



## *Independent auditor's report*

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

### *Report on the financial statements 2015*

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#### *Our opinion*

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of Beter Bed Holding N.V. as at 31 December 2015 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 accompanying company financial statements give a true and fair view of the financial position of Beter Bed Holding N.V. as at 31 December 2015 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 page 61 to 94 of the accompanying financial statements 2015 of Beter Bed Holding N.V., Uden ('the company'). The financial statements include the consolidated financial statements of Beter Bed Holding N.V. and its subsidiaries (together: 'the Group') and the company financial statements.

The consolidated financial statements comprise:

- the consolidated balance sheet as at 31 December 2015;
- the following statements for 2015: the consolidated profit and loss account and the consolidated statements of comprehensive income, consolidated cash flows statement and consolidated statement of changes in equity; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2015;
- the company profit and loss account for the year then ended;
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been 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

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financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

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### ***The basis for our opinion***

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section 'Our responsibilities for the audit of the financial statements' of our report.

We are independent of Beter Bed Holding N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

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

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### ***Our audit approach***

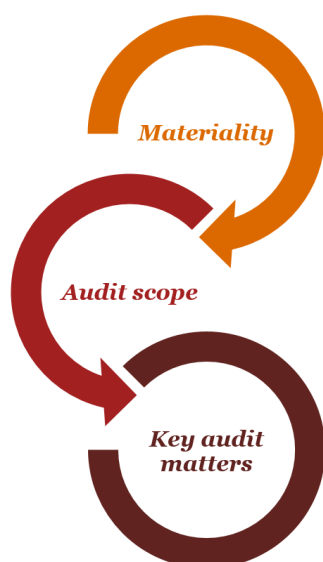
#### ***Overview and context***

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the management board made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the management board that may represent a risk of material misstatement due to fraud.

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit of a retailer. Due to the fact that there is a high level of automation and IT, we have added IT specialists to our audit team to perform procedures necessary to assess and validate IT systems as part of our audit procedures. Furthermore, we included specialists in the areas of income tax and employee benefits in our team.

The audit of the 2015 financial statements is our first year as auditor of Beter Bed Holding N.V. Therefore we have performed procedures related to the transition in addition to our regular audit procedures. These transition related procedures include, besides others, the following:

- Procedures to obtain sufficient comfort over the 1 January 2015 opening balances, including contacting the previous auditors and review of their audit files related to the 2014 audit.
- Procedures to gain a detailed understanding of the company and the environment it is operating in, including internal controls and IT. Based on this understanding, we have prepared our risk analysis and audit plan which were presented and discussed with the management board and the audit committee of the supervisory board.



### **Materiality**

- Overall materiality: €2,890,000 which represents 0.75% of revenue.

### **Audit scope**

- We conducted audit work on the financial reporting of Beter Bed B.V. and Matratzen Concord GmbH as part of the audit of the consolidated financial statements of Beter Bed Holding N.V.
- There were 2 components where we have performed audit procedures on specific line items of the financial reporting of these components.
- Audit coverage: 86% of consolidated revenue.

### **Key audit matters**

- Accuracy of revenue
- Existence and valuation of inventories

## **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’.

We set certain quantitative thresholds for materiality. 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 on our opinion.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<b>Overall group materiality</b>	€2,890,000
<b>How we determined it</b>	0.75% of revenue.
<b>Rationale for benchmark applied</b>	We have applied this benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis we believe that revenue is an important metric for the financial performance of the company.
<b>Component materiality</b>	To each component in our audit scope, we, based on our judgement, allocate materiality that is less than our overall group materiality. The materiality allocated across components was €2,000,000.

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 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.

The group audit focused on the significant components Matratzen Concord GmbH and Beter Bed B.V. which were subjected to audits of their complete financial information as those components are individually significant to the group. Beter Bed Beheer B.V. and BBH Services GmbH & Co. K.G. were subjected to specific risk-focused audit procedures to achieve appropriate coverage on financial line items in the consolidated financial statements.

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

<b>Revenue</b>	86%
<b>Total assets</b>	86%
<b>Profit before tax</b>	74%

The remaining components represented less than 5% of total group revenue. For those remaining components we performed, amongst others, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

As the auditor of the group we used the work performed by the component auditor of Matratzen Concord GmbH. Before the start of their audit procedures we have shared detailed instructions including the results of our risk analysis performed as part of our audit of the financial statements of Beter Bed Holding N.V. We determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. We have access to the audit file of the Matratzen Concord GmbH audit team and the group engagement team visited the component team multiple time throughout the year. For this year's audit we attended both the clearance meeting of the half year review procedures as well as the clearance meeting of the year-end audit procedures in Germany.

The group consolidation, financial statement disclosures and a number of complex items such as share based payments, taxes, related notes and the company financial statements of Beter Bed Holding N.V. are audited by the group engagement team at the head office.

By performing the procedures above at components, combined with additional procedures at group level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the group as a whole to provide a basis for our opinion on the consolidated financial statements.



### *Key audit matters*

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

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

<i>Key audit matter</i>	<i>How our audit addressed the matter</i>
<p><b><i>Accuracy of revenue</i></b> <b><i>Note 12 to the consolidated profit and loss account in the financial statements</i></b></p> <p>Revenue is an important measure used to evaluate the performance of the company (also refer to the materiality). There is a risk that the revenue is presented for amounts higher than what has been actually generated by the company. Revenue is accounted for when the sales transactions have been completed, when goods are delivered to the customer and all economic risks for Beter Bed have been transferred as a result. Revenue is generated through store sales as well as online sales. Delivery has been completed when goods are paid and transferred to the customer in store, or when goods are paid by the customer and delivered on location. These transactions are mainly processed automatically through IT. Based on the high IT dependency and the potential effects of inaccurate revenue transactions on margin, we have concluded that the accuracy of revenue is a key audit matter that will be addressed in our audit.</p>	<p>Our audit procedures include testing of design, existence and operating effectiveness of (automated) internal control procedures implemented as well as test of details to ensure accurate processing of revenue transactions.</p> <p>The most important internal control procedure for the accuracy of the revenues is the automated three-way-match in SAP. We have reperformed the three-way-match between order-delivery-invoice/payment by using data-analysis software and identified a relatively low number of exceptions, which were not material in nature and size of the exception.</p> <p>The results of our controls testing and reperformance of the three-way-match have been the basis for the nature and scoping of the additional test of details, which mainly consisted of testing individual transactions by reconciling them to external sources. Furthermore, we have performed analytical procedures on gross-margin through detailed store comparison.</p>



### ***Key audit matter***

#### ***Existence and valuation of inventories***

*Note 4 to the consolidated balance sheet in the financial statements*

Total inventories of €58 million represent 44% of total assets of Beter Bed Holding N.V. These inventories mainly consist of inventories in the stores and inventories kept at the distribution centers. Valuation of the inventories is at cost or at lower net realizable value. Valuation at cost includes different components including allocated supplier bonuses. The allocation of supplier bonuses and the assessment of revaluation of inventories to net realizable value is mainly based on management estimates. This, in combination with the significant share of inventories as part of total assets, made us conclude that existence and valuation of inventories are a key audit matter of our audit. Furthermore, inventories are an important factor to consider in our procedures on the revenues, where purchased inventories that are not part of the physical inventories should have been sold.

### ***How our audit addressed the matter***

Our audit procedures to test the existence of the inventories mainly consist of testing the relevant internal control procedures, specifically by testing the inventory cycle counts that are periodically performed by management and the automated recording of sales transactions (three-way-match). Throughout the year, we have attended a selection of inventory cycle counts in stores and in the distribution centers, to validate counts performed by the company. We compared our count results with the results of the counts by Beter Bed representatives.

Furthermore, we have applied data-analysis software on the source data in SAP to reperform the three-way-match between order-delivery-invoice/payment. The results of the reperformance have been compared to the results of the automatically processed revenue transactions in inventories. We did not identify any material differences between our procedures and management's registration.

To validate the valuation of inventories, we performed test of details on actual margins and valuation of obsolete inventories. We assessed whether there were inventories which were sold with a (consistent) negative margin by evaluating recent sales invoices from January and February 2016 to validate management's assessment and decision whether inventories should or should not be provided for. Furthermore we analysed the inventory turnaround and compared that to management's estimates on obsolete inventories.

For the allocation of supplier bonuses to the valuation of inventories at cost we recalculated the supplier bonuses per supplier based on supporting contracts. The settled supplier bonuses were tested by reconciling them to the bank statements. Unsettled bonuses have been validated by assessing the quality of historical estimates. Furthermore we have validated mathematical accuracy of the allocation to inventories as per year end based on the inventory turnaround.

Based on the procedures described we consider management's estimates, which are the basis of the inventory valuation, as acceptable.

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## ***Responsibilities of the management board and the supervisory board***

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

As part of the preparation of the financial statements, the management board is responsible for assessing the company's ability to continue as a going-concern. Based on the financial reporting frameworks mentioned, the management board should prepare the financial statements using the going-concern basis of accounting unless the management board either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so. The management board 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.

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

Our responsibility is to plan and perform an audit engagement to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all 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.

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

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## ***Report on other legal and regulatory requirements***

### ***Our report on the report of the management board and the other information***

Pursuant to the legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the report of the management board and the other information):

- We have no deficiencies to report as a result of our examination whether the report of the management board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- We report that the report of the management board, to the extent we can assess, is consistent with the financial statements.



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### ***Our appointment***

We were appointed as auditors of Beter Bed Holding N.V. by the supervisory board following the passing of a resolution by the shareholders at the annual meeting held on 19 May 2015. We currently have a total period of uninterrupted engagement appointment of 1 year.

Eindhoven, 10 March 2016  
PricewaterhouseCoopers Accountants N.V.

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

*This document is a translation. In the event of any dispute as to the interpretation of any of the above, the official Dutch language version shall prevail.*



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## ***Appendix to our auditor's report on the financial statements 2015 of Beter Bed Holding N.V.***

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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 skepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. 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. Our audit consisted, among others of the following:

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

Considering our ultimate responsibility for the opinion on the company's 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.

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

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