



**QUARTERLY STATEMENT
JANUARY – SEPTEMBER 2018**



KEY FIGURES

		Q1-Q3/2018	Q1-Q3/2017
Sales revenue	<i>in € million</i>	7.9	8.8
Total operating performance	<i>in € million</i>	8.0	9.1
Material costs	<i>in € million</i>	-5.5	-6.0
Cost-of-materials ratio ¹	<i>in %</i>	69.6	68.3
Gross profit ²	<i>in € million</i>	2.4	2.7
EBITDA ³	<i>in € million</i>	-3.4	-1.8
Result from continuing operations	<i>in € million</i>	-3.7	-2.1
Result from continuing operations attributable to shareholders of the company	<i>in € million</i>	-3.3	-2.7
Consolidated net result	<i>in € million</i>	-3.7	-2.9
Earnings per share	<i>in €</i>	-0.30	-0.35
		30.09.2018	31.12.2017
Balance sheet total	<i>in € million</i>	9.0	8.7
Inventory assets	<i>in € million</i>	1.8	2.1
Shareholders' equity	<i>in € million</i>	2.5	5.7
Equity ratio	<i>in %</i>	27.5%	65.3
Employees		65	57

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

For an explanation of performance measures, please also refer to our annual report 2017.

SLEEPZ AG QUARTERLY STATEMENT JANUARY – MARCH 2018

- » Nine-month sales of € 7.9 million as against € 8.8 million
- » Consolidated net income of € -3.7 million as against € -2.9 million
- » Alexander von Tschirnhaus appointed to Executive Board as at 1 August 2018
- » Oliver Borrmann steps down from Executive Board effective 31 October 2018
- » Further financing of € 5 million provided
- » Acquisition of URBANARA GmbH completed in November 2018
- » Term sheet signed with Sam Stil-Art-Möbel GmbH

BUSINESS PERFORMANCE IN THE FIRST TO THIRD QUARTERS OF 2018

The SLEEPZ Group's business performance was not satisfactory in the first nine months of the 2018 financial year.

The improvement in the sales forecast for the second half of 2018 did not materialise in the third quarter of 2018. On the other hand, the gross profit ratio improved significantly over the same period.

Sales and net income were squeezed by the following factors:

- » The aggressive price war that has put pressure on margins in the mattress product area continued, and has since caused the first competitors to either withdraw from the German market (eve) or become insolvent (muun). This trend is likely to continue and will definitely lead to a further market shake-out in the coming months, though this is not expected to help ease the price war until the medium term.
- » Only now in the third quarter are we in a position to push our own brands more forcefully on the market, thereby not just generating more sales but also improving our gross profit margin.
- » The weather was unusually good both throughout the summer and in the third quarter of 2018 as well, which caused heavy losses across the board on the market owing to noticeable consumer restraint regarding bedroom purchases.
- » The planned acquisitions of URBANARA GmbH and Sam Stil-Art-Möbel GmbH weighed heavily on management personnel resources.

After cumulative sales of € 5.5 million after the first six months, sales of € 2.5 million were generated in the third quarter. The sales generated for the quarter therefore fell short of the previous year's figure for the third quarter (€ 2.9 million) and, at € 7.9 million, sales for the first nine months were also € 0.9 million lower than for the same period of the previous year.

The acquisition of Cubitabo GmbH and its subsequent incorporation into sleepz Home GmbH tied up a great deal of management capacity at both companies, especially as this involved not just the assimilation of staff but also the integration of the Cubitabo shops into sleepz Home GmbH's inventory management. Nonetheless, sleepz Home GmbH's cumulative sales for the third quarter increased by € 0.2 million as against the same period of the previous year to € 4.0 million.

The Matratzen Union Group's sales was down € 1.0 million year-on-year at € 4.0 million for the first nine months of 2018. This decline in sales is essentially due to the focus on mattresses and beds. An intensive price war is still ongoing in this market segment of brand-name mattresses especially, as a result of which it is no longer possible to sufficiently cover customer acquisition

costs in some cases. However, the countermeasures implemented by management are already influencing the third quarter. A high-quality, simple mattress was developed under the “Wolkenwunder” brand and is selling excellently. However, the drop in sales in the first two quarters of 2018 has not yet been compensated.

The Group’s cumulative gross profit margin softened slightly year-on-year to 30.4% after the third quarter of 2018 (previous year: 31.7%). However, products including new own-brand products are now having an effect, with the result that the gross profit ratio improved in the third quarter of 2018 compared to the first half of 2018.

At € -3.4 million, EBITDA for the first nine months of 2018 was weaker than in the previous year (€ -1.8 million), primarily as a result of the assumption of Cubitabo’s cost structure. Consolidated net income for the first nine months of 2018 was also down on the figure for the third quarter of 2017 at € -3.7 million (€ -2.9 million).

Consolidated net income for the third quarter of 2018 was € -0.8 million after € -2.8 million for the first half of 2018. While the gross profit margin has improved compared to the first half of 2018, this has not yet been enough to offset the negative results of the first half of the year and the Group’s costs, which have risen in part on account of the acquisition and integration of Cubitabo GmbH.

At € 2.5 million, the bulk of the losses in cumulative consolidated net income for the third quarter related to sleepz Home GmbH, which acquired Cubitabo GmbH at the beginning of the year. In light of the major structural changes as a result of the merger, it has not yet been possible to reduce the monthly losses.

NET ASSETS AND FINANCIAL POSITION OF THE GROUP

Non-current assets, which in addition to non-cash contributions above all comprise intangible assets, mainly goodwill from company acquisitions, amounted to € 5.18 million as at 30 September 2018, only a minor change as against the end of 2017 (€ 5.15 million).

There was a slim increase in total assets from € 8.7 million as at 31 December 2017 to € 9.0 million as at 30 September 2018.

Bank balances and cash in hand were down slightly at € 0.4 million after at € 0.5 million as at 31 December 2017. By contrast, liabilities to banks rose from € 0.5 million to € 1.1 million between 31 December 2017 and 30 September 2018, essentially as a result of the use of overdraft facilities.

In April 2018, SLEEPZ AG received shareholder loans of € 2.2 million, primarily in connection with securing the projected financing of sleepz Home and Cubitabo. The intended non-cash contribution by sleepz Home was implemented as part of a capital increase at SLEEPZ AG at the start of May. SLEEPZ AG has held 92.03% of the shares in sleepz Home GmbH since that time. The non-cash contribution increased SLEEPZ AG’s share capital to € 12.4 million.

The equity ratio was 27.5% as at 30 September 2018 after 65.3% as at 31 December 2017. Equity

contracted significantly by € 3.2 million as against the end of the previous year to € 2.5 million. The changes in the individual items allocated to equity primarily resulted from the non-cash capital increase of around € 3.5 million carried out in 2018 to acquire shares in sleepz Home GmbH and from the negative consolidated net income in the reporting period.

SUPPLEMENTARY REPORT

SLEEPZ AG agreed financing of € 5 million with Heliad Equity Partners GmbH & Co. KGaA and Apeiron Investment Group Ltd. on 5 October 2018. € 2 million of this was made available by their subscription to a 2018/2021 convertible bond. A further € 3 million was extended to SLEEPZ AG as a long-term loan.

The financing laid the foundation for the planned acquisitions of URBANARA GmbH and SAM Stil-Art-Möbel GmbH.

In the context of this financing, various shareholders of SLEEPZ AG granted Apeiron Investment Group Ltd. an option to acquire shares in the company. In connection with the transaction, Oliver Borrmann decided to step down from the Executive Board effective 31 October 2018 for personal reasons.

On 10 October 2018, on the basis of the final proceeds from the transaction, the Executive Board of SLEEPZ AG resolved to issue a convertible bond (2018/2021 convertible bond) with a nominal value of € 2.1 million, consisting of 21 partial bonds with a nominal value of € 0.1 million each. Furthermore, the Executive Board of SLEEPZ AG resolved on 16 November 2018 to increase the company's share capital by € 5.3 million from € 12.4 million to € 17.8 million by issuing 5,329,596 new no-par value bearer shares with a proportional amount of share capital of € 1 each against non-cash contributions, partially utilising the existing authorised capital and disapplying shareholders' pre-emption rights. The Supervisory Board of the company had already granted its approval.

SLEEPZ AG thus implemented its known intention of acquiring the Berlin online retailer URBANARA GmbH in full. Against the background of another round of financing at URBANARA that has since taken place, there was a slight change in the number of shares to be contributed and therefore the number of new SLEEPZ shares to be issued as well. The final exchange ratio between the 319,776 sleepz Home shares to be contributed and the 5,329,596 new SLEEPZ shares to be issued was based on a valuation of EUR 1.20 per SLEEPZ share and was confirmed by an expert opinion. The new shares are subject to a lock-up period of 12 months.

The SLEEPZ Group also gained experienced personnel as a result of the takeover; in particular, URBANARA's Managing Director Christian Salza is expected to be appointed to SLEEPZ AG's Executive Board in due time.

On 7 September 2018, SLEEPZ AG agreed a termsheet with the sole shareholder of SAM Stil-Art-Möbel GmbH for the 100% acquisition of that company. The online retailer based in Kirchheimbollen designs and sells a wide range of furniture. SAM Stil-Art-Möbel GmbH generates sales in the lower eight-figure range. The successful implementation of the acquisition is still assumed.

OUTLOOK

The improvement in sales forecast for the second half of 2018 will presumably no longer be possible, hence our assessment of sales performance in the fourth quarter is restrained given the current competitive situation, and therefore the development in sales for 2018 as a whole will be slightly negative compared to the previous year.

Thanks to the improved gross profit ratio in the third quarter of 2018, we expect earnings for the second half of 2018 to improve compared to the first half. However, contrary to expectations, the expected reduction in losses at sleepz Home GmbH has not yet materialised on account of slow progress in leveraging synergies due to personnel capacity bottlenecks. We therefore expect that consolidated net income for 2018 as a whole might be slightly lower than in the previous year. Nevertheless, the full acquisition of URBANARA GmbH and the expected acquisition of Sam Stil-Art-Möbel GmbH will result in a completely new SLEEPZ Group.

As one of Germany's biggest independent online retailers in the e-commerce sleeping products segment, SLEEPZ is building a new organisational structure with an e-commerce holding platform in conjunction with a buy and build strategy for the home and living market.

In order to leverage synergies and achieve economies of scale, areas such as finance, human resources, marketing, supply chain and IT will be centralised at SLEEPZ AG so that it can operate as an internal service provider for all its Group companies.

Furthermore, sales synergies, including from cross-selling initiatives, a stronger focus on own brands and cost savings potential, will lead to sales growth and an improvement in the gross profit ratio and consolidated net income in the 2019 financial year.

In keeping with its corporate strategy, SLEEPZ is moreover planning further business acquisitions in order to continue its growth as an e-commerce group in the home and living segment.

This document is a quarterly statement in accordance with section 53 of the Exchange Rules for the Frankfurt Stock Exchange.

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM

01.01.2018 TO 30.09.2018

	1.1.-30.09. 2018	1.1.-30.09. 2017
	€	€
SALES REVENUE	7,913,184.58	8,772,379.23
OTHER OPERATING INCOME		
Other operating income	69,322.07	223,277.42
Income from consulting and commissions	13,500.00	106,945.13
CHANGE IN INVENTORIES	0.00	-51,351.15
COST OF MATERIALS		
Cost of sales and services purchased	-5,507,334.98	-5,990,273.71
STAFF COSTS		
Wages and salaries	-1,633,872.90	-1,320,657.27
Social security contributions and costs for pensions and support	-393,437.54	-230,555.73
DEPRECIATIONS		
Depreciation on tangible and intangible fixed assets	-130,773.87	-181,800.83
OTHER OPERATING EXPENSES	-3,868,544.06	-3,326,135.12
OPERATING INCOME	-3,537,956.70	-1,998,172.03
Income from investments	9,477.82	71,588.08
Interest and similiar income	184.61	1,191.73
Interest and similiar expenses	-145,195.84	-178,452.14
Income taxes	-9,501.80	-8,776.82
RESULT FROM CONTINUING OPERATIONS	-3,682,991.91	-2,112,621.18
Result from discontinued operations	0.00	-813,163.67
CONSOLIDATED NET RESULT	-3,682,991.91	-2,925,784.85
Share of result of non-controlling interests	352,967.32	252,888.30
result attributable to shareholders of the company	-3,330,024.59	-2,672,896.55
Earnings per share from continuing operations	-0.30	-0.25
Earnings per share from discontinued operation	0.00	-0.11
Earnings per share (diluted and non-diluted)	-0.30	-0.35
CONSOLIDATED NET RESULT	-3,682,991.91	-2,925,784.85
Other comprehensive income	0.00	0.00
COMPREHENSIVE INCOME	-3,682,991.91	-2,925,784.85

ABOUT SLEEPZ AG

SLEEPZ AG is an e-commerce group focussing on the segment of sleep products. Its subsidiary companies sleepz Home GmbH, Matratzen Union GmbH, Ecom Union GmbH and Markenschlaf GmbH sell products such as bedroom furniture, beds, slatted frames, mattresses, bedding and accessories through 13 own online shops as well as online market places and shopping clubs.

Under the „buddy“ brand (www.buddysleep.de) sleepz Home GmbH mainly markets its one fits all-mattress of the same name.

Grafenfels Manufaktur GmbH (www.grafenfels.de) has developed an own mattress collection under the „Grafenfels“ brand.

Furthermore, the group runs showrooms in Berlin, Dusseldorf, Berlin, Hamburg, Munich and Zurich.

CONTACT

SLEEPZ AG
Schlüterstraße 38
10629 Berlin

tel. +49 (30) 20 30 5-0
fax. +49 (30) 20 30 5-555

welcome@sleepz.com
www.sleepz.com

Design (Cover)
Rohloff Design, Berlin

Photos (top-down)
Africa Studio/AdobeStock
drubig-photo/Fotolia