Beter Bed holding

Press release

Half-year results 2019 Beter Bed Holding N.V. Solid sales continued operations, exit of Matratzen Concord on track

Uden, the Netherlands, 30 August 2019

Highlights of first half year 2019

- Solid sales growth of the continued operations Benelux and New Business.
- The process leading to the exit of Matratzen Concord is on track expected to be completed by the end of 2019.
- An extraordinary shareholders' meeting (EGM) will be held in Q4 2019.
- On track with agreeing amended financing covenants for the remaining Group.

John Kruijssen, CEO of Beter Bed Holding N.V., comments:

"Since we announced our new strategy in October 2018, we have taken significant steps to improve our overall performance. However, as the recovery of Matratzen Concord was more time-consuming than earlier anticipated, with a significant financial impact, we decided to exit Matratzen Concord. This will allow us to focus on driving faster growth of our activities in the Benelux region and our New Business.

We expect to complete the exit of Matratzen Concord by the end of 2019, and are currently in advanced stage of negotiations with a select number of seriously interested parties, which potentially presents a good fit to all stakeholders of Matratzen Concord. We will hold an EGM by the end of 2019. A secured short-term financial platform has been agreed with the banks and three major shareholders and we are now in the process to amend the financing covenants.

At the same time, we continue to grow our Benelux operations and have seen sales growth of more than 6%. The New Business, consisting of the Swedish operation and DBC Wholesale, showed promising sales performance, albeit from a small basis. We are now focused on further acceleration and improving profit levels."

2019 H1 performance

The table below shows the results of the continued operations for H1 2019.

Continued operations in € million	2019 H1	2018 H1
Sales	**94.2**	86.4
EBIT	**0.4**	3.5
Operating cash flow	**2.7**	3.3
Total cash flow	**0.5**	(2.1)
Net profit (loss) after tax including discontinued operations	**(22.7)**	(6.8)

For the continued operations, H1 2019 sales of € 94.2 million increased by 9.0% compared to H1 2018 due to good sales performance in both the Benelux operations and New Business (Sweden and DBC wholesale). EBIT decreased to € 0.4 million due to higher cost levels in the New Business operations to accelerate the sales performance, and higher incidental advisory and legal costs in Beter Bed Holding N.V. The operating cash flow from the continued operations was € 2.7 million.

Continued operations

The table below shows the key figures of the continued operations for H1 2019.

€ million	Sales			EBITDA[1]	
	2019 H1	% vs 2018	LFL sales	2019 H1	% of sales
Benelux	**83.1**	6.4%	4.6%	**12.9**	15.5%
New Business	**11.1**	35.4%	1.6%	**(0.3)**	-2.7%
Holding	**-**	-	-	**(1.4)**	-
Total continued operations	**94.2**	9.0%	4.2%	**11.2**	11.9%

1 Operating profit before depreciation, amortisation, impairments and carrying amount of disposals, including IFRS 16 impact.

The total H1 2019 sales of continued operations of € 94.2 million represented a 9.0% increase compared to H1 2018. Total EBITDA for H1 2019 of the continued operations amounted to € 11.2 million including the impact of IFRS 16.

Benelux

H1 2019 sales of € 83.1 million of the Beter Bed and Beddenreus stores in the Benelux increased by 6.4% compared to the same period last year, representing 4.6% like-for-like growth.

Sales performance in the Netherlands continued the good trend due to (i) the addition of new brands such as Tempur and the first ever completely circular box spring Element, (ii) a continued strong online and digital proposition, and (iii) new campaigns and aggressive promotions. Also, the sales performance in Belgium is steadily improving. Under new Belgian leadership the commercial program has been strengthened and local operations have improved with like-for-like performance as a result. The online channel share in the Benelux increased to more than 10% of total sales.

These positive sales results have led to a steadily growing market share in the Benelux. To sustain these growth rates, Beter Bed has introduced several further improvements in its commercial proposition, especially focused on new products and campaigns. In addition, the substantially simplified and improved supply chain is anticipated to lead to better service and throughput to customers.

During H1 2019 one store has been closed and two stores have been opened resulting in 134 stores per 30 June 2019 compared to 133 stores per 31 December 2018. In H1 2018 four stores were opened in Belgium.

New Business

The New Business operations, comprising Sängjätten in Sweden and the DBC wholesale business, realised € 11.1 million sales, representing a strong total sales growth of 35.4% compared to the same period last year, and a like-for-like sales growth of 1.6% and like-for-like order intake of 9.2%. Sängjätten reported a strong sales increase with good progress made due to (i) aggressive commercial activities (better pricing and promotions), (ii) the addition of new brands Tempur and Ecolife, (iii) simplified and strengthened store processes, and (iv) a reorganised supply chain with significantly improved customer performance and lower costs.

The DBC wholesale business continued to show strong sales results, both for existing B2B customers and new customers to which the first orders have been delivered. We continue to add new B2B customers, including local dealers and international retailers. Going forward, we see ample opportunity for further growth acceleration of these activities and we will continue our focus on that.

The profitability level of New Business is not at the desired level yet, mainly caused by start-up investments. Action plans have been formulated to structurally improve the profitability. For DBC, these action plans include investments in additional sales force to especially drive the M line brand in existing markets and a small number of carefully selected, potentially highly attractive new markets. For the operation in Sweden, these action plans include (i) the launch of a new supply chain structure focused on local stores and hubs, and, therefore, enabling the closure of the distribution centre in Sweden, (ii) the roll-out of the successful online and digital platform of the Benelux, (iii) streamlining the store portfolio including some relocations to better places in dense areas, and closing some remotely located stores, and (iv) launching a nation-wide transformation program aimed to drive profitability.

During H1 2019 no new stores were opened and no stores were closed resulting in 27 stores per H1 2019 compared to 25 stores per H1 2018 and 27 stores on 31 December 2018. In H1 2018 nine stores were opened.

Total Group

EBITDA of the Holding was € 1.4 million negative consisting of personnel costs and incidental advisory and legal costs related to the transition to the Group excluding Matratzen Concord.

Net result of continued operations resulted in a loss of € 0.7 million compared to a profit of € 2.1 million in H1 2018. The total negative impact of the discontinuation of the operations in Germany, Austria and Switzerland resulted in a loss of € 21.9 million. Including this effect net loss amounted to € 22.7 million in H1 2019. The exit of Matratzen Concord and the structure of the potential transaction are still under negotiation, which makes it impossible to reliably estimate the financial impact of the exit. Therefore this is not included in the net result for discontinued operations over H1 2019.

IFRS 16

Beter Bed Holding N.V. chooses to apply IFRS 16 using the modified retrospective approach. This means that the Group calculates lease assets and lease liabilities as at the beginning of the current period, does not restate its prior-period financial information, recognises an adjustment in equity, if necessary, at the beginning of the current period and makes additional disclosures specified in the new standard and is exempt from certain of the disclosures usually required by paragraph 28 of IAS 8 on a change in accounting policy.

The table below shows the impact of IFRS 16.

€ million	Continued operations	Discontinued operations	Total
Lease costs	7.2	15.5	**22.7**
Depreciation	(7.4)	(15.4)	**(22.8)**
Interest	(0.1)	(0.1)	**(0.2)**
Total impact profit before tax H1 2019	**(0.3)**	-	**(0.3)**
Right of use assets	42.5	78.2	**120.7**
Lease liabilities	(42.8)	(78.3)	**(121.1)**
Impact result	0.3	-	**0.3**
Reserve for currency translation	-	0.1	**0.1**
Total impact balance sheet as per 30-6-2019	-	-	-

Investments and cash flow

Investments in intangible and tangible fixed assets in the first six months of 2019 totalled € 2.6 million excluding the effect of IFRS 16 (H1 2018: € 11.9 million), reflecting the previously announced capex freeze program. Investments in unavoidable store maintenance in this period amounted to € 0.5 million (H1 2018: € 7.2 million). Investments in IT and E-commerce amounted to € 1.7 million (H1 2018: € 2.9 million).

In H1 2019 total cash flow including discontinued operations decreased by € 13.5 million to a net cash and cash equivalents of € 30.3 million negative compared to € 14.3 million negative per H1 2018. This is mainly caused by a negative operating result from discontinued operations of € 21.7 million. The cash flow from operating activities in H1 2019 was € 10.9 million negative compared to € 2.2 million negative in H1 2018.

As announced at the Capital Markets Day and following the dividend policy, Beter Bed Holding N.V. will not declare a dividend over H1 2019.

Financing and solvency

Beter Bed Holding N.V. agreed with the banks and three major shareholders a transition plan to get through the announced transformation and specifically the exit of Matratzen Concord. These agreements include (i) waivers of the defaults that have taken place under the € 40 million credit facilities, (ii) a process to come to amended covenants for the continued operations until mid-2020, and (iii) additional shareholders' loans of in total € 7.0 million to support the short-term liquidity. With these agreements with some of the Group's key stakeholders, the Group aims to be equipped to get through the announced transition to a Group excluding Matratzen Concord. For further details we refer to the previous press releases.

Including the IFRS 16 changes which increased the lease liabilities by € 121.1 million and almost doubled the Group's balance sheet, the solvency amounted to 9.7% on 30 June 2019. Excluding IFRS 16 the solvency amounted to 19.4%.

Discontinued operations

The Matratzen Concord stores in Germany, Austria and Switzerland (DACH) realised € 91.9 million sales in H1 2019, a decrease of 18.1% compared to the same period last year. This decrease is due to the closure of 165 unprofitable stores in the last 12 months, as well as a like-for-like sales decline of 9.8% in the remaining stores.

While Beter Bed Holding N.V. is in the process leading to the exit of Matratzen Concord it continues to execute the previously announced improvement program to regain Matratzen Concord's historical position as value-for-money leader for the remaining stores.

Net result includes the operational result for H1 2019 and an impairment for the deferred tax assets of € 6.7 million. However the exit of Matratzen Concord and the structure of the potential transaction are still under negotiation, which makes it impossible to reliably estimate any further financial impact. Therefore this is not included in the net result for discontinued operations over H1 2019.

Progress exit Matratzen Concord

On 25 June 2019 Beter Bed Holding N.V. announced that it will exit Matratzen Concord. Since that moment a process has been followed to ensure the best possible outcome for all stakeholders of Matratzen Concord, the remaining Group and shareholders. During this process several future possibilities, corporate structures, and reviews with potentially interested parties have taken place. The Group has selected a few parties that indicated the interest to offer a future for Matratzen Concord that could be interesting for all stakeholders. The Group is in an advanced stage of negotiations and due diligence with these parties.

The current best estimate is that the exit of Matratzen Concord is expected to be completed before the end of 2019.

Outlook for H2 2019

With the planned sale of Matratzen Concord and driving growth of the continued operations Beter Bed Holding N.V. is progressing in positioning the Group for a sustainable future.

With regard to the continued operations it is positioned well to capture the possibilities of the growing and profitable markets in which it operates. It takes into account the commercial and operational changes executed in H1 2019 and more improvements planned onwards. Bearing some negative factors that might influence the growth rates in the overall market, consumer and economic drivers, the Group anticipates its growth rate to remain stable going forward. An important driver to this growth is the role of the local management teams which have been newly installed in full throughout 2018.

Risk paragraph

Beter Bed Holding N.V. has an enterprise risk management program that provides a holistic overview of the most important business risks and the management practices that are in place to mitigate those. Considering the transformation and restructuring of the Group in 2018 and 2019, the Board intends to reassess the underlying business risks starting in Q4 of 2019 for the remaining Group excluding Matratzen Concord.

For the short-term future it is a critical step for Beter Bed Holding N.V. to successfully execute the announced exit of Matratzen Concord. The current status of the exit program is promising. The conversations, negotiations and due diligence with the parties provide the confidence that the exit of Matratzen Concord could be achieved within the announced time lines. In the unexpected event that the exit will not take place as planned, Beter Bed Holding N.V. will have to (i) restart the discussion with the banks and other stakeholders on the funding of the transition period towards a Group excluding Matratzen Concord, or (ii) explore other sources for liquidity funding.

Independent auditor's involvement

The contents of this interim report have not been audited or reviewed by an independent external auditor.

Declaration by the Executive Board

Pursuant to section 5:25d, paragraph 2(c), of the Dutch Financial Supervision act (Wet op het Financieel toezicht (Wft)), the Executive Board states that to the best of its knowledge the 2019 Interim financial statements, which comprise the Company and its subsidiaries (jointly ‘the Group’ or ‘Beter Bed Holding N.V.’) and the Group’s interest in its joint venture, give a true and fair view of the condensed consolidated balance sheet, the condensed profit and loss account, the condensed statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed cash flow statement and the notes to the condensed consolidated financial statements.

This press release contains information that qualifies as inside information in the sense of Article 7 paragraph 1 of the EU Market Abuse Regulation.

Safe harbour statements

Forward-looking statements

Some statements included in this report contain forward-looking statements. These statements may relate to or may affect future matters concerning future results, strategies or business plans, but may also include the impact of regulatory initiatives on the operation of Beter Bed Holding N.V. Forward looking statements may, without limitation, include words like “believes”, “intends to”, “expects”, “anticipates”, “will”, “may”, “could”, “should”, “intends”, “estimate”, “plan”, “goal”, “target”, “aim” or expressions similar to those. These forward-looking statements rely on a number of assumptions concerning future events and are subject to uncertainties and other factors, many of which are outside the control of Beter Bed Holding and that could cause actual results to differ materially from such statements. A number of these factors are described (not exhaustively) in the 2018 Annual Report. All forward-looking statements and ambitions stated in this press release that refer to a growth or decline, refer to such growth or decline relative to the situation per 30 June 2019, unless stated otherwise.

Financial Calendar

25-10-2019	Trading update Q3-2019
17-01-2020	Trading update Q4-2019
17-03-2020	Publication Annual Report 2019

Profile

Beter Bed Holding N.V. is a European retail organisation that offers its customers the best quality rest at affordable prices. The organisation's aim is to do this through its international retail brands and own wholesaler operation DBC International. All brands provide the best customer advice to their customers on all relevant channels including online. In 2018, the company achieved € 396.3 million sales with a total of 1,009 stores per 31 December 2018 and an increasingly relevant share of online sales.

FOR MORE INFORMATION:

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Interim financial statements 2019

Condensed consolidated balance sheet

in thousand €	30-6-2019	1-1-2019	31-12-2018 (2)
		Proforma (1)	
Fixed assets			
Tangible assets			
Land	**7,385**	7,385	7,385
Buildings	**3,189**	3,352	3,352
Other fixed operating assets	**8,145**	30,520	30,520
Right of use assets (IFRS 16) property leases	**37,460**	134,822	-
Right of use assets (IFRS 16) other leases	**5,051**	7,703	-
	61,230	183,782	41,257
Intangible assets			
Intangible operating assets	**10,824**	11,311	11,311
Financial assets			
Deferred tax assets	**6,158**	13,273	13,273
Long-term accounts receivable	**82**	94	94
	6,240	13,367	13,367
Total fixed assets	**78,294**	208,460	65,935
Current assets			
Inventories			
Finished products and goods for resale	**22,359**	55,679	55,679
Receivables			
Trade accounts receivable	**2,338**	3,014	3,014
Other receivables	**5,028**	9,243	9,243
Income tax receivable	**18**	636	636
	7,384	12,893	12,893
Cash and cash equivalents	**3,778**	6,173	6,173
Assets classified as held for sale	**131,064**	-	-
Total current assets	**164,584**	74,745	74,745
Total assets	**242,878**	283,205	140,680

1. The Proforma balance per 1 January 2019 includes the effect of the implementation of IFRS 16.
2. Excluding the effect of discontinued operations of Matratzen Concord.

in thousand €	30-6-2019	1-1-2019	31-12-2018 (2)
		Proforma (1)	
Equity			
Equity attributable to equity holders of the parent			
Issued share capital	**439**	439	439
Share premium account	**18,434**	18,434	18,434
Reserve for currency translation differences	**3,030**	3,200	3,200
Revaluation reserve	**367**	548	548
Other reserves	**24,056**	47,265	47,265
Retained earnings	**(22,650)**	(23,250)	(23,250)
Total equity	**23,676**	46,636	46,636
Liabilities			
Non-current liabilities			
Provisions	**-**	1,003	1,003
Lease liabilities	**29,115**	101,497	-
Deferred tax liabilities	**1,826**	3,452	3,452
	30,941	105,952	4,455
Current liabilities			
Credit institutions	**34,108**	22,998	22,998
Trade payables	**14,110**	24,409	24,409
Income tax payable	**637**	2,050	2,050
Taxes and social security contributions	**8,324**	10,931	10,931
Other liabilities	**13,397**	29,201	29,201
Lease liabilities	**13,639**	41,027	-
	84,215	130,616	89,589
Total liabilities	**115,156**	236,569	94,044
Liabilities directly associated with assets classified as held for sale	**104,046**	-	-
Total equity and liabilities	**242,878**	283,205	140,680

1. The Proforma balance per 1 January 2019 includes the effect of the implementation of IFRS 16.
2. Excluding the effect of discontinued operations of Matratzen Concord.

Condensed consolidated profit and loss account

in thousand €	First half year			
	2019		2018	
Sales	**94,158**		86,368	
Cost of sales	**(44,427)**		(39,674)	
Gross profit	**49,731**	**52.8%**	46,693	54.1%
Personnel expenses	**23,304**		20,356	
Depreciation and amortisation	**10,766**		3,072	
Other operating expenses	**15,282**		19,745	
Total operating expenses	**49,352**	**52.4%**	43,173	50.0%
Operating profit (loss) (EBIT)	**379**	**0.4%**	3,520	4.1%
Finance income	**31**		104	
Finance costs	**(369)**		(535)	
Profit (loss) before taxation	**41**	**0.0%**	3,089	3.6%
Income tax	**(746)**		(953)	
Net profit (loss) from continuing operations	**(705)**	**-0.7%**	2,137	2.5%
Profit (loss) from discontinued operations, net of tax	**(21,945)**		(8,893)	
Net profit (loss) attributable to shareholders	**(22,650)**	**-24.1%**	(6,756)	-7.8%
Earnings per share attributable to shareholders				
Earnings per share in €	**(1.03)**		(0.31)	
Diluted earnings per share in €	**(1.03)**		(0.31)	
Earnings per share from continuing operations				
Earnings per share in €	**(0.03)**		0.10	
Diluted earnings per share in €	**(0.03)**		0.10	

Condensed consolidated statement of comprehensive income

in thousand €	First half year	
	2019	2018
Net profit (loss)	**(22,650)**	(6,756)
Non-recyclable:		
Change in revaluation reserve		
- due to revaluation of land	**(181)**	-
Recyclable:		
Movements in reserve for currency translation differences	**(170)**	(91)
Total comprehensive income	**(23,001)**	(6,847)

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

Condensed consolidated cash flow statement

in thousand €	First half year	
	2019	2018
Cash flow from operating activities		
Operating profit (loss) from continued operations	**379**	**3,520**
Operating loss from discontinued operations	**(21,683)**	**(11,410)**
Net finance costs	**(372)**	**(436)**
Income tax paid	**(1,418)**	**1,679**
Depreciation and amortisation	**6,941**	**6,977**
Impairment DTA Germany	**6,681**	-
Costs share-based compensation	**41**	**68**
Movements in:		
– Inventories	**2,508**	**(365)**
– Receivables	**2,047**	**3,193**
– Provisions	**(731)**	**(5)**
– Current liabilities (excl. credit institutions)	**(5,392)**	**(5,542)**
– Other	**54**	**154**
	(10,945)	**(2,167)**
Cash flow from investing activities		
Additions to (in)tangible assets	**(2,611)**	**(11,893)**
Disposals of (in)tangible assets	**38**	**244**
Changes in long-term accounts receivable	**12**	**34**
	(2,561)	**(11,615)**
Cash flow from financing activities		
Dividend paid	**-**	**(659)**
	-	**(659)**
Change in net cash and cash equivalents	**(13,506)**	**(14,441)**
Net cash and cash equivalents at the beginning of the financial year	**(16,825)**	**188**
Net cash and cash equivalents at the end of the financial period	**(30,331)**	**(14,253)**

€ million	First half year	
	2019	2018
Cash flow from operating activities (continued)	**2.7**	3.3
Cash flow from operating activities (discontinued)	**(13.6)**	(5.5)
Cash flow from investing activities (continued)	**(2.2)**	(4.8)
Cash flow from investing activities (discontinued)	**(0.4)**	(6.8)
Cash flow from financing activities (continued)	**-**	(0.6)
Cash flow from financing activities (discontinued)	**-**	-
Change in net cash and cash equivalents (continued)	**0.5**	(2.1)
Change in net cash and cash equivalents (discontinued)	**(14.0)**	(12.3)
Total change in net cash and cash equivalents	**(13.5)**	(14.4)

Condensed consolidated statement of changes in equity

in thousand €	Total	Issued share capital	Share premium reserve	Reserve for currency translation	Revaluation reserve	Other reserves	Retained earnings
Balance on 1 Jan. 2018	**70,184**	**439**	**18,434**	**673**	**2,797**	**38,316**	**9,525**
Net profit (loss) 2018	**(6,756)**	-	-	-	-	-	**(6,756)**
Other components of comprehensive income 2018	**(91)**	-	-	**(91)**	-	-	-
Profit appropriation 2017	-	-	-	-	-	**9,525**	**(9,525)**
Final dividend 2017	**(659)**	-	-	-	-	**(659)**	-
Costs of share-based compensation	**68**	-	-	-	-	**68**	-
Balance on 30 June 2018	**62,746**	**439**	**18,434**	**582**	**2,797**	**47,250**	**(6,756)**
Balance on 1 Jan. 2019	**46,636**	**439**	**18,434**	**3,200**	**548**	**47,265**	**(23,250)**
Net profit (loss) 2019	**(22,650)**	-	-	-	-	-	**(22,650)**
Other components of comprehensive income 2019	**(351)**	-	-	**(170)**	**(181)**	-	-
	-						
Profit appropriation 2018	-	-	-	-	-	**(23,250)**	**23,250**
Final dividend 2018	-	-	-	-	-	-	-
Costs of share-based compensation	**41**	-	-	-	-	**41**	-
Balance on 30 June 2019	**23,676**	**439**	**18,434**	**3,030**	**367**	**24,056**	**(22,650)**

General notes

Beter Bed Holding N.V. is domiciled and registered in Uden, the Netherlands and listed on Euronext Amsterdam. The Group operates in the European bedroom furnishings market. Its activities include retail trade through the chains Beter Bed, Matratzen Concord, Beddenreus and Sängjätten. Activities of El Gigante del Colchón were included until 1 November 2018 and are included in these interim financial results as assets held for sale. In the 2019 interim financial statements the activities of Matratzen Concord have been classified as discontinued operations, based on the decision of the Board made in 25 June 2019. Beter Bed Holding N.V. is also active in the field of developing and wholesaling branded products in the bedroom furnishing sector via its subsidiary DBC International.

The consolidated interim report of Beter Bed Holding N.V. (the 'Company') for the H1 2019 covers the Company and its operating companies (collectively referred to as the 'Group').

The consolidated interim report of the Group has been prepared by the Executive Board and discussed and approved in the meeting of the Supervisory Board on 29 August 2019.

Going concern

Over the six-months period ended on 30 June 2019 the Group had a total net loss of € 22.7 million and a negative total cash flow of € 13.5 million. These numbers include the loss of the discontinued operations of Matratzen Concord. Excluding the results of the discontinued operations the Group had an operating profit of € 0.4 million and a positive operational cash flow of € 2.7 million, indicating that the continued business of the Group is able to generate positive operating profits and cash flows.

The consolidated interim report has been prepared under the assumption of the ability of the Group to continue as going concern. This assumption has been assessed by management taking into consideration an expected positive outcome of the process of the exit of Matratzen Concord. This includes the current best estimate that the exit of Matratzen Concord will require a certain level of costs and the agreements with banks on how to fund these costs. The Group has currently selected a few parties that indicated the interest to offer a future for Matratzen Concord that could be interesting for all stakeholders. Although the Group is in an advanced stage of negotiation with these parties, a positive outcome of the process is of significant importance for the going concern assumption of the Group. In the event that the Group will not be able to conclude a positive outcome of the exit of Matratzen Concord including the indicated funding of this exit and the related costs, the Group will have liquidity concerns and will have to investigate alternative funding possibilities.

Applying going concern includes the assumption that the current credit facility, which will expire mid-2020, will be refinanced.

The above-mentioned elements are crucial assumptions for the assessment of management of the ability that the Group can continue as going concern.

Exceptional items in the first half year of 2019

Throughout the first half year of 2019 Beter Bed Holding N.V. has gone through a major transformation including the necessary restructuring of Matratzen Concord. This has had significant influence on a number of accounts within the financial statements. The 2019 half-year net result includes three items that will be further explained in the paragraphs below. These three items are specifically selected and, consequently, this section should not be seen as a fully comprehensive analysis of the first six months of 2019 results.

Discontinuation of Matratzen Concord

The Matratzen Concord stores in Germany, Austria and Switzerland (DACH) realised € 91.9 million sales in H1 2019, a decrease of 18.1% compared to the same period last year. This decrease is due to the closure of 165 unprofitable stores in the last 12 months, as well as a like-for-like sales decline of 9.8% in the remaining stores.

While Beter Bed Holding N.V. is investigating the exit of Matratzen Concord, it continues to execute the previously announced improvement program to regain Matratzen Concord's historical position as value-for-money leader. Beter Bed Holding N.V. aims to complete the previously announced process of an exit of Matratzen Concord before the end of 2019. Already several parties expressed serious interest. The Group has made, and in the near term, will continue to make substantial one-time costs in connection to the assessment and resolution of the situation involving Matratzen Concord.

Matratzen Concord has been stated in the interim report as discontinued operations, based on IFRS 5. This standard implies that the business will be separately stated in the Group's profit and loss account. In addition the Group should value the business and individual assets and liabilities at fair value including costs to sell. However, due to the current process of the exit of Matratzen Concord the Group is currently not able to reliably estimate a possible impairment of the individual assets and liabilities, except for the deferred tax assets, and the possible costs or proceeds from the exit. Due to this these elements have not been included in the current figures.

Financing agreements and progress on the related covenants
Beter Bed Holding N.V. agreed with the banks and three major shareholders a transition plan to get through the announced transformation and specifically the exit of Matratzen Concord. These agreements include (i) waivers of the defaults that have taken place under the€ 40 million credit facilities, (ii) a process to come to amended covenants for the continued operations until mid-2020, and (iii) additional shareholders' loans of in total € 7.0 million to support the short-term liquidity. With these agreements with some of the Group's key stakeholders, the Group aims to be equipped to get through the announced transition to a Group excluding Matratzen Concord. For further details we refer to the previous press releases.

Including the IFRS 16 changes that increased the lease liabilities by € 120.7 million and almost doubled the Group's balance sheet, the solvency amounted to 9.7% on 30 June 2019. Excluding IFRS 16 the solvency amounted to 19.4%.

IFRS 16
Beter Bed Holding N.V. chooses to apply IFRS 16 using the modified retrospective approach. This means that the Group calculates lease assets and lease liabilities as at the beginning of the current period, does not restate its prior-period financial information, recognises an adjustment in equity, if necessary, at the beginning of the current period and makes additional disclosures specified in the new standard and is exempt from certain of the disclosures usually required by paragraph 28 of IAS 8 on a change in accounting policy.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. Under IFRS16, these liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

The table below shows the impact of IFRS 16.

€ million	Continued operations	Discontinued operations	Total
Lease costs	7.2	15.5	**22.7**
Depreciation	(7.4)	(15.4)	**(22.8)**
Interest	(0.1)	(0.1)	**(0.2)**
Total impact profit before tax H1 2019	**(0.3)**	-	**(0.3)**
Right of use assets	42.5	78.2	**120.7**
Lease liabilities	(42.8)	(78.3)	**(121.1)**
Impact result	0.3	-	**0.3**
Reserve for currency translation	-	0.1	**0.1**
Total impact balance sheet as per 30-6-2019	-	-	-

Basis of preparation and changed accounting policies

Basis of preparation

The consolidated interim financial data of Beter Bed Holding N.V. included in this interim report, consisting of the condensed consolidated balance sheet as per 30 June 2019; the condensed consolidated profit and loss account; the condensed consolidated statement of comprehensive income; the condensed consolidated cash flow statement and the condensed consolidated statement of changes in equity for the period from 1 January 2019 to 30 June 2019, plus the notes. As the transaction details and corporate structure of the exit are still under negotiation, the financial implications on our interim results could not be reliably estimated. In view of this situation this interim report has not been audited or reviewed by an independent external auditor. This consolidated interim report has been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS) and specifically in accordance with accounting standard IAS 34, 'Interim Financial Reporting'. The notes constitute an integral part of this condensed consolidated interim report. Beter Bed Holding N.V. defines EBITDA as follows: operating profit plus depreciation, amortisation, impairments and book value of disposals.

The interim report does not contain all the notes and information as required for full annual financial statements and is to be reviewed in conjunction with the Group's consolidated financial statements for 2018. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements for the year ended 31 December 2018.

The consolidated interim report has been prepared on a historical cost basis, except for land, which is carried at fair value. Unless explicitly stated otherwise, the amounts stated in these notes refer to the consolidated figures.

The accounting principles and policies for the determination of the result are identical to those for the 2018 financial statements, except for any new significant judgements and key estimation uncertainty related to the application of IFRS 16, which are disclosed in the next note.

The consolidated financial statements have been prepared in euros and all amounts have been rounded off to thousands (€ 000), unless stated otherwise.

Changes in significant accounting policies

IFRS 16 Leases

IFRS 16 leases has become effective as of 1 January 2019. In the 2018 annual report a further note is included in this standard. From the different transition options Beter Bed Holding N.V. has chosen the 'modified retrospective approach'. With respect to the definition of leases Beter Bed Holding N.V. chooses to be aligned with the analysis made in the past under IAS 17.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 *Leases.* These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate (IBR) as of 1 January 2019.

The table below shows the reconciliation of the off-balance commitments per the end of December 2018 and the opening balance of IFRS 16.

€ thousand	Benelux	New Business	DACH	Total
Closing balance 2018 (indicative 2% IBR's applied)	35,743	10,180	89,667	**135,590**
Uniformity in approach across all companies	3,338	(919)	(2,971)	**(552)**
Changes applied in contractual commitments	-	-	4,489	**4,489**
Changes applied in IBR's (discounting effect)	788	225	1,985	**2,998**
Opening balance 2019	**39,869**	**9,486**	**93,170**	**142,525**

Estimates

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

Unless otherwise specified, in the preparation of this consolidated interim report the significant judgements formed by the management in the application of the Group's financial reporting standards and the main sources of estimation used are identical to the judgments and sources used in preparing the consolidated financial statements for the 2018 financial year.

Non-current assets held for sale and discontinued operations

Beter Bed Holding N.V. classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.
Property, plant & equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated balance sheet.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:
- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or;
- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continued operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Risk

Beter Bed Holding N.V. has an enterprise risk management program that provides a holistic overview of the most important business risks and the management practices that are in place to mitigate those. Considering the transformation and restructuring of the Group in 2018 and 2019, the Board intends to reassess the underlying business risks starting in Q4 of 2019 for the remaining Group excluding Matratzen Concord.

For the short-term future it is a critical step for Beter Bed Holding N.V. to successfully execute the announced exit of Matratzen Concord. The current status of the exit program is promising. The conversations, negotiations and due diligence with the parties provide the confidence that the exit of Matratzen Concord could be achieved within the announced time lines. In the unexpected event that the exit will not take place as planned, Beter Bed Holding N.V. will have to (i) restart the discussion with the banks and other stakeholders on the funding of the transition period towards a Group excluding Matratzen Concord, or (ii) explore other sources for liquidity funding.

Seasonality

Owing to the seasonal pattern in consumer demand sales and EBITDA are usually lower in the second and third quarters than in the first and fourth quarters. Sales over the first half year compared to the second half year do not include a seasonal pattern.

Related parties

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

Translation of foreign currency

The consolidated interim financial statements have been prepared in euros. The euro is the functional currency of Beter Bed Holding N.V. and is the Group's reporting currency. Assets and liabilities in foreign currencies are converted at the exchange rate on the balance sheet date; profit and loss account items are converted at the exchange rate at the time of the transaction. The resulting exchange differences are credited or debited to the profit and loss account. Exchange differences in the financial statements of foreign group companies included in the consolidation are taken directly to equity through other comprehensive income. The results and assets and liabilities of consolidated foreign participations are translated into euros at the average exchange rate per month and the closing rate for the year under review respectively. Upon a disposal of a foreign entity, the deferred accumulated amount recognised in equity of that foreign entity concerned is taken to the profit and loss account.

The table below shows the applied currency rates of H1 2019.

	SEK / EUR	CHF / EUR	USD / EUR
Month-end exchange rates			
31-12-2017	9.8438	1.1702	1.1993
30-6-2018	10.4530	1.1569	1.1658
31-12-2018	10.2548	1.1269	1.1450
30-6-2019	10.5633	1.1105	1.1380
Average exchange rate			
H1 2018	10.1519	1.1697	1.2108
H1 2019	10.5187	1.1294	1.1298

Notes to the condensed consolidated balance sheet

Tangible fixed assets

in thousand €, unless stated otherwise

	Land	Buildings	Other fixed operating assets	Right-of-use asset property leases	Right-of-use asset other leases	Total
Book value 1 January 2018	**7,090**	**3,679**	**33,467**	**-**	**-**	**44,236**
Additions	-	-	12,274	-	-	12,274
Revaluation	295	-	-	-	-	295
Currency adjustment	-	-	18	-	-	18
Disposals	-	-	(432)	-	-	(432)
Depreciation	-	(327)	(13,168)	-	-	(13,495)
Impairment	-	-	(1,639)			(1,639)
Book value 31 December 2018	**7,385**	**3,352**	**30,520**	**-**	**-**	**41,257**
Accumulated depreciation and impairment	-	7,154	84,541	-	-	91,695
Accumulated revaluation	(4,025)	-	-	-	-	(4,025)
Purchase price	**3,360**	**10,506**	**115,061**	**-**	**-**	**128,927**
Book value 1 January 2019	**7,385**	**3,352**	**30,520**	**-**	**-**	**41,257**
Accounting adjustments 1 January 2019	**-**	**-**	**-**	**134,822**	**7,703**	**142,525**
Additions	**-**	**-**	**702**	**1,455**	**358**	**2,515**
Currency adjustment	**-**	**-**	**(30)**	**(272)**	**118**	**(184)**
Disposals	**-**	**-**	**(38)**	**(405)**	**(233)**	**(677)**
Depreciation[1]	**-**	**(163)**	**(5,570)**	**(21,317)**	**(1,527)**	**(28,577)**
Reclass assets held for sale	**-**	**-**	**(17,439)**	**(76,822)**	**(1,368)**	**(95,629)**
Book value 30 June 2019	**7,385**	**3,189**	**8,145**	**37,460**	**5,051**	**61,230**
Accumulated depreciation and impairment	**-**	**7,316**	**45,933**	**6,299**	**1,088**	**60,636**
Accumulated revaluation	**(4,025)**	**-**	**-**	**-**	**-**	**(4,025)**
Purchase price	**3,360**	**10,505**	**54,078**	**43,759**	**6,139**	**117,841**

1 *Including the depreciation of discontinued operations of € 18.7 million.*

Intangible fixed assets

	2019 H1	2018
Book value 1 January	**11,311**	9,030
Additions	**1,909**	5,054
Currency adjustment	**(45)**	(70)
Disposals	-	(92)
Amortisation	**(1,209)**	(2,148)
Impairment	-	(463)
Reclass assets held for sale	**(1,142)**	-
Book value end of period	**10,824**	11,311
Accumulated amortisation and impairment	**14,975**	13,774
Purchase price	**25,799**	25,085

Equity

The movements in the equity items are shown in the consolidated statement of changes in equity. As per 30 June 2019, a total of 21,955,562 shares were issued and paid up. During the reporting period, the number of issued and fully paid shares remained unchanged. Beter Bed Holding N.V. does not hold shares in portfolio.

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

During the reporting period, no dividend was paid.

Notes to the condensed consolidated profit and loss account

Income taxes

The effective tax rate for the continued operations and for the first six months of the year increased from 30.9% to 1,818.5%. This increase is attributable to the relatively low results for the first half year and tax losses carry forwards that have not been capitalised.

Other information

Post-balance sheet events

After 30 June 2019 Beter Bed Holding N.V. agreed with the banks and three major shareholders a transition plan to get through the announced transformation and specifically the exit of Matratzen Concord. These agreements include (i) waivers of the defaults that have taken place under the € 40 million credit facilities, (ii) a process to come to amended covenants for the continued operations until mid-2020, and (iii) additional shareholders' loans of in total € 7.0 million to support the short-term liquidity. With these agreements with some of the Group's key stakeholders, the Group aims to be equipped to get through the announced transition to a Group excluding Matratzen Concord. For further details we refer to the previous press releases.

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

Statement from the Management Board

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

- the interim financial statements 2019 give a true and fair view of the assets, liabilities, financial position, cash flows and profit or loss of the company and the entities included in the consolidation;

- the interim financial statements 2019 give a true and fair view of the important events of the past six-month period and their impact on the half-year financial statements, as well as the principal risks and uncertainties for the six-month period to come, and, the most important related party transactions.

Uden, the Netherlands, 29 August 2019

Management Board

A.J.G.P.M. Kruijssen,
CEO

H.G. van den Ochtend,
CFO