



9-MONTH REPORT 2006 **beate uhse**

BEATE UHSE AT A GLANCE

€ million		9 months 30.09.2005	9 months 30.09.2006	Change %
Sales performance				
Retail		65.0	63.5	-2.3
Mail Order		97.7	92.8	-5.0
Wholesale		41.7	41.0	-1.6
Entertainment		13.5	11.9	-12.1
Holding Services		-	-	-
Total sales		217.9	209.2	-4.0
International share of sales	%	59.2	62.2	5.1
Results				
EBITDA		24.1	24.7	-2.5
EBIT		17.3	17.5	1.0
EBT		15.2	15.3	0.9
Net income of ongoing business divisions		11.8	12.7	6.9
Other earnings indicators				
Return on sales before tax	%	7.0	7.3	5.1
Return on sales after tax	%	5.4	6.1	11.3
Return on equity	%	14.2	14.5	2.3
Gross profit margin	%	60.9	61.1	0.5
Financial situation				
Gross cash flow		16.8	19.8	17.9
Cash flow from operating activities		9.9	9.0	-9.3
Investments		7.6	32.7	329.9
Depreciation		6.9	7.2	4.3
Dividend paid		0.1	0.0	-100.0
Balance sheet data (2005: Dec. 31)				
Total assets		189.7	224.0	18.1
Shareholders' equity		83.6	87.3	4.5
Equity ratio	%	44.1	39.0	-11.5
Long-term assets		111.6	138.3	23.9
Short-term assets		78.0	85.7	9.8
Other data				
Employees	total	1,527	1,463	-4.2
Personnel expenses		36.4	35.0	-4.1
Cost of sales		85.3	81.3	-4.7
Cost of distribution		109.2	109.7	0.5
Shares				
Number of shares		47,323,696	47,323,696	-
Closing price	EUR	6.45	4.65	-27.9
Annual high	EUR	10.37	6.95	-33.0
Annual low	EUR	6.09	4.54	-25.5
Earnings per share	EUR	0.25	0.27	5.6
Cash flow per share	EUR	0.35	0.42	20.0

FOREWORD OF THE MANAGEMENT BOARD

Ladies and Gentlemen,
Dear Shareholders,

We are satisfied with the course of business in the third quarter and the first nine months of 2006. Sales amounted to Euro 209.2 million at the end of September 2006. This represents a decline of 4 percent, which is a result of the mail order business being more problematic than usual. At Euro 15.3 million, the Group's pre-tax earnings were slightly higher than the figure of Euro 15.2 million reported for the equivalent period in the previous year. Net income for the period rose by 6.6 percent to reach Euro 12.7 million at the end of September 2006.

From an operational perspective, the course of business in the first nine months of 2006 was mainly influenced by the mail order business. In the previous year, this division contributed sales of Euro 97.7 million and pre-tax earnings of Euro 8.4 million as of September 2005. In the current year, the division's sales only amounted to Euro 92.8 million and its pre-tax earnings to Euro 2.2 million. These are principally due to a decline in order volumes since the launch of the Pabo brand in the German market, resulting in a reduction in the earnings generated from the acquisition of new customers, a higher rate of products returned since the expansion of the lingerie range within the catalogue and a deterioration in payment behaviour among many customers. Following our detailed analysis of the problems, we compiled a catalogue of measures which are already being implemented. These activities are focused on improving customer service, new advertising cycles with more rapid product range updates, extending e-commerce activities and reinforcing the Beate Uhse brand in the mail order business.

Within the operating divisions, the pleasing development in pre-tax earnings was driven by a rise in earnings contributions from the retail and wholesale businesses, as well as from the entertainment division, in the third quarter of 2006. The entertainment and holding service divisions achieved considerable year-on-year improvements in this respect as of September 2006. The increase in earnings at the holding service division to Euro 4.7 million resulted from the sale of the 50 percent shareholding in the International Fun Center, Poland, for Euro 3.5 million. We decided to undertake this sale to enable us to work more closely with local partners in the interests of pressing ahead with our expansion in new markets, as well as to hedge the financial risks involved in further expansion plans. Furthermore, the Beate Uhse Group generated income of Euro 2.7 million in the third quarter of 2006 from the sale of erotic media ag shares to Premiere AG. This was made possible by Premiere waiving a put option issued in 2005. During the 2005 financial year Beate Uhse AG had sold 1 million shares in erotic media ag to the pay TV broadcaster, simultaneously granting Premiere rights to return the shares expiring on 30 June 2009.

Yours faithfully,

Otto Christian Lindemann
Spokesman for the Management Board, CFO

Gerard Cok
COO

ECONOMY & MARKET

The beginning of 2007 and with it the largest ever tax increase in German history are already casting their shadow over Germany, still Beate Uhse's most important country market. To date, the retail sector has felt hardly any of the effects of the widely heralded bringing forward of consumer purchases as a result of the pending VAT hike. Consumer expenditure remained unaffected by the latest increase in the level of economic growth forecast for 2006 by the Federal Government and leading economic research institutes. While the overall economy is now expected to grow by 2.3 percent in 2006, equivalent to an increase in the forecast by 0.5 percentage points, the prospects for consumer expenditure are less rosy. The Federal Government expects consumer expenditure to rise by 0.8 percent in 2006. With growth of 0.9 percent, the forecasts issued by economic research institutes are only marginally more optimistic.

The most important countries for the Beate Uhse Group showed stable to positive economic developments, accompanied by an upward trend, in the first three quarters of 2006. The Swiss-based Basle Economics Institute (BAK) expects core European countries to see economic growth of 2.6 percent for the overall year, with consumer expenditure rising by 1.9 percent.

The European retail sector has shown mixed developments. While retail sales rose in most cases in the first eight months (source: eurostat; no more recent figures currently available), the situation in the specialist retail segment remains difficult across Europe. This segment has in most cases witnessed a slight decline in sales. The situation was notably difficult in Belgium and Italy, with declining figures in some cases, as well as in Germany, Spain and Austria, where specialist retail sales have stagnated or shown very low levels of growth.

SALES PERFORMANCE

Beate Uhse generated sales of Euro 209.2 million in the first nine months of 2006. This is equivalent to a 4 percent decline in sales compared with the first nine months of 2005 (Euro 217.9 million). The most substantial changes were seen for gaming machines, which generated sales of Euro 1.4 million from January to September 2006 (9 months 2005: Euro 3.4 million). This reduction in sales was due to a refund of VAT for previous years received in 2005. Online sales at the entertainment division declined to Euro 4 million, a reduction of Euro 1.1 million compared with the equivalent period in the previous year. Moreover, merchandise sales reduced by Euro 3.6 million to Euro 184.5 million as a result of the lower level of turnover, notably in the mail order division.

SALES BY PROFIT CENTRE

The development of consolidated sales was mainly limited by the problems in the mail order division. Germany and Austria reported a decline in order volumes, with new customer acquisitions also falling short of expectations. The sales of Euro 92.8 million reported by the mail order division were Euro 4.9 million lower than the equivalent figure in the previous year (Euro 97.7 million). With sales of Euro 63.5 million as of September 2006, the retail division also failed to match the level of sales reported in the previous year (Euro 65 million). Sales at the wholesale division, by contrast, remained virtually stable at Euro 41 million (9 months 2005: Euro 41.7 million). Mainly as a result of the cessation of unprofitable activities in Norway, sales at the entertainment division were lower than in the previous year, although the telephony segment reported stable developments. This division generated sales of Euro 11.9 million in the first 9 months of 2006 (9 months 2005: Euro 13.5 million). For the reasons outlined above, the Group's sales fell by Euro 2.4 million in the third quarter to Euro 73.5 million.

SALES BY PROFIT CENTRE

EUR million	9 months 30.09.2005	9 months 30.09.2006	Change %
Retail	65.0	63.5	-2.3
Mail Order	97.7	92.8	-5.0
Wholesale	41.7	41.0	-1.6
Entertainment	13.5	11.9	-12.1
Holding Services	-	-	-
	217.9	209.2	-4.0

SALES BY REGION

The weakness of the German market overshadowed the overall sales performance of the Beate Uhse Group. The sales of Euro 79.1 million reported for Germany fell significantly short of the equivalent figure for 2005 (Euro 89 million). With a 37.8 percent share of sales, Germany is still the most important market for the Beate Uhse Group. The remaining decline was attributable to Austria, which also reported a negative performance, with sales falling by Euro 2.9 million to Euro 19.9 million.

Pleasing trends, by contrast, have been observed in France and Italy. With sales of Euro 31.5 million and a 15.1 percent share of sales, France now represents the third-largest country market for the Beate Uhse Group. Similarly pleasing developments were seen in Italy, which witnessed a veritable growth spurt, with sales jumping from Euro 1.4 million to Euro 2.1 million. The second-largest country market, the Netherlands, reported largely stable developments.

SALES BY REGION

EUR million	9 months 30.09.2005	9 months 30.09.2006	Change %
Germany	89.0	79.1	-11.1
Netherlands	37.1	37.8	1.8
Belgium	13.7	13.6	-0.5
France	26.1	31.5	20.6
United Kingdom	9.7	8.1	-16.3
Austria	22.8	19.9	-12.8
Switzerland	1.2	1.3	11.9
Scandinavia	9.2	8.8	-4.4
Italy	0.6	2.1	233.2
Other European countries	7.8	6.4	-18.4
Other regions	0.6	0.6	6.8
	217.9	209.2	-4.0

EARNINGS PERFORMANCE

As stated in the half-year report, any comparison of pre-tax earnings with those in the previous year should account for the one-off items which positively affected earnings to the tune of Euro 2.2 million in 2005 (sale of film licences by erotic media ag and refunds resulting from the exemption of money gaming machines from VAT).

At Euro 15.3 million, the Group's pre-tax earnings as of September 2006 were more or less at the same level as in the previous year. Earnings were affected by opposing trends. The waiver of the put option by Premiere AG and the sale of the Polish shareholding substantially increased the earnings of the holding service division. The earnings generated by the operating business, by contrast, were significantly affected by the downturn in the mail order business. The earnings of Euro 2.2 million generated by the mail order division were 74.2 percent lower than

the previous year's figure of Euro 8.4 million. The retail division generated earnings of Euro 3.3 million by the end of September 2006 (9 months 2005: Euro 4 million). Similarly to the development of sales, the earnings of Euro 3 million reported by the wholesale division were at virtually the same level as in the previous year (9 months 2005: Euro 3.2 million).

As in the first half of the year, the entertainment division achieved double-digit pre-tax earnings growth (plus 38.2 percent). The profit centre concluded the first nine months with EBT of Euro 2.2 million. The earnings of the holding service division improved significantly, rising by Euro 6.7 million to Euro 4.7 million. In addition to the effects of the sale of a shareholding in Poland and the realisation of the sale of erotic media shares, this improvement was also attributable to a positive valuation of interest rate swaps and to the sale of shares in the Australian company MobileAktive Ltd.

EBT

EUR million	9 months 30.09.2005	9 months 30.09.2006	Change %
Retail	4.0	3.3	-15.9
Mail Order	8.4	2.2	-74.2
Wholesale	3.2	3.0	-8.3
Entertainment	1.6	2.2	38.2
Holding Services	-2.0	4.7	329.0
	15.2	15.3	0.9

EBIT

EUR million	9 months 30.09.2005	9 months 30.09.2006	Change %
Retail	4.9	4.4	-10.9
Mail Order	8.5	2.6	-69.1
Wholesale	4.0	3.9	-2.5
Entertainment	1.6	2.2	37.6
Holding Services	-1.6	4.5	378.8
	17.3	17.5	1.0

EBITDA

EUR million	9 months 30.09.2005	9 months 30.09.2006	Change %
Retail	8.9	8.3	-6.7
Mail Order	9.1	3.7	-59.7
Wholesale	5.3	5.1	-3.6
Entertainment	1.8	2.4	31.0
Holding Services	-1.0	5.2	613.3
	24.1	24.7	2.5

When analysing the third quarter separately, it becomes apparent that the retail, wholesale and entertainment profit centres achieved marginal growth. The holding service division increased its earnings contribution to Euro 5.7 million. With pre-tax earnings of Euro -1.3 million in the third quarter of 2006, only the mail order division fell significantly short of the previous year's figure of Euro 2.4 million.

OPERATING EARNINGS PERFORMANCE

At Euro 81.3 million, sales-related expenses were around Euro 4 million lower than in the first nine months of 2005. This was notably due to the reduction in sales input costs by Euro 4.4 million as a result of reduced merchandise procurement in reaction to the lower level of consumer demand in the mail order business.

Other operating income rose from Euro 11.1 million to Euro 15.9 million. This change was the result of two opposing factors. On the one hand, income from interest on arrears and dunning declined by Euro 1.6 million due to the lower level of mail order sales. On the other hand, the

Beate Uhse Group realised an accounting profit of Euro 2.7 million from the sale of 1 million shares in erotic media ag to Premiere AG. This was made possible by Premiere waiving the put option issued in 2005. The increase in other operating income was also due to the sale of the 50 percent shareholding in the International Fun Center, Poland (sale price: Euro 3.5 million). Sales-related expenses could be reduced by Euro 0.5 million to Euro 109.7 million. There were no significant changes in general administration expenses and other operating expenses compared with the first nine months of 2005. In particular, marketing measures were maintained at a stable level, thus slightly increasing its proportion of sales.

The income from shareholdings in associated companies dropped by 36.9 percent to Euro 1.2 million, given that it was not possible to compensate for the one-off impact of the sale of film licences by erotic media ag in 2005.

NET INCOME

The Beate Uhse Group generated net income of Euro 12.7 million at its ongoing business divisions in the first nine months of 2006. Earnings per share amounted to 27 cents at the end of the first nine months.

DEVELOPMENT OF NET ASSET AND FINANCIAL POSITION

Total assets rose from Euro 189.7 million at 31 December 2005 to Euro 224 million as of 30 September 2006. This increase is mainly due to a considerable rise in long-term assets as resulting from the construction of the new mail order fulfilment centre.

ASSETS

Long-term assets rose by Euro 26.7 million to Euro 138.3 million. This increase mainly related to property, plant and equipment. At Euro 50.2 million, this item was Euro 23.4 million higher than in 2005. This reflects the construction of the new fulfilment centre in Walsoorden. Other financial assets showed only a slight overall change. The changes within this item were attributable to three factors. Firstly, other financial assets increased as a result of the stocking up of loans to non-consolidated companies by an amount of Euro 1.5 million. Secondly, this item was also increased by the granting of a loan of Euro 3.5 million to the buyers of the International Fun Center. Other loans reduced by Euro 5 million during the period under report as a result of Premiere AG waiving its put option.

At Euro 85.7 million, current assets were Euro 7.6 million higher than in 2005. Within this item, inventories rose to Euro 39.4 million as a result of the decline in sales in the retail and mail order divisions. Due to an increase in VAT credits, other short-term financial assets increased from Euro 2.8 million to Euro 4.5 million at the end of the period under report in 2006.

SHAREHOLDERS' EQUITY AND LIABILITIES

The shareholders' equity of the Beate Uhse Group amounted to Euro 87.3 million at 30 September 2006 and thus rose by Euro 3.7 million. Other accruals reduced by Euro 2.7 million as a result of Premiere AG waiving its put option. Retained earnings developed positively as of September 2006. This change was due on the one hand to the annual net income of Euro 12.5 million and on the other to the reduction in retained earnings by Euro 6.6 million as a result of the payment of the dividend for the 2005 financial year. In spite of the rise in shareholders' equity, the equity ratio fell from 44.1 percent at the end of 2005 to 39 percent upon the conclusion of the third quarter of 2006. This development was attributable to the increase in total assets.

Long-term debt rose by Euro 18 million. This increase was due on the one hand to debt-financed investments in the new mail order fulfilment centre (Euro 21.7 million) in the first quarter of 2006. On the other hand, there was an extension in the term of a borrowers' note loan. The borrowers' note loan of Euro 10.5 million reported under the short-term portion of long-term loans as of December 2005 was replaced in February 2006 by a seven-year borrowers' note loan (Euro 10 million) payable upon final maturity and therefore allocated to long-term debt. Other financial liabilities reduced by Euro 4.6 million, given that the liabilities towards Premiere AG lapsed as a result of the waiver of the put option.

Short-term debt rose by Euro 12.6 million to Euro 90.1 million in the first nine months of 2006. Within this item, there has been an increase in bank liabilities due to the payment of the dividend, as well as to the annual debt-financing of advance costs incurred in connection with the production of the catalogue at the mail order division.

CASH FLOW AND INVESTMENTS

The gross cash flow amounted to Euro 19.8 million at the end of the period. The cash flow per share amounted to 42 cents.

The cash flow from operating activities decreased slightly by Euro 0.9 million to Euro 9 million as of September 2006. In addition to the adjustment for income from shareholdings (Euro 1.3 million), the adjustments for other non-cash income include proceeds of Euro 2.7 million resulting from the rescinding of the aforementioned put option. Accounts receivable, by contrast, were considerably lower than in the equivalent period in the previous year given that the order volumes received for the current autumn catalogue were notably lower than in the previous year. There was an increase in other assets as a result of merchandise stocking.

As in the previous quarter, the cash flow from investment activities was significantly affected by the expansion of the mail order fulfilment centre. Payments for investments in property, plant and equipment rose by Euro 25.1 million to a total of Euro 32.7 million. Furthermore, there was an increase in investments in financial assets, given that the purchase price receivable from the buyer of our Polish company International Fun Center was provided as loan. The cash flow from investment activities thus climbed to Euro 37 million. In addition to the activities in

INVESTMENTS BY PROFIT CENTRE

EUR million	9 months 30.09.2005	9 months 30.09.2006	Change %
Retail	4.0	5.2	29.3
Mail Order	1.0	4.9	385.4
Wholesale	1.9	3.1	65.3
Entertainment	0.3	0.1	-66.7
Holding Services	0.3	18.6	-
	7.4	31.9	330.7

the mail order division, the retail division invested in the expansion of the Fun Center store concept, the modernisation of further Christine le Duc stores and various other shops. At Euro 28.2 million, the cash flow from financing activities was virtually unchanged at the end of June 2006 compared with the previous quarter in 2006. The first nine months of 2006 were affected in particular by the payment to shareholders of the dividend for the 2005 financial year (Euro 6.6 million) and the increase in liabilities to banks as a result of the investments made.

EMPLOYEES

The Beate Uhse Group had a total of 1,463 employees across Europe at the end of September 2006. This compares with 1,527 employees at the end of the equivalent period in the previous year. The total workforce reduced by 14 employees. The weaker order situation in the mail order business meant that this division was particularly affected by the adjustments in personnel totals. The number of employees at the mail order division fell by 25 as of the end of September. The centralisation of the Group's logistics activities in the Netherlands at the end of 2005 led the number of employees working in the retail division to decline by 31.

EMPLOYEES AT THE BEATE UHSE GROUP

By Region	9 months 30.09.2005	9 months 30.09.2006	Change %
Germany	754	718	-4.8
Netherlands	534	529	-0.9
Belgium	30	24	-20.0
France	64	69	7.8
United Kingdom	23	10	-56.5
Austria	26	23	-11.5
Scandinavia	40	41	2.5
Other European countries	49	49	0.0
USA	7	0	-100.0
	1,527	1,463	-4.2

By Profit Centre	9 months 30.09.2005	9 months 30.09.2006	Change %
Retail	888	857	-3.5
Mail Order	295	270	-8.5
Wholesale	226	223	-1.3
Entertainment	77	71	-7.8
Holding Services	41	42	2.4
	1,527	1,463	-4.2

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

Beate Uhse's share reached its all-time low of Euro 4.54 (Xetra) at the beginning of September 2006. The price recovered at the end of the month, reaching Euro 4.65 (Xetra) at the end of the third quarter. This was equivalent to a performance of -22.8 percent since the beginning

of the year. The highest share price since January 2006 amounted to Euro 6.95. The average price for the months from January to September amounted to Euro 6.13. The share had an average daily trading volume of 18,557.

MARKET CAPITALISATION

The market capitalisation of the Beate Uhse Group amounted to Euro 220.1 million on 30 September 2006. This was equivalent to a free float capitalisation of Euro 108.7 million.

The free float of the Beate Uhse share amounted to 48.8 percent at the end of September 2006. Rotermund Holding AG published two Directors' Dealings announcements in the past quarter. On 11 July 2006, the company sold 1.2 million shares off-market (price per share: Euro 5.69) to Beate Rotermund KG. On 8 September 2006, Rotermund Holding AG announced the purchase of 1.4 million shares (price per share: Euro 8.83).

PERFORMANCE OF SHARE PRICE

		9 months 30.09.2005	9 months 30.09.2006	Change %
Opening	EUR	10.19	6.02	-40.9
Closing	EUR	6.45	4.65	-27.9
High	EUR	10.37	6.95	-33.0
Low	EUR	6.09	4.54	-25.5
Average	EUR	7.83	6.13	-21.7
Performance	%	-36.7	-22.8	-

Source: Xetra

KEY SHARE DATA

		9 months 30.09.2005	9 months 30.09.2006	Change %
Earnings per share		0,25	0,27	5.59
P/E ratio		34	17	-50.0
Cash flow per share		18.2	11.1	-39.1
Quote/sales		1.4	1.1	-24.5
Quote/EBITDA		12.6	8.2	-34.8
Quote/book value		4.5	3.2	-28.1
Book value per share		1.5	1.5	-
Share capital		47,323,696	47,323,696	-
Market capitalisation	EUR	305.2	220.1	-27.9
Market capitalisation of free float	EUR	75.8	108.7	43.3
Average sales/day		20,378	18,557	-9.0

Source: Xetra

PROFIT CENTRES

The Beate Uhse Group is represented with its retail, mail order, wholesale and entertainment divisions in 13 countries across Europe. Beate Uhse is one of very few companies in the erotica market to be active in all distribution channels. 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 months of July to September. Sales remained weak in July as a result of the prolonged warm summer weather. The month of August, by contrast, was very rainy, providing the stores with a pleasing level of sales growth. September sales were on budget.

Two Dutch outlets mainly acting as video stores have been closed in the course of providing our retail activities with a clear structure in terms of brands and store concepts. Beate Uhse will intensify its focus on highly profitable stores and close those outlets not meeting its profitability criteria.

The Dutch store chain Christine le Duc has continued to show pleasing developments. A total of eight stores have been converted to the new, more modern design scheme and product range since the relaunch.

The opening of a new Beate Uhse specialist store in Udine, Italy, meant that the large-scale specialist store concept has now been expanded to include a total of seven locations across Europe. Beate Uhse is represented in Italy by seven stores based on two different store concepts.

BEATE UHSE SHOPS BY COUNTRY

OWN SHOPS

	9 months 30.09.2005	%	9 months 30.09.2006	%
Germany	70	42.4	74	43.0
Italy	5	3.0	7	4.1
Netherlands	66	40.0	69	40.1
Belgium	10	6.1	10	5.8
France	9	5.5	8	4.7
Norway	5	3.0	4	2.3
	165	100.0	172	100.0

LICENCE & FRANCHISE

	9 months 30.09.2005	%	9 months 30.09.2006	%
Germany	55	38.5	57	35.6
Austria	41	28.7	42	26.3
Switzerland	38	26.6	38	23.8
Norway	4	2.8	4	2.5
Hungary	1	0.7	1	0.6
Poland	-	-	13	8.1
Slovenia	4	2.8	4	2.5
Other countries	-	-	1	0.6
	143	100.0	160	100.0

INVESTMENTS

	9 months 30.09.2005	%	9 months 30.09.2006	%
Poland	8	100.0	0	-
	8	100.0	0	-

The German retail division focused in particular on further expanding its Fun Center concept in the first nine months. These stores, which mainly offer entertainment for men, have performed highly successfully. This store concept will be further boosted by the opening of further stores in 2007. As a result of construction measures undertaken by the lessors, one Beate Uhse store in Hall C of Frankfurt Airport and one Mae B. store in Hamburg (conversion and linking of Karstadt department store with the Europa Passage) were closed during the third quarter of 2006.

With an average size of 140 square metres, the sales areas of the German stores have increased slightly. Customers spent an average of almost Euro 30 on each purchase. This key figure has therefore remained stable. Within the product groups on offer at the Beate Uhse stores, lingerie reported slight sales growth. Sales of toys and other product groups were boosted by ongoing sales promotion measures. These activities will be extended in future.

MAIL ORDER

The mail order business is undergoing a difficult period. The high-volume markets in Germany, the UK and Austria failed to meet expectations. The level of demand in France, the Netherlands and Belgium, by contrast, was on budget, but was insufficient to compensate for the downturn in sales in the other countries.

MAIL ORDER INFORMATION

in million	9 months 30.09.2005	9 months 30.09.2006
Catalogues	27.6	29.6
Orders	2.4	2.3
Despatched packages	2.7	2.5

The reasons for this situation have been analysed in great detail in the past months. The management has adopted a series of measures which will reinforce the international positioning of the mail order business and will provide it with a better basis for addressing the markets of the future.

The foundation underlying all measures is the commencement of operations at the new fulfilment centre in Walsorden. The launch of this ultramodern warehouse at the beginning of 2007 will facilitate significant improvements in the level of service for all mail order activities. Moreover, the mail order business will re-establish customer retention programmes. Customer groups will in future be addressed in a targeted manner by means of suitable mailing activities corresponding to their respective interests. In order to improve the success of subsequent mailing campaigns, among other measures, large sections of each catalogue will be dedicated to an attractive new product range. In the interests of optimising advertising expenses, catalogue enquiries will be checked in detail before the advertising material is dispatched. Even greater importance will be attached to e-commerce activities, which will be expanded more rapidly than to date. Alongside the online sale of erotica products, the attractiveness of the internet pages will be improved by means of supplementary content offerings involving streaming and film downloads.

A new project group has been established for the important German market. This group will focus exclusively on the needs of this market and on customers' wishes. One of the first and most fundamental decisions taken by this body was that of renaming all mail order activities in Germany from the Pabo brand to the Beate Uhse brand. In future, all advertising material and e-commerce activities in Germany will appear under the brand name of Beate Uhse. Following the preparations for activities in the Czech Republic and Slovakia, the first packages were sent to customers at the end of October 2006. Hence the project has now reached the second stage of the two-stage strategy for the expansion into these two countries. The Management Board expects this to involve investments of around Euro 1 million by mid 2007, with breakeven planned for 2008.

WHOLESALE

The international wholesale business focused on boosting its sales activities in the third quarter of 2006. The reinforcement of the Scala team with experienced new procurement and sales managers provides a clear signal of the top priority accorded by the profit centre to a high level of product and customer orientation.

Now that processes at the logistics centre in Almere are once again functioning as planned, the division has focused in recent months on intensifying its contacts to customers in the erotica market. To expand its customer base, the wholesale division has successfully acquired customers from outside the erotica sector in order to tap new market potential. The management does not expect this to result in any cannibalisation of the Group's own B-2-C activities. The number of end customers purchasing erotica products such as DVDs and toys at both erotica stores and traditional retail outlets is thought to be low.

The Scala Sales Fair held in September 2006 was a success. The pleasing number of visitors, successful sale of reduced-price old goods and the warm reception granted to the extensive presentation of current product trends enable the management to look in the future with confidence. The conversion of the showroom, thus enabling customers to take along all products rightaway without delay, was particularly well received.

The competitor taken over in France in the first half of 2006 has been structured in line with Scala norms and has been acting in the market as Scala France Vertriebs GmbH since September 2006. The wholesale business expects the expansion of the sales network to generate sales growth of 60 percent in this country by the end of 2007.

The fall in DVD and magazine prices across the market remained a dominant factor in the German wholesale business in the third quarter of 2006. This trend was further reflected at the Autumn Fair at the Wiesbaden-based company. Pleasing developments were seen, by contrast, in sales involving products in the lingerie, sex aids and contraceptive product groups. Increasing sales were already reported for these product ranges in the second quarter, thus reflecting an increase in customer interest in these product groups.

ENTERTAINMENT

The entertainment division showed pleasing developments overall, although these were influenced by a variety of trends. The telephony segment continued to be affected by the performance of the overall market, which stagnated or even declined. The sales performance in the third quarter of 2006 was largely consistent with the development of advertising expenses. The entertainment division continued to be burdened to a very great extent by receivables defaults on 0900 and 118 landline numbers and by the sharp decline in reimbursements from mobile phone networks.

In the online business, the third quarter of 2006 was characterised by optimisation work undertaken on the most important Group domains. The private video portal www.privatporno.com reported a pleasing performance, with the range of films on offer being further extended and integrated into the structure of Beate Uhse online offerings. The films are available as downloads in return for payment at a large number of webmasters within the erotica community. The relaunch of the www.beate-uhse.com portal continued to show positive results, with activities focusing in particular on customer retention. Preparations are currently being made for a refinement of payment collection procedures.

In cooperation with the mail order division, Beate Uhse new media relaunched the download shop www.pabomovie.com. This website provides customers with an extensive range of film streaming and download offers. The portal will be extended to include further technical features in the coming weeks and will thus do justice to the increasing prevalence of broadband internet connections.

As is usually the case in September, the BEATE-UHSE.TV broadcaster launched a series of new formats. With its "Inside Sex" series, "Swingerclub Report" and various programmes about erotica stars and films from the well-known "Private" label, BEATE-UHSE.TV kept its viewers well-informed of the latest topics in the erotica world.

As one of the most important erotica fairs in Europe, the Venus Fair held in mid-October 2006 was one of the highlights in the year for BEATE-UHSE.TV. Together with Blue Movie, the broadcaster presented itself to thousands of visitors. The "1st Porno Film Festival" was held in Berlin for the first time parallel to the Venus Fair. In view of its role as a media partner for the event, BEATE-UHSE.TV was in of the focus of public interest.

The "redXclub" launched in July 2006 by our partners erotic media ag and Kabel Deutschland GmbH has been well received by customers. This launch has not had any negative impact on BEATE-UHSE.TV, thus proving once again that hardcore erotica and erotica generally complement each other, rather than cannibalising each other's market share.

HOLDING

Operating costs developed on budget at the holding division of the Beate Uhse Group. As a result of the disposal of the International Fun Center, Poland, and of the waiver of the put option by Premiere, the earnings of the holding service division rose to Euro 4.6 million.

RISKS

The months of January to September 2006 have not produced any noteworthy changes to the risks and opportunities presented in the management report and group management report accompanying the 2005 annual financial statements.

OUTLOOK

The winter quarters are traditionally the strongest period in the erotica sector. The market climate indicates that developments analogous to those seen in equivalent quarters in previous years can be expected in the fourth quarter of 2006. For the financial year as a whole, this means that we aim to achieve the previous year's level of sales as our upper target for the Beate Uhse Group. It should also be possible to achieve a parallel development in terms of earnings.

BALANCE SHEET

Assets			Shareholders' Equity and Liabilities		
EUR 000s	31.12.2005	30.09.2006	EUR 000s	31.12.2005	30.09.2006
Long-term assets					
Intangible assets	12,483	13,124	Subscribed capital	47,324	47,324
Goodwill	14,966	15,873	Treasury stock at cost of acquisition	-3,464	-3,464
Property, plant & equipment	26,837	50,239	Capital reserves	474	474
Other financial assets	13,915	14,711	Revenue reserves	3,295	3,295
Investments	1,079	1,022	Other reserves	2,746	118
Shares in associated companies	31,506	32,185	Retained earnings	33,704	39,601
Income taxes	10,856	11,179	Balancing item for currency conversion	180	577
	111,642	138,333	Minority interests	-643	-576
				83,616	87,349
Current assets					
Inventories	36,749	39,393	Long-term debt		
Accounts receivable	30,019	33,277	Interest-bearing loans	15,712	38,295
Other short-term financial assets	2,806	4,541	Pensions and similar obligations	3,032	3,006
Income tax refund claims (short-term)	1,682	876	Other accruals	2,401	2,325
Liquid funds	6,777	7,569	Other financial liabilities	5,189	559
	78,033	86,656	Deferred tax liabilities	2,212	2,325
				28,546	46,510
Short-term debt					
			Accounts payable	17,149	16,486
			Other financial liabilities	9,899	10,542
			Pensions and similar obligations	214	213
			Other accruals	1,342	1,182
			Income tax liabilities	5,223	5,618
			Loans	26,847	48,536
			Short-term portion of long-term loans	14,418	4,903
			Turnover tax liabilities	2,421	2,650
				77,513	90,130
	189,675	223,989		189,675	223,989

CONSOLIDATED INCOME STATEMENT

EUR 000s	Q3/2005 1.7.-30.9.05	Q3/2006 1.7.-30.9.06	9 months 30.09.2005	9 months 30.09.2006	Change EUR 000s	Change %
Ongoing business divisions						
Sales	75,864	73,522	217,908	209,212	-8,696	-4.0
Cost of sales	-30,691	-28,824	-85,290	-81,286	4,004	-4.7
Gross profit on sales	45,173	44,698	132,618	127,926	-4,692	-3.5
Other operating income	3,217	8,801	11,101	15,944	4,844	43.6
Sales-related expenses	-36,943	-38,441	-109,163	-109,667	-504	0.5
General administration expenses	-6,110	-5,452	-18,429	-17,400	1,029	-5.6
Other operating expenses	-227	3	-896	-645	251	-28.0
Share in earnings of associated companies	818	623	1,944	1,226	-718	-36.9
Other income from shareholdings	-6	36	153	109	-44	-28.8
Earnings before interest and taxes	5,922	10,268	17,328	17,493	165	1.0
Financial result	-558	-1,232	-2,132	-2,163	-31	1.5
Earnings before taxes	5,364	9,036	15,196	15,330	134	0.9
Taxes on income	-1,116	-1,283	-3,350	-2,668	682	-20.4
Earnings of ongoing business divisions	4,248	7,753	11,846	12,662	816	6.9
Discontinued business divisions						
Earnings of discontinued business divisions	36	-	36	-	-36	0.0
Consolidated earnings						
Consolidated earnings	4,284	7,753	11,882	12,662	780	6.6
Allocable to						
Shareholders in the holding company	4,238	7,688	11,821	12,482	661	5.6
Minority shareholders	46	65	61	180	119	195.1
Earnings per share (EPS)						
Undiluted (EUR)			47,042,292	47,042,247		
Diluted (EUR)			47,042,292	47,042,247		
Undiluted earnings per share, based on ongoing business divisions			0.25	0.27		
Diluted earnings per share, based on ongoing business divisions						

CASH FLOW

EUR 000s	9 months 30.09.2005	9 months 30.09.2006	Change	Change %
Cash flow from operating activities				
Operating earnings (EBIT) at ongoing and discontinued business divisions	17,591	17,493	-98	-0.6
Corrections for				
Expenses not affecting payments pursuant to IFRS 2	33	-	-33	-100.0
Depreciation of property, plant and equipment, amortisation of intangible assets	6,805	7,215	410	6.0
Losses incurred on the disposal of property, plant and equipment and intangible assets	9	-2	-11	-122.2
Other income not affecting payments	-2,080	-3,913	-1,833	88.1
Changes in				
Accounts receivable	-12,599	-3,256	9,343	-74.2
Other assets	5,133	-4,654	-9,787	-190.7
Accounts payable	-5,588	-662	4,926	-88.2
Other liabilities	5,912	4,853	-1,059	-17.9
Interest received	99	192	93	93.9
Interest paid for loans and hedging instruments	-2,373	-2,744	-371	15.6
Income taxes refunded/paid	-3,051	-5,548	-2,497	81.8
Cash flow from operating activities	9,891	8,974	-917	-9.3
Cash flow from investment activities:				
Cash received from the sale of property, plant and equipment, intangible assets and other fixed assets	3,953	660	-3,293	-83.3
Cash paid for investments in property, plant and equipment, intangible assets and other fixed assets	-7,611	-32,722	-25,111	329.9
Cash paid in connection with short-term financial management	-377	-5,239	-4,862	1,289.7
Cash received in connection with short-term financial management	1,544	273	-1,271	-82.3
Cash flow from investment activities	-2,491	-37,028	-34,537	1,386.5
Cash flow from financing activities				
Capital allocation (sales of treasury stock)	-	-	-	-
Dividends paid	-	-6,586	-6,586	100.0
Taking up of bank liabilities	17,568	40,549	22,981	130.8
Taking up of borrowers' note loans	-	10,000	10,000	100.0
Taking up of loans from third parties	-	2,000	2,000	100.0
Redemption of bank liabilities	-25,982	-4,548	21,434	-82.5
Redemption of borrowers' note loans	-714	-11,214	-10,500	-
Redemption of loans from third parties	-	-2,000	-2,000	100.0
Cash flow from financing activities	-9,128	28,201	37,329	-409.0
Net change in cash, cash equivalents and securities	-1,728	147	1,875	-108.5
Changes due to movements in exchange rates	-631	645	1,276	-202.2
Cash, cash equivalents and securities at beginning of period	9,181	6,777	-2,404	-26.2
Cash, cash equivalents and securities at end of period	6,822	7,569	747	10.9
Composition of cash and cash equivalents at end of period				
Cash holdings, credits balances at banks, cheques and securities	6,809	7,557	748	11.0
Short-term money investments	13	12	-1	-7.7
	6,822	7,569	747	10.9

GROUP EQUITY SCHEDULE

EUR 000s	Equity allocable to the shareholders				
	Share capital	Treasury stock	Capital reserve	Revenue reserves	Other reserves
BALANCE AS OF 1 JANUARY 2005	47,324	-3,465	237	3,295	-
Foreign currency conversion					
Unrealised profits on financial assets available for sale					2,808
Tax effects relating to losses on shares available for sale					-53
Losses on hedging of cash flows					-14
Tax effects relating to losses on hedging of cash flows					5
Total earnings recorded directly under equity					2,746
Group amount for 2005					
Total period earnings					2,746
Retirement of negative share of earnings attributable to minority interests					
Share-based remuneration			237		
Sales of treasury stock		1			
Dividend distribution					
BALANCE AS OF 31 DECEMBER 2005	47,324	-3,464	474	3,295	2,746
BALANCE AS OF 1 JANUARY 2006	47,324	-3,464	474	3,295	2,746
Foreign currency conversion					
Realised profits on financial assets available for sale					-2,809
Profit on hedging of cash flows					293
Tax effects relating to profit on hedging of cash flows					-112
Total earnings recorded directly under equity					-2,628
Dividend distribution					
Net income 2005					
BALANCE AS OF 30 SEPTEMBER 2006	47,324	-3,464	474	3,295	118

in the parent company

Net profit	Balancing item for currency conversion	Total	Minority interests	Total equity
19,777	1,140	68,308	-509	67,799
	-960	-960	-156	-1,116
		2,808		2,808
		-53		-53
		-14		-14
		5		5
	-960	1,786	-156	1,630
13,474		13,474	122	13,596
13,474	-960	15,260	-34	15,226
453		453		453
		237		237
		1		1
		-	-100	-100
33,704	180	84,259	-643	83,616
33,704	180	84,259	-643	83,616
	397	397		397
		-2,809		-2,809
		293		293
		-112		-112
	397	-2,231		-2,231
-6,586		-6,586		-6,586
12,483		12,483	67	12,550
39,601	577	90,734	-576	87,349

SEGMENT DATA BY BUSINESS UNIT AS OF 30 SEPTEMBER 2005

EUR 000s	Retail	Mail Order	Wholesale	Entertainment	Holding Services
SALES	65,182	97,704	55,096	14,026	-
- of which with third parties	64,976	97,704	41,689	13,539	-
- of which with other segments	206	-	13,407	487	-
Amortisation of intangible assets	-124	-44	-605	-132	-294
Depreciation of property, plant and equipment	-3,876	-569	-730	-121	-295
Amortisation of financial assets	-	-	-	-	-131
Financial result	-923	-77	-718	11	-409
Income shareholdings in ass. companies	-	-	178	-	1,766
Income from other shareholdings	-	-	150	-	3
EBT	3,979	8,439	3,234	1,579	-1,969
Taxes on income	113	-2,485	-958	-20	-
NET INCOME*	4,092	5,954	2,276	1,559	-1,969
Assets (incl. shareholdings)	46,922	31,883	47,746	9,705	166,395
Shareholdings in associated companies	-	-	8	85	31,880
Investments in long-term assets	4,000	1,010	1,868	300	266
Liabilities	37,417	26,429	29,124	3,768	69,365

*(excluding profit and loss transfer agreements)

SEGMENT DATA BY BUSINESS UNIT AS OF 30 SEPTEMBER 2006

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

*(excluding profit and loss transfer agreements)

Consolidation	Continued business divisions	Discontinued business divisions	Group Value
-14,100	217,908	2,569	220,477
-	217,908	2,569	220,477
-14,100	-	-	-
-	-1,199	-	-1,199
-	-5,591	-14	-5,605
-	-131	-	-131
-16	-2,132	-227	-2,359
-	1,944	-	1,944
-	153	-	153
-66	15,196	36	15,232
-	-3,350	-	-3,350
-66	11,846	36	11,882
-160,445	142,206	-	142,206
-	31,973	-	31,973
-	7,444	-	7,444
-65,202	100,901	-	100,901

Consolidation	Continued business divisions	Discontinued business divisions	Group value
-19,946	209,212	-	209,212
-	209,212	-	209,212
- 19,946	-	-	-
-	-1,204	-	-1,204
-	-6,012	-	-6,012
-	-	-	-
1	-2,163	-	-2,163
-	1,226	-	1,226
-	109	-	109
-	15,330	-	15,330
-	-2,668	-	-2,668
-	12,662	-	12,662
-191,444	179,749	-	179,749
-	32,185	-	32,185
-	31,899	-	31,899
-81,271	128,697	-	128,697

NOTES

ACCOUNTING AND VALUATION METHODS

This interim report has been compiled in line with the requirements of IFRS international accounting standards and in accordance with German Accounting Standard 6 (DRS 6). The accounting and valuation principles correspond to those applied in the most recent consolidated financial statements for the 2005 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

There were no reasonable changes in the reporting entity as of 30 September 2006 compared with the 2005 consolidated financial statements.

SEGMENTAL 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 2005.

EVENTS SUBSEQUENT TO THE REPORTING DATE

There have been no events requiring report in this section subsequent to 30 September 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.

		9 months 30.09.2005	9 months 30.09.2006
Net income for the period	EUR million	11,882	12,662
Number of shares (diluted)		47,042,292	47,042,247
Number of shares (undiluted)		47,042,292	47,042,247
Earnings per share (diluted)	EUR	0.25	0.27
Earnings per share (undiluted)	EUR	0.00	0.10

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, financing, 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, 10 November 2006

The Management Board

FINANCIAL CALENDAR 2006

Equity capital forum	27 November 2006
End of financial year	31 December 2006

FINANCIAL CALENDAR 2007

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

CONTACT: INVESTOR RELATIONS

Birte Hennig **Phone** +49 (0) 4 61 - 99 66 - 307
Fax +49 (0) 4 61 - 99 66 - 440
E-Mail ir@beate-uhse.de

CONTACT: PUBLIC RELATIONS

Assia Tschernookoff **Phone** +49 (0) 4 61 - 99 66 - 125
Fax +49 (0) 4 61 - 99 66 - 440
E-Mail pr@beate-uhse.de

CONTACT: ANNUAL AND INTERIM REPORTS

E-Mail bbrodersen@beate-uhse.de
Fax +49 (0) 4 61 - 99 66 - 440

Internet www.beate-uhse.ag

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