SLEEPZ AG

UNION FÜR SCHLAF- UND WOHNKULTUR

ANNUAL REPORT 2017

Key Figures

		2017	2016
Sales revenues	*in million €*	11.5	14.4
Total operating performance	*in million €*	11.7	15.1
Material costs	*in million €*	-7.9	-9.8
Cost-of-materials ratio [1]	*in %*	69.1	68.2
Gross profit [2]	*in million €*	3.5	4.6
EBITDA [3]	*in million €*	-3.7	-1.8
Result from continuing operations	*in million €*	-4.1	-2.5
Result from continuing operations attributable to shareholders of the company	*in million €*	-3.4	-2.2
Annual result	*in million €*	-5.0	-9.8
Earnings per share	*in €*	-0.54	-1.38
		31.12.2017	**31.12.2016**
Balance sheet total	*in million €*	8.7	15.3
Inventory assets	*in million €*	2.1	2.3
Shareholders' equity	*in million €*	5.7	7.6
Equity ratio	*in %*	65.3	49.5
Employees		57	72

1 Material costs in relation to sales revenues
2 Sales revenues minus material costs
3 Result from continuing operations without interest, taxes and depreciations on tangible and intangible fixed assets

Contents

SLEEPZ AG and SLEEPZ Group

Company profile SLEEPZ AG

SLEEPZ AG is a corporate group focused on e-commerce in sleep products. Its subsidiary companies sell products such as beds, box spring beds, slatted frames, mattresses, bedding and sleep accessories through 13 online shops, online market places and shopping clubs.

In Berlin and Wolfhagen, the SLEEPZ Group has two retail stores where customers can sample and test a limited range of products from the online shops. The buddy products are also available in showrooms in Berlin, Hamburg, Dusseldorf, Munich and Zurich.

A particular competence of the Group lies in the development of private labels in the mattress and box spring bed sector, some of which are distributed directly and others through third parties.

The SLEEPZ Group operates on the market under the slogan ‘Union for Sleeping and Living Culture’. Its strength is in its unity, which it achieves by pooling competences from various areas such as fulfilment or product expertise. The focus on the subject of the sleep world enables the SLEEPZ Group to clearly position itself as a company and thus achieve targeted communication, a high aggregate purchasing volume and efficiency-optimised fulfilment processes.

Subsidiaries

sleepz Home GmbH
Matratzen Union GmbH
Ecom Union GmbH
Markenschlaf GmbH
Denkvertrieb GmbH
Grafenfels Manufaktur GmbH

Sub-subsidiaries

Cubitabo GmbH

Online shops

www.bettenriese.de
www.buddysleep.de
www.forliving.de
www.grafenfels.de
www.markenschlaf.de
www.matratzendiscount.de
www.matratzenheld.de
www.matratzenunion.de
www.onletto.de
www.perfekt-schlafen.de
www.schlafhandel.de
www.schlafnett.de
www.schoene-traeume.de

Private labels

buddy
DormaMaxx
Dormiluna
forliving
Grafenfels
Matratzenheld
Pfauenland
purodorm
Ruhgold
Schlafschatz
Suripur
Wolkenwunder

SLEEPZ Group at a glance

Group strucuture

SLEEPZ AG Executive Board: Oliver Borrmann

Grafenfels Manufaktur GmbH
MD:
Andreas van Bon

Private mattress label

06/2015 – 100 %

sleepz Home GmbH
MD:
Alexander von Tschirnhaus

Online retailer mattresses, bedding, bedroom furniture

05/2015 – 66.8 %

Cubitabo GmbH
MD:
Alexander von Tschirnhaus

Online retailer mattresses, bedding

12/2017 – 100 %

Matratzen Union GmbH
MD:
Martin Jungermann

Online retailer mattresses

12/2015 – 60 %

Markenschlaf GmbH
MD:
Martin Jungermann

Online retailer mattresses

12/2015 – 60 %

Ecom Union GmbH
MD:
Martin Jungermann

Online retailer bedroom furniture

12/2015 – 60 %

Denkvertrieb GmbH
MD:
Alexander Pöschko

IT (service) company

12/2015 – 60 %

Our company

- one of the biggest independent online retailers across Germany in the field of sleep
- > 6,000 m² warehouse space at two locations, excellent fulfilment
- high advisory expertise
- strong presence on Google search result pages and price search engines

Our customers

- Germany-wide
- B2C and B2B
- quality and price conscious
- increasingly prime-oriented
- specifically looking for products from the field of sleep

Our market

- online market in the furniture and sleep segment is continuing to grow
- megatrend "Health" also has an influence on the topic of sleep
- market volume in Germany: around € 7bn *(own estimate)*

Letter of the Executive Board

Executive Board: Oliver Borrmann

Dear Shareholders,

The 2017 financial year was a complete disappointment for our company. Due to a large number of internal issues and several external factors, we significantly lost sales and massively missed our earnings targets in a growing online market. There are many reasons for this, but no excuses. We must now look ahead and ensure that we quickly learn from our mistakes so that we can successfully position ourselves on the market in the future.

Our biggest problem – not only since 2017 – was the chronically weak liquidity position of the company, which has so far not allowed implementing important structures and strategies in the medium to long term. The main reasons for this are historical. Due to its years of being traded as a “penny stock”, the company was not able to carry out any equity-enhancing capital measures and, at the same time, could not dispose of its

VC portfolio held for sale either as quickly as anticipated or at the desired terms. Due to extensive valuation allowances on the VC portfolio, the loss of half of the share capital occured at the beginning of 2017, and thus an Extraordinary General Meeting had to be convened in accordance with section 92 of the German Stock Corporation Act, which passed a resolution on the reduction of the share capital.

This step was structurally correct and important, as SLEEPZ was again able to raise equity on the capital market as a result. However, at the same time, this step hit the operations of our subsidiaries hard, as it led to tangible uncertainty among suppliers and purchasing associations, which in turn had a negative impact on the liquidity situation of the subsidiaries.

In the second quarter of 2017, under pressure from the overall weak liquidity situation and uncertain outlook, we decided not to continue selling our Grafenfels mattress brand with our own team at Grafenfels Manufaktur GmbH, but instead only via our other subsidiaries. In addition, the difficult economic situation caused the long-time Managing Director of sleepz Home GmbH to resign from his mandate on 30 June 2017. This created a professional management vacuum for the company, which was not resolved even by an interim manager who worked until the end of the year. In 2017, the operating business of sleepz Home thus performed significantly worse than expected.

The loss of these (management) resources also resulted in both key private label mattress projects ‘Matratzenheld’ and ‘Grafenfels’ not being implemented as planned and the mattresses have not yet been sustainably established in the market. This is despite the fact that the Stiftung Warentest mattress test in September 2017 rated ‘Grafenfels WEISS’ as GOOD and with the best lying quality of all tested mattresses. This also cost sales and, particularly, the gross profit margin.

At the same time, the competitive environment changed in 2017 and massively intensified, especially in the mattress area, which currently still accounts for two-thirds of the SLEEPZ Group’s total sales. Here, on the one hand, the well-funded ‘one-fits-all’ mattress start-ups with extremely high marketing expenditure have bought online reach that has been lost to the competition. On the other hand, the competitor bett1 is likely to have achieved a good 10 % of mattress sales in Germany with its Bodyguard mattress in 2017, which the remaining market participants lack. These, in turn, are now trying to at least maintain their respective sales of branded mattresses through a price war. What pleases the customers, affects SLEEPZ as well as all other market participants, not only in the form of declining sales, but also in particular by a deterioration in margins.

Although it is conceivable that the marketing and price war cannot and will not last forever, it will not suffice to ride out the situation to remain on the market or even grow. In order to succeed in the market, we must serve our customers better than the competition in a third-party brand environment. We have noted with joy and pride that our web shop www.perfekt-schlafen.de was not only ranked as the most popular online furniture retailer in Germany, but also ranked among the top 8 retailers in Germany out of 707 with 100 out of 100 possible points in a study commissioned by the magazine ‘Der Handel’, published in April 2018; the results of which are based on over 5 million statements on the Internet. We cannot and will not rest on this achievement; rather it motivates us to place even more emphasis on outstanding advice across all channels, to further expand our strength of product availability and thus delivery speed, and to further optimise our own web shops.

Furthermore, we must put more energy into the development and expansion of our private labels, as they offer us price and margin sovereignty. However, the experience of the last year has shown us that this will be a lengthy process, which will be reflected in sales only in the medium term.

Another point became significant in 2017: The size of our corporate group is of the highest relevance to the future of SLEEPZ AG and the Group! As a company in a € 10-15 million sales category, we have no opportunities on the capital market, which is why we must grow into a sales category of € 50-100 million as quickly as possible. This is the only way we can sustainably increase our potential for synergy, be it in purchasing, in fulfilment or in sales.

We cannot organically achieve this necessary growth in the current market environment. Therefore, we must and want to incorporate further entrepreneurs and companies into our Group, because only then does our cost-intensive stock market listing in the Prime Standard of the German Stock Exchange make sense.
We also know the importance of a quick centralisation of different functions, particularly in IT, in the commercial sector, in purchasing and in fulfilment. However, such centralisation is not possible as long as SLEEPZ AG itself has hardly any staff resources. We are therefore working on a short-term strengthening of the management capacities, including an expansion of the Executive Board. Only then will we be able to boost the existing synergies, relieve our operating business of tasks and facilitate the integration of further companies into the Group.

All of this can only succeed if the SLEEPZ Group has sufficient financial resources. We are therefore very thankful to have gained Heliad Equity Partners GmbH und Co. KGaA in May 2017 as a strategic investor for our company as part of a capital increase. It is our common goal to establish SLEEPZ AG as one of the leading online retailers in the area of Home & Living/Sleep and thus to make it attractive for the capital market again.

As a first step, we took over Berlin-based Cubitabo GmbH and its web shops www.bettenriese.de and www.buddysleep.de via our subsidiary sleepz Home GmbH in December 2017. Through this acquisition, we gain not only more market access, but have also strengthened ourselves with an excellent online marketing team led by the highly committed founder and CEO Alexander von Tschirnhaus, which will benefit the entire SLEEPZ Group. Alexander von Tschirnhaus has also managed sleepz Home GmbH since 1 January 2018. In the meantime, in order to secure the financing according to the plan, Heliad provides the financing for the so far loss-making sleepz Home and Cubitabo.

Not less we are pleased that we gained the Italian mattress producer Alessanderx S.p.A. as another strategic investor in June 2017, which will help us on an operational level, especially in strengthening our private labels and expanding our market position.

Despite this partnership, the operating business in 2018 will not be a sure-fire success and we will continue to face major challenges due to the demanding market environment. For 2018, we therefore expect only moderate sales growth in the low double-digit percentage range from our existing activities. Our top priority is to improve our earnings, which we aim to achieve through cost discipline in the Group and an increase in gross profit through the expansion of private labels.

In addition to this improvement of our key operating figures and the strengthening of management structures at SLEEPZ AG level, we are working on the acquisition and integration of at least one other online retailer in our industry in the coming months in order to grow faster into the targeted sales size category. We will also resume work on a prospectus in the second quarter so that the shares issued in June and December 2017 to Alessanderx and Heliad can also be admitted to trading on the stock exchange, as can the securities set to be issued shortly as part of a capital increase against a contribution in kind from sleepz Home shares in SLEEPZ AG. Finally, the prospectus should also form the basis for a major capital increase with pre-emption rights, which is scheduled for autumn 2018.

2018 will undoubtedly be another very challenging year for all of us; but we have now created the conditions with which we can return to the road to success.
At this point, we would like to sincerely thank you for your trust in us and will do our utmost to justify this in 2018.

Berlin, April 2018

Oliver Borrmann
Executive Board

Report of the Supervisory Board

Supervisory Board f.l.t.r.: Michael Stammler, Sven Rittau, Dott. Michele Puller

Dear Shareholders,

As Supervisory Board of SLEEPZ AG, we again performed the duties incumbent on us by law, the Articles of Association and the rules of procedure, and closely monitored the development of the company and the Group in the 2017 financial year.

One of our duties is to monitor the management of the company by the Executive Board and advise them on the management of our company. In order to be able to fulfil this task in the short term, the regular and complete exchange of information and the trusting and efficient collaboration between the Executive Board and the Supervisory Board are essential.
This applies in particular to those financial years whose course is characterised by a large number of unpredictable events, such as the 2017 financial year.

We meet regularly and at least to the legally prescribed extent attend the meetings of the Supervisory Board in person. In these meetings, the Executive Board informs us of the company's situation and development, and we discuss it together. In the months where no such meeting or additional telephone conference is held (for example, to discuss the interim financial report or a quarterly statement), the Executive Board reports to us in writing. If there are any projects or events that are of particular importance or urgency for the company, we have the flexibility required to exchange views at short notice, even outside our regular Supervisory Board meetings, and to pass resolutions if necessary. In 2017 we held a total of three telephone conferences and eleven resolutions were passed outside of meetings. The information required for the efficient conduct of our meetings or telephone conferences is forwarded to us in advance in full, comprehensively, and with sufficient advance notice. The same applies to any resolution proposals.
The collaboration between the Executive Board and the Supervisory Board is characterised by mutual respect and trust. Insofar, the Executive Board usually participates in our meetings and/or telephone conferences, and there was no reason for us to deviate from this in 2017. Rather, all members of the Supervisory Board, in particular the Chairman of the Supervisory Board, were in intensive and regular dialogue with the Executive Board at all times beyond the meetings. In the past financial year, we were always in a position to check the information provided to us for completeness and plausibility, to discuss all pertinent issues with the necessary care and intensity, and to form our own opinion within the framework of our decision-making. Therefore, we had a fully comprehensive picture of the position of the company and the group at all times and were able to satisfy ourselves of the legality, expediency and proper order of the management.

Focus of Discussions

In our regular discussions, we deal with the financial and net assets position and results of operations, as well as the business development of the company and its subsidiaries in detail. The Executive Board coordinates with us on the strategic direction of the company. Against this background, we are also regularly informed about the status of individual strategic projects. As we have decided against the formation of committees because of the size of our board, we also deal with all aspects of accounting and the accounting system throughout the Board, including the review of the effectiveness of the internal control system and the issues to be discussed in relation to the audit. In addition, we regularly inform ourselves about the topics of risk management and compliance, including the discussion on the status of systemic implementation at SLEEPZ. After all, responsibility for personnel matters also lies with the entire Supervisory Board.

Meetings

In the past financial year, the Supervisory Board – in its respective composition – came together completely for a total of six face-to-face meetings. The Executive Board participated in all meetings.

In addition to the regularly recurring focal points, in our first meeting of the financial year on 16 February 2017, we discussed fundamental options for capital measures to strengthen the company's equity and liquidity situation. We had already exchanged our views intensively during a telephone conference on 2 February 2017.
Another focal point of our discussion was the status of the still-existing venture capital residual portfolio and possible exit options. We also approved the 2016 corporate governance report.

The annual accounts meeting of the Supervisory Board took place on 26 April 2017. Here we dealt with the financial statements and management reports for SLEEPZ AG (at that time still trading under bmp Holding AG) and the Group as at 31 December 2016.
Furthermore, we discussed possible agenda items for an Annual General Meeting, in particular a change of name and a possible resolution on the implementation of a capital measure. Additionally, we extended the appointment of Oliver Borrmann to the Executive Board with effect from 1 July 2017 until 30 June 2020, as his appointment expired on 30 June 2017.
We also appointed Sven Rittau as the new Chairman of the Supervisory Board following the regular meeting. Michael Stammler was confirmed as Deputy Chairman.

At the meeting on 29 June 2017, the Executive Board initially extensively informed us about the capital increases that were carried out and their impact on the liquidity situation of the company and the Group. We dealt intensively with the stakes still held by the company in the remaining six venture capital minority holdings and their proposed sale to a private investor. We also discussed the opportunities and risks of the transaction for the future development of the company and, after weighing all the arguments of the sale, unanimously agreed.
Furthermore, we had to renew the fixed term for the percentage of women on the Executive and Supervisory Boards by 30 June 2017. On this matter we unanimously decided to set no target for the proportion of women in the Executive Board and Supervisory Board, respectively maintaining the previous target of 0% with effect from 1 July 2017 until 30 June 2022. For justification, please refer to the corporate governance report.
Finally, we discussed the agenda for the Annual General Meeting on 18 August 2017. In our selection of the candidate for the Supervisory Board proposed by us, we took into account the concrete goals for the composition of the Board that we adopted on 6 December 2016. In addition, we had previously confirmed in writing that the candidate had the time required to exercise the mandate. In light of our proposal for the election of an auditor for the 2017 financial year, we took into account the legal requirements for selection, independence, qualification, rotation and efficiency.

Following the Annual General Meeting of 18 August 2017, we first met for a constituent meeting, as we had elected a new Supervisory Board member. Sven Rittau and Michael Stammler were confirmed in their capacities as Chairman of the Supervisory Board and his deputy respectively. The main purpose of the subsequent regular meeting was to inform

the new Supervisory Board member about the status of the company and the Group.
The Executive Board therefore reported in a particularly comprehensive manner on the operational projects in the subsidiaries. We also discussed the opportunities of potential acquisition targets.

On 14 September 2017, we met for our next meeting. In this, we first discussed the semi-annual report as at 30 June 2017.
The Executive Board also reported in the usual scope on the status of the company and its subsidiaries. Furthermore, we dealt in depth with the liquidity requirements in the Group until the end of the financial year. On this matter the Executive Board explained five alternative courses of action, which we then discussed and evaluated in terms of their feasibility and strategic relevance.

After having been briefed in an unscheduled telephone conference on 10 November 2017 about the current liquidity situation as well as the status of due diligence on Cubitabo, these two topics were also the focus of our meeting on 6 December 2017. In addition, we approved the annual plan for 2018 at the meeting.
In the last meeting of a financial year, we regularly focus on the topics of risk management, compliance and corporate governance. Here, we were briefed on the activities undertaken in 2017 and discussed the changes to the German Corporate Governance Code („Code“) with regard to their feasibility at SLEEPZ AG.
Finally, we also addressed the first aspects of the 2017 annual audit and also discussed our expectations regarding efficient working methods and cooperation of the Supervisory Board.

Conflicts of Interest

There were no consulting agreements other contracts relating to other work or services between the company and individual members of the Supervisory Board in the 2017 financial year.

The Executive Board of SLEEPZ AG is also Executive Board and shareholder of bmp Ventures AG (formerly bmp Beteiligungsmanagement AG). Against the background of limited own resources, SLEEPZ AG has maintained a service agreement with bmp Ventures AG since 2016, as well as an agreement for the management and disposal of former VC holdings with a fixed duration to 31 December 2017 the latter was completed in the third quarter of 2017. This set-up may have given rise to conflicts of interest and may continue to do so in future. Please refer to our comments in the 2017 corporate governance report prepared jointly with the Executive Board.

There were no indications in the past financial year of any further conflicts of interest involving the Executive Board member or Supervisory Board members that would have had to be disclosed immediately to the Supervisory Board and reported to the Annual General Meeting.

Corporate Governance

As previously stated, we dealt intensively with the topic of corporate governance and the new features of the Code in our meeting on 6 December 2017. We are open to the new recommendation, according to which the Chairman of the Supervisory Board should also enter into dialogue with investors. However, we consider adoption of a communication procedure for the Supervisory Board to be necessary. We adopted one in the course of our first meeting in the 2018 financial year. In addition, in light of changes in the Code, we further specified the 'Concrete targets for the composition of the Supervisory Board' that we adopted for the first time in 2016.

On 6 December 2017 we issued the updated Declaration of Conformity with the recommendations of the Code pursuant to Section 161 German Stock Corporation Act (AktG) together with the Executive Board. The declaration is permanently accessible on the SLEEPZ AG website.

For the implementation of corporate governance at SLEEPZ AG, we also refer to the 2017 corporate governance report.

The SLEEPZ share has a parallel listing on the Warsaw Stock Exchange. Against this background, the company also reports on the standards of good corporate governance applicable to this market and publishes this report on its website.

Composition of the Supervisory Board

At the Supervisory Board meeting on 26 April 2017, Bernd Brunke, the Chairman of the Supervisory Board at the time, asked to be replaced in this capacity. The background was his acceptance of a new professional activity, which prevented him from being able to afford the time required to perform the mandate. In addition, Bernd Brunke announced that he wanted to resign from the Supervisory Board for the same reason at the next possible time. Although we greatly regret the departure of Bernd Brunke, we complied with his request and initially elected Sven Rittau as the new Chairman of the Supervisory Board on 26 April 2017. Michael Stammler was confirmed in his capacity as Deputy Chairman of the Supervisory Board and Bernd Brunke thus initially an ordinary member.

Bernd Brunke then resigned as member of the Supervisory Board of SLEEPZ AG with effect from the end of the Annual General Meeting on 18 August 2017. We thanked Bernd Brunke for his many years of dedicated and trusting cooperation and his commitment to the company. The Annual General Meeting elected Dott. Michele Puller as a new member of the Supervisory Board for a term that runs – in accordance with Article 10 (4) Sentence 1 of the Articles of Association of SLEEPZ AG – until the end of the Annual General Meeting that decides on the approval of the actions of the Supervisory Board for the financial year ending on 31 December 2017 – that is, until the 2018 Annual General Meeting.

At the Supervisory Board meeting following the Annual General meeting, the former Chairman of the Supervisory Board Sven Rittau and his deputy Michael Stammler were confirmed in their offices.

Audit of the Annual and Consolidated Financial Statements

The Annual General Meeting of SLEEPZ AG on 18 August 2017 elected RSM Verhülsdonk GmbH Wirtschaftsprüfungsgesellschaft – Steuerberatungsgesellschaft, Düsseldorf, Berlin office (‘RSM Verhülsdonk’) as auditor of the annual financial statements and management report of SLEEPZ AG and for the consolidated financial statements and the Group management report for the 2017 financial year on the recommendation of the Supervisory Board of SLEEPZ AG. The Supervisory Board had confirmed that there were no circumstances that gave rise to a conflict of interest before submitting its election proposal. The required statement of independence was obtained.

The annual financial statements for the 2017 financial year and the management report of SLEEPZ AG were prepared in accordance with German legal requirements. The auditor issued an unqualified audit opinion on this; the consolidated financial statements for the 2017 financial year and the Group management report were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and in accordance with German statutory provisions to be applied pursuant to Section 315a (1) of the German Commercial Code (HGB). Here too, the auditor issued an unqualified audit opinion.
Within the frame of his review acts, the auditor also satisfied himself that the Executive Board has established and confirmed an appropriate, accounting-related internal control system.

In advance of our meeting of the Supervisory Board on 26 April 2018, the Executive Board forwarded to us the aforementioned documents and the respective auditor‘s reports for the 2017 financial year with sufficient advance notice. We were therefore able to obtain an independent picture and examine the documents particularly with regard to their legality, expediency and proper order.

During the meeting, the documents were comprehensively discussed in the presence of the auditor. The auditor also informed us about the scope, focus and key findings of his audit. He also reported on his findings about the internal control and risk management system and answered questions.

After completing our reviews, we came to the conclusion that there are no objections to be raised against the financial statements or the audit by the auditor. We therefore gave our approval to the findings of the audit and approved the annual financial statements of SLEEPZ AG and the consolidated financial statements on 26 April 2018. The annual financial statements were thereby approved.

The Supervisory Board would like to thank the Executive Board as well as the employees of SLEEPZ AG and the Group companies for their high level of commitment and the services provided in the past financial year.

Berlin, 26 April 2018
On behalf of the Supervisory Board

Sven Rittau
Chairman

MEMBERS OF THE SUPERVISORY BOARD IN THE 2017 FINANCIAL YEAR

Sven Rittau, Munich, German

- Chairman since 26 April 2017, previously an ordinary member
- CEO of K5 GmbH
- Appointment until 2018

Michael Stammler, Lutzenberg/Switzerland, German

- Deputy Chairman
- Managing Director of Taunustrust GmbH
- Appointment until 2018

Dott. Michele Puller, Bergkamen, Italian
(since 18 August 2017)

- Chairman of the Executive Board of Steilmann Holding AG i. L.
- Appointment until 2018

Bernd Brunke, Berlin, German
(until 18 August 2017)

- Chairman until 26 April 2017, then an ordinary member
- Managing Director at AlixPartners UK LLP (Munich office)

Corporate Governance

Corporate Governance Statement in accordance with section 289f HGB – (German Commercial Code) and Corporate Governance Report in accordance with section 3.10 of the German Corporate Governance Code

SLEEPZ AG regards itself as a company committed to good corporate governance not only due to its stock market listing, but also one whose goal is to equally serve all stakeholders with responsible, qualified, transparent corporate governance aligned to long-term success. The Executive Board reports on this – also on behalf of the Supervisory Board – in accordance with section 3.10 German Corporate Governance Code and section 289f HGB on Corporate Governance.

Corporate Governance Practices and Compliance

Corporate governance is the regulatory, management and monitoring framework within which a company operates. In contrast to pure corporate management, which is also possible without consideration of corporate governance rules, corporate governance aims for 'responsible corporate management and control'. Corporate governance is thus a complex construction of obligatory and voluntary measures. By designing and implementing appropriate management and control structures, the Executive Board and the Supervisory Board are responsible for ensuring compliance with corporate governance. The framework for this arises from the Articles of Association, the rules of procedure of the Supervisory Board and the Executive Board, the German Corporate Governance Code as well as national and directly applicable European legislation. The Articles of Association and the Rules Of Procedure are available on our website at ***www.sleepz.com** > **Investor Relations** > **Corporate Governance** > **Articles of Association*** and… > ***Corporate Governance** > **Rules of Procedure***.

The Executive Board and Supervisory Board of SLEEPZ AG regularly deal with the topic of corporate governance and compliance. In particular during the Supervisory Board meeting held on 6 December 2017, the Executive Board and the Supervisory Board were informed in detail about the subject matter dealt with in the past financial year, as well as about the changes and additions to the Code made by the Government Commission of the German Corporate Governance Code in February 2017. In addition, it was discussed which of the existing and new recommendations as well as suggestions of the Code could be followed by the company. Furthermore, the Executive Board and the Supervisory Board adopted the declaration which is to be released once a year in accordance with section 161 AktG – (German Stock Corporation Act) on this day. Individual deviations from the recommendations have been published, presented and substantiated in the required form on the website at ***www.sleepz.com** > **Investor Relations** > **Corporate Governance** > **Declaration of Conformity***. The text of this statement is also reproduced at the end of this report.

Due to the parallel listing of the SLEEPZ share in the regulated market of the Warsaw Stock Exchange, the Company is also required to comply with the capital market requirements and specifications in Poland. Since the European Market Abuse Directive came into force in summer 2016 with the resulting harmonisation of the capital market law and the clarification of responsibilities, there has since been considerable alleviation. Nonetheless, SLEEPZ continues to endeavour to comply with the requirements imposed by the Warsaw Stock Exchange on companies listed in the regulated market of the Warsaw Stock Exchange in respect to good corporate governance. The SLEEPZ Executive Board also reports once a year on the matter. This report is as well published on the website at ***www.sleepz.com > Investor Relations > Corporate Governance > Corporate Governance according to Polish Law***.

Against the background of changing regulatory specifications on the one hand and corporate structural changes on the other, the corporate governance or compliance management system of every company has to steadily evolve. For SLEEPZ and its subsidiaries, this is all the more true as they have just completed their second full financial year as an e-commerce group in the sleep field in 2017 and the SLEEPZ Group is still being developed. As a result, the development and establishment of a Group-wide system of standardised and institutionalised measures is currently still in the early stages, and at SLEEPZ subsidiaries direct compliance to good corporate governance is primarily the responsibility of the respective management. However, these are supported by the parent company, be it through a higher-level discussion of specific topics, e.g. as required in the past financial year as a result of the revised version of the Money Laundering Act, or the initiation of Group-wide projects, if they are necessary and appropriate. An example of this is the Group-wide project to implement the new requirements of the EU General Data Protection Regulation, on which employees will be trained within a Group-wide e-learning process.

In addition, employees throughout the Group who were granted stock options in the 2015/ I Employee Participation Scheme we are also supported and, if necessary, trained, and in this context, are obliged to comply with the compliance guidelines in line with capital market legislation.
This also applies to all employees of SLEEPZ AG. The Executive Board currently does not consider the expansion of the scope of this directive – which is published on the website at ***www.sleepz.com > Investor Relations > Corporate Governance > Compliance*** – either necessary or meaningful for all employees of the SLEEPZ Group.

Description of the working methods of the Executive Board and the Supervisory Board

In line with the dualistic principle of German stock corporation law, the Executive Board is responsible for managing the company, whereas the Supervisory Board is the supervisory body and also advises the Executive Board in accordance with stock corporation law and the Rules Of Procedure for the Executive Board and Supervisory Board. In addition, the Supervisory Board appoints the members of the Executive Board.

The Executive Board and Supervisory Board of SLEEPZ AG always work closely together in fulfilling their respective tasks. In the Supervisory Board meetings – which take place at least four times a year – the members of both boards exchange views and discuss relevant issues. In addition, they remain in close contact between the Supervisory Board meetings, either by means of conference calls or other meetings. Furthermore, the Rules Of Procedure of the Executive Board stipulate that it must also inform the Supervisory Board of the current status of transactions in those months in which no meeting and/or telephone conference is held. Individual Executive Board measures also require the consent of the Supervisory Board – also beyond the legal requirements – and this is also regulated in the rules of procedure of the Executive Board.

The members of the Supervisory Board have also adopted Rules of Procedure that regulate their cooperation. It allows the committee to make decisions by telephone, in writing or by telex, as well as by email. It is thus ensured that any possible urgent measures can be implemented at short notice. Owing to the size of the board, the Supervisory Board has decided not to form committees.

The Supervisory Board provides comprehensive information on its working methods and the focus of its activities in 2017 in the Report of the Supervisory Board, which is published on page 10 et seq. of the Annual Report.

EXECUTIVE BOARD

As at 31 December 2017, the Executive Board of SLEEPZ AG consisted of only one member, Oliver Borrmann.
Oliver Borrmann is the founder and one of the largest shareholders of the company and has been the Executive Board since 24 June 1997. His current appointment lasts until 30 June 2020.

SUPERVISORY BOARD

The Supervisory Board of SLEEPZ AG consists of three members who were elected by the Annual General Meeting. As at 31 December 2017, members of the Supervisory Board were:
Sven Rittau (Supervisory Board Chairman)
Michael Stammler (Deputy Chairman)
Dott. Michele Puller

During the year, there were the following changes within the Supervisory Board:

Taking on a new professional activity in early 2017, the long-time member, Bernd Brunke reached the conclusion that he would no longer be able to devote the necessary time for the exercise of a Supervisory Board mandate. Therefore, he gave up the position of Supervisory Board Chairman with effect from 26 April 2017 – Sven Rittau was elected chairman in his place – and resigned his mandate as a member of the Supervisory Board in the run-up to the 2017 Annual General Meeting. The Annual General Meeting of 18 August 2017 then voted on the proposal of the Supervisory Board to appoint Dott. Michele Puller as a new member of the Supervisory Board. His term of office will end at the end of the 2018 Annual General Meeting, the same time as that of the other Supervisory Board members. At a constitutive meeting of the Supervisory Board following the Annual General Meeting 2017, Supervisory Board Chairman Sven Rittau and his deputy Michael Stammler were confirmed in their offices.

Further information on the individual Supervisory Board members can be found on the website at ***www.sleepz.com*** > ***Company*** > ***Supervisory Board***

Disclosures on the stipulations under sections 76 (4) and 111 (5) AktG

As previously stated, in 2017 the Executive Board continued to consist of only one person. In this context, for the first time on 7 September 2015 the Supervisory Board resolved not to set a target ratio for the proportion of women on the Executive Board until 30 June 2017. The same applied to the regulation of a target ratio for the proportion of women on the Supervisory Board, since the body consists of only three members. In the Supervisory Board meeting on 26 April 2017, the retention of the 0% target was extended until 30 June 2022.

With regard to a possible target for filling management functions below the Executive Board level, the Executive Board also decided to maintain a target of 0% until 30 June 2022, even if a management level (or levels) is established below the Executive Board by this time. As at the reporting date, SLEEPZ AG employs two female staff. There are no management levels below the Executive Board (see also the annual statement of compliance in accordance with section 161 AktG, as published at the end of this report).

Composition of the Supervisory Board and Overall Competence Profile

The Supervisory Board of SLEEPZ AG set targets for its composition and its overall competence profile for the first time at the end of 2016, thereby orientating itself towards the requirements of a listed company, whose Supervisory Board is staffed with the legally smallest number of members and which is confronted with a wide range of challenges resulting from growth. The Supervisory Board has made it a target to fill its positions with members who, in particular, have special knowledge of the retail sector and/or e-commerce, business, operational and management experience, knowledge in the areas of accounting or audits as described in section 100 (5) AktG as well as corporate governance and risk management. The Supervisory Board considers it essential to retain the criteria of ‘qualification’ and ‘ability’ as ***the*** essential criteria. In this respect, it has decided not to set a ratio of women as a criteria for its composition. Furthermore, it has granted the possibility to deviate from the existing, basic retirement age of 70 years in exceptional circumstances.

At least two independent members should be on the Supervisory Board of SLEEPZ AG. As at the reporting date, the acting members of the Supervisory Board Sven Rittau, Michael Stammler and Dott. Michele Puller fulfil the criteria of ‘independence’ in line with Annex II of the European Commission recommendations dated 15 February 2005 (2005/162/EG).

In addition, the members of the Supervisory Board in their entirety are familiar with the sector in which SLEEPZ operates. With Michael Stammler, the Supervisory Board body continues to have the requisite member with expertise in the areas of accounting or auditing. The requirements of the composition of the Supervisory Board, as stipulated in section 100 (5) AktG, are thus fulfilled.

The complete targets of the Supervisory Board on its composition and overall competence profile can be found on the website at ***www.sleepz.com > Company > Supervisory Board***

The Supervisory Board will review the criteria for its composition and overall competence profile once a year, taking into account the structural development of the SLEEPZ Group and any changes in the requirements of law, corporate governance or jurisdiction, and reserves the right to adjust these in the required manner.

Conflicts of Interest

SLEEPZ AG (formerly bmp Holding AG) operated as a Venture Capital company until spring 2015. Against this background, it maintained a contract with bmp Ventures AG (formerly bmp Beteiligungsmanagement AG) – of which Board Member Oliver Borrmann has a shareholding and is also member of the Executive Board – for the management and disposal of the former Venture Capital holdings with a fixed duration to 31 December 2017. Terminating the contract on the disposal of these holdings before the end of the contract period was expressly excluded. The portfolio of the former Venture Capital was sold with effect from 30 June 2017 and the contract was terminated amicably on 29 August 2017 with a one-time final payment of € 50,000 as well as the transfer of any claim for performance-related remuneration. In view of its own limited staff resources, there is also a service contract between SLEEPZ AG and bmp Ventures AG. The content of the contract is the assumption of tasks, in particular in the areas of finance/accounting and controlling by bmp Ventures AG. It also provides SLEEPZ AG with workplaces including IT infrastructure and work equipment.
At the time of conclusion of both contracts, Supervisory Board member Michael Stammler held shares in bmp Ventures AG.

Other than this, no conflicts of interest were reported to the Supervisory Board by individual members of the Executive Board or the Supervisory Board.

There were no consultancy or other service or work contracts between the Company and individual Supervisory Board members in the past financial year.

Mandates of members of the Executive and Supervisory Boards in other statutory supervisory boards or comparable domestic and foreign supervisory bodies of commercial enterprises are published in the notes to the consolidated financial statements under no. 51.3 and no. 51.4.

Remuneration of the Executive Board and the Supervisory Board

EXECUTIVE BOARD

The activities of Executive Board member Oliver Borrmann for the Company are considered to be compensated by the remuneration from bmp Ventures AG under the service agreement. However, he is reimbursed for the expenses he incurs for his work for SLEEPZ AG, for example, during business trips. In addition, the company has taken out D&O insurance for the Executive Board, which takes into account the deductible stipulated in section 93 (2) AktG. Furthermore, Oliver Borrmann benefited from the existing share option programme in December 2015 (see also: notes to the consolidated financial statements no. 38 and no. 51.2.

SUPERVISORY BOARD

In accordance with the resolution passed by the Annual General Meeting on 6 July 2016, the members of the Supervisory Board are entitled to an annual basis remuneration, namely

- € 30,000.00 p.a. for the Chairman of the Supervisory Board,
- € 20,000.00 p.a. for the Deputy Chairman of the Supervisory Board,
- € 15,000.00 p.a. for an ordinary member of the Supervisory Board

In addition, any expenses incurred as a result of exercising office, as well as any value-added tax payable on the remuneration or reimbursement of expenses, is reimbursed.

The Company has also taken out D&O insurance for all members of the Supervisory Board which does not provide for a deductible, as this does not appear to be a suitable means of increasing the motivation and responsibility with which the members of the Supervisory Board perform their duties.

Share Transactions of Members of Governing Bodies

In accordance with Article 19, Regulation (EU) No. 596/2014 of the European Parliament and the Council Directive on market abuse (Market Abuse Directive) members of the Executive Board and the Supervisory Board of SLEEPZ AG, as well as their related parties are obligated to disclose transactions in shares or debt securities of SLEEPZ AG or related derivatives or other related financial instruments, if the transactions of a person within one calendar year reaches or exceeds € 5,000.00 (Directors' Dealings). Such transactions are then to be published by SLEEPZ and are also made available on the Company's website at ***www.sleepz.com > Investor Relations > Corporate Governance > Managers' Transactions***.

No such transactions were disclosed in the past financial year.

Relationships and Communication with Shareholders

SLEEPZ AG shareholders exercise their legal and statutory rights at the Annual General Meeting. They have the opportunity to ask questions about the documents presented and proposals and resolve the points regulated in section 119 AktG. Each share carries one vote.

The Company supports its shareholders in exercising their rights, in particular in voting by proxy, by appointing a voting proxy bound by instructions and also making proxy forms available for representation by third parties from the date the Annual General Meeting is convened. As of this date, the convocation, including all relevant documents and information required by shareholders for their decision on the items relevant to the resolution will be published on the Company's website at ***www.sleepz.com > Investor Relations > Annual General Meeting of Shareholders***.
However, for cost reasons the possibility of exercising voting rights by postal vote or electronic voting is not possible at SLEEPZ AG.

In addition, SLEEPZ AG regularly and promptly publishes all relevant financial reports and quarterly announcements, mandatory publications such as ad hoc or voting rights notifications or Directors' Dealings, press releases, research reports, company presentations and the financial calendar in the Investor Relations section of the website at ***www.sleepz.com > Investor Relations***. It is in the Company's interest to ensure open and trustworthy communication with all stakeholders.

Reporting and Audit of the Annual Financial Statements

The accounting of the SLEEPZ Group is based on section 315a HGB in accordance with International Financial Reporting Standards (IFRS). The single-entity financial statements of SLEEPZ AG are prepared in accordance with the accounting principles of the HGB. The Executive Board is responsible for the preparation of the financial statements.
The consolidated financial statements and annual financial statements are audited by the auditor proposed by the Supervisory Board of SLEEPZ AG and elected by the Annual General Meeting; compliance with the regulations for the selection of the auditor are ensured in advance.

SLEEPZ AG publishes the financial reports and quarterly announcements within the legally prescribed deadlines in connection with the Stock Exchange Rules for the Frankfurt Stock Exchange. The recommendation of the Code to publish the information within a shorter period is therefore not followed due to cost reasons. Documents are discussed with the Supervisory Board before they are published.

Declaration on the Corporate Governance Code in accordance with Section 161 AktG

The Executive Board and the Supervisory Board of SLEEPZ AG are obligated to declare at least once a year the extent to which the Company followed the recommendations of the current version of the German Corporate Governance Code (the "Code") in the reporting period and will follow them in future (declaration of compliance).

With reference to their last declaration submitted on 06 December 2016, the Executive Board and the Supervisory Board of SLEEPZ declare, in accordance with Section 161 AktG, that the recommendations of the Government Commission of the German Corporate Governance Code (version dated 7 February 2017; published by the Federal Ministry of Justice in the official section of the Federal Gazette [Bundesanzeiger] on 24 April 2017) have been and will be complied with, with the following restrictions:

- D&O insurance deductibles (Section 3.8)
  The Code recommends, with regard to D&O insurance for Supervisory Board members, a deductible equal to the legally prescribed deductible for members of the Executive Board in accordance with Section 93 (2), sentence 3 AktG. SLEEPZ AG does not consider this a suitable means of increasing Supervisory Board members' motivation and responsibility when performing their duties.

- Compliance (Section 4.1.3.)
  Similar to the management of the subsidiary, the Executive Board must ensure compliance to legal provisions and potential corporate policies and takes the organisational measures necessary in this respect. The company is still in the process of developing and establishing a compliance management system focused on the risk position of the company in the sense of a (group-wide) system of standardised and institutionalised measures. This is due to the fact that SLEEPZ AG, which at the time of issuing this declaration only has two employees, is still being formed, as is the SLEEPZ Group. Disclosing the principles of the compliance management system as recommended in the context of the Code is limited in this respect to the presentation of the activities that took place in the past financial year. Similarly, the idea of establishing a whistleblowing system is currently being abandoned.

- Diversity in the filling of management positions (Section 4.1.5)
  The Code recommends that diversity be ensured in the filling of managerial positions in the company and particularly with regard to adequate female representation. On the day of adopting a new target figure for the proportion of women in management positions, SLEEPZ AG had a total of three employees, two of which were women. There are/were no management levels below the Executive Board. In this context, the Executive Board resolved to abstain from defining a target figure for the proportion of women, more specifically to maintain a target figure of 0% – even if (a) management level(s) below the Executive Board should be established – until 30/06/2022.

- Composition of the Executive Board (Section 4.2.1) / Diversity in the filling of Executive Board (Section 5.1.2)
  The Code recommends that the Executive Board consist of several persons and should have a Chairman or Speaker. In the context of rules of procedure, an allocation of duties should be regulated for that purpose. Furthermore, the Supervisory Board will ensure diversity in the composition of the Executive Board and, in doing so, strive for appropriate consideration of women in particular. Since issuing the last Corporate Governance Declaration, the Executive Board for SLEEPZ AG has consisted of one person. Therefore, the nomination of a Chairman as well as the formulation of an allocation of duties shall not take place. In this context, the Supervisory Board also resolved to abstain from defining criteria for the possible search of suitable Executive Board candidates that go beyond those of „expertise“ and „competence", as well as a target figure for the proportion of women, or to adhere to a target figure of 0 %, namely – even if (an)other member(s) of the Executive Board should be appointed by that date – until 30/06/2022.

- Composition of the Supervisory Board (Sections 5.4.1 – 5.4.2)
  The Code recommends that the supervisory board name specific objectives for its composition as well as acquire a competency profile for the overall board and therefore, in particular, should include adequate female participation. For the first time, in its meeting on 06 December 2016, the Supervisory Board for SLEEPZ AG named concrete objectives for its composition and, in doing so, also acquired a competency profile for the overall board. Because the Supervisory Board – in view of the size of the company – currently consists of three employees, the Supervisory Board resolved to refrain from defining concrete objectives for the composition of the supervisory board with female members at this time and to maintain a target figure of 0 % until 30/06/2022.

- Publication of financial reports (Section 7.1.2)
  The Code recommends publishing the annual financial statements within 90 days after the end of the business year and the interim reports within 45 days after the end of the respective reporting period. The Company publishes its financial reports – in conjunction with the commitments stemming from the Exchange Rules for the Frankfurt Stock Exchange – within the legally prescribed deadlines, since the costs of faster preparation and publication are disproportionate to the level of information gained by the shareholders.

The Executive Board of SLEEPZ AG does not receive remuneration currently. In addition, due to its size, the Supervisory Board of SLEEPZ AG foregoes the formation of committees. The recommendations under Section 4.2.2 – 4.2.5 (Executive Board remuneration) and under Section 5.3. (Formation of committees) of the Code therefore do not apply.

Berlin, December 6, 2017
Supervisory Board and Executive Board of SLEEPZ AG

Private Labels

Customer orientation is an important principle of the SLEEPZ Group. This is reflected in a product range that is fully tailored to customer needs. The broad and extensive range distributed through the online shops is comprised of a mix of trends and classics from brands and private labels. The SLEEPZ Group also attaches great importance to close relationships with key suppliers in the industry. The extensive but also selective brand portfolio creates trust and contributes significantly to success and customer acceptance.

This also benefits private labels, whose development represents a particular expertise of the Group of companies. Private labels not only create a unique selling point in their product range, they also offer the chance of higher gross profit in comparison to the distribution of brand names due to shorter retail chains. A total of twelve private labels complement the SLEEPZ Group range in the most important product categories.

All private labels

buddy	DORMAXX	DORMILUNA	forLIVING
GRAFENFELS	MATRATZENHELD	Pfauenland Guter Schlaf ist wertvoll	purodorm
ALBRECHT RUHGOLD	Schlafschatz Königlich schlafen.	SURIPUR SLEEP WELL	Wolkenwunder

Overview of the key private labels

buddy – Innovative easy-zip principle

The heart of the brand is the buddy mattress. It is characterised by the highest quality standards and an optimal price-performance ratio. The USP is the easy-zip principle: the buddy bedsheets are attached to the mattress by a zip. A duvet and a pillow complete the buddy portfolio.

Grafenfels – Mattresses of outstanding quality, the best lying properties

Outstanding quality is the first priority in the manufacturing process. Instead of technical details, Grafenfels Manufaktur focuses on the different sleeping needs of its customers. The collection consists of four types of mattresses, whereby the selection of a suitable mattress is very simple and logical. The Grafenfels WEISS model (H3, 90 x 200 cm) was rated GOOD (2.5) in a Stiftung Warentest (tested September 2017) and has the best lying properties of the 20 cold foam mattresses tested.

Matratzenheld – Focus on the essentials

The credo of the relatively new mattress label is local production within the EU, cutting out middlemen who push the price, transparent quality and focus on the essentials. The portfolio comprises of nine different mattresses and one slatted bedframe model with excellent value for money.

Suripur – Ergonomically and orthopaedically valuable

The brand Suripur offers high-quality mattresses and toppers with a special ergonomic and orthopaedic orientation. By completely dispensing with middlemen, the products can be delivered to the customer cheaply and quickly.

Wolkenwunder – Quality at entry-level prices

The mattress-focused label offers solid quality, partly already at budget-friendly, entry-level prices. The range of sleeping bases in the lower to middle price range is geared to the customer who pays attention to the costs, but does not want to do without quality standards.

Shares and Capital Market

Share Price Performance and Liquidity

Contrary to many expectations, 2017 was exceptionally pleasing for shares, funds and ETFs worldwide. Almost all of the international benchmark indices ended the financial year in positive territory. At a national level, TecDAX (39 %), MDAX (18 %) and DAX (14 %) ended the year with a clear plus, and the indices related to the "retail" sector also showed a good – and in the case of the "DAXsubsector All Retail, Internet" at 24 %, extremely good – annual performance.

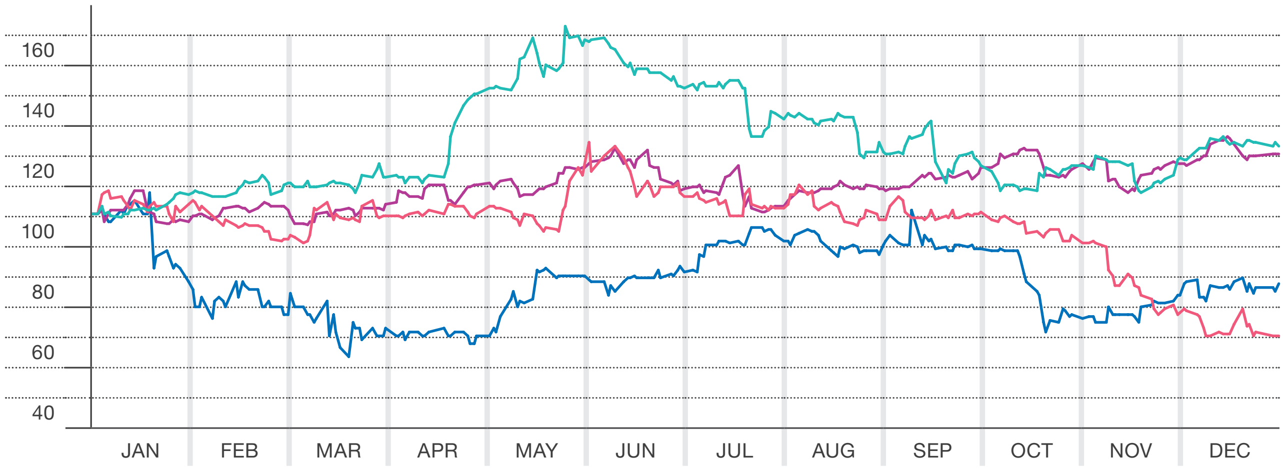
Nonetheless, the price performance of SLEEPZ shares did not benefit from this positive market trend. Rather it clearly reflected the company's turbulent and generally very difficult financial year. After starting the stock market year at € 0.71, the share price declined by around 50% to March. This was due to the ad hoc notification on 19 January 2017 regarding the determination of a loss of more than half the subscribed capital. The required General Meeting on 21 March 2017 then decided to reduce the subscribed capital from € 20,701,174 to € 6,900,391.00 to compensate incurred losses and impairments by merging shares at a ratio of 3:1.

Taking into account this consolidation of shares to be able to compare prices, the SLEEPZ share reached its high for the year at € 2.31 (= € 0.77 before consolidation of shares) on 13 January 2017. The annual low came a day before the Extraordinary General Meeting, thus on 20 March 2017 at € 1.14 (= € 0.38 before consolidation of shares). Following the implementation of capital reduction, the subsequent technical consolidation of the share on 5 May 2017 and two capital measures in May and June accelerated the performance of the SLEEPZ share, which reached a level between € 1.90 – € 2.00 from July onwards with a peak of € 2.18 at the beginning of September.

A disappointing start, concerning revenue, in the third quarter and publications about defective raw material deliveries to mattress manufacturers, which had a negative impact on manufacturers' delivery behaviour and the short- and medium-term buying behaviour of consumers, made it necessary to adjust the annual forecast on 12 October 2017 the share price then fell again to € 1.26 (XETRA daily low of 20 October 2017). Despite the continuous increase, the share subsequently failed to return to its previous price level and closed its turbulent year on 29 December 2017 at an XETRA closing price of € 1.66.

The SLEEPZ share's performance of -28.5 % in 2017 was thus significantly below that of the sector-related indices and was also one of the underperformers of the peer group. Nevertheless, it should also be noted that after its annual low on 20 March 2017, the share increased by 45%.

SLEEPZ share performance from 1 Jan. to 31 Dec. 2017 compared with the peer group



XETRA CLOSING PRICES

- **SLEEPZ AG** (ISIN DE000A2E3772)
- **windeln.de SE** (ISIN DE000WNDL110)
- **Zalando SE** (ISIN DE000ZAL1111)
- **zooplus AG** (ISIN DE0005111702)

Index 100 = values as at 1 January 2017;
SLEEPZ share for the period from 1 January to 4 May 2017 for reasons of comparability, taking into account the capital reduction at a ratio of 3:1

In 2017, liquidity in the SLEEPZ share fell significantly again compared to previous years and amounted to 4,261,491 traded shares across all stock exchanges in Germany. Added to this is the number of shares traded on the regulated market of the Warsaw Stock Exchange – amounting to around 160,000 in 2017. It should be noted that out of a total of 8,970,391 shares as at 31 December 2017, 1,380,000 shares are currently not admitted to trading on a stock exchange.

Capital Increase and Market Capitalisation

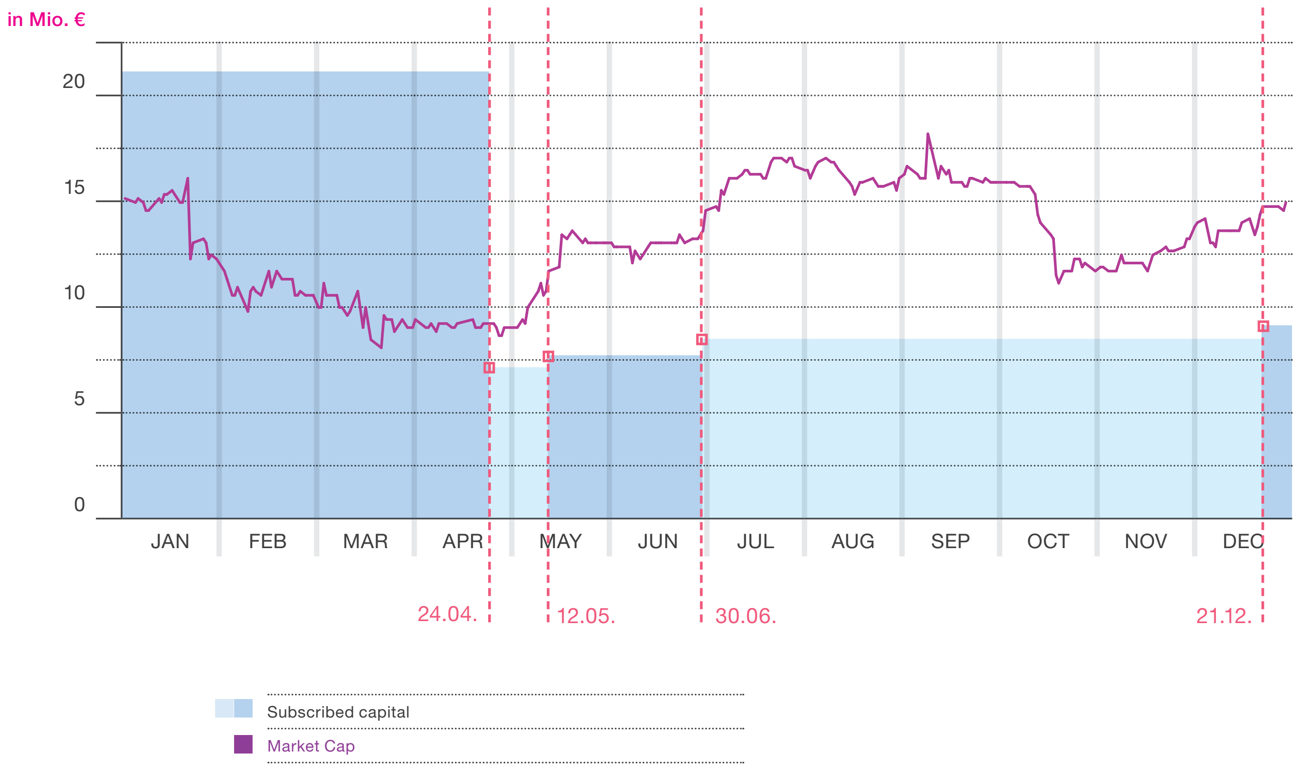
In 2017, SLEEPZ AG was able to leave the 'penny stock' area for the first time in years as a result of the capital reduction. At the time of the capital reduction, SLEEPZ AG had authorised capital of € 10,250,587.00. In 2017, the company used this authorised capital three times in order to raise fresh capital. On one hand, the goal was to strengthen equity and liquidity at the lowest possible cost in the short term, and to position the company more strongly for the future by acquiring new strategic investors on the other. In this context, the company disapplied the pre-emption right of shareholders in all three capital increases.

2017 capital increases at a glance

	Capital increase I (05/2017)	Capital increase II (06/2017)	Capital increase III (12/2017)
Old subscribed capital	€ 6,900,391.00	€ 7,590,391.00	€ 8,280,391.00
New subscribed capital	€ 7,590,391.00	€ 8,280,391.00	€ 8,970,391.00
New shares (in units)	690,000	690,000	690,000
Issuing amount per share	€ 1.35	€ 1.60	€ 1.60
Subscriber	Heliad Equity Partners GmbH & Co. KGaA	Alessanderx S.A.	Heliad Equity Partners GmbH & Co. KGaA

The disapplication of pre-emption rights accompanying the capital increases results in a dilution of 23 % for the shareholders. Nevertheless, the capital market received the measures positively. This is particularly shown by the fact that while subscribed capital increased only by 30 % since the capital reduction until the end of the year, market capitalisation increased by 50 % to € 14.9 million during the same period though.

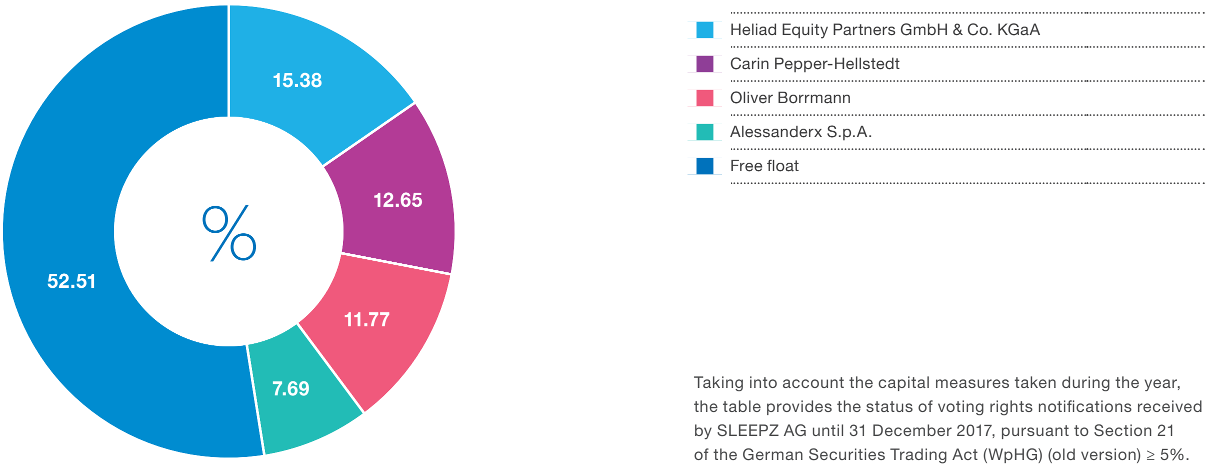
Market capitalisation in relation to subscribed capital



Shareholder structure

The capital increases also significantly changed the shareholder structure of SLEEPZ AG in 2017. The largest shareholder as at 31 December 2017 is Heliad Equity Partners GmbH & Co. KGaA, which has subscribed to two of the three capital increases and currently holds 1,380,000 shares. In addition, SLEEPZ was able to acquire the Italian mattress manufacturer Alessanderx S.p.A. as new anchor investor. In June 2017, Alessanderx subscribed to 690,000 shares and agreed to a five-year holding obligation. Against the background of the disapplication of pre-emption rights for capital measures, the free float declined to 52.51 % as at 31 December 2017.

Shareholder structure



Taking into account the capital measures taken during the year, the table provides the status of voting rights notifications received by SLEEPZ AG until 31 December 2017, pursuant to Section 21 of the German Securities Trading Act (WpHG) (old version) ≥ 5%.

Investor Relations

Transparent and trusting interaction with the capital market is very important to SLEEPZ AG. Accordingly, shareholders, analysts and other capital market participants are regularly and promptly informed about important company-relevant facts. Personal contact is particularly important to SLEEPZ. Against this background, the Executive Board presented the company to a broader audience at three investor and analyst events during the past financial year and also held several roadshows within Germany. The central contact for private investors is the Investor Relations area on the company website, where all current publications and further information on SLEEPZ AG and its subsidiary companies can be found. Furthermore, all stakeholders are invited to contact the Investor Relations department if they have any questions.

In 2017, SLEEPZ AG was covered by Montega and SMC Research.

Last recommendation at a glance:

Institute	Analyst	Last update	Recommendation	Target price
Montega	Braun, Alexander	23 November 2017	“hold”	€ 1.80
SMC Research	Steffen, Holger	19 December 2017	“hold”	€ 1.95

CONTACT INVESTOR RELATIONS:

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E-Mail: ir@sleepz.com
www.sleepz.com/en/investor-relations

Share information

Basic information	
Name	SLEEPZ AG
Instrument type	No-par value shares
Subscribed capital	€ 8,970,391.00
Subscribed capital in shares	8,970,391
Tradeable shares (ISIN DE000A2E3772)	7,590,391
Non-tradeable shares (ISIN DE000A2E4L59)	1,380,000

Frankfurt Stock Exchange	
Abbreviation	BTBB
Reuters Instrument Code	BTBB
Start of listing	2 July 1999
Transparency level	Prime Standard/Regulated Market
Designated Sponsor	FinTech Group Bank AG

Warsaw Stock Exchange	
Abbreviation	SLZ
Reuters Instrument Code	BTBB
Start of listing	16 December 2004
Transparency level	Main Market/Regulated Market
"Animator" (Designated Sponsor)	Trigon Dom Maklerski Spółka Akcyjna

Consolidated Financial Statement

Management Report for the Business Year 2017

Group Basis

A. BUSINESS MODEL

The SLEEPZ Group positions itself as an e-commerce group of companies focused on the Sleep and Home Environment sector under the slogan ‘Union for Sleeping and Living Culture’.

The parent company, the Berlin-based SLEEPZ AG, was founded in 1997. Since the middle of 2015, its statutory business purpose has been in the development and production of economic assets, particularly in the consumer goods sector, and the trading of such goods, including via subsidiaries. Accordingly, its subsidiaries sell a full range of products, primarily in the Sleep sector, and develop private labels for their own sales and distribution through third parties. The distribution takes place in a multi-channel approach, currently primarily to B2C customers in Germany. This takes place via its own web shops, various marketplaces and its own retail chain stores.

The SLEEPZ Group is one of the largest independent online retailers in its segment in Germany. Its goal is to further develop and expand this position. For this purpose, SLEEPZ AG will continue to seek further majority stakes in companies in the sector, provided that correspondingly attractive opportunities arise. In addition, SLEEPZ is continuously working to further centralise key functions and positions in order to make better use of existing competencies within the Group, as well as to increase synergy effects and to be able to ensure sustainable growth.

Range

Companies of the SLEEPZ Group currently sell a full range of products in the Sleep field. These include mattresses, beds, slatted frames, bedding and sleeping accessories. In 2017, the best-selling product group was mattresses, with over 60% of consolidated total sales.

The mattress market was exposed to intense price competition in 2017. Overall margins fell against this backdrop. The Bodyguard mattress from bett1 also contributed to this. This mattress gained a significant part of the mattress sales in Germany thanks to a good assessment from Stiftung Warentest. However, thanks to the distribution of a full range of products, the subsidiaries of the SLEEPZ Group are able to actively counteract the price wars and margins in one product group and/or all other short- and medium-term market-specific developments.

SLEEPZ remains attractive to customers by continuously developing its product portfolio towards high demand and margin products such as box spring beds. This is especially true the more the SLEEPZ subsidiaries promote the development of their own markets. Especially in the mattress product group, the SLEEPZ subsidiaries have particularly high product expertise, which benefits them in the development of higher-margin own brands - whether for their own sales or for distribution through third parties. The fact that the subsidiaries have proven expertise here was particularly demonstrated in 2017 with the own-brand 'Grafenfels' mattress developed by the subsidiary Grafenfels Manufaktur GmbH subsidiary. In a mattress test carried out by Stiftung Warentest in August 2017, the company was awarded with a 'GOOD' (2.5) for its 'Grafenfels WEISS' mattress.

The Group will continue to drive the development of own brands in all product groups and intends to further bundle the existing Group-wide competencies. The strategic partnership entered into in June 2017 with Alessanderx S.p.A. (an Italian mattress manufacturer) should also prove advantageous for the mattress product group.

Sales

SLEEPZ subsidiaries sell their products through a multi-channel approach, i.e. via their own web shops, marketplaces, shopping clubs and deal platforms. In addition, the subsidiary sleepz Home GmbH runs a showroom in Berlin and the subsidiary Matratzen Union GmbH has a warehouse outlet in Wolfhagen.

The advantage of this approach lies in the higher market coverage and the increase in efficiency through synergy effects while also minimising risk on individual channels. This is particularly important in highly price competitive or low-margin product groups of great importance. In 2017, for example, it continued to be observed that the 'one-fits-all' mattress concepts attempted to position their online shops in the result lists of Internet search engines in the most exposed position and thus tap into a high market share at the expense of extremely high marketing costs. This inevitably led to a loss of reach of the SLEEPZ Group's web shops, which was partially offset by other channels.

The purchase of products in the field of Bedroom Furniture is usually preceded by purchase planning and comprehensive information research by the customer. The purchase decision focuses on well-known product brands, test results, buyer ratings and individual customer needs. This is also due to the fact that so far - unlike, for example, in the clothing sector - no competitor has been able to establish its online shop as market and opinion leader.
The further improvement and positioning of the online shops in 2017 was therefore also a focal point of the activities of the SLEEPZ subsidiaries. This is also because online shops offer the clear advantage of individually addressing and retaining customers.
As at 31 December 2017, companies of the SLEEPZ Group run 11 online shops, five of which sell a full range, four with a focus on the mattress and box spring bed segments as well as two product sites. Two more online shops have been added with the acquisition of Cubitabo.

An important information and distribution channel continues to be marketplaces such as Amazon, real or eBay, which provide virtual trading rooms, bringing together supply and demand. They have a high profile and reach, which dealers can benefit from. However, the

prerequisite is that they not only offer potential customers a large selection of products at a good value for money, but also compare favourably against the competition in terms of other aspects, particularly product availability and deliverability. The same applies to the positioning on price comparison sites on the Internet, through which customers can compare prices and products offered by various online shops without much effort.
Also in 2017, the SLEEPZ subsidiaries were regularly in leading positions in marketplaces and on price comparison sites with their top-selling products.

Finally SLEEPZ companies also offer their expertise as a service to shopping clubs and established retail chains.
Shopping clubs are closed, commercial online groups with a special focus on product lines or target groups; the customer gains access to the group by registering a single time or by receiving an invitation. In addition to remainders and surplus stock, these clubs are increasingly also selling private labels. Established retail chains, on the other hand, are increasingly striving to set up their own online shops and enrich their assortment with own brands from new product groups. In the absence of their own expertise and/or logistics, they need support from reliable and competent partners.
Through their many years of experience in the development of private labels for products from the world of sleep and a high level of logistics expertise, the SLEEPZ subsidiaries are in a position to close this gap and thereby further expand their own earnings potential. The B2B business should continue to be expanded in order to keep companies independent from the short-term market and competitive situations of the B2C business. The strategic partnership with Alessanderx can pay off again here.

Warehouse/Logistics

The SLEEPZ Group has two warehouses with a total area of more than 5,000 m2 that are operated independently of each other. One is at the location of the sleepz Home GmbH subsidiary in Genshagen (Ludwigsfelde) near Berlin, and the other is maintained by Matratzen Union GmbH at its location in Wolfhagen, near Kassel. Depending on the product size and weight, the goods stored in the warehouses are dispatched by means of relevant parcel services or by forwarding agencies.

In particular, the customer‘s expected, short-term delivery times can be ensured by company warehouses. They also allow the subsidiaries to stock up on goods in larger quantities and to use corresponding purchasing advantages from manufacturers. This is especially true for the respective top-selling products. They also offer room for any special items that can be purchased at low cost and distributed with good margins.

Technology Infrastructure

SLEEPZ-AG subsidiaries are currently working in different IT infrastructures.

The Group is working to position itself in the medium term so that all subsidiaries can access a central inventory management system. This can create and boost synergies that offer growth potential.
The establishment of a uniform IT architecture is a prerequisite for this. It also offers the opportunity to respond even better to customer needs by offering personalised recommendations across the Group. In particular, this will increase the customer lifetime value of

customers who visit the online shops of SLEEPZ subsidiaries for the purchase of products primarily with long lifecycles such as mattresses, slatted frames and beds.

Employees

Our employees form the basis for the success of our Group. The recruitment of qualified and dedicated employees required for further growth in 2017 turned out to be challenging for all work areas and locations. In order to prevent greater migration tendencies and to tie employees to the company in the long term, the Executive Board and the management of the subsidiaries place particular emphasis on trusting and transparent communication with employees. In addition, employees are encouraged in their development and trained in internal or external events if necessary. There is also a stock option program which provides for granting option rights to executives and employees of the parent company and affiliated companies.

As at 31 December 2017, the SLEEPZ Group employed 57 employees (excluding the Executive Board); this represents a decrease of 15 employees compared to the previous year's reporting date.

Organisational Structure of the Group

The strategic management of the SLEEPZ Group lies with the Executive Board of the parent company, SLEEPZ AG. It determines the strategy for Group development and is responsible for the management of the Group. It is advised and supervised by the Supervisory Board of SLEEPZ AG in accordance with the principles of the dualistic management system of German stock corporations. Furthermore, it also communicates with the management of the operating subsidiaries on a continuous basis.

SLEEPZ AG holds 60% of the shares of each subsidiary located in Wolfhagen, near Kassel: Matratzen Union GmbH, Markenschlaf GmbH, Ecom Union GmbH, Wolfhagen. The focus of these companies is the online distribution of mattresses and box spring beds. In addition, SLEEPZ AG holds 60.0% of shares in Denkvertrieb GmbH, also based in Wolfhagen, which provides IT services and online marketing for the other subsidiaries.

SLEEPZ AG also holds 100.0% of the shares in Grafenfels Manufaktur GmbH, Berlin. The business model of the subsidiary was to distribute a premium mattress collection which had been developed under the brand of the same name primarily through specialist retailers. Unfortunately, this sales concept did not prove successful. It was adjusted in the past financial year to the extent that sales are now handled by the other companies in the SLEEPZ Group and that Grafenfels Manufaktur GmbH focuses solely on the licensing of its products.

As at the balance sheet date, SLEEPZ AG held 66.8% of shares in sleepz Home GmbH, based in Ludwigsfelde near Berlin. The company trades in the Sleep field with a full range of mattresses, beds, slatted frames, bedding and accessories.

As part of a financing round, the shareholders of sleepz Home GmbH concluded a contract on 18 December 2017 for the contribution of 100% of the shares in Cubitabo GmbH, Berlin, with effect from 3 January 2018. As a result, the shares held by SLEEPZ AG in the company initially fell to 40.62%; the further control of the company and therefore full consolidation in consolidated statements was ensured by means of a voting agreement.

The shares in sleepz Home not yet owned by SLEEPZ AG shall be almost completely contributed to SLEEPZ AG by way of a non-cash capital increase shortly; after implementation of the non-cash capital increase SLEEPZ AG will be expected to hold 92.03% of the shares in sleepz Home GmbH.

By contrast, the subsidiary ReFer GmbH, which was previously held by SLEEPZ AG, and minority interests that do not fit into the focus of the Group, were fully sold in 2017.

B. MANAGEMENT SYSTEM

The SLEEPZ Group determines the following key financial figures by the management and monitoring of the earnings situation:
» Sales revenue (most important key figure)
» Cost-of-materials ratio = material costs in relation to sales revenue
» Gross profit = sales minus material costs
» Gross margin = (Gross profit divided by sales revenue)*100 (most important key figure)
» EBITDA = result from continuing operations without interest, taxes and depreciation

The indicator for the growth of the company are revenues, while EBITDA measures the success of the Group.

The equity ratio is the performance indicator for the financial situation.

The key figures are determined on a Group level and according to IFRS.

Economic Report

A. GENERAL ECONOMIC AND INDUSTRY-RELATED SITUATION

General economic situation

The general economic situation in 2017 was very positive for the retail sector in Germany. An all-time high in the number of employees, a significant rise in gross wages and salaries as well as an 3.9% year-on-year increase in the nominal disposable income of private households created good conditions for high consumer spending. Benefiting from what remains a modest willingness to invest equities and a low motivation to save in the face of low interest rates, private household consumption rose by 2%.[1]
The retail sector benefited from this. According to estimates from the German Retail Association (HDE), the sector generated annual sales of € 512.8 billion in 2017.[2] This correspon-

1 German Federal Ministry of Economy and Energy: Annual Economic Report 2018, dated January 2018
2 German Retail Association: Presentation at the annual press conference on 31 January 2018; Retail sales excluding motor vehicles, petrol stations, fuel, pharmacies; without sales tax

ds to a growth of 4.1% compared to the previous year and is thus significantly above the German Retail Association expectations of an upturn of 2% at the beginning of the year.[3] On the basis of overall economic conditions remaining stable and growth of 2%, the German Retail Association expects total retail sales of € 523.1 billion for 2018.

INDUSTRY CONDITIONS – E-COMMERCE FOR (BEDROOM) FURNITURE RETAIL

(Bedroom) furniture retail in Germany

The sales figures for 2017 in German furniture retail are within a range of € 20.4 billion (-0.1% compared to 2016)[4] to € 33.6 billion (+0.5%)[5]. This was due to the consideration of different product groups (e.g. kitchens) and/or downstream services (e.g. furniture assembly) as well as different survey methods.

The 2017 sales data for bedroom furniture retail differed accordingly in the range between € 2.85 billion (+0.3%) and € 9.5 billion (+1.6%). Sales expectations for 2018 are between € 3 billion and around € 9.7 billion[6]. Forecasts for 2021 are between approximately € 7.5 billion[7] and just over € 10 billion.[8]

Sales figures for the product groups particularly relevant to the SLEEPZ Group can only be found at Statista.[9] According to that, mattress sales in 2017 amounted to around € 2.2 billion. The revenue forecast for 2021 is slightly above € 2.3 billion, with annual growth of 1.9%. By contrast, the sales peak for the Beds product group in 2018 is forecast to be just over € 3 billion. However, with annual growth of - 2%, sales expectations move down to just below € 2.9 billion in 2021.

SLEEPZ continues to assume that the volume of sales in the bedroom furniture sector will amount to around € 7 billion in 2018, with moderate growth potential of € 7.5 - 8.5 billion by 2021.

E-Commerce Development

The development of e-commerce in the area of bedroom furniture is particularly crucial for SLEEPZ.

Total online sales in 2017 were between € 48.7 billion (+4.1% compared to 2016)[10] and around € 58.5 billion[11] (+10.9% compared to 2016) . It should be emphasised that for the

3 German Retail Association: Press release dated 31 February 2017
4 KPMG 2018: Set for the Future - Study on the Future of the Furniture Market in Germany; sales excluding kitchen appliances, accessories and assembly
5 Trading Association for Furniture and Kitchens (BVDM): Press release dated 10 January 2018; sales including kitchens;
6 Information on the lower line in each case is in accordance with: KPMG 2018: Set for the future ...; Information on the upper line in accordance with: Statista 2017: Consumer Market Outlook bedroom furniture
7 Business consulting firm Titze GmbH 2016, The new world of sleep in Germany – The secret/incredible home growth market; Assumption: trading volume 2015 € 5 billion, CAGR 7%
8 Statista 2017: Consumer Market Outlook Bedroom Furniture
9 Statista 2017: Consumer Market Outlook Mattresses resp. Beds
10 German Retail Association: Presentation at the annual press conference dated 31 January 2018
11 Federal Association of E-Commerce and Mail Order Germany: Presentation at the annual press talk

Living and Furnishing sector, there was significantly higher year-on-year sales growth at 11.6% and 17.9% respectively.

Online retail sales for 2018 are expected to range between € 53.4 billion[12] and € 63.9 billion[13] with a 9-10% growth rate.

For online sales in the year 2025 in the Living and Furnishing area, a range between € 5.2 billion[14] and almost € 7 billion[15] is forecast.
Finally, an online trading volume in 2020 in the order of € 1.3 billion in the bedroom furniture sector can be derived from the information provided by the business consulting firm Titze[16].

For 2018, SLEEPZ continues to expect an online market volume in the field of bedroom furniture and bedding goods in the amount of € 0.8-1 billion.

Significant factors for the development of e-commerce in the field of (bedroom) furniture
Different factors are significant for the further development of e-commerce in the field of (bedroom) furniture. These include the general willingness of customers to purchase products online, increasing customer demands on products and retail, and the ability of retailers to meet those needs.

Before purchasing a product in the brick and mortar retail sector, 51% of all customers currently conduct an information search on the Internet. However, in the area of Living and Furnishing, this proportion is only 42.8%. Conversely, the proportion of customers acquainted with an in-store retailer before buying online is generally only 19.5%. However, in the area of Living and Furnishing, this proportion of customers is higher, at 24.6%[17].

In this respect, it is essential for e-commerce – both with regard to trading via its own online shops and via marketplaces – to attract the attention of (potential) customers and to retain them in both the short and long term. This is even more true the more brick and mortar retail chains expand their online activities or pure online concepts gain in importance.

According to a representative survey, 33% of those surveyed already prefer online shopping to brick and mortar shops (21%); 46% of respondents have no preference.

There is particular potential for retail in the mobile sector. In 2017, 46% of respondents regularly used smartphones (2014: 20%) for the purchase of goods; in the age groups of 14 to 29-year-olds and 30 to 49-year-olds, this proportion is significantly higher at 76% and 55% respectively. In addition, social media is becoming increasingly important, especially in the

12 German Retail Association: Presentation at the annual press conference dated 31 January 2018
13 Federal Association of E-Commerce and Mail Order Germany: Presentation at the annual press conference
14 Statista 2017: Sales in the online trade of furniture in Germany in the years 2011 to 2020
15 GfK Geo Marketing GmbH Whitepaper: ECOMMERCE: Growth without limits? Online shares of product lines
16 Management consultants Tietze GmbH 2016, The new world of sleep in Germany – The secret/incredible home growth market; P. 115
17 German Retail Association Online Monitor: Online shop windows are gaining importance

younger age group[18]. Even though this age group may be less important for the (bedroom) furniture sector than, for example, clothing, it is essential for online retailing to be well positioned to survive in the market in the future.

Competition situation and market position of the company

In an annually updated study, the EHT Retail Institute, in collaboration with Statista and iBusiness, analyses sales figures of the 1,000 largest German B2C online shops for physical goods, which continue to cover the greater part of e-commerce in total[19].

Accordingly, the 281 companies assigned to the Furniture and Housewares segment generated e-commerce sales of € 1.8 billion.[20]
Of these, 71 are active as generalists in almost all segments. Their respective sales in the area relevant to SLEEPZ cannot be derived from the study.

97 of the companies belong to the Furniture and Household Goods segment as their main segment.
Of these, the two strongest in terms of sales (sales in 2016: € 232.6 million and € 169.9 million respectively) are well-established brick and mortar chain stores. Their sales also result from trading in products from other sub-segments, Moreover, they have no clear focus on the bedroom furniture sector. Their continued online growth, like all other retail chains, is determined by the need to prevent the effect of cannibalisation.

Only 45 of the listed companies are exclusively allocated to the main segment of Furniture and Household Goods, and only a small amount of these are focused on bedroom furniture.
Most of the hence remaining companies in the same subset as SLEEPZ differ significantly in their business models from those of the SLEEPZ Group.
So, for example, the best-selling of these companies (2016 sales: € 43.6 million) sells only one mattress and three by-products under one label. Like all one-fits-all mattress concepts[21] , the company is exposed to the high price competition that currently prevails in the mattress segment. The potential of the concept is limited in this respect. This is also reflected in the fact that companies are increasingly turning to bringing other products under the same label to the market and cooperating with brick and mortar partners.
By contrast, the leading company in the ranking, with a range of products similar to that of SLEEPZ, generated e-commerce sales of € 19.5 million in 2016. However, as part of a German trading group that focuses on e-commerce in the area of bedroom furniture in an independent online shop, the company does not distribute any products on marketplaces and is thus limited in its options.
On the contrary, SLEEPZ subsidiaries offer not only a broad range of products from the most renowned manufacturers, but also develop and sell private labels. In addition, sales take place through online shops, marketplaces, shopping clubs and deal platforms. The

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18 Federal Association for Information Technology, Telecommunications and New Media (bitkom): Trends in E-Commerce - This is how the Germans shop
19 EHI Retail Institute and Statista GmbH 2016: E-commerce market Germany 2017
20 excluding household appliances in 2016; including household appliances: € 1.4 billion.
21 The aim of the one-fits-all mattress concept is to satisfy the customer's needs purely by online sales of just one mattress.

SLEEPZ companies thereby achieve a wide coverage and can optimally place the products distributed by them. An excellent fulfilment and good customer ratings also help to ensure that the products sold are well positioned in the marketplaces.
Excellent product expertise and high logistical competence also enable the SLEEPZ Group to offer the development of its own brands and fulfilment to third parties as well as to operate in the project business. This gives the SLEEPZ companies the opportunity to react quickly to market disruptions or changes and to gain access to new target groups.

With this focus, no direct competitors have emerged so far.
Based on the current development of the market, market prospects and competition, the SLEEPZ Group considers itself well positioned to grow in the future and to expand its position in the market.

B. BUSINESS PERFORMANCE

The business performance of the SLEEPZ Group in 2017 was marked by the tight liquidity in the Group and the capital measures carried out during the financial year by the parent company SLEEPZ AG.

The starting point for the generally unsatisfactory course of business was the loss of more than half of the share capital within the meaning of section 92 (1) of the German Stock Corporation Act (AktG) for the financial statements of SLEEPZ AG in accordance with the German Commercial Code (HGB) as of 31 December 2016, which the Executive Board had approved on 19 January 2017 and approved by ad-hoc notification on the same day. The reason for this was the write-down requirement on the still-existing VC minority portfolio. As well putting pressure on the capital market, this also caused uncertainty among employees, suppliers and associations and thus led to an unfavourable basis for the further course of business.

On 21 March 2017, the Extraordinary General Meeting – which had to be convened in view of the loss of more than half of the share capital – decided to reduce capital by merging shares in a ratio of 3:1. As a result, the company was able to raise fresh capital. It made use of three capital increases in 2017, two of them to strategic investors, and received around € 3 million in liquid funds.

In addition, in the first half of 2017, the shares in six companies in the VC portfolio still held by SLEEPZ AG were sold to a private investor on 29 June 2017. The purchase price was a replacement of existing loans totalling € 3.5 million and a cash payment of € 1.5 million. Therefore, liquidity was somewhat improved and liabilities were also be significantly reduced.

Despite this inflow of funds, the Group‘s liquidity in the 2017 financial year was tight. Against this backdrop, marketing expenditure of the subsidiaries required for healthy growth had to be significantly reduced in the first half of the year and could not be increased again to the required extent in the second half of the year. In addition, the availability of important products has, at times, suffered under the tight liquidity. Furthermore, larger projects such as Grafenfels or Matratzenheld were delayed and then performed only modestly.

Developments in the market environment also had a negative impact on business performance of the subsidiaries, with particular emphasis on (online) distribution of the mattresses product group, which continues to account for around two-thirds of total Group sales. Thus, the trend already in place in 2016 whereby well-funded mattress start-ups attempt to achieve the highest possible reach in online search engines by accepting extensive marketing expenses continued in 2017. This led to massive competitive pressure, less traffic on own online shops and a deterioration of the margins in the mattresses product group, as part of the market was lost to the one-fits-all providers, and thus the competitive situation in the classic mattress area worsened.
Furthermore, problems with contaminated raw material deliveries to mattress manufacturers – which became public in early October 2017 – led to production downtime, product recalls and slight consumer uncertainty, which also had a knock-on effect on sales at the subsidiaries. This also had an impact on the planned sales and income from the distribution of the private labels developed by the subsidiaries.
As well as the overall increase in raw material costs over the course of the entire financial year, purchase prices increased significantly in 2017 as a result of this. These price increases could not be passed on in full to the customers, so the gross profit margin deteriorated slightly over the course of the year.

Finally, the development and distribution of private labels – both via the subsidiaries and third parties – and the project business could not be pursued to the desired extent. As well as the market developments already described above, this was due to the short staffing which prevented the necessary centralisation of this business in a key function at SLEEPZ AG level.

C. NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

Result of operations

In the 2017 financial year, the Group achieved sales of € 11.5 million (PY: € 14.4 million).

Of this sum, € 4.9 million (PY: € 5.9 million) was attributable to sleepz Home GmbH, which was particularly affected by the general business performance described above, in that it was and still is dependent on further financing primarily from the parent company due to its loss situation. As a result, the company also experienced delays in the launch of its Matratzenheld private label, for which market entry was planned from August/September 2017. Moreover, the company continued to face technical hurdles in its own shops in the first half of 2017, which it was then able to significantly reduce during this time period. However, it did not reach the expected increase in sales in the second half of 2017.
Grafenfels Manufaktur GmbH was unable to implement the rollout of its mattress collection (which had already been launched a year earlier) in sales via the specialised trade in 2017 as planned, and thus made no noteworthy contribution to Group sales. The management and the Executive Board of SLEEPZ AG had therefore already decided in the second quarter of 2017 to sell the mattresses only for a license fee directly through the subsidiaries Matratzen Union and sleepz Home GmbH in the future. In the course of this decision, the staff of the company was reduced in order to push down costs in the future.
Finally, the companies of the Matratzen Union Group (Matratzen Union GmbH, Markenschlaf GmbH, Ecom Union GmbH, Denkvertrieb GmbH) achieved consolidated sales in the

amount of EUR 6.6 million, which was also significantly below the previous year (PY: EUR 8.6 million). The management decided not to make any sales at the expense of excessive customer acquisition costs, but to continue to work on a break-even basis.

The cost of materials of all subsidiaries at EUR 7.9 million was below the previous year's amount of EUR -9.8 million. The cost-of-materials ratio rose from 68.2% in 2016 to 69.1%. The gross margin amounted to EUR 3.5 million (PY: EUR 4.6 million). Gross margin fell slightly from 31.8% in 2016 to 30.9% in 2017.

At € -2.9 million, earnings at subsidiary level were below the forecast and thus deteriorated compared to the previous year (PY: EUR -1.7 million). sleepz Home GmbH was unable to realise its goal of achieving a break-even point, ending the year negatively again on 31 December 2017 and was therefore unable to improve on the previous year. Grafenfels Manufaktur GmbH reduced its y-o-y loss by just under 34% as at 31 December 2017. By contrast, the companies of the Matratzen Union Group ended the financial year 2017 slightly negatively.

EBITDA (earnings from continuing operations before interest, taxes, depreciation and amortisation of property, plant and equipment and intangible assets) decreased y-o-y from € -1.8 million to € -3.7 million. The main reasons for this were the loss of sleepz Home GmbH, additional expenses due to the Extraordinary General Meeting and capital measures. Personnel expenses in the amount of € 2.0 million declined by € 0.2 million compared to the previous year.

Significant changes in the consolidated statement of comprehensive income from 1 January to 31 December 2017 also resulted from the final termination of the VC business by SLEEPZ AG in the past financial year. With effect from Q2 2017, the company assigned claims from an existing fund management mandate to bmp Ventures, which reduced other operating expenses to roughly the same amount as sales. In addition, following the sale of its VC portfolio, it terminated an existing service contract with bmp Ventures for the management and sale of the portfolio with a contractual term until 31 December 2017, in the third quarter. This resulted in a cost reduction of € 150 thousand in the second half of the year. Against this background, the result from the discontinued operation (which was fully included in the consolidated result in the previous year and will be completely eliminated in 2018) reduced from € -7.3 million as at 31 December 2016 to € -0.8 million as at 31 December 2017.
Overall, the Group concluded the 2017 financial year with a consolidated net income of € -5.0 million (PY: € -9.8 million).

Financial Position

Development of cash and cash equivalents (T€)	2017	2016
Cash flow from operating activities	-2,847	-4,117
Cash flow from investment	4,911	-485
Cash flow from financing activities	-2,035	456
Cash and cash equivalents 1 Jan.	798	1,943
Cash and cash equivalents 31 Dec.	**500**	**798**

Cash flow from operating activities improved from € -4.1 million to € -2.8 million compared to the previous year.

Due to the sale of discontinued operations, cash flow from investing activities changed significantly y-o-y from € -485 thousand as at 31 December 2016 to € 4,911 thousand as at 31 December 2017.

Cash flow from financing activities is characterised by the three capital increases carried out in 2017 and the repayment of loans in connection with the sale of the discontinued operation, and amounted to € -2,035 thousand as at 31 December 2017 (PY: € 456 thousand).

Cash flow of the discontinued operation totalled € -327 thousand (PY: € 3,001 thousand) and will be completely eliminated in the future.

Overall, cash and cash equivalents amounted to € 500 thousand at the end of the reporting period (PY: € 798 thousand).

Financial Situation

Non-current assets which, in addition to property, plant and equipment mainly include intangible assets (primarily goodwill from company acquisitions), amounted to € 5.2 million as at 31 December 2017 and thus changed only slightly compared to the previous year (€ 5.3 million).
However, their share of 59.5% of the balance sheet total increased significantly y-o-y from 34.8% as at 31 December 2016.

The background to this is the discontinuation of the residual VC portfolio, which accounted for more than 30% of the balance sheet total as of the previous year's reporting date, and was allocated to current assets.

	2017	2016
Goodwill	55.6%	31.9%
Other non-current assets	3.9%	2.9%
Investments & loans	0.0%	35.8%
Inventories	24.0%	14.7%
Receivables	10.8%	9.5%
Cash at banks	5.8%	5.2%
Total	**100.0%**	**100.0%**

The liabilities side of the balance sheet changed significantly compared to the previous year and contracted from € 15.3 million to € 8.7 million.

Equity slightly decreased y-o-y at € 5.7 million (PY: € 7.6 million). The significant changes in the individual items allocated to equity primarily result from the capital measures implemented in 2017, particularly from the capital reduction in the ratio of 3:1 to compensate for losses:

Equity in T€	2017	2016
Subscribed capital	8,970	20,701
Capital reserve	707	1,050
Cumulative costs of capital increases	-1,358	0
Other profit reserves	668	668
Accumulated net loss	-2,892	-15,172
Minority interests	-435	340
Total	**5,660**	**7,587**

The equity ratio significantly increased from 49.5% to 65.3% due to capital measures.

Furthermore, current liabilities particularly reduced due to the replacement of a loan amounting to € 3 million in connection with the sale of the VC minority portfolio.

As of 31 December 2017, current bank loans of 0.5 million were utilised.

Overall statement on the economic situation

SLEEPZ AG is not satisfied with the Group‘s business performance in 2017. The lack of liquidity, the developments in the market environment, in particular in the mattress product group and delays in the market launch of private labels, led to a decline in sales of 20% to EUR 11.5 million. The cost of materials ratio (2017: 69.1%; previous year 68.2%) and the gross profit margin (2017: 30.9%, previous year: 31.8%) changed only slightly, however.
At the same time, EBITDA decreased significantly from € -1.8 million in the previous year to € -3.7 million due to higher cost items - including an extraordinary general meeting and three capital increases - and a significantly higher loss at sleepz Home GmbH.
Cash and cash equivalents of € 500 thousand at the end of the reporting period (previous year: € 798 thousand) were still limited. On the other hand, after the repayment of a loan of € 3 million in connection with the sale of the VC minority portfolio on the one hand and after the equity injection in connection with the capital increases, the net assets situation improved significantly compared to the previous year.

Opportunities and Risk Report

A. RISK MANAGEMENT PROCESS

The Executive Board of SLEEPZ AG has set up a risk management system in accordance with Section 19 (2) AktG, the aim of which is to adhere to the principles of good corporate governance and to the fulfilment of statutory provisions. In its design, the risk management system is based both on the risk situation and the lean organisational structure of the company and the Group. Its goal is to detect potential events that may endanger the financial, operating and strategic targets of the Group at an early stage and actively manage them.

The Executive Board of SLEEPZ AG personally monitors and supports the development of the subsidiaries, and is involved in decision-making relating to business transactions of strategic importance that are not attributable to day-to-day business. The Executive Board is in close and regular contact with the respective management. This contact involves the identification, discussion and assessment of any risks in the respective subsidiaries, particularly also those arising from operating activities. In addition, the subsidiaries regularly report order intake, sales, any liquidity needs and relevant market events such as the entry of new competitors, price developments, product developments, etc.

The findings from the respective discussions and reports are summarised in a risk catalogue at Group level. The risks are initially classified in terms of their eventual probability of occurrence and monetary impact, in order to arrive at an assessment as to which risks the Group is exposed to.

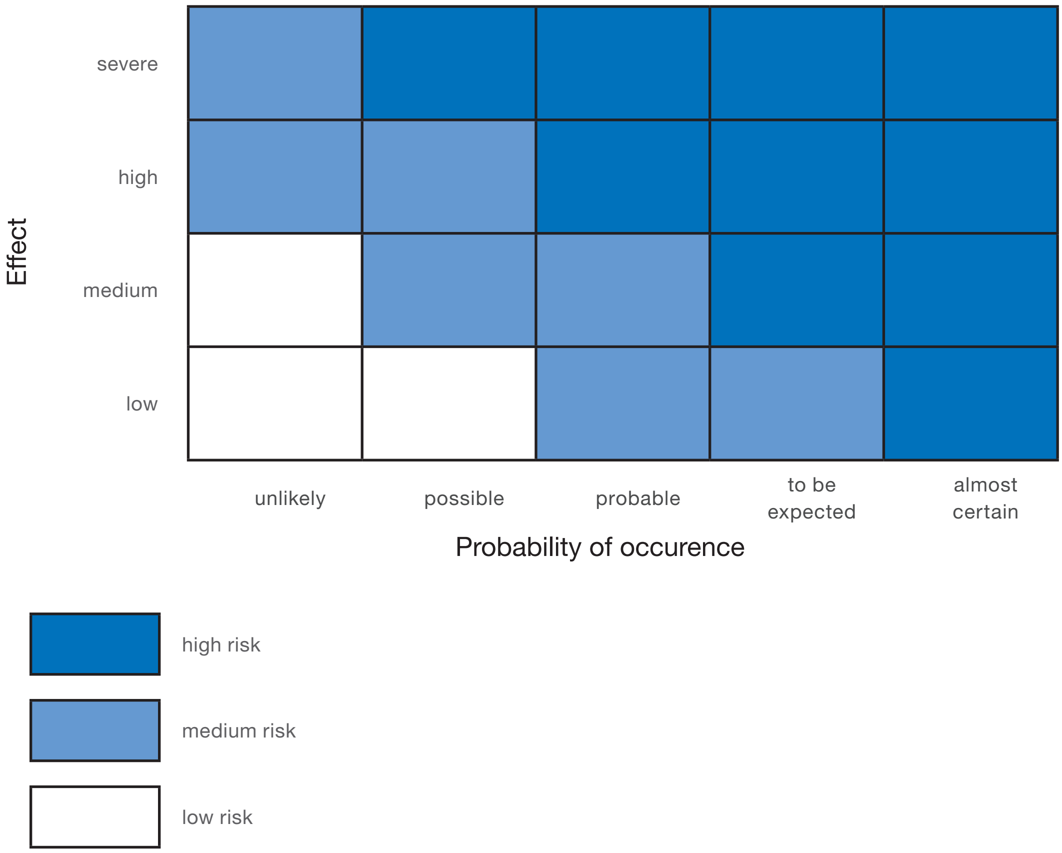
The following indications are used to determine the probability of occurrence:

Risk does not exist	< 5%
Risk exists, occurrence is unlikely	5% – 20%
Risk exists, occurrence is possible	21% – 50%
Risk exists, occurrence is probable	51% – 75%
Risk exists, occurrence is expected	76% – 90%
Risk exists, occurrence is almost certain	> 90%

The following indications are used to determine the possible monetary impact:

low:	no noticeable effects on the annual result or company value
medium:	negative effects on the annual result or company value
high:	significant effects that materially affect the annual result or company value
severe:	existence-threatening effects, which can endanger the company

The assessed risk results from monetary impact and probability of occurrence. The assessment of the risks corresponds to the forecast period of one year.



Based on this classification the measures for further risk management and monitoring derive. The goal is to reduce the respective probability of occurrence or monetary impact.

The risk management system is being continuously developed and checked for its functionality. The risk catalogue and the valuation scheme were adjusted in 2017 due to the sale of the remaining venture capital portfolio.

B. OPPORTUNITIES AND RISKS

GENERAL ECONOMIC, MARKET AND COMPETITION SITUATION

Economy

Good economic conditions – particularly a low level of interest rates – favour the economic success of the SLEEPZ Group. In a recessionary environment, consumer behaviour could change accordingly to do without or delay the purchase of non-essential products. This is especially true for higher value and durable consumer goods, whose purchase is not spontaneous, but is subject to purchase planning beforehand. Thus, the business with those B2B customers, whose own purchasing behaviour depends on the consumer behaviour of the end customer, would also be adversely affected. The result would impact the sales and earnings situation.

From a current standpoint, it is assumed that no significant changes in the macroeconomic environment are to be expected, and that even in the case of a recession, the demand for bedroom furniture and accessories – in particular for mattresses and bedding products – will generally persist. In addition, the subsidiaries distribute a wide range of products in both B2C and B2B and can thus compensate for cyclical fluctuations on a normal scale. We assess the risk as medium.

Market

The growth potential of the bedroom furniture market is per se manageable. Essential to the success of the SLEEPZ Group is that the acceptance of the Internet for the purchase of bedroom furniture and accessories will continue to develop. If there were no further shift away from brick-and-mortar retailing to e-commerce, or if online retailing in bedroom furniture and accessories were to shrink, the business model of SLEEPZ AG and its subsidiaries would be directly impacted.

From the present perspective, current growth rates and other indicators suggest that the acceptance of the Internet as a distribution channel for bedroom furniture and accessories is continuing to increase. This opens up opportunities to further expand existing market shares. We classify the risk as low.

Competition

In light of above-average growth forecasts for online trade in the 'Living and Furnishing' area, retail chains and brick-and-mortar traders are further expanding their online activities. Furthermore, (new) purely online companies are trying to profit from the growth dynamics of the market, partly by accepting extremely high marketing costs. A competitor who, like the SLEEPZ Group, is clearly focused on bedroom furniture and accessories, offering a wide range of products, has still not emerged as having significant market dominance. However, competition continues to increase overall. The already existing price war in the 'Mattress' product group may be further aggravated by this, and there may be a risk of a decline in margins for other product groups as well, which would both have an impact on business performance and the liquidity and earnings situation.

In the light of a large product range and a high level of logistics expertise in the subsidiaries, as well as their orientation both to the B2C and the B2B area, SLEEPZ AG is of the opinion that it is able to expand its own position as a whole. The further pooling of competences within the Group also offers the opportunity to exploit synergies and to realise significant economies of scale in terms of process and logistics in the medium term. The high level of product competence also enables the SLEEPZ Group to expand the development of higher-margin private labels. In addition, the strategic partnership with Alessanderx S.p.A. opens up new opportunities to counteract any further decline in mattress margins. We rate the risk as medium.

OPPORTUNITIES AND RISKS FROM OPERATING ACTIVITIES

IT/Technology

The continuous adaptation of the IT systems to the requirements of increasingly complex e-commerce and ensuring continuous and reliable functionality is crucial for the business operations of SLEEPZ AG and its subsidiaries. If the Group companies are unable to take advantage of the latest technologies and trends, such as mobile shopping, and/or integrate them into their IT systems, this could be reflected in the course of business over the medium term. If system failures, a force majeure event or cyberattacks lead to partial or complete failures and/or data manipulation or loss, this could have significant adverse effects on business performance, liquidity, assets and earnings in the short term and negatively affect the image of the subsidiaries and their online shops.

Ensuring the resulting needs requires strong own staff or good external service providers. Software developers continue to be in high demand, which still makes finding peo-

ple difficult and risks losing good employees. At the same time, dependency on external service providers also represents a not-insignificant danger. In addition, SLEEPZ AG and its subsidiaries are currently working in partially different IT environments. On the one hand, this increases the effort involved in implementing new technologies. In addition, potential synergies cannot be leveraged. However, at the same time, the potential amount of damage is reduced in the event of the risks occurring.
Overall, the SLEEPZ Group has taken appropriate measures to avoid these risks as much as possible. We classify the risk as high.

Staff

SLEEPZ AG and its subsidiaries depend on a number of important and not easily replaceable employees. Recruiting qualified and committed employees at all locations is also difficult. This applies not only to IT or online marketing staff, but basically to all work areas. Should employees leave the company or additional employees are needed, this can have a negative or inhibiting effect on the course of business, at least in the short term. It may also be necessary to set incentives that would lead to an increase in personnel costs and thus have an impact on the liquidity and earnings situation.
The Executive Board and management of the subsidiaries strive to maintain an open and trusting relationship with all employees and pursue an open-door policy. There is a stock option program which provides for granting option rights to executives and employees of both the parent company and affiliated companies and aims to retain employees in the long term. The Group also counteracts the risk by working on the standardisation of processes and the centralisation of key functions. The aim is both to increase efficiency and to produce a better and more targeted knowledge transfer, which also makes it possible to respond better to any short-term staff shortages. We classify the risk as high.

Vendor Relationships

The subsidiaries depend on stable and reliable relationships with their suppliers. If these do not deliver in the desired quality or not within agreed deadlines, this would have a direct impact on the business performance of the subsidiaries. If delivery disruptions take longer or customers withdraw from the purchase in this context, this could also have an impact on the liquidity and earnings situation. Due to the transparency of the Internet, disruptions in supplier relationships also pose a risk to the image of the online shops operated by the subsidiaries.
The Group counteracts this risk by maintaining a wide range of products from various suppliers in two warehouses in order to ensure delivery. In addition, manufacturers are increasingly turning to online commerce as a distribution channel for their products. This offers additional opportunities for the SLEEPZ Group. With regard to the manufacture of private label mattresses, the SLEEPZ Group‘s strategic partnership with Alessanderx S.p.A. opened up new opportunities. We consider the risk as low.

Range

Deficiencies in assortment and warehousing policies could lead to overstocking in the warehouses, which are difficult or impossible to sell. Mattresses, splatted frames and beds have a very long lifecycle, which means the product range can be well coordinated for many years. The situation is different with regard to the products whose marketability is also geared to fashionable trends, especially bedding. In the case of excess inventories, this could lead to their having to be sold off at the price of appropriate value adjustments. This would have an impact on the assets and earnings situation.

However, against the background of many years of experience in purchasing, the predictability of customer demand and a regular adjustment of inventories, the risk from the Group's point of view is manageable. We classify the risk as medium.

Warranties/Product Liability

In case of any defects in the products distributed by the SLEEPZ subsidiaries or in the case of damage resulting from a faulty product, customers may be entitled to warranty claims or claims arising from product liability. The manufacturers usually carry the risk from such claims. However, traders may be held liable if, as a 'virtual manufacturer', they do not manufacture a product themselves, but place it on the market by affixing their own name, brand name or trademark, or import products from third countries, or the name of an importer of products from third countries cannot be identified or found. The occurrence of a liability could have a negative impact on the liquidity, assets and earnings position as well as on the image of the subsidiaries and their online shops.
The subsidiaries of SLEEPZ AG counteract this risk with particularly high quality standards in the testing of products purchased from third countries and private labels. We classify the risk as low.

Image

End consumer buying decisions are often emotional and directly related to the image of a product, brand and/or business. The increasing importance of the Internet as a source of information for purchasing decisions and opinion leaders in the form of other consumers, associations, consumer organisations or social media influencers harbours the risk of causing image damage for companies through allegedly legitimate or targeted damage to their reputation. Likewise, negative customer reviews quickly lead to reluctance to buy. This can negatively affect the liquidity, assets and earnings situation. Conversely, this also opens up the opportunity to differentiate oneself from the competition in a positive way.
The subsidiaries use a variety of marketing measures to continuously improve the image of their online shops and private labels and are supported by SLEEPZ AG. We consider the risk as medium.

Law and Compliance

The companies of the SLEEPZ Group are subject to a large number of legal framework conditions that must be observed by management and employees. If this does not happen or does not happen completely, an event of damage could occur for which the companies could be called upon (legal risk). In particular, warnings about alleged violations of data protection law, competition law, copyright or trademark infringement have been an integral part of online commerce for many years and could require the use of legal advice and possibly the formation of provisions in the event of a legal dispute. In addition, failure to comply with the legal framework may result in judicial, regulatory or disciplinary penalties (compliance risk). In particular, the harmonisation efforts of the European legal area have strongly increased the level of any sanctions. In the potential event of their occurrence, both risks could have an impact on the Group's liquidity, assets and earnings position.
The Group counteracts these risks by means of a variety of preventive measures, both at Group level and at the level of the respective companies. For example, measures to implement the requirements of the European General Data Protection Regulation were initiated across the Group. SLEEPZ AG also supports the subsidiaries in identifying any new statutory provisions and their implementation. We classify the risks as medium.

Financial Risks

The Group is exposed to financial risks in the course of its business activities, which must be explained in accordance with Section 315 (2) HGB.
The financial risks include market price risk (currency and interest risk), non-payment risk (default risk and credit risk) and liquidity risk. The Group's risk management aims to minimise these risks and the potential impact on the financial position of the Group. The Group has so far refrained from using derivative financial instruments.

Market Risk

Market risks arise from fluctuations in the fair value or future cash flows of a financial instrument due to changes in market prices. They include interest rate risks and currency risks.

a) Currency Risks

The Group is primarily active on an operational level within Germany or the eurozone. This also applies to the supply side. This may become more expensive as a result of currency fluctuations in the case of goods purchases outside the eurozone. Given the extent of such transactions, we consider the risk to be low.

b) Interest Rate Risk

The loans granted to Group companies and credit lines are generally fixed-rate. By contrast, variable interest rates and credits are assessed on short-term current money investments. Insofar, they may be subject to interest rate fluctuations. Given their scope, we assess the risk as low.

Non-payment Risk

The non-payment risk describes the risk that a counterparty will fail to meet its obligations under a financial instrument or a customer contract, resulting in a financial loss. There are risks from bad debts and credit risk within the Group:

a) Default Risk

Default risk consists of the risk that customers do not meet their contractual obligations and thus receivables partially or completely default. The extent of this risk in the SLEEPZ Group corresponds to the total of trade receivables and other receivables. The subsidiaries of SLEEPZ AG counter this risk with a targeted selection of payment terms that they make available to their customers in the case of direct sales. As a result there is only a very low default risk, since the customer generally pays before the goods are received. We assess the risk as low.

b) Credit Risk

The companies of the SLEEPZ Group do not grant credits or loans to third parties outside the Group. However, they themselves have credit lines that partly depend on credit ratings issued by banks and credit insurers. If the assessment of the credit rating changes, it may lead to limits being removed and/or a decrease in credit lines. The respective loan would be (partially) due for payment immediately. We assess the risk as medium.

Liquidity Risk

Liquidity risk describes the risk that the Group will be unable to service its financial liabilities when they are due. Liquidity management takes place decentrally in SLEEPZ AG and its subsidiaries. The results of the management activities of the individual companies are incorporated into rolling liquidity planning at Group level.
The subsidiary sleepz Home GmbH and its wholly-owned subsidiary Cubitabo GmbH (which was taken over with effect from 1 January 2018) are dependent on additional liquidity contributions by SLEEPZ AG or its other shareholders, as they cannot cover their financial needs alone until break-even. SLEEPZ AG is also dependent on a further supply of liquidity in the medium term. Against this background, the Management Board plans to carry out a larger, prospect-related capital increase in the second half of 2018. Work on a securities sales prospectus is expected to resume in the second quarter. We rate the risk as high.

Further Financial Risks

The ‘financial risks’ cluster also includes risks from the carrying value of the subsidiaries. This is subjected to an annual impairment test and taken into account in the balance sheet if necessary. They represent the predominant part of the assets side of the balance sheet of SLEEPZ AG. Changes in value thus automatically have high accounting effects. We assess the risk as high.

C. OVERALL STATEMENT ON RISK AND OPPORTUNITY SITUATION

Compared to the previous year, there have been significant changes in risks and opportunities insofar as the venture capital portfolio held by SLEEPZ AG as at 31 December 2016 was sold in the past financial year, and thus the related risks have been completely eliminated. At the same time, this eliminates the opportunity to bring liquidity into the Group through the sale of the portfolio.

Extensive provisions have been recognised for the discernible individual risks in the consolidated financial statements and in the individual statements as of 31 December 2017. The risks that could arise for the Group – and therefore also for SLEEPZ AG – from macroeconomic developments, market and competition on the one hand and from operating activities on the other hand, are limited and controllable; not least in view of the opportunities that open up for the Group with regard to the individual points. However, the precondition is that the Group continues to receive the necessary liquidity for further growth. If this succeeds, the individual or cumulative occurrence of the risks described presently and in the foreseeable future pose no threat to the continued existence of the Group.

Significant Features of the Internal Control System and the Risk Management Process with Regard to the Group Accounting Process

The aim of the internal control and risk management system with regard to the Group accounting process is to ensure the comprehensive, correct and up-to-date communication of information that is required to prepare the annual financial statements and the management report of SLEEPZ AG and the SLEEPZ Group. To ensure this, there is a well-defined organisational structure and measures to minimise the risk of material misstatement in accounting and in external reporting.

Group accounting is organised centrally. All services pertaining to Group accounting and controlling of the subsidiaries are performed at the company's headquarters by bmp Ventures AG. It also prepares the consolidated financial statements for the SLEEPZ Group on the basis of the booked individual financial statements of the subsidiaries included in the consolidated financial statements.

The subsidiaries keep their accounts according to HGB autonomously.
If necessary, any business issues that have to be correctly recorded, prepared and assessed in the balance sheet are discussed between the management of the respective subsidiary and/or the Executive Board of SLEEPZ and/or the service provider bmp Ventures AG before they are included in the accounting.
The data required to prepare the consolidated financial statements is transmitted to the parent company by the subsidiaries within a specified reporting format. The data is subjected to manual checks based on samples and plausibility checks to ensure the accuracy and completeness of the consolidated financial statements.

Due to its small size and complexity, the Group does not have an internal auditing department.

Among other things, the Supervisory Board deals with key issues of accounting, risk management, the audit mandate and the audit priorities.

Extensive provisions have been recognised for all discernible individual risks in the consolidated financial statements as of 31 December 2017.

Forecast Report

SLEEPZ AG and its subsidiaries focus on online trading in the market segment Bedroom Furniture and Bedding Products.

Economic conditions in the main market of Germany should continue to develop positively in 2018, with expected economic growth of around 2%. At the same time, Internet trade in our Furniture segment is growing at an above average rate with our expected 10-20% p.a. for the next three years. The Sleep sub-segment also participates in this development.

Nevertheless, we expect a further increase in competition in the Online Trading of Sleep Products market segment. This competition can lead to pressure on margins in the individual product areas, so we are forecasting a maximally consistent, if a slight negative development of the gross profit margin for the coming years. The subsidiaries are trying to counter this trend with a stronger focus on private labels.
For the SLEEPZ Group, we are aiming for moderate revenue growth in the low double-digit percentage range for the current year. We are therefore trying to keep the gross profit margin at least at the previous year‘s level. On the earnings side, we expect a slight improvement in earnings, but will still generate a loss in 2018.

If the financial conditions of SLEEPZ AG permit, the company plans at least one further company acquisition in the financial year.

Legal Disclosures

A. DECLARATION ON CORPORATE GOVERNANCE

The declaration on corporate governance is published on our homepage at www.sleepz.com> investor-relations> corporate governance.

B. REMUNERATION REPORT

Remuneration System for the Executive Board

The Executive Board of SLEEPZ AG did not receive any remuneration in the 2017 financial year.

There is a contract about the provision of services with bmp Ventures AG. As the Executive Board of SLEEPZ AG is also the Executive Board of the service provider, its activities for the company and the Group are considered to be compensated.
Furthermore, the company has maintained D&O insurance for the Executive Board, which provides for the legally prescribed deductible.

On the basis of the resolution of the Annual General Meeting on 17 June 2015, the Executive Board, with the approval of the Supervisory Board, adopted the condition of the Stock Option Program 2015/I on 22 December 2015. This also provides for the possibility of a total of up to 517,529 stock options being granted to members of the Executive Board. An allocation to the Executive Board from the Stock Option Program was also made on 22 December 2015.

Further details on Supervisory Board remuneration can be found in the notes to the consolidated financial statements under no. 38 (Share-based remuneration) and no. 51.2 (Remuneration of the Executive Board).

Remuneration System for the Supervisory Board

In accordance with the resolution passed by the Annual General Meeting on 6 July 2016, the members of the Supervisory Board receive the following annual basic remuneration for their work:

€ 30,000.00 for the Chairman of the Supervisory Board,
€ 20,000.00 for the Deputy Chairman of the Supervisory Board, and
€ 15,000.00 for the ordinary member of the Supervisory Board
In the event of a change of (deputy) chairmanship during a financial year or the assumption or loss of the Supervisory Board mandate, the basic remuneration is granted pro rata temporis.
In addition to the remuneration, the Company reimburses the members of the Supervisory Board for any expenses incurred as a result of exercising the office and for any value added tax attributable to the remuneration or reimbursement of expenses.

This compensation scheme will apply from 1 January 2017.

In addition, SLEEPZ AG has also taken out an appropriate directors and officers liability insurance (D&O insurance) for the benefit of the members of the Supervisory Board, which does not provide for a deductible.

Further details on Supervisory Board remuneration can be found in the notes to the consolidated financial statements under no. 51.4 (Supervisory Board).

C. DISCLOSURES UNDER SECTIONS 315A (1) HANDELSGESETZBUCH (HGB – GERMAN COMMERCIAL CODE)

Subscribed Capital

As of the balance sheet date, the fully paid up subscribed capital amounts to € 8,970,391.00. It is divided into 8,970,391.00 no-par-value bearer shares.

Restrictions on Voting Rights or the Transfer of Shares

There are no statutory restrictions on voting rights or the transfer of shares.

According to the knowledge of the company's Executive Board, share transfer restrictions arose from a collaborative agreement between the company and Alessanderx S.p.A. ('Alessanderx'), Prato/Italy, which was concluded on 15 June 2017 and had effect from 30 June 2017. Under this agreement, Alessanderx subscribed 690,000 new shares from a capital increase from authorised capital.
A five-year term was entered into the commercial register of the company on 30 June 2017 for the collaborative agreement. It is automatically extended by one year if it does not expire six months after the end of the contractual year or is not terminated at the end of the subsequent contract period. This agreement will terminate automatically without notice being required if Alessanderx resells all or some of its 690,000 shares before the end of the five years. In this respect, the transferability of shares is restricted.

Statutory provisions and provisions of the Articles of Association concerning the appointment and dismissal of the members of the Executive Board and the amendment of the Articles of Association.

The appointment and dismissal of the members of the Executive Board of SLEEPZ AG are based on sections 84 and 85 AktG in conjunction with section 7 of the Articles of Association.

The Executive Board is appointed by the Supervisory Board of the Company for a term of up to five years in accordance with Section 84 AktG. Only in exceptional cases can a member of the Executive Board be appointed by court order in accordance with section 85 AktG.
The Executive Board of SLEEPZ AG consists of one or more members. If there is an important reason, the Supervisory Board may revoke this appointment - as well as the general appointment to the Executive Board.

In accordance with section 179 (1) AktG, every change to the Articles of Association generally requires a resolution of the Annual General Meeting. Only in those cases where amendments to the Articles of Association only affect their wording can the Annual General Meeting delegate the power to make changes to the Supervisory Board. A general authorization can be found in section 17 of the Articles of Association.

In accordance with Section 179 (2) AktG, the resolution on a change in the Articles of Association requires a majority of at least three quarters of the share capital represented at the time of the resolution. Otherwise, resolutions pursuant to section 133 AktG will be adopted at the Annual General Meeting in accordance with Art. section 22 of the Articles of Association of SLEEPZ AG by a simple majority of the votes cast, unless a larger majority of votes is required by mandatory statutory provisions.

Powers of the Executive Board to issue or buy back shares

Authorised Capital

Pursuant to Section 5 (2) of the Articles of Association, the Executive Board was authorised by the resolution of the Annual General Meeting of 27 June 2014 – and with approval of the Supervisory Board – to increase the subscribed capital of the company on one or several occasions up to a total of € 10,350,587.00 by issuing new no-par value bearer shares against cash and/or non-cash contributions (Authorised Capital 2014/I) until 26 June 2019, thereby disapplying shareholder’s pre-emption rights

a) for the acquisition of companies, parts of companies or investments in companies in exchange for shares in the company,
b) if a capital increase against cash contributions does not exceed 10% of the share capital of the company and the issue price of the shares is not substantially less than the market price,
c) for emission to strategic partners,
d) to eliminate fractional amounts.

This authorisation was partly utilised three times in the 2017 financial year:

» subscribed capital was increased to € 690,000.00 and 690,000 new no-par value bearer shares were issued to Heliad Equity Partners GmbH & Co. KGaA with effect from 12 May 2017;
» taking advantage of the remaining Authorised Capital 2014 / I amounting to € 9,660,587.00, subscribed capital was increased to € 690,000.00 and 690,000 new no-par value bearer shares were issued to Alessanderx S.p.A with effect from 30 June 2017;
» taking advantage of the remaining Authorised Capital 2014 / I amounting to € 8,970,587.00, subscribed capital was increased to € 690,000.00 and 690,000 new no-par value bearer shares were issued Heliad Equity Partners GmbH & Co. KGaA with effect from 21 December 2017.

The remaining authorised capital, which allows for a further increase of the share capital by up to € 8,280,587 until 26 June 2019, was not used until the end of the reporting period.

Contingent capital

The company's Annual General Meeting of 27 June 2014 authorised the Executive Board, with the approval of the Supervisory Board, to issue on one or several occasions up to 26 June 2019 warrant and/or convertible bonds with a total nominal amount of up to € 30 million with or without a limited maturity date and to grant bearers of warrant bonds options and bearers of convertible bonds conversion rights to up to 10,350,587 non-par value bearer shares (shares) of the company in line with the warrant and convertible bond conditions (bond conditions). For this purpose, the Annual General Meeting of 27 June 2014 created contingent capital for granting shares to holders of warrant or convertible bonds issued by the company according to the authorisation from the Annual General Meeting of 27 June 2014. The contingent capital amounted to 50% of the share capital, i.e. up to € 10,350,587.00 (Contingent Capital 2014/I). The Annual General Meeting's resolution and the corresponding revision of the Articles of Association were entered into the commercial register on 2 July 2014. The authorisation from the Annual General Meeting of 27 June 2014 has not yet been utilised.

The Contingent Capital 2014/I was reduced in light of the new Contingent Capital 2015/I, which is earmarked for granting shares to holders of share options.

The resolution of the Annual General Meeting of 27 June 2014 was amended at the Annual General Meeting of 17 June 2015 to authorise the Executive Board, with the approval of the Supervisory Board, to issue on one or several occasions up to 26 June 2019 warrant and/or convertible bonds with a total nominal amount of up to € 30 million with or without a limited maturity date and to grant bearers of warrant bonds options and bearers of convertible bonds conversion rights to up to 8,280,470 non-par value bearer shares (shares) of the company in line with the warrant and convertible bond conditions (bond conditions).

€ 2,070,117.00 of the Contingent Capital 2014/I was rescinded, so it was reduced by € 2,070,117.00 from € 10,350,587.00 to € 8,280,470.00.

In accordance with section 192 (2) no. 3 of the Stock Corporation Act, the share capital of the company is contingently increased by up to € 2,070,117.00 through the issue of 2,070,117 non-par value bearer shares (shares) with a pro rata share in the share capital of € 1.00 per share (Contingent Capital 2015/I). The contingent capital increase serves to grant pre-emption rights to members of the company's Executive Board, members of the managements of affiliated companies, employees of the company and employees of affiliated companies.

On 22 December 2015, the Executive Board and the Supervisory Board resolved on such a share option scheme and on the same date issued a total of 615,000 options as follows:

200,000 options to members of the Executive Board
370,000 options to members of the management of subsidiaries
25,000 options to employees of the Company
20,000 options to employees of subsidiaries

The exercise price was set at € 1.00/share.

Authorisation to Buy Back Shares

By resolution of the Annual General Meeting of 17 June 2015 (agenda item 5), the Executive Board was authorised, with the approval of the Supervisory Board, to acquire treasury shares up to a pro rata share in the share capital of € 2,070,117.00 until 16 June 2020. This corresponded to 10% of the share capital of € 20,701,174.00 existing at the time of the resolution, for each permissible purpose.
At the discretion of the Executive Board, the acquisition can take place via the stock exchange or by means of a public offer addressed to all shareholders.

The acquired shares together with other treasury shares held by the company or attributable to it may at no time account for more than 10% of the share capital in accordance with Section 71d Aktiengesetz (AktG – German Stock Corporation Act). Details of the authorisation can be found in the invitation to the Annual General Meeting of 17 June 2015, which is available on the SLEEPZ AG website (see agenda item 5 and the related report of the Executive Board).

The company held no treasury shares at the end of the 2017 financial year.

In respect of Sections 315a (1) no. 3 of the HGB, please refer to the notes. Further disclosures in line with Sections 315a (1) of the HGB are not required.

Berlin, 25 April 2018

Oliver Borrmann

Group Balance Sheet as at 31. December 2017

ASSETS

	Notes	31.12.2017	31.12.2016
		€	T€
LONG-TERM ASSETS			
Intangible assets	20. 21	4,815,472.22	4,883
Tangible assets	22	319,147.68	435
Fixed asset securities		16,666.00	13
		5,151,285.90	
CURRENT ASSETS			
Assets marked for sale of discontinued operation	19	0.00	5,493
Inventories	23	2,078,621.53	2,251
Trade accounts receivable		349,249.48	1,215
Receivables and other assets	24	584,529.38	236
Cash on banks and cash on hand	25	500,214.19	798
		3,512,614.58	
TOTAL ASSETS		**8,663,900.48**	**15,324**

LIABILITIES

	Notes	31.12.2017 €	31.12.2016 T€
SHAREHOLDERS´ EQUITY			
Subscribed capital	26	8,970,391.00	20,701
Capital reserves	28	-650,528.77	1,050
Other revenue reserves		668,123.39	668
Accumulated net loss		-2,892,458.41	-15,172
Minorities		-435,261.54	340
		5,660,265.67	
NON-CURRENT LIABILITIES			
Liabilities towards banks	33	12,398.98	21
Loans	32	396,000.00	429
		408,398.98	
CURRENT LIABILITIES			
Trade accounts payable		456,943.34	1,183
Prepayments received		391,743.52	192
Liabilities towards banks	33	533,194.38	2,154
Other liabilities	34	1,179,897.33	3,718
Provisions		33,457.26	40
		2,595,235.83	
TOTAL LIABILITIES		**8,663,900.48**	**15,324**

Statement of Comprehensive Income

FOR THE PERIOD FROM 1.1.2017 TO 31.12.2017

	Notes	2017 €	2016 T€
SALES REVENUE	35	11,460,950.14	14,356
OTHER OPERATING INCOME			
Other operating income		171,687.43	102
Income from consulting and commissions		111,668.66	531
CHANGE IN INVENTORIES		-53,061.88	77
COST OF MATERIALS			
Cost of sales and services purchased	36	-7,916,152.09	-9,788
STAFF COSTS			
Wages and salaries	37, 38	-1,634,285.08	-1,797
Social security contributions and costs for pensions and support		-367,436.78	-378
DEPRECIATIONS			
Depreciation on tangible and intangible fixed assets		-268,363.91	-245
OTHER OPERATING EXPENSES	39	-5,476,551.51	-4,875
OPERATING INCOME		-3,971,545.02	-2,017
Income from investments		71,588.08	47
Interest and similiar income		5,879.26	5
Interest and similiar expenses		-239,600.57	-415
Income taxes	40	-753.14	-112
RESULT FROM CONTINUING OPERATIONS		**-4,134,431.39**	**-2,492**
Result from discontinued operations	19	-820,921.22	-7,335
CONSOLIDATED NET RESULT		**-4,955,352.61**	**-9,827**
Share of result of non-controlling interests		-775,428.87	-271
result attributable to shareholders of the company		-4,179,923.74	-9,556
Earnings per share from continuing operations (diluted and non-diluted)	47	-0.43	-0.32
Earnings per share from discontinued operation (diluted and non-diluted)	47	-0.11	-1.06
Earnings per share (diluted and non-diluted)	47	-0.54	-1.38
CONSOLIDATED NET RESULT		**-4,955,352.61**	**-9,827**
Other comprehensive income		0.00	0
COMPREHENSIVE INCOME		**-4,955,352.61**	**-9,827**

Cash-Flow Statement

	Notes	2017 T€	2016 T€
CASH-FLOW FROM OPERATIONS			
Consolidated net result		-4,955	-9,827
Result of discontinued operation	19	821	7,335
Depreciation of intangible and tangible assets		268	245
Share of result of non-controlling interests		775	271
Other non-cash items		26	57
		-3,065	-1,919
Decrease/(-) increase in assets and increase/(-) decrease in liabilities			
Receivables and other assets		517	-427
Inventories		173	-756
Other liabilities	34	-465	-1,018
Provisions		-7	3
CASH-FLOW FROM ORDINARY BUSINESS ACTIVITIES		**-2,847**	**-4,117**
CASH FLOW-FROM INVESTMENTS			
Additions to fixed asset securities		-4	-4
Additions to intangible and tangible assets		-85	-367
Increase of the share of subsidiaries		0	-114
Sale of discontinued operations		5,000	0
TOTAL CASH-FLOW FROM INVESTMENTS		**4,911**	**-485**
CASH FLOW-FROM FINANCING			
Liabilities towards banks	33	-1,630	705
Capital increase		3,003	0
Minorities		-775	334
Loans	32	-2,633	-583
TOTAL CASH-FLOW FROM FINANCING		**-2,035**	**456**
CHANGE IN LIQUID FUNDS		**29**	**-4,146**
Cash-flow from discontinued operation	19	-327	3,001
TOTAL CHANGE IN LIQUID FUNDS		**-298**	**-1,145**
Cash and cash-equivalents at the beginning of the year		798	1,943
Cash and cash-equivalents at the end of the year		500	798

Statement of Changes in Equity

Figures in T€	Notes	Subscri-bed capital	Capital reserve	Other pro-fit reserves	Accumu-lated net result	Minorities	Total
EQUITY AS AT 1.01.2017	26,28	**20,701**	**1,051**	**668**	**-15,174**	**340**	**7,586**
Capital decrease		-13,801			13,801		0
Dissolution of the capital re-serve			-2,659		2,659		0
Capital increase		2,070	933				3,003
Share-based compensation			26				26
Consolidated net result					-4,180	-775	-4,955
EQUITY AS AT 31.12 2017	26,28	**8,970**	**-649**	**668**	**-2,894**	**-435**	**5,660**
EQUITY AS AT 1.01.2016	26,28	**20,701**	**994**	**782**	**-5,617**	**6**	**16,866**
Share-based compensation			57				57
Share of non-controlling interests						605	605
Transactions with non-control-ling interests				-114			-114
Consolidated net result					-9,557	-271	-9,828
EQUITY AS AT 31.12 2016	26,28	**20,701**	**1,051**	**668**	**-15,174**	**340**	**7,586**

Notes

FOR THE BUSINESS YEAR 2017

I. General information

1. BUSINESS ACTIVITIES OF THE COMPANY

SLEEPZ AG (formerly bmp Holding AG, renamed in accordance with the resolution of the Annual General Meeting on August 18, 2017) is a corporate group focused on online trading in sleep products. Its subsidiaries maintain a full range of brand products and private labels (beds, mattresses, bedding etc.) and sell these through a multichannel approach.

According to the statutes, the purpose of the company is now to develop and produce economic assets and to trade such assets, particularly in the consumer goods sector, including via subsidiaries, associates and equity investments, as well as to perform consulting services for companies, particularly services in the area of management consulting, to the extent that such services do not require a legal permit.

SLEEPZ AG was founded on 24.06.1997 under German law, its headquarters are located at Schlüterstrasse 38, D-10629 Berlin, Germany. SLEEPZ AG is entered in the Commercial Register of the District Court of Berlin-Charlottenburg, Federal Republic of Germany, under the number HR-B 64 077.

2. GENERAL INFORMATION

The consolidated financial statements show the assets and financial earnings situation, along with capital flows in accordance with actual conditions. The statement of comprehensive income is structured according to total cost accounting. The consolidated financial statements are shown in euro. Unless otherwise noted, all amounts are rounded off according to normal business procedures in thousands of euro (€ thousand or EUR thousand). The information in the consolidated financial statements is given based on amortised cost.

The consolidated financial statements were prepared by the company on 25 April 2018. Post-balance sheet effects are taken into account up to that date.

3. SCOPE OF CONSOLIDATION

Name	Principal activities	Headquarters	Share of capital and voting rights in 2017	Share of capital and voting rights in 2016
sleepz Home GmbH	Operating and further developing online shops as well as multichannel sales, in particular of bedding and furniture of all kinds	Ludwigsfelde, Germany	66.8 %	66.8 %
Matratzen Union GmbH	Purchasing and selling mattresses, bedding and sleep systems	Wolfhagen, Germany	60.00 %	60.00 %
Markenschlaf GmbH	Trading in goods of all kinds, particularly products relating to sleep, furnishings and living, as well as comparable consumer goods	Wolfhagen, Germany	60.00 %	60.00 %
Ecom Union GmbH	Trading in goods of all kinds, particularly products relating to sleep, furnishings and living, as well as comparable consumer goods	Wolfhagen, Germany	60.00 %	60.00 %
Denkvertrieb GmbH	Developing marketing strategies, graphic design and implementation, textual design, selling and trading via internet platforms, developing sales strategies and designing and optimising websites	Wolfhagen, Germany	60.00 %	60.00 %
Grafenfels Manufaktur GmbH	Designing, manufacturing and selling mattresses, bedding, bed linen and all other products relating to the theme “sleep”	Berlin, Germany	100 %	100 %
ReFer GmbH	Acquisition and holding of investments	Berlin, Germany	0 %	100 %

A summary of financial information regarding the Group’s subsidiaries with significant non-controlling interests is provided below. The summarised financial information corresponds to the amounts before intergroup eliminations.

For the Matratzen Union Group (no. 2 through 5):

In T€	31.12.2017	31.12.2016
Non-current assets	187	126
Current assets	2,087	2,597
Non-current liabilities	12	21
Current liabilities	1,427	1,825
Share of equity attributable to SLEEPZ AG shareholders	501	526
Non-controlling interests	334	351

In T€	2017	2016
Sales revenue	7,924	8,582
Other income	121	57
Expenses	8,087	8,318
Total gains/losses	-42	322
of which share of gains/losses attributable to SLEEPZ AG shareholders	-25	193
of which non-controlling interests	-17	129
Share of other comprehensive income attributable to SLEEPZ AG shareholders	0	0
Non-controlling interests in other comprehensive income	0	0
Total other comprehensive income	0	0
Share of total comprehensive income attributable to SLEEPZ AG shareholders	-25	193
Non-controlling interests in total comprehensive income	-17	129
Total comprehensive income	**-42**	**322**

In T€	31.12.2017	31.12.2016
Dividends paid to non-controlling interests	0	0
Net cash flow from operating activities	-249	-411
Net cash flow from investing activities	-104	-89
Net cash flow from financing activities	-106	-328
Total net cash flow	**-459**	**-827**

For the sleepz Home GmbH:

In T€	31.12.2017	31.12.2016
Non-current assets	202	339
Current assets	1,570	1,636
Non-current liabilities	396	429
Current liabilities	3,287	1,171
Share of equity attributable to SLEEPZ AG shareholders	-1,276	250
Non-controlling interests	-634	124

In T€	2017	2016
Sales revenue	4,861	5,886
Other income	151	84
Expenses	7,297	7,120
Total gains/losses	-2,285	-1,151
of which share of gains/losses attributable to SLEEPZ AG shareholders	-1,526	-769
of which non-controlling interests	-759	-382
Share of other comprehensive income attributable to SLEEPZ AG shareholders	0	0
Non-controlling interests in other comprehensive income	0	0
Total other comprehensive income	0	0
Share of total comprehensive income attributable to SLEEPZ AG shareholders	-1,526	-769
Non-controlling interests in total comprehensive income	-759	-382
Total comprehensive income	**-2,285**	**-1,151**

In T€	31.12.2017	31.12.2016
Dividends paid to non-controlling interests	0	0
Net cash flow from operating activities	-1,717	-1,455
Net cash flow from investing activities	7	-520
Net cash flow from financing activities	1,817	2,108
Total net cash flow	**107**	**133**

4. 4. BASICS OF THE ANNUAL FINANCIAL STATEMENTS

In the preparation of the consolidated financial statements, SLEEPZ AG made use of the option provided by section 315e (3) of the German Commercial Code (Handelsgesetzbuch – HGB) to prepare these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements of SLEEPZ AG were prepared in accordance with the IFRS published by the IASB and their interpretations, as required by the European Union, and in accordance with the additional requirements of section 315a (1) HGB. SLEEPZ AG took all compulsory standards and interpretations into account as of 31 December 2017.

Where relevant, SLEEPZ AG applied the following accounting standards for the first time in preparing its accounts for 2017:

» The IASB issued amendments to IAS 12 in January 2016. With this change the IASB clarifies questions regarding the recognition of deferred tax assets for unrealised losses. It is mandatory to apply the amendments for business years beginning on or after 1 January 2017; use for earlier periods is permitted. The EU endorsed this standard in November 2017. The amendments have no material effect on the consolidated financial statements of SLEEPZ AG.
» The IASB issued amendments to IAS 7 in January 2016. The amendments are intended to clarify IAS 7 and to improve the information provided to users of financial statements relating to the financial activities of a company. It is mandatory to apply the amendments for business years beginning on or after 1 January 2017; use for earlier periods is permitted. The EU endorsed this standard in November 2017. SLEEPZ AG has adapted the relevant information.

The following new or revised standards or interpretations issued by the IASB but not yet effective were not adopted early in SLEEPZ AG's financial statements. EU endorsement is still pending:

Standard	(Expected) Adoption date	EU Endorsement	Expected Effects on SLEEPZ AG
IFRS 15: Revenue from Contracts with Customers (May 2014 and changed in April 2016)	1.1.2018	Sept. 2016/ Oct. 2017	Generally significant, see below
IFRS 9: Financial Instruments (July 2014)	1.1.2018	Nov. 2016	Generally significant, see below
IFRS 16: Leases (Jan. 2016)	1.1.2019	Oct. 2017	Generally significant, see below
IFRS 17: Insurance Contracts (May 2017)	1.1.2021	Pending	Irrelevant

IFRIC 22: Foreign Currency Transactions and Advance Consideration (Dec. 2016)	1.1.2018	Pending	Insignificant
IFRIC 23: Uncertainty over Income Tax Treatment (June 2017)	1.1.2019	Pending	Being assessed
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 (Sep. 2016)	1.1.2018	Nov. 2017	Irrelevant
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (June 2016)	1.1.2018	Pending	Irrelevant
Annual Improvements to IFRS Standards 2014-2016 Cycle (Dec.2016)	1.1.2017/2018	Pending	Being assessed
Amendments to IAS 40: Transfers of Investment Property (Dec. 2016)	1.1.2018	Pending	Irrelevant
Amendments to IFRS 9: Prepayment Features with Negative Compensation (Oct. 2017)	1.1.2019	Pending	Being assessed
Amendments to IAS 28: Lon-term Interests in Associates and Joint Ventures (Oct. 2017)	1.1.2019	Pending	Being assessed
Annual Improvements to IFRS Standards 2015-2017 Cycle (Dec. 2017)	1.1.2019	Pending	Being assessed

In May 2014, the IASB issued IFRS 15 “Revenue from Contracts with Customers”. According to the new standard, the recognition of revenue should reflect the transfer of the relevant goods or services to the customer at the amount corresponding to the consideration that the company expects to be entitled to in exchange for these goods or services. Revenues are recognised when the company obtains control over the goods or services. IFRS 15 also contains regulations on the recognition of service surpluses or obligations at contract level. These are assets and liabilities from customer contracts which result from the relationship of the performance provided by the company and the customer payment. In addition, the new standard requires the disclosure of qualitative and quantitative information to allow users of consolidated financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 replaces IAS 11, Construction Contracts, and IAS 18, Revenues, and the relevant interpretations. It is mandatory to apply the standard for financial years beginning on or after 1 January 2017. The standard can be applied earlier. The EU endorsed the standard in September 2016. In April 2016, a number of clarifications to IFRS 15 were published, which primarily concern the identification of separate performance obligations and principal versus agent considerations. The EU endorsed the amendment in October 2017. SLEEPZ AG is not making use of the option of early adoption of IFRS 15, but will apply IFRS 15 for the first time for the financial year beginning on 1 January 2018 (IFRS 15 transition year). The initial application will be according to the full retrospective method, which means that any transition effects will be recognised directly in retained earnings at the beginning of the comparative period on 1 January 2017. In doing so, SLEEPZ AG is making use of the practical expedients granted in IFRS 15. In this context, it is particularly intended that as of 1 January 2017, no restatements be made of such contracts that were commenced and completed within the same financial year or that were completely fulfilled on 1 January 2017. SLEEPZ AG is currently examining the possible future effects on the consolidated financial statements. The investigations carried out as part of the implementation of IFRS 15 confirmed that there will be no material effects on the consolidated financial statements of SLEEPZ AG. Changes in the total amount of revenues recognised for a customer contract

will occur only to a very limited extent in the 2017 financial year (compared to the same period in the previous year). The vast majority of construction contracts, which are currently accounted for using the percentage-of-completion method, meet the requirements for a period-related realisation of revenue. There will also be changes in the balance sheet (for example, due to separate items for contractual assets and liabilities) and additional quantitative and qualitative disclosures.
In July 2014, the IASB concluded its project to replace IAS 39 Financial Instruments: Recognition and Measurements, with the publication of the final version of IFRS 9 Financial Instruments. IFRS 9 introduces a consistent approach to the classification and measurement of financial assets. As a basis, the standard uses cash flow characteristics and the business model according to which they are managed. In addition, it provides for a new impairment model based on expected credit losses. IFRS 9 also contains new regulations on hedge accounting in order to provide better disclosures on risk management activities, especially in reference to managing non-financial risks. It is mandatory to apply the new standard for financial years beginning on or after 1 January 2018. The standard can be applied earlier. The EU endorsed this standard in November 2016. SLEEPZ AG will apply IFRS 9 for the first time in the financial year commencing 1 January 2018 and currently assumes that comparative information for prior periods in terms of classification and measurement as well as impairment according to IFRS 9 are not disclosed in accordance with the simplification options. The resulting transition effects are generally recognised in retained earnings. Although SLEEPZ AG has not yet completed the impact assessment of IFRS 9, it does not expect any material effects on the financial statements resulting from its initial application. In classifying its financial assets, SLEEPZ AG expects that some of the trade receivables previously recognised exclusively at amortised cost will be carried as other comprehensive income at fair value through other comprehensive income. It is expected that the equity instruments measured at amortised cost will be measured at fair value through profit or loss.

In order to implement the new provisions on impairment, suitable models are being developed, in particular to determine the expected default rates of trade receivables. SLEEPZ AG currently intends to apply the simplified impairment model of IFRS 9 and to recognise the expected losses over the entire duration from all trade receivables and contract items carried as assets. The recognition of expected losses under the new impairment model is expected to result in an earlier recognition of allowances.

In January 2016, the IASB issued IFRS 16 Leases. IFRS 16 replaces previous requirements for the classification of leases by the lessee as either operating or finance leases. Instead, IFRS 16 introduces a single lessee accounting model, requiring lessees to recognise (right-of-use) assets and liabilities for all leases, unless the lease term is 12 months or less. As a result, previously unrecognised leases will, in future, be recognised, which is largely similar to the current recognition of finance leases. IFRS 16 is to be applied for financial years beginning on or after 1 January 2019. Early adoption is permitted if IFRS 15 has already been applied. The EU endorsed the standard in October 2017. SLEEPZ AG is not making use of the option of early adoption of IFRS 16, but will apply IFRS 16 for the first time for the financial year beginning on 1 January 2019 and is currently examining the effects of the application of IFRS 16 on the consolidated financial statements of SLEEPZ AG. SLEEPZ AG concludes leases mainly as operating lessee. The application of IFRS 16 has the following effects on the presentation of the Group's net assets, financial position and results of operations. With regard to the minimum lease payments from operating leases reported under other financial liabilities, the first application of the standard will lead to an increase in non-current assets through the recognition of rights of use. Financial liabilities will increase accordingly as a result of reporting the corresponding liabilities. Furthermore, the nature of the expenses arising from these leases will change, as IFRS 16 replaces the previous straight-line expenses for operating leases with depreciation of the rights of use and interest payable on the liabilities. In addition, under IFRS 16, the repayment portion of lease payments as part of cash flow from financing activities is to be reported, so that operating cash flow will improve. The quantitative effects on the consolidated financial statements cannot yet be reliably stated.

5. RECOGNITION OF REVENUE

Income from the disposal of merchandise and finished goods is recorded at the time of ownership and risk transfer to the customer, provided that a price has been agreed on or can be determined and its payment is probable. Income from services is recorded after the services have been performed and a price has been agreed on or is determinable and its payment is probable. In the case of master agreements for services, the services performed are settled regularly, generally on a quarterly basis. Revenue is reported less any trade discounts, rebates or other price reductions.

Income from the disposal of investments and securities were recorded under the discontinued operation at the time of ownership transfer to the purchaser, provided that a price has been agreed on or can be determined and its payment was probable.

Dividend income from investments is recorded at the time the legal claim to payment arises.

6. VALUATION ALLOWANCES

On each balance sheet date the Group reviews the carrying amounts of other intangible assets and property, plant and equipment to check for any indications of impairment. In such case, the recoverable amount of the asset concerned is determined in order to establish if it is necessary to recognise a valuation allowance. To test intangible assets with an indefinite useful life (including goodwill) and intangible assets that are not yet available for use for impairment, the recoverable amount is determined annually, irrespective of whether or not there is any indication of impairment. The recoverable amount corresponds to the fair value less costs to sell or value in use; the higher of the two values is used. Value in use corresponds to the present value of projected cash flows. A pre-tax rate in line with market conditions is used for the discounting interest rate. If it is not possible to determine the recoverable amount for an individual asset, it is necessary to determine the recoverable amount for the smallest identifiable group of assets (cash-generating units) to which the asset concerned can be allocated.

Goodwill resulting from acquisitions is allocated to the cash-generating units that are expected to benefit from the synergies of the acquisition. Such cash-generating units are at the lowest reporting level in the Group for which management monitors goodwill for internal purposes. The recoverable amount of a cash-generating unit containing goodwill is regularly tested annually for impairment on the balance sheet date as well as at other times if there are any indications of impairment.
If the recoverable amount of an asset is less than its carrying amount, a valuation allowance will be recognised in the income statement immediately. If the valuation allowance is determined based on cash-generating units containing goodwill, the goodwill will be impaired initially. If the valuation allowance required exceeds the carrying amount of the goodwill, the remainder will be divided proportionately between the remaining non-current assets of the cash-generating unit.

If, following an impairment write-down, there is a subsequent increase in the recoverable amount of the asset or cash-generating unit, the impairment loss will be reversed. The reversal is limited to the amortised cost that would have arisen in the past without the valuation allowances. It is not possible to reverse goodwill impairment losses.

All impairment losses are recognised in the statement of comprehensive income under depreciation; reversals of impairment are reported in other operating income.

7. INCOME TAXES

Deferred and current taxes are calculated in accordance with IAS 12. Deferred taxes are calculated based on temporary differences between the carrying amounts of assets and liabilities in the IFRS balance sheet and the tax base as well as on realisable loss carryforwards. The calculation is based on the tax rates expected at the time of realisation that apply or have been adopted as at the balance sheet date. Deferred tax assets are only recognised if it is probable that the associated tax receivables will be used. Loss carryforwards are included in tax deferral if they are expected to be realisable.

Changes to deferred taxes in the balance sheet result in deferred tax expenses/income. If items causing a change in deferred taxes are recognised directly in equity, the change in deferred taxes is also recognised directly in equity.

8. GOODWILL

Goodwills are carried at cost and tested annually for impairment as well as at other times if there are any indications that it may be impaired, see no. 6.

9. DISCONTINUED OPERATIONS

The Company had decided to abandon the venture capital business, the discontinued operation was reclassified in accordance with IFRS 5. The sale of the shareholdings was completed on 29 June 2017, the expenses of the discontinued operation were shown in the statement of comprehensive income up to that date.

10. FINANCIAL INSTRUMENTS

A financial instrument is an agreement which results in a financial asset in one company while at the same time resulting in a financial liability or an equity instrument in another company. This always requires originated financial instruments on the one hand and derivative financial instruments on the other. The company held no derivative financial instruments - either with or without a balance sheet hedging relationship - in 2017 and 2016.

11. PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment is used in operations and is measured at cost less straight-line depreciation, if depreciable. Across the Group as a whole, depreciation is based on the following useful lives:

In years	Useful life
Technical equipment and machines	5 bis 20
Other equipment, operating and office equipment	3 bis 13

Expenses for maintenance and repairs are recognised in the income statement unless they must be capitalised. Costs for replacing components or for a general overhaul of property, plant and equipment are capitalised, provided that the future economic benefit is expected to flow to the Group and the costs can be measured reliably. If depreciable property, plant and equipment is composed of significant identifiable components with individually varying useful lives, these components are presented separately and depreciated over their respective useful lives.

Property, plant and equipment is regularly tested for impairment, if necessary on the basis of cash-generating units. If necessary, valuation allowances are recognised in accordance with IAS 36 (see above).

12. INTANGIBLE ASSETS

Acquired and internally generated intangible assets are capitalized in accordance with IAS 38 if it is probable that the use will give rise to a future economic benefit and the costs of the asset can be reliably determined.
Intangible assets acquired for a consideration are recognized at cost and amortized on a straight-line basis over a useful life of three to six years. All intangible assets acquired against payment have a limited useful life.

Separable self-produced product innovations are capitalized as soon as the recognition criteria required in IAS 38.57 are met cumulatively. From then on, the individual product innovations are capitalized directly attributable development or production costs (mainly personnel costs) including development-related overheads. Capitalized internally generated product innovations are depreciated according to plan over their economic useful life from the time they are available for recovery. All capitalized internally generated intangible as-

sets have a limited useful life. They are amortized on a straight-line basis over the expected product life cycle of up to eight years.
The recoverability of intangible assets is regularly reviewed on the basis of cash-generating units. If necessary, appropriate valuation allowances are made in accordance with IAS 36. Intangible assets still under development are tested annually for impairment and, in addition, if there are indications of possible impairment at other times.
The recoverability of intangible assets is regularly reviewed on the basis of cash-generating units. If necessary, appropriate valuation allowances are made in accordance with IAS 36. Intangible assets still under development are tested annually for impairment and, in addition, if there are indications of possible impairment at other times (see above).

13. OTHER FINANCIAL OBLIGATIONS

In addition to liabilities, provisions and contingencies, there are other financial obligations, in particular rental obligations for business premises and lease obligations for cars and photocopiers.

The contracts have terms of up to 5 years and in some cases include extension options and price adjustment clauses. No subleases have been agreed.

The nominal total of future minimum lease payments under non-cancellable rental agreements and operating leases is composed as follows according to maturity:

in T€	2017	2016
Due within one year	409	416
Due in between one to five years	523	1,434
Due after more than five years	0	0
Total	**932**	**1,850**

14. LEASING

SLEEPZ AG, as lessee, has concluded lease agreements (mainly for cars and copiers) that are to be classified as operating leases in accordance with IAS 17, as essentially all risks and rewards of ownership remain with the lessor. Lease payments for such operating leases are recognized as other operating expenses in the statement of operating income over the term of the lease.

15. PROVISIONS

Provisions may only be entered on the liabilities side if an obligation exists and utilisation is probable. Non-current provisions are discounted where the effect of the time value of money is material.

16. LIABILITIES

Liabilities are reported as current, if the debt is payable within 12 months of the balance sheet date. Therefore, the balance sheet makes a distinction between current and non-current liabilities.

17. ESTIMATES

Preparing the consolidated financial statements requires that assumptions be made and estimates be used which affect the level and disclosure of assets and liabilities reported on the balance sheet, as well as on income and expenditure and contingent liabilities. The estimates are based on experience and other assumptions which can be regarded under the given circumstances as accurate. The actual values may deviate from the estimates. The estimates and assumptions are continuously subjected to review and corrected as needed.

The following list of significant estimates and related assumptions, along with the uncertainties that go hand in hand with the accounting policy selected, are of decisive importance for an understanding of the basic risks inherent in a financial report and the impact which these estimates, assumptions and uncertainties could have on the consolidated financial statements:

Useful lives of property, plant and equipment and other intangible assets

At the end of each business year, the company reviews the estimated useful lives of property, plant and equipment and other intangible assets. Changes in the estimates were not required in 2017 or 2016.

Recoverability of property, plant and equipment and other intangible assets

On each balance sheet date the company is required to estimate whether there is any evidence that the carrying amount of an item in property, plant and equipment or other intangible assets could be impaired. In such case, the recoverable amount of the asset concerned is estimated. The recoverable amount corresponds to the higher of the fair value less costs to sell and the value in use. The discounted future cash flows of the asset concerned are determined in order to establish the value in use. The estimate of discounted future cash flows includes key assumptions, including in particular those relating to future sale prices and sales volumes, costs and discounting interest rates. Although the management assumes that its estimates of the relevant expected useful lives, its assumptions regarding the economic conditions and performance of the industries in which the Group operates and its estimates regarding discounted future cash flows are reasonable, a change in the assumptions or circumstances could necessitate a change in the analysis. This could result in additional impairment losses or reversals in the future should the trends identified by the management reverse or the assumptions and estimates prove to be incorrect.

Taxes on income

On each balance sheet date, the Group assesses whether future tax benefits are sufficiently likely to be realisable for deferred tax assets to be recognised. Among other things, this requires that the management assess the tax benefits resulting from the available tax strategies and future taxable income, taking into account further positive and negative factors. The deferred tax assets reported may decrease if the estimates of planned tax income and the tax benefits realisable based on available tax strategies are lowered or if changes in current tax legislation limit the time frame or extent of realisability of future tax benefits.

Goodwill

The Group tests goodwill for impairment annually as well as at other times if there are indications that it may be impaired. This involves estimating the recoverable amount of the cash-generating unit. This corresponds to the higher of the fair value less costs to sell and the value in use. Determining the value in use involves making adjustments and estimates with respect to the projections and discounting of future cash flows. Although the management assumes that the assumptions used to calculate the recoverable amount are reasonable, any unforeseeable changes in these assumptions could lead to a write-down for impairment that could negatively affect the company's financial position and performance. At the balance sheet date, goodwill was carried at € 4,687 thousand.

Legal risks

As at 31 December 2017, SLEEPZ AG was involved in litigations for which it was necessary to recognise provisions or liabilities of € 111 thousand (previous year: € 100 thousand).

18. INVENTORY VALUATION

Inventory is measured by way of the average method.

19. NOTES ON THE DISCONTINUED OPERATIONS

This discontinued operation is reported in the balance sheet and statement of comprehensive income in accordance with IFRS 5. The discontinued operation comprises the former investment business of SLEEPZ AG.

Results of the discontinued operation:

In T€	**2017**	**2016**
Revenue	7,544	4,252
Expenses	-8,353	-4,972
Result from revaluation	-12	-6,615
Earnings before taxes	-821	-7,335
Earnings after taxes	-821	-7,335

Cash flows of the discontinued operation:

In T€	**2017**	**2016**
Cash flow from operations	-894	-1.233
Cash flow from investments	566	4.235
Cash flow from financing	0	0

II. Notes on the balance sheet

20. INTANGIBLE ASSETS

This position contains intangible assets and goodwills, for the structure and development we refer to the following tables.

In T€	01.01.2017	Disposal	Addition	31.12.2017
Acquisition costs	362	0	61	423
Depreciations	165	0	129	294
Book value	**197**	**-**	**-**	**129**

In T€	01.01.2016	Disposal	Addition	31.12.2016
Acquisition costs	282	1	81	362
Depreciations	69	1	97	165
Book value	**213**	**-**	**-**	**197**

21. GOODWILLS

In T€	01.01.2017	Disposal	Addition	31.12.2017
Acquisition costs	4,687	0	0	4,687
Depreciations	0	0	0	0
Book value	**4,687**	**0**	**0**	**4,687**

In T€	01.01.2016	Disposal	Addition	31.12.2016
Acquisition costs	4,687	0	0	4,687
Depreciations	0	0	0	0
Book value	**4,687**	**0**	**0**	**4,687**

Goodwill is allocated to five cash-generating units (CGUs); the CGUs are formed based on the SLEEPZ Group's product lines. The impairment test of the goodwill is determined on the one hand by establishing their value in use using the discounted cash flow method and on the other hand by comparison of the parameters at the acquisition date to those at the reporting date (calibration).
These methods use the planned post-tax cash flows from the four-year, resp. five-year plans for the CGUs prepared using a bottom-up approach and approved by the management of SLEEPZ AG. The cash flows beyond this detailed planning phase are based on the terminal value. The assumed growth rate for extrapolation of the cash-flows amounts to 2.00% p.a. The total cost of capital used for discounting purposes is based on a risk-free interest rate of 1.50% p.a as well as on risk premiums for each equity and financial liabilities of 5.50% percentage points p.a. Furthermore, a beta factor derived from the respective peer group, a tax rate and the capital structure are taken into account for each individual CGU. A post-tax discounting interest rate of 9.75% p.a to 12.89% p.a. was used for discounting the cash flows for the five CGUs:

In T€	Goodwill	%
sleepz Home GmbH	2,204,469	47.0%
Markenschlaf GmbH	664,280	14.2%
Matratzen Union GmbH	1,487,092	31.7%
Ecom Uniom GmbH	284,448	6.1%
Denkvertrieb GmbH	46,241	1.0%
Total	**4,686,531**	**100.0%**

The amounts achievable of the CGU's were calculated as a value in use. The value in use for the CGU's will be calculated generally on the basis of revenue growth. For its determination past data as well as anticipated market performance is gathered. The values allocated to the significant assumptions principally match external sources of information (in particular market studies). An impairment of goodwill was not determined.

22. PROPERTY, PLANT AND EQUIPMENT

In T€	01.01.2017	Disposal	Transfer	Addition	31.12.2017
Acquisition costs	627	149	-75	156	559
Depreciations	193	49	-24	121	241
Book value	**434**	**-**	**-**	**-**	**318**

In T€	01.01.2016	Disposal	Transfer	Addition	31.12.2016
Acquisition costs	343	0	0	284	627
Depreciations	46	0	0	147	193
Book value	**297**	**-**	**-**	**-**	**434**

23. INVENTORIES

Inventories are measured at cost or at a lower net realisable value. In accordance with IAS 2, production costs are determined as full costs (consisting of direct costs and reasonable overheads, including production-related administrative expenses) using the standard cost method. Acquisition costs are generally determined using the average method. The net realisable value corresponds to the selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

24. RECEIVABLES AND OTHER ASSETS

Receivables and other assets are measured individually at amortised cost taking into account the probability of payment.

In T€	2017	2016
Accrued income	115	19
Receivables from shareholdings	0	0
Receivables from the tax authorities	160	96
Other receivables and assets	310	121
Total Receivables	**585**	**236**

25. BALANCES HELD WITH BANKS, CASH IN HAND

In T€	2017	2016
Balances held with banks, cash in hand	500	798

Please refer to the cash flow statement for information on the use of liquid assets.

26. EQUITY AND SHARES

All SLEEPZ AG shares are no-par value shares with a notional value of € 1.00. Each share has one vote. All shares are fully paid in. The total number of shares amounted to 20,701,174 in 2016 and 8,970,391 in 2017.

27. ADMISSION TO THE EXCHANGE

The shares are traded in Germany on the Regulated Market of the Frankfurt Stock Exchange and, at the same time, in the Prime Standard Index. In addition, the shares are traded in the OTC market of the stock exchanges of Berlin, Dusseldorf, Hamburg and Stuttgart. The shares are also traded on the Warsaw Stock Exchange.

28. CAPITAL RESERVE

The capital reserve contains amounts generated above the par value when issuing shares and amounts from the transfer of share-based compensation models. In 2017, it amounted to € 707 thousand (previous year: € 1,050 thousand).

29. COSTS OF ISSUING OWN EQUITY INSTRUMENTS

In accordance with IAS 32.37, the transaction costs of issuing own equity instruments are to be accounted for as a deduction from equity.

30. CHANGE IN EQUITY

Please refer to the statement of changes in equity for information on changes in equity.

31. AUTHORISED CAPITAL

Authorised capital amounted to € 8,280,587 as at 31 December 2017. The term of the authorised capital ends on 26 June 2019.

32. LONG-TERM LOANS

The loans have been granted by third-party shareholders and suppliers to sleepz Home GmbH.

33. LIABILITIES TO BANKS

As of the reporting date, SLEEPZ AG has not utilised its credit facilities of € 0.8 million (previous year: € 1,194 thousand). The company does not secure the credit facilities. Additional advance financing for the reimbursement of bonuses of € 29 thousand was utilised by Matratzen Union GmbH and is secured through the assignment of bonus entitlements. Non-current liabilities to banks amounting to € 12 thousand are secured through the assignment of the Matratzen Union GmbH warehouse as security. Furthermore, Matratzen Union GmbH utilised current account facilities of € 486 thousand.

34. OTHER LIABILITIES

In T€	2017	2016
Liabilities to the tax authorities	99	210
Liabilities to minorities	0	157
Loans	0	3,000
Liabilities – accounts and audit	120	103
Outstanding invoices	168	80
Other liabilities	393	168
Total	**780**	**3,718**

III. Notes to the statement of comprehensive income

35. SALES REVENUES

Sales revenues mainly result from sales to end users in the eCommerce area and relate to products from the sleeping and domestic cultures such as mattresses, bedding and bedroom furniture.

36. COST OF MATERIALS

The cost of materials contains the reduction of book value of inventories and goods corresponding to the revenue from commercial trading activities.

37. STAFF COSTS

The personnel expenses reflect the remuneration of the employees; in the business year, the following employees were employed in the individual areas on an average:

	2017	2016
Manufacturing/Warehouse	23	10
Sale	26	17
Administration/customer service	18	35
Total	**67**	**62**

38. SHARE-BASED REMUNERATION

The resolution of the Annual General Meeting of 27 June 2014 was amended at the Annual General Meeting of 17 June 2015 to authorise the Executive Board, with the approval of the Supervisory Board, to issue on one or several occasions up to 26 June 2019 warrant and/or convertible bonds with a total nominal amount of up to € 30 million with or without a limited maturity date and to grant bearers of warrant bonds options and bearers of convertible bonds conversion rights to up to 8,280,470 non-par value bearer shares (shares) of the company in line with the warrant and convertible bond conditions (bond conditions).
The contingent capital increase is used to grant subscription rights to members of the company's Executive Board, members of the management of the subsidiaries, employees of the company and employees of the subsidiaries.

On 22 December 2015, the Executive Board and the Supervisory Board resolved on such a share option scheme and on the same date issued a total of 615,000 options as follows:

200,000 options to members of the Executive Board
370,000 options to members of the management of subsidiaries
25,000 options to employees of the Company
20,000 options to employees of subsidiaries

The exercise price was set at € 1.00/ share. The options can be exercised for two years if the threshold price of 1.18384 €/ share has been reached after expiry of the waiting period of four years.

The options issued are share-based payments with compensation from equity instruments. The fair value was measured on the grant date; a compensation expense is recognized over the waiting period, after which the beneficiaries can exercise the options if the terms of the option have been met.

The resolution of the Annual General Meeting on March 21, 2017 reduced the capital to € 6,900,391.00. In the case of a capital reduction through the pooling of shares or the withdrawal of shares, the claim of a warrant holder relates to acquiring a limited number of shares upon exercise of the option right. The option price and the strike price remain unchanged. There is no addition of fractional shares.

	01.01.2017	newly issued	Excerci-seable	Excerci-sed	Cancelled	31.12.2017
Members of the executive board	200,000	0	0	0	0	200,000
Memebers of the management of subsidiaries	370,000	0	0	0	150,000	220,000
Staff members	25,000	0	0	0	0	25,000
Staff Members of subsidiaries	20,000	0	0	0	20,000	0
Total	**615,000**	**0**	**0**	**0**	**170,000**	**445,000**

39. OTHER OPERATING EXPENSES

In T€	2017	2016
Losses on receivables and additions to specific provisions on receivables	370	1
Losses on disposed tangible assets	88	0
External work	333	174
Costs of General Stockholders' Meeting	79	32
Insurance, contributions and charges	62	49
Advertising, travel and stock exchange costs	884	779
Fund management expenses	95	513
Year-end closing and audit costs	192	190
Supervisory Board costs	74	51
Transaction costs	71	74
Legal costs and fees and commissions paid to consultants	106	48
Costs of shipment and packaging	804	946
Sales commisions and fees	917	755
Rents and accommodation expenses	518	460
Vehicle expenses	122	113
Hard- and software maintenance	11	49
Administration costs for holding companies	330	240
Various operating costs	421	401
Total	**5,477**	**4,875**

40. INCOME TAXES

in T€	2017	2016
current tax expenses	1	112
of which current income tax expenses for the period	1	112

In Germany, uniform corporation tax of 15% (previous year: 15%) and an additional solidarity rate of 5.5% (previous year: 5.5%) are applied to distributed and retained profits in order to determine current taxes. In addition to corporation tax, trade tax is due on profits generated in Germany. As trade tax is not deductible as an operating expense, this results in an average tax rate of 15% (previous year: 15%) for trade tax, resulting in an overall domestic tax rate of 30.2% (previous year: 30.2%).

Deferred tax assets and liabilities are calculated based on the tax rates that apply at the time the assets are realised or the liabilities settled.

Deferred tax assets are only recognised if these tax benefits are expected to be realised. All currently known positive and negative factors having an affect on future tax outcomes are taken into account when determining the relevant valuation allowances. The estimate to be made in this regard may change based on future developments. At 31 December 2017, for corporate income tax losses carryforward in the amount of € 85 million and trade tax losses carryforward in the amount of € 90 million no deferred taxes were recognized.

The tax loss carryforwards in the acquisitions are either eliminated during the change in ownership or are presently classified by management as not yet realizable.

Deferred tax assets and liabilities are offset, provided that they are to be allocated to future charges or reductions in respect of the same taxpayer and the same taxation authority.

The difference between the expected income tax expense (applying the tax rate applicable to SLEEPZ AG) and the reported income tax expense is due to the following causes:

in T€	2017	2016
Earnings before taxes	-4,955	-9,716
Expected tax expenses (-)/-refunds (+)	1,495	2,934
thereof non-taxable revaluation of investments	-4	-1,998
thereof non-taxable earnings from the sale of investments	-13	-191
Tax expense relating to Group companies with no right to reimbursement	-1,477	-633
Tax expenses of subsidiaries without losses carried forward	1	112
Reported tax expense	**1**	**112**

IV. Notes on the cash flow statement

41. NOTES ON THE CASH FLOW STATEMENT

In accordance with IAS 7, payment flows are reported in the cash flow statement in order to provide information on the company’s cash and cash equivalents. The payment flows are differentiated on the basis of operating, investing and financing activities. The indirect method of presentation is applied.

41.1. CASH AND CASH EQUIVALENTS

The cash and cash equivalents at the beginning and at the end of the periods existed in the form of bank balances.

41.2. CASH FLOW FROM INTEREST

The following interest was either received or paid:

In T€	2017	2016
Interest paid	241	415
Interest received	6	5
Interest received from banks and other institutions	0	0

V. Other information

42. OPPORTUNITIES, RISKS AND RISK MANAGEMENT

Economy

Good economic conditions – particularly a low level of interest rates – favour the economic success of the SLEEPZ Group. In a recessionary environment, consumer behaviour could change accordingly to do without or delay the purchase of non-essential products. This is especially true for higher value and durable consumer goods, whose purchase is not spontaneous, but is subject to purchase planning beforehand. Thus, the business with those B2B customers, whose own purchasing behaviour depends on the consumer behaviour of the end customer, would also be adversely affected. The result would impact the sales and earnings situation.

From a current standpoint, it is assumed that no significant changes in the macroeconomic environment are to be expected, and that even in the case of a recession, the demand for bedroom furniture and accessories – in particular for mattresses and bedding products – will generally persist. In addition, the subsidiaries distribute a wide range of products in both B2C and B2B and can thus compensate for cyclical fluctuations on a normal scale.

Market

The growth potential of the bedroom furniture market is per se manageable. Essential to the success of the SLEEPZ Group is that the acceptance of the Internet for the purchase of bedroom furniture and accessories will continue to develop. If there were no further shift away from brick-and-mortar retailing to e-commerce, or if online retailing in bedroom furniture and accessories were to shrink, the business model of SLEEPZ AG and its subsidiaries would be directly impacted.
From the present perspective, current growth rates and other indicators suggest that the acceptance of the Internet as a distribution channel for bedroom furniture and accessories is continuing to increase. This opens up opportunities to further expand existing market shares.

Competition

In light of above-average growth forecasts for online trade in the ‘Living and Furnishing’ area, retail chains and brick-and-mortar traders are further expanding their online activities. Furthermore, (new) purely online companies are trying to profit from the growth dynamics of the market, partly by accepting extremely high marketing costs. A competitor who, like the SLEEPZ Group, is clearly focused on bedroom furniture and accessories, offering a wide range of products, has still not emerged as having significant market dominance. However, competition continues to increase overall. The already existing price war in the ‘Mattress’ product group may be further aggravated by this, and there may be a risk of a decline in margins for other product groups as well, which would both have an impact on business performance and the liquidity and earnings situation.
In the light of a large product range and a high level of logistics expertise in the subsidiaries, as well as their orientation both to the B2C and the B2B area, SLEEPZ AG is of the opinion that it is able to expand its own position as a whole. The further pooling of competences within the Group also offers the opportunity to exploit synergies and to realise significant economies of scale in terms of process and logistics in the medium term. The

high level of product competence also enables the SLEEPZ Group to expand the development of higher-margin private labels. In addition, the strategic partnership with Alessanderx S.p.A. opens up new opportunities to counteract any further decline in mattress margins.

IT/Technology

The continuous adaptation of the IT systems to the requirements of increasingly complex e-commerce and ensuring continuous and reliable functionality is crucial for the business operations of SLEEPZ AG and its subsidiaries. If the Group companies are unable to take advantage of the latest technologies and trends, such as mobile shopping, and/or integrate them into their IT systems, this could be reflected in the course of business over the medium term. If system failures, a force majeure event or cyberattacks lead to partial or complete failures and/or data manipulation or loss, this could have significant adverse effects on business performance, liquidity, assets and earnings in the short term and negatively affect the image subsidiaries and their online stores.
Ensuring the resulting needs requires strong own staff or good external service providers. Software developers continue to be in high demand, which still makes finding people difficult and risks losing good employees. At the same time, dependency on external service providers also represents a not-insignificant danger. In addition, SLEEPZ AG and its subsidiaries are currently working in partially different IT environments. On the one hand, this increases the effort involved in implementing new technologies. In addition, synergies cannot be leveraged. However, at the same time, the potential amount of damage is reduced in the event of the risks occurring.

Staff

SLEEPZ AG and its subsidiaries depend on a number of important and not easily replaceable employees. Recruiting qualified and committed employees at all locations is also difficult. This applies not only to IT or online marketing staff, but basically to all work areas. Should employees leave the company or additional employees are needed, this can have a negative or inhibiting effect on the course of business, at least in the short term. It may also be necessary to set incentives that would lead to an increase in personnel costs and thus have an impact on the liquidity and earnings situation.
The Executive Board and management of the subsidiaries strive to maintain an open and trusting relationship with all employees and pursue an open-door policy. There is a stock option program which provides for granting option rights to executives and employees of both the parent company and affiliated companies and aims to retain employees in the long term. The Group also counteracts the risk by working on the standardisation of processes and the centralisation of key functions. The aim is both to increase efficiency and to produce a better and more targeted knowledge transfer, which also makes it possible to respond better to any short-term staff shortages.

Vendor Relationships

The subsidiaries depend on stable and reliable relationships with their suppliers. If these do not deliver in the desired quality or not within agreed deadlines, this would have a direct impact on the business performance of the subsidiaries. If delivery disruptions take longer or customers withdraw from the purchase in this context, this could also have an impact on the liquidity and earnings situation. Due to the transparency of the Internet, disruptions in supplier relationships also pose a risk to the image of the online shops operated by the subsidiaries.

The Group counteracts this risk by maintaining a wide range of products from various suppliers in two warehouses in order to ensure delivery. In addition, manufacturers are increasingly turning to online commerce as a distribution channel for their products. This offers additional opportunities for the SLEEPZ Group. With regard to the manufacture of private label mattresses, the SLEEPZ Group‘s strategic partnership with Alessanderx S.p.A. opened up new opportunities.

Range

Deficiencies in assortment and warehousing policies could lead to overstocking in the warehouses, which are difficult or impossible to sell. Mattresses, sprung bed slats and beds have a very long life, which means the product range can be well coordinated for many years. The situation is different with regard to the products whose marketability is also geared to fashionable trends, especially bedding. In the case of excess inventories, this could lead to their having to be sold off at the price of appropriate value adjustments. This would have an impact on the assets and earnings situation.
However, against the background of many years of experience in purchasing, the predictability of customer demand and a regular adjustment of inventories, the risk from the Group‘s point of view is manageable.

Warranties/Product Liability

In case of any defects in the products distributed by the SLEEPZ subsidiaries or in the case of damage resulting from a faulty product, customers may be entitled to warranty claims or claims arising from product liability. The manufacturers usually carry the risk from such claims. However, traders may be held liable if, as a ‘virtual manufacturer’, they do not manufacture a product themselves, but place it on the market by affixing their own name, brand name or trademark, or import products from third countries, or the name of an importer of products from third countries cannot be identified or found. The occurrence of a liability could have a negative impact on the liquidity, assets and earnings position as well as on the image of the subsidiaries and their online shops.
The subsidiaries of SLEEPZ AG counteract this risk with particularly high quality standards in the testing of products purchased from third countries and private labels.

Image

End consumer buying decisions are often emotional and directly related to the image of a product, brand and/or business. The increasing importance of the Internet as a source of information for purchasing decisions and opinion leaders in the form of other consumers, associations, consumer organisations or social media influencers harbours the risk of causing image damage for companies through allegedly legitimate or targeted damage to their reputation. Likewise, negative customer reviews quickly lead to reluctance to buy. This can negatively affect the liquidity, assets and earnings situation. Conversely, this also opens up the opportunity to differentiate oneself from the competition.
The subsidiaries use a variety of marketing measures to continuously improve the image of their online shops and private labels and are supported by SLEEPZ AG.

Law and compliance

The companies of the SLEEPZ Group are subject to a large number of legal framework conditions that must be observed by management and employees. If this does not happen

or does not happen completely, an event of damage could occur for which the companies could be called upon (legal risk). In particular, warnings about alleged violations of data protection law, competition law, copyright or trademark infringement have been an integral part of online commerce for many years and could require the use of legal advice and possibly the formation of provisions in the event of a legal dispute. In addition, failure to comply with the legal framework may result in judicial, regulatory or disciplinary penalties (compliance risk). In particular, the harmonisation efforts of the European legal area have strongly increased the level of any sanctions. In the event of their occurrence, both risks could have an impact on the Group's liquidity, assets and earnings position.
The Group counteracts these risks by means of a variety of preventive measures, both at Group level and at the level of the respective companies. For example, measures to implement the requirements of the European General Data Protection Regulation were initiated across the Group. SLEEPZ AG also supports the subsidiaries in identifying any new statutory provisions and their implementation.

The Group is exposed to financial risks in the course of its business activities. The financial risks include market price risk (currency and interest risk), non-payment risk (default risk and credit risk) and liquidity risk. The Group's risk management aims to minimise these risks and the potential impact on the financial position of the Group. The Group has so far refrained from using derivative financial instruments.

Market Risk

Market risks arise from fluctuations in the fair value or future cash flows of a financial instrument due to changes in market prices. They include interest rate risks and currency risks.

a) Currency Risks

The Group is primarily active on an operational level within Germany or the eurozone. This also applies to the supply side. This may become more expensive as a result of currency fluctuations in the case of goods purchases outside the eurozone.

b) Interest Rate Risk

The loans granted to Group companies and credit lines are generally fixed-rate. By contrast, variable interest rates are assessed on short-term current money investments. They may be subject to interest rate fluctuations.

Non-payment Risk

The non-payment risk describes the risk that a counterparty will fail to meet its obligations under a financial instrument or a customer contract, resulting in a financial loss. There are risks from bad debts and credit risk within the Group:

a) Default Risk

Default risk consists of the risk that customers do not meet their contractual obligations and thus receivables partially or completely default. The extent of this risk in the SLEEPZ Group corresponds to the total of trade receivables and other receivables. The subsidiaries of SLEEPZ AG counter this risk with a targeted selection of payment terms that they make available to their customers in the case of direct sales. As a result there is only a very low default risk, since the customer generally pays before the goods are received.

b) Credit Risk

The companies of the SLEEPZ Group do not grant credits or loans to third parties outside the Group. However, they themselves have credit lines that partly depend on credit ratings issued by banks and credit insurers. If the assessment of the credit rating changes, it may lead to limits being removed and/or a decrease in credit lines. The respective loan would be (partially) due for payment immediately.

Liquidity risk

Liquidity risk describes the risk that the Group will be unable to service its financial liabilities when they are due. Liquidity management takes place decentrally in SLEEPZ AG and its subsidiaries. The results of the management activities of the individual companies are incorporated into rolling liquidity planning at Group level.
The subsidiary sleepz Home GmbH and its wholly-owned subsidiary Cubitabo GmbH (which was taken over with effect from 1 January 2018) are dependent on additional liquidity contributions by SLEEPZ AG or its other shareholders, as they cannot cover their financial needs alone until break-even. SLEEPZ AG is also dependent on a further supply of liquidity in the medium term. Against this background, the Management Board plans to carry out a larger, prospect-related capital increase in the second half of 2018. Work on a securities sales prospectus is expected to resume in the second quarter.

The following table shows the contractual maturity of the financial liabilities and assets as well as the weighted average effective interest rate taking into account the discontinued operation:

2017	**Interest rate**	**Remaining term**			
T€	in %	Below 1 year	1 to 5 years	More than 5 years	Total
Trade accounts payable	no interest	457	0	0	457
Liabilities to banks	4.44%	533	12	0	545
Loans	5.91%	400	0	396	796
Other liabilities	no interest	1,172			1,172
Provisions	no interest	33			33
Total		**2,595**	**12**	**396**	**3,003**

2016	**Interest rate**	**Remaining term**			
T€	in %	Below 1 year	1 to 5 years	More than 5 years	Total
Trade accounts payable	no interest	1,183	0	0	1,183
Liabilities to banks	2.75%	2,154	21	0	2,175
Loans	8.23%	0	33	396	429
Other liabilities	7.23%	3,000	0	0	3,000
Other liabilities	no interest	911	0	0	911
Provisions	no interest	40	0	0	40
Total		**7,288**	**54**	**396**	**7,738**

Overall evaluation and risk management

Compared to the previous year, there have been significant changes in risks and opportunities insofar as the venture capital portfolio held by SLEEPZ AG as at 31 December 2016 was sold in the past financial year, and thus the related risks have been completely eliminated.
Comprehensive provisions have been made for recognizable individual risks in the consolidated financial statements. The risks that could arise for the Group - and thus also for SLEEPZ AG - from overall economic development, the market and competition on the one hand, and from operating activities on the other hand, are limited and controllable; not least in view of the opportunities that open up for the Group with regard to the individual points. Through the granting of loans totaling € 2.2 million in April 2018, the Group's financing will be secured under the existing planning for 2018 and 2019. Thus, the single or cumulative occurrence of the described risks currently and in the foreseeable future poses no threat to the continued existence of the Group.

Economic developments in the subsidiaries are monitored via intensive contact with the companies. The performance of its subsidiaries is continuously monitored. The Executive Board communicates with all managers in close contact and has ongoing access to the sales data of the subsidiaries. The carrying amounts and the value development of investment companies of the discontinued operation are reviewed quarterly with suitable financial mathematical models. Various valuation models are used depending on the type and degree of development of the investment companies. The continuous recording of fair values and investment controlling makes it possible to take appropriate measures to counteract undesired developments of the investment interests.

43. EVENTS AFTER THE BALANCE SHEET DATE

After the balance sheet date, 100% of the shares in Cubitabo GmbH were contributed to the subsidiary sleepz Home GmbH as part of a mixed non-cash capital and cash capital increase.

In April 2018, SLEEPZ AG issued a letter of comfort in favour of its subsidiary sleepz Home AG. This declaration is limited to an amount of € 1.75 million and has a term until 31.12.2020. In line with this declaration, SLEEPZ AG also received a shareholder loan of the same amount in April.

44. INFORMATION ON FINANCIAL INSTRUMENTS

In accordance with IFRS 7, additional information is required in order to ensure a clear presentation of the importance of financial instruments for the financial situation and the earnings strength of the SLEEPZ Group and the nature and extent of risks arising from financial instruments to which the company is exposed during the reporting period and at the time of presentation of the report and which arise from financial instruments.

The SLEEPZ Group is exposed to the various risks mentioned above in the course of its general business activities. It is the company's policy to measure these risks by selecting suitable means, to monitor them and, if necessary, to limit their effect.

Sensitivity analyses were used to determine and show risks arising from financial instruments in accordance with IFRS 7. One part of this analysis was to determine the effect on equity and earnings via variations in risk variables contained within the respective market price risks. All effects on the statement of comprehensive income described in the following section have an equal impact on equity, since the financial instruments were valued either at fair value through profit and loss or at amortised cost.

Financial instruments are broken down into the following classes:

» Financial instruments at fair value,
» Financial instruments at amortised cost,
» Financial instruments to which IFRS 7 does not apply.

The net losses or gains on the financial instruments reported in the statement of comprehensive income are presented in the following table according to the IAS 39 measurement categories:

In T€	2017	2016
Result from financial instruments at fair value through profit and loss	-514	-6,125
Result from loans and receivables	1	-1,093
Result from financial liabilities at amortised cost	-240	-415

Net gains/losses from financial instruments consist of interest, the remeasurement gains/losses, valuation allowances and gains on disposal.

45. RECONCILIATION OF BALANCE SHEET ITEMS TO THE CLASSES OF THE FINANCIAL INSTRUMENTS

The reconciliation of the financial instruments, broken down into carrying amounts and fair values, is shown in the following table:

2017 T€	At fair value Book value	At amortized costs Book value	Balance sheet item as at 31.12.17
Non-current assets			
Fixed asset securities		17	17
Current assets			
Trade accounts receivable		349	349
Receivables and other assets		585	585
Non-current assets marked for sale	0		0
Cash in hand and bank balances		500	500
Assets of discontinued operation	0		0
Total	**0**	**1,451**	**1,451**
Current liabilities			
Loans		396	396
Liabilities towards banks		12	12
Current liabilities			
Trade accounts payable		457	457
Liabilities towards banks		533	533
Other liabilities		780	780
Advance payments received		392	392
Loans		400	400
Total	**0**	**2,970**	**2,970**

2016 T€	At fair value Book value	At amortized costs Book value	Balance sheet item as at 31.12.16
Non-current assets			
Fixed asset securities		13	13
Current assets			
Trade accounts receivable		1215	1,215
Receivables and other assets		236	236
Cash in hand and bank balances		798	798
Assets of discontinued operation	5,493		5,493
Total	**5,493**	**2,262**	**7,755**
Current liabilities			
Loans		429	429
Liabilities towards banks		21	21
Current liabilities			
Trade accounts payable		1,183	1,183
Liabilities towards banks		2,154	2,154
Other liabilities		3,718	3,718
Advance payments received		191	191
Total	**0**	**7,696**	**7,696**

For trade accounts receivable, other current assets and cash, the short durations mean that the carrying amount corresponds to the fair value.

46. CONTINGENCIES

It is customary that, when selling shares in holding companies, financial investors extend guarantees and warranties to the purchasers. As is normal in the industry, SLEEPZ AG has assumed extensive guarantees and warranties during the sale of shares. No claims from guarantees are known at present.

47. EARNINGS PER SHARE

In accordance with IAS 33, basic earnings per share are calculated by dividing the share of profit or loss for the period attributable to the shareholders of SLEEPZ AG by the weighted average number of outstanding shares. Shares that are newly issued or repurchased during a period are taken into account pro rata temporis for the period in which they are outstanding.

The potential shares relating to the share option scheme II launched in 2015 were not taken into account, as the exercise price of the options exceeded the average market price of the ordinary shares and thus including them would not have been dilutive.

48. CAPITAL MANAGEMENT

SLEEPZ AG manages its capital with the aim of using financial flexibility to achieve growth while also optimizing financing costs. This overall strategy has changed since the previous year. While loan-based financing of venture capital holdings are no longer wanted by the Executive Board and trade accounts payable were only of subordinate importance, there was a material change in the Group‘s equity structure which resulted from consolidating the operating business. Financing is very important, particularly in respect to working capital. But acquisition financing also plays an important role, both as of the reporting date and in respect to future acquisitions.

The management examines the capital structure at least every six months. In the process, it reviews the capital costs, existing collateral and open and potential borrowing facilities. The target gearing moved up from 57% to 33%.

The capital structure changed as follows in 2017 and 2016:

	31.12.2017	31.12.2016	Change in %
Equity in T€	5,660	7,587	-25%
as % of total capital	65.3%	49.5%	32%
Liabilities in T€	3,004	7,737	-61%
as % of total capital	34.7%	50.5%	-31%
Current liabilities in T€	2,595	7,287	-64%
as % of total capital	30.0%	47.6%	-37%
Non-current liabilities in T€	408	451	-10%
as % of total capital	4.7%	2.9%	60%
Gearing	53.1%	102.0%	-48%

The goal in the management of the equity on the balance sheet of € 5.7 million (previous year: € 7.6 million) is to ensure that the company can achieve its targets and strategies in the interest of the shareholders and its other stakeholders. The Executive Board focuses primarily on the achievement of an appropriate return on capital employed.

In the system of objectives for financing, bmp is directed towards the continuous and lasting increase in value of the subsidiaries and the enterprise value. In order to measure the success, we have used industry standard measuring procedures and indices for many years.

49. DECLARATION OF CONFORMITY PURSUANT TO SECTION 161 GERMAN STOCK CORPORATION ACT (AKTG)

The Executive Board and the Supervisory Board of SLEEPZ AG have issued the declaration mandated by section 161 AktG and have made this permanently available to shareholders on the web pages of SLEEPZ AG.

50. AUDITORS' FEES

The fee calculated by the auditor of the annual financial statements for the 2017 financial year is as follows:

In T€	2017	2016
Fee for accounts and audit	72	64
Tax consultancy fee	10	10
Other fees	16	0
Total	**98**	**74**

51. INFORMATION ON THE COMPANY'S EXECUTIVE BODIES

51.1. EXECUTIVE BOARD

The Executive Board of SLEEPZ AG in business year 2017 was Mr. Oliver Borrmann, businessman.

51.2. REMUNERATION OF THE EXECUTIVE BOARD

The Executive Board of SLEEPZ AG received no remuneration in the business year under review. Mr. Borrmann was remunerated by bmp Ventures AG, which has a service agreement with SLEEPZ AG. Mr. Borrmann received 200,000 options out of the stock option program issued 22 December 2015, the fair value of the options for business year 2017 was approximately € 19 thousand. Furthermore, a D&O insurance existed.

51.3. OTHER OFFICES HELD BY EXECUTIVE BOARD MEMBERS

As of 31 December 2017, Mr. Borrmann was also a managing director of Cavy Capital GmbH and an Executive Board member of bmp Ventures AG.

51.4. SUPERVISORY BOARD

The Supervisory Board of SLEEPZ AG in the business year consisted of:

Sven Rittau, Munich Chairman of the Supervisory Board	Businessman
Michael Stammler, Lutzenberg (CH) Vice Chairman of the Supervisory Board	Businessman
Dott. Michele Puller, Bergkamen since 18.08.2017	Businessman
Bernd Brunke, Berlin until 18.08.2017	Businessman

In total, payments to each member of the Supervisory Board of SLEEPZ AG in business year 2017 amounted to € 65 thousand (previous year: € 46 thousand).
The individual members of the Supervisory Board were entitled to the following compensation:

	2017	**2016**
Sven Rittau	25	6
Michael Stammler	20	12
Dottore Michele Puller	6	0
Gerd Schmitz-Morkramer	0	10
Bernd Brunke	14	18
Total	**65**	**46**

Mr. Stammler is on the Supervisory Board of the following companies:

eCAPITAL entrepreneurial Partners AG, Münster	year-round
WM Treuhand & Steuerberatungsgesellschaft AG	year-round
Taunus Trust Group AG (Chair)	year-round

Dott. Puller is on the Supervisory Board of the following companies:

Adler Modemärkte AG	year-round
S&E Kapital GmbH (Chairman of the Advisory Board)	year-round
B.V. Borussia 09 e.V. Dortmund (Vice Chairman of the Economic Counsel)	year-round
Borussia Dortmund Geschäftsführungs-GmbH	year-round

Mr. Rittau had no further mandates on supervisory boards or other comparable controlling bodies.

51.5. SHAREHOLDINGS OF THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD AS AT 31 DECEMBER 2017

Members of the Executive Board held 1,055,985 shares. Members of the Supervisory Board held 223,332 shares.

52. RELATED-PARTY TRANSACTIONS

Mr. Borrmann is a minority shareholder and member of the Executive Board of bmp Ventures AG. SLEEPZ AG received management services from bmp Ventures AG, which amounted to € 690 thousand (previous year: € 1,027 thousand).

53. RISK MANAGEMENT

For information on risk management targets and methods, please see the information in the management report.

54. NOTIFICATIONS AND PUBLICATIONS IN ACCORDANCE WITH SECTION 21 AND SECTION 26(1) WPHG

bmp Holding AG:Release according to Article 26, Section 1 of the WpHG [the German Securities Trading Act] with the objective of Europe-wide distribution

17.05.2017 / 11:00 Dissemination of a Voting Rights Announcement transmitted by DGAP - a service of EQS Group AG. The issuer is solely responsible for the content of this announcement.

Notification of Major Holdings

1. Details of issuer
bmp Holding AG
Schlüterstraße 38
10629 Berlin
Deutschland

2. Reason for notification
Acquisition/disposal of shares with voting rights
Acquisition/disposal of instruments
X Change of breakdown of voting rights
Other reason:

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
Michael Stammler	

4. Names of shareholder(s)
holding directly 3% or more voting rights, if different from 3.

5. Date on which threshold was crossed or reached:
12.05.2017

6. Total positions

	% of voting rights attached to shares (total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	total of both in % (7.a. + 7.b.)	total number of voting rights of issuer
Resulting situation	2.94 %	0 %	2.94 %	7590391
Previous notification	3.24 %	n/a %	n/a %	/

7. Notified details of the resulting situation
a. Voting rights (§§ 21, 22 WpHG)

ISIN	absolute		in %	
	direct (§ 21 WpHG)	indirect (§ 22 WpHG)	direct (§ 21 WpHG)	indirect (§ 22 WpHG)
DE000A2E3772	223332		2.94 %	%
Total	223332		2.94 %	

b.1. Instruments i.S.d. § 25 Abs. 1 Nr. 1 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Voting rights absolute	Voting rights in %
				%
		Total		%

b.2. Instruments i.S.d. § 25 Abs. 1 Nr. 2 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
					%
			Total		%

8. Information in relation to the person subject to the notification obligation
X Person subject to the notification obligation is not controlled and does itself not control any other undertaking(s) holding directly or indirectly an interest in the (underlying) issuer (1.).

Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	Voting rights in %, if 3% or more	Instruments in %, if 5% or more	Total in %, if 5% or more

9. In case of proxy voting according to Sec. 22 para. 3 WpHG
Date of general meeting:
Holding position after general meeting: % (equals voting rights)

10. Other explanatory remarks:

bmp Holding AG:Release according to Article 26, Section 1 of the WpHG [the German Securities Trading Act] with the objective of Europe-wide distribution

17.05.2017 / 11:00 Dissemination of a Voting Rights Announcement transmitted by DGAP - a service of EQS Group AG. The issuer is solely responsible for the content of this announcement.

Notification of Major Holdings

1. Details of issuer

bmp Holding AG
Schlüterstraße 38
10629 Berlin
Deutschland

2. Reason for notification

X Acquisition/disposal of shares with voting rights
Acquisition/disposal of instruments
Change of breakdown of voting rights
Other reason:

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
Bernd Förtsch	

4. Names of shareholder(s)

holding directly 3% or more voting rights, if different from 3.
Heliad Equity Partners GmbH & Co. KGaA

5. Date on which threshold was crossed or reached:

12.05.2017

6. Total positions

	% of voting rights attached to shares (total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	total of both in % (7.a. + 7.b.)	total number of voting rights of issuer
Resulting situation	9.09 %	0.00 %	9.09 %	7590391
Previous notification	n/a %	n/a %	n/a %	/

7. Notified details of the resulting situation

a. Voting rights (§§ 21, 22 WpHG)

ISIN	absolute		in %	
	direct (§ 21 WpHG)	indirect (§ 22 WpHG)	direct (§ 21 WpHG)	indirect (§ 22 WpHG)
DE000A2E3772		690000		9.09 %
Total	690000		9.09 %	

b.1. Instruments i.S.d. § 25 Abs. 1 Nr. 1 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Voting rights absolute	Voting rights in %
		Total		%

b.2. Instruments i.S.d. § 25 Abs. 1 Nr. 2 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
			Total		%

8. Information in relation to the person subject to the notification obligation

Person subject to the notification obligation is not controlled and does itself not control any other undertaking(s) holding directly or indirectly an interest in the (underlying) issuer (1.).

X Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	Voting rights in %, if 3% or more	Instruments in %, if 5% or more	Total in %, if 5% or more
Bernd Förtsch	%	%	%
BF Holding GmbH	%	%	%
Lion Capital AG	%	%	%
FinLab AG	%	%	%
Heliad Management GmbH	%	%	%
Heliad Equity Partners GmbH & Co. KGaA	9.09 %	%	9.09 %

9. In case of proxy voting according to Sec. 22 para. 3 WpHG

Date of general meeting:
Holding position after general meeting: % (equals voting rights)

10. Other explanatory remarks:

bmp Holding AG:Release according to Article 26, Section 1 of the WpHG [the German Securities Trading Act] with the objective of Europe-wide distribution
17.05.2017 / 11:00 Dissemination of a Voting Rights Announcement transmitted by DGAP - a service of EQS Group AG. The issuer is solely responsible for the content of this announcement.

Notification of Major Holdings

1. Details of issuer
bmp Holding AG
Schlüterstraße 38
10629 Berlin
Deutschland

2. Reason for notification
Acquisition/disposal of shares with voting rights
Acquisition/disposal of instruments
X Change of breakdown of voting rights
Other reason:

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
Carin Pepper-Hellstedt	

4. Names of shareholder(s)
holding directly 3% or more voting rights, if different from 3.

5. Date on which threshold was crossed or reached:
12.05.2017

6. Total positions

	% of voting rights attached to shares (total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	total of both in % (7.a. + 7.b.)	total number of voting rights of issuer
Resulting situation	14.954 %	0 %	14.954 %	7.590.391
Previous notification	16.45 %	0 %	16.45 %	/

7. Notified details of the resulting situation
a. Voting rights (§§ 21, 22 WpHG)

ISIN	absolute		in %	
	direct (§ 21 WpHG)	indirect (§ 22 WpHG)	direct (§ 21 WpHG)	indirect (§ 22 WpHG)
DE000A2E3772	1.135.067	0	14.954 %	0 %
Total	1.135.067		14.954 %	

b.1. Instruments i.S.d. § 25 Abs. 1 Nr. 1 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Voting rights absolute	Voting rights in %
				%
		Total		%

b.2. Instruments i.S.d. § 25 Abs. 1 Nr. 2 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
					%
			Total		%

8. Information in relation to the person subject to the notification obligation
X Person subject to the notification obligation is not controlled and does itself not control any other undertaking(s) holding directly or indirectly an interest in the (underlying) issuer (1.).
Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	Voting rights in %, if 3% or more	Instruments in %, if 5% or more	Total in %, if 5% or more

9. In case of proxy voting according to Sec. 22 para. 3 WpHG

Date of general meeting:
Holding position after general meeting: % (equals voting rights)

10. Other explanatory remarks:

bmp Holding AG:Release according to Article 26, Section 1 of the WpHG [the German Securities Trading Act] with the objective of Europe-wide distribution

17.05.2017 / 11:00 Dissemination of a Voting Rights Announcement transmitted by DGAP - a service of EQS Group AG. The issuer is solely responsible for the content of this announcement.

Notification of Major Holdings

1. Details of issuer
bmp Holding AG
Schlüterstraße 38
10629 Berlin
Deutschland

2. Reason for notification
Acquisition/disposal of shares with voting rights
Acquisition/disposal of instruments
X Change of breakdown of voting rights
Other reason:

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
Oliver Alexander Borrmann	

4. Names of shareholder(s)
holding directly 3% or more voting rights, if different from 3.

5. Date on which threshold was crossed or reached:
12.05.2017

6. Total positions

	% of voting rights attached to shares (total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	total of both in % (7.a. + 7.b.)	total number of voting rights of issuer
Resulting situation	14.33 %	0 %	14.33 %	7.590.391
Previous notification	15.13 %	n/a %	n/a %	/

7. Notified details of the resulting situation
a. Voting rights (§§ 21, 22 WpHG)

ISIN	absolute		in %	
	direct (§ 21 WpHG)	indirect (§ 22 WpHG)	direct (§ 21 WpHG)	indirect (§ 22 WpHG)
DE000A2E3772	1.055.985	31.299	13.91 %	0.42 %
Total	1.087.284		14.33 %	

b.1. Instruments i.S.d. § 25 Abs. 1 Nr. 1 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Voting rights absolute	Voting rights in %
				%
		Total		%

b.2. Instruments i.S.d. § 25 Abs. 1 Nr. 2 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
					%
			Total		%

8. Information in relation to the person subject to the notification obligation

X Person subject to the notification obligation is not controlled and does itself not control any other undertaking(s) holding directly or indirectly an interest in the (underlying) issuer (1.).

Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	Voting rights in %, if 3% or more	Instruments in %, if 5% or more	Total in %, if 5% or more

9. In case of proxy voting according to Sec. 22 para. 3 WpHG

Date of general meeting:
Holding position after general meeting: % (equals voting rights)

10. Other explanatory remarks:

bmp Holding AG:Release according to Article 26, Section 1 of the WpHG [the German Securities Trading Act] with the objective of Europe-wide distribution

07.07.2017 / 12:00 Veröffentlichung einer Notification of Major Holdings übermittelt durch DGAP - ein Service der EQS Group AG. Für den Inhalt der Mitteilung ist der Emittent verantwortlich.

Notification of Major Holdings

1. Details of issuer

bmp Holding AG
Schlüterstraße 38
10629 Berlin
Deutschland

2. Reason for notification

Acquisition/disposal of shares with voting rights
Acquisition/disposal of instruments
X Change of breakdown of voting rights
Other reason:

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
Roland Berger Holding GmbH	München, Deutschland

4. Names of shareholder(s)

holding directly 3% or more voting rights, if different from 3.

5. Date on which threshold was crossed or reached:

30.06.2017

6. Total positions

	% of voting rights attached to shares (total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	total of both in % (7.a. + 7.b.)	total number of voting rights of issuer
Resulting situation	4.811 %	0 %	4.811 %	8280391
Previous notification	8.829 %	n/a %	n/a %	/

7. Notified details of the resulting situation

a. Voting rights (§§ 21, 22 WpHG)

ISIN	absolute		in %	
	direct (§ 21 WpHG)	indirect (§ 22 WpHG)	direct (§ 21 WpHG)	indirect (§ 22 WpHG)
DE000A2E3772	398333	0	4.811 %	0 %
Total	398333		4.811 %	

b.1. Instruments i.S.d. § 25 Abs. 1 Nr. 1 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Voting rights absolute	Voting rights in %
				%
		Total		%

b.2. Instruments i.S.d. § 25 Abs. 1 Nr. 2 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
					%
			Total		%

8. Information in relation to the person subject to the notification obligation

X Person subject to the notification obligation is not controlled and does itself not control any other undertaking(s) holding directly or indirectly an interest in the (underlying) issuer (1.).

Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	Voting rights in %, if 3% or more	Instruments in %, if 5% or more	Total in %, if 5% or more

9. In case of proxy voting according to Sec. 22 para. 3 WpHG

Date of general meeting:
Holding position after general meeting: % (equals voting rights)

10. Other explanatory remarks:

bmp Holding AG:Release according to Article 26, Section 1 of the WpHG [the German Securities Trading Act] with the objective of Europe-wide distribution

12.07.2017 / 14:00 Veröffentlichung einer Notification of Major Holdings übermittelt durch DGAP - ein Service der EQS Group AG. Für den Inhalt der Mitteilung ist der Emittent verantwortlich.

Notification of Major Holdings

1. Details of issuer
bmp Holding AG
Schlüterstraße 38
10629 Berlin
Deutschland

2. Reason for notification
X Acquisition/disposal of shares with voting rights
Acquisition/disposal of instruments
Change of breakdown of voting rights
Other reason:

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
Alessanderx S.p.A.	Prato, Italien

4. Names of shareholder(s)
holding directly 3% or more voting rights, if different from 3.

5. Date on which threshold was crossed or reached:
30.06.2017

6. Total positions

	% of voting rights attached to shares (total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	total of both in % (7.a. + 7.b.)	total number of voting rights of issuer
Resulting situation	8.33 %	0 %	8.33 %	8280391
Previous notification	n/a %	n/a %	n/a %	/

7. Notified details of the resulting situation
a. Voting rights (§§ 21, 22 WpHG)

ISIN	absolute		in %	
	direct (§ 21 WpHG)	indirect (§ 22 WpHG)	direct (§ 21 WpHG)	indirect (§ 22 WpHG)
DE000 A2E4L59	690000		8.33 %	%
Total	690000		8.33 %	

b.1. Instruments i.S.d. § 25 Abs. 1 Nr. 1 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Voting rights absolute	Voting rights in %
				%
		Total		%

b.2. Instruments i.S.d. § 25 Abs. 1 Nr. 2 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
					%
			Total		%

8. Information in relation to the person subject to the notification obligation

X Person subject to the notification obligation is not controlled and does itself not control any other undertaking(s) holding directly or indirectly an interest in the (underlying) issuer (1.).

Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	Voting rights in %, if 3% or more	Instruments in %, if 5% or more	Total in %, if 5% or more

9. In case of proxy voting according to Sec. 22 para. 3 WpHG

Date of general meeting:
Holding position after general meeting: % (equals voting rights)

10. Other explanatory remarks:

bmp Holding AG:Release according to Article 26, Section 1 of the WpHG [the German Securities Trading Act] with the objective of Europe-wide distribution

09.08.2017 / 16:00 Veröffentlichung einer Notification of Major Holdings übermittelt durch DGAP - ein Service der EQS Group AG. Für den Inhalt der Mitteilung ist der Emittent verantwortlich.

Notification of Major Holdings

1. Details of issuer

bmp Holding AG
Schlüterstraße 38
10629 Berlin
Deutschland

2. Reason for notification

X Acquisition/disposal of shares with voting rights
Acquisition/disposal of instruments
Change of breakdown of voting rights
Other reason:

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
NN Investment Partners Towarzystwo Funduszy Inwestycyjnych S.A. (formerly: ING Towarzystwo Funduszy Inwestycyjnych S.A.)	Warschau, Polen

4. Names of shareholder(s)

holding directly 3% or more voting rights, if different from 3.

5. Date on which threshold was crossed or reached:

03.09.2013

6. Total positions

	% of voting rights attached to shares (total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	total of both in % (7.a. + 7.b.)	total number of voting rights of issuer
Resulting situation	2.73 %	0.00 %	2.73 %	18819250
Previous notification	4.97 %	n/a %	n/a %	/

7. Notified details of the resulting situation

a. Voting rights (§§ 21, 22 WpHG)

ISIN	absolute		in %	
	direct (§ 21 WpHG)	indirect (§ 22 WpHG)	direct (§ 21 WpHG)	indirect (§ 22 WpHG)
DE0003304200		514401		2.73 %
Total	514401		2.73 %	

b.1. Instruments i.S.d. § 25 Abs. 1 Nr. 1 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Voting rights absolute	Voting rights in %
				%
		Total		%

b.2. Instruments i.S.d. § 25 Abs. 1 Nr. 2 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
					%
			Total		%

8. Information in relation to the person subject to the notification obligation

X Person subject to the notification obligation is not controlled and does itself not control any other undertaking(s) holding directly or indirectly an interest in the (underlying) issuer (1.).

Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	Voting rights in %, if 3% or more	Instruments in %, if 5% or more	Total in %, if 5% or more

9. In case of proxy voting according to Sec. 22 para. 3 WpHG

Date of general meeting:
Holding position after general meeting: % (equals voting rights)

10. Other explanatory remarks:

bmp Holding AG:Release according to Article 26, Section 1 of the WpHG [the German Securities Trading Act] with the objective of Europe-wide distribution

09.08.2017 / 16:00 Veröffentlichung einer Notification of Major Holdings übermittelt durch DGAP - ein Service der EQS Group AG. Für den Inhalt der Mitteilung ist der Emittent verantwortlich.

Notification of Major Holdings

1. Details of issuer
bmp Holding AG
Schlüterstraße 38
10629 Berlin
Deutschland

2. Reason for notification
X Acquisition/disposal of shares with voting rights
Acquisition/disposal of instruments
Change of breakdown of voting rights
Other reason:

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
NN Parasol Fundusz Inwestycyjny Otwarty (formerly ING Parasol Fundusz Inwestycyjny Otwarty)	Warschau, Polen

4. Names of shareholder(s)
holding directly 3% or more voting rights, if different from 3.

5. Date on which threshold was crossed or reached:
03.09.2013

6. Total positions

	% of voting rights attached to shares (total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	total of both in % (7.a. + 7.b.)	total number of voting rights of issuer
Resulting situation	2.73 %	0.00 %	2.73 %	18819250
Previous notification	4.97 %	n/a %	n/a %	/

7. Notified details of the resulting situation
a. Voting rights (§§ 21, 22 WpHG)

ISIN	absolute		in %	
	direct (§ 21 WpHG)	indirect (§ 22 WpHG)	direct (§ 21 WpHG)	indirect (§ 22 WpHG)
DE0003304200	514401		2.73 %	%
Total	514401		2.73 %	

b.1. Instruments i.S.d. § 25 Abs. 1 Nr. 1 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Voting rights absolute	Voting rights in %
				%
		Total		%

b.2. Instruments i.S.d. § 25 Abs. 1 Nr. 2 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
					%
			Total		%

8. Information in relation to the person subject to the notification obligation

X Person subject to the notification obligation is not controlled and does itself not control any other undertaking(s) holding directly or indirectly an interest in the (underlying) issuer (1.).

Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	Voting rights in %, if 3% or more	Instruments in %, if 5% or more	Total in %, if 5% or more

9. In case of proxy voting according to Sec. 22 para. 3 WpHG

Date of general meeting:
Holding position after general meeting: % (equals voting rights)

10. Other explanatory remarks:

SLEEPZ AG:Release according to Article 26, Section 1 of the WpHG [the German Securities Trading Act] with the objective of Europe-wide distribution

04.09.2017 / 15:30 Veröffentlichung einer Notification of Major Holdings übermittelt durch DGAP - ein Service der EQS Group AG. Für den Inhalt der Mitteilung ist der Emittent verantwortlich.

Notification of Major Holdings

1. Details of issuer

SLEEPZ AG
Schlüterstraße 38
10629 Berlin
Deutschland

2. Reason for notification

X Acquisition/disposal of shares with voting rights
Acquisition/disposal of instruments
Change of breakdown of voting rights
Other reason:

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
Axxion S.A.	Grevenmacher, Luxemburg

4. Names of shareholder(s)

holding directly 3% or more voting rights, if different from 3.

5. Date on which threshold was crossed or reached:

31.08.2017

6. Total positions

	% of voting rights attached to shares (total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	total of both in % (7.a. + 7.b.)	total number of voting rights of issuer
Resulting situation	3.02 %	0.00 %	3.02 %	8280391
Previous notification	n/a %	n/a %	n/a %	/

7. Notified details of the resulting situation

a. Voting rights (§§ 21, 22 WpHG)

ISIN	absolute		in %	
	direct (§ 21 WpHG)	indirect (§ 22 WpHG)	direct (§ 21 WpHG)	indirect (§ 22 WpHG)
DE000A2E3772	250000		3.02 %	%
Total	250000		3.02 %	

b.1. Instruments i.S.d. § 25 Abs. 1 Nr. 1 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Voting rights absolute	Voting rights in %
				%
		Total		%

b.2. Instruments i.S.d. § 25 Abs. 1 Nr. 2 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
					%
			Total		%

8. Information in relation to the person subject to the notification obligation

X Person subject to the notification obligation is not controlled and does itself not control any other undertaking(s) holding directly or indirectly an interest in the (underlying) issuer (1.).

Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	Voting rights in %, if 3% or more	Instruments in %, if 5% or more	Total in %, if 5% or more

9. In case of proxy voting according to Sec. 22 para. 3 WpHG

Date of general meeting:
Holding position after general meeting: % (equals voting rights)

10. Other explanatory remarks:

SLEEPZ AG:Release according to Article 26, Section 1 of the WpHG [the German Securities Trading Act] with the objective of Europe-wide distribution

28.12.2017 / 11:00 Veröffentlichung einer Notification of Major Holdings übermittelt durch DGAP - ein Service der EQS Group AG. Für den Inhalt der Mitteilung ist der Emittent verantwortlich.

Notification of Major Holdings

1. Details of issuer
SLEEPZ AG
Schlüterstraße 38
10629 Berlin
Deutschland

2. Reason for notification
X Acquisition/disposal of shares with voting rights
Acquisition/disposal of instruments
Change of breakdown of voting rights
Other reason:

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
Bernd Förtsch, Geburtsdatum 30.06.1962	

4. Names of shareholder(s)
holding directly 3% or more voting rights, if different from 3.
Heliad Equity Partners GmbH & Co. KGaA

5. Date on which threshold was crossed or reached:
21.12.2017

6. Total positions

	% of voting rights attached to shares (total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	total of both in % (7.a. + 7.b.)	total number of voting rights of issuer
Resulting situation	15.38 %	0 %	15.38 %	8970391
Previous notification	9.09 %	0 %	9.09 %	/

7. Notified details of the resulting situation
a. Voting rights (§§ 21, 22 WpHG)

ISIN	absolute		in %	
	direct (§ 21 WpHG)	indirect (§ 22 WpHG)	direct (§ 21 WpHG)	indirect (§ 22 WpHG)
DE000A2E3772		690000	%	7.69 %
DE000A2E4L59		690000	%	7.69 %
Total	1380000		15.38 %	

b.1. Instruments i.S.d. § 25 Abs. 1 Nr. 1 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Voting rights absolute	Voting rights in %
		Total		%

b.2. Instruments i.S.d. § 25 Abs. 1 Nr. 2 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
			Total		%

8. Information in relation to the person subject to the notification obligation

Person subject to the notification obligation is not controlled and does itself not control any other undertaking(s) holding directly or indirectly an interest in the (underlying) issuer (1.).

X Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	Voting rights in %, if 3% or more	Instruments in %, if 5% or more	Total in %, if 5% or more
Bernd Förtsch	%	%	%
BF Holding GmbH	%	%	%
Lion Capital AG	%	%	%
FinLab AG	%	%	%
Heliad Management GmbH	%	%	%
Heliad Equity Partners GmbH & Co. KGaA	15.38 %	%	15.38 %

9. In case of proxy voting according to Sec. 22 para. 3 WpHG
Date of general meeting:
Holding position after general meeting: % (equals voting rights)

10. Other explanatory remarks:

SLEEPZ AG:Release according to Article 26, Section 1 of the WpHG [the German Securities Trading Act] with the objective of Europe-wide distribution

28.12.2017 / 16:00 Veröffentlichung einer Notification of Major Holdings übermittelt durch DGAP - ein Service der EQS Group AG. Für den Inhalt der Mitteilung ist der Emittent verantwortlich.

Notification of Major Holdings

1. Details of issuer

SLEEPZ AG
Schlüterstraße 38
10629 Berlin
Deutschland

2. Reason for notification

X Acquisition/disposal of shares with voting rights
Acquisition/disposal of instruments
Change of breakdown of voting rights
Other reason:

3. Details of person subject to the notification obligation

Name:	City and country of registered office:
Axxion S.A.	Grevenmacher, Luxemburg

4. Names of shareholder(s)

holding directly 3% or more voting rights, if different from 3.

5. Date on which threshold was crossed or reached:

21.12.2017

6. Total positions

	% of voting rights attached to shares (total of 7.a.)	% of voting rights through instruments (total of 7.b.1 + 7.b.2)	total of both in % (7.a. + 7.b.)	total number of voting rights of issuer
Resulting situation	2.90 %	0.00 %	2.90 %	8970391
Previous notification	3.02 %	0.00 %	3.02 %	/

7. Notified details of the resulting situation

a. Voting rights (§§ 21, 22 WpHG)

ISIN	absolute		in %	
	direct (§ 21 WpHG)	indirect (§ 22 WpHG)	direct (§ 21 WpHG)	indirect (§ 22 WpHG)
DE000A2E3772	260000		2.90 %	%
Total	260000		2.90 %	

b.1. Instruments i.S.d. § 25 Abs. 1 Nr. 1 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Voting rights absolute	Voting rights in %
				%
		Total		%

b.2. Instruments i.S.d. § 25 Abs. 1 Nr. 2 WpHG

Type of instrument	Expiration or maturity date	Exercise or conversion period	Cash or physical settlement	Voting rights absolute	Voting rights in %
					%
			Total		%

8. Information in relation to the person subject to the notification obligation

X Person subject to the notification obligation is not controlled and does itself not control any other undertaking(s) holding directly or indirectly an interest in the (underlying) issuer (1.).

Full chain of controlled undertakings starting with the ultimate controlling natural person or legal entity:

Name	Voting rights in %, if 3% or more	Instruments in %, if 5% or more	Total in %, if 5% or more

9. In case of proxy voting according to Sec. 22 para. 3 WpHG

Date of general meeting:
Holding position after general meeting: % (equals voting rights)

10. Other explanatory remarks:

55. RESPONSIBILITY STATEMENT

To the best of my knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair value of the assets, liabilities, financial position and profit or loss of the company, and the management report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

56. LIST OF SHAREHOLDINGS

Enterprises in which the Company has either direct or indirect holdings according to § 313 Subsection 2 Point 4 HGB:

Subsidiaries

Company	Share in %	Equity as at 31.12.2017 in T€	Result 2017 in T€
Grafenfels GmbH, Berlin	100.00%	-39	-543
sleepz Home GmbH, Ludwigsfelde	66.80%	-1,911	-2,285
Matratzen Union GmbH, Wolfhagen	60.00%	492	-26
Markenschlaf GmbH, Wolfhagen	60.00%	80	13
Ecom Union GmbH, Wolfhagen	60.00%	275	-2
Denkvertrieb GmbH, Wolfhagen	60.00%	-12	-28

25. April 2018

Oliver Borrmann
Executive Board

INDEPENDENT AUDITORS' REPORT

to SLEEPZ AG (bmp Holding AG until 25 August 2017), Berlin

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND GROUP MANAGEMENT REPORT

Audit Opinion

We have audited the consolidated financial statements of SLEEPZ AG and its subsidiaries (the Group) – comprising the balance sheet as at 31 December 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January 2017 to 31 December 2017, in addition to the notes to the consolidated financial statements, including a summary of key accounting policies. We have also audited the Group management report of SLEEPZ AG for the financial year from 1 January 2017 to 31 December 2017. We have not examined the corporate governance declaration in accordance with German legal requirements.

In our opinion, based on the findings of our audit:

» the attached consolidated financial statements, in all material respects, comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law in accordance with section 315e(1) HGB, and give a true and fair view of the net assets and financial position of the Group in accordance with these requirements as at 31 December 2017 and its results of operations for the financial year from 1 January to 31 December 2017; and
» as a whole, the attached Group management report provides a suitable view of the Group's position. In all material respects, this Group management report is consistent with the consolidated financial statements and with German legal requirements, and accurately presents the risks and opportunities of future development. Our audit opinion on the Group management report does not extend to the contents of the above corporate governance declaration.

In accordance with section 322(3) sentence 1 HGB, we declare that our audit has not led to any objections to the regularity of the consolidated financial statements or the Group management report.

Basis for audit opinions

We conducted our audit in accordance with section 317 of the Handelsgesetzbuch (HGB – German Commercial Code), the EU Audit Regulation (No. 537/2014) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW – German Institute of Public Auditors). Our responsibility under these provisions and policies is described further in the section of our audit report entitled "Auditor's responsibility for the audit of the consolidated financial statements and the Group management report". We are independent from the Group companies in accordance with the commercial and professional regulations of European and German law and have fulfilled our other German professional obligations in accordance with these requirements. Furthermore, in accordance with Article 10(2)(f) of the EU Audit Regulation, we declare that we have not performed any prohibited non-audit services as defined by Article 5(1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to serve as a basis for our audit opinions on the consolidated financial statements and the Group management report.

Material uncertainty in connection with the continuation of business activities
Please refer to the comments in the notes to the consolidated financial statements under 'I. General information' and in the Group management report under 'Opportunities and Risk Report', in which the company's officers state that the company is dependent on external liquidity contributions in 2018 and measures have been taken by the Executive Board. As described in the notes to the consolidated financial statements under 'I. General information' and in the Group management report under 'Opportunities and Risk Report', this indicates the existence of material uncertainty that may raise significant doubts about the company's ability to continue as a going concern and a going-concern risk within the meaning of section 322(2) sentence 3 HGB. Our audit opinions (on the consolidated financial statements and the Group management report) have not been modified with regard to this matter.

Key issues in the audit of the consolidated financial statements

Key issues pertaining to the audit are those that, based on our professional judgement, were most significant in our audit of the consolidated financial statements for the financial year 1 January to 31 December 2017. These issues were taken into account in the context of our audit of the consolidated financial statements as a whole and in the formation of our audit opinion; we have not issued a separate opinion on these issues.
We consider the following issues to be the most significant in our audit:

» Impairment on goodwill

We have structured our presentation of these key audit issues as follows:
1. Facts and problem
2. Audit procedure and findings
3. Reference to further information
The key audit issues are presented below:

Impairment on goodwill

1. In the consolidated financial statements of SLEEPZ AG, goodwill of EUR 4.7 million (83.0 % of consolidated equity) is reported under the balance sheet item 'intangible assets'. The company allocates goodwill to the relevant groups of cash-generating units. Goodwill is tested for impairment by the company once a year on the balance sheet date or on an ad hoc basis. In doing so, the carrying amounts of the respective group of cash-generating units are compared with the value in use. These valuations are usually based on the present value of future cash flows of the cash-generating unit to which the respective goodwill is allocated. The valuations underlie the forecasts of the individual cash-generating units, which are based on the financial planning approved by the management. Discounting is performed using the weighted average cost of capital of the respective cash-generating unit. The result of this valuation largely depends on the estimation of future cash inflows by the officers of the company and the discount rate used. It is therefore subject to considerable uncertainty, which is why this issue is of particular importance in our audit.
2. To address this risk, we have critically scrutinised the assumptions and estimations by management, particularly by performing the following audit procedures:

» We have reproduced the methodological procedure for impairment testing and assessed the calculation of the weighted average cost of capital.

» We have satisfied ourselves that the future cash flows underlying the valuations and the discount rates used form an appropriate basis for the impairment tests of the individual cash-generating units.
» In our estimation, we particularly based our calculations on a comparison with general and industry-specific market expectations, as well as extensive explanations by management regarding the key value drivers of the plans and the comparison of these figures with the current planning approved by the Supervisory Board.
» Knowing that even relatively small changes in the discount rate can have a material impact on the value in use determined in this way, we looked at the parameters used to determine the discount rate, including the weighted average cost of capital and followed the calculation methodology of the company.
» Furthermore, we have performed our own additional sensitivity analyses in order to be able to assess a potential impairment risk in the event of a possible change in a significant assumption of the valuation. The selection was based on qualitative aspects and the amount of coverage of the respective carrying amounts by the value in use.
» We have determined that the respective goodwill and total carrying amounts of the relevant groups of cash-generating units are covered by the discounted future cash flows as at the balance sheet date.

3. The information provided by the Company on goodwill is included in note 21.

Other information

The company's officers are responsible for the other information. Other information includes:

» the Group's corporate governance declaration,
» the other components of the annual report, with the exception of the audited consolidated financial statements, the Group management report and our audit opinion,
» the Corporate Governance Report in accordance with section 3.10 of the German Corporate Governance Code, and
» the insurance pursuant to section 297(2) sentence 4 HGB on the consolidated financial statements and the insurance pursuant to section 315(1) sentence 5 HGB on the Group management report.

Our audit opinions on the consolidated financial statements and the Group management report do not extend to the other information, and accordingly we do not offer any audit opinion or any other form of audit conclusion on it.

In connection with our audit, we have the responsibility to read the other information and to assess whether the other information:

» contains material inconsistencies with the consolidated financial statements or our findings from the audit; or
» is otherwise materially misrepresented.

Responsibility of the company's officers and the Supervisory Board for the consolidated financial statements and the Group management report

The company's officers are responsible for the preparation of the consolidated financial statements that, in all material respects, comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law in accordance with section 315e(1)

HGB, and that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group. Furthermore, the company's officers are responsible for the internal controls that they have deemed necessary to enable the preparation of consolidated financial statements that are free from – intentional or unintentional – material misstatement.
In preparing the consolidated financial statements, the company's officers are responsible for assessing the Group's ability to continue as a going concern. They are also responsible for disclosing matters in connection the continuation of business activities, if relevant. Furthermore, they are responsible for the accounting on the basis of the going concern principle, unless there is the intention to liquidate or discontinue the Group, or there is no realistic alternative.
Moreover, the company's officers are responsible for the preparation of the Group management report that, on the whole, provides a suitable view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and with German legal requirements, and accurately presents the risks and opportunities of future development. Also, the company's officers are responsible for the precautions and measures (systems) that they deem necessary to enable the preparation of a Group management report in accordance with German commercial legal requirements to provide sufficient suitable evidence for the statements in the Group management report.
The Supervisory Board is responsible for monitoring the Group's accounting process for the preparation of the consolidated financial statements and the Group management report.

Auditor's responsibility for the audit of the consolidated financial statements and the Group management report

Our objective is to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material – intentional or unintentional – misstatement and whether the Group management report as a whole provides a suitable view of the Group's position and, in all material respects, is consistent with the consolidated financial statements, audit findings and German legal requirements, and accurately presents the risks and opportunities of future development, and to issue an audit report containing our audit opinions on the consolidated financial statements and the Group management report.
Reasonable assurance is a high degree of assurance, but not a guarantee that an audit performed in accordance with section 317 HGB, the EU Audit Regulation and the German generally accepted standards for the audit of financial statements promulgated by the IDW will always reveal a material misstatement. Misstatements can result from violations or inaccuracies, and are considered material if they could reasonably be expected, individually or collectively, to influence the economic decisions that users make on the basis of these consolidated financial statements and the Group management report.
We exercise due discretion and maintain a critical approach. Furthermore:

- We identify and assess the risks of – intentional or unintentional – material misstatements in the consolidated financial statements and the Group management report, we plan and perform audit procedures in response to these risks, and obtain audit evidence that is sufficient and appropriate to form the basis of our audit opinions. The risk that material misstatements are not detected is greater for violations than for inaccuracies, as violations can include fraud, falsification, intentional omissions, misrepresentation or the invalidation of internal controls;

- We gain an understanding of the internal control system relevant to the audit of the consolidated financial statements and of the systems relevant to the audit of the Group management report in order to plan audit procedures that are appropriate under the given circumstances, but not with the objective of expressing an opinion on the effectiveness of these systems.
- We assess the appropriateness of the accounting policies applied by the company's officers and the reasonableness of the estimates and related disclosures by the company's officers.
- We draw conclusions about the appropriateness of the going concern principle applied by the company's officers and, on the basis of the audit evidence obtained, whether there is material uncertainty about events or circumstances that can give rise to significant doubts about the Group's ability to continue as a going concern. If we come to the conclusion that material uncertainty exists, we are required to refer to the relevant disclosures in the consolidated financial statements and the Group management report in the auditor's report or, if these disclosures are inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our opinion. However, future events or circumstances can lead to the Group being unable to continue its business activities.
- We assess the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements present the underlying transactions and events in such a way that the consolidated financial statements, in accordance with the IFRSs as adopted by the EU and the additional requirements of German commercial law in accordance with section 315e(1) HGB, give a true and fair view of the net assets, financial position and results of operations of the Group;
- We obtain sufficient, suitable audit evidence for the accounting information of the companies or business activities within the Group in order to issue audit opinions on the consolidated financial statements and the Group management report. We are responsible for designing, monitoring and performing the audit of the consolidated financial statements. We bear sole responsibility for our audit opinions;
- We assess that the Group management report is consistent with the consolidated financial statements and the law, and the view of the position of the Group that it provides;
- We perform audit procedures on the forward-looking statements made in the Group management report by the company's officers. In particular, on the basis of sufficient and suitable audit evidence, we analyse the significant assumptions on which the forward-looking statements are based, and assess whether the forward-looking statements have been properly derived from these assumptions. We do not issue a separate audit opinion on the forward-looking statements or the underlying assumptions. There is a considerable yet unavoidable risk that future events will deviate materially from the forward-looking statements.

Among other things, we discuss with those responsible for overseeing the audit the planned scope and scheduling of the audit and significant audit findings, including any deficiencies in the internal control system that we identify during our audit.

We declare to those responsible for overseeing the audit that we complied with the relevant independence requirements and discuss with them all relationships and other issues that can reasonably be assumed to affect our independence, and the precautions taken against this.

Of the issues we discussed with those responsible for overseeing the audit, we determine which issues were most significant in the audit of the consolidated financial statements for the current reporting period and that are therefore the key audit issues. We describe these issues in our audit opinion, unless the public disclosure of such issues is prevented by law or other legal provisions.

OTHER LEGAL AND REQUIREMENTS

Other disclosures in accordance with Article 10 of the EU Audit Regulation

We were elected as the auditor of the consolidated financial statements by the Annual General Meeting on 18 August 2017. We were engaged by the Supervisory Board on 14 September 2017. We have audited the consolidated financial statements and Group management report as at 31 December 2017 for the 2017 financial year as Group auditors. These are required by law to be established and to be audited due to the stock exchange listing. We declare that the audit opinions contained in this audit report are consistent with the additional report to the audit committee in accordance with Article 11 of the EU Audit Regulation (audit report).

RESPONSIBLE AUDITOR

The auditor responsible for the audit is Henning Hanauer.

Berlin, 25 April 2018
RSM GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

....	....
Pochhammer	Hanauer
Wirtschaftsprüfer (German public auditor)	Wirtschaftsprüfer (German public auditor)

Glossary

Term	Definition
AktG	Aktiengesetz – German Stock Corporation Act
B2B	Business-to-Business – business relationships between at least two companies
B2C	Business-to-Consumer – business relationship between a company and a private individual or end user
Branded products	Brands under which a manufacturer presents its branded products to the end customer; generally broad distribution, high reputation with the customer and clear brand image
CAGR	Compound Annual Growth Rate – average annual growth rate of a quantity to be considered
Claim	In marketing, it usually means a sentence or clause that is firmly linked to the company or brand name
Compliance	Definition of compliance with laws, directives, (voluntary codes) in companies
Corporate Governance	Regulatory framework for the management and supervision of companies
D&O insurance	Directors-and-Officers-Insurance – professional indemnity insurance that a company takes out for its governing bodies and officers
Deal platforms	Web-based platforms whose business model consists in communicating so-called "deals" to their own customer base (usually extremely attractive deals with a bargain character for the customer)
Deferred taxes	Hidden tax burdens or benefits resulting from differences in the approach or valuation of assets or liabilities between the tax balance sheet and the commercial balance sheet
Directors' Dealings	Also 'Managers' Transactions'; security transactions of members of the executive bodies, related parties/companies or other executives with securities of their own company; commonly also 'insider trading'
Diversity	(Sociological) diversity in relation to the composition of a workforce, customer base, executive bodies, suppliers etc.
E-commerce	Electronic commerce – sales of goods and services via the Internet
EU-Endorsement	Recognition of IFRS in the European Union; only then will the standards become national law
Fulfilment	All activities that serve the delivery of the contract and the fulfilment of the other contractual obligations after conclusion of a contract
Goodwill	Designation for an intangible asset item in the company that results from the acquisition of other companies or parts of companies (derivative goodwill) or as self-created goodwill represents a higher valuation of the own company (original goodwill)
Hedge accounting	Accounting for two or more contracts (also known as financial instruments) that are in a hedging relationship
HGB	Handelsgesetzbuch – German Commercial Code
IASB	International Accounting Standards Board - an international private sector body of accounting experts that develops and revises the IFRS as needed
Impairment test	Test for the valuation of fixed assets (periodic assessment of a possible impairment in accordance with IFRS); the aim is that the assets are not recognised as higher than their recoverable amount (higher value from net realisable value and value in use)
International Financial Reporting Standards (IFRS)	International accounting standards
Managers' Transactions	Also 'Directors' Dealings'; security transactions of members of the executive bodies, related parties/companies or other executives with securities of their own company; commonly also 'insider trading'
Market capitalisation	Also stock market capitalisation or stock market value – product from the market value, the stock market price quoted on the stock exchange and the number of outstanding shares of a listed company; represents the mathematical total value of the shares of the company

Multichannel approach	Strategic approach of trade and service providers to reach (potential) consumers on several different communication and distribution channels
Online marketplace	Electronic shopping platform on the Internet, where manufacturers, service providers and distributors offer products and services and those interested and customers can purchase these products
Operating lease / financial lease	Operational leasing – rather short-term contracts that can be terminated by both parties at any time within certain deadlines, with no fixed basic leases; in contrast, financial leasing is characterized by a fixed basic rental period within which the contract can not be terminated by either party
Peer group	Designation of a group (e.g., of companies) that are comparable in terms of certain characteristics (e.g., industry, size, and activity)
Penny stock	Shares whose value is less than one in the local currency; in the euro area, stocks with a value of less than € 1
Performance	Price development of a stock over a defined period of time compared to the overall market, index, industry or peer group
Prime-oriented	Based on Amazon Prime, a premium offer from Amazon, which sets new standards in e-commerce, especially in terms of delivery speed
Private labels	Branded goods of commercial companies, which originate from its own production or the production of a commissioned manufacturer
Share liquidity	Number of shares, resp. the volume traded on the stock exchange or individual stock exchanges
Shopping club	Commercial online community, mostly with a special assortment orientation, to which one gets access only through a one-time registration, an invitation, a club key or the like
Showroom	Retail shop
Stock option program	Employees receive option rights that they can exchange for shares in their company under certain conditions
Underperformance	Poorer price development of a stock over a defined period of time compared to the overall market, index, industry or peer group
USP	Unique Selling Proposition – an outstanding feature that makes an offer stand out from the competition
Whistleblowing system	(Anonymous) procedure for indications of maladministration in a company
White-label products	Products of a manufacturer that are not sold under its own brand, but as an (apparent) product of another manufacturer or retailer under another brand
Working capital	Difference between current assets and short-term liabilities
WpHG (a.F.)	Wertpapierhandelsgesetz – Securities Trading Act, version in force before 3 January 2018

Financial Calendar

Events 2018

13 MARCH 2018	Prior capital market conference (analyst conference), Dreieich-Götzenhain (invitation only)
30 APRIL 2018	Publication annual report 2017
14 MAY 2018	Spring conference 2018 (analyst conference), Frankfurt; organizer Equity Forum UG, initiator DVFA GmbH
31 MAY 2018	Publication quartlery statement (reporting date Q1/2018)
19 JUNE 2018	Annual general meeting, Berlin
14 SEPTEMBER 2018	Publication halfyear financial report 2018
30 NOVEMBER 2018	Publication quartlery statement (reporting date Q3/2018)

Contact

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