6Month Report 2010

Beate Uhse at a glance

EUR 000s		6 months 30.06.2009	6 months 30.06.2010	Change %
SALES PERFORMANCE				
Retail		30,226	**26,579**	-12.1
Mail Order		49,192	**44,431**	-9.7
Wholesale		23,867	**19,678**	-17.6
Entertainment		6,222	**5,356**	-13.9
Total sales		109,507	**96,044**	-12.3
International share of sales	%	64.0	**61.9**	-
RESULTS				
EBITDA		5,192	**-1,406**	-
EBIT		686	**-6,146**	-
EBT		-700	**-7,091**	-
Net income of*		-223	**-7,131**	-
OTHER EARNINGS INDICATORS				
Return on sales before tax	%	-0.6	**-7.4**	-
Return on sales after tax	%	-0.2	**-7.4**	-
Return on equity	%	-0.2	**-7.6**	-
Gross profit margin	%	56.5	**55.5**	-1.8
FINANCIAL SITUATION				
Cash flow from operating activities		4,101	**-2,015**	-149.1
Investments		12,454	**3,273**	-73.7
Depreciation		4,506	**4,740**	5.2
BALANCE SHEET DATA**				
Total assets		183,568	**173,281**	-5.6
Shareholders' equity		100,845	**93,646**	-7.1
Equity ratio	%	54.9	**54.0**	-1.6
Long-term assets		94,761	**97,859**	3.3
Short-term assets		88,807	**75,422**	-15.1
OTHER DATA				
Employees	total	1,235	**1,174**	-4.9
Cost of sales		47,651	**42,749**	-10.3
Cost of distribution		54,490	**52,910**	-2.9
SHARES				
Number of shares		78.074.696	**78.074.696**	0.0
Closing price	EUR	0.61	**0.57**	-6.6
Annual high	EUR	0.87	**0.75**	-13.8
Annual low	EUR	0.42	**0.53**	26.2
Earnings per share	EUR	0.00	**-0.09**	-
Cash flow per share	EUR	0.05	**-0.08**	-

*: ongoing business divisions

**: 2009 per 31.12.

beate uhse

6 Month Report 2010

Letter to shareholders

Dear Shareholders,

The reorganisation of the Beate Uhse Group made good progress in the first half of 2010. Many of the processes initiated in 2009 were realised. Two examples: The wholesale segment continued to optimise its international merchandise flows within the Group in the past months. The entertainment segment implemented what was probably the most important project by relaunching the Group's best-selling website, www.beate-uhse.com, at the end of July. In many important areas, we have made significant progress towards our objective to make the Group fit for the international market conditions of the future.

Given that our company is in a phase of realignment, we were satisfied with the results of the first quarter. In the second quarter, it became apparent, however, that some projects were falling short of the desired results. Therefore, we would like to give you some examples. The separation between "hard" and "soft", which was applied in the mail-order segment for the first time, did not meet with a good response from our existing customers. While the order value per customer was good, the frequency of orders declined. The retail segment saw customer numbers decline in the first half of the year but reported improved average sales per customer visit. The wholesale segment suffered from the spending restraint of the traditional adult lifestyle shoppers. This restraint was not fully offset by increased sales to new customer groups, such as online shops and retail chains as well as by the wholesale segment's new product groups.

As a result, the Group's sales and earnings clearly fell short of expectations in the first quarter. Consolidated sales declined by EUR 13.5 million to EUR 96 million in the first six months of 2010 (H1 2009: EUR 109.5 million). At the end of the first quarter, sales had still been in line with expectations at EUR 55.3 million (Q1 2009: EUR 58.9 million). In the second quarter, however, sales declined by another EUR 10 million to EUR 40.8 million (Q2 2009: EUR 50.6 million). The declines primarily occurred in the three main distribution channels, i.e. mail order, retail and wholesale.

The drop in sales led to much lower earnings in the first half of 2010. In spite of cost savings, we reported an operating loss (EBIT) of EUR 6.1 million as of 30 June 2010 (H2 2009: EUR 0.7 million).

What immediate measures have been taken in response to the situation?

Once we realised that the separation between "hard" and "soft" concepts was not well received by our existing customers, the mail-order segment reacted immediately. All available data was examined thoroughly and a new full-range concept that caters to our customers' needs was developed. The expansion of the web shop is still high up on our agenda. We see excellent growth opportunities in this area, where we can offer our customers unique products, attractive prices as well as fast and efficient service. Sales have already improved in recent weeks. The retail segment responded to the lower sales by conducting additional product range tests in the stores. The purpose of these regular tests is to cater even more effectively to our customers' wishes and to win new customer groups for the Beate Uhse product universe. Customers' response to the "City-Lage" and "Fun Center" concepts has been positive. We will therefore continue to internationalise the concepts. In the wholesale segment, we must accept that the market is changing. Our experts see great potential in selling to non-adult retailers. We have therefore strengthened our sales team with a view to winning online shoppers, hypermarkets and other new customer groups for certain parts of the adult product range.

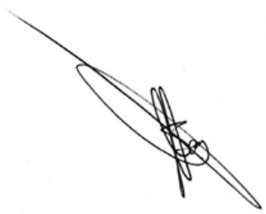
As a result of the developments in the second quarter, the target announced for the fiscal year (EBIT of EUR 3 – 3.5 million) can not be reached. The Management Board now expects an operating loss of EUR 6.5 – 8 million on sales of EUR 204 – 208 million.

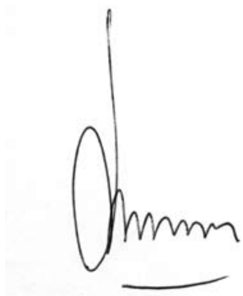
Due to the sales and earnings performance in the second quarter of 2010, the Group was unable to comply with the covenants agreed with the banks as of June 30, 2010. The Management Board of Beate Uhse AG held a series of talks with the lending banks about a suspension of the review of the covenants as of 30 June 2010 in order to gain time for additional restructuring measures. All banks agreed to this suspension.

We cancelled the Annual General Meeting scheduled for 2 August 2010, as the talks with the banks were still underway at this time. We would not have been able to inform you, our shareholders, appropriately about the current situation of Beate Uhse AG. The Annual General Meeting is expected to be held in autumn 2010.

We would like to thank our shareholders for their confidence and are very optimistic that the joint efforts of our experienced team and the banks will get the company back on track.

Yours faithfully,





Serge van der Hooft
Chief Operating Officer,
Management Board Spokesman

Johan A. Boddaert
Chief Marketing Officer

Business and economic framework

Macroeconomic developments

The German economy grew at a moderate pace in the first half of 2010. According to the forecast by the German Institute of Economic Research (DIW), economic momentum reached a temporary high of around 1.1 percent in the second quarter of 2010. Growth was again driven by exports, whereas domestic demand remained weak in spite of the favourable situation in the labour market. According to the DIW indicator, economic growth will slow down to 0.5 percent in the third quarter of 2010. The Ifo Business Climate Index climbed by 4.4 points to 106.2 in July 2010.

The Ifo indicator for the euro area was slightly higher in the second quarter of 2010 but stayed below the long-term average. The Ifo assessment of the current economic situation in the euro area remains unfavourable and is especially poor for Greece, Ireland, Spain, Portugal, Italy and France.

The adult lifestyle market

The adult lifestyle market continues to change, with user behaviour increasingly being influenced by the new media. Movies and pictures are consumed online via the home computer or mobile terminals. Thanks to fast and uncomplicated order processing, products are increasingly purchased via the web shop, while catalogues and retail stores serve to inform customers about our products and transport the image of our brand.

Earnings position

Sales performance

Sales of the Beate Uhse Group declined by EUR 13.5 million to EUR 96 million in the first half of 2010. The three main distribution channels – mail order, wholesale and retail – reported a sharp drop in earnings. A comparison of the weak second quarter 2010 with the previous year shows that sales were down by approx. EUR 10 million. What were the reasons for this trend?

At EUR 26.6 million, retail sales were down by EUR 3.6 million on the first six months of 2009. This was attributable not only to a smaller number of shops (another 4 branches were closed) but also to declining customer numbers and initial problems in supplying the branches following the introduction of a new ERP system. The problems have been analysed and are currently being remedied. Signs of some significant improvements and moderately rising sales became apparent in the German branch network in July 2010.

Mail order sales dropped by EUR 4.8 million to EUR 44.4 million in the first half of 2010. The decline was attributable to lower delivery ratios. Advertising measures, especially the main catalogues, failed to generate the desired response from customers. The changeover to separate hard and soft advertising and product concepts was not received positively by customers. As a result, the value per order declined.

The wholesale segment reported a EUR 4.2 million decline in sales to EUR 19.7 million. The consolidation of the adult lifestyle market and the pressure on DVD prices are two more challenges for the wholesale segment. This trend was intensified by declining sales at the Group's own mail order arm, which sources its products from Scala Playhouse.

Sales by distribution channel

EURO 000s	6 months 30.06.2009	**6 months 30.06.2010**	% change
Retail	30,226	**26,579**	-12.1
Mail order	49,192	**44,431**	-9.7
Wholesale	23,867	**19,678**	-17.6
Entertainment	6,222	**5,356**	-13.9
	109,507	**96,044**	-12.3

The Group generated about 62 percent of its total first-half sales in neighbouring European countries. At EUR 36.6 million, the German market remains the most important market. Declining sales were primarily reported by German retail stores in the first half of the year. By contrast, the Group won market share in the Netherlands. The moderate growth, which became apparent already in the first quarter of 2010, continued. The Group's Pabo and Christine le Duc brands grew by 1.1 percent. France remains the third biggest market. Lower sales in the French market are primarily attributable to the wholesale and mail-order business.

Sales by region

EURO 000s	6 months 30.06.2009	**6 months 30.06.2010**	% change
Germany	39,425	**36,573**	-7.2
Netherlands	21,628	**21,868**	1.1
Belgium	8,128	**6,656**	-18.1
France	19,728	**15,511**	-21.4
UK	4,004	**2,354**	-41.2
Austria	4,453	**2,655**	-40.4
Switzerland	823	**525**	-36.2
Scandinavia	5,498	**4,970**	-9.6
Italy	1,471	**1,124**	-23.6
Misc. Europe	3,992	**3,489**	-12.6
Other regions	358	**320**	-10.6
	109,507	**96,044**	-12.3

Earnings performance

The Group's cost of sales declined to EUR 42.7 million in the first six months of 2010 (H1 2009: EUR 47.7 million). While lower cost of materials (minus EUR 3.6 million), selling expenses (minus EUR 0.8 million) and administrative expenses (minus EUR 0.8 million) led to a lower cost of sales in absolute terms, they increased as a percentage of total sales (44.5 percent vs. 43.5 percent in H1 2009). This trend was due to the sell-off of old merchandise at reduced prices in the mail-order and wholesale segments and a changed product mix (new product ranges) in the mail-order segment.

Selling expenses were reduced by EUR 1.6 million to EUR 52.9 million in the reporting period. As in the first quarter of 2010, selling expenses declined due to lower advertising expenses (minus EUR 1.3 million). Selling expenses were reduced significantly especially in the retail segment. Selling expenses as a percentage of sales rose to 55.1 percent (H1 2009: 49.8 percent).

General administrative expenses increased by a moderate EUR 0.6 million to EUR 13.4 million (H1 2009: EUR 12.8 million). This was attributable to increased depreciation, especially at the retail stores, and a moderate increase in personnel expenses in the administrative area.

Other operating expenses declined by EUR 0.7 million to EUR 0.4 million. As in the first quarter, expenses resulting from exchange differences stood at a lower level in the second quarter of 2010 and, hence, at the half-year stage.

Adjusted for swap effects, interest expenses amounted to EUR 1.1 million in the first half of 2010, which was on a par with the previous year. Increased average borrowings in the first half of 2010 were offset by the lower interest rate level. While negative swap effects made themselves felt in the first half of 2009, swap effects in the same period of 2010 were positive.

The clearly lower sales have an adverse impact on the Group's earnings position. In spite of significant savings, the Beate Uhse Group was unable to achieve the result of the prior-year period. In the first half of 2010, EBITDA stood at EUR -1.4 million (H1 2009: EUR 5.2 million), while earnings before interest and taxes (EBIT) declined by EUR 6.8 million to EUR -6.1 million (H1 2009: EUR 0.7 million). The reported income tax expenses exclusively comprised the release and addition of deferred taxes. Earnings before taxes (EBT) declined by EUR 6.4 million to EUR -7.1 million (H1 2009: EUR -0.7 million). Earnings per share thus stood at EUR -0.09 (Q1/2009: EUR 0.00).

Segment performance

Retail

The lower retail sales in the first six months of 2010 (Q1/2010: EUR 14.5 million, Q2/2010: EUR 12 million) had a direct impact on the earnings position of this distribution channel. EBIT deteriorated markedly to EUR -1.3 million. In particular, the result was adversely affected by an increase in general administrative expenses. Compared to the previous quarter, the branch network was reduced by another 2 shops to 258 shops.

EURO 000S	6 months 30.06.2009	**6 months 30.06.2010**	% change
Sales	30,226	**26,579**	-12.1
EBITDA	1,350	**268**	-80.1
EBIT	-407	**-1,332**	-
EBT	-1,017	**-1,934**	-90.2
Investments	721	**746**	3.5

Following the example of the mail-order segment, which modified its product range, the retail segment also tested new product groups in the first half of 2010. Not all of them were well received by customers. The Beate Uhse Group will expand its product universe with a view to winning new customers. For this purpose, the retail and mail-order segments will carry out further tests going forward.

In the second quarter of 2010, the retail segment continued to focus on optimising and internationalising its processes. Deliveries to branches, which had been unsatisfactory in some cases, were improved as of the end of July 2010. Initial tests conducted after the end of the reporting period indicate growing sales, which gives cause for moderate optimism. The introduction of a Group-wide cash register software was largely completed in the second quarter of 2010. It allows quick and comprehensive analyses of branches, product groups, individual products and customers' buying behaviour.

The German retail division hired an experienced sales expert in the first half of 2010 to strengthen its team. Based on a comprehensive three-month test carried out in several Beate Uhse stores in spring 2010, the company developed a concept for the optimisation of product presentation, cross-selling and up-selling potential and customer service. The first step of the sales concept will focus on intensive staff training and support with a view to increasing the average sales per customer visit through good customer service.

Beate uhse shops by region
Own shops

	6 months 30.06.2009	% change	**6 months 30.06.2010**	% change
Germany	53	39.3	**54**	39.7
Italy	6	4.4	**7**	5.1
Switzerland	1	0.7	**1**	0.7
Netherlands	55	40.7	**55**	40.4
Belgium	9	6.7	**8**	5.9
France	7	5.2	**7**	5.1
Norway	4	3.0	**4**	2.9
	135	100.0	**136**	100.0

Licence & franchise

	6 months 30.06.2009	% change	**6 months 30.06.2010**	% change
Germany	62	47.3	**53**	43.4
Austria	44	33.6	**46**	37.7
Netherlands	0	0.0	**2**	1.6
Norway	4	3.1	**5**	4.1
Italy	1	0.8	**1**	0.8
Hungary	11	8.4	**3**	2.5
Poland	6	4.6	**6**	4.9
Slovenia	3	2.3	**6**	4.9
	131	100.0	**122**	100.0

Catalogue and e-commerce

Following a moderate start in the first quarter of 2010, (EUR 25.2 million in sales), the situation of the mail-order segment deteriorated markedly in the second quarter of 2010 (EUR 19.2 million in sales). While sales in the Netherlands increased by EUR 0.3 million, all other major markets (France, Austria, UK, Germany, Belgium) reported declining sales.

The low sales revenues were reflected in the earnings position of the mail-order segment. Although the mail-order segment responded swiftly to the low order rates from the main catalogues, various online marketing initiatives were unable to improve the situation significantly. EBIT declined to EUR -1.9 million (H1 2009: EUR 4.4 million).

EURO 000S	6 months 30.06.2009	**6 months 30.06.2010**	% change
Sales	49,192	**44,431**	-9.7
EBITDA	5,210	**-908**	-
EBIT	4,413	**-1,899**	-
EBT	4,379	**-2,281**	-
Investments	1,756	**715**	-59.3

A thorough analysis of the data showed that the poor order rates of the first half of 2010 were attributable to the customer-specific advertising materials used for the first time in 2010. Against the background of an expanded product range, the catalogues and advertising materials were divided into "hard" and "soft". The aim was to win new customers for the Group by defining the product ranges more clearly and to use the advertising materials more efficiently. This strategy was not vindicated by customers' response. "Soft" customers ordered far less in the first half of 2010, as they apparently missed the appeal provided by "harder" products. Sales of overcapacities at reduced prices additionally weighed on the result of the mail-order segment.

By contrast, results have vindicated the strategy to support online orders with catalogues that serve as permanently available information media. The percentage of online orders continued to grow and reached 46 percent at the end of the first six months of 2010 (Q1/2010: 43 percent). Some 38 million users visited the online shop in the reporting period, with the percentage of female customers climbing to 49.7 percent (Q 1/2010: 48.5 percent).

Wholesale

The consolidation in the adult lifestyle market continued in the first six months of 2010. As a result, the number of customers of the Scala Playhouse wholesale arm declined; in addition, the remaining wholesale customers placed fewer orders. The prices of DVDs and magazines remained under pressure. Wholesale revenues dropped by EUR 4.2 million to EUR 19.7 million in the first half of 2010 (Q1/2010: EUR 12.9 million, Q2/2010: EUR 6.8 million). The operating result declined by EUR 1.1 million to EUR -2 million. Apart from lower sales, this was due to poorer margins resulting from reduced selling prices of DVDs and magazines and increased sales of discounted products against the background of growing competitive pressure. Since the second quarter of 2010, the wholesale segment has increased its investments in the optimisation of the international merchandise flows within the Group.

EURO 000S	6 months 30.06.2009	6 months 30.06.2010	% change
Sales	23,867	**19,678**	-17.6
EBITDA	657	**-268**	-
EBIT	-859	**-2,008**	-
EBT	-1,525	**-2,769**	-81.6
Investments	1,237	**1,755**	41.9

Although it is still a small project, the "Beate Uhse Ladies Night Homeparties" are picking up steam. In the second quarter of 2010, the number of homeparties was twice as high as in the previous quarter. The distribution network was expanded to 20 employees. It is planned to build up the sales regions of Berlin and southern Germany as a next step.

Entertainment

Sales in the Group's entertainment segment amounted to EUR 5.4 million in the first half of 2010, compared to EUR 6.2 million in the same period of the previous year. A comparison of the first two quarters of 2010 shows that sales remained stable at EUR 2.7 million in each quarter. The decline against the previous year is attributable to lower online, telephony and B2B service revenues.

The B2B licensing partner and service business contributed approx. 55 percent and value added telephony services contributed approx. 25 percent to total sales. Internet business with final customers declined to just below 20 percent. Similar to the first quarter, earnings before interest and taxes (EBIT) increased as a result of optimised advertising activities (H1 2010: EUR 0.7 million, H1 2009: EUR 0.6 million).

EURO 000S	6 months 30.06.2009	6 months 30.06.2010	% change
Sales	6,222	**5,356**	-13.9
EBITDA	758	**852**	12.4
EBIT	640	**714**	11.6
EBT	691	**764**	10.6
Investments	78	**22**	-71.8

The website www.beate-uhse.com was relaunched in July 2010. Apart from a new, modern design, the website is characterised by clear user guidance and a well structured presentation of the Group's products and services. In the first six months of 2010, the Group's main domain generated about three quarters of the total B2C online revenues.

Net asset and financial position

As of 30 June 2010, the Beate Uhse Group's total assets declined by 5.8 percent to EUR 173.3 million (2009: EUR 184.0 million).

Assets

On the assets side of the Beate Uhse Group, non-current assets increased, while current assets declined. Non-current assets rose by EUR 3.1 million to EUR 97.9 million. The item "other non-current financial assets" climbed by EUR 5.2 million to EUR 8.4 million due to an increase in loans to subsidiaries in the reporting period.

Current assets declined by EUR 13.4 million to EUR 75.4 million. This was primarily due to lower inventories in the mail-order and wholesale segments, which allowed this item to be reduced by EUR 3.5 million to EUR 35.7 million. Trade receivables dropped by EUR 6.7 million to EUR 26.8 million for seasonal reasons and in line with the decline in sales, especially in the mail-order and wholesale segments.

Shareholders' equity and liabilities

As a result of the loss recognised in the first half of 2010, equity declined by EUR 7.2 million to EUR 93.6 million. At the balance sheet date, the equity ratio stood at 54 percent, which represented a decline by one percentage point (2009: 55 percent).

Due to the follow-up financing agreed with four lending banks in May 2010, the focus of the Group's financing structure shifted to non-current liabilities, which increased by EUR 18.7 million to EUR 31.1 million as of the balance sheet date. Non-current liabilities represent 17.9 percent of the total assets (2009: 6.7 percent).

As a result of the debt restructuring, current liabilities were reduced by EUR 21.9 million to EUR 48.6 million. This effect was intensified by a EUR 0.5 million decline in trade payables to EUR 12 million. This was attributable to lower inventories in the mail-order segment. Current liabilities represented 28 percent of the total assets (2009: 38.3 percent).

Current working capital decreased by EUR 6.9 million to EUR 49.6 million. This was primarily due to the above-mentioned decline in trade receivables and payables.

As a result of the debt restructuring agreed in May 2010, net debt of the Beate Uhse Group rose by EUR 5.4 million to EUR 49.4 million in the first half of 2010 (2009: EUR 44 million).

Cash flow and investments

Cash flow from operating activities amounted to EUR -2.0 million in the first half of 2010 (H1 2009: EUR 4.1 million). The negative result before taxes of EUR -7.1 million was not fully offset by the EUR 6.7 million reduction in trade receivables and the EUR 3.5 million decline in inventories. Cash flow was additionally reduced by the decline in trade payables and other liabilities by EUR 5 million and EUR 4.7 million, respectively.

Outgoing cash flow from investment activities amounted to EUR 3.8 million, which was clearly below the previous year's EUR 7.1 million. This was attributable to the acquisition of the Playhouse Group in the first half of 2009.

The major movements in cash flow from financing activities were due to the follow-up financing closed in May

2010, which replaced the syndicated loan. The fact that greater use was made of the bank loans than in the prior year period is attributable to the negative cash flow from operating activities.

Compared to the prior year period, the Beate Uhse Group reduced its investments by 73.7 percent to EUR 3.3 million in the first six months of 2010. Investments were up by EUR 1.9 million on the first quarter of 2010, as the wholesale segment invested in new licenses and the optimisation of the logistic processes. The retail segment continued to modernise its shops, which resulted in slightly higher investments than in the prior year period and the previous quarter.

Employees

In the first half of 2010, the Beate Uhse Group employed 1,174 people in 16 countries, down 61 on the prior year period. The Group continued its strict cost-cutting policy across all distribution channels. The retail segment reduced its headcount both in the administrative area and in the shops by closing those branches that did not match the new concepts. Staff numbers in the mail-order and wholesale segments declined due to the optimisation of logistic processes and the reduction in working shifts. The entertainment segment was able to cut jobs by reallocating tasks. The number of employees in the holding services segment increased moderately, as administrative functions were increasingly concentrated in this unit.

Employees at the Beate Uhse Group

BY REGION	6 months 30.06.2009	**6 months 30.06.2010**	% change
Germany	544	**497**	-8.6
Netherlands	499	**514**	3.0
Belgium	24	**22**	-8.3
France	61	**52**	-14.8
UK	9	**7**	-22.2
Austria	6	**5**	-16.7
Scandinavia	44	**34**	-22.7
Other European countries	48	**43**	-10.4
	1,235	**1,174**	-4.9

BY DISTRIBUTION CHANNEL	6 months 30.06.2009	**6 months 30.06.2010**	% change
Retail	651	**631**	-3.1
Mail order	251	**238**	-5.2
Wholesale	219	**199**	-9.1
Entertainment	75	**61**	-18.7
Holding services	39	**45**	15.4
	1,235	**1,174**	-4.9

Beate Uhse shares

The Beate Uhse share closed the first half of 2010 at EUR 0.57. At EUR 0.75, the highest closing price of the reporting period was reached in January. The lowest closing price was reported in June, at EUR 0.53.

Share price performance		6 months 30.06.2009	**6 months 30.06.2010**	% change
Opening	EUR	0.61	**0.65**	6.6
Closing	EUR	0.61	**0.57**	-6.6
High	EUR	0.87	**0.75**	-13.8
Low	EUR	0.42	**0.53**	26.2
Performance	%	0.0	**-3.4**	-

Basis: Xetra

In the first half of 2010, shareholders acquired a total of 3.8 million Beate Uhse shares. This is equivalent to an average trading volume of 31,126 shares per day.

Key share data		6 months 30.06.2009	**6 months 30.06.2010**	% change
EPS		0.00	**-0.09**	-
P/E ratio		0	**-6**	-
Cash flow per share		0.1	**-0.2**	-
Book value per share	EUR	1.1	**0.9**	-15.5
Market capitalisation	Mil. EUR	47.6	**41.4**	-13.1
Free float market capitalisation	Mil. EUR	22.7	**19.7**	-12.9
Average trading volumes per day	Pieces	49,551	**25,306**	-48.9

Basis: Xetra

Risk report

Compared to the risks presented in the management report and the Group management report in the 2009 financial statements, certain changes occurred in the first six months of 2010 with regard to the financial conditions. The credit/loan agreements signed in May 2010 contain covenants that must be met as of certain dates; at the end of the first six months of 2010, the Beate Uhse Group failed to comply with these covenants. There is a risk that some or all credit agreements will be terminated by the banks due to non-compliance with the financial covenants. To avoid potential legal consequences resulting from non-compliance with the financial covenants, Beate Uhse AG and the lending banks have agreed to suspend the review of compliance with the covenants as of 30 June 2010.

Events after the balance sheet date

On 21, 22 and 30 July as well as 5 August 2010, Beate Uhse AG held intensive and constructive talks with the lending banks. The banks agreed with the application filed by the Management Board of Beate Uhse AG to suspend the review of the financial covenants as of 30 June 2010. The Management Board of Beate Uhse AG is in intensiv negotiations with the lending banks to agree on restructuring measurements for the group.

On 27 July 2010, the company published the cancellation of the ordinary Annual General Meeting scheduled for 2 August 2010 in the electronic Federal Gazette. The ordinary Annual General Meeting for the fiscal year 2009 will not take place within the 8-month period from the end of the fiscal year stipulated in the German Stock Corporation Act.

Outlook

Macroeconomic developments

The Ifo Institute expects the German economy to grow by 2.1 percent in the full year 2010. In view of the federal government's austerity plans, the Munich-based institute assumes that growth will begin to slow down in 2011. The DIW indicator points to slower growth already for the third quarter of 2010, when the German economy is projected to grow by only 0.5 percent.

The Ifo 6-month projections for the euro-zone are positive. The only exceptions are Spain, Portugal and Greece, whose situation is expected to deteriorate markedly by the end of 2010.

Sector-specific developments

The transformation of the adult lifestyle sector will be driven by the large players in 2010. The sector is increasingly addressing women and couples as their main target groups, who represent a much larger potential customer base. Moreover, all target groups are making higher demands on product quality and design, the shopping environment and the service. Due to the high availability of many products and the possibility to compare prices quickly on the Internet, customers remain price-conscious.

Reorientation of the Group

Beate Uhse continues its modernisation process to position itself as an international multi-channel company. The aim of the restructuring exercise is to serve customers in all countries and distribution channels swiftly and efficiently in accordance with their product and information requirements. This process is supported by an aggressive restructuring programme, which has been developed by the Management Board on the basis of the results of the first half of 2010. This programme contains operational measures for all distribution channels. The Management Board also considers selling investments and is reviewing other non-operational measures.

In spite of the declines in the first half of 2010, the mail-order segment will remain the future growth driver of the Group. Starting with the autumn/winter 2010 catalogue, all advertising materials of the mail-order segment will be modified and again feature a full product range for all target groups. An even stronger focus will be placed on e-commerce. The relaunch of the www.beate-uhse.com website in July 2010 was a first important milestone. Projects aimed at the optimisation of partner programmes and search engine marketing have already been initiated to strengthen the e-commerce operations. The fact that e-commerce accounts for a growing percentage of sales allows the mail-order segment to improve its realisation rate through immediate credit status checks. Winning new customers is another important element of the segment's set of measures. To expand its customer base, the mail-order segment increasingly uses external electronic address data such as e-mail addresses. Initial tests have been very successful. The response rates are very satisfactory; also, costs per new customer have been reduced markedly.

The retail segment continues to expand and rebuild its "Citylage" (Beate Uhse, Christine le Duc, Pabo and Kondomeriet) and "Fun Center" shop concepts in 2010. The focus will be on selecting the shop locations which best support the respective concept, adding new product groups to the product range and supporting employees in the stores with a view to strengthening the sales organisation. In the context of the proposed restructuring concept, all branches that fail to support the new concepts will be closed. The realisation of the Group's multichannel approach will be continued in the retail segment in the second half of the year. Five test stores in Germany and the Netherlands will be equipped with Internet terminals to enable customers to order products from the mail-order range. This gives customers access to an even broader range of products. Christine le Duc, a very successful "Citylage" brand in the Netherlands, will change over five test stores to the new, modern shop concept by the end of 2010. In the second half of 2010, Christine le Duc will publish the first issue of a high-quality customer magazine that will complement the adjustment to the international shop concept. Apart from production information, the modern magazine will offer customers and interested readers a host of information about sexuality. The Christine le Duc magazine is an important marketing instrument that will help build up a dedicated community. If successful, the test may be expanded to cover other international brands.

In the wholesale segment, the strong price pressure and the market consolidation, which will lead to more adult lifestyle suppliers closing down, will be the dominating topic in the coming months. Beate Uhse's wholesale segment aims to increase the gross profit margins in the course of 2010 and to optimise the logistic processes to guarantee customers swift and uncomplicated deliveries. The Dutch wholesale division intends to expand its customer base significantly in 2010; for this purpose, the division's sales team will be strengthened further. The aim is to win customers from new market segments such as hypermarkets and online shops in other sectors.
The Group's entertainment segment projects moderate growth for 2010. In the coming months, Beate Uhse new media will focus on optimising the best-selling proprietary adult lifestyle portals, building up an international entertainment portal and expanding the services provided to third parties.

In the past years, the modernisation of the Group required substantial investments in the reorganisation of the branch network, the introduction of new ERP systems and the acquisition of the Playhouse Group. Investments of roughly EUR 5 million are planned for 2010 and will focus on the ongoing modernisation of the branch network and the logistic processes as well as the expansion of the film rights database.

Sales and earnings performance

The Group projects an operating loss (EBIT) of EUR 6.5 – 8.0 million for the full year 2010. This amount does not include the effects from non-operational measures that are currently being discussed. Full-year sales are expected to amount to between EUR 204 and 208 million. The current situation of the Group and the underlying reasons will be analysed in a restructuring programme. On the basis of this analysis, an action plan for all distribution channels will be developed.

Balance sheet

ASSETS EUR 000s	31.12.2009	30.06.2010
LONG-TERM ASSETS		
Intangible assets	12,663	**11,990**
Goodwill	20,203	**20,203**
Property, plant & equipment	26,669	**25,385**
Other financial assets	3,183	**8,349**
Investments	24,739	**24,740**
Income taxes	7,304	**7,192**
	94,761	**97,859**
CURRENT ASSETS		
Inventories	39,185	**35,705**
Accounts receivable	33,580	**26,836**
Other short-term financial assets and other assets	6,903	**5,166**
Income tax refund claims (short-term)	1,877	**1,801**
Liquid funds	7,262	**5,914**
	88,807	**75,422**
Total assets	183,568	**173,281**

SHAREHOLDERS’ EQUITY AND LIABILITIES

EUR 000s	31.12.2009	**30.06.2010**
SHAREHOLDERS' EQUITY		
Subscribed capital	78,075	**78,075**
Treasury stock at cost of acquisition	-3,463	**-3,463**
Capital reserves	-89	**-89**
Revenue reserves	3,295	**3,295**
Retained earnings	22,209	**14,981**
Balancing item for currency conversion	362	**282**
Minority interests	456	**564**
	100,845	**93,646**
LONG-TERM DEBT		
Interest-bearing loans	5,144	**24,294**
Pensions and similar obligations	3,903	**3,667**
Other accruals	1,787	**1,589**
Other financial liabilities	1,077	**1,116**
Deferred tax liabilities	442	**384**
	12,353	**31,050**
SHORT-TERM DEBT		
Accounts payable	17,002	**11,956**
Other financial liabilities	16,201	**12,914**
Pensions and similar obligations	266	**363**
Other accruals	1,830	**1,465**
Income tax liabilities	3,468	**2,701**
Loans	2,025	**14,746**
Short-term portion of long-term loans	29,578	**4,440**
	70,370	**48,585**
Total shareholders’ equity and liabilities	183,568	**173,281**

Consolidated income statement

EUR 000s **ONGOING BUSINESS DIVISIONS**	Q2/2009 01.04.- 30.06.2009	**Q2/2010 01.04.- 30.06.2010**	6 months 30.06.2009	**6 months 30.06.2010**
Sales	50,648	**40,776**	109,507	**96,044**
Cost of sales	-21,993	**-16,977**	-47,651	**-42,749**
Gross profit on sales	28,655	**23,799**	61,856	**53,295**
Other operating income	3,717	**3,713**	7,275	**7,313**
Sales-related expenses	-27,645	**-26,816**	-54,490	**-52,910**
General administration expenses	-6,792	**-7,552**	-12,845	**-13,407**
Other operating expenses	56	**-146**	-1,110	**-437**
Earnings before interest and taxes	-2,009	**-7,002**	686	**-6,146**
Financial income	32	**284**	55	**409**
Financial expenses	-221	**-632**	-1,441	**-1,354**
Earnings before taxes	-2,198	**-7,350**	-700	**-7,091**
Taxes on income	1,619	**439**	477	**-40**
Earnings of ongoing business divisions	-579	**-6,911**	-223	**-7,131**
ALLOCABLE TO:				
Shareholders in the holding company	-593	**-6,965**	-240	**-7,228**
Minority shareholders	-14	**-54**	-17	**-97**
EARNINGS PER SHARE (EPS)				
Undiluted (EUR)			78,074,696	**78,074,696**
Diluted (EUR)			78,074,696	**78,074,696**
Undiluted earnings per share based on ongoing business divisions			0.00	**-0.09**
Diluted earnings per share based on ongoing business divisions			0.00	**-0.09**

Consolidated statement of comprehensive income

EUR 000s	30.06.2009	**30.06.2010**
Net income for period	-223	**-7,131**
Currency translation on foreign operations	83	**-69**
Net loss on financial assets held for sale	0	**0**
Other net income after tax	83	**-69**
Comprehensive income after taxes	**-140**	**-7,200**
of which allocable to:		
Shareholders in the holding company	-408	**-7,308**
Minority shareholders	268	**108**

Cash Flow

EURO 000s	6 Month 30.06.2009	6 Month 30.06.2010
Earnings before taxes (EBT)	-700	**-7,091**
CORRECTIONS FOR:		
Depreciation of property, plant and equipment, amortisation of intangible assets	4,506	**4,739**
Losses incurred on the disposal of property, plant and equipment and intangible assets	-16	**23**
CHANGES IN:		
Trade receivables	1,018	**6,745**
Other assets	256	**2,278**
Trade payables	-2,465	**-5,044**
Other liabilities	-2,921	**-4,658**
Financial income	-55	**-409**
Financial expenses	1,441	**1,354**
Income taxes paid/received	3,037	**48**
Cash flow from operating activities	4,101	**-2,015**
Cash received from the sale of property, plant and equipment, intangible assets and other non-current assets	339	**525**
Cash paid for investments in property, plant and equipment, intangible assets and other non-current assets	-3,716	**-3,333**
Cash paid in connection with short-term financial management	-43	**-1,890**
Cash received in connection with short-term financial management	281	**664**
Cash paid for acquisition of subsidiaries, less cash and cash equivalents acquired	-4,061	**0**
Interest received	69	**198**
Cash flow from investing activities	-7,131	**-3,836**
Taking up of bank liabilities	7,463	**34,859**
Interest paid for loans and hedging instruments	-1,054	**-1,093**
Redemption of bank liabilities	-4,806	**-29,206**
Redemption of loans from third parties		**-6**
Cash flow from financing activities	1,603	**4,554**
Net change in cash, cash equivalents and securities	-1,427	**-1,297**
Changes due to movements in exchange rates	305	**-51**
Cash, cash equivalents and securities at beginning of period	5,612	**7,262**
Cash, cash equivalents and securities at end of period	4,490	**5,914**

Group Equity Schedule

EUR 000s	Equity allocable to the shareholders in the parent company								Minority interests	Total equity
	Share capital	Treasury stock	Capital reserve	Revenue reserves	Other reserves	Net profits	Balancing item for currency conversion	Total		
Balance as of 01.01.2009	**70,985**	**-3,463**	**2,653**	**3,295**	**0**	**20,445**	**548**	**94,463**	**131**	**94,594**
Period Earnings						-240		-240	17	-223
Other Earnings	4,466		-205				37	4,298	251	4,549
Balance as of 30.06.2009	**75,451**	**-3,463**	**2,448**	**3,295**	**0**	**20,205**	**585**	**98,521**	**399**	**98,920**
Balance as of 01.01.2010	78,075	-3,463	-89	3,295	0	**22,209**	**362**	**100,389**	**456**	**100,845**
Period Earnings						-7,228		-7,228	97	-7,131
Other Earnings							-80	-80	11	-69
Balance as of 30.06.2010	**78,075**	**-3,463**	**-89**	**3,295**	**0**	**14,981**	**282**	**93,081**	**564**	**93,645**

Segment data by business unit

EUR 000s	30.06.2009 Retail	Mailorder	Wholesale	Entertain-ment	Holding	Consolida-tion	Group value
Sales	30,580	49,217	33,042	7,134	0	-10,466	109,507
-of which with third parties	30,226	49,192	23,867	6,222	0	0	109,507
-of which with other segments	354	25	9,175	912	0	-10,466	0
Amortisation of intangible assets	-110	-70	-716	-68	-249	0	-1,213
Depreciation of property, plant and equipment	-1,647	-727	-746	-50	-69	0	-3,239
Income from shareholdings in associated companies	0	0	-54	0	0	0	-54
Income from other shareholdings	-610	-34	-666	51	-128	1	-1,386
EBT	-1,017	4,379	-1,525	691	-3,228	0	-700
Taxes on income	-5	-962	137	-113	1,420	0	477
Net income	-1,022	3,417	-1,388	578	-1,808	0	-223
Assets (incl. shareholdings)	39,229	44,916	58,667	13,660	212,421	-190,172	178,721
Investments in long-term assets	721	1,590	1,112	78	6,296	0	9,797
Liabilities	32,621	37,181	41,034	4,327	47,234	-77,489	84,908

EUR 000s	30.06.2010 Retail	Mailorder	Wholesale	Entertain-ment	Holding	Consolida-tion	Group value
Sales	27,991	43,447	30,269	6,332	1	-11,996	96,044
-of which with third parties	26,579	44,431	19,678	5,356	0	0	96,044
-of which with other segments	1,412	-984	10,591	976	1	-11,996	0
Amortisation of intangible assets	-124	-297	-1,069	-84	-182	0	-1,756
Depreciation of property, plant and equipment	-1,476	-694	-671	-54	-89	0	-2,984
Income from shareholdings in associated companies	0	0	0	0	0	0	0
Income from other shareholdings	-602	-382	-761	50	749	1	-945
EBT	-1,934	-2,281	-2,769	764	-871	0	-7,091
Taxes on income	-7	-401	616	-246	-2	0	-40
Net income	-1,941	-2,682	-2,153	518	-873	0	-7,131
Assets (incl. shareholdings)	36,816	41,153	62,186	12,477	217,107	-205,451	164,288
Investments in long-term assets	746	715	1,755	22	35	0	3,273
Liabilities	30,741	35,764	41,394	1,561	57,465	-90,375	76,550

Notes

Accounting and valuation methods

Beate Uhse AG is a parent company as defined in section 290 of the German Commercial Code (HGB). As the company issues shares in the capital market, it is required under Article 4 of Regulation No. 1606/2002 of the European Parliament and Council dated 19 July 2002 to prepare its consolidated financial statements in accordance with IFRS. These interim consolidated financial statements have therefore been prepared in line with currently applicable IFRS accounting standards. It was not necessary to make any adjustments to the accounting and valuation methods. This interim report has been prepared in line with the requirements of IFRS and in accordance with German Accounting Standard (DRS) 16. The accounting and valuation policies are consistent with those applied in the most recent consolidated financial statements for the 2009 financial year. Individual items in the income statement, balance sheet and cash flow statement of the Beate Uhse Group have been summarised in the interest of clarity and to enhance their legibility.

The 6-month report for 2010 has not been reviewed by the auditor.

Basis of consolidation

There have been no changes in the basis of consolidation since the 2009 annual financial statements.

Segment report

The reporting structure applied in the most recent set of annual financial statements has been retained without amendment in this interim report.

Earnings per share

Earnings per share have been calculated by dividing the net income of the Group (excluding minority interests) by the number of shares.

D&O changes

There were no changes in the composition of the Management or Supervisory Boards in the first half of 2010.

Transactions with related parties

Transactions were performed with the following related parties in the reporting period from 1 January 2010 to 30 June 2010:

Reuben Rotermund
Immo Almere B.V.
Summa Finance B.V.
Crop Registeracccountants
MVW Medien-Vertriebs GmbH
Gerard Cok
Consipio Holding B.V.
Mohist B.V.

Disclosures relating to Beate Uhse AG

Beate Uhse AG has no proprietary operating business. It acts as the holding company for the subsidiaries and shareholdings of the Group. As such it performs the central group management functions of accounting, controlling, finance, human resources, legal and communications services. The earnings performance of Beate Uhse AG mainly depends on the profit and loss transfer agreements concluded with its subsidiaries and on further investment income as well as on the expenses relating to its function as the holding company.

Responsibility statement pursuant to section 37y WpHG in conjunction with section 37w para. 2 No. 3 WpHG

We hereby affirm that, to the best of our knowledge, the interim consolidated financial statements provide a true and fair picture of the net asset, financial and earnings position of the Group in accordance with the accounting standards applicable to interim financial reporting and that the business performance, including the business results and situation of the Group, is depicted in the interim group management report in a way providing a true and fair picture of actual circumstances, together with a description of the principal opportunities and risks associated with the expected development of the Group in the remainder of the financial year.

Disclaimer

This interim report includes statements concerning the future which are based on assumptions and estimates made by the management of Beate Uhse. In spite of the assumption that these forward-looking statements are realistic, no guarantee can be provided that these expectations will prove to be accurate.

This report for the first six months of 2010 is available online in German and English.

Datum	Ereignis
12 November 2010	Nine Month Report 2010
22-24 November 2010	German Equity Forum 2010 (Eigenkapitalforum 2010)

Contact

Beate Uhse AG
Investor Relations
Jürgen Schulz / Birte Hennig

Phone: 0049 (0)461 / 99 66 – 307
Fax: 0049 (0)471 / 99 66 – 99307
E-mail: ir@beate-uhse.de
Website: www.beate-uhse.ag