2000 and their continuation in 2001 are bearing fruit. The costs of the restructuring measures will be covered by the provision that was made last year at the expense of the result.

Net profit for the year 2001 is € 11.1 million, an increase of 67.7% compared to 2000. Earnings per share amount to € 1.42 (2000: € 0.85). Operating profit for the entire year is € 20.1 million (2000: € 21.2 million). In the second half year operating profit was € 9.9 million, an improvement of 14.8% compared to the second half year in 2000. Turnover is € 238.9 million, an increase of 5.5% compared to the year 2000. The comparable activities (Beter Bed, Matratzen Concord and the production facilities in Poland) showed an increase however of 12.3% (2001: € 234.8 million, 2000: € 209.2 million).

	2000-1	2001-1	2000-2	2001-2
EBIT (M€)	12.6	10.2	8.6	9.9
EBIT margin	11.2%	8.8%	7.5%	8.0%
EPS (€)	0.90	0.71	0.59	0.71

In 2001 the branding activities were successfully restructured in a new company called DBC. The M LINE products that were launched by DBC have now been introduced in The Netherlands as well as in Germany and are also sold to third parties besides Beter Bed and Dormaël. The DFC activities, selling Tempur products, were fully discontinued at the end of the distribution agreement on 31 August 2001. The Dormaël organisation is transforming into a franchise formula and is showing positive turnover developments.

At year-end 2001 the joint Beter Bed Holding formulas owned 555 shops. Changes in the number of outlets are as follows:

Formula	1 January 2001	Closed	Merged*	Opened	31 December 2001
Beter Bed NL	83	5	4	1	75
Beter Bed D	3			2	5
Matratzen Concord	397	27		93	463
Dormaël	12	1		1	12
Total	495	33	4	97	555

* This concerns Junior shops that were closed as independent outlets.

It will be proposed to the annual general meeting of shareholders to distribute a dividend of € 0.50 per share.

Strategy

The strategy of Beter Bed Holding is based on profitable expansion in the European sleep market and in particular aims at realising an increase in earnings per share of more than 12%. This will primarily be realised by the strong international expansion of Matratzen Concord, the expansion of the position of Beter Bed and the development of new own-brand product concepts.

The main strategic points of action within the existing activities for 2002 are:

1. Further expansion of Matratzen Concord in various European countries. This expansion in 2002 will take place in the countries in which Matratzen Concord is already active. In addition, the very successful own-brand policy will be expanded further.
2. In 2002 the focus of Beter Bed in The Netherlands will be on further optimisation of the store base and on improving the service quality.
3. Expansion of DBC in The Netherlands and Germany to a profitable activity that in the future should be able to make a clear contribution to the holding's result.

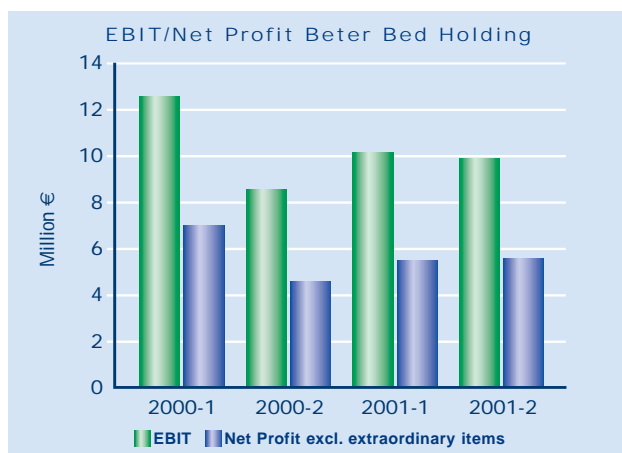
Market and market developments

Against the background of a negative development of the market, turnover of Beter Bed has increased slightly. The turnover of Matratzen Concord in Germany, in a decreased market, has increased by 17.9%, resulting in a marketshare above 10% for the first time.

Activities

Beter Bed Holding

The strategy aims at international expansion. In the past year the focus was on the recovery of profitability for the entire company and growth of Matratzen Concord and recovery of Beter Bed Netherlands in particular. In addition, the branding activities in DBC International were started.



Beter Bed

In 2001, Beter Bed realised a turnover of € 102.6 million, which represented an increase of 3.8% compared to 2000 (€ 98.9 million). In The Netherlands the turnover change in comparable outlets was still slightly negative (-2.0%) and positive (+5.0%) in Germany. In both countries the turnover change was better than the market average. The restructuring of Beter Bed Netherlands was completed successfully in the course of 2001. In The Netherlands one new outlet was opened, one outlet was relocated, four Junior shops were merged with regular outlets and five loss-making outlets were closed in 2001. The main points of action for 2002 in The Netherlands are modernisation of the stores, improvement of customer service, further rationalisation of the assortment and further

improvement of the logistics system. Two new shops were opened in Germany. The concept is being further optimised here for the German market.

Matratzen Concord

In 2001 turnover increased by 19.8% to € 128.1 million (2000: € 106.8 million). Despite a decreasing market the turnover change in comparable shops of +1.8% was clearly positive. The strong expansion of the number of stores, the introduction of the company-owned brands SF Contact and Concord Vitalis at the end of 2000 and the beginning of 2001 and the improved store concept have considerably contributed to this growth. The store base is constantly adjusted to the opportunities created in the market and to the results of existing outlets (27 closed, 93 opened). Stores have a floor space of 200 to 300 m² and are established at C-locations. The formula is a value-for-money concept. The expansion of the number of stores will be continued in 2002. In addition the turnover share of own brands will be expanded.

Dormaël Slaapkamers

The changeover to the franchise model was completed in 2001 and after a weak start in the beginning of 2001 there has been a clear positive change in turnover.

Branding

In connection with the termination of the distribution agreement as of 1 September 2001, the activities of DFC (distributor of Tempur mattresses in the Benelux) have been discontinued in the course of 2001. A completely new product line named M LINE has been developed in-house and is sold on the Dutch and German markets by the newly founded subsidiary DBC. M LINE is sold to healthcare institutions and retailers including the own formulas Beter Bed and Dormaël. Patents for M LINE are pending.

Production

Following the sale of the factory in Uden, the Beter Bed Holding now owns 2 factories with three production locations in Poland. These factories produce pine furniture, partly for Beter Bed and partly for third parties. In 2001, some 3% of the retail turnover was still produced in own factories. In 2001, the results of the factories were under considerable pressure due to the higher exchange rate of the Polish currency. In 2001 the capacity was reduced and at the end of 2001 the number of employees amounted to 426 (year-end 2000: 492). Production is not a core activity of Beter Bed Holding. In the first half of 2002 one of the production locations will be closed. The costs

of this closure will be charged to the provision that was created earlier for this purpose.

Investments, financing and cash flow

In the past year an amount of € 9.3 million was invested in material fixed assets. Of this amount, € 5.2 million relates to retail activities in The Netherlands and € 3.6 million to the retail activities in Germany. Of the total investment € 4.7 million has been invested in outlets and € 4.6 million in logistics, telecom and IT.

The total cash flow is € 16.1 million. In 2001, dividend over the year 2000 was paid out in cash (€ 4.4 million) and the subordinated loan was paid off (€ 4.3 million).

Solvency at year-end 2001 amounted to 26.8%, while the interest cover amounted to some 11.1 (2000: 9.9).

Planned investments for the year 2002 amount to € 8.0 million.

Personnel

At 31 December 2001 the company had 1,807 employees. The Beter Bed retail activities involved 570 employees in The Netherlands and Germany. The retail activities of Matratzen Concord involved 787 employees in Germany, The Netherlands, Austria, Switzerland, France and Italy.

Beter Bed Holding places high demands on the quality and involvement of its employees because the people behind the company to a very large extent determine the company's success. Partly owing to their commitment the result is showing a positive development again. The Board of Directors of Beter Bed Holding would like to thank all employees for their commitment and involvement.

Corporate Governance

In 1997, the Board of Directors, together with the Supervisory Board, expressed an opinion on the recommendations made by the Corporate Governance Committee in The Netherlands. In 2001, the concept of Corporate Governance and the position we took were implemented further.

The Board of Directors attaches a great deal of importance to open and constructive communication with stakeholders. In order to enhance staff motivation and commitment, the company uses various incentive schemes that are in line with company goals, such as performance-related remuneration systems and an option plan.

Expectations and prospects

In the first months of this year, Beter Bed has faced a drop in sales in comparable stores in its two major markets. Although at first it was assumed to be a temporary negative development, the decrease goes on longer than expected. Beter Bed does, at the moment this annual report goes to press, not see any recovery in the turnover developments in the near future and has to reckon with a persistent negative trend. The turnover developments have a substantial influence on the operating profit of the first quarter, which is important for the overall results. It is therefore expected that the operating profit of the first half of the year 2002 will be positive indeed, but will amount up to less than 50% of the operating profit over the first half of the year 2001 (EUR 10.2 million). If the present developments keep on, the operating profit over 2002 will turn out to be considerably lower than in the year 2001.

Uden, 9 April 2002

Management Board

F.J.H. Geelen,
C.E.O.

Financial statements 2001



Consolidated balance sheet at 31 December 2001

(in € 1,000, before proposed profit appropriation)

	31 December 2001	31 December 2000
Tangible fixed assets		
Land and buildings	12,016	12,552
Plant and machinery	1,343	1,427
Other fixed operating assets	16,420	12,089
	<u>29,779</u>	<u>26,068</u>
Current assets		
Stocks	30,662	31,372
Debtors	6,352	8,756
Cash at bank and in hand	4,525	2,017
	<u>41,539</u>	<u>42,145</u>
Current liabilities	<u>44,993</u>	<u>40,852</u>
	<u>(3,454)</u>	<u>1,293</u>
	<u>26,325</u>	<u>27,361</u>
Financed by:		
Long-term liabilities	4,901	5,350
Provisions	2,305	5,310
Equity	19,119	12,391
Subordinated loan	-	4,310
	<u>19,119</u>	<u>16,701</u>
Group capital base	<u>26,325</u>	<u>27,361</u>
Total assets	71,318	68,213

Consolidated profit and loss account for 2001

(in € 1,000)

	2001	2000
Net turnover	238,876	226,325
Cost of sales	109,981	101,165
	<hr/>	<hr/>
Gross profit	128,895	125,160
Wages and salaries	42,733	39,770
Social security charges and pension contributions	8,498	7,808
Depreciation and changes in value	5,006	5,198
Other operating expenses	52,568	51,211
	<hr/>	<hr/>
Total operating expenses	108,805	103,987
	<hr/>	<hr/>
Operating profit	20,090	21,173
Interest income	175	141
Interest expense	1,983	2,280
	<hr/>	<hr/>
Net interest income/(expense)	(1,808)	(2,139)
	<hr/>	<hr/>
Profit on ordinary activities before taxation	18,282	19,034
	<hr/>	<hr/>
Tax	7,216	7,421
	<hr/>	<hr/>
Profit on ordinary activities after taxation	11,066	11,613
	<hr/>	<hr/>
Extraordinary expense	-	7,714
Tax on extraordinary item	-	2,700
	<hr/>	<hr/>
Extraordinary expense after taxation	-	(5,014)
	<hr/>	<hr/>
Net profit	11,066	6,599
	<hr/> <hr/>	<hr/> <hr/>

Consolidated cash flow statement for 2001

(in € 1,000)

	2001	2000
Cash flow from/(used in) operating activities		
Net group profit	11,066	6,599
Depreciation	5,006	5,198
Movements in:		
stocks	710	1,552
debtors	2,404	(6,429)
trade creditors	(1,484)	(19,486)
provisions	(3,005)	2,447
	<hr/>	<hr/>
Cash flow from/(used in) operating activities	14,697	(10,119)
Cash flow from/(used in) investing activities		
Acquisition of group companies	-	-
Additions to tangible fixed assets	(9,296)	(8,870)
Disposals of tangible fixed assets	622	7,300
	<hr/>	<hr/>
Cash flow used in investing activities	(8,674)	(1,570)
Cash flow from/(used in) financing activities		
Income from the issue of new shares	-	466
Exchange gain/(loss) on foreign participating interests	38	52
Repayment of long-term liabilities	(4,760)	(9,189)
Dividend paid	(4,419)	(2,403)
Corporate income tax on flotation costs	-	(700)
	<hr/>	<hr/>
Cash flow from/(used in) financing activities	(9,141)	(11,774)
Net cash flow for financial year	(3,118)	(23,463)
Cash at bank and in hand/short-term portion of amounts owed to credit institutions at the beginning of the financial year	(15,477)	7,986
	<hr/>	<hr/>
Cash at bank and in hand/short-term portion of amounts owed to credit institutions at the end of the financial year	(18,595)	(15,477)
	<hr/> <hr/>	<hr/> <hr/>

General

The amounts included in these notes relate to the consolidated figures, unless stated otherwise. The notes to the company financial statements are limited to the assets and liabilities disclosed in the company balance sheet which deviate from the corresponding amounts in the consolidated balance sheet. The company profit and loss account has been prepared in accordance with Section 402, Part 9, Book 2 of The Netherlands Civil Code.

Basis of consolidation

The consolidated financial statements include the financial data of Beter Bed Holding N.V. and the following participating interests in which Beter Bed Holding N.V. directly or indirectly holds more than 50% of the voting rights:

• Bedden & Bedden B.V., Uden, The Netherlands	100%
• Beter Bed B.V., Uden, The Netherlands	100%
• Beter Bed Deutschland GmbH, Moers, Germany	100%
• Beter Bed Holding GmbH, Moers, Germany	100%
• Beter Beheer B.V., Uden, The Netherlands	100%
• DBC International B.V., Uden, The Netherlands	100%
• DBC Nederland B.V., Uden, The Netherlands	100%
• DBC Duitsland GmbH, Moers, Germany	100%
• DFC Comfort B.V., Heelsum, The Netherlands	100%
• Dormaël Slaapkamers B.V., Soesterberg, The Netherlands	100%
• Ecowood Sp z o.o., Poland	100%
• Interwood Sp z o.o., Poland	100%
• Matelas Concord SarL, Strasbourg, France	100%
• Materassi Concord SrL, Bolzano, Italy	100%
• Matrassen Concord B.V., Uden, The Netherlands	100%
• Matratzen Concord A.G., Frauenfeld, Switzerland	100%
• Matratzen Concord GmbH, Cologne, Germany	100%
• Matratzen Concord GmbH, Vienna, Austria	100%
• Meubelgroothandel Classic Heerlen B.V., Kerkrade, The Netherlands	100%

In 2001 the company Beter Bed Slaapcomfort B.V. has been liquidated. As of 1 January the company Beter Bed Noord B.V. has merged into Beter Bed B.V.

New group companies are included in the consolidation from the moment the group has full control of the company. The goodwill paid on acquiring group companies and other interests is charged directly to reserves in the year of acquisition. Beter Bed Holding N.V. has issued declarations of joint

and several liability for all Dutch group companies for commitments resulting from legal transactions entered into by these group companies. Based on these letters of guarantee, the group companies have made use of the exemptions contained in Section 403 (1 and 3) of Part 9, Book 2 of The Netherlands Civil Code.

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date. The resulting translation differences are taken direct to the profit and loss account. Translation differences arising on the financial statements of foreign group companies included in the consolidation are taken direct to reserves.

The results of consolidated foreign participating interests are translated into euros at the exchange rates ruling at the balance sheet date.

Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention. Departures from historical cost rules, if any, are stated separately.

Tangible fixed assets

Tangible fixed assets, with the exception of fixed assets held by the Polish participating interests and land, are carried at the lower of cost or production cost less straight-line depreciation based on their expected useful economic lives, and replacement value. Land and assets under construction are not depreciated. Land is carried at its estimated current value.

Financial fixed assets

Participating interests in group companies are stated at net asset value, calculated in accordance with Beter Bed Holding N.V.'s accounting policies. If a participating interest has an equity deficit, first the participating interest is valued downwards, then a provision is formed for the amounts owed by the participating interest and, if necessary, a general provision is formed.

Stocks

Stocks of raw materials and consumables, finished products and goods for resale are stated at the lower of cost and market value. Work in progress is carried at the cost of raw materials

and consumables and direct production costs. A provision is formed for obsolescence where necessary. Unrealised profits on intercompany transactions are eliminated from the value of stocks.

Financial assets and liabilities

Debtors are stated net of a provision for doubtful debts where necessary. Differences between the market value and the net book value of the assets and liabilities, if any, are specified in the notes.

Provisions

The provision for deferred taxation consists of deferred tax liabilities resulting from timing differences between the valuation for tax and financial reporting purposes. Deferred tax liabilities are based on the tax rate ruling at the balance sheet date in the country concerned. No provision for deferred taxation is formed for the revaluation of land. Other provisions relate to maintenance commitments and the costs of restructuring the organisation of Beter Bed Holding N.V.

Income and expense

Net turnover represents the proceeds from goods and services provided to third parties, net of VAT, discounts, etc. Sales are accounted for as soon as the goods are delivered to the consumer or customer. Net turnover also includes rentals received from third parties.

Costs are calculated on the basis of the above accounting policies and are allocated to the financial year to which they relate. Losses are recognised in the year in which they are foreseen.

Depreciation is calculated on the basis of the straight-line method based on the expected useful economic lives of the assets. Additions during the financial year are depreciated from the date of purchase.

Tax is calculated on the profit disclosed in the profit and loss account, taking into account tax-exempt items, non-deductible and partially deductible expenses.

Information by segment

Since the company is exclusively engaged in activities in the bedroom furniture industry, in particular within one geographical zone, the euro zone, it was decided not to include detailed information by segment.

Cash flow statement

The cash flow statement is drawn up using the indirect method. The term "Cash at bank and in hand" used in this cash flow statement relates to cash at bank and in hand less current bank loans.

Notes to the consolidated balance sheet

(in € 1,000)

Tangible fixed assets

Movements in this item were as follows:

	land and buildings	plant and machinery	other fixed operating assets	total
Net book value at 1 January	12,552	1,427	12,089	26,068
Additions	73	19	9,204	9,296
Transfers/currency adjustments	91	134	-	225
Disposals	(176)	(4)	(442)	(622)
Depreciation	(342)	(233)	(4,431)	(5,006)
Revaluation	(182)	-	-	(182)
	<u>12,016</u>	<u>1,343</u>	<u>16,420</u>	<u>29,779</u>
Net book value at 31 December				
Accumulated depreciation	2,192	1,263	20,559	24,014
Accumulated revaluation	(1,921)	-	-	(1,921)
	<u>12,287</u>	<u>2,606</u>	<u>36,979</u>	<u>51,872</u>

Current assets

	31 December 2001	31 December 2000
Stocks		
Raw materials and consumables	328	368
Work in progress	230	222
Finished products and goods for resale	30,104	30,782
Total	<u>30,662</u>	<u>31,372</u>
Debtors		
Trade debtors	1,988	1,737
Other debtors	4,364	7,019
Total	<u>6,352</u>	<u>8,756</u>

All debtors fall due within one year.

Cash at bank and in hand

This item relates to cash and bank balances. Cash at bank and in hand is at the free disposal of the company.

Current liabilities

This item is broken down as follows:

	31 December 2001	31 December 2000
Credit institutions	23,120	17,494
Other creditors	8,294	13,222
Taxes and social security contributions	4,246	1,636
Other liabilities, accruals and deferred income	9,333	8,500
	<hr/>	<hr/>
Total	44,993	40,852
	<hr/> <hr/>	<hr/> <hr/>

Long-term liabilities

Credit institutions

For the purpose of financing the group activities, the company has an account overdraft facility for a total of € 30,4 million. This facility consists of a long-term loan of € 4,9 million and a current account overdraft of € 25,5 million. At the end of the year this overdraft facility had been used for € 23,1 million.

In relation to the amount owed to credit institutions, the company and its subsidiaries have undertaken not to encumber their assets with any security interest without prior consent from the credit institutions.

Of the above long-term loan € 2,9 million has a term of more than five years, while € 0,4 million will be repaid in 2002. Interest is charged at 6,7%. The short-term portion of the long-term loan is included under long-term liabilities.

Provisions

	31 December 2001	31 December 2000
Deferred taxation	1,157	1,179
Other	1,148	4,131
	<hr/>	<hr/>
Total	2,305	5,310
	<hr/> <hr/>	<hr/> <hr/>

Other provisions are formed to cover commitments and risks, in particular relating to property maintenance and restructuring costs. The remaining balance for the restructuring provision formed in 2000 at the end of the year is € 0.7 million.

Movements in the provision for restructuring were as follows:

Balance at 1 January	3,750
• Stock of Beter Bed	(939)
• Logistics of Beter Bed	(747)
• Stores of Beter Bed	(602)
• Other Beter Bed	(411)
• Sale of Bedden & Bedden	(141)
• Other	(242)
	<hr/>
Balance at 31 December	668
	<hr/> <hr/>

Group capital base

Movements in this item were as follows:

	31 December 2001	31 December 2000
Group equity		
Balance at 1 January	12,391	8,407
Share issue	-	466
Dividend for 2000/dividend for 1999	(4,419)	(2,403)
Profit for the year	11,066	6,599
Flotation adjustment costs	-	(700)
Exchange differences	263	204
Revaluation	(182)	(182)
	<hr/>	<hr/>
Balance at 31 December	19,119	12,391
	<hr/>	<hr/>
Subordinated loan		
Balance at 1 January	4,310	12,782
Repayment	(4,310)	(8,472)
	<hr/>	<hr/>
Balance at 31 December	-	4,310
	<hr/>	<hr/>
Group capital base	19,119	16,701
	<hr/> <hr/>	<hr/> <hr/>

Notes to the consolidated profit and loss account

(in € 1,000)

Net turnover by sector

	2001	2000
Retail sales	231,984	218,454
Production for third parties	2,902	2,548
Rental income	6	51
Sales branding	2,761	4,228
Insurance settlement for loss of profits	1,223	1,044
	<hr/>	<hr/>
Total	238,876	226,325
	<hr/> <hr/>	<hr/> <hr/>

Social security charges and pension premiums

Social security charges and other staff costs include an amount of € 983 (2000: € 510) for pension premiums.

Personnel

In 2001, the companies included in the consolidation employed an average of 1,759 (2000: 1,814) staff at the following branches:

	2001	2000
Retail in The Netherlands	609	679
Retail outside The Netherlands	722	587
Production in The Netherlands	-	40
Production outside The Netherlands	428	508
	<hr/>	<hr/>
Total	1,759	1,814
	<hr/> <hr/>	<hr/> <hr/>

Depreciation

The following depreciation rates are based on the expected useful economic lives of the assets concerned:

Land	0%
Buildings	3.33%
Buildings in Poland	2 to 4%
Machinery	20%
Plant	10%
Other	10 to 33%

Tax

The effective tax burden on profit on ordinary activities is 39.5% (2000: 39.0%). The applicable tax rate is 37.4% (2000: 46.2%). The applicable tax rate has decreased considerably compared to last year as a result of a higher fiscal profit in The Netherlands and a lower applicable tax rate in Germany.

Directors' remuneration

An amount of € 558,172 (2000: € 633,000) was paid to the directors in salaries and pension contributions and charged to the 2001 profit and loss account. In addition, options on shares to be issued were granted to the directors in 1998, 2000 and 2001 to increase their medium-term commitment to the company. Members of the Management Board hold 5,700 shares and 55,000 options with an average exercise price of € 11.71. The Supervisory Board's emoluments amounted to € 88,847 in 2001 (2000: € 68,000). The members of the Supervisory Board do not hold any options.

Earnings per share

Earnings per share amounted to € 1.42. Diluted earnings per share also amounted to € 1.42.

Commitments not disclosed in the balance sheet

The company has entered into long-term rental and lease agreements for business premises and other operating assets for the following amounts at the balance sheet date.

- Property rental agreements with third parties for a total of € 1.9 million a month, in most cases for a five-year period with the option for renewal.
- Lease agreements for € 0.2 million a month.

On behalf of the financiers of the Dormaël franchisees, the company has given a buy-back guarantee for interior and stocks. The maximum obligation at the end of the year amounted to € 1.6 million.

In addition, the company entered into a purchasing commitment vis-à-vis a furniture supplier for € 0.8 million in 2002.



Company balance sheet at 31 December 2001

(in € 1,000, before proposed profit appropriation)

	31 December 2001	31 December 2000
Tangible fixed assets		
Other fixed operating assets	39	-
Financial fixed assets	23,630	45,187
Current assets		
Debtors	3,627	3,980
Current liabilities	5,160	31,247
	(1,533)	(27,267)
	22,136	17,920
Financed by:		
Provisions	3,017	5,529
Capital and reserves		
Issued share capital	389	354
Share premium account	9,565	9,600
Revaluation reserve	1,815	1,997
Legal reserve	71	
Other reserves	(3,787)	(6,159)
Retained earnings	11,066	6,599
Capital and reserves	19,119	12,391
	22,136	17,920

Company profit and loss account for 2001

(in € 1,000)

	2001	2000
Net profit of participating interests	10,031	10,255
Other income/(expense)	1,035	(3,656)
Net profit	11,066	6,599

Notes to the company balance sheet and profit and loss account

(in € 1,000)

General

The accounting policies as stated for the consolidated financial statements also apply to the company financial statements.

Financial fixed assets

This item includes the participating interests in group companies and the amounts owed by group companies. Movements in this item were as follows:

	participating interests in group companies	amounts owed by group companies	total
Balance at 1 January 2001	45,187		45,187
Profit of participating interests for the year	10,031		10,031
Movement in amounts owed by group companies	(18,018)		(18,018)
Movement in provision participating interests	570		570
Contributions	17,780		17,780
Dividend paid	(32,001)		(32,001)
Revaluation	(182)		(182)
Exchange gain	263		263
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2001	23,630		23,630
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Current assets

	31 December 2001	31 December 2000
Debtors		
Group companies	2,526	(2,662)
Other debtors	1,101	6,642
	<hr/>	<hr/>
Total	3,627	3,980
	<hr/> <hr/>	<hr/> <hr/>

All debtors fall due within one year.

Current liabilities

	31 December 2001	31 December 2000
This item can be broken down as follows:		
Credit institutions	4,874	30,837
Taxes and social security contributions	(82)	69
Other liabilities, accruals and deferred income	368	341
Total	5,160	31,247
Provisions		
Other	668	3,750
Participating interests	2,349	1,779
Total	3,017	5,529

Capital and reserves

Issued share capital

The company has authorised share capital of € 1,250,000 consisting of 25 million ordinary shares of € 0.05 nominal value. At 31 December 2001 7,789,947 shares were issued and paid up. In 2001 the NLG 0.10 ordinary shares were converted into € 0.05 shares. The difference in nominal value has been charged to the share premium capital.

Movements in capital and reserves were as follows:

	total	issued share	share premium capital	legal reserve participating interests	revaluation reserve	other reserve	retained earnings
Balance at 1 January	12,391	354	9,601	-	1,995	(6,158)	6,599
Profit for 2000	(4,419)					2,180	(6,599)
Profit for 2001	11,066						11,066
Euroconversion	-	36	(36)				
Translation differences in capital and reserves and loans at foreign group companies	263			71		192	
Revaluation	(182)				(182)		
Rounding differences	-	(1)			2	(1)	
Balance at 31 December	19,119	389	9,565	71	1,815	(3,787)	11,066

The share premium reserve can be paid out in full free of tax. The revaluation reserve is a legal reserve for revaluation and relates to land.

At 21 March 2002, the following interests have been disclosed under the Major Holdings in Listed Companies Disclosure Act 1996 (Wet Melding Zeggenschap):

Breedinvest, Laren, The Netherlands	14.25%
Stichting Shell Pensioenfonds (company pension fund), The Hague, The Netherlands	10.15%
M.J.A.M. Diks, Overpelt, Belgium	9.22%
Dexia S.A., Brussels, Belgium	6.28%
CGNU Plc, London, United Kingdom	5.83%
Driessen Beleggingen B.V. Limmen, The Netherlands	5.69%
Orange Fund, Amsterdam, The Netherlands	5.62%
Stichting Bedrijfspensioenfonds Metaal en Technische Bedrijfstakken (pension fund), Rijswijk, The Netherlands	4.83%

To increase management and staff involvement and motivation further, options on shares to be issued were granted as follows:

Year of grants	number	exercise	
		price in €	period
1997	5,000	17.92	5 years
1998	11,500	29.70	4 years
1999	1,500	26.50	4 years
2000	3,087	24.50	4 years
2000	2,500	12.25	5 years
2000	35,000	12.20	4 years
2001	70,500	10.85	4 years

In the year under review, no options on shares to be issued were exercised.

Uden, 9 April 2002

Management Board

F.J.H. Geelen,
C.E.O.

Supervisory Board

M.J.N.M. van Seggelen, Chairman
E.F. van Veen, Vice-Chairman
M.J.A.M. Diks
L.R.J. van Rappard
C.A.S.M. Renders

Other information

Auditors' report

Introduction

We have audited the financial statements of Beter Bed Holding N.V., Uden, The Netherlands for the year 2001. The financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with auditing standards generally accepted in The Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company at 31 December 2001 and of the result for the year then ended in accordance with accounting principles generally accepted in The Netherlands and comply with the financial reporting requirements included in Part 9, Book 2 of The Netherlands Civil Code.

Eindhoven, 9 April 2002

Ernst & Young Accountants

Articles of association provisions governing profit appropriation

The main provisions relating to profit appropriation are included in article 32 of the articles of association:

Paragraph 1: The Board of Directors shall determine annually which part of the company's profit - the positive balance of the profit and loss account - will be added to reserves.

Paragraph 2: The remaining profit shall be at the disposal of the annual general meeting.

Appropriation of 2001 profit (in € 1,000)

Profit for the 2001 calendar year	11,066
Addition to other reserves	7,171
	<hr/>
Profit available for distribution	3,895
	<hr/> <hr/>

The proposed profit appropriation has not been included in the balance sheet at 31 December 2001.