BETER BED HOLDING

ANNUAL REPORT 2005

Profile

Beter Bed Holding N.V. comprises a group of companies that focuses on retail activities within the European bedroom furniture market. The company sells mattresses, bed bases, bedroom furnishings and related products to consumers via a range of leading retail formulas. The retail chains, which all concentrate on the bedroom products market, have their own distinctive images and identities. Consumers recognise the vital importance of a good night's sleep. They consequently appreciate receiving professional advice from a qualified bedroom specialist when purchasing a bedroom system.

The European bedroom specialist market is extremely fragmented and is predominantly served by small private entrepreneurs who own one or a couple of stores. Beter Bed and Matratzen Concord, which are both divisions of Beter Bed Holding N.V., are market leaders in their respective markets. The company's strategy is aimed at rapid and profitable expansion within the fragmented European bedroom furniture market.
In keeping with this strategy, the retail formulas seek to achieve market leadership in the various countries in which they operate. Within the framework of its wholesale operations, the company furthermore develops product concepts that it markets both via its own retail chains and via other distribution channels. This product development allows the organisation to create its own A-brands.

The market demands permanent innovation of the product range. Both the retail chains and the wholesale operations carry out ongoing product development programmes, either independently or in partnership with a manufacturer, which makes it possible to increase market share.
In addition, there is expansion and optimisation of the network of retail stores. This enables Beter Bed Holding N.V. to further strengthen its position in the European bedroom furniture market.

For more information visit *www.beterbedholding.com*

A Dutch language version of this annual report is also available.

BETER BED HOLDING

ANNUAL REPORT 2005

Contents

Key figures

AT 31 DECEMBER, IN € THOUSAND, UNLESS OTHERWISE STATED

	2005		2004	
Revenue	287,136		255,166	
Gross profit	152,619	*53.2%*	134,595	*52.7%*
Total operating expenses	127,934	*44.6%*	119,635	*46.9%*
Operating profit (EBIT)	24,685	*8.7%*	14,960	*5.9%*
Net profit	15,637	*5.5%*	8,316	*3.3%*
Average number of outstanding shares (in thousands of shares)	8,657		8,576	
Earnings per share €	1.81		0.97	
Diluted earnings per share €	1.79		0.97	
Share price in € at year-end	31.60		14.24	
Solvency (%)	46.3		36.8	
Interest cover	31.4		16.2	
Number of staff at year-end	1,721		1,760	
Number of retail stores at year-end	775		682	

Formulas

Matratzen Concord

This formula's core activity is selling mattresses, bed bases and bedroom textiles to consumers based on a cash & carry concept. The chain encompasses 639 stores with an average floor space of 250 square metres. The stores are primarily situated near consumers at so-called C-locations in and around city centres. The assortment features an extremely favourable price-quality ratio and at each location customers can count on receiving professional and personalised advice. The product concepts developed under own management contribute considerably to the formula's success. The formula operates in Germany, Austria, Switzerland and the Netherlands. Matratzen Concord is the market leader in the German mattress market. The company's strategy is aimed at further expanding its European market leadership in the fragmented mattress specialist market.

WWW.MATRATZEN-CONCORD.DE
WWW.MATRASSENCONCORD.NL

Beter Bed

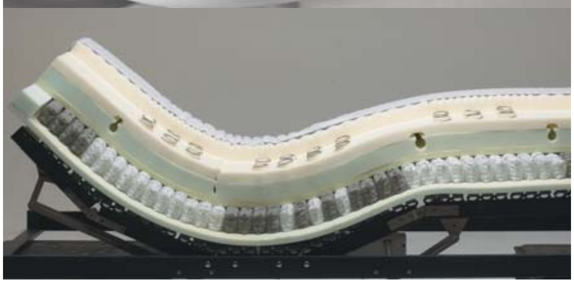
Beter Bed offers an excellent price-quality ratio in a chain of bedroom furniture stores in the middle of the market. Customers order the items in the store which are then delivered and assembled at their homes. All the stores are located in the Netherlands, predominantly at 'furniture boulevards' or in furniture store malls. In the stores, consumers can choose from a wide and up-to-date range of bedroom furniture, mattresses, bed bases, bed textiles and other items at competitive prices. Beter Bed is market leader in the Netherlands and enjoys a high level of name recognition among consumers. Beter Bed's strategy is based on further strengthening its position in the Dutch market. The activities in Germany were integrated into the Matratzen Concord organisation in the second half of 2005. The name Beter Bed is no longer used in Germany.

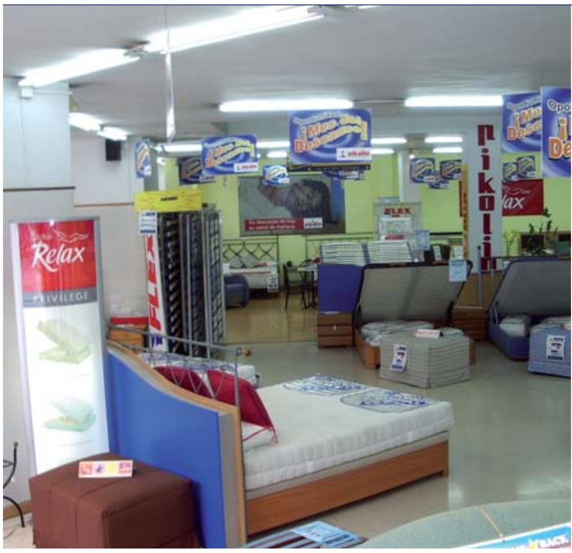
WWW.BETERBED.NL

DBC

DBC was established in September 2001. It develops mattresses made of visco elastic foam which was originally developed by NASA. These mattresses feature unique pressure-reducing qualities and are sold both by Beter Bed and via third parties. The company has also developed a version especially for healthcare purposes. The M Line box spring was introduced in 2003, this is a modern design with a seven-zone pocket spring base that is only 8 cm high, combined with any M Line mattress.
Two mattresses were added to the product range in 2004: the M Line Slow Motion Basic mattress as ‘starter model’ and the new top model named M Line Slow Motion IV. A bed base developed especially for the M Line mattress was introduced to the market in the autumn of 2005.

WWW.MLINE.NL





El Gigante del Colchón

Beter Bed acquired this Spanish chain on 1 September. The company had 20 stores with an average of 400 m^2 of floor space at the time of acquisition. The location strategy and the store image are comparable to those employed by Matratzen Concord. It is not, however, a cash & carry concept because Spanish beds are difficult to transport by private car. The products are consequently delivered to and assembled at consumers' homes.

WWW.GIGANTEDELCOLCHON.COM

Slaapgenoten/Dormaël Slaapkamers

This chain that comprises four own and three franchise stores focuses on the high end of the Dutch bedroom furniture specialist market. The stores are located at the better locations in the Netherlands and allow consumers to shop in attractive surroundings where they can choose from exclusive collections featuring numerous top brands. One of the own stores was converted in June 2005 to the new "Slaapgenoten" concept. This is an innovative concept developed under own management that is designed for customers who want top quality.

WWW.SLAAPGENOTEN.NL
WWW.DORMAELSLAAPKAMERS.NL

Beddendump

Beddendump is a discount cash & carry formula in the Netherlands. The stores are primarily located at B and C locations with floor space of approximately 600 square metres. The chain comprised a total of 23 stores at the end of 2005 (end 2004: 15).

WWW.BEDDENDUMP.NL

WasserbettenDiscount

The activities of WasserbettenDiscount have also been largely integrated into the Matratzen Concord organisation. There were still six specialised waterbed shops operating under the name WasserbettenDiscount at the end of 2005.

Interwood

Interwood was the last factory in Poland. The activities were terminated in late May 2005. The real estate was sold in December 2005.

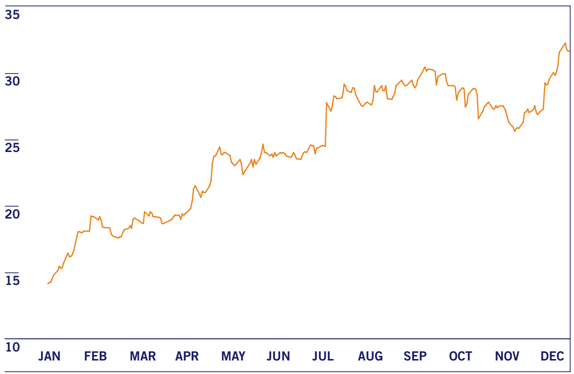
Numbers of stores

Formula		1 Jan 2005	Acquisition	Closed	Opened	31 Dec 2005
Matratzen Concord	Germany	511	-	22	82	571
	The Netherlands	22	-	1	3	24
	Austria	21	-	1	4	24
	Switzerland	17	-	-	3	20
Beter Bed	The Netherlands	78	-	5	6	79
	Germany	5	-	5	-	-
El Gigante del Colchón	Spain	-	20	1	2	21
Slaapgenoten/ Dormaël Slaapkamers	The Netherlands	8	-	1	-	7
Beddendump	The Netherlands	15	-	-	8	23
WasserbettenDiscount	Germany	5	-	1	2	6
Total		**682**	**20**	**37**	**110**	**775**

Share **information**

The shares of Beter Bed Holding N.V. are quoted on the Official Market of Euronext N.V. in Amsterdam under security code 033969. The number of shares outstanding at the end of 2005 totalled 8,657,047. The total number of shares outstanding rose by 2,500 in 2005 as a result of exercised employee share options. The average number of shares outstanding totalled 8,656,931. The number of shares used to calculate the diluted earnings per share is equal to 8,741,991. Earnings per share for 2005 total € 1.81, compared to € 0.97 in 2004. The diluted earnings per share in 2005 are € 1.79, compared to € 0.97 in 2004.

Share price development 2005 (€)

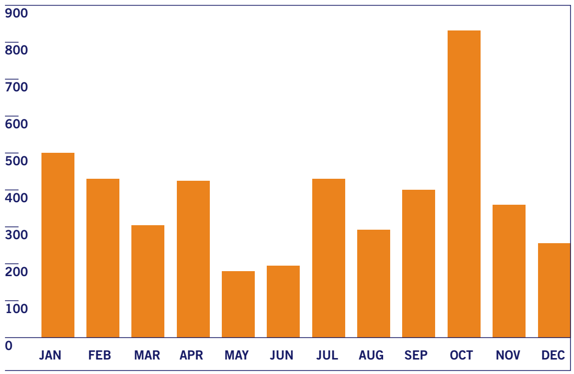


Trade volumes

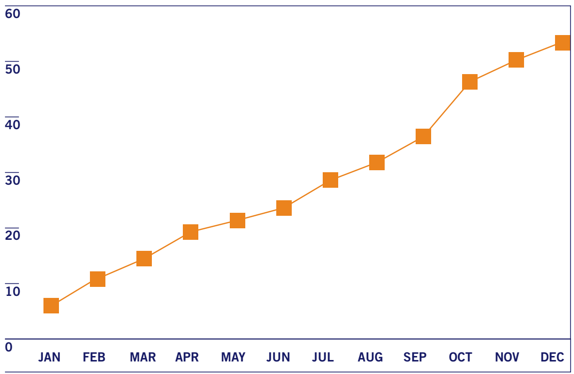
Three liquidity providers operate on behalf of the Beter Bed share, namely SNS Securities N.V., ABN AMRO N.V. and Rabo Securities N.V.

The following table shows the number of shares traded per month (via the Euronext order system) and the cumulative percentage of the outstanding shares (as per 1 January) that were traded in 2005.

Number (x 1,000)



Percentage (%)



Major Holdings in Listed Companies Disclosure Act

The following holdings as of year-end 2005 have been made public in compliance with the Major Holdings in Listed Companies Disclosure Act:

	percentage (%)
Breedinvest B.V.	14.12
(Laren, NL)	
Delta Deelnemingen Fonds N.V.	10.17
(Gouda, NL)	
Stichting Shell Pensioenfonds	10.15
(Den Haag, NL)	
Todlin N.V.	7.73
(Maarsbergen, NL)	
Aviva Plc (CGNU Plc)	5.83
(London, UK)	
Driessen Beleggingen B.V.	5.69
(Limmen, NL)	
Orange Deelnemingen Fund N.V.	5.13
(Amsterdam, NL)	

Options

Options for shares to be issued have been provided with a view to further enhancing the involvement and motivation of the Management Board and the management. A total of 96,000 options were awarded to the management in the year under review. 10,000 options were awarded to the former owner of the chain that was acquired in Spain. These will be exercised from 15 September 2008 through 14 September 2012 under the condition that during that period the Spanish companies achieve operating profit (EBIT) of € 4.5 million in a calendar year. The other options (86,000 in all) can be exercised from 28 October 2008 only if net profit of € 15 million is achieved in at least one year of the validity period. The exercise period will end on 28 October 2011. 2,500 options were exercised in the year under review. The following option series were outstanding at the end of the year:

Year of issue	Management Board	Other	Exercise price in €	Duration up to and inclusive
2003	30,000	50,000	8.50	31-10-2010
2004	30,000	55,000	14.75	29-10-2011
2005		10,000	29.00	14-09-2012
2005	30,000	56,000	26.78	28-10-2011

Insider regulations

The company has ratified insider trading regulations. These regulations were changed in accordance with the amended legislation in 2005. The new regulations went into force on 1 September 2005. The persons subject to these regulations have provided written confirmation that they shall fully adhere to the regulations. The regulations are available on the Beter Bed Holding website.

Financial calendar 2006

The calendar for 2006 is as follows:

20 January 2006	Publication of 4th quarter 2005 trading statement
10 March 2006	Publication of annual results 2005
10 March 2006	Analysts' meeting annual results 2005
26 April 2006	Publication of 1st quarter 2006 results
26 April 2006	Annual General Meeting of Shareholders
14 July 2006	Publication of 2nd quarter trading statement
25 August 2006	Publication of half-year results 2006
25 August 2006	Analysts' meeting half-year results 2006
27 October 2006	Publication of 3rd quarter results 2006
19 January 2007	Publication of 4th quarter 2006 trading statement

For more information visit *www.beterbedholding.com.*

Supervisory **Board**

Members of the Supervisory Board are appointed for a period that expires on the day of the first Annual General Meeting of Shareholders that is held four years after their appointment. Board members step down periodically according to a schedule drawn up by the Supervisory Board. The following curricula vitae include an overview of the other supervisory directorships that are held by the members of the Supervisory Board.

The Supervisory Board has the following members: M.J.N.M. van Seggelen (Chairman), E.F. van Veen (Vice-chairman), C.A.S.M. Renders and J. Blokker.

The retirement by rotation schedule is as follows:

Supervisory Director	Appointed/ Reappointed	Retirement/ Reappointment
M.J.N.M. van Seggelen	25 April 2002	AvA 2006
E.F. van Veen	24 April 2003	AvA 2007
C.A.S.M. Renders	27 April 2005	AvA 2009
J. Blokker	6 June 2002	AvA 2006

Mr J. Blokker was appointed for the first time in June 2002. The other members of the Supervisory Board have held their positions since the stock market flotation at the end of 1996.

Curriculum Vitae

M.J.N.M. van Seggelen (1939)

Mr Van Seggelen studied economics at Basel University, Switzerland and began his professional career at an international institution for applied economic research. He subsequently held management positions at consumer goods production and trading companies.

For the past 20 years, he has worked as a director for retail businesses in the non-food sector. He was Chairman of the Board of Directors of RetailNet, Gouda, and a member of the Board of Directors of respectively N.V. Koninklijke Bijenkorf Beheer and ACF Holding N.V.

Mr Van Seggelen also holds supervisory directorships at Deen Supermarkt B.V., Pearle Europe B.V., DGS Wijnkopers B.V., Todlin N.V. and Fleurop Interflora Nederland B.V.
Furthermore he is a member of the Board of the "Stichting Retail Jaarprijs" (Annual Retail Award Foundation).

Curriculum Vitae
E.F. van Veen (1939)
Mr Van Veen graduated with a degree in business economics from the Erasmus University in Rotterdam in 1967. He began his career at Thomassen & Drijver Verblifa N.V. in Deventer, where he held various financial and commercial management positions.

From 1973 to 1998 he was successively Corporate Controller, Corporate Director Financing & Controlling (CFO) and Vice President of Royal Numico N.V.

Mr Van Veen also holds supervisory directorships at Docdata N.V. (Chairman), Blokker Holding B.V., Nabuurs Groep Haps B.V., and Koninklijke Numico N.V. He is a member of the Board of Directors of the Stichting Administratiekantoor CSM and a member of the Supervisory Board of Leiden University Medical Centre (LUMC).

Curriculum Vitae
C.A.S.M. Renders (1962)
Mr Renders has been the director-owner of Renders Management B.V. since 1988. After earning a degree in commercial law in Leiden and successfully completing the Simon School-Erasmus MBA programme in Rotterdam/Rochester, Mr Renders began his career as a consultant in 1986.

Mr Renders holds various supervisory directorships, including positions at Detron N.V. (until June 2000, after which the company was sold to Landis N.V.) and a few closely-held companies. As a supervisory director at the two publicly listed companies, he was closely involved with their IPOs.

Curriculum Vitae
J. Blokker (1942)
Mr Blokker is Chairman of the Board of Directors of Blokker Holding B.V.

He is also a Supervisory Director at Van Haren Schoenen B.V.

Management **Board**

The Management Board of Beter Bed Holding is formed by F.J.H. Geelen, Chief Executive Officer, and E.J. van der Woude, Chief Financial Officer.

Curriculum Vitae
F.J.H. Geelen (1955)

Frans Geelen holds a masters degree in business administration from Erasmus University and a masters degree in law from Leiden University.

He began his career in 1979 at Koninklijke Bijenkorf Beheer.

In 1982 he joined Intercena where he held various positions at companies belonging to the Brenninkmeijer family. He was appointed managing director of Intercena in 1992.

In 1996 he joined the Executive Board of C&A Europe.

Frans Geelen joined Beter Bed Holding N.V. on 1 September 2000 in the position of Chief Operating Officer and on 1 January 2001 he was appointed to the position of Chairman of the Management Board and Chief Executive Officer.

Curriculum Vitae
E.J. van der Woude (1959)

Ric van der Woude studied business economics at the Vrije Universiteit in Amsterdam.

He began his career in 1984 at Esso Benelux.

In 1990 he joined C&A Nederland where he held various financial and administrative positions. In 1998 he was appointed CFO of European Specialty Stores, a holding that comprises smaller retail companies owned by the Brenninkmeijer family in Europe.

He joined Beter Bed Holding N.V. on 1 January 2002 and, as the company's Chief Financial Officer, was appointed to the position of statutory director of Beter Bed Holding effective 1 May 2004.

Corporate **Governance**

The Supervisory Board and the Management Board subscribe to the principles of good business management as set forth in the Dutch Corporate Governance Code. The company's website *www.beterbedholding.com* gives a full overview of all the best practice provisions and whether or not the company complies with these individual provisions. This section provides an explanation of the best practice provisions that the company does not comply with (entirely) and the reasons for deciding not to comply. The code also includes a number of provisions that do not apply to Beter Bed.
These provisions relate to a one-tier management structure, certification of shares and the responsibility of institutional investors.

Best practice II.1.1.
The contracts that had already been entered into with the Management Board members (at the time of the publication of the code) have not been revised with a view to possible labour law issues related to the four-year appointment period. All new Management Board members will, however, be subject to this provision.

Best practice II.1.3.
The company has an internal risk management and control system in place that is suitable for the company. A separate code of conduct has not, however, been developed due to the size of the company.

Best practice II.2.6.
Trading in shares other than those issued by the own company is considered to be a private matter of the related Management Board member. There are consequently no regulations within the company regarding trading in shares other than those issued by the own company.

Best practice II.2.7.
No contractual agreements regarding remuneration in the event of dismissal of Management Board members have been entered into. Existing contracts (at the time of publication of the code) will not be revised with respect to this point.

Best practice III.6.7.
Possibly combining a management task with a position on the Supervisory Board on a temporary basis is not considered to be problematic.

Best practice III.7.3.
Trading in shares other than those issued by the own company is considered to be a private matter of the related Supervisory Director. There are consequently no regulations within the company regarding trading in shares other than those issued by the own company.

Best practice IV.3.1.
Webcasting will not be used to broadcast analysts' meetings and other meetings for the time being due to cost considerations. The dates of the meetings with analysts will be published on the website in advance and the information will be made available on the website following the meeting.

Best practice IV.3.7.
A shareholders circular will only be used in exceptional cases because the notes enclosed with the agenda for the Annual General Meeting generally provide sufficient information.

Best practice V.3.1.
Beter Bed Holding does not have an internal auditor due to its size.

Report of the Supervisory Board

We are pleased to present the financial statements of Beter Bed Holding N.V. for the financial year 2005 and the report of the Management Board.

The financial statements have been compiled by the Management Board and have been audited and approved by our auditor Ernst & Young Accountants. The report provided by Ernst & Young Accountants is included on page 52 of this annual report.
We have discussed the financial statements extensively in the presence of the Management Board and Ernst & Young auditors. The Supervisory Board has approved the financial statements and recommends that the Annual General Meeting of Shareholders approves these financial statements accordingly.
Approval will discharge the Management Board of responsibility in respect of their management during 2005 and the Supervisory Board of responsibility in respect of their supervision.

The Supervisory Board has been pleased with the company's performance in 2005. Despite continuing difficult market conditions, the company again succeeded in achieving considerable growth in profit, primarily through the realisation of an increase in sales and an improvement in productivity and efficiency.

Following the announcement of the third quarter figures, we decided to pay out an interim dividend of € 0.40 per share.
In accordance with the proposal of the Management Board, we recommend payment of a final dividend of € 1.10 per share. This means that 83% of the profits earned in 2005 will be paid to shareholders in keeping with the dividend policy that was approved by the Annual General Meeting of Shareholders on 27 April 2005.

The Supervisory Board was intensely involved in the developments of Beter Bed Holding and its subsidiaries in 2005. We met with the Management Board five times at the company's head office and had four conference calls with the Management Board. The Supervisory Board also met alone on two occasions.
The Management Board provided us with useful information, both verbally and in writing, on a regular basis.
The five meetings with the Management Board were properly prepared and allowed us to form a considered judgement regarding the company's commercial, operational, strategic and organisational developments. Special attention was naturally devoted to the acquisition of the Spanish chain El Gigante del Colchón. We are confident that the acquisition process was conducted with due care and trust that this new branch on the Beter Bed Holding tree will contribute to further growth in Europe.
We, of course, furthermore devoted a great deal of attention to the development of the operational profit, the positioning of the retail formulas in the European markets and the company's strategy for the medium term.
The budget for 2006 was adopted at the meeting held on 15 December. This budget includes both the company's operational and financial objectives and the strategy that it will follow in order to realise these objectives. Within this context we also gave our approval for the proposed investments.
During our closed meetings we discussed topics including the performance and composition of our Supervisory Board, the performance of the Management Board and the terms of employment policy.

After receiving an explanation from its Audit Committee, the Supervisory Board discussed the updated risk inventory with the Management Board. We are convinced that the procedure regarding risk analysis, risk management and risk control that was put in place last year and the audit conducted by the external auditor regarding the AO/IC provide sufficient security for the management statement concerning the operation of the system of risk control and risk management.

The Audit Committee is comprised of Mr Van Veen (Chairman) and Mr Renders and meets at least twice a year. Mr Van Veen serves as the financial expert as defined in the code.
The committee dealt with a number of topics during the year under review including:

- Updating and managing the risk inventory conducted by the Management Board.
- The annual financial statements and the half-year figures.
- The transition to IFRS.
- The Supervisory Board's nomination of Ernst & Young for the position of external auditor.

The Remuneration Committee is comprised of Mr Renders (Chairman), Mr Van Veen and Mr Van Seggelen and meets at least twice a year. It advises the Supervisory Board regarding the drafting of the remuneration policy and the remuneration of the individual members of the Management Board.
The key points of the remuneration policy include:
- Fixed salaries at market level.
- A variable bonus of no more than 75% of the fixed salary.
- The bonus is largely dependent upon the operating profit (EBIT).
- The bonus award is left partially to the discretion of the Supervisory Board.
- Options for new shares to be issued are provided in order to promote the loyalty, involvement and motivation of the Management Board.

The company has not established a separate Selection and Appointment Committee due to its size.

Mr Renders was, upon nomination by the Supervisory Board, reappointed for a period of four years at the Annual General Meeting of Shareholders on 27 April 2005. The composition of the Supervisory Board fulfils the requirements stipulated by the Dutch Corporate Governance Code. Only Mr Blokker, due to his position as member of the Management Board of majority shareholder Breedinvest B.V., is not independent. Mr Van Seggelen and Mr Blokker will resign by rotation. Both men have made themselves available for reappointment. This would be the third term for Mr Van Seggelen. The Supervisory Board recommends that the Annual General Meeting of Shareholders reappoint both Mr Van Seggelen and Mr Blokker on grounds of their knowledge of the retail trade on the one hand and their performance over the past four years on the other.
The Supervisory Board is convinced that the Supervisory Board is balanced and properly composed with the members Mr Van Seggelen, Mr Blokker, Mr Van Veen and Mr Renders.

An amendment to the articles of association was approved at the Annual General Meeting of Shareholders on 25 April 2005. This amendment primarily concerns the elimination of the 'structure regime' in order to increase the influence of the shareholders.

The Supervisory Board is aware of the broad interests that the company represents and acknowledges its responsibility to all the company's stakeholders: shareholders, employees, customers, suppliers and financiers.
Within this context we wish to refer you to the www.beterbedholding.com website that contains all the company's current information.

We would like to take this opportunity to express our commendations and thanks to the Management Board and all the company's employees for the excellent results they achieved in the year under review.

Uden, The Netherlands, 7 March 2006

M.J.N.M. van Seggelen, Chairman
E.F. van Veen, Vice Chairman
C.A.S.M. Renders
J. Blokker

Report of
the Management Board

General

Beter Bed achieved excellent results in 2005. The year was once again characterised by strong growth in both sales and profitability. This performance was achieved despite continuing difficult economic conditions in Beter Bed's key sales markets.
It is almost always difficult to pinpoint one clear reason why a retail company has performed positively or negatively. Successful performance demands being better than the competition with regard to a large number of factors. These factors relate to such key areas as staff, location, the collection, logistics and marketing.

The most prominent highlights of the year under review are outlined briefly in this section. All the other key developments will be addressed later in this report.

Beter Bed acquired the Spanish retail chain El Gigante del Colchón in September 2005. At the time of the acquisition the chain had twenty stores in the Barcelona region. This acquisition has created the foundation for potentially becoming a key player in the extremely fragmented Spanish bedroom products market.

Beter Bed once again achieved a high rate of expansion in 2005. The total number of stores, excluding the acquisition of El Gigante del Colchón, rose by 72 in the year under review.

The announcement was made in September that the activities of Beter Bed Germany would be integrated into the activities of Matratzen Concord. There were multiple reasons for realising this integration. The size of Beter Bed Germany (four stores) constituted a serious barrier to success because it was not possible to sell exclusive products. Sizeable investment in Beter Bed Germany was furthermore considered to entail an unacceptably high and unnecessary level of risk. The integration of activities furthermore corresponded well with the current trend towards larger Matratzen Concord stores.

Dormaël's performance was generally not good enough, while there is room in the market for a chain that focuses on selling more expensive (brand name) products. This led to the decision to develop a new retail concept under the name 'Slaapgenoten' and one of Dormaël's stores was refurbished according to this new concept.

The closure of the last factory in Poland means that Beter Bed can now focus entirely on retail and branding.

The Dutch market showed signs of recovery in the second half of 2005; the German economy continues to perform poorly. Positive economic development in the Netherlands is especially reflected in the fourth quarter sales.

The combined Beter Bed companies realised sales of € 287.1 million in 2005, an increase of 12.5% in comparison to the € 255.2 million achieved in 2004. Net profit amounted to € 15.6 million, compared to € 8.3 million in 2004.

Risk

The Management Board of Beter Bed Holding takes its responsibility for risk control and the risk management and control systems that have been implemented within the organisation for this purpose, very seriously. The most important risks are non-realisation of the budgeted sales and the continuity of IT systems and distribution centres. Irregardless of how well the internal risk management and control system is structured, it can never offer absolute safeguards that the targets relating to strategy, operations, reporting and compliance with regulations and legislation will be met at all times. Reality has shown that errors of judgement can arise when making decisions, that

cost/benefit considerations are made, that simple errors or mistakes can have major consequences and that conspiracy of employees can lead to circumvention of internal control measures.
The Management Board conducted the following activities in 2005:

- As part of the annual budget cycle, an analysis was made of the specific opportunities and threats related to each activity; the budget was subsequently approved by the Supervisory Board.
- The detailed risk analysis of the core activities that was conducted in 2004 has been updated in collaboration with the management teams of the main formulas. This analysis makes a distinction between a number of categories of risk. This involves the categories financial, operational, administration and management, legal, social, information and fiscal.
- This risk analysis has been included as a permanent item on the agenda of the Audit Committee's meetings; the key points are then discussed during the plenary Supervisory Board meeting.
- The revenue of Matratzen Concord, the order intake of Beter Bed Nederland and the order intake of El Gigante del Colchón was reported daily to the Management Board of the Holding. The other activities reported their revenue weekly.
- The Management Board of Beter Bed Holding has weekly meetings with the management teams of the various formulas.
- The profit and loss account, balance sheet and cash flow per formula were reported on a monthly basis in a detailed standard format. This included a comparison to the same period in the preceding year and the budget for the specific period. These reports were discussed during the monthly meeting with the Holding's Management Board.
- A business continuity plan was formulated for the main distribution centre. This plan is designed to reduce the consequences should a disaster take place.
- Beter Bed purchased \$ 3.9 million in 2005 (2004: \$ 2.5 million) in order to pay dollar accounts payable. The currency risks are not covered. The positions are periodically reassessed.
- As in each preceding year, the external auditor made an assessment of the administrative organisation and internal control system.

Based on the above activities and taking into acount the limitations that are necessarily connected to all internal risk management and control systems, our company's systems concerning financial risks provide us with a reasonable degree of certainty that the financial reporting does not contain any material errors. These systems functioned properly during the year under review and there are no indications that they will not continue to do so in the current financial year.
With regard to other risks, the Management Board is convinced that there is a system of risk management and control in place that is appropriate for the size of the company and that it operated effectively in the year under review.
The most important activity within the system of risk management and control that took place in 2005 entailed a re-examination of the risks related to disruptions of various IT applications. This was followed by the execution of the ensuing necessary activities.

Activities

Matratzen Concord

	2005	2004
Revenue (x 1,000)	159,038	140,751
Number of stores	639	571
Number of employees	1,071	976

Matratzen Concord's revenue rose by 13.0% to € 159.0 million in 2005, compared to € 140.8 million in 2004. This rise in revenue is primarily attributable to the increase in the number of stores by 68. Revenue at comparable stores rose by 1.3%.
The development of own product concepts constitutes one of the cornerstones of the development of Matratzen Concord. The product presentation and the number of stores can be leveraged to present these high-quality products to customers as a brand.
Matratzen Concord consequently needs a larger showroom to present this collection in a manner that genuinely creates a sense of added value for customers. A new Matratzen Concord store is at least 300 m² and at the end of the year under review there were 49 stores that have 400 m² or more. These large stores make an above-average contribution to profits in relation to their sales. Based on this development and as a result of the continued disappointing results of Beter Bed Germany, the decision was made in September 2005 to convert the four remaining Beter Bed stores into large Matratzen Concord stores that have a slightly more extensive range than was normally the case until now at Matratzen Concord. This conversion was realised in November and December of the year under review.

Beter Bed

	2005	2004
Revenue (x 1,000)	108,227	100,289
Number of stores	79	83
Number of employees	507	522

Beter Bed once again performed extremely well in 2005. Revenue rose by 7.9% to € 108.2 million in the year under review. The order intake performance at similar stores in the Netherlands amounted to 11.2%. The difference in comparison to the rise in revenue is reflected in a higher order portfolio that will be delivered in 2006. New stores were opened in 2005 in Naaldwijk, Haarlem, Gorinchem and Zutphen. The store in Harderwijk and the Junior store in Zoeterwoude were closed in the year under review. In addition, temporary stores were opened in Beverwijk and Oldenzaal and closed in Eindhoven, The Hague and Beverwijk.
The new distribution centre in Nieuw-Vennep became operational in February 2005. This coincided with the closure of the distribution centre in Beverwijk. Beter Bed employs a level delivery schedule in order to enhance efficiency and further improve the reliability of delivery. This means that the company aims to deliver the same quantity of goods every week because delivery peaks and valleys reduce efficiency.

Acquisition of El Gigante del Colchón

	2005	2004
Revenue (x 1,000) from Sept. 1	3,804	-
Number of stores	21	-
Number of employees	58	-

The acquisition of El Gigante was finalised in mid-September 2005. This company had twenty stores in the Barcelona region on the acquisition date (1 September 2005). The formula is very similar to the Matratzen Concord formula in terms of image, collection and location. El Gigante does, however, provide home delivery and assembly of its products because the beds that are sold in Spain do not lend themselves well to a cash & carry concept. One store was closed and two new stores were opened after 1 September 2005. Revenue for the full year 2005 reached € 10.4 million. The purchase price was € 5.0 million in cash. The transaction also included an earn-out arrangement whereby the former owner may receive an additional amount of a maximum of € 1.0 million providing that growth

targets for operating profit (EBIT) and the number of stores are met. The focus in 2006 will be on completely integrating the Spanish activities, expanding the number of stores, further developing the collection, and developing and implementing a system for the logistics process. The implementation of this system will enable accelerated expansion of the chain. The Spanish market for bedroom product suppliers is extremely fragmented and there is currently not a specialised chain with nationwide coverage.

Beddendump

	2005	2004
Revenue (x 1,000)	7,416	5,630
Number of stores	23	15
Number of employees	45	34

The number of stores comprising the Beddendump chain grew from 15 to 23 stores in 2005. The revenue performance at comparable stores was –0.4%. Following a relatively sharp rise in the number of stores in 2005, the focus in 2006 will be chiefly on the development and composition of the collection.

Dormaël Slaapkamers

	2005	2004
Revenue (x 1,000)	3,149	1,551
Number of stores	7	8
Number of employees	12	12

The 2004 annual report stated that a study would be conducted in the year under review to determine whether the Dormaël formula could be modernised. A new store concept named Slaapgenoten was developed for the more expensive bedroom products in the spring of 2005. The revenue performance achieved since the opening in June has provided the confidence to proceed with converting a number of Dormaël stores into Slaapgenoten stores and to begin looking for new locations in 2006.

DBC

	2005	2004
Revenue (x 1,000)	8,929	6,374
Number of employees	10	11

Revenue of DBC rose by 40% in 2005 to € 8.9 million including sales to Beter Bed. (2004: € 6.4 million). The collection was expanded in the autumn of 2005 to include a bed base designed especially for the M Line mattress.

Interwood

Interwood's production activities were terminated in late May 2005. The assets must be sold before the company can be liquidated. The real estate was sold in December of 2005. The liquidation process will be completed in 2006 and there is no longer any risk to profits.

Investments, financing and cash flow

€ 7.5 million was invested in 2005 (compared to € 4.6 million in 2004). Investment levels were relatively modest in 2003 and 2004 mainly due to few investments in refurbishments. Matratzen Concord also achieved more rapid expansion than in 2004 and four new Beter Bed stores were opened. € 4.9 million of the total investments were invested in stores. The remaining amount was invested in distribution centres and IT systems.
The cash flow (net profit plus depreciation) amounted to € 22.0 million in 2005, compared to 14.7 million in 2004.
The solvency percentage at the end of the year under review amounted to 46.3% (2004: 36.8%). A structurally positive cash flow enabled the long-term loan at Bouwfonds (€ 9.9 million) to be repaid in full in May 2005. In order to maintain access to committed loan capital, a so-called roll-over facility for € 10 million was agreed with the ABN AMRO bank for a period of 10 years based on the same mortgage security as the loan that was repaid. This facility can be used flexibly. There was a net cash position of € 1.7 million at the end of 2005,

compared to a net debt of € 5.5 million at the end of 2004.

Employees

The quality and commitment of employees largely determine the success of every company. This is especially true for the Beter Bed formulas in view of the fact that the strength of the various formulas lies in the professionalism of the advice that customers receive when purchasing a bedroom system and the quality, care and customer-friendliness of the employees in the stores and logistics departments. These factors determine whether the customer regards the shopping experience with Beter Bed as positive. The Management Board of Beter Bed Holding would consequently like to take this opportunity to thank all the employees for their commitment and contribution to the growth in the company's profit.

The ongoing development and training of the employees constitutes a decisive factor for the growth in the company's profits. Matratzen Concord once again invested in employee training in 2005 in order to improve the sales and advisory skills of the sales employees. All the sales employees at Beter Bed have now completed the training programme designed to restore entrepreneurship in the stores.

As of 31 December 2005, a total of 1,721 employees worked at Beter Bed companies, in comparison to 1,760 employees at the end of 2004. In addition to the growing number of stores, the closing of the last factory in Poland and the acquisition of El Gigante del Colchón were the most important developments.

Corporate Social Responsibility

Beter Bed fully acknowledges its role in society. Fulfilling this role correctly will benefit both society and the company in the longer term.
It goes without saying that each and every employee and supplier of Beter Bed Holding is expected to respect the laws and regulations in every area of business. While the direct environmental risk related to the activities of Beter Bed Holding is limited, the Management Board acknowledges the importance of environmental aspects when making business decisions. It acts accordingly and communicates this to employees and suppliers. Environmental issues also play a role when selecting manufacturers and materials. The management also devotes attention to the method of packaging and separated processing of waste flows.
Beter Bed companies are aware of their place in society and sponsor sport associations, projects for the disabled and various other events. These projects are generally local in nature and involve employees from the various formulas of Beter Bed Holding.

IFRS

The 2005 financial statements have been compiled on the basis of the current IFRS regulations and interpretations. The comparative figures from 2004 have also been recalculated on the basis of the new reporting regulations. The introduction of IFRS has had relatively limited consequences for the financial statements of Beter Bed. The key differences were already outlined in the 2004 annual report. The major changes made to the opening balance of 2004 are:

- Balancing the major maintenance provision with the tangible fixed assets
- Forming a provision for deferred tax liabilities relating to the revaluation reserve
- Listing the short-term component of the long-term debts in the short-term debts category.

Expectations and outlook

There has been a clear increase in revenue in the first two months of 2006. This growth took place in all the countries in which the company has operations. The rise in revenue in Germany was, however, slower in the first two months of 2006 than in the final months of 2005. The company does not currently see signs of an upswing in consumer spending on bedroom furnishings products in Germany at this time. Therefore the company is cautious in its expectations. The Dutch market currently looks more positive.

Based on an expected revenue increase of more than 10% over the first quarter of 2006 compared to the first quarter of 2005 the company expects a net profit increase of at least 20%. Also based on the first quarter development and barred unforeseen circumstances the company once again expects a good year.

Uden, The Netherlands, 7 March 2006

F.J.H. Geelen
E.J. van der Woude

BETER BED HOLDING

FINANCIAL STATEMENTS 2005

Consolidated **balance sheet**

AT 31 DECEMBER, IN € THOUSAND

BEFORE PROPOSED PROFIT APPROPRIATION

		2005	2004
	FIXED ASSETS		
1	**TANGIBLE FIXED ASSETS**		
	Land and buildings	9,807	10,249
	Plant and machinery	-	448
	Other fixed operating assets	13,082	12,170
		22,889	**22,867**
2	**INTANGIBLE FIXED ASSETS**		
	Goodwill	**3,811**	**-**
3	**CURRENT ASSETS**		
	STOCKS		
	Raw materials and consumables	-	173
	Work in progress	-	26
	Finished products and goods for resale	36,789	31,396
		36,789	**31,595**
	DEBTORS		
	Trade accounts receivable	525	1,133
	Other debtors	1,905	4,130
	Prepayment and accrued income	964	701
		3,394	**5,964**
4	**CASH AND CASH EQUIVALENTS**	**5,343**	**8,562**
	TOTAL ASSETS	**72,226**	**68,988**

1 Please refer to the notes on page 38

2 Please refer to the notes on page 39

3 Please refer to the notes on page 39

4 Please refer to the notes on page 39

	Note	2005	2004
5	**Equity**		
	Attributable to equityholders of the parent		
	Issued share capital	433	433
	Share premium account	15,596	15,566
	Revaluation reserve	1,463	1,423
	Other reserves	293	(366)
	Retained earnings	15,637	8,316
		33,422	**25,372**
6	**Provisions**		
	Deferred taxation	1,182	995
	Restructuring	-	600
		1,182	**1,595**
7	**Long-term liabilities**		
	Credit institutions	**1,417**	**12,214**
8	**Current liabilities**		
	Credit institutions	2,224	1,858
	Trade creditors	11,758	10,425
	Taxes and social security contributions	8,250	5,626
	Other liabilities	11,317	9,647
	Accruals and deferred income	2,656	2,251
		36,205	**29,807**
	Total liabilities	**72,226**	**68,988**

5 Please refer to the notes on page 39

6 Please refer to the notes on page 39

7 Please refer to the notes on page 40

8 Please refer to the notes on page 40

Consolidated
profit and loss account

AT 31 DECEMBER, IN € THOUSAND

Note		2005		2004	
9	Revenue	287,136		255,166	
	Cost of sales	134,316		120,571	
	Gross profit	**152,619**	*53.2%*	**134,595**	*52.7%*
10	Selling expenses	62,396		57,642	
11	Depreciation of tangible fixed assets	6,318		6,361	
	General administrative expenses	59,220		55,632	
	Total operating expenses	**127,934**	*44.6%*	**119,635**	*46.9%*
	Operating profit (EBIT)	**24,685**	*8.6%*	**14,960**	*5.9%*
	Financial income	113		585	
	Financial expenses	(898)		(1,507)	
	Profit before taxation	**23,900**	*8.3%*	**14,038**	*5.5%*
12	Income tax expense	(8,263)		(5,722)	
	Net profit	**15,637**	*5.4%*	**8,316**	*3.3%*
	Earnings per share in €	1.81		0.97	
	Diluted earnings per share in €	1.79		0.97	

9 Please refer to the notes on page 42

10 Please refer to the notes on page 42

11 Please refer to the notes on page 44

12 Please refer to the notes on page 44

Consolidated
cash flow statement

AT 31 DECEMBER, IN € THOUSAND

	2005	2004
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit	15,637	8,316
Depreciation	6,318	6,361
Movements in:		
- Stocks	(4,463)	(917)
- Debtors	2,858	(1,464)
- Trade creditors	4,667	5,522
- Provisions	(413)	(236)
Cash flow from operating activities	**24,604**	**17,582**
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to tangible fixed assets	(7,512)	(4,593)
Acquisition of subsidiary net of cash acquired	(3,506)	-
Disposals of tangible fixed assets	1,213	806
Cash flow from investing activities	**(9,805)**	**(3,787)**
CASH FLOW FROM FINANCING ACTIVITIES		
Income from the issue of new shares	31	1,013
Movements in capital and reserves connected with employee stock options	230	-
Exchange gain/(loss) in foreign participating interest	(96)	(103)
Repayment of long-term liabilities	(10,797)	(1,875)
Dividend paid	(7,791)	(3,435)
Revaluation	39	(83)
Cash flow from financing activities	**(18,384)**	**(4,483)**
MOVEMENTS IN CASH AND CASH EQUIVALENTS	**(3,585)**	**9,312**
Cash and cash equivalents at the beginning of the financial year	**6,704**	**(2,608)**
Cash and cash equivalents at the end of the financial year	**3,119**	**6,704**

Consolidated overview of movements **equity**

	Total	Issued share capital	Share premium reserve	Legal reserve participating interests	Legal revaluation reserve	Other reserves	Retained earnings
Balance on 1 January 2004	**19,202**	**428**	**14,557**	**-**	**1,282**	**1,184**	**1,751**
Profit appropriation 2003	(1,285)	-	-	-	-	466	(1,751)
Profit 2004	8,316	-	-	-	-	-	8,316
Interim dividend 2004	(2,150)	-	-	-	-	(2,150)	-
Exchange differences in equity and loans at foreign group companies	96	-	-	96	-	-	-
Revaluation	180	-	-	-	141	39	-
Share issue	1,013	5	1,009	-	-	(1)	-
Adjustment to legal reserve participating interests	-	-	-	(96)	-	96	-
Balance on 31 December 2004	**25,372**	**433**	**15,566**	**-**	**1,423**	**(366)**	**8,316**
Profit appropriation 2004	(4,329)	-	-	-	-	3,987	(8,316)
Profit 2005	15,637	-	-	-	-	-	15,637
Interim dividend 2005	(3,463)	-	-	-	-	(3,463)	-
Revaluation	40	-	-	-	40	-	-
Share issue	31	-	30	-	-	1	-
Expenses employee options	230	-	-	-	-	230	-
Movements in legal reserves exchange differences	(96)	-	-	(96)	-	-	-
Adjustments to legal reserve participating interests	-	-	-	96	-	(96)	-
Balance on 31 December 2005	**33,422**	**433**	**15,596**	**-**	**1,463**	**293**	**15,637**

General **notes**

The consolidated financial statements have been compiled in accordance with the International Financial Reporting Standards (IFRS), as approved for use in the European Union and in accordance with the interpretations as adopted by the International Accounting Standards Board (IASB). These are the first financial statements compiled on the basis of IFRS and IFRS 1 has been applied. Unless expressly stated otherwise, the amounts stated in these notes refer to the consolidated figures. The consolidated financial statements have been drawn up in euros and all amounts have unless stated otherwise been rounded off to thousands (€ 000). The company financial statements have been compiled on the basis of Title 9, Book 2 of the Dutch Civil Code, with the exception of the principles of valuation and principles of profit/loss determination, for which the EU-IFRS principles have been applied, as were applied in the consolidated financial statements. The comparative figures from 2004 have been adjusted in order to comply with IFRS. This involves the changes listed below.

Reconciliation balance sheet at year-end 2004 Dutch GAAP to IFRS

	Balance Dutch GAAP 31-12-2004	Adjustments	Balance IFRS 31-12-2004
Land and buildings	10,682	(433)[1]	10,249
Plant and machinery	448	-	448
Other fixed operating assets	12,170	-	12,170
Tangible fixed assets	**23,300**	**(433)**	**22,867**
Raw materials and consumables	173	-	173
Work in progress	26	-	26
Finished products and goods for resale	31,396	-	31,396
Stocks	**31,595**	**-**	**31,595**
Trade accounts receivable	1,133	-	1,133
Other receivables	4,831	-	4,831
Receivables	**5,964**	**-**	**5,964**
Cash and cash equivalents	**8,562**	**-**	**8,562**
Total assets	**69,421**	**(433)**	**68,988**

	Balance Dutch GAAP 31-12-2004	Adjustments	Balance IFRS 31-12-2004
Capital	17,711	(655)[2]	17,056
Profit in financial year	8,316	-	8,316
Equity	**26,027**	**(655)**	**25,372**
Provisions	**1,658**	**(63)[3]**	**1,595**
Long-term liabilities	**14,072**	**(1,858)[4]**	**12,214**
Credit institutions	-	1,858[5]	1,858
Trade creditors	10,425	-	10,425
Taxes and social security contributions	5,626	-	5,626
Other liabilities	11,613	285[6]	11,898
Short-term liabilities	**27,664**	**2,143**	**29,807**
Total liabilities	**69,421**	**(433)**	**68,988**
Solvency	37.5%		36.8%

[1] Movements in provision for maintenance	(433)
[2] Deferred tax liability on the revaluation of land and buildings	(655)
[3] This movement consists of the following entries:	
Movements in provision for maintenance	(433)
Deferred tax liability on revaluation	655
Reclassification to other liabilities	(285)
	(63)
[4] Movement in repayment commitment from long-term to short-term.	
The part of the long-term liabilities that must be repaid within a year	**(1,858)**
[5] Refer to point 4	**1,858**
[6] Reclassification provision to other liabilities	**285**

The company has implemented IFRS utilising the following conversion provisions:
- Goodwill will only be recognised on the balance sheet for acquisitions from 1 January 2004. Goodwill for acquisitions before this date – charged directly to the capital and reserves – have not been reclassified.
- The cumulative exchange differences reserve within the capital was set at zero on 1 January 2004.

Principles of consolidation

The consolidated annual accounts fully embody the accounts of Beter Bed Holding N.V. and all companies in which Beter Bed Holding N.V. can either directly or indirectly exercise more than 50% of the voting rights. The following companies are involved in the consolidation of Beter Bed Holding N.V. and its participating interests.

NAME STATUTORY INTEREST	REGISTERED OFFICE		INTEREST %
BBH Beteiligungs GmbH	Moers	Germany	100
BBH Services GmbH & Co K.G.	Moers	Germany	100
Beter Bed B.V.	Uden	The Netherlands	100
Beter Bed Holding N.V. y Cia S.C.	Barcelona	Spain	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 Deutschland 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.	Walcz	Poland	100
El Gigante del Colchón S.L.	Barcelona	Spain	100
Iberdescans S.L.	Barcelona	Spain	100
Interwood Sp.z.o.o.	Walcz	Poland	100
Linbomol S.L.	Barcelona	Spain	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
M-T-M Nederland B.V.	Uden	The Netherlands	100
Procomiber S.L.	Barcelona	Spain	100

New group companies are included in the consolidation at the time at which the group can exercise effective control over the company. During the year under review, an acquisition was finalised in Spain. The Spanish activities are included in the consolidated statements as of 1 September. Beter Bed Holding N.V. has issued declarations of joint and several liability for the obligations arising from all legal transactions entered into by the Dutch group companies. Pursuant to these letters of guarantees, the Dutch group companies have made use of the exemption options laid down in Article 403, paragraphs 1 and 3, of Part 9, Book 2 of the Netherlands Civil Code.

Principles for the translation of foreign currencies

Assets and liabilities in foreign currencies are translated at the rate of exchange on the balance sheet date. The resultant exchange differences are credited to or deducted from the profit and loss account. Exchange differences in the annual accounts of foreign group companies incorporated in the consolidation are taken directly to the reserves. The results of consolidated foreign participating interests are translated into euros at the average exchange rate for the year under review.

Accounting policies

Tangible fixed assets

Tangible fixed assets other than company land are valued at the purchase price or production price less straight-line depreciation based on the expected economic life or lower realisable value. Company land is valued at the estimated current value. Land and tangible fixed assets under construction are not depreciated.
The net book values of other fixed operating assets are tested for exceptional value reductions should events or altered conditions suggest that the book value may not be realisable.

Lease agreements

The determination whether an arrangement forms or contains a lease agreement is based on the content of the agreement and requires an assessment to determine whether the execution of the agreement is dependent upon the use of a certain asset or certain assets and whether the agreement gives the right to actually use the asset.
Operational lease payments are recorded as expenses in the profit and loss account evenly throughout the lease period.

Financial fixed assets

Participating interests in group companies are valued at the net asset value calculated in accordance with Beter Bed Holding N.V.'s policies. When a participating interest has a negative equity the sequence is as follows: first, the valuation of the participating interest is reduced, then a provision is formed for amounts owed by the participating interest and, when so required, a provision is formed on the credit side of the balance sheet.

Intangible fixed assets

Goodwill is the difference between the costs of the acquisition and the net asset value of the acquired company. Goodwill is valued at cost minus any possible impairment losses. Any negative goodwill that might occur is immediately recorded in the profit and loss account. An exceptional value reduction is determined on the basis of an assessment of the realisable value of the cash flow-generating unit to which the goodwill is related. If the realisable value of the cash flow-generating unit is lower than the net book value, an exceptional value reduction loss is entered.

Stocks

Stocks of raw materials, finished products and goods for resale are valued at the lower of purchase price and market value. The market value is formed by the estimated sale price within normal business operations, minus the estimated costs of completion and the estimated costs for settling the sale. Stocks of work in progress are valued at the purchase prices of the raw materials and consumables used in their production, increased by the direct production costs. Where necessary, the downward adjustment of the value of unmarketable goods is taken into account. Unrealised intercompany profits are eliminated from the stock valuation.

Cash and cash equivalents

Cash and cash equivalents on the balance sheet consist of bank credit and cash. For the purposes of the consolidated cash flow overview, the cash and cash equivalents are comprised of liquid assets as defined above, after deduction of the outstanding bank credits.

Other assets and liabilities

Other assets and liabilities are valued at the nominal value. Where necessary the liabilities take doubtful debts into account. The notes contain a specification of any differences between the market value of these assets and liabilities and the amounts stated in the balance sheet.

Provisions

The provisions are valued at the nominal value. The provision for deferred corporate tax incorporates the deferred tax liabilities arising from the temporary differences between the values for financial reporting and tax purposes of company land and stocks. The deferred tax liability is entered at the tax rate applicable in the relevant country.
A provision is included if (i) the Group has a current (contractual or effective) liability as a result of an event in the past; (ii) it is probable that an outflow of revenues encompassing economic advantages will be required to settle the liability, and (iii) a reliable estimation can be made of the amount of the liability.

Determination of the result

Revenue

The revenue is understood as the proceeds of the sale of goods and services to third parties less discounts and similar, and sales taxes. Revenue is valued at the time the goods are delivered to consumers and other customers. Revenue also includes the rent received from third parties.

Expenses

The costs are determined in accordance with the aforementioned accounting policies, and are allocated to the financial year to which they relate.

Pensions
A variety of pension schemes are in use within the company. In the Netherlands, the majority of the employees participate in the Wonen Industrial Pension Fund. This arrangement is currently considered a defined benefit arrangement. This pension fund is not, however, presently able to provide data that enable a pure application of IAS19. Virtually all other pension schemes are based on the defined contribution system. The premiums paid to the industrial pension fund and to insurers respectively are included as expenses in the year for which they are applicable.

Depreciation
Depreciation is calculated using the straight-line method based on the expected economic life. Additions in the year under review are depreciated from the date of purchase.

Deferred taxation
Tax liabilities for current or previous years are valued at the amount that is expected to be paid to the tax authorities. The tax amount is calculated on the basis of the tax rates set by law and the applicable tax legislation.

A provision is formed for deferred tax liabilities based on the temporary differences on the balance sheet date between the tax book value of assets and liabilities and their book value entered in these financial statements. Deferred tax liabilities are entered for all taxable temporary differences.
Deferred tax liabilities are valued at the tax rates that are expected to apply to the period in which the claim will be realised or the liability will be settled, based on the tax rates set by law and the applicable tax legislation.

Cash flow statement
The cash flow statement is drawn up using the indirect method. The ‘cash at bank and in hand’ item stated in the cash flow statement can be defined as the cash and cash equivalents less shortterm bank overdrafts.

Share-based transactions
Members of the Management Board and a few other employees of the Group receive remuneration in the form of payment transactions based on shares, whereby these employees provide certain services in return for capital instruments (transactions settled in equity instruments).

The expenses of the transactions settled with employees in equity instruments are valued at the real value on the allotment date. The real value is determined on the basis of the Black &

Scholes model. Performance conditions are taken into account when determining the value of the transactions settled in equity instruments.

The expenses of the transactions settled in equity instruments are, together with an equal increase to the capital and reserves, entered in the period in which the conditions relating to the performance and/or services are met, ending on the date on which the involved employees receive full rights to allotment (the date upon which these rights have become unconditional). The cumulative expenses for transactions settled in equity instruments on the reporting date reflects the degree to which the waiting period has expired and also reflects the company's best estimation of the number of equity instruments that will ultimately be allotted unconditionally. The amount that is charged to the profit and loss account for a certain period reflects the movements in the cumulative expense that is entered at the beginning of that period.

Risks
For an explanation of the risks, please refer to the related section in the Report of the Management Board.

Information by segment
The company's products are delivered within one business segment and one geographic segment, namely the European bedroom furnishings market. There is consequently a comparable risk and returns profile. In view of the nature of the goods, the customers and the distribution channels, the products are in essence also comparable.

Impairment
The goodwill on the balance sheet relates entirely to the El Gigante del Colchón chain. The net cash value of the expected cash flows justifies the goodwill entered on the balance sheet date.

Estimates
If significant estimates are made in the financial statements, an explanation will be provided in the discussions for each item in question.

Notes to the
consolidated balance sheet

AT 31 DECEMBER

1 Tangible fixed assets

The movements in this item in 2004 were as follows

	LAND AND BUILDINGS	PLANT AND MACHINERY	OTHER FIXED OPERATING ASSETS	TOTAL
Book value 1 January	**10,603**	**736**	**13,640**	**24,979**
Investments	27	14	4,552	4,593
Transfers/currency adjustments	104	95	-	199
Disposals	(407)	(267)	(132)	(806)
Depreciation	(341)	(130)	(5,890)	(6,361)
Revaluation	263	-	-	263
Book value 31 December	**10,249**	**448**	**12,170**	**22,867**
Accumulated depreciation	2,719	859	32,064	35,642
Accumulated revaluation	(2,078)	-	-	(2,078)
Purchase price	**10,890**	**1,307**	**44,234**	**56,431**

The movements in this item in 2005 were as follows:

	LAND AND BUILDINGS	PLANT AND MACHINERY	OTHER FIXED OPERATING ASSETS	TOTAL
Book value 1 January	**10,249**	**448**	**12,170**	**22,867**
Additions	215	-	7,297	7,512
Acquisition	-	-	41	41
Disposals	(384)	(389)	(440)	(1,213)
Depreciation	(273)	(59)	(5,986)	(6,318)
Book value 31 December	**9,807**	**-**	**13,082**	**22,889**
Accumulated depreciation	2,858	-	27,631	30,489
Accumulated revaluation	(2,078)	-	-	(2,078)
Purchase price	**10,587**	**-**	**40,713**	**51,300**

The revaluation of € 2,078 relates to the company land at Uden. The land was reappraised on 2 December 2004 by an independent appraiser. The tangible fixed assets are intended for own use. The book value of the assets that are subject to financial lease agreements is € 207 (2004: € 612).

2 Intangible fixed assets

The goodwill relates to the acquisition of the Spanish companies. The cash flow-generating units to which this acquired goodwill is allotted are the Spanish companies. The realisable value of the goodwill is determined on the basis of the present value of the company. This is calculated on the basis of the future cash flows, based on the financial budgets and prognoses of the cash flow-generating units over a period of five years. The budgeted and prognosed cash flows are based on the net profit percentages realised in 2005.

3 Current assets

All the accounts receivable fall due within less than one year.

4 Cash and cash equivalents

This item involves the cash and bank balances. The amount is composed as follows: cash € 335 (2004: € 235), bank balances € 3,219 (2004: € 7,834) and other items € 1,789 (2004: € 493).

5 Equity

The movements in the equity items is shown in the consolidated equity movements overview on page 30.
The company has issued share capital of € 1,250 divided into 25 million ordinary shares of nominal € 0.05. At the end of 2005, 8,657,047 shares had been placed and paid in full.
The number of outstanding shares rose by 2,500 in the year under review as a result of the exercising of employee stock options.
The entire share premium account can be distributed free of tax. The revaluation reserve relates to the legal revaluation reserve for land.

6 Provisions

	2005	2004
Deferred taxation	1,182	995
Restructuring	-	600
Total	**1,182**	**1,595**

The tax provision relates to the differences between the fiscal and commercial valuation of the stocks in the Netherlands. This provision is long-term in character. During the year under review € 600 was charged to the restructuring provision as a result of the closure of the last remaining production location in Poland. The movement of the provisions in the year under review was as follows:

	TOTAL	TAXES	RESTRUCTURING
At 1 January	**1,595**	**995**	**600**
Appropriations	(600)	-	600
To payable profit tax	227	227	-
To capital and reserves		(40)	(40)
At 31 December	**1,182**	**1,182**	**-**

7 Long-term liabilities

The company has € 25 million in credit facilities available for the group's financing. In connection with the debts to credit institutions, the company and its subsidiaries have committed not to encumber their assets with any security rights without the prior permission of the credit institution. In 2002 the company took out a € 4.0 million loan to finance computer equipment. The interest rate is 4.7%. The remaining balance at the end of 2005 is € 0.1 million. The repayment of € 0.1 million for 2006 has been listed in full under short-term liabilities. The company entered into a 20-year financing agreement with Bouwfonds Property Finance B.V. in November 2002, whereby a mortgage was issued on the distribution centres in Uden and Hoogeveen and the store in Den Helder. This loan was repaid prematurely in full during the year under review (€ 9.9 million). A fine of € 100,000 was paid for this. A roll-over facility for the amount of € 10.0 million for a period of ten years was concluded with ABN AMRO to replace this loan. This facility can be used as needed. The interest on the utilised part of this facility amounts to EURIBOR plus 0.85%; the commitment fee for the unused portion amounts to 0.34%. The securities provided are the same as those provided for the Bouwfonds loan. The company had not utilised this roll-over facility at the end of the year under review. A five-year loan was entered into with the Kreissparkasse in Cologne for an amount of € 5.0 in June 2003. The interest rate is 4.63% for the entire life of the loan. This loan will be repaid off in instalments. € 1.0 million will be paid in 2006. This amount is also listed under short-term liabilities.

8 Current liabilities

In general, creditors in the Netherlands are paid within 10 days. In Germany the payment conditions stipulate payment 15 days after the end of the month in which goods are delivered.

Acquisition

The Spanish El Gigante del Colchón chain was acquired in September of the year under review. This company has contributed € 360 to the group profit since 1 September. If the acquisition had taken place on 1 January, group sales would have totalled € 293,763 and net profit would have been € 16,331. The acquired balance sheet on 1 September was as follows:

Acquisition balance sheet El Gigante del Colchón

Tangible fixed assets	41
Stock	731
Accounts receivable	288
Cash and cash equivalents	1,711
Total assets	**2,771**
Equity	1,406
Current liabilities	1,365
Total liabilities	**2,771**

The goodwill is calculated as follows:

Purchase price	5,000
Expenses	142
Earn-out 2005	75
Equity	(1,406)
Goodwill	**3,811**

In addition to the purchase price of € 5.0 million in cash, the former owner is also entitled to earn a maximum earn-out of € 1.0 million providing that he remains in the company's employment for four years and fulfils the agreed targets for operational profit and growth.

Notes to the consolidated **profit and loss account**

AT 31 DECEMBER

9 REVENUE BY FORMULA

	2005	2004
Matratzen Concord	159,038	140,751
Beter Bed	108,227	100,289
Beddendump	7,416	5,630
El Gigante del Colchón	3,804	-
WasserbettenDiscount	1,211	1,066
DBC	8,929	6,374
Dormaël	3,149	1,551
Interwood/Ecowood	1,157	4,141
Intercompany adjustment	(5,795)	(4,636)
Total	**287,136**	**255,166**

10 WAGE AND SALARY COSTS

The following wage and salary components are included in the operating expenses:

	2005	2004
Wages and salaries	51,168	47,600
Social security costs	9,512	8,698
Pension costs	1,486	1,344
Costs of employee stock options	230	-
Total	**62,396**	**57,642**

Option programme

The options are long-term in nature and can be exercised 3.5 years and 3 years respectively after they are awarded, providing that the profit target has been met.
The costs of the option programme are calculated using the Black & Scholes model.
An overview of the details of the options granted, as well as the values employed in the Black & Scholes model, is provided below:

	2003	2004	2005	2005
			Series 1	*Series 2*
Number	80,000	85,000	10,000	86,000
Value according to Black & Scholes	€ 2.47	€ 4.30	€ 6.96	€ 7.22
Exercise from	March 2007	March 2008	15-Sept-08	28-Oct-08
Exercise through	31-Oct-10	29-Oct-11	14-Sept-12	28-Oct-11
Consolidated net profit condition of €	11.1 million	12.0 million	*	15.0 million
Share price on the allotment date in €	8.50	14.75	29.00	26.78
Exercise price in €	8.50	14.75	29.00	26.78
Expected life	3.5 year	3.5 year	5 year	4.5 year
Risk-free rate of interest	3.4%	3.0%	2.7%	3.0%
Volatility	50.1%	49.3%	49.3%	50.6%
Dividend yield	4.9%	4.4%	7.5%	6.5%

* *These options, granted upon the acquisition of El Gigante del Colchón, can be exercised if operating profit (EBIT) of at least € 4.5 million in any calendar year is realised in Spain.*

Average number of employees

All the companies included in the consolidation had an average of 1,723 employees in 2005 (2004: 1,765), divided across the following sectors:

	2005	2004
Retail in The Netherlands	600	590
Retail outside The Netherlands	1,043	940
Production outside The Netherlands	80	235
Total	**1,723**	**1,765**

11 Depreciation

Depreciation in the year under review amounted to € 6,318 (2004: € 6,361).
The depreciation rates, which are based on the expected economic life, are as follows:

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

12 Taxes

The reconciliation between the tax liability and the results of the calculation of the profit before taxes, multiplied by the local tax rate in the Netherlands, was as follows on 31 December 2005 and 2004:

	2005	2004
Profit before taxes	**23,900**	**14,038**
At the applicable legal rate of 31.5% in the Netherlands (2004: 34.5%)	7,529	4,843
Adjustment profits tax previous years	(67)	(23)
Non-deductible expenses	72	-
Non tax-deductible losses	173	183
Movements in provision for taxes based on change of tax rate	177	-
Effect of the tax rates outside the Netherlands	379	719
At an effective tax rate of 34.6% (2004: 40.8%)	**8,263**	**5,722**
Profit tax taken to the consolidated profit and loss account	8,263	5,722

The tax-deductible losses at the end of the year under review totalled € 918.
A deferred tax asset is not included for these losses.

Remuneration for the members of the Management Board and the Supervisory Board

In 2005 the remuneration for the members of the Management Board and the Supervisory Board was as follows:

	Salary (in €)		Bonuses (in €)		Pension (in €)	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**
F.J.H. Geelen	275,000	265,000	192,500	185,500	65,738	63,447
E.J. van der Woude	130,000	116,667	65,000	51,750	19,500	17,500
Total, Management Board	**405,000**	**381,667**	**257,500**	**237,250**	**85,238**	**80,947**
M.J.N.M. van Seggelen	26,500	20,420	-	-	-	-
E.F. van Veen	22,500	15,882	-	-	-	-
J. Blokker	16,000	15,882	-	-	-	-
C.A.S.M. Renders	22,500	15,882	-	-	-	-
Total, Supervisory Board	**87,500**	**68,066**	**-**	**-**	**-**	**-**

The bonuses relate to the year in which they are classified and are included in the expenses of that year. The bonus agreements for 2005 were as follows. Mr Geelen and Mr Van der Woude were able to realise a bonus of 70% and 50% of their fixed salary respectively. The following structure was applied.

- Realisation of 90% of the budgeted operating profit would entitle a bonus totalling 10% of the fixed salary.
- Realisation of 100% of the budgeted operating profit would entitle a bonus totalling 20% of the fixed salary.
- A bonus totalling 20% of the fixed salary may be awarded at the discretion of the Supervisory Board.
- Mr Geelen could earn 2% of the operating profit that exceeded the budget with a maximum of 20% of his fixed salary.

Options for new shares have been issued to members of the Management Board with a view to enhancing the commitment to the company in the medium term. Mr Geelen and Mr Van der Woude have the following options:

	Year of issue	Number	Exercise price	Duration
F.J.H. Geelen	2003	20,000	8.50	31-10-2010
	2004	20,000	14.75	29-10-2011
	2005	20,000	26.78	28-10-2012
E.J. van der Woude	2003	10,000	8.50	31-10-2010
	2004	10,000	14.75	29-10-2011
	2005	10,000	26.78	28-10-2012

The pension schemes of Mr Geelen and Mr Van der Woude are defined contribution schemes. The contribution for Mr Geelen is 25% of the fixed salary minus the Old Age Pension (AOW) allowance; for Mr Van der Woude the contribution is 15% of the fixed salary.

The options are long-term in nature and can be exercised 3.5 and 3 years respectively after they are awarded, providing that the profit target has been met. This target is net profit of € 11.1 million for the series awarded in 2003, net profit of € 12.0 million for the series awarded in 2004 and net profit of € 15.0 million for the last series. Other data regarding the options and their valuation are included in the notes relating to the wage and salary costs.

Mr Geelen has 26,939 shares.
The members of the Supervisory Board do not have any options.
Mr J. Blokker has 6,000 shares in the company. Mr Blokker is also director of shareholder Breedinvest B.V.

Earnings per share

The net profit of 2005 € 15,637 divided by the average number of outstanding shares totalling 8,656,931 equals earnings per share of € 1.81. The number of shares used for the calculation of the diluted earnings per share is 8,741,991. This results in diluted earnings per share of € 1.79.

Commitments not included in the balance sheet

The company has entered into long-term rental and lease obligations concerning buildings and other operating assets. The obligation per month can be shown as follows on the balance sheet date:

Duration	Less than one year	Between one and five years	Longer than five years
Rental agreements	802	1,470	324
Lease agreements	29	126	1
Total	**831**	**1,596**	**325**

The majority of the rental agreements for the company premises required for the Beter Bed formula are long-term agreements (between five and ten years), with options for renewal. The majority of the rental agreements for the Matratzen Concord formula have been concluded for a period between five to ten years, whereby a clause has been included stipulating that the agreements can be terminated without charge after a period of two years.

In the year under review amounts of € 27.3 million arising from rental agreements for real estate and € 1.9 million arising from lease agreements have been recorded in the profit and loss account.

The company has entered into a buy-back commitment for the inventory and stocks towards the financers of the franchisees of the Dormaël formula. At the end of 2005 the maximum commitment amounted to € 0.4 million.

Company **balance sheet**

AT 31 DECEMBER, IN € THOUSAND

BEFORE PROPOSED PROFIT APPROPRIATION

Note		2005	2004
	TANGIBLE FIXED ASSETS	43	-
1	**INTANGIBLE FIXED ASSETS**	142	-
2	**FINANCIAL FIXED ASSETS**	63,258	20,209
3	**DEBTORS**	5,932	10,599
4	**CASH AND CASH EQUIVALENTS**	-	-
	TOTAL ASSETS	**69,375**	**30,808**

Note		2005	2004
5	**CAPITAL AND RESERVES**		
	Issued share capital	433	433
	Share premium account	15,596	15,566
	Legal revaluation reserve	1,463	1,423
	Other reserves	293	(366)
	Retained earnings	15,637	8,316
		33,422	**25,372**
6	**PROVISIONS**	**22,424**	**1,138**
7	**CURRENT LIABILITIES**	**13,529**	**4,298**
	TOTAL LIABILITIES	**69,375**	**30,808**

1 Please refer to the notes on page 49

2 Please refer to the notes on page 49

3 Please refer to the notes on page 50

4 Please refer to the notes on page 50

5 Please refer to the notes on page 50

6 Please refer to the notes on page 50

7 Please refer to the notes on page 51

Company profit and loss account

AT 31 DECEMBER, IN € THOUSAND

	2005	2004
NET PROFIT OF PARTICIPATING INTERESTS	15,231	8,597
OTHER INCOME / (EXPENSES)	406	(281)
NET PROFIT	15,637	8,316

Notes to the company balance sheet **and profit and loss account**

AT 31 DECEMBER

General

The financial statements of Beter Bed Holding N.V. have been compiled on the basis of Title 9, Book 2 of the Dutch Civil Code in accordance with the International Financial Reporting Standards (IFRS), as approved for use in the European Union and applied to the consolidated financial statements. The participating interests are valued at net asset value.
The valuation of the assets and liabilities is calculated according to the valuation principles stated in the notes to the consolidated financial statements. The same applies to the method of profit/loss determination. Consequently, equity and the net result of Beter Bed Holding N.V. are equal to the amounts listed in the consolidated financial statements.
The company financial statements are compiled in euros and all amounts are rounded to thousands (€ 000) unless stated otherwise.

1 Intangible fixed assets

This involves the expenses incurred in related to the acquisition in Spain.

2 Financial fixed assets

This item includes the participating interests in the group companies and the amounts owed by the group companies. The movement in this item was as follows:

	PARTICIPATING INTERESTS IN GROUP COMPANIES	LOANS	TOTAL
Balance at 1 January 2005	**19,682**	**527**	**20,209**
Profit from participating interests	15,231	-	15,231
Liquidation participating interests	515	-	515
Exchange gain	17	-	17
Revaluation	40	-	40
Loans granted to group companies	-	39,025	39,025
Capital repayment	(35,000)	-	(35,000)
Contributions	1,258	-	1,258
Movements in amounts owed by group companies	77	-	77
Movements in loans owed by group companies	117	(117)	-
Movements in provision, participating interests	21,886	-	21,886
Balance at 31 December 2005	**23,823**	**39,435**	**63,258**

The opening balance of 2005 is, on the basis of IFRS, € 655 lower than the published closing balance for 2004. This is due to the formation of a deferred tax liability for the revaluation of one of the operating companies and the related reduction of this company's net asset value.
Within the framework of the (re-)financing of the subsidiaries, subsidiaries repaid € 35 million in capital and the company extended loans totaling € 39 million to the subsidiaries.

3 Debtors

At 31 December	2005	2004
Group companies	4,664	9,754
Other debtors	1,268	845
Total	**5,932**	**10,599**

All debtors fall due within one year.

4 Cash and cash equivalents

This item relates to the balance of cash in hand and at the bank. The cash and cash equivalents are at the full disposal of the company.

5 Equity

Issued capital

The company has an authorized share capital of € 1,250 in 25 million ordinary shares with a nominal value of € 0.05. At the end of 2005 8,657,047 shares had been issued and paid up. The number of shares outstanding increased by 2,500 in the year under review as a result of exercised employee share options.
The movement of the equity items was explained in the consolidated equity movements overview on page 30.

The entire share premium account can be distributed tax free. The revaluation reserve relates to the legal revaluation reserve for land.

6 Provisions

At 31 December	2005	2004
Restructuring	-	600
Participating interests	22,424	538
Total	**22,424**	**1,138**

The provision for restructuring involves a provision for the closure of Interwood, the only remaining production location. The participating interests provision relates to a provision for participating interests which have a negative net equity after the loans issued by the company have been set off against the participating interest's equity. The development of the provisions in the year under review is as follows:

	TOTAL	RESTRUCTURING	PARTICIPATING INTERESTS
At 1 January	**1,138**	**600**	**538**
Use	(600)	(600)	-
Other movements	21,886	-	21,886
At 31 December	**22,424**	**-**	**22,424**

The movements in the participating interests provision is the result of the previously stated (re)financing of subsidiaries.

7 Current liabilities

The breakdown of this balance sheet item is as follows:

At 31 December	2005	2004
Credit institutions	11,635	2,926
Taxes and social security contributions	930	762
Other liabilities, accruals and deffered income	964	610
Total	**13,529**	**4,298**

Commitments not included in the balance sheet

The company, as the responsible company within the tax entity in the Netherlands, is liable for debts arising from corporation tax owed by the Dutch companies.

Uden, 7 March 2006

Management Board
F.J.H. Geelen
E.J. van der Woude

Supervisory Board
M.J.N.M. van Seggelen
E.F. van Veen
C.A.S.M. Renders
J. Blokker

Auditors' **report**

Introduction

We have audited the financial statements of Beter Bed Holding N.V., Uden, for the year 2005. These financial statements consist of the consolidated financial statements and the company financial statements. These 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 with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the company as at December 31, 2005 and of the result and the cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code as far as applicable.

Furthermore we have established to the extent of our competence that the annual report is consistent with the consolidated financial statements.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of the company as at December 31, 2005 and of the result for the year then ended in accordance with the accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

Furthermore we have established to the extent of our competence that the annual report is consistent with the company financial statements.

Eindhoven, March 7, 2006

for Ernst & Young Accountants

W.T. Prins

Other **information**

Appropriation of profit pursuant to the Articles of Association

Article 32 of the Articles of Association states the most important provisions pertaining to the appropriation of profit:

Paragraph 1

Every year the Management Board, subject to approval from the Supervisory Board, determines the proportion of the company's profit – the positive balance of the profit and loss account – to be added to the company's reserves.

Paragraph 2

The profit remaining after the reservation pursuant to the previous paragraph shall be placed at the disposal of the Annual General Meeting of Shareholders.

Appropriation of profit in € 1,000

Profit for 2005	15,637
Interim dividend	(3,463)
Addition to the other reserves	(2,651)
Profit available for payment	**9,523**

The proposal for the appropriation of profit has not been taken into the balance sheet.

Historical **summary**

AT 31 DECEMBER

	2005	2004	2003	2002	2001	2000
RESULT (IN € 1,000)						
Revenue	287,136	255,166	234,018	221,779	238,876	226,325
Gross profit	152,619	134,595	121,965	117,067	128,895	125,160
Operating profit (EBIT)	24,685	14,960	4,282	892	20,090	21,173
Net profit	15,637	8,316	1,751	(1,644)	11,066	6,599
Depreciation	6,318	6,361	6,883	6,140	5,006	5,198
Cash flow	21,955	14,677	8,634	4,496	16,072	11,797
Net investment	6,299	3,787	3,458	5,775	8,674	1,570
CAPITAL (IN € 1,000)						
Total assets	72,226	68,988	63,202	65,575	71,318	68,213
Equity	33,422	25,372	19,774	18,304	19,119	16,701
FIGURES PER SHARE						
Net profit in €	1.81	0.97	0.20	(0.21)	1.42	0.85
Cash flow in €	2.54	1.71	1.01	0.58	2.06	1.52
Dividend paid in €	1.50	0.75	0.15	-	0.50	0.57
Average number of						
outstanding shares						
(in 1,000 of shares)	8,657	8,576	8,566	7,797	7,790	7,754
Share price in €						
at year-end	32	14	9	7	13	11
RATIOS						
Operating profit/revenue	8.6%	5.9%	1.8%	0.4%	8.4%	9.4%
Net profit/revenue	5.4%	3.3%	0.7%	(0.7%)	4.6%	2.9%
Solvency	46.3%	36.8%	31.3%	27.9%	26.8%	24.4%
Interest cover	31.4	16.2	2.6	0.4	11.1	9.9

The years 2005 and 2004 are on the basis of IFRS; the other years are on the basis of Dutch GAAP.

AT 31 DECEMBER

	2005	2004	2003	2002	2001	2000
OTHER INFORMATION						
Number of stores						
at year-end	775	682	644	618*	555	495
Number of staff						
in The Netherlands at year-end	608	587	618	625	599	618
Number of staff in Germany,						
Switzerland, Austria and Spain						
at year-end	1,109	980	879	857	782	648
Number of staff						
in Poland at year-end	4	193	284	292	426	492
Turnover per staff						
(in € 1,000)	167	144	131	125	132	128

** Starting in 2002 the Beddendump stores are included in this total. At the end of 2001 there were 7 Beddendump stores. Till 2002 these were treated as temporary stores.*

Colophon

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