3-MONTH REPORT 2006 beate uhse

BEATE UHSE AT A GLANCE

€ million		3 month 31.03.2005	3 month 31.03.2006	Change %
Sales performance				
Retail		20.6	20.9	1.6
Mail Order		38.4	40.2	4.8
Wholesale		15.6	15.8	1.1
Entertainment		4.4	4.0	-9.6
Holding Services		-	-	-
Total sales		**79.0**	**80.9**	**2.5**
International share of sales	%	59.1	63.4	7.3
Results				
EBITDA		9.7	9.2	-5.1
EBIT		7.6	6.8	-9.8
EBT		7.0	6.4	-9.2
Net income of ongoing business divisions		5.5	5.0	-9.3
Other earnings indicators				
Return on sales before tax	%	8.9	7.9	-11.3
Return on sales after tax	%	7.0	6.2	-11.5
Return on equity	%	6.6	5.6	-14.6
Gross profit margin	%	61.6	62.4	1.2
Financial situation				
Gross cash flow		7.7	7.4	-3.9
Cash flow from operating activities		0.3	1.9	544.7
Investments		2.3	24.0	953.5
Depreciation		2.1	2.4	10.2
Dividend paid		-	-	-
Balance sheet data (2005: Dec. 31)				
Total assets		189.7	219.4	15.7
Shareholders' equity		83.6	88.9	6.3
Equity ratio	%	44.1	40.5	-8.1
Long-term assets		111.6	135.1	21.0
Short-term assets		78.0	84.3	8.0
Other data				
Employees		1,511	1,496	-1.0
Personnel expenses		2.4	2.1	-11.0
Cost of sales		30.3	30.5	0.4
Cost of distribution		39.5	41.2	4.1
Shares				
Number of shares		47,323,696	47,323,696	-
Closing price	EUR	9.40	6.41	-31.8
Annual high	EUR	10.37	6.95	-33.0
Annual low	EUR	7.50	6.02	-19.7
Earnings per share	EUR	0.12	0.11	-8.3
Cash flow per share	EUR	0.16	0.16	0,0

FOREWORD OF THE MANAGEMENT BOARD

Ladies and Gentlemen,
Dear Shareholders,

Beate Uhse began the new year with first-quarter sales of Euro 80.9 million (first quarter of 2005: Euro 79 million), which is equivalent to an increase of 2.5 percent. At Euro 6.4 million, earnings before tax were Euro 0.6 million lower than in the first quarter of 2005. This year-on-year decline was attributable to a one-off positive effect in the first quarter of 2005 resulting from the sale of film licence rights by erotic media ag, which generated extraordinary income of Euro 1.5 million in the previous year. It was not possible to fully compensate for this effect in the first quarter of 2006.

If this one-off item is excluded from the comparison of the first quarters of 2005 and 2006, then it is apparent that we succeeded in raising our pre-tax earnings by Euro 0.9 million in 2006. This is equivalent to an increase of around 16 percent. From this perspective, we are therefore satisfied with our business performance, particularly given that private consumption in Germany, still our largest market, has so far not entirely kept up with the initial positive signs seen in economic figures.

CONVERSION OF GROUP REPORTING TO IFRS

The annual financial statements for the 2005 financial year constituted the first set of statements which we have compiled in accordance with international accounting standards (IFRS). When preparing for this change, we decided to introduce new finance software across the Group in order to enable us to report more rapidly in future. Taken together, these two changes required more time than scheduled, leaving only a very brief period for the compilation of the financial statements for 2003, 2004 and 2005 in accordance with IFRS. We decided in March to postpone the publication of our figures in order to do justice to your and our quality expectations.

The publication of the figures for the first quarter of 2006 has inevitably also been affected by this postponement. In 2006, we will therefore not meet the requirements of Point 7.1.2 of the German Corporate Governance Code and will make corresponding reference to this circumstance in the Statement of Compliance of Beate Uhse AG.

Yours faithfully,

Otto Christian Lindemann	Gerard Cok
Spokesman for the Management Board, CFO	COO

ECONOMY AND MARKET

Macroeconomic development showed a slight improvement in Beate Uhse's most important country markets in the first quarter. One exception to this development is Germany, still the Group's most important market, where key economic figures failed to fully keep up with the improvement in levels of business and consumer confidence.

ECONOMIC GROWTH 2005/2006 BY QUARTER
(% change on equivalent quarter in previous year)

Established markets of Beate Uhse	Q1/2005	Q2/2005	Q3/2005	Q4/2005	Q1/2006*
Germany	0.6	0.8	1.6	1.7	1.4
Netherlands	-0.5	1.6	1.6	1.6	2.9
Belgium	1.8	1.6	1.2	1.5	2.2
France	1.7	1.0	1.7	1.5	
United Kingdom	2.0	1.7	1.9	1.8	2.2
Austria	2.4	1.7	1.5	2.0	2.3
Switzerland	0.7	1.6	2.3	2.8	
Norway	1.4	2.1	3.9	2.5	
EU	1.5	1.5	1.9	2.0	2.2
Future markets of Beate Uhse					
Spain	3.4	3.4	3.5	3.5	3.5
Poland	2.6	2.1	2.7	2.8	
Baltic states	5.2-7.3	6.9-11.4	7.9-11.4	8.0-11.5	7.4**
Slovakia	5.1	5.1	6.2	7.6	
Czechia	5.1	5.8	6.0	6.7	
USA	3.6	3.6	3.6	3.2	3.5

(*preliminary calculations by Eurostat compared with equivalent quarter in previous year, ** figures only available for Lithuania to date)

The retail sector also showed mixed developments. According to the retail sales figures released by Eurostat, countries such as Belgium, Germany, Spain and Portugal reported only very moderate growth, or even a decline, in retail sales. Positive developments were seen in particular in the Baltic States, parts of Scandinavia, the Czech Republic, Poland and in the Netherlands, which is the second most important market for Beate Uhse. The growth reported in retail sales in the EU on a month-by-month basis in the first quarter ranged from 0.7 percent (March) to 1.9 percent (February).

Retail sales in Germany, which accounts for 36.6 percent of Beate Uhse's sales and thus remains its most important country market, virtually stagnated in the first quarter, increasing by a mere 0.4 percent (source: Destatis). It is apparent in this case that the high levels of business and consumer confidence currently recorded have regrettably not yet been reflected in the country's economic figures. Especially in March retail sales in Germany even declined by 1.2 percent on March 2005.

SALES PERFORMANCE

The Beate Uhse Group generated sales of Euro 80.9 million in the first quarter of 2006. Sales therefore rose by Euro 1.9 million, or 2.5 percent, compared with the same period in the previous year. The variance to the figures published in accordance with the German Commercial Code (HGB) for 2005 (sales: Euro 81.7 million) is due to the distinction customarily made by IFRS in the income statement between ongoing and discontinued business divisions.

SALES BY PROFIT CENTRE

The three merchandise trading divisions of the Beate Uhse Group reported consistent sales growth from January to March 2006. The mail order business generated sales of Euro 40.2 million at its ongoing business divisions, equivalent to an increase of 4.8 percent. The retail and wholesale divisions showed stable developments. Retail sales grew by 1.6 percent to Euro 20.9 million. The wholesale division achieved sales growth of 1.1 percent. At Euro 4.0 million, sales in the entertainment division were 9.6 percent lower than in the previous year. This was attributable to the sale of trademark rights to the erotica magazines Lek and Cocktail. The magazine and online activities in Scandinavia were loss-making and were therefore discontinued at the end of 2005. There have therefore not been any sales from the use of these brands on the internet in 2006. This sale has had a positive impact on earnings.

SALES BY PROFIT CENTRE

EUR million	3 month 31.03.2005	**3 month 31.03.2006**	**Change %**
Retail	20.6	20.9	1.6
Mail Order	38.4	40.2	4.8
Wholesale	15.6	15.8	1.1
Entertainment	4.4	4.0	-9.6
Holding Services	-	-	-
	79.0	**80.9**	**2.5**

SALES BY REGION

The trend seen in the previous year continued in the first quarter of 2006. The most pleasing levels of sales growth were witnessed in France and other European countries (mainly Eastern Europe). Germany and the Netherlands, the two countries with the highest level of sales, had not experienced any improvement in their consumer climates by the first quarter of 2006. The international share of overall sales rose from 59.1 percent in the first quarter of 2005 to 63.4 percent in the first quarter of the current year.

SALES BY REGION

EUR million	3 month 31.03.2005	3 month 31.03.2006	Change %
Germany	32.3	29.6	-8.4
Netherlands	12.6	12.7	1.1
Belgium	5.1	5.7	11.9
France	10.5	13.1	24.5
United Kingdom	2.8	2.7	-3.0
Austria	8.8	9.5	8.3
Switzerland	0.5	0.6	19.0
Scandinavia	3.0	3.1	3.7
Italy	0.2	0.2	20.2
Other European countries	3.1	3.6	13.8
Other regions	0.1	0.1	0.9
	79.0	**80.9**	**2.5**

EARNINGS PERFORMANCE

At Euro 6.4 million, the pre-tax earnings of the Group for the first quarter of 2006 were Euro 0.6 million lower than in the equivalent period in 2005. Following adjustment for the share of earnings attributable to associated companies (sales of film licenses by erotic media ag), earnings in the first quarter of 2006 are Euro 0.9 million higher than in the same period in the previous year.

Earnings in the retail division, by contrast, showed a considerable increase (23.4 percent) in the first quarter of 2006 and amounted to Euro 1.6 million before tax. This highly positive development was attributable to the Christine le Duc store chain, which has made a pleasing contribution to earnings following the brand relaunch and various structural optimisation measures. Earnings in the entertainment division rose by 22 percent, amounting to Euro 0.6 million before tax at the end of March 2006. The earnings from entertainment activities have been positively affected by the discontinuation of unprofitable activities (sale of trademark rights in Lek and Cocktail). Moreover, the profit centre succeeded in improving its general cost structures.

The strongest profit centre, the mail order division, generated pre-tax earnings of Euro 3.2 million as of March 2006 and thus almost matched the previous year’s figure (first quarter 2005: Euro 3.3 million). At Euro 1.3 million, earnings at the wholesale division were also at virtually the same level as in the previous year (first quarter 2005: Euro 1.5 million). These figures were affected not only by final logistics optimisation measures, but also by the marked pressure on prices in the DVD market.

At minus Euro 0.4 million, earnings at the holding division in the first quarter of 2006 were once again on budget. In the previous year, first-quarter earnings had been affected by the one-off item resulting from the sale of film licence rights by erotic media ag.

EBT

EUR million	3 month 31.03.2005	3 month 31.03.2006	Change %
Retail	1.3	1.6	23.4
Mail Order	3.3	3.2	-3.3
Wholesale	1.5	1.3	-9.9
Entertainment	0.5	0.6	22.0
Holding Services	0.4	-0.4	-207.4
	7.0	**6.4**	**-9.2**

EBIT

EUR million	3 month 31.03.2005	3 month 31.03.2006	Change %
Retail	1.6	1.9	19.6
Mail Order	3.4	3.3	-2.1
Wholesale	1.7	1.6	-6.7
Entertainment	0.5	0.6	19.5
Holding Services	0.3	-0.6	-279.8
	7.6	**6.8**	**-9.8**

EBITDA

EUR million	3 month 31.03.2005	3 month 31.03.2006	Change %
Retail	2.8	3.2	13.5
Mail Order	3.6	3.7	2.4
Wholesale	2.1	2.0	-6.3
Entertainment	0.6	0.7	16.4
Holding Services	0.5	-0.4	-170.9
	9.7	**9.2**	**-5.1**

OPERATING EARNINGS PERFORMANCE

The gross profit rose by 3.7 percent compared with the identical quarter in the previous year to Euro 50.5 million in the first quarter of 2006. The gross margin showed a corresponding increase from 61.5 percent to 62.4 percent. The improvement in sales input costs is primarily due to the pooling of procurement activities at the Dutch wholesale business.
At Euro 66 million, the costs of services required to generate sales (costs of sales) were 3.4 percent higher than in the first quarter of the previous year. This increase is slightly higher than that shown by overall sales (2.5 percent), given that the share of merchandise sales showed a greater increase of 6.5 percent. Sales generated by online activities fell by almost 20 percent in the past quarter as a result of the termination of activities in Scandinavia (Lek und Cocktail).

Other operating income was at virtually the same level as in the first quarter of 2005. Sales-related expenses rose by 4.1 percent to Euro 41.2 million. This increase was in line with the sales growth in the mail order division (4.8 percent).

Other operating expenses dropped by 58.5 percent to Euro 0.3 million. This was due to the foreign currency differences incurred in the previous year (mail order in the USA) no longer being incurred in the first quarter of 2006.

At Euro 1.2 million, the income from shareholdings in associated companies was 70 percent lower than in the previous year. The proceeds from the sale of film licences undertaken in 2005 were not compensated for in this respect by similar activities at the associated companies in the first quarter of 2006.
At Euro 6.8 million, the operating earnings for the first three months of 2006 were Euro 0.7 million lower than the figure for the equivalent period in the previous year. Earnings before tax declined by Euro 0.6 million and amounted to Euro 6.4 million in the first quarter of 2006. The deduction of income taxes resulted in earnings of Euro 5 million from ongoing business divisions.

NET INCOME

The net income from ongoing business divisions amounted to Euro 5.0 million in the first quarter of 2006. Beate Uhse generated period income of Euro 5.5 million in the same period in the previous year. Earnings per share for the first three months of 2006 amounted to 11 cents.

DEVELOPMENT OF NET ASSET AND FINANCIAL POSITION

The total assets of the Beate Uhse Group rose to Euro 219.4 million in the first quarter of 2006, similar to an increase of Euro 29.8 million on 31 December 2005. This development was principally due to investments made in land, commercial buildings and plant and office equipment in connection with the construction of the new fulfilment centre in the mail order division.

ASSETS

Fixed assets rose by Euro 23.5 million in the first quarter to reach Euro 135.1 million. This growth was largely due to an increase of Euro 21.4 million in property, plant and equipment. This increase was due to the construction of the new mail order fulfilment centre at Walsorden (land and commercial buildings) and to the furnishing of office premises at the wholesale logistics centre in Almere.

Other receivables increased by Euro 1.5 million to Euro 2.1 million as a result of the takeover in April 2005 of a store chain with four shops in the Netherlands. The stores are very well situated in the centre of Amsterdam and thus superbly complement the existing store network.

Current assets rose by Euro 6.3 million to Euro 84.3 million in the first quarter. The further reduction of Euro 1.1 million in inventories was particularly pleasing in this respect. The positive impact of the centralisation of merchandise flows within the Group at the wholesale logistics centre has thus paid off.

There was an increase in short-term accounts receivable as of the reporting date compared with the full year 2005. This was attributable to the growth in the mail order division (4.8 percent) which resulted in an increase in receivables. This development was reinforced by the rise in receivables in the wholesale division resulting from spring trade fairs.

LIABILITIES

As a result of the increase in total assets, the equity ratio of the Beate Uhse Group declined from 44.1 percent in the 2005 financial year to 40.5 percent in the first quarter of 2006. Following the allocation of the annual net income to retained earnings, shareholders' equity showed a pleasing increase to Euro 88.9 million.

Long-term debt amounted to Euro 56.4 million at the end of first quarter of 2006, which is the same as an increase of Euro 27.9 million. This is the result of a growth adding up to Euro 27.4 million in the long-term interest-charging loans used to finance the new building in the mail order division. This figure includes the addition of a borrowers' note loan amounting to Euro 10 million. The development was attributable to the final maturity of a borrowers' note, which was subsequently placed on the capital market once again at the same amount. As a result, short-term debt declined by the same amount. Loans from third parties, by contrast, rose by Euro 1.6 million to a total of Euro 3.2 million in order to finance the logistics technology at the mail order fulfilment centre. Short-term debt amounted to Euro 74.1 million as of 31 March 2006 and was thus Euro 3.4 million lower than in December 2005.

CASH FLOW AND INVESTMENTS

The gross cash flow of the Group amounted to Euro 7.4 million and was thus at the same level as in the first quarter of 2005. At 16 cents, the cash flow per share remained stable.
The cash flow from operating activities rose by Euro 1.6 million to Euro 1.9 million at the end of the first quarter of 2006 compared with the first quarter of 2005. This development arose in connection with the considerable reduction in accounts receivable in the first quarter of 2006 as a result of the moderate growth in the mail order division.
The cash flows from investment and financing activities were notably affected by the construction of a new fulfilment centre in the mail order division. A fully-financed amount of Euro 17.5 million was invested in the acquisition of suitable land and buildings in the first quarter of 2006.
The investments made by the Group increased to Euro 24 million in the first quarter of 2006 as a result of the building investments made in the mail order division. Given that the ultra-modern fulfilment centre is being financed by the holding company, investments in this division increased to Euro 17.6 million. The wholesale division invested a total of Euro 2.6 million in the first quarter. The largest share of this amount was channelled into the expansion of office premises at the new central warehouse, with a further sum being used for film rights and licences.

INVESTMENTS BY PROFIT CENTRE

EUR million	3 month 31.03.2005	3 month 31.03.2006
Retail	0.8	1.4
Mail Order	0.3	2.4
Wholesale	1.0	2.6
Entertainment	0.1	0.0
Holding Services	0.0	17.6
	2.3	**24.0**

EMPLOYEES

Beate Uhse AG had a total of 1,496 employees across all companies at the end of the first quarter of 2006. This represented a decline of 15 employees compared with the end of the comparable quarter in 2005 and of 27 employees compared with 31 December 2005. This reduction is mainly due to the continuing pooling of wholesale activities. The number of jobs fell in the retail division in particular, given that logistics processes were transferred in full to the wholesale division in the Netherlands in the first quarter of 2006. The regional changes in Germany (-33 employees) and the Netherlands (+29 employees) are attributable to the optimisation of logistics processes. The discontinuation of mail order activities in the USA (-18 employees) was also reflected in these figures. Employee totals rose to the same extent as a result of the expansion of activities in the Netherlands.

EMPLOYEES AT THE BEATE UHSE GROUP

By Region	3 month 31.03.2005	3 month 31.03.2006
Germany	749	716
Netherlands	516	545
Belgium	30	32
France	56	70
United Kingdom	25	21
Austria	17	24
Scandinavia	51	39
Other European countries	49	49
USA	18	-
	1,511	**1,496**

By Profit Centre	3 month 31.03.2005	3 month 31.03.2006
Retail	879	864
Mail Order	288	292
Wholesale	224	222
Entertainment	80	76
Holding Services	40	42
	1,511	**1,496**

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 SDAX, Prime All Share, Classic All Share and GEX indices, as well as of the Prime Retail sector index.

PERFORMANCE AND LIQUIDITY

Beate Uhse's share concluded the first quarter of 2006 at a price of Euro 6.41 (Xetra). This is similar to an increase of 6.5 percent since the beginning of the year. The security's period high amounted to Euro 6.95, while its period low of Euro 6.02 was recorded at the beginning of 2006. The average price for the first three months amounted to Euro 6.52. The share had an average daily trading volume of 24,590 shares between January and March, which represents an increase on the same quarter in the previous year (21,067 shares).

INDEX WEIGHTING

The market capitalisation of Beate Uhse AG amounted to Euro 303.0 million in the first quarter of the current financial year. This was equivalent to a free float capitalisation of Euro 118.30 million. The company's weighting in the SDAX amounted to 0.96 percent, which meant that it continued to be positioned in the lower third of the index.

PERFORMANCE OF SHARE PRICE

		3 month 31.03.2005	**3 month 31.03.2006**
Opening	EUR	10.19	6.02
Closing	EUR	9.40	6.41
High	EUR	10.37	6.95
Low	EUR	7.50	6.02
Average	EUR	9.48	6.52
Performance	%	-7.8	6.5

Source: Xetra

KEY SHARE DATA

		3 month 31.03.2005	**3 month 31.03.2006**
Earnings per share		0.12	0.11
P/E ratio		20	15
Cash flow per share		58.0	41.2
Quote/sales		5.6	3.8
Quote/EBITDA		45.9	33.1
Quote/book value		6.5	4.1
Book value per share		1.5	1.6
Share capital		47,323,696	47,323,696
SDAX weighting	%	1.53	0.96
Market capitalisation	EUR	444.8	305.2
Market capitalisation of free float	EUR	113.0	119.0
Average sales/day		21,096	24,590

Source: Xetra

PROFIT CENTRES

RETAIL

The international retail division continued with its re-branding process. A further five stores in the Netherlands and three stores in Belgium were converted to the main Beate Uhse brand. The Group expects the internationalisation of the brand and of the Beate Uhse store concept to significantly increase levels of brand awareness, which should in turn benefit all profit centres. As a brand, Beate Uhse stands for a broad range of products and thus of target groups. The decline in DVD sales observed across the overall sector (transfer to new media) is to be compensated for to the largest possible extent by significantly expanding the toy, lingerie and wellness product ranges.

The Christine le Duc store chain was successfully converted to a new store concept. A further five stores will be equipped with the modern design scheme and the new product range composition in the second quarter.

BEATE UHSE SHOPS BY COUNTRY

OWN SHOPS

	3 month 31.03.2005	%	**3 month 31.03.2006**	**%**
Germany	65	40.1	73	44.2
Italy	5	3.1	5	3.0
Netherlands	66	40.7	64	38.8
Belgium	10	6.2	10	6.1
France	9	5.6	8	4.8
Norway	7	4.3	5	3.0
	162	100.0	**165**	**100.0**

LICENCE & FRANCHISE

	3 month 31.03.2005	%	**3 month 31.03.2006**	**%**
Germany	53	38.1	55	38.5
Austria	39	28.1	41	28.7
Switzerland	43	30.9	38	26.6
Norway	4	2.9	4	2.8
Hungary	-	-	1	0.7
Slovenia	-	-	4	2.8
	138	100.0	**139**	**100.0**

INVESTMENTS

	3 month 31.03.2005	%	**3 month 31.03.2006**	**%**
Poland	7	100.0	12	8.4
	7	100.0	**12**	**100.0**

The German retail division had a successful start to the new year. Two further Beate Uhse stores were opened in the North of Germany in the first quarter of 2006 (Bremen and Flensburg). The retail division attracted special attention as a result of the introduction of new private label products in the first three months. The shooting star among the new products was, without a shadow of a doubt, Beate Uhse's Popp Plopp beer, with a total of 48,000 bottles sold at the company's own stores within a period of only four weeks. In future, Beate Uhse will increasingly position itself in the various product groups with private label products, thus differentiating itself from the competition. Two Beate Uhse stores in Germany are expected to be transferred to franchising partners in the further course of 2006. Moreover, two additional Beate Uhse stores (classic and specialist store) will be opened in Essen and Weiterstadt in May and June 2006.

MAIL ORDER

The mail order division witnessed mixed developments in the various country markets in the first three months of 2006. Satisfactory developments were reported in the Netherlands, Belgium and France. Germany, Austria and the UK, by contrast, failed to meet expectations. This unsatisfactory start to the new year was attributable to the ongoing subdued levels of consumer confidence in Germany, as well as to growing competition from the sale of merchandise via the internet and via mail order companies alien to the sector. The mail order division nevertheless benefited from this trend towards e-commerce, with a 23 percent increase in online sales (increase in the 1st quarter of 2005: 15 percent).

The mail order division despatched around 11.7 million catalogues to customers and interested parties in the first three months of 2006. More than 900,000 orders were received during the period, with 1.1 million packages being send out to customers.

Following extensive tests, the mail order division will begin distributing its first catalogues in the Czech Republic and Slovakia in July 2006.

MAIL ORDER INFORMATION

in million	3 month 31.03.2005	**3 month 31.03.2006**
Catalogues	12.3	11.7
Orders	1.0	9.2
Despatched packages	1.1	1.1

WHOLESALE

The process of concentrating the flow of merchandise within the Group was continued by transferring the German retail business logistics to the logistics centre in Almere. Since 31 March, all Beate Uhse stores in Germany have been supplied from the Netherlands.

The German wholesaler ZBF reported a hesitant start to the new year. Business was negatively affected by the ongoing decline in prices for DVDs, low levels of consumer confidence and declining magazine sales. This area has also been affected by customers increasingly turning to internet downloads.

ENTERTAINMENT

The positive development of the German online business was offset by somewhat subdued activities in the division’s telephony activities. This area suffered in the first three months from the change in invoicing procedures for the new 0900 numbers which replaced the previous

0190 numbers as of 1 January 2006. The national launch of the 0900 numbers led to a lower level of reimbursement, particularly from mobile telephone networks, and thus to declining margins.

However, this setback was successfully offset in the online business by the websites operated by Beate Uhse new media. Nevertheless, the entire entertainment division was affected by the discontinuation of sales from the Scandinavian magazines Lek and Cocktail.

The re-launch of the www.beate-uhse.com website was of particular significance in the first quarter. The new internet presence acts as a competence centre for erotica matters and provides customers with a wide range of entertainment and online shopping opportunities, as well as all of the main information concerning Beate Uhse retail. Customers also granted a warm reception to the offerings available under www.privatporno.com, which provides users with the additional possibility of marketing private erotica content.

In 2006, Beate Uhse new media will focus on the optimisation of its own websites in order to further increase their usability for customers. Activities will also focus on the extension of the broadband product offerings on the company's proprietary sites.

HOLDING SERVICE

Costs at the holding service division developed within the expected framework in the first quarter of 2006. The sale of 7.4 million shares in MobileActive Ltd., Australia, generated extraordinary income of Euro 230,000. In the first quarter of the previous year, the holding service division generated one-off income amounting to Euro 1.5 million from the sale of film licence rights by erotic media ag.

RISKS

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

OUTLOOK

On the basis of the information currently available, we expect to achieve our targets. We intend to increase our sales by 5 percent and to achieve pre-tax earnings growth of 4 percent.

The commencement of operations at the new mail order fulfilment centre in the autumn of 2006 will certainly have a significant impact on the future.

BALANCE SHEET

Assets EUR 000s	31.12.2005	31.03.2006
Long-term assets		
Intangible assets	12,483	12,553
Goodwill	14,966	14,876
Property, plant & equipment	26,837	48,188
Other financial assets	13,915	15,914
Investments	1,079	1,079
Shares in associated companies	31,506	32,000
Income taxes	10,856	10,508
	111,642	**135,118**
Current assets		
Inventories	36,749	35,618
Accounts receivable	30,019	34,746
Other short-term financial assets and other assets	2,806	3,041
Income tax refund claims (short-term)	1,682	3,531
Liquid funds	6,777	7,375
	78,033	**84,311**
	189.675	**219.429**

Shareholders` Equity and Liabilities EUR 000s	31.12.2005	31.03.2006
Shareholders´ equity		
Subscribed capital	47,324	47,324
Treasury stock at cost of acquisition	-3,464	-3,464
Capital reserves	474	474
Revenue reserves	3,295	3,295
Other reserves	2,746	2,935
Retained earnings	33,704	38,777
Balancing item for currency conversion	180	88
Minority interests	-643	-558
	83,616	**88,871**
Long-term debt		
Interest-bearing loans	15,712	43,139
Pensions and similar obligations	3,032	3,015
Other accruals	2,401	2,452
Other financial liabilities	5,189	5,508
Deferred tax liabilities	2,212	2,328
	28,546	**56,442**
Short-term debt		
Accounts payable	17,149	17,564
Other financial liabilities	9,899	9,096
Pensions and similar obligations	214	214
Other accruals	1,342	1,330
Income tax liabilities	5,223	6,087
Loans	26,847	30,137
Short-term portion of long-term loans	14,418	5,771
Turnover tax liabilities	2,421	3,917
	77,513	**74,116**
	189,675	**219,429**

CONSOLIDATED INCOME STATEMENT

EUR 000s	3 month 31.03.2005	3 month 31.03.2006	Change EUR 000s	Change %
Ongoing business divisions				
Sales	**78,983**	**80,920**	**1,937**	**2.5**
Cost of sales	-30,336	-30,459	-123	0.4
Gross profit on sales	**48,647**	**50,461**	**1,814**	**3.7**
Other operating income	3,456	3,461	5	0.1
Sales-related expenses	-39,520	-41,157	-1,637	4.1
General administration expenses	-6,018	-6,174	-156	2.6
Other operating expenses	-663	-275	388	-58.5
Share in earnings of associated companies	1,647	493	-1,154	-70.1
Other income from shareholdings	3	-	-3	-100.0
Earnings before interest and taxes	**7,552**	**6,809**	**-743**	**-9.8**
Financial result	-552	-450	102	-18.5
Earnings before taxes	**7,000**	**6,359**	**-641**	**-9.2**
Taxes on income	-1,474	-1,346	128	-8.7
Earnings of ongoing business divisions	**5,526**	**5,013**	**-513**	**-9.3**
Discontinued business divisions				
Earnings of discontinued business divisions	**-10**	**-**	**10**	**-100.0**
Consolidated earnings				
Consolidated earnings	**5,516**	**5,013**	**-503**	**-9.1**
Allocable to:				
Shareholders in the holding company	5,500	5,073	-427	-7.8
Minority shareholders	16	-60	-76	-475.0
Earnings per share (EPS)				
Undiluted (EUR)	47,042,201	47,042,247	46.00	-
Diluted (EUR)	47,042,201	47,042,247	46.00	-
Undiluted earnings per share based on ongoing business divisions	0.12	0.11	-0.01	-8.3
Diluted earnings per share based on ongoing business divisions	0.12	0.11	-0.01	-8.3

CASH FLOW

EUR 000s	3 month 31.03.2005	3 month 31.03.2006	Change	Change %
Cash flow from operating activities				
Operating earnings (EBIT) at ongoing and discontinued business divisions	**7,840**	**6,810**	**-1,030**	**-13.1**
Corrections for:				
Expenses not affecting payments pursuant to IFRS 2	0	0	0	0
Depreciation of property, plant and equipment, amortization of intangible assets	2,117	2,368	251	11.9
Losses incurred on the disposal of property, plant and equipment and intangible assets	24	-9	-33	-137.5
Other income not affecting payments	-1,618	-609	1,009	-62.4
Changes in:				
Accounts receivable	-9,624	-4,727	4,897	-50.9
Other assets	1,262	-574	-1,836	-145.5
Accounts payable	-917	415	1,332	-145.3
Other liabilities	569	3,331	2,762	485.4
Interest received	67	75	8	11.9
Interest paid for loans and hedging instruments	-962	-1,123	-161	16.7
Income taxes refunded/paid	1,582	-4,023	-5,605	-354.3
Cash flow from operating activities	**340**	**1,934**	**1,594**	**468.8**
Cash flow from investment activities:				
Cash received from the sale of property, plant and equipment, intangible assets and other fixed assets	1,216	319	-897	-73.8
Cash paid for investments in property, plant and equipment, intangible assets and other fixed assets	-2,282	-23,998	-21,716	951.6
Cash paid in connection with short-term financial management	-179	-74	105	-58.7
Cash received in connection with short-term financial management	334	161	-173	-51.8
Cash flow from investment activities	**-911**	**-23,592**	**-22,681**	**2,489.7**
Cash flow from financing activities:				
Capital allocation (sales of treasury stock)	–	–	–	–
Dividends paid	–	–	–	–
Taking up of bank liabilities	8,137	24,748	16,611	204.1
Taking up of borrowers´ note loans	–	10,000	10,000	–
Taking up of loans from third parties	–	2,749	2,749	–
Redemption of bank liabilities	-9,342	-4,913	4,429	-47.4
Redemption of borrowers´ note loans	–	-10,500	-10,500	–
Cash flow from financing activities	**-1,205**	**22,084**	**23,289**	**-1,932.7**
Net change in cash, cash equivalents and securities	**-1,776**	**426**	**2,202**	**-124.0**
Changes due to movements in exchange rates	1,659	172	-1,487	-89.6
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	9,064	7,375	-1,689	-18.6
Composition of cash and cash equivalents at end of period				
Cash holdings, credits balances at banks, cheques and securities	9,051	7,362	-1,689	-18.7
Short-term money investments	13	13	–	–
	9,064	**7,375**	**-1,689**	**-18.6**

GROUP EQUITY SCHEDULE

EUR 000s	Share capital	Treasury stock	Capital reserve	Revenue reserves	Other reserves
					Equity allocable to the shareholders
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					
Profit on hedging of cash flows					305
Tax effects relating to profit on hedging of cash flows					-116
Total earnings recorded directly under equity					**189**
Group amount for 2005					
BALANCE AS OF 31 MARCH 2006	**47,324**	**-3,464**	**474**	**3,295**	**2,935**

in the parent company				
Net profits	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**
	-92	-92	145	53
		305		305
		-116		-116
	-92	**97**	**145**	**242**
5,073		**5,073**	**-60**	**5,013**
38,777	**88**	**89,429**	**-558**	**88,871**

SEGMENT DATA BY BUSINESS UNIT AS OF 31 MARCH 2005

EUR 000s	Retail	Mail order	Wholesale	Entertainment	Holding
SALES	**20,655**	**38,377**	**20,340**	**4,601**	**-**
- of which with third parties	20,614	38,377	15,591	4,401	-
- of which with other segments	41	-	4,749	200	-
Amortisation of intangible assets	-45	-15	-189	-43	-86
Depreciation of property, plant and equipment	-1,162	-188	-242	-41	-103
Amortisation of financial assets	-	-	-	-	-31
Financial result	-275	-83	-238	1	55
Income from shareholdings in associated companies	-	-	62	-	1,584
Income from other shareholdings	-	-	-	-	3
EBT	1,317	3,320	1,461	513	390
Taxes on income	-441	-1,063	2	-11	39
NET INCOME (excluding profit and loss transfer agreements)	**876**	**2,258**	**1,463**	**502**	**428**
Assets (incl. shareholdings)	47,669	31,914	50,186	10,024	170,622
Shareholdings in associated companies	-	-	-	100	33,821
Investments in long-term assets	842	318	1,117	100	16
Liabilities	40,930	30,179	13,310	5,192	91,465

SEGMENT DATA BY BUSINESS UNIT AS OF 31 MARCH 2006

EUR 000s	Retail	Mail order	Wholesale	Entertainment	Holding
SALES	**21,036**	**40,238**	**21,854**	**4,460**	**-**
- of which with third parties	20,942	40,238	15,760	3,980	-
- of which with other segments	94	-	6,094	480	-
Amortisation of intangible assets	-70	-15	-140	-46	-144
Depreciation of property, plant and equipment	-1,202	-345	-270	-36	-100
Amortisation of financial assets	-	-	-	-	-
Financial result	-279	-122	-269	14	210
Income from shareholdings in associated companies	-	-	175	-	318
Income from other shareholdings	-	-	-	-	-
EBT	1,625	3,210	1,317	626	-419
Taxes on income	-36	-1,031	-263	-56	39
NET INCOME (excluding profit and loss transfer agreements)	**1,589**	**2,181**	**1,054**	**569**	**-380**
Assets (incl. shareholdings)	47,005	37,915	52,875	10,458	211,205
Shareholdings in associated companies	-	-	-	-	31,999
Investments in long-term assets	1,380	2,363	2,635	45	17,622
Liabilities	41,180	29,645	14,196	3,809	109,176

Consolidation	Continued business divisions	Discontinued business divisions	Group Value
-4,990	**78,983**	**1,171**	**80,154**
-	78,983	1,171	80,154
-4,990	-	-	-
-	-378	-	-378
-	-1,736	-4	-1,740
-	-31	-	-31
-12	-552	-73	-625
-	1,646	-	1,646
-	3	-	3
-	7,001	-11	6,990
-	1,474	-	-1,474
-	**5,527**	**-11**	**5,516**
-164,414	146,001	-	146,001
-	33,291	-	33,291
-	2,393	-	2,393
-69,206	111,870	-	111,870

Consolidation	Continued business divisions	Discontinued business divisions	Group value
-6,668	**80,920**	**-**	**80,920**
-	80,920	-	80,920
-6,668	-	-	-
-	-415	-	-415
-	-1,953	-	-1,953
-	-	-	-
-5	-451	-	-151
-	493	-	493
-	-	-	-
-	6,359	-	6,359
-	-1,347	-	-1,347
-	**5,013**	**-**	**5,013**
-186,068	173,390	-	173,390
-	31,999	-	31,999
-	24,045	-	24,045
-75,862	122,144	-	122,144

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 changes in the reporting entity as of 31 March 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 31 March 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.

		3 month 31.03.2005	**3 month 31.03.2006**
Net income for the period	EUR million	5,516	5,013
Number of shares (diluted)		47,042,201	47,042,247
Number of shares (undiluted)		47.042,201	47,042,247
Earnings per share (diluted)	EUR	0.12	0.11
Earnings per share (undiluted)	EUR	0.12	0.11

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, 24 May 2006

The Management Board

FINANCIAL CALENDAR 2006

Annual general meeting	19 June 2006
6-month report 2006	14 August 2006
9-month report 2006	13 November 2006
Equity capital forum	November 2006
End of financial year	31 December 2006

CONTACT: INVESTOR RELATIONS

Birte Hennig
Phone +49 (0) 461 - 99 66 - 307
Fax +49 (0) 461 - 99 66 - 440
E-Mail ir@beate-uhse.de

CONTACT: PUBLIC RELATIONS

Assia Tschernookoff
Phone +49 (0) 461 - 99 66 - 125
Fax +49 (0) 461 - 99 66 - 440
E-Mail pr@beate-uhse.de

CONTACT: ANNUAL AND INTERIM REPORTS

E-Mail bbrodersen@beate-uhse.de
Fax +49 (0) 461 - 99 66 - 440

Internet www.beate-uhse.ag

69
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