3-MONTH REPORT 2007

beate uhse

BEATE UHSE AT A GLANCE

€ million		3 months 31.03.2006	3 months 31.03.2007	Change %*
Sales performance				
Retail		20.9	20.5	-2.1
Mail Order		40.2	31.0	-23.0
Wholesale		15.8	17.3	9.5
Entertainment		4.0	4.0	1.6
Holding Services		-	-	-
Total sales		**80.9**	**72.8**	**-10.0**
International share of sales	%	63.4	62.9	-0.8
Results				
EBITDA		9.2	5.3	-41.7
EBIT		6.8	2.3	-65.7
EBT		6.4	1.4	-78.1
Net income of ongoing business divisions		5.0	1.3	-74.8
Other earnings indicators				
Return on sales before tax	%	7.9	1.9	-75.7
Return on sales after tax	%	6.2	1.7	-72.0
Return on equity	%	5.9	1.5	-75.2
Gross profit margin	%	62.1	56.4	-9.2
Financial situation				
Gross cash flow		7.4	4.3	-42.2
Cash flow from operating activities		1.9	-3.4	-277.1
Investments		24.0	3.9	-83.8
Depreciation		2.4	3.0	26.7
Dividend paid		-	-	-
Balance sheet data (2006: 31 Dec.)				
Total assets		222.9	228.7	2.6
Shareholders' equity		84.5	85.7	1.4
Equity ratio	%	37.9	37.5	-1.2
Long-term assets		142.3	143.0	0.5
Short-term assets		80.6	85.7	6.3
Other data				
Employees	total	1,496	1,461	-2.3
Personnel expenses		11.4	11.5	0.8
Cost of sales		30.7	31.8	3.5
Cost of distribution		41.2	36.5	-11.3
Shares				
Number of shares		47,323,696	47,323,696	-
Closing price	EUR	6.41	4.84	-24.5
Annual high	EUR	6.95	5.80	-16.5
Annual low	EUR	6.02	4.08	-32.2
Earnings per share	EUR	0.11	0.03	-72.7
Cash flow per share	EUR	0.16	0.09	-43.8

*the calculation of deviations has been based on Euro 000s.

FOREWORD OF THE MANAGEMENT BOARD

Ladies and Gentlemen,
Dear Shareholders,

A detailed analysis of the first quarter shows very clearly which main factors have affected the course of business at the Beate Uhse Group:

1. The logistics problems caused by water damages, which severely disrupted mail order operations in November 2006, are now largely under control, but the repercussions have made themselves very clearly felt in our sales and earnings figures.

2. The decline in DVD prices has accelerated, accompanied by free content offerings on the internet, and has negatively affected our sales and earnings situation.

3. Ulrich Rotermund, major shareholder and son of our company founder, the late Beate Rotermund, unexpectedly announced that he was considering disposing of his shareholding in the company. This led to speculation not only on the stock markets, as well as giving the media cause to report from a variety of perspectives.

We introduced suitable measures in the first quarter to counter these developments and to react to this situation. Sales and earnings nevertheless suffered a marked dip in the first quarter, not least as a result of the excellent figures reported for the first quarter of the previous year. Our key operating performance figures nevertheless confirm that we are on the right course in spite of the adverse circumstances and difficult market conditions.

Thanks largely to the fantastic commitment shown by our employees, we have succeeded in dealing with virtually all of the directly visible damages resulting from the water damages in November. We are holding talks with our insurers in order to regulate the damages and the loss of sales. However, it cannot yet be foreseen what impact the loss of confidence among our customers will have in the medium term. The experience we have gained from the current loss of confidence also shows us that we will have to step up our efforts to avert any such loss of confidence by working on customer satisfaction, retention and service levels. We have already initiated activities and programmes necessary to set new standards in terms of service and of precision and speed of delivery. We have some way to go in this respect, and will still need to make notable efforts in some areas - an effective IT solution has to enable customers to enjoy improved service and to track their orders throughout the whole process, delivery times have to be reduced etc. These tasks will not be completed overnight, but are nonetheless crucially important for the future viability of the company.

This more than underscores the superb efforts we, and especially the mail order workforce, have made in this extremely difficult situation. The total of 116,008 packages dispatched in the first week of March represents a new weekly record in the history of the mail order business. A second record was broken on 29 March, with a daily total of 25,566 packages. By comparison, an average total of 15,000 packages were dispatched per day in 2006. Thanks not least to these record figures, total deliveries in the first quarter were one percent higher than the equivalent figure for the pleasing first quarter of 2006.

This turnaround will also become apparent in the key financial figures. It will nevertheless take some time before the worst is behind us. Based on cautious forecasts, we have to expect that the financial year as a whole will be affected by negative factors. The sales of Euro 72.8 million and pre-tax earnings of Euro 1.4 million reported for the first quarter, for example, provide few grounds for satisfaction.

These figures also show that the overall erotica market is currently contending with a boom in the internet, and especially in free offerings. Erotica content is enjoying increasing popularity on P2P exchanges, as well as on portals and platforms such as MySpace, YouPorn and YouTube. Notwithstanding this trend, we nevertheless succeeded in maintaining our internet sales at a stable level, thus holding our ground in this hotly-contested market. The mail order, retail and wholesale businesses were affected by the rapid decline in DVD and video prices and sales.

This development has hit the entire sector hard. After all, following the decline in magazines, previously the strongest product group in terms of sales, revenues from multimedia products are now also under threat. At the same time, the market is undergoing substantial change in many areas, e.g. in terms of the significance of new target groups and product ranges and of the declining numbers of visitors to video cabins, to name just a couple of factors.

It is now abundantly clear that our strategy of promoting other, so-called soft product groups in all channels and of accessing new target groups at an early stage was absolutely right. The measures we have taken include considerably expanding the share of lingerie both in the mail order catalogues and in the shops, as well as introducing innovations in the category of sex toys, whose turnover has grown across all distribution channels in recent years. Top priority is accorded to our focus on the Beate Uhse brand and the implementation of our multi-channel strategy. The Beate Uhse brand is the key cornerstone upon which our entire marketing and sales strategy and the related concepts are built. The various distribution channels are interlinked on the basis of this clear brand focus. Beate Uhse accompanies its customers across all distribution channels. On an internal level, this means that actions based on profit centres and distribution channels are increasingly receding into the background. It is crucial to think in terms of brands and of what our brands promise to our customers. By consistently pursuing this course in combination with our new product range strategy and new target group propositions, we are able to respond adequately to changes in the market, to help to shape such changes and to maintain our considerable head start over our competitors. This all makes us an interesting partner for an investor. Whether it is a strategic partner or a private equity company which decides to acquire a shareholding in Beate Uhse, the Group certainly represents an investment with superb potential for the future. We are convinced that the potential and opportunities available to Beate Uhse in the erotica market are unrivalled by any other competitor. In order to enable you, our shareholders, to participate in this growth, we intend to uphold our dividend policy even in a difficult year such as 2006. The Supervisory Board is of the same opinion and has already consented to the distribution of a dividend of Euro 0.10 per share which we will be proposing for your approval at the Annual General Meeting on 25 June. We hope that we are acting in your best interests in this respect and look forward to seeing you once again at the usual venue in the Neue Flora theatre in Hamburg.

Yours faithfully,

Otto Christian Lindemann
Spokesman for the Management Board, CFO

Gerard Cok
COO

BUSINESS PERFORMANCE

MACROECONOMIC DEVELOPMENTS

The Ifo Institute in Germany, Insee in France and ISAE in Italy estimate that the gross domestic product (GDP) of the EU rose by 0.5 percent in real terms in the first quarter compared with the equivalent period in the previous year. The EU Commission continues to expect growth of 0.4 percent to 0.8 percent for the first three months. No exact historical data was available upon this interim management report going to print.

The three institutes have forecast an ongoing stable increase in capital expenditure and a revival in private consumer expenditure. A substantial rise in private consumer expenditure is expected in Germany in spite of the negative impact of the VAT increase. The institutes estimate that consumer expenditure showed a further quarterly increase of 0.4 percent in the first quarter of 2007. As a result of improvements on the labour market, this growth is set to accelerate gradually to 0.6 percent by the third quarter.

RETAIL

The European retail sector presents a mixed picture. While retail sales growth was seen in most cases in the first two months of 2007 (source: eurostat; more recent data not yet available), the situation remains difficult in Germany. The German Federal Statistics Office has calculated that retail sales fell by 0.5 percent in the first three months compared with the same period in the previous year. This means that the forecasts concerning consumer behaviour, which are certainly somewhat more optimistic once again, are not yet reflected in the sales of German retailers.

EROTICA MARKET

The market trend already observed in 2005 and 2006, with a marked decline in the DVD and video product groups, and as a direct result also in video cabins, has continued unabatedly. The interest shown by user groups, in most cases male, has increasingly shifted to the internet and in particular to content available free of charge. This trend towards free content offerings was underlined by a study carried out by the US market research company Hitwise and the Economist magazine, according to which the share of total internet usage attributable to visits to fee-charging pornographic sites declined from 13 percent in February 2006 to 11 percent in February 2007. The share of internet usage attributable to community sites rose from 6 percent to 10 percent over the same period.

SALES PERFORMANCE

Beate Uhse generated sales of Euro 72.8 million in the first three months of 2007. This is equivalent to a decline of 10 percent compared with the first three months of 2006 (Euro 80.9 million). This comparison seems especially drastic given that the first quarter of 2006 was significantly above average when compared with developments in the remainder of the year, particularly in the second half of the year. The downturn in sales was mainly due to the repercussions of the water damages suffered by the mail order business.

SALES BY PROFIT CENTRE

Mail order sales fell by 23 percent in the first three months. With sales of Euro 31 million, the mail order division is in spite of this development still the profit centre generating the highest share of the Beate Uhse Group's sales. The impact on consolidated sales was therefore correspondingly severe. The repercussions of the water damages, the resultant loss of confidence among customers and the higher rate of cancellations and returns for subsequent deliveries could not be compensated for by means of other measures, such as the acquisition of new customers. The other profit centres, by contrast, reported notably more positive developments. In spite of problems affecting the whole market in individual product groups (DVDs, videos, magazines), the retail division almost matched the previous year's level of sales, reporting turnover of Euro 20.5 million. Markedly positive developments were seen in the wholesale division, where sales rose by 9.5 percent from Euro 15.8 million to Euro 17.3 million. These figures confirm that the investments made in IT and logistics at the wholesale division were worthwhile. At Euro 4 million, sales in the entertainment division were at the same level as in the equivalent period in the previous year. This can be termed a success in the current market situation given the unresolved questions surrounding payment collection and the pressure on margins in the telephony business.

SALES BY PROFIT CENTRE

EUR million	3 months 31.03.2006	**3 months 31.03.2007**	Change %
Retail	20.9	20.5	-2.1
Mail Order	40.2	31.0	-23.0
Wholesale	15.8	17.3	9.5
Entertainment	4.0	4.0	1.6
Holding Services	-	-	-
	80.9	**72.8**	-10.0

SALES BY REGION

The most severe downturn in first-quarter sales was suffered by those country markets in which the mail order business accounts for a particularly high share of sales. Germany, Austria, Belgium and France were particularly hard hit in this respect. Positive developments were seen in Italy, albeit at a low level, and especially in the Netherlands, since that is where a reversal of the trend set in.

SALES BY REGION

EUR million	3 months 31.03.2006	**3 months 31.03.2006**	Change %
Germany	29.6	27.0	-8.7
Netherlands	12.7	13.5	6.2
Belgium	5.7	4.7	-17.8
France	13.1	11.5	-12.0
United Kingdom	2.7	2.7	-0.7
Austria	9.5	6.0	-37.5
Switzerland	0.6	0.3	-48.2
Scandinavia	3.1	2.9	-7.0
Italy	0.2	0.9	286.1
Other European countries	3.6	3.3	-7.4
Other regions	0.1	0.0	-79.4
	80.9	**72.8**	-10.0

EARNINGS PERFORMANCE

The development in key earnings figures reflects the company's sales performance. In terms of pre-tax earnings, Beate Uhse witnessed a considerable decline to Euro 1.4 million compared with Euro 6.4 million in the previous year. The 2007 earnings figures are not affected by any one-off special items, but reflect the situation in the mail order business in particular. Earnings before tax at this profit centre fell from Euro 3.2 million to Euro -1.1 million. This reduction by Euro 4.3 million is responsible for virtually all of the decline in overall earnings. Pre-tax earnings in the retail division amounted to Euro 0.6 million at the reporting date, as against Euro 1.6 million in the previous year. The wholesale division, by contrast, reported pleasing earnings growth, increasing its pre-tax earnings from Euro 1.3 million to Euro 1.6 million. Although entertainment sales remained stable, the division's pre-tax earnings of Euro 0.8 million represent an improvement on the previous year's figure of Euro 0.6 million.

EBT

EUR million	3 months 31.03.2006	3 months 31.03.2007	Change %
Retail	1.6	0.6	-61.1
Mail Order	3.2	-1.1	-134.4
Wholesale	1.3	1.6	19.1
Entertainment	0.6	0.8	30.5
Holding Services	-0.4	-0.5	25.3
	6.4	**1.4**	-78.1

EBIT

EUR million	3 months 31.03.2006	3 months 31.03.2007	Change %
Retail	1.9	1.0	-48.1
Mail Order	3.3	-0.9	-127.9
Wholesale	1.6	1.9	18.6
Entertainment	0.6	0.8	29.9
Holding Services	-0.6	-0.4	-35.7
	6.8	**2.3**	-65.7

EBITDA

EUR million	3 months 31.03.2006	3 months 31.03.2007	Change %
Retail	3.2	2.3	-26.1
Mail Order	3.7	-0.3	-109.4
Wholesale	2.0	2.6	28.3
Entertainment	0.7	0.9	24.6
Holding Services	-0.4	-0.1	-80.3
	9.2	**5.3**	-41.7

OPERATING EARNINGS PERFORMANCE

Costs of sales amounted to Euro 31.8 million at the end of the first three months and were thus slightly higher than the figure of Euro 30.7 million in the equivalent period in the previous year. In spite of the measures to adjust costs of sales to the company's sales performance, the gross profit nevertheless showed a corresponding decline of 18.3 percent. This was mainly due to the fact that merchandise input costs could only be adjusted to a very limited extent, given that the declining share of sales in the high-margin mail order business led to an increase in the merchandise input rate. Moreover, additional temporary personnel had to be taken on in the mail order business, a factor which also left its mark on the gross profit.

Other operating income was at the same level as in the previous year. Interest on arrears still represented the largest single item in this respect. Beate Uhse achieved a considerable reduction in its sales-related expenses, which fell from Euro 41.2 million to Euro 36.5 million. Savings were generated in the company's advertising activities, thanks to a significant optimisation in catalogue expenses compared with the previous year.

There were no major changes in general administration expenses and other operating expenses compared with the first three months of 2006.

NET INCOME

The Beate Uhse Group generated net income of Euro 1.3 million at its ongoing business divisions in the first quarter of 2007, compared with Euro 5 million in 2006. Earnings per share amounted to Euro 0.03 in the first quarter, as against Euro 0.11 in the equivalent period in the previous year.

DEVELOPMENT OF NET ASSET AND FINANCIAL POSITION

Total assets rose from Euro 222.9 million at 31 December 2006 to Euro 228.7 million as of 31 March 2007. This increase is chiefly due to the rise in accounts receivable relating to the mail order business.

ASSETS

Long-term assets remained virtually stable in the period from 31 December 2006 to 31 March 2007. There were minor changes in property, plant and equipment, which rose by one million euros, as well as in plant and office equipment.

At Euro 85.7 million, short-term assets were Euro 5.1 million higher than at 31 December 2006. Accounts receivable showed the largest increase, rising from Euro 27.6 million to Euro 34.8 million.

This was due on the one hand to delayed deliveries due to the consequences of the water damage at the mail order division. Moreover, these damages also led the first main catalogue (spring season) to be dispatched at a later date in order to avoid generating new orders which could not yet have been processed in view of the water damage. There was a resultant build-up in receivables in the first quarter. Given the customer payment dates involved, these items will become cash-effective in the second quarter.

Furthermore, income tax refund claims of Euro 2.9 million were stated as of 31 March 2007, compared with Euro 0.9 million at the balance sheet reporting date in 2006.

SHAREHOLDERS' EQUITY AND LIABILITIES

The shareholders' equity of the Beate Uhse Group amounted to Euro 85.7 million at 31 March 2007 and was thus slightly higher than at the end of the 2006 financial year (Euro +1.2 million). As a result of the slight increase in total assets, the equity ratio fell from 37.9 percent to 37.5 percent.

Long-term debt showed a net increase of Euro 2.9 million. This was due on the one hand to the taking up of a new five-year borrowers' note loan of Euro 5 million payable upon maturity and on the other to repayments of loans and reclassifications to the short-term portion of long-term loans.

Short-term debt rose by Euro 1.7 million, a development which is likewise attributable to opposing factors. Accounts payable were reduced by Euro 3.6 million in the first three months, resulting in an increase in short-term liabilities to banks by Euro 2.2 million. Furthermore, VAT liabilities also rose by Euro 1.8 million to Euro 2.8 million.

CASH FLOW AND INVESTMENTS

The cash flow from operating activities decreased in the first three months from Euro 1.9 million to Euro -3,4 million. Alongside the reduction in liquidity resulting from the build-up in accounts receivable at the mail order business as a result of the circumstances outlined above (c.f. notes under "Assets"), this development was mainly attributable to the reduction achieved in accounts payable. The settlement of merchandise procurement and catalogue printing costs enabled accounts payable to be reduced.

The cash flow from investment activities returned in the first quarter to a level corresponding to the medium-term average. The investment expenditure reported for 2006, by contrast, had been significantly affected by the expansion of the mail order fulfilment centre. Investment expenditure showed a corresponding year-on-year decline of Euro 19.6 million, amounting to Euro 3.9 million in the first three months of 2007. The most significant areas of investment related to the German and Belgian retail businesses and to the mail order business in the Netherlands.

The cash flow from financing activities amounted to Euro 6.2 million, as against Euro 22.1 million in the equivalent period in the previous year. Comparison with the first quarter of 2006 is rendered more difficult by the fact that the figures for the previous year were affected by the high level of debt-financed investments, particularly in the fulfilment centre.

INVESTMENTS BY PROFIT CENTRE

EUR million	3 months 31.03.2006	**3 months 31.03.2007**	Change %
Retail	1.4	1.6	14.5
Mail Order	2.4	1.9	-21.1
Wholesale	2.6	0.4	-85.3
Entertainment	-	0.1	26.6
Holding Services	17.6	-	-99.9
	24.0	**3.9**	-83.8

SHARE

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

PERFORMANCE & LIQUIDITY

By 31 March, Beate Uhse's share had increased its value by 19.8 percent since the beginning of the year (all figures taken from XETRA). In connection with the announcements made concerning the water damages at the end of the 2006 financial year, Beate Uhse's share reached its all-time low of around Euro 4 and has shown only a gradual recovery from these low levels. The highest share price during the first quarter was quoted at Euro 5.80. The average price for the months of January to March amounted to Euro 4.91. A daily average of 82,347 shares was traded on XETRA and in floor trading in Frankfurt in the first three months of 2007.

MARKET CAPITALISATION

The market capitalisation of the Beate Uhse Group amounted to Euro 228.95 million on 31 March 2007. This was equivalent to a free float capitalisation of Euro 113.15 million. The free float of the Beate Uhse share calculated on the basis of the German Stock Exchange definition amounted to 49.4 percent at the end of March 2007.

PERFORMANCE OF SHARE PRICE

		3 months 31.03.2006	**3 months 31.03.2007**
Opening	EUR	10.19	4.08
Closing	EUR	6.45	4.84
High	EUR	10.37	5.80
Low	EUR	6.09	4.08
Average	EUR	7.83	4.98
Performance	%	-36.7	18.6

Source: Xetra

KEY SHARE DATA

		3 months 31.03.2006	**3 months 31.03.2007**
Earnings per share		0.11	0.03
P/E ratio		15	45
Cash flow per share		41.2	53.9
Quote/sales		3.8	3.2
Quote/EBITDA		33.1	42.8
Quote/book value		4.1	3.2
Book value per share		1.6	1.4
Share capital		47,323,696	47,323,696
Market capitalisation	EUR	305.2	229.0
Market capitalisation of free float	EUR	119.0	113.2
Average sales/day		24,590	52,409

Source: Xetra

PROFIT CENTRES

The Beate Uhse Group is represented with its retail, mail order and wholesale activities and its entertainment division in 15 countries across Europe. There is no other company in the erotica sector which has such a broad base as Beate Uhse. The company is active in practically all distribution channels and has built up optimal prerequisites for an effective multi-channel approach, thus enabling it to significantly improve both customer retention levels and sales per customer in the long term. We see the networking of various means of accessing customers as harbouring considerable growth potential for the future.

RETAIL

The retail division witnessed highly mixed developments in the first quarter of 2007. On the product group level, toys, lingerie and stimulants generated increased sales. DVD/video sales, by contrast, continued their long-term downward trend, with analogous developments being reported for video cabins, which were affected by the same market trend towards erotica content access via the internet. Overall, the decline in DVDs, the most important product group to date, outweighed the positive momentum in other areas in spite of the countermeasures taken at an early stage and was thus responsible for the reduction in sales and earnings. This has nevertheless proven that the company has chosen the right strategy in according even greater priority to lingerie and toy product components. These promising product groups are to be further expanded and promoted in future by developing private label products.

Existing retail locations have been analysed from the perspective of the strategy of the company's increasing reliance on high-quality store concepts. In its store construction and product range concepts, Beate Uhse relies entirely on lifestyle aspects and on the strengths of the Beate Uhse brand – with two exceptions. Christine le Duc has been chosen as the lead brand for the Netherlands, given that it enjoys similarly high recognition levels in that market as does Beate Uhse in Germany. In France, on the other hand, the catalogue name Adam & Eve, which is already well established, is being consistently extended for multi-channel sales activities.

The highlight of the first quarter in Germany, the company's most important retail market, was the opening of the new flagship store in Munich in a prime location in the top shopping street Sendlinger Strasse. "The Sexiest Shop on Earth" – this is the motto for a completely new store generation with

BEATE UHSE SHOPS BY COUNTRY

OWN SHOPS

	3 months 31.03.2006	%	**3 months 31.03.2007**	%
Germany	73	44.2	70	42.7
Italy	5	3.0	5	3.0
Netherlands	64	38.8	66	40.2
Belgium	10	6.1	11	6.7
France	8	4.8	8	4.9
Norway	5	3.0	4	2.4
	165	100.0	**164**	100.0

LICENCE & FRANCHISE

	3 months 31.03.2006	%	**3 months 31.03.2007**	%
Germany	55	38.5	57	35.2
Austria	41	28.7	42	25.9
Switzerland	38	26.6	38	23.5
Norway	4	2.8	4	2.5
Hungary	1	0.7	1	0.6
Poland	-	-	15	9.3
Slovenia	4	2.8	5	3.1
	143	100.0	**162**	100.0

high-quality design, ideally combining lifestyle factors with soft and hard product range components. The shop, which has a sales surface of 240 square metres divided into four theme worlds, has been open since 31 January. Its outlandish store design and innovative product range structure includes product offerings for women, men and couples and is clearly positioned as an erotica boutique. This store has from the very start set new standards in the erotica market and reached breakeven in the shortest possible time. Around 70 percent of its revenues are generated on soft product ranges, thus confirming the appropriateness of this concept, which shows the way forward for the realignment of the retail activities of the whole Group. A second location is currently being prepared in Dortmund. The experience gained from the Mae B. concept has been factored into the new Beate Uhse flagship store and will be multiplied in this way both within Germany and abroad. For brand strategy reasons the Mae B. brand will be discontinued, given that the Group intends to focus entirely on Beate Uhse as its main brand to be expanded across all distribution channels. The standalone store in Hamburg was closed on 31 March 2007, while the rental agreements for the two shop-in-shop locations in Karstadt department stores in Berlin and Frankfurt expire in the second half of the year.

While structuring the retail activities more clearly in terms of their brands and store concepts, the company has pressed ahead with the conversion to the Christine le Duc design in its second-largest country market, with corresponding conversion measures at seven stores. Christine le Duc is the premium brand of the Beate Uhse Group in the Netherlands. The successful launch of a cosmetics line, consisting of twelve products, under this label in the first quarter has supported this brand-driven growth strategy. The marketing measures were rounded off by a “Sex up your Life” tour begun in the first quarter and involving regional cooperations with radio stations and television broadcasters supported by advertising measures. This concept is to be extended to Belgium.

In Belgium, the Group’s fourth-largest market, Beate Uhse has opened a store in Bruges, its fourth location in a major city following Antwerp, Brussels and Lüttich, and has thus gained a foothold in western Flanders. The shop in Bruges is the company’s eleventh location in Belgium.

The French market maintained the pleasing developments seen in 2006. The first shops have already been converted to the “adam & eve” label. The realignment of the French retail chain to this brand has already shown initial success. The shops in Le Havre and Reims were converted in the first quarter.

MAIL ORDER

The extensive efforts undertaken in the mail order business to escape the downturn in sales and earnings in the second half of 2006 have borne initial fruit. The beginning of 2007 was still subdued and continued to be affected by the repercussions of the water damages suffered at the new logistics centre in November 2006. However, monthly comparisons of orders and deliveries reveal a gradual upward trend. By March 2007 the division’s performance was once again highly satisfactory, with two new records being set – the week with the highest turnover in the company’s history and the day with the highest package dispatch rate (25,500 packages, compared with an average of 15,000 packages in 2006). This turnaround is not yet reflected in the figures for the first quarter, but the mail order business is nevertheless well on course towards becoming the growth driver of the overall Group once again in the medium term.

In terms of sales and earnings, the mail order business still found itself in a difficult position in its most important country markets of Germany, the Netherlands and Austria and failed to live up to expectations. Demand levels in the UK and in most cases in France, by contrast, were on budget, but were insufficient to compensate for the downturn in sales in the other countries.

After the water damage, order figures have shown a clear upward trend. The extraordinary expenses incurred on hiring up to 120 additional temporary employees have already been reduced. The service level for all mail order activities improved considerably in the first quarter already and is set to rise further. For the mail order business to regain its strength, it must achieve sustainable improvements in customer retention and customer satisfaction levels.

The e-commerce division, whose expansion is being accelerated, is of key importance for the further growth of the mail order business. Alongside the online sale of erotica products, the attractiveness of the internet sites is being enhanced to include supplementary content offerings such as film streaming and downloads. This is intended to compensate for part of the decline in DVD sales at the mail order and retail divisions. Extensive preparations are underway to enable an attractive shopping offering to be launched in twenty countries in the course of 2008.

MAIL ORDER INFORMATION

in million	3 months 31.03.2006	**3 months 31.03.2007**
Catalogues	27.6	29.6
Orders	2.4	2.3
Dispatched packages	2.7	2.5

WHOLESALE

In the first quarter of 2007, the international wholesale business focused on the one hand on strengthening its sales activities and on the other on improving its earnings position by means of suitably strict cost controls.

In the interests of extending its customer base, the wholesale business successfully acquired new customers from outside the erotica sector in the past months, thus tapping new market potential. Group-internal sales figures for private label products have developed positively.

The fall in DVD and magazine prices as a result of market conditions remained a major factor in the German and international wholesale business in the first quarter of 2007. Pleasing developments, by contrast, were reported for sales involving products from the lingerie, aids and contraceptive product groups.

The competitor taken over in France in the first half of 2006 has been restructured in accordance with Scala requirements and has been operating on the market under the name of Scala France Vertriebs GmbH since September 2006. The first quarter still suffered slightly from the costs of integration and stock adjustment.

The in-house spring fair at the headquarters of the German wholesale company ZBF in Wiesbaden attracted a higher number of visitors, but was not able to compensate for the decline in DVD and magazine sales.

ENTERTAINMENT

In a difficult climate, characterised in the telephony segment by intense pressure on margins and in the online segment by the need to compete with free content offerings, the entertainment profit centre nevertheless succeeded in holding its ground. In spite of these market conditions, Beate Uhse even managed to increase the sales of its online business in the first quarter of 2007 and to maintain the pleasing level seen in the previous year in its telephony business. The www.beate-uhse.com portal, at which customers can experience the entire world of erotica at Beate Uhse, ranging from entertainment such as attractive films, clips and club benefits, as well as cams, live shows and pictures, through to attractive shopping opportunities, is now well established. It has benefited in this respect from the strength and respectability of the Beate Uhse brand – a bonus in terms of trust which customers appreciate and honour, especially on the internet.

Pleasing developments have also been reported by the private video portal www.privatporno.com. The range of films on offer has been further extended and integrated into the structure of Beate Uhse's online offerings. The films are made available as pay downloads by a large number of webmasters within the erotica community.

In cooperation with the mail order business, Beate Uhse new media is currently preparing a relaunch of the download shop www.pabomovie.com. Once it is complete, customers will have access to a comprehensive streaming and download film offering. The portal will be strongly promoted by means of targeted marketing measures in the catalogues in 2007.

Since March, Beate Uhse Sex AG Club users have been able to follow the first episodes of the self-produced soap opera "Crazy – the sex flat share" on the internet.

The private television broadcaster BEATE-UHSE.TV, which was established in March 2001 and has thus been on the market for six years, has expanded its schedule to include several new formats, including the "Inside Sex!" programme presented by shooting star Jana Bach.

HOLDING

Costs developed on budget at the holding division of the Beate Uhse Group in the first quarter of 2007.

The first quarter saw the launch of a central communications project managed by Beate Uhse AG and implemented by Beate Uhse new media GmbH. The relaunch of the www.beate-uhse.ag website has enabled even more extensive information to be provided about the holding company (AG), the Group and its performance.

RISKS

The months of January to March 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.

OUTLOOK

It remains to be seen whether the economic upturn will in fact benefit consumer expenditure and the retail sector. Economic forecasts remain positive for 2007 in the most important country markets for the Beate Uhse Group. Germany is also expected to see above-average developments in 2007. Economic research institutes and the Federal Government are expected to raise their growth forecasts in the near future – in the case of the Federal Government from 1.7 percent to an expected level of 2.4 percent. The reduction in unemployment is also expected to provide consumer expenditure with additional momentum. The extent of this development and the length of time before this factor kicks in are nevertheless still unclear.

Beate Uhse will focus all of its energies in the coming three quarters on making up for the dip in sales and earnings in the first quarter. The operative key figures are heading in the right direction. The 2007 financial year will still be marked by effects of the conversion to the multi-channel strategy under the Beate Uhse brand. In 2008, we expect to generate significantly higher sales and earnings compared with 2007.
Following the sharp increase in advertising expenses in the past, the company's declared strategy of acting anti-cyclically in terms of such expenses can be expected to result in a somewhat lower level of expenditure in the remainder of 2007, as was already the case in the first quarter. This will involve maintaining at least the same level of advertising frequency, but making greater use of less expensive online media. The main field of investment in 2007 will be the retail business.

In summary, the most important measures for achieving our objectives are:

- expanding our activities in existing and new country markets

- continuing the integrative structuring of all processes between the profit centres (multi-channel approach)

- expanding the share of private label products and strengthening the most important group brands, especially Beate Uhse.

The question as to the new major shareholder in Beate Uhse AG is naturally of overriding significance in this respect. Depending on whether this is a strategic or rather a financial investor, this factor could certainly impact on the further course of business in 2007.

BALANCE SHEET

Assets EUR 000s	31.12.2006	31.03.2007
Long-term assets		
Intangible assets	12,729	12,597
Goodwill	15,709	15,943
Property, plant & equipment	55,031	55,992
Other financial assets	12,011	11,477
Investments	1,022	947
Shares in associated companies	31,943	32,330
Income taxes	13,892	13,726
	142,337	**143,012**
Current assets		
Inventories	41,390	38,682
Accounts receivable	27,604	34,794
Other short-term financial assets and other assets	4,215	4,108
Income tax refund claims (short-term)	925	2,867
Liquid funds	6,432	5,211
	80,566	**85,662**
Total	**222,903**	**228,674**

Shareholders' equity and liabilities EUR 000s	31.12.2006	31.03.2007
Shareholders' equity		
Subscribed capital	47,324	47,324
Treasury stock at cost of acquisition	-3,463	-3,463
Capital reserves	664	664
Revenue reserves	3,295	3,295
Other reserves	305	345
Retained earnings	36,782	37,964
Balancing item for currency conversion	15	-8
Minority interests	-438	-459
	84,484	**85,662**
Long-term debt		
Interest-bearing loans	40,819	43,812
Pensions and similar obligations	3,327	3,303
Other accruals	2,200	2,136
Other financial liabilities	261	254
Deferred tax liabilities	2,542	2,567
	49,149	**52,072**
Short-term debt		
Accounts payable	21,555	17,989
Other financial liabilities	11,744	12,699
Pensions and similar obligations	241	241
Other accruals	1,892	1,851
Income tax liabilities	6,397	5,680
Loans	40,833	43,073
Short-term portion of long-term loans	5,618	6,578
VAT liabilities	990	2,829
	89,270	**90,940**
Total	**222,903**	**228,674**

CONSOLIDATED INCOME STATEMENT

EUR 000s	3 months 31.03.2006	**3 months 31.03.2007**	Change EUR 000s	Change %
Ongoing business divisions				
Sales	**80,920**	**72,805**	**-8,115**	**-10.0**
Cost of sales	-30,696	-31,769	-1,073	3.5
Gross profit on sales	**50,224**	**41,036**	**-9,188**	**-18.3**
Other operating income	3,461	3,484	23	0.7
Sales-related expenses	-41,157	-36,489	4,668	-11.3
General administration expenses	-5,937	-5,706	231	-3.9
Other operating expenses	-275	-465	-190	69.1
Share in earnings of associated companies	493	503	10	2.0
Other income from shareholdings	-	-30	-30	-
Earnings before interest and taxes	**6,809**	**2,333**	**-4,476**	**-65.7**
Financial result	-450	-943	-493	109.6
Earnings before taxes	**6,359**	**1,390**	**4,969**	**-78.1**
Taxes on income	-1.346	-129	1.217	-90.4
Earnings of ongoing business divisions	**5,013**	**1,261**	**-3,752**	**-74.8**
Discontinued business divisions				
Earnings of discontinued business divisions	**-**	**-**	**-**	**-**
Consolidated earnings				
Consolidated earnings	**5,013**	**1,261**	**-3,752**	**-74.8**
Allocable to:				
Shareholders in the holding company	5,073	1,181	-3,892	-76.7
Minority shareholders	-60	-80	-20	33.3
Earnings per share (EPS)				
undiluted (EUR)	47,042,247	47,042,337	90	-
diluted (EUR)	47,042,247	47,042,337	90	-
Undiluted earnings per share*	0.11	0.03	-0.08	-72.7
Diluted earnings per share*	0.11	0.03	-0.08	-72.7

*based on ongoing business divisions

CASH FLOW

EUR 000s	3 months 31.03.2006	3 months 31.03.2007	Change	Change %
Cash flow from operating activities				
Operating earnings (EBIT) at ongoing and discontinued business divisions	**6,810**	**2,333**	**-4,477**	**-65.7**
Corrections for				
Expenses not affecting payments pursuant to IFRS 2	0	0	0	0
Depreciation of property, plant and equipment, amortisation of intangible assets	2,368	3,014	646	27.3
Losses/profits incurred on the disposal of property, plant & equipment & intangible assets	-9	16	25	277.8
Other income not affecting payments	-609	-561	48	-7.9
Changes in				
Accounts receivable	-4,727	-6,405	-1,678	35.5
Other assets	-574	3,838	4,412	-768.6
Accounts payable	415	-4,683	-5,098	-1,228.4
Other liabilities	3,331	2,112	1,219	-36.6
Interest received	75	64	-11	-14.7
Interest paid for loans and hedging instruments	-1,123	-1,272	-149	13.3
Income tax refunded	-4,023	-1,881	2,142	-53.2
Cash flow from operating activities	**1,934**	**-3,425**	**-5,359**	**-277.1**
Cash flow from investment activities				
Cash received from the sale of property, plant and equipment, intangible assets and other fixed assets	319	233	-86	-27.0
Cash paid for investments in property, plant and equipment, intangible assets and other fixed assets	-23,998	-3,906	20,092	-83.7
Cash paid in connection with short-term financial management	-74	-274	-200	270.3
Cash received in connection with short-term financial management	161	1	-160	-99.4
Cash flow from investment activities	**-23,592**	**-3,946**	**19,646**	**-83.3**
Cash flow from financing activities				
Capital allocation (sales of treasury stock)	-	-	-	-
Dividends paid	-	-	-	-
Taking up of bank liabilities	24,748	13,939	-10,809	-43.7
Taking up of borrowers' note loans	10,000	5,000	-5,000	100.0
Taking up of loans from third parties	2,749	-	-2,749	100.0
Redemption of bank liabilities	-4,913	-12,746	-7,833	159.4
Redemption of borrowers' note loans	-10,500	-	10,500	-100.0
Cash flow from financing activities	**22,084**	**6,193**	**-15,891**	**-72.0**
Net change in cash, cash equivalents and securities	**426**	**-1,178**	**-1,604**	**-376.5**
Changes due to movements in exchange rates	172	-43	-215	-125.0
Cash, cash equivalents and securities at beginning of period	6,777	6,432	-345	-5.1
Cash, cash equivalents and securities at end of period	7,375	5,211	-2,164	-29.3
Composition of cash and cash equivalents at end of period				
Cash holdings, credit balances at banks, cheques and securities	7,362	5,198	-2,164	-29.4
Short-term money investments	13	13	-	-
	7,375	**5,211**	**-2,164**	**-29.3**

GROUP EQUITY SCHEDULE

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 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 flow					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	36,782	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							-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 31 March 2007						1,182		1,182	80	1,262
Balance as of 31 March 2007	**47,324**	**-3,463**	**664**	**3,295**	**345**	**37,964**	**-8**	**86,121**	**-459**	**85,662**

SEGMENT DATA BY BUSINESS UNIT AS OF 31 MARCH 2006

EUR 000s	Retail	Mail Order	Wholesale	Entertainment	Holding	Consolidation	Group value
Sales	21,036	40,238	21,854	4,460	-	-6,668	**80,920**
- of which with third parties	20,942	40,238	15,760	3,980	-	-	**80,920**
- of which with other segments	94	-	6,094	480	-	-6,668	**-**
Amortisation of intangible assets	-70	-15	-140	-46	-144	-	**-415**
Depreciation of property, plant & equipment	-1,202	-345	-270	-36	-100	-	**-1,953**
Amortisation of financial assets	-	-	-	-	-	-	**-**
Financial result	-279	-122	-269	14	210	-5	**-451**
Income from shareholdings in ass. comp.	-	-	175	-	318	-	**493**
Income from other shareholdings	-	-	-	-	-	-	**-**
EBT	1,625	3,210	1,317	626	-419	-	**6,359**
Taxes on income	-36	-1,031	-263	-56	39	-	**-1,347**
NET INCOME*	1,589	2,181	1,054	569	-380	-	**5,013**
Assets (incl. shareholdings)	47,005	37,915	52,875	10,458	211,205	-186,068	**173,390**
Shareholdings in associated companies	-	-	-	-	31,999	-	**31,999**
Investments in long-term assets	1,380	2,363	2,635	45	17,622	-	**24,045**
Liabilities	41,180	29,645	14,196	3,809	109,176	-75,862	**122,144**

*(excluding profit and loss transfer agreements)

SEGMENT DATA BY BUSINESS UNIT AS OF 31 MARCH 2007

EUR 000s	Retail	Mail Order	Wholesale	Entertainment	Holding	Consolidation	Group value
Sales	20,641	31,014	21,956	4,546	-	-5,352	**72,805**
- of which with third parties	20,501	31,000	17,260	4,044	-	-	**72,805**
- of which with other segments	140	14	4,696	502	-	-5,352	**-**
Amortisation of intangible assets	-68	-15	-333	-46	-61	-	**-523**
Depreciation of property, plant & equipment	-1,290	-567	-346	-24	-181	-	**-2,408**
Amortisation of financial assets	-	-	-	-	-84	-	**-84**
Financial result	-356	-173	-312	22	-123	-1	**-943**
Income from shareholdings in ass. comp.	-	-	160	-	343	-	**503**
Income from other shareholdings	-	-	-	-	-30	-	**-30**
EBT	632	-1,103	1,569	817	-487	-38	**1,390**
Taxes on income	65	327	-439	-174	92	-	**-129**
NET INCOME*	697	-776	1,130	643	-395	-38	**1,261**
Assets (incl. shareholdings)	49,169	41,130	57,292	12,390	202,675	-182,905	**179,751**
Shareholdings in associated companies	-	-	-	-	32,330	-	**32,330**
Investments in long-term assets	1,580	1,865	699	57	22	-	**4,223**
Liabilities	41,116	39,369	36,728	3,606	95,503	-81,557	**134,765**

*(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 as adopted by the EU. These consolidated interim financial statements as of 31 March 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 31 March 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 December 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 13 March 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 0.8 million in the first three months of 2007, with operating earnings still remaining slightly negative. The company has assets of Euro 2.3 million.

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 the segment results since 31 December 2006.

EVENTS AFTER THE BALANCE SHEET DATE

There have been no events subsequent to 31 March 2007 which would require report in this section.

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 31.03.2006	**3 months 31.03.2007**
Net income for the period	EUR million	5,013	1,261
Number of shares (diluted)		47,042,247	47,042,337
Number of shares (undiluted)		47,042,247	47,042,337
Earnings per share (diluted)	EUR	0.11	0.03
Earnings per share (undiluted)	EUR	0.11	0.03

NUMBER OF EMPLOYEES

The Beate Uhse Group had a total workforce of 1,461 employees, compared with 1,496 in the previous year.

EMPLOYEES AT THE BEATE UHSE GROUP

By Region	3 months 31.03.2006	**3 months 31.03.2007**	Change %
Germany	716	695	-2.9
Netherlands	545	539	-1.2
Belgium	32	26	-20.0
France	70	90	28.0
United Kingdom	21	6	-71.4
Austria	24	19	-20.0
Scandinavia	39	43	10.3
Other European countries	49	44	-10.2
	1,496	**1,461**	-2.3

By Profit Centre	3 months 31.03.2006	**3 months 31.03.2007**	Change %
Retail	864	858	-0.7
Mail Order	292	278	-4.8
Wholesale	222	220	-0.9
Entertainment	76	65	-14.5
Holding Services	42	40	-4.8
	1,496	**1,461**	-2.3

TRANSACTIONS WITH CLOSELY RELATED COMPANIES AND INDIVIDUALS

Transactions were undertaken with the following closely related companies and individuals in the reporting period from 1 January 2007 to 31 March 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 Boards of Beate Uhse AG are shareholders, managing directors or partners of the closely related companies and individuals.
The transactions have been agreed and performed at customary market conditions as applicable to 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.

Flensburg, 14 May 2007

The Management Board

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

Annual general meeting, Hamburg	25 June 2007
6-month report 2007	14 August 2007
9-month report 2007	14 November 2007
End of financial year	31 December 2007

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The 3 month report for the 1st quarter of 2007 is only available online in both German and English.

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