UPDATE OF 9-MONTH REPORT 2007

beate uhse

RETROSPECTIVE CORRECTION IN INTERIM FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2007 TO CONFORM TO IFRS

In its reporting for interim periods within the financial year, Beate Uhse AG accrued costs which would otherwise have severely distorted the results for the respective interim period. This practice, which deviates from the requirements of IFRS, but enhances the comparability of key business operating figures, involves so-called catalogue expenses, which represent the most important cost factor in the mail order business and are incurred on an irregular basis during the financial year.

Current interim results as of the quarterly reporting dates were negatively affected by accruals for catalogue expenses then actually invoiced towards the end of the financial year. This enabled the company to avoid the risk of readers of its interim financial statements making incorrect projections and assessing the performance of the company too positively for interim periods within the financial year. This approach was and remains customary practice for financial statements compiled in accordance with the German Commercial Code (HGB).

In view of the discussions currently surrounding this topic (including discussions within the IASB), the management subjected the company's previous accounting practice to a review. This established the non-conformity of this practice with the requirements of IFRS and has now retrospectively corrected the relevant figures in the abridged version of the notes to the financial statements provided in the following pages.

In future, all interim financial statements will be compiled solely in accordance with the requirements of IFRS.

BALANCE SHEET

Assets EUR 000s	31.12.2006	30.09.2007
Long-term assets		
Intangible assets	12,729	9,951
Goodwill	15,709	14,707
Property, plant & equipment	55,031	34,457
Other financial assets	12,011	9,144
Investments	1,022	923
Shares in associated companies	31,943	28,196
Deferred income taxes	13,892	11,120
	142,337	**108,498**
Current assets		
Inventories	41.390	36,614
Accounts receivable	27,604	32,791
Other short-term financial assets and other assets	4,215	9,414
Income tax refund claims (short-term)	925	1,452
Liquid funds	6,432	22,530
	80,566	**102,801**
Total	**222,903**	**211,299**

Shareholders' equity and liabilities EUR 000s	31.12.2006	30.09.2007
Shareholders' equity		
Subscribed capital	47,324	47,324
Treasury stock at cost of acquisition	-3,463	- 3,463
Capital reserves	664	745
Revenue reserves	3,295	3,295
Other reserves	305	366
Retained earnings	36,782	32,663
Balancing item for currency conversion	15	-57
Minority interests	-438	-284
	84,484	**80,589**
Long-term debt		
Interest-bearing loans	40,819	51,544
Pensions and similar obligations	3,327	3,294
Other accruals	2,200	2,123
Other financial liabilities	261	114
Deferred tax liabilities	2,542	1,965
	49,149	**59,040**
Short-term debt		
Accounts payable	21,555	13,191
Other financial liabilities	11,744	12,258
Pensions and similar obligations	241	241
Other accruals	1,892	1,677
Income tax liabilities	6,397	2,425
Loans	40,833	33,982
Short-term portion of long-term loans	5,618	5,769
VAT liabilities	990	2,127
	89,270	**71,670**
Total	**222,903**	**211,299**

CONSOLIDATED INCOME STATEMENT

EUR 000s	Q3/2006 1.7.-30.9.06 (corrected)	**Q3/2007 1.7.-30.9.07**	9 months 30.09.2006 (corrected)	**9 months 30.09.2007**	Change EUR 000s	Change %
Ongoing business divisions						
Sales	**73,522**	**73,850**	**209,212**	**202,495**	**-6,717**	**-3.2**
Cost of sales	-28,824	-32,093	-81,286	-88,440	-7,154	8.8
Gross profit on sales	**44,698**	**41,757**	**127,926**	**114,055**	**-13,871**	**-10.8**
Other operating income	8,801	3,253	15,944	11,690	-4,254	-26.7
Sales-related expenses	-39,986	-34,582	-104,798	-96,246	8,552	-8.2
General administration expenses	-5,452	-11,926	-17,400	-24,104	-6,704	38.5
Other operating expenses	3	-180	-645	-695	-50	7.8
Share in earnings of associated companies	623	199	1,226	969	-257	-21.0
Other income from shareholdings	36	-49	109	-73	-182	-167.0
Earnings before interest and taxes	**8,723**	**-1,528**	**22,362**	**5,596**	**-16,766**	**-75.0**
Financial result	-1,232	-1,258	-2,163	-2,950	-787	36.4
Earnings before taxes	**7,491**	**-2,786**	**20,199**	**2,646**	**-17,553**	**-86.9**
Taxes on income	-826	-315	-4,109	-1,872	2,237	-54.4
Consolidated earnings						
Consolidated earnings	**6,665**	**-3,101**	**16,090**	**774**	**-15,316**	**-95.2**
Allocable to:						
Shareholders in the holding company	6,600	-3,159	15,910	586	-15,324	-96.3
Minority shareholders	65	58	180	188	8	4.4
Earnings per share (EPS)						
Undiluted earnings per share			0.34	0.01	-0.33	-97.0
Diluted earnings per share			0.34	0.01	-0.33	-97.0

CASH FLOW

EUR 000s	9 months 30.09.2006 (corrected)	9 months 30.09.2007	Change EUR 000s	Change %
Cash flow from operating activities				
Operating earnings (EBIT) at ongoing and discontinued business divisions	**22,362**	**5,597**	**-16,765**	**-75.0**
Corrections for				
Expenses not affecting payments pursuant to IFRS 2	-	81	81	-
Depreciation of property, plant and equipment, amortisation of intangible assets	7,215	15,025	7,810	108.2
Earnings incurred on the disposal of property, plant & equipment & intangible assets	-2	-1,179	-1,177	-
Other income not affecting payments	-3,913	-721	3,192	-81.6
Changes in				
Accounts receivable	-3,256	-4,402	-1,146	35.2
Other assets	-9,523	1,164	10,687	-112.2
Accounts payable	-662	-9,969	-9,307	1,405.9
Other liabilities	4,853	-2,661	-7,514	-154.8
Interest received	192	818	626	326.0
Interest paid for loans and hedging instruments	2,744	-4,067	-1,323	48.2
Income tax refunded/repaid	-5,548	-204	5,344	-96.3
Cash flow from operating activities	**8,974**	**-518**	**-9,492**	**-105.8**
Cash flow from investment activities				
Cash received from the sale of property, plant and equipment, intangible assets and other fixed assets	660	26,020	25,360	3,842.4
Cash paid for investments in property, plant and equipment, intangible assets and other fixed assets	-32,722	-10,272	22,450	-68.6
Cash paid in connection with short-term financial management	-5,239	-352	4,887	-93.3
Cash received in connection with short-term financial management	273	1,814	1,541	564.5
Cash flow from investment activities	**-37,028**	**17,210**	**54,238**	**-146.5**
Cash flow from financing activities				
Capital allocation (sales of treasury stock)	-	-	-	-
Dividends paid	-6,586	-4,705	1,881	-28.6
Taking up of bank liabilities	40,549	10,759	-29,790	-73.5
Taking up of borrowers' note loans	10,000	10,000	-	-
Taking up of loans from third parties	2,000	13,717	-15,717	-785.9
Redemption of bank liabilities	-4,548	-3,014	-1,534	-33.7
Redemption of borrowers' note loans	-11,214	-	11,214	-100.0
Redemption of loans from third parties	-2,000	-	2,000	-100.0
Cash flow from financing activities	**28,201**	**-677**	**-28,878**	**-102.4**
Net change in cash, cash equivalents and securities	**147**	**16,015**	**15,868**	**10,794.6**
Changes due to movements in exchange rates	645	84	-561	-87.0
Cash, cash equivalents and securities at beginning of period	6,777	6,431	-346	-5.1
Cash, cash equivalents and securities at end of period	7,569	22,530	14,961	197.7
Composition of cash and cash equivalents at end of period				
Cash holdings, credit balances at banks, cheques and securities	7,557	22,518	14,961	198.0
Short-term money investments	12	12	-	-
	7,569	**22,530**	**14,961**	**197.7**

GROUP EQUITY SCHEDULE

	Equity allocable to the shareholders in the parent company									
EUR 000s	Share capital	Treasury stock	Capital reserve	Revenue reserves	Other reserves	Net profits	Balancing item for currency conversion	Total	Minority interests	Total equity
Balance as of 1 January 2006	47,324	-3,464	474	3,295	2,746	33,704	180	84,259	-643	83,616
Foreign currency conversion							397	397	-8	389
Profits realised on sale of financial assets					-2.809			-2,809		-2,809
Profits on hedging of cash flows					293			293		293
Tax effects relating to profits on hedging of cash flows					-112			-112		-112
Total earnings recorded directly under equity					-2,628		397	-2,231	-8	-2,239
Dividend distribution						-6,586		-6,586	-105	-6,691
Group amount for 2006 (corrected)						15,910		15,910	180	16,090
Total period earnings (corrected)	47,324	-3,464	474	3,295	118	43,028	577	91,352	-576	90,776
Balance as of 1 January 2007	**47,324**	**-3,463**	**664**	**3,295**	**305**	**36,782**	**15**	**84,922**	**-438**	**84,484**
Foreign currency conversion							-72	-72	-34	-106
Share-based remuneration			81					81		81
Profits on hedging of cash flows					98			98		98
Tax effects relating to profits on hedging of cash flows					-37			-37		-37
Dividend distribution						-4,704		-4,704	-	-4,704
Total earnings recorded directly under equity					61		-72	-11	-34	-45
Group amount for 30 September 2007						586		586	188	774
Balance as of 30 September 2007	**47,324**	**-3,463**	**745**	**3,295**	**366**	**32,664**	**-57**	**80,874**	**-284**	**80,590**

SEGMENT DATA BY BUSINESS UNIT AS OF 30 SEPTEMBER 2006

EUR 000s	Retail	Mail Order	Wholesale	Entertainment	Holding	Consolidation	Group value
Sales	63,793	92,803	59,352	13,210	-	-19,946	**209,212**
- of which with third parties	63,513	92,797	41,002	11,900	-	-	**209,212**
- of which with other segments	280	6	18,350	1,310	-	-19,946	**-**
Amortisation of intangible assets	-210	-45	-438	-132	-379	-	**-1,204**
Depreciation of property, plant & equipment	-3,728	-1,006	-808	-96	-374	-	**-6,012**
Amortisation of financial assets	-	-	-	-	-	-	**-**
Financial result	-1,021	-454	-886	25	172	1	**-2,163**
Income from shareholdings in ass. comp.	-	-	465	-	761	-	**1,226**
Income from other shareholdings	-	-	86	-	23	-	**109**
EBT	3,346	7,043	2,967	2,182	4,661	-	**20,199**
Taxes on income	-393	-2,748	-578	-321	-69	-	**-4,109**
NET INCOME*	2,953	4,295	2,389	1,861	4,592	-	**16,090**
Assets (incl. shareholdings)	49,225	46,941	51,897	11,501	215,057	-191,444	**183,177**
Shareholdings in associated companies	-	-	-	-	32,185	-	**32,185**
Investments in long-term assets	5,160	4,916	3,091	127	18,605	-	**31,899**
Liabilities	40,241	36,271	32,069	3,896	97,491	-81,271	**128,697**

*(excluding profit and loss transfer agreements)

SEGMENT DATA BY BUSINESS UNIT AS OF 30 SEPTEMBER 2007

EUR 000s	Retail	Mail Order	Wholesale	Entertainment	Holding	Consolidation	Group value
Sales	61,126	83,901	59,141	14,318	-23	-15,968	**202,495**
- of which with third parties	60,735	83,857	45,249	12,677	-23	-	**202,495**
- of which with other segments	391	44	13,892	1,641	-	-15,968	**-**
Amortisation of intangible assets	-1,305	-3,723	-1,810	-105	-246	-	**-7,189**
Depreciation of property, plant & equipment	-4,875	-1,423	-1,064	-77	-399	-	**-7,838**
Amortisation of financial assets	-	-	-	-	-288	-	**-288**
Financial result	-1,194	-567	-1,094	37	-132	-	**-2,950**
Income from shareholdings in ass. comp.	-	-	354	-	615	-	**969**
Income from other shareholdings	-	-	-73	-	-	-	**-73**
EBT	-1,373	2,433	1,784	2,084	-2,242	-40	**2,646**
Taxes on income	-256	11	-1,330	-805	508	-	**-1,872**
NET INCOME*	-1,629	2,444	454	1,279	-1,734	-40	**774**
Assets (incl. shareholdings)	47,472	39,164	55,870	16,224	202,932	-191,131	**170,531**
Shareholdings in associated companies	-	-	-	-	28,196	-	**28,196**
Investments in long-term assets	4,607	2,230	1,989	1,070	466	-	**10,362**
Liabilities	42,334	32,705	36,855	6,455	97,694	-89,723	**126,320**

*(excluding profit and loss transfer agreements)

ABRIDGED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 as applicable in the EU. Accordingly, these abridged consolidated interim financial statements as of 30 September 2007 have also been compiled in line with the IFRS accounting requirements currently valid in the EU (in particular IAS 34 "Interim Financial Reporting"). Application has been made of all accounting and valuation methods valid and requiring mandatory application as of 30 September 2007.

The accounting and valuation policies are consistent with those applied in the most recent consolidated financial statements for the 2006 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.

AMENDMENT IN ACCOUNTING AND VALUATION METHODS / CORRECTION OF ERRORS

In accordance with the valid version of IFRS, in its interim financial statements as of 30 September 2007 the Group has for the first time recognised catalogue expenses incurred as of such date through profit or loss on the basis of the dates on which such expenses were actually incurred.
In its previous consolidated interim financial statements, the company had already recognized the catalogue expenses expected for the year as a whole through profit or loss in the first quarters. This was also the case in the consolidated interim financial statements compiled for the previous year's period as of 30 September 2006.
In these consolidated interim financial statements as of 30 September 2007, corresponding amendments have therefore been made pursuant to IAS 8 to the previous year's figures in the consolidated income statement for the 9-month period from 1 January 2006 to 30 September 2006. Moreover, on account of the form of presentation selected for catalogue expenses in the first two quarters of 2007 and 2006, the opening balance sheet figures as of 1 July 2007 and 1 July 2006 have been amended in accordance with IAS 8 and IAS 34. This adjustment to the consolidated interim financial statements as of 30 June 2007 and 30 June 2006 has impacted as follows on the equity of the Beate Uhse Group:

	2007 EUR 000s	2006 EUR 000s
Equity as of 30 June – before amendment	**80,761**	**82,300**
Correction in sales-related expenses (impact of catalogue expenses)	4,244	6,413
Impact on deferred income taxes	-1,256	-1,898
Equity as of 30 June – corrected	83,749	**86,815**

The amendment in the previous year's figures for the 9-month period from 1 January 2006 to 30 September 2006 had the following impact on the equity of the Beate Uhse Group:

	EUR 000s
Equity as of 30 September – before amendment	**87,349**
Correction in sales-related expenses (impact of catalogue expenses)	4,868
Impact on deferred income taxes	-1,441
Equity as of 30 September – correcetd	**90.776**

Given that the seasonal catalogue mailing schedule means that a notable share of catalogue expenses is incurred in the fourth quarter of each year, a correspondingly higher level of sales-related expenses is to be expected for the period from 1 October 2007 to 31 December 2007.

REPORTING ENTITY

Erotic Delite AG and Daring Media Group SL were consolidated for the first time in the third quarter of 2007.
Erotic Delite is a wholly-owned subsidiary of the Beate Uhse Group. The company generated sales of Euro 55.8k in the first nine months of 2007 with negative earnings before taxes of Euro -35.1k. Erotic Delite has assets amounting to Euro 373.9k.
Daring Media Group SL, a company still in its development stage, is a wholly-owned subsidiary of the Beate Uhse Group. The company did not yet generate any sales in the first nine months of 2007 and posted negative EBT of Euro -370.8k.
Daring Media produces high-quality films for the Beate Uhse Group and has assets amounting to Euro 153.7k.

EARNINGS PER SHARE

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

EARNINGS PER SHARE

		9 months 30.09.2006	**9 months 30.09.2007**
Net income allocable to shareholders in parent company	EUR 000s	15,910	586
Number of shares (undiluted)		47,042,247	47,042,247
Number of shares (diluted)		47,042,247	47,042,247
Earnings per share (undiluted)	EUR	0.34	0.01
Earnings per share (diluted)	EUR	0.34	0.01

DIVIDENDS DISTRIBUTED AND PROPOSED

	30.09.2006 EUR 000s	**30.09.2007** EUR 000s
Dividend for 2006 resolved and distributed in the first 9 months: 10 cents (2005: 14 cents)	6.586	4.704

IMPAIRMENT OF ASSETS

Intangible assets

An impairment loss of Euro 3.4 million was recognised in the 9-month period as of 30 September 2007 in connection with software used in the mail order segment following the decision to replace this software with an updated version.

Goodwill

Goodwill fell to Euro 14.7 million as of 30 September 2007 (31 December 2006: Euro 15.7 million). As a result of stream-lining measures planned at the retail division, the goodwill allocable to stores earmarked for closure was written down.

PROPERTY, PLANT AND EQUIPMENT

During the period under report, the Group sold the mail order building at the Walsoorden location within the framework of a sale and lease back transaction. This building had been ac-quired in the previous year at a cost of acquisition amounting to Euro 22.9 million.

NUMBER OF EMPLOYEES

The Beate Uhse Group had a total workforce of 1,425 employ-ees at the reporting date, compared with 1,463 in the previous year.

EMPLOYEES AT THE BEATE UHSE GROUP

By Region	9 months 30.09.2006	**9 months 30.09.2007**	Change %
Germany	718	693	-3.5
Netherlands	529	525	-0.8
Belgium	24	31	29.2
France	69	59	-14.5
United Kingdom	10	6	-40.0
Austria	23	18	-21.7
Scandinavia	41	43	4.9
Other European countries	49	50	2.0
	1,463	**1,425**	-2.6

By Profit Centre	9 months 30.09.2006	**9 months 30.09.2007**	Change %
Retail	857	818	-4.6
Mail Order	270	274	1.5
Wholesale	223	224	0.4
Entertainment	71	74	4.2
Holding Services	42	35	-16.7
	1,463	**1,425**	-2.6

SEGMENT REPORTING

There have been no changes in the delineation of segments or the calculation of segment earnings since 31 December 2006.

CHANGES IN THE MANAGEMENT AND SUPERVISORY BOARDS

Gerard Cok, a member of the Management Board, announced at the Annual General Meeting on 25 June 2007 that he would retire from the Management Board as soon as a suitable successor had been found by the Supervisory Board.

RELATED PARTY TRANSACTIONS

The following major transactions were newly agreed with related parties during the period under report:
In June 2007, Duinweg Investeringsmij B.V. purchased the piece of land on which the Fulfilment Center is built in Walsoorden, together with the buildings, for an amount of Euro 19,500k (carrying amount at Beate Uhse as of 30.6.2007: Euro 17,754k). At the acquisition date, 45 percent of the shares in

Duinweg Investeringsmij B.V. were held by Summa Finance B.V. Shortly after the acquisition of the Fulfilment Center, the shares in Duinweg Investeringsmij B.V. were sold to a company within the CB Richard Ellis real estate agents group. The business shares in Summa Finance B.V. are owned by members of the family of Gerard Cok, a member of the Management Board.

Furthermore, transactions with related parties based on contractual arrangements already agreed prior to 31 December 2006 were also continued. More specifically, these involve transactions with the following related parties:

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

Relatives of members of the Management and Supervisory Boards of Beate Uhse AG are shareholders, managing directors or partners of the related parties listed here. The transactions have been agreed and performed at customary market conditions as applicable between third parties.

EVENTS AFTER THE REPORTING DATE

The Supervisory Board of Beate Uhse AG appointed Serge van der Hooft as an additional member of the Management Board with effect from 1 January 2008.

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BEATE UHSE AT A GLANCE

€ million		9 months 30.09.2006	**9 months 30.09.2007**	Change %
Sales performance				
Retail		63.5	60.7	-4.4
Mail Order		92.8	83.9	-9.6
Wholesale		41.0	45.2	10.4
Entertainment		11.9	12.7	6.5
Holding Services		-	-	-
Total sales		**209.2**	**202.5**	**-3.2**
International share of sales	%	62.2	62.8	1.0
Results				
EBITDA		24.7	20.9	-15.4
EBIT		17.5	5.6	-68.0
EBT		15.3	2.6	-82.7
Net income of ongoing business divisions		12.7	0.8	-93.9
Other earnings indicators				
Return on sales before tax	%	7.3	1.3	-82.2
Return on sales after tax	%	6.1	0.4	-93.7
Return on equity	%	15.0	1.0	-93.6
Gross profit margin	%	61.1	56.3	-7.9
Financial situation				
Gross cash flow		19.8	15.8	-20.2
Cash flow from operating activities		9.0	-0.5	-105.6
Investments		31.9	10.3	-67.8
Depreciation		7.2	15.3	112.3
Dividend paid		6.6	4.7	-28.6
Balance sheet data (2006: 31 December)				
Total assets		222.9	211.3	-5.2
Shareholders' equity		84.5	80.6	-4.6
Equity ratio	%	37.9	38.1	0.6
Long-term assets		142.3	108.5	-23.8
Short-term assets		80.6	102.8	27.6
Other data				
Employees	total	1,463	1,425	-2.6
Personnel expenses		35.0	35.7	2.0
Cost of sales		81.3	88.4	8.8
Cost of distribution		109.7	96.2	-12.2
Shares				
Number of shares		47,323,696	47,323,696	-
Closing price	EUR	4.65	3.03	-34.8
Annual high	EUR	6.95	5.80	-16.5
Annual low	EUR	4.54	2.98	-34.4
Earnings per share	EUR	0.27	0.02	-92.6
Cash flow per share	EUR	0.42	0.33	-21.4

FOREWORD OF THE MANAGEMENT BOARD

Dear Shareholders of Beate Uhse AG,

Our sales figures for the third quarter reveal an upward trend once again – we have succeeded in halting the downward trend seen in the first half of the year. It will nevertheless not be possible to make up for the loss of sales at the mail order business, our most important and largest division in terms of sales, even though the fourth quarter, traditionally a strong period given the Christmas season, still lies ahead. We will therefore no longer be able to meet the targets we set ourselves for this year.

The erotica market is undergoing a process of transformation, a development which has not passed Beate Uhse by. We will react to the change in market conditions with lean and efficient structures and with innovative concepts and programmes aimed not only at maintaining, but also at further extending our position as the top player in the sector. We are realigning Beate Uhse within the framework of a comprehensive reorganisation process. This process of streamlining and consolidation will be launched in 2007 already, thus providing our company with a robust structure to begin the new 2008 financial year.

While the traditional sale of films on DVD, in recent years the most important growth driver in the erotica industry, is increasingly on the decline, quite different sales opportunities are opening up in other areas, such as the internet and especially in new media, such as IPTV, Video-on-Demand, mobile phones and handheld devices, iPods and web 2.0. With the Daring Media Group, we have welcomed on board a small, but highly professional team with optimal expertise in the production of films and their multilevel exploitation across all new media platforms. Demand for the first three films, which were presented at Venus, was so great that the initial production run was sold out from the very start. The internet is also developing into the number one distribution channel for our other products as well, with one third of our customers already ordering their products online.

The market for sex toys is also in transformation. On the one hand, changing lifestyles and women's self-determined approach to their own sexuality are leading to greater demand for toys. On the other hand, these products have to meet high standards in terms of quality and design. We have also accounted for this trend. This autumn already we will be launching the first prototypes of a new generation of sex toys onto the market, developed by the best designers and the only sex toys to date to be certified by TÜV, the German Technical Inspection Agency.

Our flagship store in Munich has become state of the art for an erotica store of the new generation not only within our sector, where it has been followed by a series of imitators, but also within our Group, where it has established itself as the retail concept showing the way forward. In future, we will be focusing on two concepts – premium erotica stores in 1A city centre locations and specialist stores in business districts and on motorways. With this in mind, we have subjected our 291 shops to an in-depth analysis. As a result, we will be streamlining our store network to remove shops not meeting these criteria.

It goes without saying that this will all cost a great deal of energy, power of conviction and, not least, cash. We therefore expect to post a loss this year, which we estimate will amount to between Euro -6 million and Euro -8 million. This figure does not include the insurance payment covering the water-related damages, which we expect to receive before the end of the year. There is no disguising the fact that this is not good news – and we understand the disappointment with which you as our shareholders, most of whom have been faithful to us over longer periods, will react to this information. We are fully aware of this – and you can be assured that we will be making our decisions with a view to the future. We have to take this drastic step and consistently implement this transformation in order to ensure our long-term success in the market. We are convinced that the capital market will honour this approach and provide our share with fresh momentum.

We would like to extend our special thanks to our employees, who are channelling their commitment and their unstinting loyalty into supporting the company in facing this challenge.

We hope that you too will continue to place your trust in us.

Yours faithfully,

Otto Christian Lindemann
Spokesman for the Management Board, CFO

Gerard Cok
COO

ECONOMY AND MARKET

All major industrialised countries and the emerging markets in Asia and South America have reported extremely positive economic developments in the year to date. The third quarter was nevertheless characterised by turbulence in the market for poorly secured (subprime) US mortgages, which also created liquidity problems at some European banks. This is certain to lead to a slowdown in growth in the USA. Experts nevertheless expect this development to be offset at least in part by the continuing strength of the global economy. It remains to be seen to what extent the increasingly cautious lending policies on the part of banks will impact on economic growth in Germany. Moreover, the further rise in the oil price and the appreciation of the euro against the US dollar will also have a negative effect on German companies. The main pillar of economic growth to date, namely exports, could therefore begin to falter.

Following a weak second quarter, consumer expenditure may well make a positive contribution to economic growth in the coming periods. This forecast is based on the one hand on the notable easing of the labour market and on the other hand on the expectation that the high savings rate of well over 10 percent will return to its long-term average, thus providing consumer expenditure with added momentum. The ifo Institut, for example, expects consumer expenditure to rise by 0.6 percent in the third quarter of 2007 compared with the preceding quarter. However, these positive developments have still to reach the German retail sector. According to calculations released by the Federal Statistics Office, retail sales in the first nine months of 2007 were 0.9 percent lower in nominal terms and 1.6 percent lower in real terms than the equivalent figures for the previous year. Overall, leading economic research institutes have forecast GDP growth of 2.6 percent for the German economy in 2007 and 2.2 percent in 2008. In spite of the slight slowdown, this still represents substantial growth.

In their autumn survey, the leading research institutes predicted similar developments for the euro zone as a whole. GDP is forecast to grow by 2.6 percent in 2007 and by 2.1 percent in 2008. The countries with the highest growth are still Slovenia (6.2 percent), Luxembourg (6.0 percent), Ireland (5.0 percent), Finland (4.8 percent) and Greece (4.0 percent). Above-average growth is also expected in Spain (3.9 percent) and Austria (3.3 percent). While three further countries will meet the average, namely Belgium (2.7 percent), the Netherlands (2.6 percent) and Germany (2.6 percent), three other countries (France, Italy and Portugal) are expected to fall significantly short of the average, with growth of 1.8 percent in each case. The new EU member states are expected to maintain their more dynamic pace of development, generating GDP growth of 6.0 percent. The Baltic States in particular, as well as Slovakia, are also forecast to maintain their impressive upward trend, with growth of between 7.5 percent and 10.2 percent.

EROTICA MARKET

The erotica market is in a process of transformation, involving ever more intense competition. Virtually all areas of the market are affected. Players previously alien to the sector are attempting to establish themselves in subsections of the market and are increasing their range of lingerie and toys. Some of these companies work with stationary retail structures. Notably on the internet, however, new offerings are to be seen on an almost daily basis from numerous smaller and larger companies marketing erotica products of various forms and at differing quality. The volume of content freely available on the internet has also grown consistently, thus intensifying the competitive situation on the internet, as well as for magazines and DVDs. The upshot of this is that, as in previous years, the DVD product group is marked by a clear downward trend, as is the related video cabin business.

On the other hand, there have also been notable changes in the structure of demand in recent years. Sex and erotica are increasingly acceptable within society and are discussed with ever more openness and ever fewer inhibitions. People are prepared to articulate their desires and to put them into action. As is apparent from the study commissioned by Beate Uhse from the future researcher Matthias Horx, sex and erotica are increasingly turning into consumer goods. This change in attitudes has opened up new target groups. It is now a question of accessing these groups with suitable concepts and product ranges – a new challenge, as well as a great market opportunity for the future.

SALES PERFORMANCE

Beate Uhse generated sales of Euro 202.5 million in the first nine months of 2007 and thus 3.2 percent less than in the same period in the previous year (9M 2006: Euro 209.2 million). In the third quarter of 2007, we nevertheless further reduced the shortfall in sales from the first quarter. Sales rose by 0.5 percent compared with the equivalent quarter in the previous year to reach Euro 73.9 million (Q3 2006: Euro 73.5 million).

SALES BY PROFIT CENTRE

The mail order profit centre generated sales of Euro 83.9 million in the first nine months of 2007 and thus suffered a year-on-year decline of 9.6 percent (9M 2006: Euro 92.8 million). The implications of the water-related damage still made themselves felt in this respect. The loss of confidence among customers resulting from delayed supplies was still apparent in the third quarter. With a 41.4 percent share of total sales, the mail order nevertheless remains Beate Uhse's largest profit centre in terms of sales.

The retail division also reported reduced sales in the period under report. Retail sales fell by 4.4 percent to Euro 60.7 million, down from Euro 63.5 million in the same period in the previous year. The reduction in the number of customers frequenting stores with old furnishings was noticeable in this respect. The first two premium erotica stores in Munich and Dortmund, on the other hand, showed highly promising developments, as did the Fun Centres at commercial and specialist stores.

In contrast to the mail order and retail divisions, the Group's other segments reported extraordinarily pleasing developments. With sales growth of 10.4 percent to Euro 45.2 million (9M 2006: Euro 41.0 million) in the first nine months of 2007, the wholesale division made a particularly marked contribution towards offsetting the decline in sales at the mail order and retail profit centres. This division has clearly benefited from the trend towards toys and lingerie while, unlike in the past, the DVD business is playing an increasingly subordinate role.

Sales at the entertainment division also showed substantial growth of 6.5 percent to Euro 12.7 million (9M 2006: Euro 11.9 million). This was a result of the pleasing performance of the MovieOn streaming platform, which was completely revised at the beginning of 2007.

SALES BY PROFIT CENTRE

EUR million	9 months 30.09.2006	**9 months 30.09.2007**	Change %
Retail	63.5	60.7	-4.4
Mail Order	92.8	83.9	-9.6
Wholesale	41.0	45.2	10.4
Entertainment	11.9	12.7	6.5
Holding Services	-	-	-
	209.2	**202.5**	-3.2

SALES BY REGION

The mail order division traditionally plays a major role in those large country markets generating sales in a double-digit million euro range. These markets therefore suffered a downturn in sales. France represents an exception in this respect. While the French market was still posting declining sales in the first half, its strong performance in the third quarter means that sales have now shown pleasing growth of 3.5 percent to Euro 32.6 million. Highly positive developments were seen in the smaller country markets of Italy (+25.9 percent), Scandinavia (+6.6 percent), the UK (+17.6 percent) and the east European markets combined under Other European Countries (+14.4 percent).

SALES BY REGION

EUR million	9 months 30.09.2006	**9 months 30.09.2007**	Change %
Germany	79.1	75.3	-4.8
Netherlands	37.8	36.6	-3.0
Belgium	13.6	12.8	-6.1
France	31.5	32.6	3.5
United Kingdom	8.1	9.6	17.6
Austria	19.9	14.0	-29.7
Switzerland	1.3	0.9	-31.7
Scandinavia	8.8	9.4	6.6
Italy	2.1	2.6	25.9
Other European countries	6.4	7.3	14.4
Other regions	0.6	1.4	130.1
	209.2	**202.5**	-3.2

EARNINGS PERFORMANCE

The key earnings figures of the Beate Uhse Group were affected not only by the decline in sales, but also by the expenses incurred on the reorganisation and realignment of the Group. The Group's earnings before taxes thus amounted to Euro 2.6 million, down from Euro 15.3 million in the first nine months of 2006.

Adjustments have been made in all business divisions with the exception of entertainment. Pre-tax earnings at the retail division decreased to Euro -1.4 million as a result of expenditure (Euro 2.1 million) on the adjustment of the store portfolio (9M 2006: Euro 3.3 million). The write-down of goodwill at the wholesale business meant that this division was unable to match the previous year's earnings figure in spite of increased sales. Earnings before taxes at this division fell by Euro 1.2 million to Euro 1.8 million (9M 2006: Euro 3.0 million). EBT at the entertainment profit centre declined slightly to Euro 2.1 million (9M 2006: Euro 2.2 million). The earnings of the holding services division were largely affected by the costs incurred in connection with advisory services for the reorganisation of the

Group. EBT at this division therefore amounted to Euro -2.3 million (9M 2006: Euro 4.7 million). The previous year's figure, which had been affected by the sale of a shareholding and the impact of the discontinuation of the put option in erotic media ag, is thus difficult to compare with the current year. The mail order division reported a slight rise in EBT to Euro 2.4 million (9M 2006: Euro 2.2 million).

EBT

EUR million	9 months 30.09.2006	**9 months 30.09.2007**	Change %
Retail	3.3	-1.4	-141.0
Mail Order	2.2	2.4	11.9
Wholesale	3.0	1.8	-39.9
Entertainment	2.2	2.1	-4.5
Holding Services	4.7	-2.3	-149.0
	15.3	**2.6**	-82.7

EBIT

EUR million	9 months 30.09.2006	**9 months 30.09.2007**	Change %
Retail	4.4	-0.2	-104.1
Mail Order	2.6	3.0	14.2
Wholesale	3.9	2.9	-25.3
Entertainment	2.2	2.0	-5.1
Holding Services	4.5	-2.2	-147.9
	17.5	**5.6**	-68.0

EBITDA

EUR million	9 months 30.09.2006	**9 months 30.09.2007**	Change %
Retail	8.3	6.0	-27.7
Mail Order	3.7	8.1	121.4
Wholesale	5.1	5.8	12.8
Entertainment	2.4	2.2	-6.5
Holding Services	5.2	-1.2	-123.2
	24.7	**20.9**	-15.4

OPERATING EARNINGS PERFORMANCE

Costs of sales rose by 8.8 percent to Euro 88.4 million during the period under report (9M 2006: Euro 81.3 million). The gross profit showed a corresponding decline from Euro 127.9 million in the first nine months of the previous year to Euro 114.1 million. Alongside the logistics problems, this was also the result of a downturn in high-margin areas, such as video cabins and games machines. Not only that, margins also remain under pressure in the DVD business.

As in the previous two quarters, the gross margin could be maintained at a constant level of around 56 percent, but was nonetheless lower than in 2006. This was due to the lower share of the Group's overall sales attributable to the high-margin mail order business, as well as to the developments outlined above. Other operating income showed a year-on-year decline of Euro 4.3 million. However, the previous year's figure was affected by the proceeds from the sale of shares in erotic media ag and the disposal of a 50-percent stake in the International Fun Center, Poland. As in the past, the largest share of other operating income involves interest on arrears and dunning charges. Furthermore, this item also included a profit of Euro 1.7 million on the sale of the building in Walsoorden. Sales-related expenses fell significantly by 12.2 percent from Euro 109.7 million to Euro 96.2 million. However, administration expenses, which already included charges taken in connection with initial reorganisation measures, rose from Euro 17.4 million to Euro 24.1 million.

NET INCOME

The Beate Uhse Group generated net income of Euro 0.8 million in the first nine months of 2007, compared with Euro 12.7 million in the previous year. The third quarter of 2007 contributed a loss of Euro -0.1 million to this figure (Q3 2006: Euro 7.8 million). The reduction in tax rates (German Corporate Taxation Reform) made it necessary to revalue deferred tax assets and liabilities. This resulted in a tax item of Euro 2.0 million. Earnings per share amounted to Euro 0.02 in the first nine months, compared with Euro 0.27 in the equivalent period in the previous year.

DEVELOPMENT OF NET ASSET AND FINANCIAL POSITION

Total assets amounted to Euro 211.3 million as of 30 September 2007, a reduction of Euro 11.6 million compared with 31 December 2006. Total assets fell by Euro 12.7 million compared with the equivalent reporting date in the previous year.

ASSETS

At Euro 108.5 million, long-term assets were considerably lower than at the reporting date on 31 December 2006 (Euro 142.3 million). This is chiefly due to the decline in property, plant and equipment from Euro 55.0 million to Euro 34.5 million following the sale of the mail order building in Walsoorden and of a property in Flensburg, as well as depreciation undertaken on property, plant and equipment due to the reorganisation of the retail division.
Moreover, long-term assets have also been affected by the impact on goodwill of the reorganisation of the retail business, the amortisation of Euro 3.4 million undertaken on software at the mail order division and the reduction in the shareholding in erotic media ag, which, on account of a partial sale and the resultant purchase price receivable, was reclassified from shareholdings in associated companies to other short-term assets.

Short-term assets rose showed a substantial increase of Euro 22.2 million to Euro 102.8 million. The largest growth was seen in cash and cash equivalents, which rose from Euro 6.4 million to Euro 22.5 million (c.f. cash flow). Accounts receivable amounted to Euro 32.8 million at 30 September 2007 (31 December 2006: Euro 27.6 million).

SHAREHOLDERS' EQUITY AND LIABILITIES

The shareholders' equity of the Beate Uhse Group amounted to Euro 80.6 million as of 30 September 2007 and was thus Euro 3.9 million lower than at the reporting date for the previous financial year. This decline is mainly due to the distribution of a dividend of Euro 0.10 per share, or to Euro 4.7 million in total. The equity ratio, by contrast, has remained at a solid level of 38.1 percent, rising slightly since 31 December 2006 (37.9 percent).

Long-term debt rose to Euro 59.0 million at the end of the reporting period, up from Euro 49.1 million as of 31 December 2006. This was attributable to the taking up of two borrowers' note loans (Euro 10 million with the simultaneous repayment of Euro 3 million on another borrowers' note loan). Moreover, the reclassification from short-term to long-term debt (Euro 7 million) led to an increase in long-term debt. This involved the transition of an advance financing facility (logistics system at mail order centre) to a 9-year finance lease contract.

Short-term debt showed a significant reduction of Euro 17.6 million from Euro 89.3 million to Euro 71.7 million as of 30 September 2007. Particularly marked declines were seen in accounts payable (-38.8 percent) and loans (see above).

CASH FLOW AND INVESTMENTS

The Group generated a gross cash flow of Euro 15.8 million in the first nine months of 2007. The equivalent figure for the previous year amounted to Euro 19.8 million.

Apart from the unsatisfactory business performance, the negative cash flow from operating activities was also attributable to the fall in accounts payable. The cash flow was further negatively affected by the reduction in other debt (of which tax liabilities of Euro 3.2 million). Inventories, by contrast, were reduced by a pleasing total of Euro 5.8 million following adjustment for consolidation.

The cash flow from investment activities was characterised by the sale of the building in Walsoorden (Netherlands) and of a property at the Flensburg location. Conversely, Beate Uhse also invested Euro 10.3 million in the period to 30 September 2007, mainly in the retail (Euro 4.7 million) and mail order divisions (Euro 2.2 million) and primarily in Germany and the Netherlands.

The cash flow from financing activities fell from Euro 28.2 million to Euro -0.7 million. It should be noted in this respect that the figure for the equivalent period in the previous year was affected by the financing of the major investment projects undertaken last year. The Beate Uhse Group had liquid funds of Euro 22.5 million at the reporting date. Of this total, a sum of Euro 15 million was attributable to the sale of the building in Walsoorden, which was used to redeem corresponding long-term loans on 9 November 2007.

INVESTMENTS BY PROFIT CENTRE

EUR million	9 months 30.09.2006	**9 months 30.09.2007**	Change %
Retail	5.2	4.7	-9.9
Mail Order	4.9	2.2	-54.5
Wholesale	3.1	1.7	-43.9
Entertainment	0.1	1.2	1072.3
Holding Services	18.6	0.5	-97.5
	31.9	**10.3**	-67.8

SHARE

The share of Beate Uhse AG is listed in the regulated market (Prime Standard) of the Frankfurt Stock Exchange. Beate Uhse is a member of the Prime All Share, Classic All Share, GEX indices, as well as of the Prime Retail sector index.

PERFORMANCE & LIQUIDITY

Beate Uhse's share underperformed the overall market in the first nine months, falling by 25.6 percent (all figures taken from XETRA). This development reflects the fact that the company's operating performance has fallen short of expectations. The lowest price in the first nine months was seen in August at Euro 2.98, while the period high of Euro 5.80 was reached in February. A daily average trading volume of 50,017 shares was achieved in the reporting period from January to September.

MARKET CAPITALISATION

At 30 September 2007, the market capitalisation of the Beate Uhse Group amounted to Euro 143.39 million. This was equivalent to a free float market capitalisation of Euro 65.96 million. Based on the definition provided by Deutsche Börse AG, 41.9 percent of Beate Uhse's shares are allocable to the free float.

PERFORMANCE OF SHARE PRICE

		9 months 30.09.2006	**9 months 30.09.2007**
Opening	EUR	6.02	4.07
Closing	EUR	4.65	3.03
High	EUR	6.95	5.80
Low	EUR	4.54	2.98
Performance	%	-22.8	-25.6

Source: Xetra

KEY SHARE DATA

		9 months 30.09.2006	**9 months 30.09.2007**
Earnings per share		0.27	0.02
P/E ratio		17	185
Cash flow per share		11.1	9.1
Quote/sales		1.1	0.7
Quote/EBITDA		8.2	9.3
Quote/book value		3.2	2.2
Book value per share		1.5	1.4
Share capital		47,323,696	47,323,696
Market capitalisation	EUR	220.1	143.4
Market capitalisation of free float	EUR	108.7	66.0
Average sales/day		18,557	50,017

Source: Xetra

PROFIT CENTRES

Beate Uhse is present in a total of 15 European countries. Its activities focus on the fields of retail, mail order, wholesale and entertainment. The company sees the networking of its distribution channels, which will in future be combined to a greater extent under the strong brand names of Beate Uhse, Christine le Duc and Adam & Eve, as harbouring growth potential, as well as providing the opportunity to further optimise its cost structure.

RETAIL

The company is further extending its strategic concept of focusing on strong regional brands, namely Beate Uhse in Germany, Christine le Duc in the Netherlands and Adam & Eve in France. This is intended to increase retention of existing customers by maintaining store concepts focused on their needs while at the same time acquiring new target groups with new premium erotica stores.

One example of the new premium erotica concept is the new Beate Uhse flagship store in Sendlinger Strasse in Munich, where sales have shown pleasing developments. The fact that the product ranges focuses in particular on lingerie and toys means that the store has, as expected, succeeded in attracting completely new customer groups. Like the share of couples and women, the share of total sales attributable to lingerie and toys (around 60 percent) is considerably higher than at traditional stores. Further premium erotica stores are to be opened in 1a city centre locations on an ongoing basis. The Beate Uhse shop centrally located on the main shopping street in Dortmund was converted into a premium erotica store based on the Munich model in June already. The same is planned for the store in Passau, where the conversion is due to be completed in time for the Christmas season. Further locations are currently being scrutinised in terms of their suitability for this highly promising concept and are due to be converted one by one following in-depth analysis.

Not only that, the specialist stores and Fun Centers located in commercial districts, which target male customers, have also reported positive developments. Alongside lingerie and toys, these store concepts have a particular on DVDs and cabins. The Fun Center in Augsburg, situated in a top location and equipped with a range of cinemas and six video cabins on its 500 square metres, was profitable from the very first day. This series of success has been maintained with the opening of further Fun Centers in Munich and Hamburg. Only those stores with older furnishings are still losing customers. This underlines the transformation within the erotica market and the acceptance of erotica within society. It is therefore a question of assessing the future prospects of each individual store and of drawing the right consequences – conversion into a premium erotica store or an ambitious specialist store or Fun Center. Stores which are unprofitable on an ongoing basis and which have no prospects for the future have been and are being closed.

Beate Uhse is pursuing a similar concept in other countries as well, where it also intends to concentrate on premium erotica stores and specialist stores in order to attract additional target groups. It is focusing in this respect on the brands of Christine le Duc in the Netherlands and Adam & Eve in France. The trend towards increasing shares of sales growth, in some cases substantial, being generated by toys, lingerie and wellness product groups, has continued at these stores as well. A cosmetics line called Shiatsu, which is supplied by HOT and consists of bath oils and shampoos, was newly launched in the third quarter. Six further stores operating under the Beate Uhse brand are planned to be opened in Belgium and Holland by the end of 2008. Following a successful trial period, the re-branding of outlets from Beate Uhse to Adam & Eve continued in the third quarter and was already completed by the end of September. The French stores have benefited from the awareness levels and image provided by this brand, which is already well-established in the mail order business. France is therefore the prime example of a country where the multi-channel principle has been consistently implemented. An analysis of individual locations and stores aimed at targeting these at new customer groups and raising their profitability is also underway in the Benelux countries.

BEATE UHSE SHOPS BY COUNTRY

OWN SHOPS

	9 months 30.09.2006	%	**9 months 30.09.2007**	%
Germany	74	43.0	74	45.1
Italy	7	4.1	5	3.0
Netherlands	69	40.1	64	39.0
Belgium	10	5.8	10	6.1
France	8	4.7	7	4.3
Switzerland	0	0,0	1	0,6
Norway	4	2.3	4	2.4
	172	100.0	**165**	100.0

LICENCE & FRANCHISE

	9 months 30.09.2006	%	**9 months 30.09.2007**	%
Germany	57	38.8	56	44.4
Austria	42	28.6	40	31.7
Switzerland	38	25.9	0	0.0
Norway	4	2.7	4	3.2
Hungary	1	0.7	2	1.6
Poland	0	0.0	17	13.5
Slovenia	4	2.7	5	4.0
Other	1	0.7	2	1.6
	144	100.0	**126**	100.0

INVESTMENTS

	9 months 30.09.2006	%	**9 months 30.09.2007**	**%**
Poland	13	100.0	-	-
	13	100.0	**-**	**-**

MAIL ORDER

All in all, the mail order division is still suffering from the aftereffects of the water-related damage incurred at the end of 2006. It will not be possible to make up for these during the current financial year as whole. The direct consequences of the damages have now been remedied and mail order operations are once again functioning at normal levels. It nevertheless remains to be seen how severe and long-lasting the loss of confidence will be among those customers who received their goods too late as a result of the damages. The aim is to proactively regain trust by means of service campaigns. The increased service activities and marketing efforts will have a temporary impact on the cost situation.

More than 700,000 orders were received in total in the third quarter of 2007. With more than 301,000 orders, July was the strongest month in the otherwise rather weak period of July to September. The 30th calendar week was the strongest week with 91,500 orders. The highest daily volume was recorded on 24 July, with around 26,000 orders. Of total orders, 27 percent were placed online, 11 percent were made by telephone and 62 percent reached the mail order company by letter. The company aims to continuously increase the share of internet orders, thus further exploiting the trend observable both at Beate Uhse and at conventional mail order companies. The numbers of packages dispatched also provides impressive evidence of the complete recovery of capacity levels at the logistics centre. A total of 458,000 packages were dispatched in August, the month with the highest volumes, while 25,000 packages were sent out on the strongest single day. In terms of regions, markedly positive developments were seen in the number of orders received from the UK, France and the Czech Republic and Slovenia, while the volume of orders from the Netherlands, Belgium and Austria decreased, as did those from within Germany.

In addition to the online shop, the main catalogue was still the most important advertising medium. The mail order division will be sending a total of around 30 million advertising mail shots in 2007. Top priority will be accorded in this respect to the targeted acquisition of customers by means of focused measures.

WHOLESALE

It only takes a glance at the best-performing product groups at the wholesale profit centre to see that toys are playing an ever greater role in this division as well. This product group contributed around 65 percent of sales, while DVDs now only account for 18 percent. One clear trend across all market segments for both toys and lingerie is the increasing demand shown by customers for high-quality design-oriented products. The wholesale division successfully relies on exclusive agreements for this purpose. The best example is the Toy Joy label introduced in 2005, which now covers a range of 400 sex toys. Further innovations were presented at Venus, Europe's largest erotica fair, including the Astro and Alien sey toys, as well as the I-come, a vibrator which can be used together with the iPod.

The first toy collection certified by TÜV, the German Technical Inspection Agency, will be presented and launched exclusively at Beate Uhse in the autumn already. The "69 Sex up your Life" label, which is in the mid-range price segment, is mainly targeted at men. The second medium to high-price product category has been specially designed for women. We have therefore deliberately decided to name this line after Mae B, the brand specifically designed for female target groups. It is planned to extend the collections step by step.

Following months of planning, the first three "Daring!" films were presented at Venus in October. The feedback was overwhelming. The planned quantities had already been sold out across Europe before the official launch date. The "Daring!" label produces high-quality erotica films and markets them across all channels, from DVD to sales via all new media platforms, ranging from the traditional internet to web 2.0, from Video-on-Demand to IPTV and mobile phones. Its declared aim is to set new standards in the market in terms of quality and to use this label to position the company as one of the most exclusive providers in the field of adult entertainment.

Further positive experience has been gained with the revised B2B internet platform. In particular, customers have granted a warm reception to the extended functionalities, such as customer invoicing, returns etc. Further efforts are being made on an ongoing basis to improve the functionalities and design to enable us to meet customer requirements even more closely.

ENTERTAINMENT

The internet and telephony subsections of the erotica market, in which Beate Uhse new media GmbH is active, continue to be characterised by tough competition, with large numbers of domestic and international competitors. In view of this, the business performance reported by the entertainment profit centre is all the more remarkable.

Particularly positive developments have been seen for the MovieOn streaming platform, which has been completely renewed at the www.beate-uhse.com website. Beate Uhse is thus one of the first erotica providers to offer a comprehensive range of films also including films in HD quality. Since September of this year, MovieOn has also been available in Spanish. Work is currently underway on versions in additional languages, such as Italian and Greek. At the same time, the spectrum on offer is to be extended based on agreements with further producers, thus enhancing the variety on offer. Not only that, the Privatporno web 2.0 application is also developing very positively. These two product offerings provide impressive proof that the Beate Uhse brand still enjoys a high status, standing as it does for excellent quality. Good progress was also made in the third quarter on the preparations for Beate Uhse IPTV. This new product is due to be launched before the end of this year and will initially be available on an exclusive basis at www.beate-uhse.de.

Invoicing channels for telephony services still present major challenges. With effect from 1 September 2007, mobile phone network operators introduced massive additional end customer price increases averaging 30 to 40 percent for added value numbers without any change in the level of reimbursements to providers. This has led to a drastic downturn in demand from callers from mobile networks. Margins had also been negatively affected by the fact that the VAT increase was not charged on to customers at the beginning of the year, as well as by increased levels of default on receivables for 0900 and 0118 numbers. While the company's proprietary telephony activities certainly continued to maintain their ground successfully in the declining market, the business undertaken within the framework of cooperations remained difficult.

One highlight at BEATE-UHSE.TV in the third quarter was the "Flickers of Lust" film-on-demand festival traditionally held in the summer months of July and August, which met with an enthusiastic response from customers. Following the successful market launch of the "Good Girls, Bad Girls" erotica soap opera in March, the second series will be filmed in October under the directorship of Nils Molitor, Germany's best-known erotica director. The ten episodes will be broadcast in HD-TV format in spring 2008. One annual highlight was the Venus erotica fair, at which BEATE-UHSE.TV was once again represented at a joint stand together with "Blue Movie" and, needless to say, also produced a comprehensive report on the fair to be broadcast in a special edition of "Inside Sex!".

RISKS

The months of January to September 2007 have not produced any noteworthy changes to the risks and opportunities presented in the management report and group management report accompanying the 2006 annual financial statements.

Events after the Reporting Date

On 16 October 2007, the first tranche of 1 million shares in erotic media ag was sold to Edouard Stöckli and Bernhard Müller at a price of Euro 2.30 each. The share of voting rights in erotic media allocable to Beate Uhse AG now therefore amounts to 29.27 percent. Moreover, the company has agreed an option with the two buyers for them to take over the remaining shares in the coming three years. By selling its stake in erotic media, Beate Uhse is pressing ahead with its consistent alignment towards its core business.

OUTLOOK

The economic upturn in the euro zone is expected to continue, albeit at a slightly slower pace. Leading European economic institutes expect to see GDP growth of 0.5 percent in the fourth quarter of 2007 compared with the preceding quarter and of 0.5 percent in the first quarter of 2008 as well. Thanks to the favourable situation on the labour market, consumer expenditure is expected to show robust growth in the coming quarters. Experts expect consumer expenditure to rise by 0.5 percent in the fourth quarter of 2007. It remains to be seen to what extent the retail sector will also benefit from this positive development in consumer expenditure.

Beate Uhse is focusing all of its efforts in the 2007 financial year on streamlining, consolidating, stabilising and securing its business for the future. The company is undergoing a radical rejuvenation and consolidation programme in order to align itself with changing lifestyles and values and thus with the altered market conditions in the erotica sector. We will be taking further measures in this regard in the fourth quarter of 2007. The store network will be further streamlined and realigned, with new sex toys being launched onto the market. The 2007 financial year is a year of transition intended to lay the foundation for further successful developments in 2008. The Management Board therefore expects sales in the current financial year to match those in the previous year, with earnings before tax (EBT) of Euro -6 million to Euro -8 million and thus substantially lower than in the previous year. The company expects this loss to be reduced by an insurance payment anticipated in connection with the water-related damage. In the 2008 financial year, Beate Uhse should be able to benefit from the success of the measures implemented by that time.

BALANCE SHEET

Assets EUR 000s	31.12.2006	30.09.2007
Long-term assets		
Intangible assets	12,729	9,951
Goodwill	15,709	14,707
Property, plant & equipment	55,031	34,457
Other financial assets	12,011	9,144
Investments	1,022	923
Shares in associated companies	31,943	28,196
Income taxes	13,892	11,120
	142,337	**108,498**
Current assets		
Inventories	41.390	36,614
Accounts receivable	27,604	32,791
Other short-term financial assets and other assets	4,215	9,414
Income tax refund claims (short-term)	925	1,452
Liquid funds	6,432	22,530
	80,566	**102,801**
Total	**222,903**	**211,299**

Shareholders' equity and liabilities EUR 000s	31.12.2006	30.09.2007
Shareholders' equity		
Subscribed capital	47,324	47,324
Treasury stock at cost of acquisition	-3,463	- 3,463
Capital reserves	664	745
Revenue reserves	3,295	3,295
Other reserves	305	366
Retained earnings	36,782	32,663
Balancing item for currency conversion	15	-57
Minority interests	-438	-284
	84,484	**80,589**
Long-term debt		
Interest-bearing loans	40,819	51,544
Pensions and similar obligations	3,327	3,294
Other accruals	2,200	2,123
Other financial liabilities	261	114
Deferred tax liabilities	2,542	1,965
	49,149	**59,040**
Short-term debt		
Accounts payable	21,555	13,191
Other financial liabilities	11,744	12,258
Pensions and similar obligations	241	241
Other accruals	1,892	1,677
Income tax liabilities	6,397	2,425
Loans	40,833	33,982
Short-term portion of long-term loans	5,618	5,769
VAT liabilities	990	2,127
	89,270	**71,670**
Total	**222,903**	**211,299**

CONSOLIDATED INCOME STATEMENT

EUR 000s	Q3/2006 1.7.-30.9.06	**Q3/2007 1.7.-30.9.07**	9 months 30.09.2006	**9 months 30.09.2007**	Change EUR 000s	Change %
Ongoing business divisions						
Sales	**73,522**	**73,850**	**209,212**	**202,495**	**-6,717**	**-3.2**
Cost of sales	-28,824	-32,093	-81,286	-88,440	-7,154	8.8
Gross profit on sales	**44,698**	**41,757**	**127,926**	**114,055**	**-13,871**	**-10.8**
Other operating income	8,801	3,253	15,944	11,690	-4.254	-26.7
Sales-related expenses	-38,441	-30,337	-109,667	-96,246	13,421	-12.2
General administration	-5,452	-11,926	-17,400	-24,104	-6,704	38.5
Other operating expenses	3	-180	-645	-695	-50	7.8
Share in earnings of associated companies	623	199	1,226	969	-257	-21.0
Other income from shareholdings	36	-49	109	-73	-182	-167.0
Earnings before interest and taxes	**10,268**	**2,717**	**17,493**	**5,596**	**-11,897**	**-68.0**
Financial result	-1,232	-1,258	-2,163	-2,950	-787	36.4
Earnings before taxes	**9,036**	**1,459**	**15,330**	**2,646**	**-12,684**	**-82.7**
Taxes on income	-1,283	-1,571	-2,668	-1,872	796	-29.8
Earnings of ongoing business divisions	**7,753**	**-112**	**12,662**	**774**	**-11,888**	**-93.9**
Discontinued business divisions						
Earnings of discontinued business divisions	**-**	**-**	**-**	**-**	**-**	**-**
Consolidated earnings						
Consolidated earnings	**7,753**	**-112**	**12,662**	**774**	**-4,022**	**-93.9**
Allocable to:						
Shareholders in the holding company	7,688	-171	12,482	586	-4,037	-95.3
Minority shareholders	65	58	180	188	15	4.4
Earnings per share (EPS)						
Undiluted (EUR)			47,042,247	47,042,247	-	-
Diluted (EUR)			47,042,247	47,042,247	-	-
Undiluted earnings per share*			0.27	0.02	-0.25	-92.5
Diluted earnings per share*			0.27	0.02	-0.25	-92.5

*based on ongoing business divisions

CASH FLOW

EUR 000s	9 months 30.09.2006	**9 months 30.09.2007**	Change	Change %
Cash flow from operating activities				
Operating earnings (EBIT) at ongoing and discontinued business divisions	**17,493**	**5,597**	**-11,896**	**-68.0**
Corrections for				
Expenses not affecting payments pursuant to IFRS 2	-	81	81	-
Depreciation of property, plant and equipment, amortisation of intangible assets	7,215	15,025	7,810	108.2
Earnings incurred on the disposal of property, plant & equipment & intangible assets	-2	-1,179	-1,177	-
Other income not affecting payments	-3,913	-721	3,192	-81.6
Changes in				
Accounts receivable	-3,256	-4,402	-1,146	35.2
Other assets	-4,654	1,164	5,818	-125.0
Accounts payable	-662	-9,969	-9,307	1,405.9
Other liabilities	4,853	-2,661	-7,514	-154.8
Interest received	192	818	626	326.0
Interest paid for loans and hedging instruments	2,744	-4,067	-1,323	48.2
Income tax refunded/repaid	-5,548	-204	5,344	-96.3
Cash flow from operating activities	**8,974**	**-518**	**-9,492**	**-105.8**
Cash flow from investment activities				
Cash received from the sale of property, plant and equipment, intangible assets and other fixed assets	660	26,020	25,360	3,842.4
Cash paid for investments in property, plant and equipment, intangible assets and other fixed assets	-32,722	-10,272	22,450	-68.6
Cash paid in connection with short-term financial management	-5,239	-352	4,887	-93.3
Cash received in connection with short-term financial management	273	1,814	1,541	564.5
Cash flow from investment activities	**-37,028**	**17,210**	**54,238**	**-146.5**
Cash flow from financing activities				
Capital allocation (sales of treasury stock)	-	-	-	-
Dividends paid	-6,586	-4,705	1,881	-28.6
Taking up of bank liabilities	40,549	10,759	-29,790	-73.5
Taking up of borrowers' note loans	10,000	10,000	-	-
Taking up of loans from third parties	2,000	13,717	-15,717	-785.9
Redemption of bank liabilities	-4,548	-3,014	-1,534	-33.7
Redemption of borrowers' note loans	-11,214	-	11,214	-100.0
Redemption of loans from third parties	-2,000	-	2,000	-100.0
Cash flow from financing activities	**28,201**	**-677**	**-28,878**	**-102.4**
Net change in cash, cash equivalents and securities	**147**	**16,015**	**15,868**	**10,794.6**
Changes due to movements in exchange rates	645	84	-561	-87.0
Cash, cash equivalents and securities at beginning of period	6,777	6,431	-346	-5.1
Cash, cash equivalents and securities at end of period	7,569	22,530	14,961	197.7
Composition of cash and cash equivalents at end of period				
Cash holdings, credit balances at banks, cheques and securities	7,557	22,518	14,961	198.0
Short-term money investments	12	12	-	-
	7,569	**22,530**	**14,961**	**197.7**

GROUP EQUITY SCHEDULE

	Equity allocable to the shareholders in the parent company									
EUR 000s	Share capital	Treasury stock	Capital reserve	Revenue reserves	Other reserves	Net profits	Balancing item for currency conversion	Total	Minority interests	Total equity
Balance as of 1 January 2006	47,324	-3,464	474	3,295	2,746	33,704	180	84,259	-643	83,616
Foreign currency conversion							-165	-165	-46	-211
Profits on hedging of cash flows					515			515		515
Tax effects relating to profits on hedging of cash flows					-201			-201		-201
Total earnings relating to profits on hedging of cash flows					314		-165	149	-46	103
Group amount for 2006						9,664		9,664	376	10,040
Total period earnings					314	9,664	-165	9,813	330	10,143
Share-based remuneration			190					190		190
Available-for-sale financial assets					-2,755			-2,755		-2,755
Sale of treasury stock		1						1		1
Dividend distribution						-6,586		-6,586	-125	-6,711
Balance as of 31 December 2006	47,324	-3,463	664	3,295	305	43,368	15	84,922	-438	84,484
Balance as of 1 January 2007	**47,324**	**-3,463**	**664**	**3,295**	**305**	**36,782**	**15**	**84,922**	**-438**	**84,484**
Foreign currency conversion							-72	-72	-34	-106
Share-based remuneration			81					81		81
Profits on hedging of cash flows					98			98		98
Tax effects relating to profits on hedging of cash flows					-37			-37		-37
Dividend distribution								-4,704	0	-4,704
Total earnings recorded directly under equity					61		-72	-11	-34	-45
Group amount for 30 September 2007						586		586	188	774
Balance as of 30 September 2007	**47,324**	**-3,463**	**745**	**3,295**	**366**	**32,664**	**-57**	**80,874**	**-284**	**80,590**

SEGMENT DATA BY BUSINESS UNIT AS OF 30 SEPTEMBER 2006

EUR 000s	Retail	Mail Order	Wholesale	Entertainment	Holding	Consolidation	Group value
Sales	63,793	92,803	59,352	13,210	-	-19,946	**209,212**
- of which with third parties	63,513	92,797	41,002	11,900	-	-	**209,212**
- of which with other segments	280	6	18,350	1,310	-	-19,946	**-**
Amortisation of intangible assets	-210	-45	-438	-132	-379	-	**-1,204**
Depreciation of property, plant & equipment	-3,728	-1,006	-808	-96	-374	-	**-6,012**
Amortisation of financial assets	-	-	-	-	-	-	**-**
Financial result	-1,021	-454	-886	25	172	1	**-2,163**
Income from shareholdings in ass. comp.	-	-	465	-	761	-	**1,226**
Income from other shareholdings	-	-	86	-	23	-	**109**
EBT	3,346	2,174	2,967	2,182	4,661	-	**15,330**
Taxes on income	-393	-1,307	-578	-321	-69	-	**-2,668**
NET INCOME*	2,953	867	2,389	1,861	4,592	-	**12,662**
Assets (incl. shareholdings)	49,225	43,513	51,897	11,501	215,057	-191,444	**179,749**
Shareholdings in associated companies	-	-	-	-	32,185	-	**32,185**
Investments in long-term assets	5,160	4,916	3,091	127	18,605	-	**31,899**
Liabilities	40,241	36,271	32,069	3,896	97,491	-81,271	**128,697**

*(excluding profit and loss transfer agreements)

SEGMENT DATA BY BUSINESS UNIT AS OF 30 SEPTEMBER 2007

EUR 000s	Retail	Mail Order	Wholesale	Entertainment	Holding	Consolidation	Group value
Sales	61,126	83,901	59,141	14,318	-23	-15,968	**202,495**
- of which with third parties	60,735	83,857	45,249	12,677	-23	-	**202,495**
- of which with other segments	391	44	13,892	1,641	-	-15,968	**-**
Amortisation of intangible assets	-1,305	-3,723	-1,810	-105	-246	-	**-7,189**
Depreciation of property, plant & equipment	-4,875	-1,423	-1,064	-77	-399	-	**-7,838**
Amortisation of financial assets	-	-	-	-	-288	-	**-288**
Financial result	-1,194	-567	-1,094	37	-132	-	**-2,950**
Income from shareholdings in ass. comp.	-	-	354	-	615	-	**969**
Income from other shareholdings	-	-	-73	-	-	-	**-73**
EBT	-1,373	2,433	1,784	2,084	-2,242	-40	**2,646**
Taxes on income	-256	11	-1,330	-805	508	-	**-1,872**
NET INCOME*	-1,629	2,444	454	1,279	-1,734	-40	**774**
Assets (incl. shareholdings)	47,472	39,164	55,870	16,224	202,932	-191,131	**170,531**
Shareholdings in associated companies	-	-	-	-	28,196	-	**28,196**
Investments in long-term assets	4,607	2,230	1,989	1,070	466	-	**10,362**
Liabilities	42,334	32,705	36,855	6,455	97,694	-89,723	**126,320**

*(excluding profit and loss transfer agreements)

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 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 consolidated interim financial statements as of 30.09.2007 have accordingly been compiled in line with the currently valid IFRS accounting standards. Application has been made of all standards valid and requiring mandatory application as of 30.09.2007. It was not necessary to make any adjustments to the accounting and valuation methods. The amendments compared with the standards applied in the consolidated financial statements as of 31.12.2006 related to the following points:

IAS 1 (Amendment): "Presentation of Financial Statements"

IFRS 7: "Financial Instruments: Disclosures"

IFRS 8: "Operating Segments"

IFRIC 9: "Reassessment of Embedded Derivatives"

IFRIC 10: "Interim Financial Reporting and Impairment"

IFRIC 11: "IFRS 2 - Group and Treasury Share Transactions"

IFRIC 12: "Service Concession Arrangements"

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 2006 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.

REPORTING ENTITY

Scala France SARL was consolidated for the first time in the first quarter of 2007. This company is a wholly-owned subsidiary of Gezed Holding BV and was acquired in 2006. Scala France generated sales of Euro 2.1 million in the first nine months of 2007, with operating earnings still remaining slightly negative at Euro 257k. The company has assets of Euro 2.1 million.

Erotic Delite AG and Daring Media Group SL were consolidated for the first time in the third quarter of 2007. Erotic Delite is a wholly-owned subsidiary of the Beate Uhse Group. The company generated sales of Euro 55.8k in the first nine months of 2007 with negative earnings before taxes of Euro -35.1k. Erotic Delite has assets amounting to Euro 373.9k. Daring Media Group SL is a wholly-owned subsidiary of the Beate Uhse Group. The company did not generate any sales in the first nine months of 2007 and posted negative EBT of Euro -370.8k. Daring Media has assets amounting to Euro 153.7k.

SEGMENT REPORTING

A detailed portrayal and explanation has been provided in the report on business developments. There have been no changes in the delineation of the segments or in the calculation of segment results since 31 December 2006.

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

		9 months 30.09.2006	**9 months 30.09.2007**
Net income for the period	EUR million	12,662	774
Number of shares (diluted)		47,042,247	47,042,247
Number of shares (undiluted)		47,042,247	47,042,247
Earnings per share (diluted)	EUR	0.27	0.02
Earnings per share (undiluted)	EUR	0.27	0.02

NUMBER OF EMPLOYEES

The Beate Uhse Group had a total workforce of 1,425 employees at the reporting date, compared with 1,463 in the previous year.

EMPLOYEES AT THE BEATE UHSE GROUP

By Region	9 months 30.09.2006	**9 months 30.09.2007**	Change %
Germany	718	693	-3.5
Netherlands	529	525	-0.8
Belgium	24	31	29.2
France	69	59	-14.5
United Kingdom	10	6	-40.0
Austria	23	18	-21.7
Scandinavia	41	43	4.9
Other European countries	49	50	2.0
	1,463	**1,425**	-2.6

By Profit Centre	9 months 30.09.2006	**9 months 30.09.2007**	Change %
Retail	857	818	-4.6
Mail Order	270	274	1.5
Wholesale	223	224	0.4
Entertainment	71	74	4.2
Holding Services	42	35	-16.7
	1,463	**1,425**	-2.6

CHANGES IN THE MANAGEMENT AND SUPERVISORY BOARDS

Gerard Cok, a member of the Management Board, announced at the Annual General Meeting on 25 June 2007 that he would retire from the Management Board as soon as a suitable successor had been found by the Supervisory Board.

RELATED PARTY TRANSACTIONS

Transactions were undertaken with the following related parties in the reporting period from 01.01.2007 to 30.09.2007:

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

Relatives of members of the Management and Supervisory Board of Beate Uhse AG are shareholders, managing directors or partners of the related parties. The transactions have been agreed and performed at customary market conditions as applicable between third parties.

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

FINANCIAL CALENDAR 2007

End of financial year	31 December 2007

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The 9 month report 2007 is only available online in both German and English.

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SEX UP YOUR LIFE