beate uhse

3 MONTH REPORT 2008

BEATE UHSE AT A GLANCE

EUR 000s		3 months 31.03.2007	**3 months 31.03.2008**	Change %
SALES PERFORMANCE				
Retail		20,501	18,684	-8.9
Mail Order		31,000	30,013	-3.2
Wholesale		17,260	15,976	-7.4
Entertainment		4,044	3,641	-10.0
Holding Services		0	0	
Total sales		72,805	**68,314**	-6.2
International share of sales	%	62.9	61.1	-2.9
RESULTS				
EBITDA		9,450	10,204	8.0
EBIT		6,435	7,464	16.0
EBT		5,492	6,391	16.4
Net income of ongoing business divisions		4,317	3,938	-8.8
OTHER EARNINGS INDICATORS				
Return on sales before tax	%	7.5	9.4	24.0
Return on sales after tax	%	5.9	5.8	-2.8
Return on equity	%	6.5	4.1	-36.9
Gross profit margin	%	56.4	58.0	2.8
FINANCIAL SITUATION				
Cash flow from operating activities		-3,425	340	-
Investments		3,906	1,950	-50.1
Depreciation		3,014	2,741	-9.1
Dividend paid		0	0	
BALANCE SHEET DATA (2007: 31 DECEMBER)				
Total assets		183,404	184,883	0.8
Shareholders' equity		66,367	96,010	44.7
Equity ratio	%	36.2	51.9	43.5
Long-term assets		106,012	105,221	-0.7
Short-term assets		77,392	79,662	2.9
OTHER DATA				
Employees	total	1,461	1,379	-5.6
Personnel expenses		11,525	11,232	-2.5
Cost of sales		31,769	28,721	-9.6
Cost of distribution		32,387	28,204	-12.9
SHARES				
Number of shares	total	47,323,696	70,984,696	50.0
Closing price	EUR	4.84	1.35	-72.1
Annual high	EUR	5.80	2.03	-65.0
Annual low	EUR	4.08	1.23	-69.9
Earnings per share	EUR	0.09	0.06	-33.3
Cash flow per share	EUR	0.16	0.06	-62.5

FOREWORD OF THE MANAGEMENT BOARD

DEAR SHAREHOLDERS,

One of the main features of the first quarter of the year was the capital increase successfully completed in March. We would like to extend our sincere thanks to all those shareholders who renewed their commitment to our company by exercising their subscription rights, and especially to Consipio BV, which stocked up its shareholding to 29.9 percent, thus becoming our largest shareholder. We see this as a sign of the great trust placed in the strategy and future of our company. With the placement of 23,661,000 new shares and net proceeds of EUR 24.9 million, we have laid the financial foundation for implementing our restructuring programme and for preparing Beate Uhse to meet future market requirements. The market is undergoing a radical transformation, one which nevertheless also harbours many interesting new opportunities for growth. Recognising these opportunities and converting them into success – that is the aim which all of our plans have in common.

The first steps have already been taken

1. Since early 2008 we have considerably streamlined our store network and already parted company with seven stores not meeting our expectations or the requirements of a future generation of customers.

2. We converted our largest store property in Berlin to a premium erotica store in April and have added a museum shop to Germany's only permanent erotica exhibition. We have opened the first premium erotica store in Belgium. We are thus consistently implementing the lifestyle concept step by step in the retail business and are attracting new customers – especially those who previously would never have dared to enter a sex shop.

3. The high-quality toy line we have developed internally – the only one to be certified by the Technical Inspection Agency (TÜV)! – was launched onto the market under the Mae B. brand in April. The first sales figures reported by the shops are thoroughly pleasing.

4. We are countering the decline in margins in the DVD business by producing top-quality films under our own direction.

5. By marketing our licence rights, we are establishing ourselves in the constantly growing and highly interesting market for new media by expanding our position as a major cooperation partner and provider of digital content.

However, our efforts to reposition our company are by no means limited to our external activities. On an internal level, we are also creating the conditions necessary to react rapidly and efficiently to change. We have converted the Group from a sales-based structure to an organisational form clearly focused on the customer. We are pooling duplicate functions and streamlining our administrative departments. The result is a leaner organisation. That is the positive side of the coin. The reverse side is that the reorganisation will inevitably involve job cuts. That is painful, and we are reluctant to lose employees who have at all times performed their work well and have always acted loyally towards the company.

The 2008 financial year will be difficult in every respect and it will take time for the measures introduced to bear fruit. We are nevertheless convinced that our strategies are pointing in the right direction. We believe in the company and its future potential.

Yours faithfully,
The Management Board

Lindemann

Otto Christian Lindemann
CFO and Spokesman for the Management Board

Serge van der Hooft
COO

ON A PERSONAL NOTE

Dear Shareholders,

At the 2007 Annual General Meeting, I announced that I would be retiring from the Management Board as soon as a successor had been found for my position as COO. I am pleased that the Supervisory Board has settled this succession by appointing Serge van der Hooft to the Management Board as of 1 January 2008. I was happy to support Mr. van der Hooft in the first months in becoming accustomed to his new role and in preparing him for his new responsibilities. I have now asked the Supervisory Board for its approval for me to retire from the Management Board, as I would like to have more time in future for my private life and for my family.
I nevertheless continue to identify very strongly with the company Beate Uhse. For this reason, soon after Michael Papenfuss announced his intention of standing down from his position on the Supervisory Board for reasons of time, I consciously decided to stand for election to the Supervisory Board. I would be very pleased if you, the shareholders, would place your trust in me and vote for me at the Annual General Meeting on 16 June 2008. I would like to assure you already that, as a member of the Supervisory Board, I would also be aware of my responsibility towards this company. I would therefore like to offer to put my knowledge and experience, especially of our sector, at the disposal of the Management Board and to support it in decisions steering the company in the right direction.

Yours faithfully,

Gerard Cok

INTERIM MANAGEMENT REPORT

BUSINESS AND ECONOMIC FRAMEWORK

Macroeconomic developments

The development of the global economy in early 2008 was dominated by the ongoing crisis on the financial markets. While the USA is already expected to witness a recession, the economy in Western Europe has merely seen a slight slowdown in the wake of the US real estate crisis. Moreover, economic growth has been further burdened by the most recent rise in energy and food prices and the resultant high level of inflation. According to the Ifo-Institute in Germany, Insee in France and ISAE in Italy, the euro area generated year-on-year real-term GDP growth of 0.5 percent in the first quarter of 2008. Private household consumer spending was particularly affected by the sharp rise in energy and food prices. Following the slump in private consumer spending at the end of 2007, according to the aforementioned research institutes private household demand showed only slight growth of 0.4 percent at the beginning of 2008.

The Germany economy has remained relatively stable in spite of these adverse factors and began 2008 with pleasing momentum. According to the Projektgruppe Gemeinschaftsdiagnose, a group of leading European research institutes, German GDP grew by 0.6 percent compared with the previous quarter. Thanks to the increase in real-term disposable incomes, private consumer spending also showed pleasing growth of 0.6 percent.

Erotica market

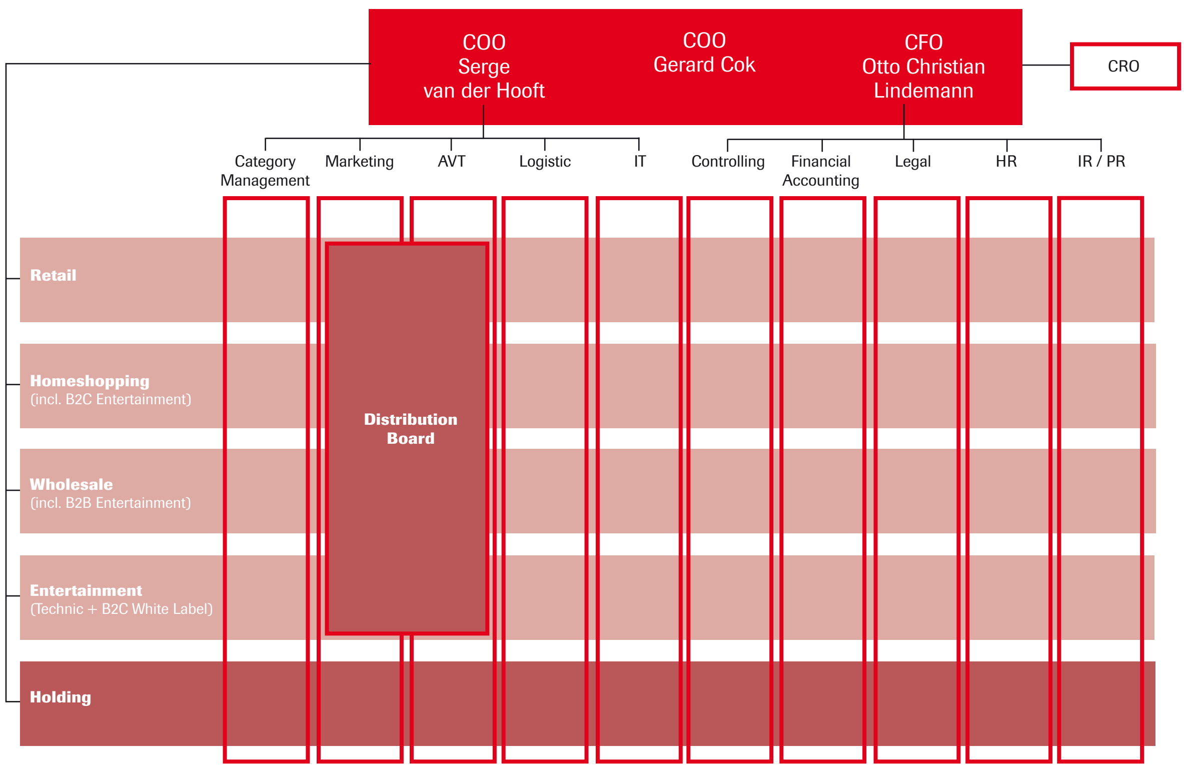
The erotica market is currently undergoing a radical transformation. Longstanding market structures are unravelling on both demand and supply sides. Companies alien to the sector see good chances for themselves in the erotica market. New products and services are being offered, especially on the internet, by smaller and larger companies providing a wide variety of erotica products with an equally wide variety of quality. What's more, there has been an ongoing increase in the volume of content freely available, a development which is reflected not only in greater competition on the internet, but also in the turnover of DVDs and magazines via shops and the related cabin business.

Numerous positive developments have been seen on the other hand on the demand side. The change and increasing openness within society mean that sex and erotica have long become consumer goods, and are thus attracting new groups of customers onto the scene. More specifically, the new generation of customers includes open-minded women and couples keen to experiment. They have an unencumbered attitude towards to sex and articulate their desires openly. However, they also attach importance to the quality and appearance of products, as well as to an appealing shopping ambience. While representing a great challenge, more than anything this also provides Beate Uhse with the opportunity of accessing and retaining these groups of customers with concepts and products tailored to their specific needs.

Group structure

With the aim of being able to react rapidly and efficiently to the changing market and to the needs of modern customer groups, the Beate Uhse Group is reorganising its activities. The sales-based structure previously in place is being replaced by an organisational structure which focuses on the customer. The pooling and merging of duplicate functions enables the Group to exploit synergies, while at the same time also streamlining its operations. The functions of category management, marketing, sales management, logistics and IT, which were previously located within individual profit centres, have now been structured for the group allowing the operating business to be better managed from the centre. The entertainment division has been positioned as a service provider for the mail order, retail and wholesale group units and will focus its operations on so-called white labels, such as the domains sex.de, sex.nl etc. The B2B business has been assigned to the wholesale division, while the mail order division will be directly responsible for entertainment services targeted at end customers. In parallel, functions in the controlling, financial accounting, legal, personnel and IR/PR at administrative departments have been pooled in order to achieve a more efficient, leaner management structure.

ORGANISATIONAL STRUCTURE BEATE UHSE GROUP



EARNINGS POSITION

Sales performance

At EUR 68.3 million, consolidated sales in the first quarter of 2008 were, as expected, lower than the equivalent figure of EUR 72.8 million for the previous year. This decline was primarily due to the store closures implemented within the framework of the restructuring programme. The closures had a particularly marked impact on sales in the Netherlands, where the total number of stores dropped by eight compared with the equivalent period in the previous year. At EUR 26.6 million, sales in the German market matched the previous year's figure (EUR 27.0 million). With growth of 2.0 percent, the Group's third-largest country market, France, reported extremely positive developments, generating sales of EUR 11.7 million. Among the smaller country markets, particularly convincing developments were seen in the UK (+18.2 percent) and Italy (+6.1 percent). The Austrian market, by contrast, which is run on a franchise basis, posted a downturn in sales from EUR 5.9 million to EUR 3.4 million.

SALES BY REGION

EUR 000s	3 months 31.03.2007	**3 months 31.03.2008**	Change %
Germany	27,013	26,605	-1.5
Netherlands	13,488	12,175	-9.7
Belgium	4,702	4,286	-8.8
France	11,490	11,719	2.0
United Kingdom	2,698	3,189	18.2
Austria	5,954	3,359	-43.6
Switzerland	295	321	8.8
Scandinavia	2,892	3,027	4.7
Italy	945	1,003	6.1
Other European countries	3,304	2,612	-20.9
Other regions	24	18	-25.0
	72,805	**68,314**	-6.2

Earnings performance

At EUR 6.4 million, earnings before taxes improved by 16.4 percent compared with the previous year. This was due to a non-recurring item which had to be accounted for and which is due to the following factors:

The German Commercial Code (HGB) requires catalogues to be capitalised as inventories without any impact on earnings in cases where they have not yet been sent to customers. According to IFRS, however, catalogue expenses require immediate recognition as expenses. It goes without saying that these expenses vary considerably depending on the type, style and scope of the catalogues. This can result in substantial fluctuations in earnings between individual reporting dates.

Excluding this item, earnings would, as expected, have been correspondingly lower at EUR -0.4 million.

Compared with the previous year's figure, which has been adjusted to account for catalogue expenses, the expenses in the first quarter of 2008 are far lower than is expected to be the case in the second quarter of 2008. In view of this, sales-related expenses will increase substantially in the second quarter and impact negatively on earnings. To adjust the figures as required and to improve comparability, the sales-related expenses for the equivalent quarter in the 2007 financial year have been reduced by EUR 4.1 million, with tax expenses being correspondingly increased by EUR 1.0 million. All in all, therefore, earnings for the equivalent quarter in the previous year have been increased by EUR 3.1 million. In the second quarter, this factor will be cancelled out both for 2007 and for 2008 and earnings will be significantly burdened by catalogue expenses.

Costs of sales showed a significant decline of 9.6 percent during the period under report, falling to EUR 28.7 million. This was principally due to a reduction in costs of materials, notably in the mail order and wholesale businesses, although the retail and entertainment divisions also achieved substantial reductions in costs of sales. The gross profit on sales therefore amounted to EUR 39.6 million in the first three months. The optimisation in costs of sales meant that it was possible to compensate for the decline in sales virtually in full. As a result, the gross margin improved significantly from 56.4 percent in the previous year to 58. 0 percent.
Sales-related expenses also showed a marked decline of 12.9 percent to EUR 28.2 million (2007: EUR 32.4 million). This was due to lower advertising expenses and a lower volume of write-downs on receivables in the mail order business, to reduced costs of premises in the retail division and to a decrease in personnel expenses in connection with the restructuring programme in the mail order and retail divisions. General administration expenses rose by EUR 1.0 million to EUR 6.7 million. This was largely the result of the integration of Daring Media!, which did not yet belong to the Beate Uhse Group in the previous year's period, as well as to the rental expenses now incurred for the building in Walsoorden following its sale in summer 2007.

As a result of the optimised cost structure, operating earnings (EBIT) improved by 16.0 percent to EUR 7.5 million (2007: EUR 6.4 million). This figure will be partly reduced by the posting of catalogue expenses in the second quarter. At EUR -1.1 million, the financial result was at the same level as in the previous year. Earnings before taxes therefore amounted to EUR 6.4 million, compared with EUR 5.5 million in the previous year. Non-capitalised deferred taxes on losses led to a significant increase in taxes on income to EUR 2.5 million (2007: EUR 1.2 million), following which net income amounted to EUR 3.9 million (2007: EUR 4.3 million). Earnings per share thus amounted to EUR 0.06 (based on 70,703,337 shares), compared with EUR 0.09 (based on 47,042,337 shares) in the previous year.

Segment performance

Retail

EUR 000s	31.03.2007	31.03.2008	Change %
Sales	20,501	18,684	-8.9
EBITDA	2,346	1,675	-28.6
EBIT	988	486	-50.8
EBT	632	102	-83.9
Investments	1,580	538	-65.9

The retail division generated sales of EUR 18.7 million in the first three months of the 2008 financial year, compared with EUR 20.5 million in the equivalent period in the previous year. The downturn in sales is chiefly due to the lower number of shops following the closure of some stores. Under the brands of Beate Uhse, Adam & Eve and Christine le Duc established in the respective country markets, the Group is pressing ahead both in Germany and abroad with its focus on two store concepts - premium erotica shops for the target group of women and couples and fun centers for a predominantly male target group. Stores continue to be converted on an ongoing basis. Following stores in Munich, Passau and Dortmund, the largest German store, that in Joachimstalerstrasse in Berlin, was also presented in the new style at the end of April. A brand new premium store has been opened in Wetteren, Belgium. Beate Uhse has thus continued to consistently implement the premium erotica store concept. Profitable old-style stores not fitting into either of the aforementioned concepts will be run as no-name stores. Unprofitable stores will be closed. This led to six stores being discontinued in Germany during the period under report. Two of these were closed, one sold and three transferred to the franchise business.

BEATE UHSE SHOPS BY COUNTRY
OWN SHOPS

	3 months		3 months	
	31.03.2007	%	31.03.2008	%
Germany	70	42.7	65	42.8
Italy	5	3.0	6	3.9
Switzerland	0	0.0	1	0.7
Netherlands	66	40.2	58	38.2
Belgium	11	6.7	11	7.2
France	8	4.9	7	4.6
Norway	4	2.4	4	2.6
	164	100.0	152	100.0

LICENCE & FRANCHISE

	3 months 31.03.2007	%	**3 months 31.03.2008**	%
Germany	57	35.2	60	48.0
Austria	42	25.9	41	32.8
Switzerland	38	23.5	0	0.0
Norway	4	2.5	4	3.2
Italy	0	0.0	1	0.8
Hungary	1	0.6	2	1.6
Poland	15	9.3	12	9.6
Slovenia	5	3.1	5	4.0
	162	100.0	**125**	100.0

The performance of sales in the individual product groups shows that this focus on these two store concepts is the right strategy for adapting to changing patterns of behaviour within society. Lingerie, wellness products and high-quality toys, which are especially well-represented in the product offering at the premium erotica stores, witnessed a marked increase in sales. This growth underlines the importance of the new target groups of women and couples. As expected, on the other hand, the hardcore product groups of DVDs, magazines and cabins showed negative developments.

The division's EBT fell from EUR 0.6 million to EUR 0.1 million. Apart from the decline in sales, this was also due to expenses incurred on store conversion measures and the downturn in the high-margin DVD and cabin business. Investments amounted to EUR 0.5 million in the first three months and mainly related to the implementation of the new store concept.

Mail Order

EUR 000s	31.03.2007	**31.03.2008**	Change %
Sales	31,000	30,013	-3.2
EBITDA	3,754	7,195	91.7
EBIT	3,172	6,679	110.6
EBT	2,999	6,563	118.8
Investments	1,865	207	-88.9

At EUR 30.0 million, sales in the mail order division were at almost the same level as in the previous year (EUR 31.0 million). The mail order business showed especially positive developments in Germany. The Czech Republic, where the mail order business was launched at the end of 2006, continued to develop well. The advertising expenses incurred in France in 2007 have paid off in the form of a larger, improved customer base. Austria, by contrast, fell short of expectations. The mail order division is also pressing ahead with its expansion plans. The market entry in Poland was launched with a smaller-scale catalogue which met with a warm reception.

The entry into the Spanish market with an online shop operating under the Adam & Eve brand is scheduled for the third quarter.

In future, the catalogues in the individual countries are to be converted to the respective Beate Uhse, Adam & Eve and Christine le Duc brands. This is intended to implement the increased brand focus in the mail order business as well and to create synergies with other distribution channels. Following the warm reception granted to the extensive main catalogue at Christmas 2007, all main catalogues in future will have around 160 pages, with their frequency of issue being stepped up from two to three times per year. Experience has shown that large-scale main catalogues have significantly longer life-spans than smaller, thinner interim catalogues. What's more, each new catalogue will consist of a completely different product programme and will differ considerably from previous catalogues in terms of its design scheme.

Pleasing developments have also been seen in the share of online orders, which has been extended further and now amounts to 31 percent. The various measures introduced to gradually expand online shopping have thus taken effect. Focused online shops make it possible to address target groups very specifically and enable costs to be reduced.

Earnings in the mail order division improved from EUR 3.0 million to EUR 6.6 million. However, this development was due to the substantially lower level of catalogue expenses. These are expected to rise in the second quarter and thus to impact negatively on earnings. Investments amounted to EUR 0.2 million in the first quarter of 2008 and mainly involved software.

Wholesale

EUR 000s	31.03.2007	31.03.2008	Change %
Sales	17,260	15,976	-7.4
EBITDA	2,560	1,817	-29.0
EBIT	1,881	997	-47.0
EBT	1,569	670	-57.3
Investments	388	1,148	195.9

The wholesale division reported increasing demand in the business with toys, lingerie and wellness products, but this was insufficient to fully compensate for the ongoing tangible decline in the DVD business. At EUR 16.0 million, sales in this segment fell slightly short of the previous year's figure (EUR 17.3 million). The shop-in-shop system designed to present the successful Toy-Joy line, which was exhibited at the in-company fair held in March, has triggered great demand. Moreover, Beate Uhse is exploiting the trend towards high-quality sex toys with the first toy collection approved by the Technical Inspection Agency (TÜV). Since mid-April, this has been marketed under the Mae B. brand together with high-quality wellness products on an exclusive basis via the company's proprietary distribution channels. The launch of marketing activities has been rewarded with pleasing sales figures. The division is also taking effective measures to counter the decline in the DVD business. Alongside the development of the Daring! label, which specialises in high-quality erotica films, an agreement has also been signed with Spice Studio and Cinema Play, the hardcore division of Playboy, concerning the exclusive sale of productions. There have also been changes at the wholesale business on an internal level. Since April, the franchise business for marketing image and film rights has been taken over by the newly founded Beate Uhse Licensing B.V. This company will manage both procurement and sales activities for all content lines (including Scala, ZBF, Pleasure, Daring! etc.) on a central basis. One particular focus of Beate Uhse Licensing will involve sales via all new media platforms, thus enabling target group propositions to be addressed more specifically to the various customer groups.

Earnings before taxes at the wholesale division amounted to EUR 0.7 million in the first three months of 2008 (2007: EUR 1.6 million). The main factors impacting on earnings were the start-up losses incurred at Daring Media and the tangible ongoing decline in the DVD business. The investments made by the segment during the period under report amounted to EUR 1.1 million and mainly related to film rights at the Daring Media Group.

Entertainment

EUR 000s	31.03.2007	31.03.2008	Change %
Sales	4,044	3,641	-10.0
EBITDA	865	716	-17.2
EBIT	795	642	-19.2
EBT	817	693	-15.2
Investments	57	49	-14.0

Sales at the entertainment division showed a slight downturn of EUR 0.4 million to EUR 3.6 million. With sales growth of 5 percent, online activities, an important area for the future, performed highly positively. Within this field, particularly pleasing growth was reported for the Group's own portals, a development which is to be assessed extremely positively in view of the tough competition in this segment. "Privatporno" further increased the number of films published on a daily basis, and thus posted a pleasing sales and earnings performance. The internationalisation and global marketing of this service is scheduled to begin in the third quarter of 2008 at the latest. The launch of international marketing activities also enabled the MovieOn streaming platform to generate sales and earnings growth. The cooperation partner business also continues to develop stably.

The main factor negatively affecting sales was the massive increase in end customer prices introduced by mobile phone network operators in the field of added-value call numbers, which led to a substantial fall in demand in the telephony business. First-quarter sales were also negatively affected by the restrictions on the possibilities of advertising Beate Uhse new media telephony services via teletext introduced at the end of January 2008 in order to protect minors. Alongside the reduction in the advertising budget, this also led to a slight downturn in sales. The relevant requirements are expected to be eased as the year progresses, however, and thus to allow this advertising medium to recover.

At EUR 0.7 million, earnings before taxes in the entertainment division were at roughly the same level as in the previous year (2007: EUR 0.8 million). Earnings were negatively affected by increased expenditure on preparations for the planned internationalisation of all entertainment services across all new media platforms. These investments are nevertheless expected to generate substantial momentum for the division's sales and earnings performance in the further course of the financial year. Overall, the investments made by the entertainment division amounted to EUR 0.1 million. As well as the internationalisation and digitalisation referred to above, these also related to the expansion of memory capacity required for the operation of VOD services.

NET ASSET AND FINANCIAL POSITION

Total assets amounted to EUR 184.9 million as of 31 March 2008 and thus showed a slight increase of EUR 1.5 million compared with 31 December 2007.

Assets

On the asset side, there were only minor changes in the individual balance sheet items. At EUR 105.2 million, non-current assets were only marginally lower than the figure of EUR 106.0 million reported at the balance sheet reporting date on 31 December 2007. Due to store closures, property, plant and equipment witnessed a slight decline of EUR 1.3 million to EUR 31.5 million. By contrast, deferred tax claims rose slightly by EUR 0.3 million to EUR 10.2 million.

Current assets rose overall by EUR 2.3 million to EUR 79.7 million (2007: EUR 77.4 million). The initial consolidation of the companies acquired led inventories to rise by EUR 1.1 million to EUR 35.9 million. Accounts receivable also showed an increase of EUR 1.8 million due to receivables resulting from increased sales at the German mail order business and at the wholesale division following the in-company fair held in March. Cash and cash equivalents decreased by EUR 1.3 million to EUR 6.1 million.

Shareholders' equity and liabilities

On the liabilities side of the balance sheet, by contrast, there were substantial movements between the individual items. This was due both to the capital increase executed in March 2008 and to the conclusion of a new syndicated loan agreement for an amount of EUR 42.5 million, as well as to the repayment of existing loans with the proceeds on the capital increase. Loan utilization amounted to EUR 34.1 million.

As a result of the capital increase, shareholders' equity showed a marked improvement from EUR 66.4 million to EUR 96.0 million. The Group therefore now has a solid equity ratio of 51.9 percent, as against 36.2 percent at the end of the 2007 financial year. Within shareholders' equity, share capital rose by EUR 23.7 million to EUR 71.0 million.

The conclusion of the new syndicated loan led non-current debt to rise significantly from its previous level of EUR 15.3 million to EUR 47.4 million. This increase primarily involved interest-bearing loans, which rose by EUR 32.2 million to EUR 39.0 million, while the other items reported under non-current debt remained virtually unchanged.

Current debt, by contrast, reduced sharply by EUR 60.2 million to EUR 41.5 million due to the repayment of existing credit lines. This reduction mainly involved the items loans and short-term portion of long-term loans. Due to lower catalogue expenses and merchandise liabilities in the mail order business, accounts payable also showed a marked decline of EUR 5.1 million to EUR 15.3 million.

Cash flow and investments

The cash flow from operating activities improved by EUR 3.8 million to EUR 0.3 million in the first three months (2007: EUR -3.4 million). This was largely attributable to significantly higher operating earnings (EBIT) of EUR 7.5 million (2007: EUR 2.3 million). The items accounts receivable, inventories and accounts payable are only comparable with the equivalent period in the previous year to a limited extent, as the changes in the first quarter of 2007 were largely characterised by the exceptional level of inventories as of 31 December 2006 as a result of the water damage suffered at the mail order business.

The cash flow from investing activities declined from EUR -3.9 million to EUR 1.6 million. Investment activities declined correspondingly to EUR 2.0 million (2007: EUR 3.9 million).

The cash flow from financing activities showed a marked reduction from EUR 6.2 million to EUR 0.0 million. Of the funds received from the capital increase, EUR 25.7 million were used to reduce credit liabilities compared with 31 December 2007.

INVESTMENTS BY REGION

EUR 000s	3 months 31.03.2007	3 months 31.03.2008	Change %
Germany	1,113	314	-71.8
Netherlands	2,426	422	-82.6
Belgium	216	136	-37.0
France	7	12	71.4
United Kingdom	22	21	-4.5
Austria	8	1	-87.5
Other European countries	1	0	-100.0
Other regions	113	1.044	823.9
	3,906	**1,950**	-50.1

EMPLOYEES

The Beate Uhse Group had a total workforce of 1,379 employees at the end of the first quarter, compared with 1,461 employees at the previous year's reporting date. Apart from store closures in the retail division, this reduction in personnel was also due to optimised logistics and administration activities at the mail order business, and in particular to the outsourcing of some call centre activities at the German mail order business and the internal restructuring of the holding company.

EMPLOYEES AT THE BEATE UHSE GROUP

By Region	3 months 31.03.2007	3 months 31.03.2008	Change %
Germany	695	678	-2.4
Netherlands	539	491	-8.8
Belgium	26	29	13.3
France	90	70	-21.9
United Kingdom	6	7	16.7
Austria	19	13	-32.3
Scandinavia	43	55	27.9
Other European countries	44	0	-100.0
USA	0	36	
	1,461	**1,379**	-5.6

By Profit Centre	3 months 31.03.2007	3 months 31.03.2008	Change %
Retail	858	787	-8.3
Mail Order	278	247	-11.2
Wholesale	220	231	5.0
Entertainment	65	81	24.6
Holding Services	40	33	-17.5
	1,461	**1,379**	-5.6

As part of the restructuring programme at the Beate Uhse Group, the Group terminated its company agreements in Germany, in most cases dating from the seventies and eighties, with few exceptions. These agreements between the company and its Works Council are to be adapted to the current situation and replaced by up-to-date agreements meeting the standards customary today. The Management Board is currently in negotiations with the Works Council with regard to this matter.

SHARE

Performance and liquidity

At the beginning of 2008, the international capital markets witnessed a dramatic downturn triggered by fears of recession in America and of its implications for Europe and Asia. Beate Uhse's share also performed weakly in the first three months of 2008. The highest price was reported at EUR 2.03 on 29 January, while the period low of EUR 1.23 was reached on 25 March. The share closed the first quarter of 2008 at EUR 1.35. An average of 78,819 Beate Uhse shares were traded per day. The company's market capitalisation totalled EUR 95.83 million at the end of the period.

Investor Relations

One key focus of investor relations activities in the first quarter involved preparing for the capital increase with subscription rights successfully completed on 3 March 2008. The issuing of 23,661,000 new shares led the share capital to increase to EUR 70,984,696 following the entry of the capital increase in the Commercial Register. The offering was accorded an extremely positive reception from existing and new investors alike. The capital increase also led to changes in the shareholder structure. Consipio Holding BV now holds 29.9 percent of the shares, while Rotermund Holding AG owns a 17.3 percent shareholding in Beate Uhse AG. Treasury stock now accounts for 0.4 percent of the shares. The free float rose to 52.5 percent in the course of the capital increase.

PERFORMANCE OF SHARE PRICE

		3 months 31.03.2007	**3 months 31.03.2008**	Change %
Opening	EUR	4.08	1.92	-52.9
Closing	EUR	4.84	1.35	-72.1
High	EUR	5.80	2.03	-65.0
Low	EUR	4.08	1.23	-69.9
Performance	%	18.6	-29.7	

Source: Xetra

KEY SHARE DATA

		3 months 31.03.2007	**3 months 31.03.2008**	Change %
Earnings per share		0.09	0.06	-33.3
P/E ratio		18	6	-66.7
Cash flow per share		10.0	4.0	-60.0
Quote / sales		1.0	0.4	-60.0
Quote / EBITDA		8.0	2.0	-75.0
Quote / book value		6.0	1.0	-83.3
Book value per share		1.1	1.1	0.0
Share capital	no. of shares	47,323,696	70,984,696	50.0
Market capitalisation	EUR	229.0	95.8	-58.2
Market capitalisation of free float	EUR	113.2	59.4	-47.5
Average sales / day	no. of shares	52,409	78,819	50.4

Source: Xetra

RISK REPORT

The months of January to March 2008 have not produced any noteworthy changes to the risks and opportunities presented in the management report and group management report accompanying the 2007 annual financial statements.

EVENTS AFTER THE REPORTING DATE

No events requiring report here have occurred since 31 March 2008.

OUTLOOK

The development of the European and German economies in the coming months will largely depend on the implications of any potential recession in the USA, as well as on the rise in fuel and food prices. The Projektgruppe Gemeinschaftsprognose, a group of leading research organisations, expects to see overall GDP growth of 1.7 percent in the euro area in 2008. At 1.3 percent, the rate of expansion forecast for private consumer spending is slightly lower than in previous years.

According to the research group, the rate of growth in the German economy is also set to slow in the current year compared with the previous year, but should nevertheless remain robust at 1.8 percent. The experts expect private consumer spending to increase by 0.8 percent, as disposable incomes will once again rise in real terms. Given the high inflation rate and the rise in food and fuel prices, however, the increase in private consumer spending will come at the expense of specialist retailers, which can expect to see reduced sales.

Following the year of streamlining and consolidation in 2007, the Beate Uhse Group is now firmly positioned to press consistently ahead with the restructuring programme already initiated and to adapt to the change in market conditions. As announced, the expenses incurred on the restructuring programme were already posted in 2007. In the current year, the process of transformation is to be continued at the Group step by step. One important milestone has been achieved with the realignment of organisational structures and pooling of functions such as category management, marketing, sales management, logistics and IT for all distribution channels at the holding company in order to create a leaner and more efficient organisational structure and to provide a more uniform market presence. The mail order business is further expanding its e-commerce activities to acquire new customer groups via tailored shopping portals. The retail business will continue to streamline its store network and consistently implement the two new store concepts. The newly launched innovative private labels will address the new target groups of women and couples and set new quality standards in the market.

Second-quarter earnings are expected to be significantly burdened by increased sales-related expenses in connection with catalogue expenses. Half-year earnings therefore have to be expected to be negative. For the financial year as a whole, we continue to expect earnings before taxes in a range of EUR 3 million and EUR 5 million. With regard to sales, we expect the reduction in the number of stores within the restructuring programme to lead sales to decline by around 3 percent compared with 2007.

BALANCE SHEET

ASSETS

EUR 000s	31.12.2007	31.03.2008
LONG-TERM ASSETS		
Intangible assets	10,590	10,689
Goodwill	14,940	15,334
Property, plant & equipment	32,807	31,523
Other financial assets	8,494	8,162
Investments	26,223	26,223
Shares in associated companies	2,989	3,070
Income taxes	9,969	10,220
	106,012	**105,221**
CURRENT ASSETS		
Inventories	34,770	35,852
Accounts receivable	30,114	31,904
Other short-term financial assets and other assets	3,867	4,169
Income tax refund claims (short-term)	1,233	1,628
Liquid funds	7,408	6,109
	77,392	**79,662**
Total assets	183,404	**184,883**

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR 000s	31.12.2007	31.03.2008
SHAREHOLDERS' EQUITY		
Subscribed capital	47,324	70,985
Treasury stock at cost of acquisition	-3,463	-3,463
Capital reserves	745	2,802
Revenue reserves	3,295	3,295
Other reserves	133	133
Retained earnings	18,235	22,154
Balancing item for currency conversion	-41	-52
Minority interests	139	156
	66,367	**96,010**
LONG-TERM DEBT		
Interest-bearing loans	6,822	38,972
Pensions and similar obligations	3,283	3,248
Other accruals	2,876	2,816
Other financial liabilities	529	533
Deferred tax liabilities	1,811	1,811
	15,321	**47,380**
SHORT-TERM DEBT		
Accounts payable	20,423	15,254
Other financial liabilities	14,738	16,233
Pensions and similar obligations	247	247
Other accruals	4,437	4,154
Income tax liabilities	2,647	4,231
Loans	26,427	223
Short-term portion of long-term loans	32,797	1,151
	101,716	**41,493**
Total shareholders' equity and liabilities	183,404	**184,883**

CONSOLIDATED INCOME STATEMENT

EUR 000s	3 months 31.03.2007	**3 months 31.03.2008**	Change EUR 000s	Change %
Sales	72,805	**68,314**	-4,491	-6.2
Cost of sales	-31,769	-28,721	3,048	-9.6
Gross profit on sales	41,036	**39,593**	-1,443	-3.5
Other operating income	3,484	3,226	-258	-7.4
Sales-related expenses	-32,387	-28,204	4,183	-12.9
General administration expenses	-5,706	-6,678	-972	17.0
Other operating expenses	-465	-575	-110	23.7
Share in earnings of associated companies	503	87	-416	-82.7
Other income from shareholdings	-30	15	45	0.0
Earnings before interest and taxes	6,435	**7,464**	1,029	16.0
Financial income	95	117	22	23.2
Financial expenses	-1,038	-1,190	-152	14.6
Earnings before taxes	5,492	**6,391**	899	16.4
Taxes on income	-1,175	-2,453	-1,278	108.8
Earnings of ongoing business divisions	4,317	**3,938**	-379	-8.8
ALLOCABLE TO:				
Shareholders in the holding company	4,237	3,919	-318	-7.5
Minority shareholders	-80	-19	61	-76.3
EARNINGS PER SHARE (EPS)				
Undiluted (EUR)	47,042,337	70,703,337	23,661,000	50.3
Diluted (EUR)	47,042,337	70,703,337	23,661,000	50.0
Undiluted earnings per share based on ongoing business divisions	0.09	0.06	-0.03	-33.3
Diluted earnings per share based on ongoing business divisions	0.09	0.06	-0.03	-33.3

CASH FLOW STATEMENT

EUR 000s	3 months 31.03.2007	**3 months 31.03.2008**	Change EUR 000s	Change %
CASH FLOW FROM OPERATING ACTIVITIES				
Operating earnings (EBIT) at ongoing and discontinuted business divisions	2,333	**7,463**	5,130	219.9
CORRECTIONS FOR:				
Expenses not affecting payments pursuant to IFRS 2	0	18	18	0.0
Depreciation of property, plant and equipment, amortization of intangible assets	3,014	2,741	-273	-9.1
Losses / profits incurred on the disposal of property, plant and equipment and intangible assets	16	-36	-52	-
Other income not affecting payments	-561	-101	460	-82.0
CHANGES IN:				
Accounts receivable	-6,405	-1,510	4,895	-76.4
Other assets	3,838	-840	-4,678	-
Accounts payable	-4,683	-5,846	-1,163	24.8
Other liabilities	2,112	2,761	649	30.7
Interest received	64	48	-16	-25.0
Interest paid for loans and hedging instruments	-1,272	-1,260	12	-0.9
Income tax refunded / repaid	-1,881	-3,098	-1,217	64.7
Cash flow from operating activities	-3,425	**340**	3,765	-109.9
CASH FLOW FROM INVESTMENT ACTIVITIES				
Cash received from the sale of property, plant and equipment, intangible assets and other fixed assets	233	30	-203	-87.1
Cash paid for investments in property, plant and equipment, intangible assets and other fixed assets	-3,906	-1,950	1,956	-50.1
Cash paid in connection with short-term financial management	-274	-30	244	-89.1
Cash received in connection with short-term financial	1	47	46	4,600.0
Cash received from the acquisition of subsidiaries	0	285	285	0.0
Cash flow from investment activities	-3,946	**-1,618**	2,328	-59.0
CASH FLOW FROM FINANCING ACTIVITIES				
Capital allocation (capital increase)	0	25,700	25,700	0.0
Taking up of bank liabilities	13,939	30,047	16,108	115.6
Taking up of borrowers´note loans	5,000	0	-5,000	100.0
Redemption of bank liabilities	-12,746	-35,782	-23,036	180.7
Redemption of borrowers' note loans	0	-19,713	-19,713	-
Redemption of loans from third parties	0	-260	-260	100.0
Cash flow from financing activities	6,193	**-8**	-6,201	-
Net change in cash, cash equivalents and securities	-1,178	**-1,286**	-108	9.2
Changes due to movements in exchange rates	-43	-13	30	-69.8
Cash, cash equivalents and securities at beginning of period	6,432	7,408	976	15.2
Cash, cash equivalents and securities at end of period	5,211	6,109	898	17.2
COMPOSITION OF CASH AND CASH EQUIVALENTS AT END OF PERIOD				
Cash holdings, credit balances at banks, cheques and securities	5,198	6,096	898	17.3
Short-term money investments	13	13	0	0.0
	5,211	**6,109**	898	17.2

STATEMENT OF CHANGES IN EQUITY

EUR 000s	Share capital	Treasury stock	Capital reserve	Revenue reserves	Other reserves	Net profits	Balancing item for currency conversion	Total	Minority interests	Total equity
	Equity allocable to the shareholders in the parent company									
Balance as of 01 January 2007	47,324	-3,463	664	3,295	305	36,782	15	84,922	-438	84,484
Foreign currency conversion							-23	-23	-101	-124
Profits on hedging of cash flows					64			64		64
Tax effects relating to profits on hedging of cash flows					-24			-24		-24
Total earnings recorded directly under equity					40		-23	17	-101	-84
Group amount for 01 December 2007						4,238		4,238	80	4,318
Total period earnings					40	4,238	-23	4,255	-21	4,234
Balance as of 31 December 2007	47,324	-3,463	664	3,295	345	41,020	-8	89,177	-459	88,718
Balance as of 1 January 2008	47,324	-3,463	745	3,295	133	18,235	-41	66,228	139	66,367
Capital increase	23,661		2,057					25,718		25,718
Foreign currency conversion							-11	-11	-2	-13
Total earnings recorded directly under equity	23,661		2,057		0		-11	25,707	-2	25,705
Group amount for 31 March 2007						3,919		3,919	19	3,938
Balance as of 31 March 2008	70,985	-3,463	2,802	3,295	133	22,154	-52	95,854	156	96,010

SEGMENT REPORT 31 MARCH 2007

EUR 000s	Retail	Mailorder	Wholesale	Entertainment	Holding	Consolidation	Group value
Sales	20,641	31,014	21,956	4,546	0	-5,352	72,805
-of which with third parties	20,501	31,000	17,260	4,044	0	0	72,805
-of which with other segments	140	14	4,696	502	0	-5,352	0
Amortisation of intangible assets	-68	-15	-333	-46	-61	0	-523
Depreciation of property, plant and equipment	-1,290	-567	-346	-24	-181	0	-2,408
exceptional depreciation	0	0	0	0	0	0	0
Amortisation of financial assets	0	0	0	0	-84	0	-84
Financial result	-356	-173	-312	22	-123	-1	-943
Income from shareholdings in associated companies	0	0	160	0	343	0	503
Income from other shareholdings	0	0	0	0	-30	0	-30
EBT	632	2,999	1,569	817	-487	-38	5,492
Taxes on income	65	-719	-439	-174	92	0	-1,175
Net income	697	2,280	1,130	643	-395	-38	4,317
excluding profit and loss transfer agreements							
Assets (incl. shareholdings)	49,169	45,232	57,292	12,390	202,675	-182,905	183,853
Shareholdings in associated companies	0	0	0	0	32,330	0	32,330
Investments in long-term assets	1,580	1,865	699	57	22	0	4,223
Liabilities	41,116	39,369	36,728	3,606	95,503	-81,557	134,765

SEGMENT REPORT 31 MARCH 2008

EUR 000s	Retail	Mailorder	Wholesale	Entertainment	Holding	Consolidation	Group value
Sales	18,799	30,031	21,313	4,292	0	-6,121	68,314
-of which with third parties	18,684	30,013	15,976	3,641	0	0	68,314
-of which with other segments	115	18	5,337	651	0	-6,121	0
Amortisation of intangible assets	-86	-20	-423	-49	-95	0	-673
Depreciation of property, plant and equipment	-1,103	-496	-367	-25	-46	0	-2,037
exceptional depreciation	0	0	-30	0	0	0	-30
Amortisation of financial assets	0	0	0	0	0	0	0
Financial result	-384	-116	-327	51	-297	0	-1,073
Income from shareholdings in associated companies	0	0	0	0	87	0	87
Income from other shareholdings	0	0	15	0	0	0	15
EBT	102	6,563	670	693	-1,637	0	6,391
Taxes on income	-5	-45	-54	-155	-2,194	0	-2,453
Net income	97	6,518	616	538	-3,831	0	3,938
excluding profit and loss transfer agreements							
Assets (incl. shareholdings)	45,257	34,048	53,048	13,708	191,417	-167,513	169,965
Shareholdings in associated companies	0	0	0	0	3,070	0	3,070
Investments in long-term assets	538	207	786	49	8	0	1,588
Liabilities	39,813	25,247	34,885	4,634	44,373	-66,121	82,831

ACCOUNTING AND VALUATION METHODS

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 by Article 4 of Regulation No. 1606/2002 of the European Parliament and Council dated 19 July 2002 to compile its consolidated financial statements in accordance with IFRS. These interim consolidated financial statements as of 31.03.2008 have accordingly been compiled in line with the currently valid IFRS accounting standards. It was not necessary to make any adjustments to the accounting and valuation methods. This interim report has been compiled in line with the requirements of IFRS international accounting standards and in accordance with German Accounting Standard 16 (near-final draft in the version dated 18 July 2007). The accounting and valuation policies are consistent with those applied in the most recent consolidated financial statements for the 2007 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.

SCOPE OF CONSOLIDATION

Bestseller Filmdistribution Europa AB, Täby, Sweden, and its wholly-owned subsidiary, Bestseller Rättigher Scandinavia AB, were consolidated for the first time in the first quarter of 2008. The companies are wholly-owned subsidiaries of Beate Uhse Max AB and were acquired on 4 January 2008. Furthermore, RT BVBA, Belgium, was also consolidated for the first time. This company is a wholly-owned group company (99.5 percent: Beate Uhse Retail Holding BV; 0.5 percent: Beate Uhse BV).

Bestseller Filmdistribution Europa AB generated sales of EUR 3k and operating earnings of EUR 1k in the first three months of 2008. The company has assets of EUR 283k. Bestseller Rättigher Scandinavia AB generated sales of EUR 384k and operating earnings of EUR 66k in the first three months of 2008. The company has assets of EUR 872k.

RT BVBA generated sales of EUR 311k in the first three months of 2008, with operating earnings still negative at EUR -29k. The company has assets of EUR 462k.

SEGMENT REPORTING

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

EARNINGS PER SHARE

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

EARNINGS PER SHARE

		3 months 31.03.2007	**3 months 31.03.2008**
Net earnings for period	EUR million	4,317	3,938
Number of shares (basic)	No. of share	47,042,337	70,703,337
Number of shares (diluted)	No. of share	47,042,337	70,703,337
Earnings per share (basic)	EUR	0.09	0.06
Earnings per share (undiluted)	EUR	0.09	0.06

CHANGES IN THE MANAGEMENT AND SUPERVISORY BOARDS

The Supervisory Board appointed Serge van der Hooft as a new member of the Management Board as of 1 January 2008. The succession to Gerard Cok, who will be standing for election to the Supervisory Board at the Annual General Meeting on 16 June 2008, has therefore been settled.

RELATED PARTY TRANSACTIONS

Transactions were undertaken with the following related parties in the reporting period from 1 January 2008 to 31 March 2008:

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 sub-sidiaries and shareholdings of the Group. As such, it performs central group management functions, including accounting, controlling, finance, human resources, legal and communications services. The development of earnings at 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.

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 forwardlooking statements are realistic, no guarantee can be given that these expectations will also prove to be accurate.

FINANCIAL CALENDAR 2008

Annual general meeting, Flensburg	16 June 2008
6-month report 2008	14 August 2008
DVFA-event, Frankfurt	August 2008
Equity capital forum, Frankfurt	November 2008
9-month report 2008	14 November 2008
End of financial year	31 December 2008

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The report for the 1st quarter of 2008 is available online only in German and English.

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