



## **INTERIM REPORT OF BEATE UHSE AG**

in the second half of 2015 pursuant to Section 37x German Securities Trading Act (WpHG)

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Beate Uhse Group recorded a decrease in sales and an unexpected negative result in the third quarter of 2015. This was the result of disappointing operational business developments, in addition to one-off effects.

Sales declined by EUR 4.7 million in the period from July to September 2015, from EUR 35.3 million in the same quarter of the previous year to EUR 30.6 million. Adjusted for the discontinuation of national operations in Norway and Italy, and the closure of individual, unprofitable stores, sales were down EUR 1.5 million (4.6 %) in the third quarter. This was caused in particular by the fact that implementing the new brand reorganisation in the B2C segment is taking longer than expected. Simultaneously, sales in the traditional catalogue business declined faster than expected. Like-for-like, sales were slightly below the previous year's level at EUR 0.4 million (0.4 %) in the first nine months of this financial year.

Earnings before interest and taxes (EBIT) amounted to EUR -4.5 million (Q3/2014: EUR 0.5 million) in the third quarter. This was caused by the following effects in the third quarter of 2015, which had an impact in the amount of EUR 4.3 million:

- Due to current business developments and the developments anticipated in the future, Dutch Retail was forced to record a non-cash goodwill impairment in EBIT amounting to EUR 1.9 million.
- It is the opinion of the Management Board that the developments in Retail currently do not justify an investment in a new adult lifestyle museum. As a result, non-cash losses in value on existing museum exhibits were booked amounting to EUR 1.2 million. More than 5,000 acquired exhibits were displayed in an approximately 1,100 square-metre area in Berlin until the closure of the store and adult lifestyle museum in September 2014.
- As announced in the half-year report, the Management Board launched comprehensive cost-cutting measures in the third quarter. These measures have led to a workforce reduction affecting approximately 60 employees. The redundancy claims associated with these measures have had a EUR 1.0 million impact on the result.
- Changes in the euro/US dollar exchange rate and the value of the euro in comparison to the Swiss franc caused EBIT to decrease by EUR 0.2 million between July and September.

The EUR 1.5 million operational decrease in sales and the discount offers with a low profit margin to reduce stock levels also had a negative effect on the result.

In the first nine months of the current financial year, the operating result (EBIT) amounted to EUR -7.2 million. In the same period of the previous year, positive EBIT of EUR 1.9 million was recorded. The four effects mentioned above were responsible for EUR 4.3 million of the EUR 9.1 million decrease in the result. Adverse exchange rates in the first half of 2015 impacted EBIT in the amount of EUR 4.4 million. Of this amount, EUR 3.3 million is attributable to the development of the euro against the US dollar, and EUR 1.1 million is attributable to the change in value of the euro against the Swiss franc (see Beate Uhse Aktiengesellschaft half-year report).

## Beate Uhse Group key performance indicators (IFRS)

	Q3/2015	Q3/2014	9 months 2015	9 months 2014
EUR 000s	01.07. - 30.09.	01.07. - 30.09.	01.01. - 30.09.	01.01. - 30.09.
Sales	30,576	35,279	96,084	105,310
EBITDA	-514	1,750	-1,378	5,800
EBIT	-4,523	496	-7,187	1,949
EBT	-5,225	-478	-9,324	184

On 23 September 2015 Beate Uhse Aktiengesellschaft announced that CEO Serge van der Hoof would be leaving the company's Management Board for personal reasons. Until a successor is appointed, Cornelius Vlasblom (CFO) will act as the sole director. The Supervisory Board immediately began with the search for a suitable successor to Mr van der Hoof.

## Retail

The Retail division generated sales of EUR 8.1 million in the third quarter of 2015. Sales therefore declined by EUR 3.4 million (Q3/2014: EUR 11.5 million). With sales amounting to EUR 3.2 million, this is primarily due to the discontinuation of operations in Norway and Italy, and the closure of unprofitable stores with unpromising futures, particularly in the Netherlands. Like-for-like, sales were down EUR 0.2 million (2.7 %) in the period from July to September against the same quarter of the previous year, while like-for-like sales growth was achieved in the previous quarters. This shows that new target groups and products have not yet been opened up in a sustainable manner and more effort is required here. However, stock-related growth in sales of EUR 0.6 million (2.5 %) was achieved in the first nine months of 2015.

Negative EBIT of EUR -3.3 million (Q3/2014: EUR 0.0 million) was recorded as a result of

- goodwill impairment (EUR 1.9 million),
- value losses on museum exhibits (EUR 1.2 million),
- expenses incurred in Retail for redundancy claims from the workforce reduction (EUR 0.2 million) and
- the adverse euro/US dollar exchange rate (EUR 0.1 million).

At EUR -4.1 million for the period January to September, EBIT was EUR 4.8 million below the figure achieved in the same period of the previous year (EUR 0.7 million). In addition to the four effects that occurred in the third quarter amounting to EUR 3.4 million, expenses from the first half-year relating to the adverse euro/US dollar exchange rate had a particularly negative impact amounting to EUR 0.6 million.

## Retail KPIs

EUR 000s	Q3/2015 01.07. - 30.09.	Q3/2014 01.07. - 30.09.	9 months 2015 01.01. - 30.09.	9 months 2014 01.01. - 30.09.
Sales	8,095	11,531	24,190	32,340
EBITDA	-13	272	-399	1,846
EBIT	-3,276	-43	-4,057	723
EBT	-3,508	-159	-4,729	426

## Mail Order

The Mail Order division recorded a EUR 1.1 million (7.8 %) decrease in sales against the previous year (Q3/2014: EUR 13.9 million) at EUR 12.8 million in the third quarter of 2015. This was primarily due to the ongoing decline in the traditional catalogue business. The e-Commerce division, which is now responsible for 87 % of Mail Order sales, was also unable to fulfil expectations. One reason for this is that TV advertising is not as yet making a sustainable contribution to improving sales, another reason is that the expansion of this B2C segment also requires more time in order to organise the changes in products and customer groups. In the first nine months of 2015, Mail Order sales declined by EUR 2.4 million (5.4 %) to EUR 42.0 million.

The operating result (EBIT) fell from EUR 0.8 million to EUR -0.1 million in the third quarter. Lower sales as well as the expenses incurred in Mail Order from redundancy claims from the workforce reduction (EUR 0.3 million), the lower profit margin due to the reduction of stock levels (EUR 0.2 million) and the impact on the result from the appreciation of the US dollar against the euro (EUR 0.2 million) led to this result.

At EUR -0.3 million for the period from January to September 2015, EBIT decreased by EUR 2.9 million against the previous year. This was due to lower sales in the first half of the year as well as negative impacts from developments in the euro/US dollar exchange rate amounting to EUR 1.2 million, in addition to the decrease in the result which occurred in the third quarter.

## Mail Order KPIs

EUR 000s	Q3/2015 01.07. - 30.09.	Q3/2014 01.07. - 30.09.	9 months 2015 01.01. - 30.09.	9 months 2014 01.01. - 30.09.
Sales	12,772	13,852	42,039	44,437
EBITDA	198	1,241	668	4,134
EBIT	-140	795	-304	2,632
EBT	-296	651	-805	2,342

## Wholesale

The Wholesale division generated sales of EUR 8.4 million in the third quarter, down 2.3 % year-on-year (Q3/2014: EUR 8.6 million). Adjusted for content distribution sales, which were still assigned to Wholesale in 2014, but which have been assigned to the Entertainment segment since 2015 for strategic reasons, the Wholesale division would have increased sales by 5.3 %.

The operating result (EBIT) for Wholesale declined by a total of EUR 0.6 million in the third quarter. EUR 0.2 million was due to the appreciation of the US dollar against the euro and EUR 0.4 million was due to the expenses incurred for redundancy claims. EBIT decreased by EUR 1.2 million between January and September due to the fact that a decrease of EUR 1.5 million was recorded in the first half of the year due to the adverse euro/US dollar exchange rate.

## Wholesale KPIs

EUR 000s	Q3/2015	Q3/2014	9 months	9 months
	01.07. - 30.09.	01.07. - 30.09.	2015 01.01. - 30.09.	2014 01.01. - 30.09.
Sales	8,370	8,563	24,277	24,413
EBITDA	209	899	801	2,480
EBIT	-4	471	199	1,440
EBT	-35	267	-10	879

## Entertainment

AT EUR 1.3 million, sales in the Entertainment division in the third quarter of 2015 were on a par with the previous year's level. Excluding sales from the reallocation of content marketing (see Wholesale above) to bundle the distribution of film materials, sales were down EUR 0.1 million against the previous year. As a result of the reallocation, proceeds of EUR 1.1 million were generated in the first half of the year by marketing GÜFA (German copyright collective of pornographic film production companies and copyright holders) rights, which contributed to sales in the period from January to September exceeding the previous year's figure by EUR 1.5 million.

Redundancy claims, provisions and higher selling expenses resulted in an EBIT of EUR -0.3 million in the third quarter (Q3/2014: EUR 0.2 million). Due to the proceeds from marketing GÜFA rights, however, a EUR 0.9 million increase in EBIT against the same period of the previous year was achieved by September.

## Entertainment KPIs

EUR 000s	Q3/2015	Q3/2014	9 months	9 months
	01.07. - 30.09.	01.07. - 30.09.	2015 01.01. - 30.09.	2014 01.01. - 30.09.
Sales	1,339	1,333	5,578	4,120
EBITDA	-68	208	1,592	369
EBIT	-250	162	1,058	229
EBT	-186	262	1,219	520

## Outlook

On 28 October 2015 the Management Board of Beate Uhse Aktiengesellschaft released a profit warning stating that the forecast for the 2015 financial year would not be achieved. Sales of between EUR 134 million and EUR 139 million and profit of between EUR 2 million and EUR 5 million were forecast.

Due to the developments outlined in this interim report, the Management Board is currently creating a comprehensive package of measures for all distribution channels. The package of measures is scheduled to be completed until mid-January 2016. Following the release of the measures, the Management Board will provide information regarding to the individual steps planned to improve business developments. As these measures could also influence the result of the financial year 2015, the Management Board does not believe that issuing a new results forecast for the current financial year is possible at this time.