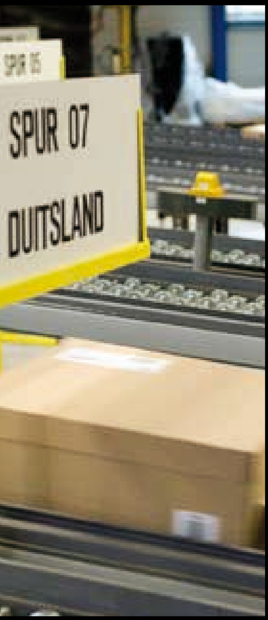
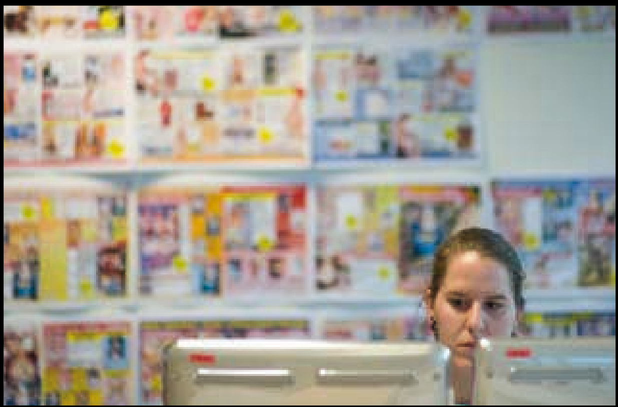
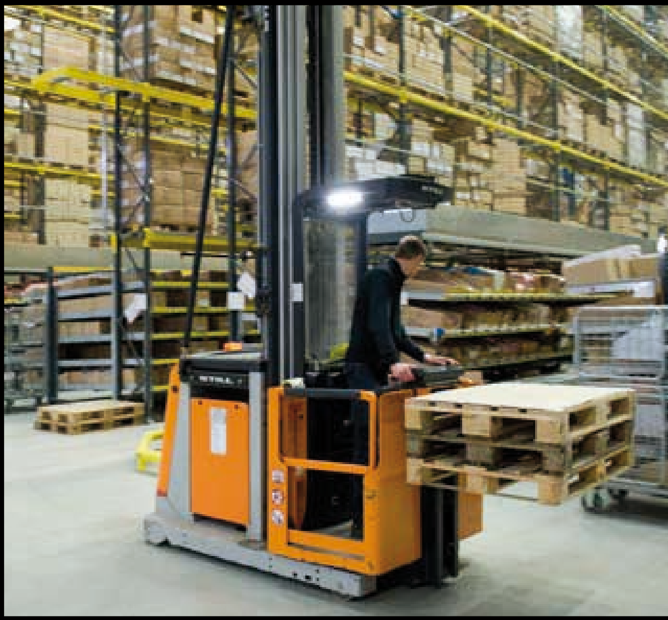
beate uhse

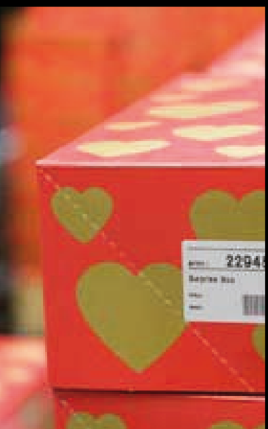
6-MONTH STATEMENT 2009

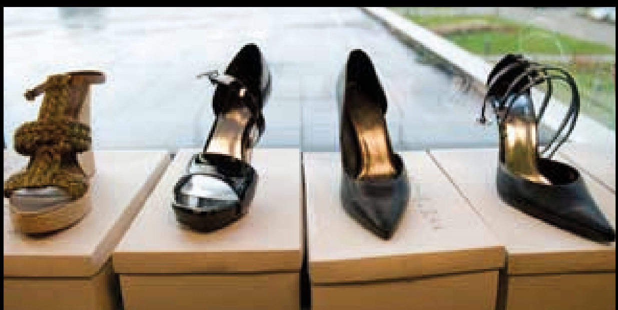
Mail Order – Cornerstone and Driving Force of the Group.

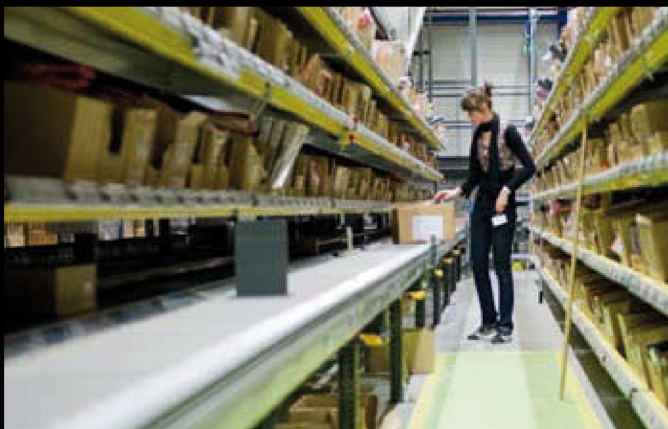












MILLIONS OF CUSTOMERS APPRECIATE DISCREET HOME SHOPPING

With her information brochure "Schrift X", company founder Beate Uhse laid the cornerstone for the mail order business and the company in 1946. Even today, the mail order business remains the Group's key growth driver.

Upon its IPO in 1999, Beate Uhse merged with Pabo, its largest competitor in the European erotica mail order business. Since then, the company's main mail order location has been in Walsoorden, Holland, where a new logistics centre, thought to be one of the most up-to-date in the sector, was built at the end of 2006. Here, around 1 million erotica products are stored in a space of around 15,000 square metres. Each year, the centre's computer-controlled system sends out 2.7 million packages to ten countries across Europe. The Czech Republic, Slovakia and Spain are just the latest markets now serving customers. Customers can place their orders via the traditional catalogue route or at the click of a mouse in the online shop. With 50 percent of orders placed by internet, the Netherlands is especially strong in terms of e-commerce.

However, the main source of inspiration is still the catalogue, which is published six times a year with a total circulation of 20 million copies. Nearly 200 pages long, this presents the A to Z of the world of erotica – from the most delicate lingerie collections and sexy apparel through to love toys to spoil and seduce our customers. The wellness product range and living accessories just recently added to the product range have met with a very warm reception.

The marketing team is constantly tracking down the latest trends and drawing on innovative ideas to come up with new surprises again and again. When it comes to advising customers, well-trained call centre employees are on hand to help. Around 70,000 calls are received each year in the Netherlands alone. These are all answered with discretion and tact – matching the example set by company founder Beate Uhse, who drafted replies to customers herself in the early years of the company. Today, the Group is maintaining this interactive dialogue via the new media.

BEATE UHSE AT A GLANCE

EUR 000s		6 months 30.06.2008	**6 months 30.06.2009**	Change %
Sales performance				
Retail		35,553	30,226	-15.0
Mail Order		51,703	49,192	-4.9
Wholesale		27,087	23,867	-11.9
Entertainment		7,041	6,222	-11.6
Total sales		121,384	**109,507**	-9.8
International share of sales	%	61.3	64.0	4.4
Results				
EBITDA		12,352	5,192	-58.0
EBIT		6,846	686	-90.0
EBT		6,063	-700	-
Net income of ongoing business divisions		3,017	-223	-
Other earnings indicators				
Return on sales before tax	%	5.0	-0.6	-
Return on sales after tax	%	2.5	-0.2	-
Return on equity	%	3.2	-0.2	-
Gross profit margin	%	58.4	56.5	-3.3
Financial situation				
Cash flow from operating activities		-775	3,116	-
Investments		3,479	12,454	258.0
Depreciation and amortisation		5,506	4,506	-18.2
Balance sheet data (2008: 31 December)				
Total assets		176,441	187,585	6.3
Shareholders' equity		94,594	98,921	4.6
Equity ratio	%	53.6	52.7	-1.6
Non-current assets		92,249	96,151	4.2
Current assets		83,442	91,434	9.6
Other data				
Employees	total	1,345	1,235	-8.2
Personnel expenses		22,809	20,710	-9.2
Cost of sales		50,475	47,651	-5.6
Sales related expenses		60,792	54,490	-10.4
Shares				
Number of shares		70,984,696	78,074,696	10.0
Closing price	EUR	1.11	0.61	-45.0
Annual high	EUR	2.03	0.87	-57.1
Annual low	EUR	1.11	0.42	-62.2
Earnings per share	EUR	0.04	0.00	-100.0
Cash flow per share	EUR	0.14	0.05	-64.3

FOREWORD OF THE MANAGEMENT BOARD

DEAR SHAREHOLDERS OF BEATE UHSE AG,

The global financial crisis and the situation on the labour markets continue to occupy politicians and economists. The effects of the crisis have also not left the erotica sector unscathed. The state subsidies for car purchases with which the German and French governments are attempting to stem the crisis have led to a redistribution of expenditure in private households. Consumers have tended to cut back on smaller items – including erotica products – in favour of new cars.

In spite of the unfavourable economic background, indicators in the second quarter show that our strategies are taking effect. Within this difficult economic climate, our mail order business managed to increase its sales, business is running well at our premium stores and new target groups are showing interest in Beate Uhse. This all clearly underlines that our structural changes, our conversion to the multi-channel concept, our modern image and our new product ranges have been well received by the market. We are on the right track with the realignment of our B2C business, even though the upward trend will be slowed by the economic climate. In the B2B business, however, we were unable to escape external factors, which were exacerbated by market problems specific to the erotica sector. Developments in the wholesale business have severely burdened consolidated earnings, and we have therefore issued a downward correction in the forecast originally issued for 2009. We now expect to post operating earnings of around 3 million at the end of the year, and thus at the same level as in the previous year. It will be a great challenge for us, but we see it as providing clear confirmation of our strategy to generate positive earnings in such a difficult and virtually unpredictable economic climate.

We thank you for your trust and your support.

Yours faithfully,

Serge van der Hooft
COO and Spokesman of the Management Board

Jan Boddaert
CMO

INTERIM MANAGEMENT REPORT

BUSINESS AND ECONOMIC FRAMEWORK

Macroeconomic developments

In the second quarter of 2009, the global economy still remained in the recession triggered by the financial crisis. Due to a prolonged decline in industrial output, GDP in the euro area dropped by 5.2 percent compared with the second quarter of the previous year (Euro-zone economic outlook). The tense situation on the labour market also made itself felt in terms of private consumer spending, which fell year-on-year by 1.5 percent. Germany and France attempted to counter this development by subsidising car purchases, while consumers also benefited from a generally favourable price climate.

Given its great dependence on exports, the German economy has been especially hard hit by the financial crisis. The Federal Republic is currently undergoing the severest economic downturn in the 60 years of its existence. The domestic economy has been particularly affected by the decline in demand for investment and durable consumer goods. According to the ifo Institute, GDP declined year-on-year by 7.5 percent in the first half of 2009. Private consumer spending, which was affected positively by state subsidies for car purchases and negatively by reduced working hours and rising unemployment, dropped by 0.4 percent. The German retail sector, which also includes mail order, reported a 2.1 percent decline in sales in the first six months of 2009 compared with the previous year. The car purchase subsidies had a detrimental effect in this respect, as consumers saved some of the money they invested in new cars by cutting back on other outlays.

Erotica market

The economic crisis has now also reached the erotica sector, which is also struggling with specific changes in its own market. Few providers, whether manufacturers or retailers, had prepared for the change in society and the more open approach towards sex and erotica. While the film business was the main sales driver and men the core target group of the sector in the past, nowadays ever more couples and women are interested in products suitable to enrich their love lives. They accord great importance to high-quality and attractive products, as well as to shopping in an appealing ambience. There is increasing demand for sex toys, lingerie and wellness products, while film consumption has increasingly shifted to the internet. The erotica sector finds itself confronted by new competition from other providers.

Beate Uhse is one of the few companies in the sector to have adapted to this transformation. By converting and dovetailing all distribution channels to a multi-channel system under three strong country brands, by focusing its store network on two concepts and extending its product range with interesting new product groups, the company has been able to access new target groups. With the restructuring programme now completed and its two highly functional logistics centres, the Group has laid the foundations to establish itself as **the** universal marketplace for erotica in the future.

EARNINGS POSITION

Sales performance

Beate Uhse generated sales of Euro 109.5 million in the first half of 2009 and thus, in line with expectations, fell short of the previous year's figure of Euro 121.4 million. Considered alone, second-quarter sales dropped from Euro 53.1 million in the previous year to Euro 50.6 million in 2009. This decline was primarily attributable to the wholesale division, whose customers have been affected not only by the weak consumer climate due to macroeconomic factors, but additionally by the specific difficulties of the erotica market. As expected, retail sales were lower than in the previous year due to the closure of unprofitable stores within the successful completion of the restructuring programme, while the premium stores aimed at couples and women performed well. Pleasing developments were also reported by the mail order business, where sales grew by 2.7 percent in the second quarter.

Of the country markets, the Netherlands, one of Beate Uhse's most important markets, reported very pleasing developments, with growth of 1.6 percent. While the Dutch market had still posted a reduction in sales in the first quarter, second-quarter sales could be boosted significantly. The Belgian market also reported further growth in the second quarter. The mail order growth in both countries was driven by the especially pleasing performance of the online shops. In the Belgian retail business, the conversion of stores to the Pabo country brand had a positive impact. The large country markets of Germany and France, by contrast, were hard hit by the recession. While consumers invested in the state-subsidised purchase of new cars, they tended to cut back on smaller-scale outlays.

SALES BY REGION

EUR 000s	6 months 30.06.2008	**6 months 30.06.2009**	Change %
Germany	46,972	39,425	-16.1
Netherlands	21,279	21,628	1.6
Belgium	7,604	8,128	6.9
France	21,009	19,728	-6.1
UK	4,907	4,004	-18.4
Austria	5,555	4,453	-19.8
Scandinavia	6,203	5,498	-11.4
Italy	1,973	1,471	-25.5
Other regions	5,883	5,173	-12.1
	121,384	**109,507**	-9.8

Earnings performance

Costs of sales fell by 5.6 percent to Euro 47.7 million in the first half of 2009 (2008: Euro 50.5 million). The fact that this item reduced less markedly than sales was due to higher materials expense ratios in the wholesale business, which is suffering from lower margins in the film business. As a result, the gross profit decreased from Euro 70.9 million to Euro 61.9 million.

The gross margin declined correspondingly from 58.4 percent to 56.5 percent. In the previous year, other operating income was significantly affected by the receipt of the insurance payment of Euro 4 million. The other operating income of Euro 7.3 million in the first half of 2009 was thus significantly down on the previous year's figure of Euro 10.5 million. Due to reduced expenses in the retail business following the streamlining of the store network, sales-related expenses dropped by 10.4 percent to Euro 54.5 million (2008: Euro 60.8 million). At the same time, reductions were also seen in mailing expenses due to optimised supply processes in the mail order business and in write-downs on receivables due to improved receivables management. Sales-related expenses were burdened by expenses incurred on implementing the multi-channel concept. General administration expenses showed a slight reduction of 2.5 percent to Euro 12.8 million (2008: Euro 13.2 million). Other operating expenses were influenced by foreign exchange differences on loans within the Group and thus rose from Euro 0.7 million to Euro 1.1 million. The same effect led to negative other operating expenses of Euro 0.6 million in the period from April to June 2009.

Any analysis of key earnings figures must account for the insurance payment of Euro 4 million which benefited the previous year's earnings. Operating earnings (EBIT) thus reduced to Euro 0.7 million in the first half (2008: Euro 6.8 million). Net financial expenses deteriorated significantly from Euro -0.8 million to Euro -1.4 million on account of a swap item. While the swap valuation impacted positively to the tune of Euro 0.4 million on net financial expenses in the previous year, the financial crisis led to a negative impact of Euro -0.4 million in the period under report. Excluding this item, net financial expenses would have improved year-on-year due to the reduction in debt and lower interest rates. Earnings before taxes (EBT) thus amounted to Euro -0.7 million, as against Euro 6.1 million in the previous year. Tax expenses resulting from the utilisation of deferred tax expenses were offset by a tax refund in the Netherlands, thus resulting in positive net income of Euro 0.5 million (2008: Euro -3.0 million). Viewed alone, second-quarter net income improved from Euro -0.9 million in the previous year to Euro -0.6 million. This resulted in earnings per share of Euro 0 for the first half of 2009 (based on 77,793,337 shares), as against Euro 0.04 (based on 70,703,337 shares) in the previous year.

Segment performance

Retail

EUR 000s	6 months 30.06.2008	**6 months 30.06.2009**	Change %
Sales	35,553	30,226	-15.0
EBITDA	1,892	1,350	-28.6
EBIT	-447	-407	-8.9
EBT	-1,197	-1,017	-15.0
Investments	1,143	721	-36.9

The retail division of the Beate Uhse Group reported a decline in sales to Euro 30.2 million in the first half of 2009 (2008: Euro 35.6 million). This reduction was chiefly due to the streamlining of the store network. Following the closure of unprofitable stores, the number of own shops amounted to 135 as of 30 June 2009, as against 152 in the equivalent period in the previous year. Stores in tourist cities have been affected by lower volumes of foreign customers. In Amsterdam alone, where Beate Uhse operates 9 shops, the absence of tourists from the UK was noticeable. Not only that, one shop in Amsterdam was closed for half a year due to construction work on the building, a factor which led to an additional loss of sales. In course of the building renovation, this shop was converted to the premium concept under the Christine le Duc brand and was reopened at the end of July. The premium stores aimed at women and couples developed very positively in spite of the ongoing recession. The Beate Uhse premium stores in Germany reported sales growth of 5 to 15 percent, thus confirming the strategy behind the new store concept. Their Dutch counterparts, the Christine le Duc premium stores, were also ahead of budget in the first half of 2009. This development is being maintained with the conversion of further stores. The flagship store in Munich was extended to include a third floor with an erotic wellness department. At the same time, two further stores, namely those in Bochum and in Stiftstrasse in Frankfurt, have now been converted to the premium concept. The conversion of all shops in France to the local country brand, Adam & Eve, has been fully completed in the course of implementing the multi-channel approach. The store in Le Havre has been converted by analogy with the store in Sendlinger Strasse in Munich, and is thus the flagship store for the Adam & Eve brand in France. In Belgium, four stores were converted to the Pabo country brand in the first half already, a change which has already led to a positive development in sales just a few months later. These successful developments in the country markets show that the multi-channel strategy adopted by the Group, with its focus on one strong country brand, is leading to success.

BEATE UHSE SHOPS BY REGION
OWN SHOPS

	6 months 30.06.2008	%	**6 months 30.06.2009**	Change %
Germany	65	42.8	53	39.3
Italy	6	3.9	6	4.4
Switzerland	1	0.7	1	0.7
Netherlands	58	38.2	55	40.7
Belgium	11	7.2	9	6.7
France	7	4.6	7	5.2
Norway	4	2.6	4	3.0
	152	100.0	**135**	100.0

LICENSE & FRANCHISE

	6 months 30.06.2008	%	**6 months 30.06.2009**	Change %
Germany	60	47.2	62	47.3
Austria	43	33.9	44	33.6
Norway	4	3.1	4	3.1
Italy	1	0.8	1	0.8
Hungary	2	1.6	3	2.3
Poland	12	9.4	11	8.4
Slovenia	5	3.9	6	4.6
	127	100.0	**131**	100.0

Developments in the product groups confirm the strategy of relying on products aimed above all at couples and women – trendy love toys, extravagant lingerie collections, wellness products and accessories. Sales in these product groups showed significant growth, while the cabin and DVD business witnessed a further decline. At premium stores, these product lines now compensate for the decline in hardcore products, which used to account for the largest share of sales.

The retail division improved its pre-tax earnings from Euro -1.2 million to Euro -1.0 million in the first half of 2009. Earnings were negatively affected by a reduction in sales at traditional stores.

Following completion of the restructuring programme, the retail division was able to reduce its investments in the first two quarters to Euro 0.7 million (2008: Euro 1.1 million). Investments were primarily channelled into store conversion measures.

Mail Order

EUR 000s	6 months 30.06.2008	**6 months 30.06.2009**	Change %
Sales	51,703	49,192	-4.9
EBITDA	8,732	5,210	-40.3
EBIT	7,746	4,413	-43.0
EBT	7,570	4,379	-42.2
Investments	628	1,756	179.6

Mail order, the Group’s most important business division, boosted its sales year-on-year by 2.7 percent in spite of the economic crisis and even though the second quarter is generally a relatively weak period. At Euro 49.2 million, sales for the first half as a whole were only slightly down on the previous year’s figure of Euro 51.7 million. These developments provide clear evidence that the strategies adopted are beginning to take effect. Sales are benefiting from the division’s optimised customer management, with clear clustering in terms of order behaviour, the focus on so-called gold and silver customers, an improved delivery rate and efficient use of the advertising budget. Customers' satisfaction with the product range and service on offer is confirmed by a slight increase in orders in spite of the current recession. The product range, which has been supplemented with wellness and gift items, as well as living accessories, is meeting with a good reception. An increase in the average value per item ordered was accompanied on the other hand by a decline in the average order value per order placed. As also observed in the retail business, German and French consumers are cutting back on small-scale outlays in favour of the state-subsidised purchase of new cars. Higher order volumes, by contrast, were received from the Netherlands and Belgium. There was also an increase in the share of online orders, which now account for 36 percent of orders. In Germany and the Netherlands, internet orders now make up almost half of all orders.

In spite of lower sales in the first half of 2009, the mail order business was able to increase its pre-tax earnings to Euro 4.4 million. Adjusted for the insurance payment of Euro 4 million, the previous year's earnings amounted to Euro 3.6 million.

Of the investments of Euro 1.8 million (2008: Euro 0.6 million), a majority involved software. The new Axapta 4 IT system is due to be launched in mid-September. A new web shop will go online at the same time.

Wholesale

	6 months	**6 months**	
EUR 000s	30.06.2008	**30.06.2009**	Change %
Sales	27,087	23,867	-11.9
EBITDA	2,488	657	-73.6
EBIT	777	-859	-
EBT	126	-1,525	-
Investments	1,314	1,237	-5.9

The wholesale business has been hit by the current economic weakness in two respects, with the problems in the erotica market being exacerbated by the impact of the financial crisis. As a result, the wholesale division suffered a substantial downturn in sales in the first half of 2009. At Euro 23.9 million, these were Euro 3.2 million down on the previous year's figure. Most customers failed to prepare for the transformation in the market or for consumers' new preferences and are now suffering from the drastic decline in margins in the previously lucrative film business. Beate Uhse is offering training and sales promotion measures to assist its customers in adapting to the change in market conditions. Not only that, customers are being targeted even more closely with mailing and discount campaigns. As hoped, these measures have led to higher order rates. However, this was accompanied on the other hand by a reduction in customer totals, as many have since been obliged to discontinue trading.

The integration of the Playhouse Group, which took effect as of 1 April 2009, represents a major step towards sustainably strengthening Beate Uhse's own position in this difficult market climate. Playhouse has a sex toy product range of more than 600 articles and also owns more than 8,000 film titles from different labels. Following this acquisition, Beate Uhse's wholesale business is now seen as **the** one-stop supplier in the sector. What's more, Beate Uhse stands to benefit from the Playhouse Group's superb network in the USA. The integration of Playhouse into the Beate Uhse Group is progressing on schedule, so that the first synergy effects as a result of the cooperation can be expected in the second half of the year.

The strongest performance within the wholesale business was reported by the toys product group. In this seminal segment of sex toys and wellness products as well, Beate Uhse will benefit from the market penetration of the Playhouse Group. The latest market launch, the luxurious erotic body care line Geisha, has met with a very warm reception from customers, with new stocks already having had to be ordered. With its erotic essences and fragrances, this high-quality personal care series is entirely focused on the needs of a new generation of customers.

Despite intense cost management, it was not possible to make up for the decline in sales and reducing margins. Pre-tax earnings (EBT) thus reduced from Euro 0.1 million to Euro -1.5 million.

At Euro 1.1 million, investments were slightly down on the previous year's figure of Euro 1.3 million and mainly involved the procurement of film rights.

Entertainment

EUR 000s	6 months 30.06.2008	6 months 30.06.2009	Change %
Sales	7,041	6,222	-11.6
EBITDA	1,341	758	-43.5
EBIT	1,179	640	-45.7
EBT	1,263	691	-45.3
Investments	149	78	-47.8

Sales in the entertainment division decreased from Euro 7.0 million to Euro 6.2 million in the first half of 2009, although the declining trend could be reduced slightly in the second quarter. This division is still facing competition from services offered free of charge and is attempting to counter these by offering reliable, high-quality content and programmes. Despite increased advertising expenses, the telephony business was unable to make up for the downturn in sales and felt the effects of customers' reduced propensity to spend.

In the online business, the new SexyVoiceOn platform for erotic internet chats was launched in the second quarter of 2009. Beate Uhse generates better margins with this product, which combines telephony services with the internet, as the high fees charged by network operators are no longer incurred. The division also pressed ahead further with internationalising its existing products. In June, for example, the first SEM campaign for the MovieOn platform was launched on search engines in the UK. Belgium, the Netherlands and Austria are set to follow before the end of the year. The film database of the Playhouse Group, encompassing 8,000 titles, and the digitalisation of new films are the most important tasks which this division will be addressing in the coming months.

Due to the decline in sales in the telephony business, pre-tax earnings in the entertainment division dropped from Euro 1.3 million to Euro 0.7 million. Earnings were also affected by expenses incurred on analysing and optimising user behaviour on the division's various websites.

Investments were cut back significantly to Euro 0.07 million (2008: Euro 0.1 million) and mainly involved internationalisation measures.

NET ASSET AND FINANCIAL POSITION

Compared with the end of the 2008 financial year, the net asset position of the Beate Uhse Group as of 30 June 2009 was significantly affected by the integration of the Playhouse Group as of 1 April 2009. As a result, the total assets of the Beate Uhse Group showed a significant increase of Euro 11.1 million to Euro 187.6 million (2008: Euro 176.4 million).

Assets

On the asset side of the balance sheet, non-current assets grew by Euro 3.9 million to Euro 96.1 million (2008: Euro 92.2 million). This growth was chiefly attributable to goodwill, which increased on account of the Playhouse acquisition from Euro 15.2 million to Euro 19.6 million. Following the attainment of control by Beate Uhse AG on 1 April 2009, Playhouse, which was already recognised as a shareholding following payment of the cash component in March 2009, was reclassified to the goodwill balance sheet item. As a result, the shareholdings item dropped compared with 31 March 2009 and is now at the same level as at the end of the 2008 financial year once more. Due to scheduled depreciation, property, plant and equipment declined by Euro 1.4 million to Euro 26.8 million (2008: Euro 28.2 million). Deferred taxes amounting to Euro 1.4 million were reversed, as a result of which this item now amounts to Euro 6.7 million (2008: Euro 8.1 million).

Current assets also showed marked growth from Euro 83.4 million to Euro 91.4 million. This was chiefly due to the increase in inventories by Euro 7.3 million to Euro 47.5 million in the course of the Playhouse integration (2008: Euro 40.2 million). The rise in trade receivables to Euro 28.8 million (2008: Euro 27.4 million) and in other current financial assets and other assets to Euro 8.4 million (2008: Euro 6.9 million) is to be viewed in the same context. Following a tax refund from the Netherlands, income tax refund claims dropped significantly from Euro 3.4 million to Euro 2.1 million.

Shareholders’ equity and liabilities

Due to the Playhouse takeover, as well as to the forthcoming redemption of the syndicated loan agreements, the liabilities side of the balance sheet also witnessed changes in individual items.

Shareholders’ equity grew from Euro 94.6 million to Euro 98.9 million as of 30 June 2009. This increase was due to the capital increase by 7,090,000 shares from authorised capital executed in the context of the Playhouse acquisition. As IFRS requires the Group to recognise the value of the shares as of the date of the takeover on 1 April 2009 (Euro 0.63), share capital increased from Euro 71.0 million to Euro 75.5 million. The equity ratio reduced slightly to 52.7 percent (2008: 53.6 percent).

Non-current debt declined sharply from Euro 39.6 million to Euro 13.2 million. Due to the pending redemption of the syndicated loan of Euro 29.2 million, this item was reclassified from non-current loans to the current portion of non-current loans. As a result, interest-bearing loans fell from Euro 32.3 million to Euro 5.6 million. Due to an increase in the negative interest swap valuation, other financial debt increased from Euro 0.8 million to Euro 1.3 million.

Current debt, which rose from Euro 42.3 million to Euro 75.5 million, reflects the opposite impact of the reclassification of the syndicated loan. As a result, the current portion of non-current loans reported here rose from Euro 0.8 million to Euro 30.0 million. At the same time, trade payables dropped by Euro 1.2 million to Euro 19.0 million due to reductions made in the mail order segment (2008: Euro 20.2 million). The initial consolidation of the Playhouse Group led to increases in both other financial debt, which rose by Euro 4.4 million to Euro 18.6 million (2008: Euro 14.2 million), and current loans, which grew by Euro 2.5 million to Euro 2.7 million (2008: Euro 0.3 million). Due mainly to the reversal of a video tax item, other provisions reduced by Euro 1.4 million to Euro 1.3 million (2008: Euro 2.7 million).

Cash flow and investments

The cash flow from operating activities showed a clear improvement in the first half of 2009, increasing from Euro -0.8 million to a positive figure of Euro 3.1 million. Alongside improved receivables management, the cash flow benefited above all from the tax refund in the Netherlands. At Euro 4.5 million, depreciation and amortisation were Euro 1.0 million down on the previous year (2008: Euro 5.5 million).

As a result of the Playhouse acquisition, the cash flow from investing activities increased from Euro -2.9 million to Euro -7.2 million. Investments grew from Euro 3.5 million in the previous year to Euro 12.5 million. Alongside the takeover, store conversion measures in the retail business and rights and licences were among the most important areas of investment.

The cash flow from financing activities rose from Euro 1.1 million to Euro 2.7 million due to the taking up of bank liabilities in the context of the Playhouse acquisition. Cash and cash equivalents amounted to Euro 4.5 million at the end of the 1st half of 2009 (2008: Euro 4.7 million).

INVESTMENTS BY REGIONS

EUR 000s	6 months 30.06.2008	**6 months 30.06.2009**	Change %
Germany	1,067	9,260	767.7
Netherlands	1,176	2,635	124.1
Belgium	189	55	-70.9
France	58	86	48.0
UK	42	48	14.9
Other European countries	947	370	-60.9
	3,479	**12,454**	258.0

EMPLOYEES

In spite of a temporary increase in personnel capacities due to the integration of Playhouse employees, there was nevertheless a reduction in the total number of employees at the Beate Uhse Group. As of 30 June 2009, the workforce decline to 1,235 employees, down from 1,345 at the previous year's reporting date. This reduction was due in particular to store closures in the retail business.

EMPLOYEES AT THE BEATE UHSE GROUP

By Region	6 months 30.06.2008	**6 months 30.06.2009**	Change %
Germany	653	544	-16.7
Netherlands	488	499	2.3
Belgium	30	24	-20.0
France	60	61	1.7
UK	6	9	50.0
Austria	11	6	-45.5
Scandinavia	50	44	-12.0
Other European countries	47	48	2.1
	1,345	**1,235**	-8.2

By Segment	6 months 30.06.2008	**6 months 30.06.2009**	Change %
Retail	779	655	-15.9
Mail Order	230	252	9.6
Wholesale	220	222	0.9
Entertainment	83	73	-12.0
Holding Services	33	33	0.0
	1,345	**1,235**	-8.2

SHARE

Performance and liquidity

The climate on international capital markets proved to be more favourable in the second quarter of 2009, although there is still great uncertainty as to how the economy will develop. The DAX lead index thus showed a marked recovery since March, the lowest point since the beginning of the financial crisis, rising by 18 percent in the second quarter of 2009. For the first half of 2009 as a whole, the index reported a slight decline of 1.0 percent. The SDAX small-cap index was also able to make up for its losses at the beginning of the year in the second quarter. Beate Uhse's share also gained momentum in the second quarter. Having reached its annual low of Euro 0.42 on 23 March, the share surged to Euro 0.87 on 16 April following publication of the 2008 annual results. The share closed the second quarter of 2009 at the same level as its opening price of Euro 0.61 at the beginning of the year, with a market capitalisation of Euro 47.63 million. An average of 49,551 Beate Uhse shares were traded per day on XETRA in the first half of the year.

Investor Relations

In the second quarter, investor relations activities focused on this year's Annual General Meeting, which was held in Flensburg on 16 June 2009. Serge van der Hooft, Spokesman of the Management Board and COO, provided the total of 200 shareholders, guests, media representatives and other interested parties present with a detailed commentary on the past financial year and the first quarter and presented the package of strategic measures intended to promote the Group's development. Jan Boddaert, CMO, introduced himself in person as the new member of the Management Board and presented his marketing strategies based on the multi-channel structures already introduced. All resolutions proposed, including the election of Martin Weigel, Gelmer Westra and Andreas Bartmann to the Supervisory Board, were approved with large majorities.

In November, Serge van der Hooft will enter into dialogue with analysts and investors at the German Equity Forum (Eigenkapitalforum) in Frankfurt for the first time in his function as Spokesman of the Management Board. Here, he will present his strategies for successfully steering the company into the future and positioning it in a market currently undergoing a period of macroeconomic upheaval and also affected by the specific problems of the erotica sector.

The shareholder structure of Beate Uhse AG has changed following the capital increase executed in the context of the Playhouse takeover. Global Vastgoed B.V., former Playhouse shareholder, now holds the 7,090,000 new shares resulting from the capital increase, and thus 9.1 percent of the share capital in Beate Uhse AG. With a 27.2 percent stake, Consipio Holding BV is still the largest shareholder, while Bayerische Hypo- und Vereinsbank owns 8.9 percent. The share held by Rotermund Holding AG has reduced to 6.8 percent, while treasury stock shares remain unchanged at 0.4 percent. The free float thus amounts to 47.7 percent.

SHARE PRICE PERFORMANCE

	6 months 30.06.2008	**6 months 30.06.2009**
Opening price	1.85	0.61
Closing price	1.11	0.61
High	2.03	0.87
Low	1.11	0.42
Performance (percent)	-40.0	0.0

Basis: Xetra

KEY SHARE FIGURES

		6 months 30.06.2008	**6 months 30.06.2009**
EPS	EUR	0.04	0.00
P/E ratio		13	-
Quote/Cash flow		4.0	5.6
Quote/sales		0.3	0.4
Quote/EBITDA		3.0	4.6
Quote/book value		1.0	0.6
Book value per share	EUR	1.2	1.1
Share capital	No. of shares	70,984,696	78,074,696
Market capitalisation	EUR million	78.79	47.63
Market capitalisation of free float	EUR million	41.62	22.67
Average trading volumes / day	No. of shares	50,745	49,551

Basis: Xetra

RISK REPORT

The following risk factors deviating from those stated in the risk chapter of the 2008 Annual Report have arisen for the Beate Uhse Group since the compilation of the Annual Report.
The guarantee declaration of Euro 5 million issued by Beate Uhse AG in favour of Nord-Ostsee Sparkasse, which was due on 30 June 2009, was extended to 30 September 2009.

EVENTS AFTER THE REPORTING DATE

No events of significance requiring report here occurred between the end of the second quarter of 2009 and the compilation of this report.

OUTLOOK

The global economy is not expected to show any speedy recovery in the coming months. Ongoing difficulties with their equity situations have led banks in the USA and Europe to adopt reserved lending policies towards companies. The euro area economy is also forecast to remain weak. Due to the intensification in the situation on the labour market, there will be a further decline in consumer spending, while capital expenditure is also set to drop further. However, there are some indications that the economic decline will ease. According to Euro-zone economic outlook, GDP for 2009 as a whole will reduce by 4.8 percent, while private consumer spending is set to decline by 1.7 percent.

Despite initial positive signals from economic indicators, no upturn in the German economy is yet to be expected in the current year. The ifo Institute expects to see a further decline in capital expenditure on equipment and construction, while the running down of stocks at companies also does not yet seem to have come to an end. The development in private consumer spending is greatly dependent on the situation on the labour market. Should there be any sharp rise in unemployment in the autumn, then private consumer spending, to date the main support of the German economy, will weaken significantly. On the other hand, the rising GfK consumer confidence index gives grounds for optimism that private consumer spending will remain stable. All in all, the ifo Institute expects private consumer spending to decline by 0.2 percent in 2009 compared with the previous year. GDP is set to drop by 6.3 percent in 2009 as a whole. Production and demand levels are expected to bottom out from spring 2010 and to be followed by a slight increase in economic output.

The indicators in an otherwise weak second quarter are pointing upwards at Beate Uhse and demonstrate that the Group is on the right course in this difficult economic climate, which has been exacerbated by the specific problems of the erotica market. The completed restructuring programme and multi-channel focus introduced for all B2C distribution channels are bearing their first fruit. Work is continuing on standardising the product range across all distribution channels. The resultant savings potential is being channelled into the launch of new product categories, such as wellness, living and gifts, as well as into a comprehensive advertising presence. The strategy of relying on strong country brands and premium concepts is proving to be appropriate. The store conversion programme is set to be completed by the end of 2010, after which it will be possible to focus on expansion. At the same time, the company is pressing ahead with its franchise system, for which potential partners have already been adressed in France and the Netherlands. In the entertainment division, the offerings available on the interest free of charge are being countered with high-quality content and a reliable image. At the same time, the services on offer are being internationalised.

By dovetailing all B2C business fields, the Group has boosted its sales activities and exploited synergies. Mail order, the Group's most important division, is developing promisingly, while the retail division has stabilised within a difficult environment. The B2B business, by contrast, was unable to escape developments in the market and is suffering both from the weak consumer climate and in particular from specific difficulties in the erotica market. Most of its customers failed to prepare for the transformation in the market and the change in consumers' tastes and behaviour. Numerous customers are insolvent. The downturn in sales had a markedly negative impact on consolidated earnings. Although the wholesale division is providing assistance to its customers in the form of sales promotion measures and training enabling them to adapt to the change in market conditions, the wholesale business will nevertheless not be able to meet expectations.

In the light of this, the Management Board has adjusted the EBIT forecast issued at the beginning of the year to account for current developments. By the end of the year, the Group is expected to post positive earnings of around Euro 3 million, and thus at the same level as in the previous year. As forecast at the end of the first quarter, sales will fall short of the previous year's figure.

BALANCE SHEET

ASSETS

EUR 000s	31.12.2008	30.06.2009
Non-current assets		
Intangible assets	11,010	13,338
Goodwill	15,230	19,638
Property, plant & equipment	28,211	26,778
Other financial assets	3,935	3,761
Investments in associates	25,757	25,910
Deferred tax assets	8,106	6,726
	92,249	**96,151**
Current assets		
Inventories	40,201	47,548
Trade receivables	27,356	28,829
Other current financial assets and other assets	6,859	8,429
Income tax refund claims (current)	3,414	2,138
Cash and cash equivalents	5,612	4,490
	83,442	**91,434**
Assets held for sale	750	0
Total assets	176,441	**187,585**

SHAREHOLDERS‘ EQUITY AND LIABILITIES

EUR 000s	31.12.2008	30.06.2009
Shareholders‘ equity		
Share capital	70,985	75,451
Treasury stock at cost of acquisition	-3,463	-3,463
Capital reserves	2,653	2,448
Revenue reserves	3,295	3,295
Unappropriated net profit	20,445	20,205
Balancing item for currency translation	548	585
Minority interests	131	399
	94,594	**98,921**
Non-current debt		
Interest-bearing loans	32,344	5,592
Pensions and similar obligations	3,968	3,933
Other provisions	2,156	2,149
Other financial debt	778	1,261
Deferred tax liabilities	333	257
	39,579	**13,192**
Current debt		
Trade payables	20,176	18,957
Other financial debt	14,241	18,643
Pensions and similar obligations	259	259
Other provisions	2,724	1,339
Income tax liabilities	3,803	3,499
Loans	255	2,732
Current portion of non-current loans	810	30,043
	42,268	**75,472**
Total shareholders‘ equity and liabilities	176,441	**187,585**

CONSOLIDATED INCOME STATEMENT

EUR 000s	Q2/2008 01.04.-30.06.2008	**Q2/2009** **01.04.-30.06.2009**	6 months 30.06.2008	**6 months** **30.06.2009**
ONGOING BUSINESS DIVISIONS				
Sales	53,070	**50,648**	121,384	**109,507**
Cost of sales	-21,754	-21,993	-50,475	-47,651
Gross profit on sales	31,316	**28,655**	70,909	**61,856**
Other operating income	7,249	3,717	10,475	7,275
Sales-related expenses	-32,588	-27,645	-60,792	-54,490
General administration expenses	-6,492	-6,792	-13,170	-12,845
Other operating expenses	-152	56	-727	-1,110
Share in earnings of associates	49	0	136	0
Other income from shareholdings	0	0	15	0
Earnings before interest and taxes (EBIT)	-618	**-2,009**	6,846	**686**
Financial income	464	32	581	55
Financial expenses	-174	-221	-1,364	-1,441
Earnings before taxes (EBT)	-328	**-2,198**	6,063	**-700**
Taxes on income	-593	1,619	-3,046	477
Consolidated earnings	-921	**-579**	3,017	**-223**
Allocable to:				
Shareholders in the holding company	-911	-559	3,008	-240
Minority shareholders	10	20	-9	17
Earnings per share (EPS)				
Basic (EUR)			0.04	0.00
Diluted (EUR)			0.04	0.00

CASH FLOW STATEMENT

EUR 000s	6 months 30.06.2008	6 months 30.06.2009
CASH FLOW FROM OPERATING ACTIVITIES		
Operating earnings (EBIT) at ongoing and discontinuted business divisions	6,846	**686**
CORRECTIONS FOR:		
Non-cash expenses (IFRS 2)	31	0
Depreciation of property, plant and equipment, amortisation of intangible assets	5,507	4,506
Losses/income incurred on the disposal of property, plant and equipment and intangible assets	-44	-16
Other non-cash income	-136	0
CHANGES IN:		
Trade receivables	2,964	1,018
Other assets	-7,717	256
Trade payables	-2,625	-2,465
Other liabilities	-1,230	-2,921
Interest received	81	69
Interest paid for loans and hedging instruments	-1,895	-1,054
Income taxes paid	-2,557	3,037
Cash flow from operating activities	-775	**3,116**
CASH FLOW FROM INVESTING ACTIVITIES		
Cash received from the sale of property, plant and equipment, intangible assets and other non-current assets	308	339
Cash paid for investments in property, plant and equipment, intangible assets and other non-current assets	-3,479	-3,716
Cash paid in connection with short-term financial management	-124	-43
Cash received in connection with short-term financial management	67	281
Cash received from the acquisition of subsidiaries	285	-4,061
Cash flow from investing activities	-2,943	**-7,200**
CASH FLOW FROM FINANCING ACTIVITIES		
Contribution to capital (capital increase)	25,532	0
Taking up of bank liabilities	33,860	7,463
Taking up of borrowers´note loans	-10,000	0
Redemption of bank liabilities	-50,988	-4,806
Redemption of borrowers‘ note loans	2,714	0
Cash flow from financing activities	1,118	**2,657**
Net change in cash, cash equivalents and securities	-2,600	**-1,427**
Changes due to movements in exchange rates	-102	305
Cash, cash equivalents and securities at beginning of period	7,408	5,612
Cash, cash equivalents and securities at end of period	4,705	4,490
COMPOSITION OF CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash holdings, credit balances at banks, cheques and securities	4,693	4,490
Short-term money investments	12	0
	4,705	**4,490**

GROUP EQUITY SCHEDULE 2009

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	Unappro-priated net profits	Balancing item for currency translation	Total		
Balance as of 1 January 2008	47,324	-3,463	745	3,295	133	18,235	-41	66,228	139	66,367
Foreign currency translation							94	94	-11	83
Total income recognised in equity							**94**	**94**	**-11**	**83**
Consolidated net income						3,008		3,008	9	3,017
Total period earnings						**3,008**	**94**	**3,102**	**-2**	**3,100**
Capital increase	23,661		1,902					25,563		25,563
Balance as of 30 June 2008	70,985	-3,463	2,647	3,295	133	21,243	53	94,893	137	95,030
Balance as of 1 January 2009	70,985	-3,463	2,653	3,295	0	20,445	548	94,463	131	94,594
Foreign currency translation							37	37	251	288
Total income recognised in equity							**37**	**37**	**251**	**288**
Consolidated net income						-240		-240	17	-223
Capital increase	4,466		-205					4,261		4,261
Balance as of 30 June 2009	75,451	-3,463	2,448	3,295	0	20,205	**585**	**98,521**	**399**	**98,920**

GROUP STATEMENT OF COMPREHENSIVE INCOME

EUR 000s	30.06.2008	30.06.2009
Changes in equity recognised through profit or loss:		
Net income for quarter	3,017	-223
Changes in equity recognised in equity:		
Foreign currency translation	83	288
Capital increase	25,563	-205
Changes recognised directly in equity	25,646	**83**
Comprehensive income for the 2nd quarter	28,663	**-140**
of which: attributable to minority interests	-2	268
of which: attributable to the Beate Uhse Group	28,665	-408

SEGMENT REPORT 30 JUNE 2008

EUR 000s	Retail	Mail Order	Wholesale	Entertainment	Holding	Consolidation	Group Value
Sales	35,780	51,738	37,512	8,154	0	-11,800	121,384
-of which with third parties	35,553	51,703	27,087	7,041	0	0	121,384
-of which with other segments	227	35	10,425	1,113	0	-11,800	0
Amortisation of intangible assets	-170	-39	-906	-111	-218	0	-1,444
Depreciation of property, plant and equipment	-2,169	-947	-745	-51	-90	0	-4,002
Extraordinary depreciation	0	0	-60	0	0	0	-60
Financial result	-750	-176	-651	84	710	0	-783
Income from interest in associates	0	0	0	0	136	0	136
Income from other shareholdings	0	0	15	0	0	0	15
EBT	-1,197	7,570	126	1,263	-1,699	0	6,063
Taxes on income	-10	-1,016	-41	-323	-1,656	0	-3,046
Consolidated net income	-1,207	6,554	85	940	-3,355	0	**3,017**
Assets (incl. shareholdings)	43,799	37,003	52,037	13,886	191,420	-167,682	170,463
Shareholdings in associates	0	0	0	0	3,049	0	3,049
Investments in non-current assets	1,143	628	1,552	149	245	0	3,717
Liabilities	40,130	27,645	35,619	4,386	45,343	-67,771	85,352

SEGMENT REPORT 30 JUNE 2009

EUR 000s	Retail	Mail Order	Wholesale	Entertainment	Holding	Consolidation	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
Extraordinary depreciation	0	0	-54	0	0	0	-54
Financial result	-610	-34	-666	51	-128	1	-1,386
Income from interest in associates	0	0	0	0	0	0	0
Income from other shareholdings	0	0	0	0	0	0	0
EBT	-1,017	4,379	-1,525	691	-3,228	0	-700
Taxes on income	-5	-962	137	-113	1,420	0	477
Consolidated 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
Shareholdings in associates	0	0	0	0	0	0	0
Investments in non-current 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

NOTES

ACCOUNTING AND VALUATION METHODS

Beate Uhse AG is the parent company pursuant to Section 290 of the German Commercial Code (HGB). As a result of the issuing of equity titles on the capital market, the company 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 as of 30 June 2009 have accordingly been prepared in line with currently valid 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 international accounting standards 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 2008 financial year. Individual items in the income statement, balance sheet and cash flow statement of the Beate Uhse Group have been summarised in the interests of clarity and in order to enhance their legibility.

The 6-month report for 2009 has not been subject to any audit review by the auditor.

SCOPE OF CONSOLIDATION

The following companies based in Tiel, Netherlands, were consolidated within the Group for the first time as of 1 April 2009:

Global Distributors Netherland BV
Global Internet BV
Global Novelities BV
Ladies Night Deutschland BV

All of these companies are wholly-owned subsidiaries of Beate Uhse AG.

Global Distributors Netherland BV generated sales of Euro 630k and net income of Euro 11k in the second quarter of 2009. The company has assets of Euro 5,568k.

Global Internet BV generated sales of Euro 388k and net income of Euro 41k in the second quarter of 2009. The company has assets of Euro 593k.

Global Novelities BV generated sales of Euro 548k and net income of Euro 19k in the second quarter of 2009. The company has assets of Euro 4,170k.

Ladies Night Deutschland BV generated sales of Euro 2k and net income of Euro 1k in the second quarter of 2009. The company has assets of Euro 93k.

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.

EARNINGS PER SHARE

		6 months 30.06.2008	**6 months 30.06.2009**
Net income for the period	EUR million	3,017	-223
No. of shares (basic)		70,703,337	77,793,337
No. of shares (diluted)		70,703,337	77,793,337
Earnings per share (basic)	EUR	0.04	0.00
Earnings per share (diluted)	EUR	0.04	0.00

SEGMENT REPORT

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

CHANGES IN THE MANAGEMENT AND SUPERVISORY BOARDS

Jan Boddaert was appointed by the Supervisory Board as the new Chief Marketing Officer (CMO) on the Management Board of Beate Uhse AG as of 1 April 2009.

RELATED PARTY TRANSACTIONS

Transactions were performed with the following related parties in the reporting period from 1 April 2009 to 30 June 2009:

Reuben Rotermund
Immo Almere BV
Summa Finance BV
Crop Registeracccountants
MVW Medien-Vertriebs GmbH
Gerard Cok
Consipio Holding BV

DISCLOSURES RELATING TO BEATE UHSE AG

Beate Uhse AG has no proprietary operating business activities. 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 is primarily dependent 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.

STATEMENT BY LEGAL REPRESENTATIVES PURSUANT TO SECTION 37Y WPHG IN CONJUNCTION WITH 37W (2) NO. 3 WPHG (RESPONSIBILITY STATEMENT)

We hereby by 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.

Flensburg, 14 August 2009

The Management Board

Serge van der Hooft   Jan Boddaert

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 given that these expectations will also prove to be accurate.

FINANCIAL CALENDAR FOR 2009

09 November 2009	German Equity Forum (Eigenkapitalforum), Frankfurt
13 November 2009	9-month report 2009
31 December 2009	End of financial year

CONTACT FOR CORPORATE COMMUNICATIONS

Assia Tschernookoff	Telephone	+49 (0) 461 - 99 66 – 125
	Fax	+49 (0) 461 - 99 66 – 377
	E-Mail	pr@beate-uhse.de

The report for the 2nd quarter of 2009 is available online only in German and English.