



9-MONTH STATEMENT 2004 **beate uhse**

BEATE UHSE AT A GLANCE

€ million		9 months 30.09.2003	9 months 30.09.2004	Change %
Sales growth				
Retail		52,5	61.2	16.6
Mail Order		83.4	88.0	5.5
Wholesale		44.4	44.0	-1.0
Entertainment		16.8	12.8	-23.8
Holding Services		-	-	-
Total sales		197.1	206.0	4.5
Foreign share of sales	%	52.7	55.4	-
Earnings				
EBITDA		22.5	21.9	-2.7
EBIT		15.6	14.6	-6.6
EBT		14.0	12.6	-10.1
Net income for the period		8.1	8.7	7.7
Other earnings indicators				
Return on sales before tax	%	7.1	6.1	-
Return on sales after tax	%	4.1	4.2	-
Return on equity	%	12.3	12.2	-
Gross margin	%	64.6	72.1	-
Financial position				
Gross cash flow		15.0	16.1	7.4
Cash flow from operating activities		12.1	3.8	-68.7
Investments		6.5	9.0	38.0
Depreciation		6.9	7.3	6.4
Dividend paid		4.7	4,7	-0,7
Balance sheet data				
		(at 31.12.2003)		
Total assets		181.2	191.6	5.7
Equity		67.8	71.6	5.6
Equity ratio	%	37.4	37.4	-
Fixed assets		77.9	86.7	11.3
Current assets		96.2	98.9	2.8
Other disclosures				
Employees	total	1,296	1,503	16.0
Personnel expenses		33.2	36.3	9.1
Cost of materials		72.9	70.6	-3.1
Other operating expenses		76.7	90.3	17.7
Shares				
Number of shares		47,323,696	47,323,696	
Closing share price	EUR	11.20	10.40	-7.1
Highest share price	EUR	11.25	13.02	15.7
Lowest share price	EUR	9.40	10.17	8.2
Earnings per share	EUR	0.17	0.18	7.7
Cash flow per share	EUR	0.32	0.34	7.4

FOREWORD OF THE MANAGEMENT BOARD

Ladies and Gentlemen,
Dear Shareholders,

In the third quarter of 2004, the Beate Uhse Group continued to focus on growth and on further investments in new country markets. In this, we have adhered to our proven maxim of acquiring market share even in economically difficult and thus weak periods. This is particularly true of the mail order division, the vanguard of the Group when it comes to international expansion, which has clearly acted on this principle and further boosted its advertising activities.

We invested around Euro 20.0 million in advertising, the acquisition of new customers and direct marketing campaigns in the third quarter of 2004. This expenditure forms the foundation for maintaining our strong market position in the international erotica business in future. Beate Uhse aims to be the provider of sex and erotica products for the entire world. We are on the way towards fulfilling this vision by gradually strengthening our international presence. Today's investments are the market presence of tomorrow.

Beate Uhse generates 44.6 percent of its sales in Germany. We have been able to reduce this share continually by increasing our sales in other European countries. Germany nevertheless remains our most important market and we have shared the "suffering" of this market in 2004.

The best example of this can be found in the entertainment division. Extremely cost-conscious users, the problems surrounding dialers and tougher legislation are restricting the market to an ever greater extent. All respectable providers of internet erotica content have seen a significant decline in their sales in 2004. We recognised the signs of the times at a very early stage at all profit centres and have increasingly shifted our focus to the international business.

The optimisation of logistical processes harbours enormous cost-saving potential for companies with a wide range of international operations such as Beate Uhse. This is why we decided to expand our warehouse logistics at Almere in the Netherlands. This change has had a negative impact on earnings in 2004, the year of the relocation. We aim to have dealt with the remaining logistics problems by spring 2005, so that we can then be fully up and running on behalf of our customers in the new year.

Our Group has identified a series of very clear measures to address this situation:

- a) We will vigorously maintain our international expansion
- b) The expansion of the Scala wholesaler into the nucleus of our internal and external logistics activities forms a milestone on the way towards the future positioning of the Group in the international erotica business
- c) We will further optimise our profit centres by means of ongoing strict cost management without disregarding the interests of our employees

THE BEATE UHSE BRAND

On the company's way towards becoming a global player, the Beate Uhse brand and its subsidiary brands are increasingly gaining in significance. We were therefore extremely pleased with the results of the latest Semion Brand Study 2004. According to this study, the value of the Beate Uhse brand has risen for the fourth consecutive year. It is currently valued at Euro 62.0 million and has therefore gained Euro 3.0 million on the previous assessment in 2003. In the ranking of the best known and most valuable brands in Germany, Beate Uhse has thus moved up to 48th position.

Yours faithfully,

Otto Christian Lindemann
Spokesman for the Management Board
CFO

Gerard Cok
COO

ECONOMY AND MARKET

The discrepancy has become ever more striking: while companies' economic expectations are more than stable, all hopes of a positive turnaround in the consumer climate have been ruined. Economic growth, which is expected to reach 1.8 percent in 2004, is mainly driven by exports. One can only hope that the forecast issued by the Federal Government of growth of 1.7 percent in 2005 is correct. The leading economic research institutes are more pessimistic.

In terms of the levels of consumption and domestic demand, such pessimism is justified. According to the Association of German Retailers (HDE), the retail sector is expected to decline by 0.5 percent in 2004. At 1.3 percent, the decline by the end of the third quarter was even greater. With a decline of 7.7 percent, the mail order segment was hit particularly hard by this development. However, retailers expect sales to pick up before Christmas, thus helping to reduce this decline. The Company for Consumer Research (GfK) reported that consumers' propensity to consume had been dealt some significant blows at the beginning of the fourth quarter and had subsequently declined significantly. Highly publicised corporate crises, such as those at Opel and Karstadt/Quelle, had left an ongoing mark on consumer confidence.

The mood among consumers in Europe remained largely stable. A somewhat more subdued climate in the Eurozone had been counterbalanced by an improvement in other EU countries, according to the European Commission.

The erotica sector can therefore not expect to receive any significant additional growth momentum from overall economic developments and the consumer climate in the coming months. On a European level, there are a few countries which have managed to set themselves apart in this respect and to report more positive developments.

DEVELOPMENT OF SALES

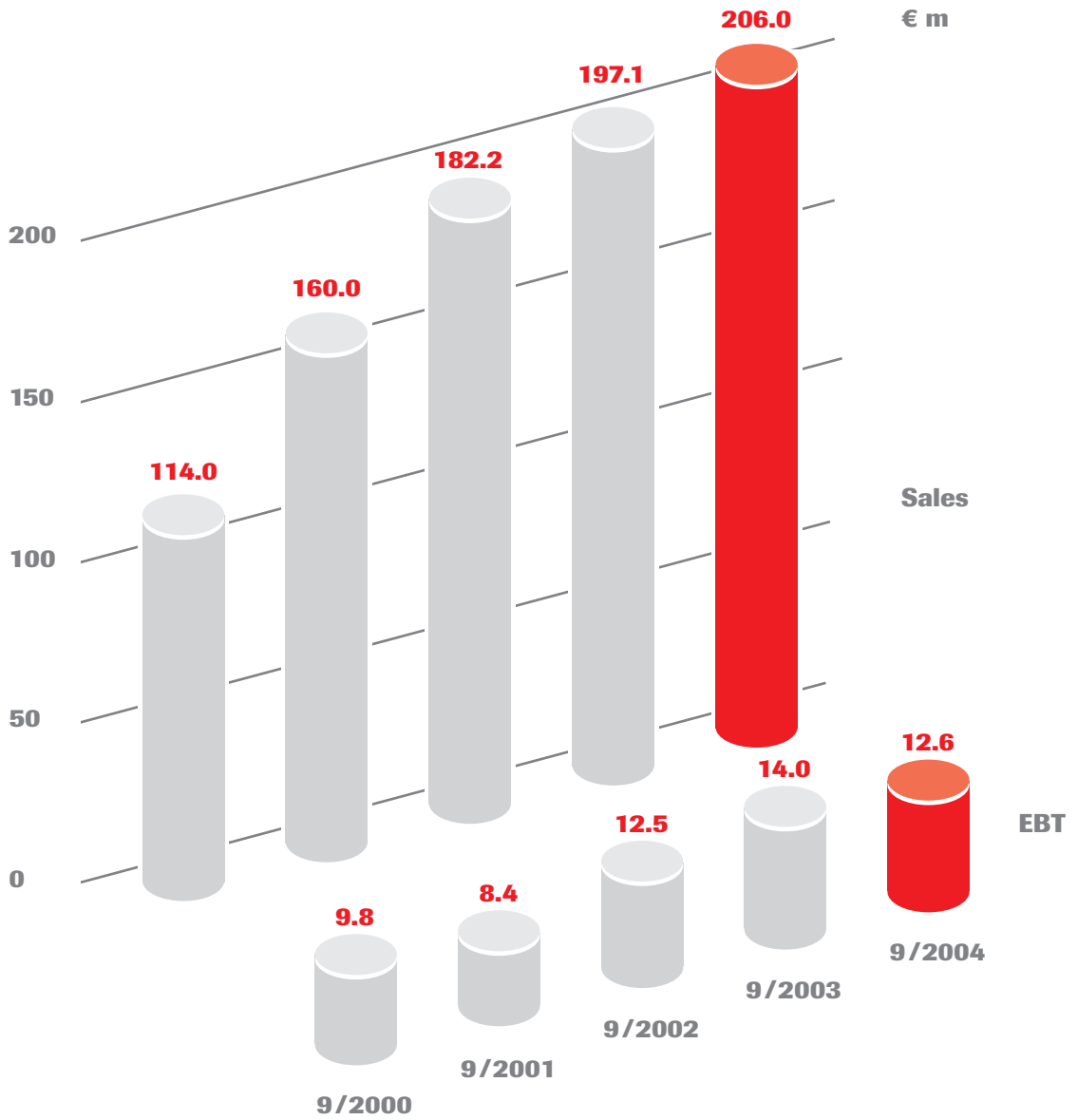
Sales across the Group rose by Euro 8.8 million (plus 4.5 percent) in the first nine months of 2004 compared with the equivalent period in 2003. At Euro 70.3 million, the sales reported by Beate Uhse for the third quarter were around Euro 1.8 million above the level of sales in the third quarter of 2003. Overall, Beate Uhse generated 71.1 percent of its forecast sales for the overall 2004 financial year.

SALES BY PROFIT CENTRE

The growth in consolidated sales was primarily driven by the retail division (plus Euro 8.7 million / plus 16.6 percent) and the mail order division (plus Euro 4.6 million / plus 5.5 percent). Both profit centres have developed on plan. As a result of the logistics problems already outlined in the report for the first half of the year, the wholesale division saw a slight decline in sales (minus Euro 0.5 million / minus 1.0 percent). The entertainment division had to absorb more significant losses. Due to the problems with dialers and the stricter legislation governing the online market, its sales saw a year-on-year decline of Euro 4.0 million (minus 23.8 percent).

SALES BY PROFIT CENTRE

€ million	9 months 30.09.2003	9 months 30.09.2004	Change %
Retail	52.5	61.2	16.6
Mail Order	83.4	88.0	5.5
Wholesale	44.4	44.0	-1.0
Entertainment	16.8	12.8	-23.8
Holding Services	-	-	-
	197.1	206.0	4.5



SALES AND EBT DEVELOPMENT

SALES BY REGION

Beate Uhse has witnessed a further increase in the international share of its overall sales.

At 55.4 percent, these rose by 2.7 percentage points on the equivalent period in 2003. As in the first half of 2004, France, the UK and Austria reported double-digit growth rates in this respect.

SALES BY REGION

€ million	9 months 30.09.2003	9 months 30.09.2004	Change %
Germany	93.3	91.7	-1.7
Netherlands	34.6	37.7	9.2
Belgium	12.8	12.9	1.0
France	13.6	18.0	32.0
United Kingdom	10.2	12.0	17.3
Austria	6.5	10.9	68.8
Switzerland	1.5	1.5	0.1
Scandinavia	11.0	9.2	-15.7
Other European countries	8.1	7.5	-7.9
Other regions	5.6	4.4	-20.2
	197.1	206.0	4.5

DEVELOPMENT OF EARNINGS

At Euro 12.6 million, pre-tax earnings at the end of the third quarter of 2004 were Euro 1.4 million down on the equivalent period in the previous year (minus 10.1 percent). In terms of the third quarter of 2004 alone, pre-tax earnings amounted to Euro 4.0 million and were thus Euro 1.5 million below those in the previous year (minus 27.3 percent). By the beginning of the final quarter of 2004, Beate Uhse had generated just under 60.0 percent of its forecast earnings before tax (EBT) for the overall financial year. Due to a significant improvement in the tax ratio, the net income for the period rose to Euro 8.7 million, an increase of 8.3 percent on the equivalent period in the previous year.

DEVELOPMENT OF OPERATING EARNINGS

Beate Uhse increased its gross margin once again in the third quarter. Compared with the equivalent period in the previous period, it rose by 7.5 percentage points to reach 72.1 percent. Other income rose by Euro 4.6 million. This increase was attributable to the sale of a bond in General Media Inc. and to the income from interest on arrears in the mail order division. The cost of materials also showed a positive trend and fell by Euro 2.2 million to Euro 70.6 million as a result of improved procurement structures (minus 3.1 percent). The materials ratio therefore amounted to 34.3 percent.

Personnel expenses rose by Euro 3.0 million on the equivalent period in the previous year to reach Euro 36.3 million (plus 9.1 percent). This increase as of 30 September 2004 was a result of the chain of Christine le Duc shops not yet having been consolidated in the comparable period in 2003. As in the first half of 2004, other expenses showed a disproportionate increase and reached Euro 90.3 million (plus Euro 13.6 million / 17.7 percent). These primarily relate to advertising expenses incurred at the mail order division in order to serve the Group's international growth.

NET INCOME

The significant improvement in the tax ratio resulted in an increase in net income in the third quarter of 2004. As of September 2004, the Beate Uhse Group had generated net income amounting to Euro 8.7 million (plus 8.3 percent). On account of the utilisation of loss carryovers at subsidiaries, the Group's effective tax rate fell to 24.8 percent.

EBT

€ million	9 months 30.09.2003	9 months 30.09.2004	Change %
Retail	4.1	3.6	-11.4
Mail Order	7.1	7.7	8.4
Wholesale	6.0	3.7	-39.1
Entertainment	2.7	1.5	-46.4
Holding Services	-5.9	-3.8	35.1
	14.0	12.6	-10.1

EBIT

€ million	9 months 30.09.2003	9 months 30.09.2004	Change %
Retail	4.8	4.5	-5.8
Mail Order	7.5	8.0	6.5
Wholesale	6.3	4.4	-30.4
Entertainment	2.8	1.5	-46.8
Holding Services	-5.7	-3.8	34.6
	15.6	14.6	-6.6

EBITDA

€ million	9 months 30.09.2003	9 months 30.09.2004	Change %
Retail	8.0	7.0	-13.2
Mail Order	8.7	9.8	12.6
Wholesale	7.4	5.8	-22.0
Entertainment	3.3	1.8	-45.5
Holding Services	-5.0	-2.5	50.6
	22.5	21.9	-2.7

DEVELOPMENT OF ASSET AND FINANCIAL POSITION

As of 30 September 2004, the balance sheet total of the Beate Uhse Group had increased by 5.7 percent (Euro 10.4 million) since 31 December 2003. One principal reason for this increase was the company's take-over of shares in erotic media ag in the third quarter of 2004. The balance sheet total therefore also showed a significant increase of Euro 14.8 million (plus 8.4 percent) during the third quarter compared with the end of the first half of 2004.

ASSETS

As a result of the increase in the company's shareholding in the film-rights trader, the financial assets and thus the fixed assets of the Beate Uhse Group rose by Euro 8.8 million (11.4 percent) to Euro 86.7 million.

Current assets rose by Euro 2.7 million (2.8 percent) to Euro 98.9 million. The increase in inventories is attributable to stockpiling in preparation for the high level of turnover in the fourth quarter. The Beate Uhse Group always generates its highest level of sales in the winter months and stocks its warehouses and shops accordingly. Trade receivables rose by Euro 9.3 million (36.6 percent) compared with 31 December 2003. This increase is primarily attributable to the mail order division. It is a regularly recurring cycle: order rates rise sharply in the first weeks following the publication of a new Pabo catalogue. This is accompanied by a resultant increase in trade receivables at the mail order division, given that Pabo offers its customers the option of being invoiced, thus postponing the payment deadline.

The securities balance sheet item reduced by Euro 8.8 million (minus 70.3 percent) as of the end of the third quarter of 2004. This development was a result of the sale of treasury stock begun in the first half of 2004 and of the sale of a General Media Inc. bond. In the course of preparations

for a possible cooperation with Penthouse, Beate Uhse AG had bought a bond with a value of Euro 2.1 million at the end of 2003. Following the rejection of the Beate Uhse Group, the bond was sold at a profit of Euro 1.2 million in the third quarter of 2004.

EQUITY

The equity of the Group showed a slight increase of Euro 3.8 million (5.7 percent) to Euro 71.6 million. Compared with the previous year, the equity ratio remained high, but nevertheless declined by 3.6 percentage points to 37.4 percent when directly compared with the reporting date on 30 June 2004. The level of equity received a significant positive boost from the increase of Euro 11.0 million in retained earnings to a total of Euro 17.8 million. The reserves for treasury stock reduced by Euro 6.8 million (66.3 percent) on account of the sale of treasury stock in the third quarter of 2004.

DEBT CAPITAL

At the end of the first nine months of 2004, the accruals of the Beate Uhse Group amounted to Euro 19.2 million. This is equivalent to an increase of Euro 1.9 million (11.1 percent) on 31 December 2003, which is attributable to the increase in tax provisions for current earnings in 2004.

The Group's liabilities rose by Euro 4.6 million (4.7 percent) to a total of Euro 100.7 million.

In detail, these changes were attributable to three principal factors:

- a) Liabilities to banks rose by Euro 5.8 million (12.5 percent) to Euro 51.9 million
- b) Other liabilities grew by Euro 3.4 million (39.9 percent) to Euro 12.0 million. These include a loan granted to the Group by Orthmann AG and liabilities relating to a rise in the VAT reported by Beate Uhse AG on account of the increase in sales at the mail order division
- c) Trade payables, on the other hand, had moved in the opposite direction as of 30 September 2004. The Group reduced these by Euro 4.1 million (minus 19.9 percent) by means of a consistent policy in place since the beginning of the year of settling invoices immediately in order to be able to benefit from cash discounts and exploit the current low interest rate.

CASH FLOW AND INVESTMENTS

The gross cash flow of the Group amounted to Euro 16.1 million at the end of the first nine months of 2004. This represents an increase of Euro 1.1 million (plus 7.4 percent) compared with the equivalent period in the previous year. The operating cash flow was positively influenced by the rise of Euro 0.7 million in income for the period (plus 8.3 percent). Assets rose by Euro 9.9 million and reduced the operative cash flow. This development was attributable to the rise in trade receivables, primarily on account of mail order activities.

As in the first half of 2004, the Beate Uhse Group maintained its policy of settling trade payables immediately. The outflow of funds as a result of changes on the liability side also increased sharply in the first nine months of 2004 (minus Euro 4.3 million).

The operating cash flow therefore amounted to Euro 3.8 million and was thus Euro 8.2 million below the equivalent figure for the previous year. The Beate Uhse Group has improved the use of its liquid funds since the end of 2003 by means of a cash-pooling structure across the Group. The operating cash flow improved by Euro 4.0 million compared with the first half of 2004.

The outflow of funds for investment activities amounted to Euro 4.6 million as of 30 September 2004. The cash flow from financing activities amounted to Euro 1.7 million during the period under report.

INVESTMENTS BY PROFIT CENTRE

€ million	9 months 30.09.2003	9 months 30.09.2004
Retail	3.1	5.3
Mail Order	1.4	1.1
Wholesale	1.2	2.0
Entertainment	0.1	0.2
Holding Services	0.6	0.4
	6.5	9.0

EMPLOYEES

The Beate Uhse Group had a total of 1,503 employees at the end of September 2004. This represents an increase of 40 employees on the first half of 2004. The additional jobs mainly result from the opening of new shops in the retail division and from a higher volume of work in the mail order division on account of an increase in orders following the publication of a key catalogue in the third quarter.

EMPLOYEES BY REGION

total	9 months 30.09.2003	9 months 30.09.2004
Germany	713	750
Netherlands	345	505
Belgium	31	34
France	40	46
United Kingdom	16	23
Austria	7	22
Scandinavia	85	55
Other European countries	41	50
USA	18	18
	1,296	1,503

EMPLOYEES BY PROFIT CENTRE

total	9 months 30.09.2003	9 months 30.09.2004
Retail	662	865
Mail Order	287	284
Wholesale	216	229
Entertainment	87	83
Holding Services	44	42
	1,296	1,503

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

PERFORMANCE AND LIQUIDITY

The Beate Uhse share concluded the third quarter of 2004 at Euro 10.40 (Xetra). Its highest price in the first nine months of the year was Euro 13.02 and the lowest Euro 10.10 (Xetra and floor trading). The share price has declined by 20.1 percent since the beginning of the year. The average daily trading volume on Xetra, its most important trading platform, amounted to 5,592 shares.

DEVELOPMENT OF SHARE PRICE

		9 months 30.09.2003	9 months 30.09.2004
Opening	EUR	11.19	13.02
Closing	EUR	11.20	10.40
High	EUR	11.25	13.02
Low	EUR	9.40	10.17
Average	EUR	10.24	11.38
Development	%	0.10	-20.10

Source: Xetra

INDEX WEIGHTING

The market capitalisation of the Beate Uhse Group amounted to Euro 486.5 million as of the reporting date on 30 September 2004, of which the free float amounted to Euro 168.3 million. Its weighting within the SDAX remained constant (2.75 percent at the end of the first half of 2004, 2.74 percent as of 30 September 2004).

KEY FIGURES FOR THE BEATE UHSE SHARE

		9 months 30.09.2003	9 months 30.09.2004
Capital stock	Pieces	47,323,696	47,323,696
SDAX weighting	%	3.88	2.74
Market capitalisation: total	EUR	487.1	486.5
Market capitalisation: free float	EUR	169.34	168.32
Ø Sales / Day (Xetra)	Pieces	9,383	5,592
Ø Sales / Day (Xetra)	EUR	96,040	63,653

Source: Dt. Börse

PROFIT CENTRES

RETAIL

The international retail business of the Beate Uhse Group showed subdued developments in the third quarter of 2004. The shops in France were on budget. The Dutch erotica market still proved to be difficult.

The warehouse of the Christine le Duc chain was relocated to the new central warehouse at Almere in November 2004. This is aimed at reducing overhead costs and further exploiting synergies between the profit centres.

The shareholding in the shops in Italy was retrospectively increased to 96 percent as of 1 June 2004. The Italian activities have thus been fully consolidated within the Group. In the first four months of its consolidation, Beate Uhse Italia GmbH generated sales of Euro 245.8 thousand and a deficit for the period of Euro 25.3 thousand. Its assets were reported at Euro 618 thousand. Beate Uhse plans to further expand its store chain in Italy.

The German retail business continued to show stable developments. The number of stores remained constant. Following the conclusion of the quarter under report, a Beate Uhse classic store was opened in Heilbronn in October. Further stores in Ulm, Pforzheim and two Beate Uhse stores at highly-frequented locations at Cologne/Bonn and Frankfurt airports are currently being planned. The latter will replace the store in Hall B, which was closed in early 2003 as a result of airport construction measures.

BEATE UHSE SHOPS BY COUNTRY OWN SHOPS

	9 months 30.09.2003		9 months 30.09.2004	
		%		%
Germany	62	50.8	63	39.1
Italy	-	-	6	3.7
Netherlands	34	27.9	66	41.0
Belgium	9	7.4	10	6.2
France	8	6.6	9	5.6
Norway	8	6.6	7	4.3
United Kingdom	1	0.8	-	-
	122	100.0	161	100.0

LICENCE & FRANCHISE

	9 months 30.09.2003		9 months 30.09.2004	
		%		%
Germany	53	41.4	53	38.4
Austria	33	25.8	39	28.3
Switzerland	38	29.7	42	30.4
Norway	4	3.1	4	2.9
	128	100.0	138	100.0

INVESTMENTS

	9 months 30.09.2003		9 months 30.09.2004	
		%		%
Poland	2	100.0	5	100.0
	2	100.0	5	100.0

Mae B. – the store concept for women and couples – has been further expanded in the third quarter. Two more highly publicised shop-in-shops were opened in large Karstadt department stores in Berlin and Frankfurt. Unfortunately, the current Karstadt crisis has also had a negative impact on the Mae B. stores as a result of general decline in the number of customers. The type of shop-in-shop concept personified by Mae B. is a crucial component of the future strategy of Karstadt's management. The department store group intends to rely in future on strong, modern brands and shop-in-shop concepts.

At the four existing stores, the Mae B. team is working on aligning the retail concept to the requirements of its locations. This involves a precise analysis of its product range, the presentation of its goods, the position of the shop, regional marketing measures and feedback from customers etc. These measures will ensure that the further expansion of Mae B. can build on a high degree of certainty with regard to its product range, structure and design.

MAIL ORDER

The third quarter of 2004 was satisfactory at the mail order division. The sharp growth in the sale of goods in the Austrian market is particularly pleasing. The Pabo mail order business has been able to acquire considerable market share in this country. As planned, Belgium, France and Germany saw double-digit growth. Only the UK and the Netherlands fell short of their respective budget sales targets.

The mail order division also reported slight growth as of 30 September 2004 compared with the equivalent period in the previous year (plus 11.5 percent).

Earnings before tax (EBT) were on budget in the third quarter. This development was primarily attributable to earnings growth in Belgium, France, the UK and Germany. The largest increase in this respect was reported by the German mail order business, given that the costs of sales turned out lower than expected. In Austria, investments in new customers were the reason for

earnings remaining below budget. The mail order business consciously invested in marketing measures in this country in order to gain market share. Since the beginning of the year, the pre-tax earnings of the Pabo mail order business have risen by 8.4 percent compared with the equivalent period in the previous year. This development has been supported by a lower level of purchasing prices and a lower dollar exchange rate. There was a noticeable increase in advertising expenses as of 30 September 2004. The economic situation in Europe and consumers' resultant reluctance to consume are the reason for the increased advertising efforts to acquire customers. Since 2003, other mail order companies have steadily lost sales and thus market presence. Pabo aims to retain or expand on its existing level of market share in all country markets.

WHOLESALE

The year 2004 constitutes an exciting, but difficult year for Scala B.V.. This was very clearly reflected in the third quarter of 2004. The sales and earnings of this profit centre were below those for the previous year and unfortunately fell short of their respective budget targets as of 30 September 2004. Following the move to the new logistics centre in May 2004, there continued to be delays in deliveries due to software problems resulting in losses of sales. Scala B.V. has taken on more staff in order to compensate for the technical difficulties and to be able to serve customer demand in two shifts on six days per week. This has resulted in a significant increase in personnel expenses at the wholesales division. At the same time, its earnings were negatively impacted by advisory expenses for software companies.

The clear goal of Scala B.V. is to make the logistics centre fully functional by spring 2005. In order to achieve this goal as quickly as possible, it will be necessary to incur a higher level of advisory expenses once again in the fourth quarter of 2004.

Fortunately, the opinion of many customers as to the new location of Scala B.V. does not reflect the current difficulties. They already see the enormous potential which the new logistics centre will offer them in future. On the basis of its exclusive contracts with suppliers and manufacturers, Scala will be able to provide its customers with a unique product range and individualised deliveries.

The Autumn Fair held in Wiesbaden by the ZBF wholesaler was positive considering the general economic situation and was at the same level as in the previous year. During the entire third quarter, however, the German wholesale business felt the effects of the subdued consumer climate in the retail sector. Retailers were very cautious in stocking up with new goods, which restricted the development of sales at ZBF. In the film product group, the crowding out of VHS by DVD continued. The first suppliers have now withdrawn VHS from their programmes. ZBF GmbH will remove VHS videos from its programme at the beginning of 2005 and will supply films solely with DVDs.

In order to boost Christmas business, ZBF has compiled a special campaign with catalogues for accessories, DVDs, joke articles, contraception and potions and made these available to retailers.

ENTERTAINMENT

In the online erotica business, Beate Uhse New Media GmbH continues to operate in a shrinking market. Apart from the problems with dialers, this development is attributable to the charging by Deutsche Telekom of defaults on receivables incurred on 0190 numbers to the online companies and to a tightening of the relevant legislation. Since February 2004, it has been a legal requirement for callers from German landline numbers to added value service numbers to be informed free of charge of the price of the call. This has resulted in an increase in price sensitivity on the part of consumers and a reduction in the length of such calls, since in the past the announcement of the price was integrated into the beginning of such services and thus charged for. The situation has been further restricted by the second level of implementation of the legislation in force since August 2004. Since then, callers from mobile phone networks have also been infor-

med of the price free of charge prior to the beginning of the call. Beate Uhse New Media GmbH generated around 50 percent of such sales from mobile phone numbers. Overall, the law has therefore had negative consequences for Beate Uhse AG. As a result, Beate Uhse New Media reported a significant decline in sales and earnings in the third quarter and therefore also for the first nine months of 2004.

In the third quarter of 2004, BEATE-UHSE.TV reached its widest range of viewers since it commenced broadcasting. In this respect, the erotica broadcaster benefited from the success of the Premiere Pay-TV platform, which broke through the important target of three million subscribers for the first time in October 2004. The fact that the cooperation between the two partners is working well was reflected by their joint stand at VENUS, the largest erotica fair in Europe, at the end of October 2004, at which BEATE-UHSE.TV and the Premiere full-erotica offer "Blue Movie" were presented together.

BEATE-UHSE.TV will start 2005 with a whole range of new formats. In cooperation with Beate Uhse New Media GmbH, the TV broadcaster's projects include the realisation of interactive and erotica call-in programmes. Apart from beneficial effects within the profit centre, the Group also benefits in this respect from additional revenues from its added value services.

HOLDING SERVICES

The Holding Services division of Beate Uhse AG reduced its expenditure by Euro 2.1 million to Euro -3.8 million. The improvement in its earnings primarily results from its sale of the General Media Inc. bond and from the proceeds of its sale of shares in the Australian Gallery Global Networks Limited.

The Beate Uhse Group streamlined its corporate structure in Scandinavia in the past quarter in order to make enhanced use of the competencies also available in the profit centres in Scandinavia and to further exploit potential synergies. In the past, Scandinavia was the only region whose retail, wholesale and entertainment activities were not incorporated into the respective profit centres. The background to this unique position was the trial nature of the Scandinavian market for the Group.

In the current structure, the newly founded Beate Uhse New Media A.S., controlled by Beate Uhse New Media GmbH, Germany, is to take over the entertainment business and the magazines Lek and Cocktail. For this purpose, Beate Uhse New Media A.S. is to acquire the key assets of Beate Uhse A.S.. The Beate Uhse shops will remain within Beate Uhse A.S., Norway. The management will be assumed by the directors of the Kondomeriet A.S. store chain. Max APS, the Danish wholesale dependency, is to be closed. Since the third quarter of 2004, existing customers have been supplied by Scala B.V. in the Netherlands and by the Swedish wholesaler Beate Uhse Max A.B.. With a market share of around 25 percent, Beate Uhse Max A.B. is already the largest supplier of erotica products in Scandinavia. In future, Max will cooperate more closely with Scala B.V. in the fields of logistics and product range design in order to exploit synergies and to reduce its own costs.

RISKS

The first nine months of 2004 have not produced any noteworthy changes to the risks presented in the management report and group management report accompanying the 2003 annual financial statements. However, the current difficulties at the Almere warehouse logistics centre have led to delays in deliveries and increased costs. This could result in further risks for the Beate Uhse Group.

OUTLOOK

By the end of the third quarter of 2004, the Beate Uhse Group had generated around 71.1 percent of the level of sales budgeted for the overall year. The Group has therefore performed significantly better than in the previous year (plus 4.5 percent), but has nevertheless fallen short of its growth target of plus 9 percent. Given that the mail order and retail profit centres have shown highly positive developments in recent weeks, Beate Uhse expects to be able to report a pleasing fourth quarter.

In terms of its earnings, Beate Uhse does not expect to be able to reach its forecast level of earnings of Euro 21.8 million for the overall year, representing an ambitious target of plus 13 percent in its operating business, in full. The high level of costs incurred in the wholesale division and the tense market situation in the entertainment division overshadow the pleasing results in the other two profit centres. Beate Uhse expects pleasing volumes of sales in the run up to Christmas to boost its pre-tax earnings for the overall 2004 financial year. The fourth quarter is traditionally the company's strongest quarter in the entire year. Given that the tax ratio has improved significantly in the course of the year, Beate Uhse expects to report net income for the overall financial year of at least the same level as in the previous year.

INVESTMENTS AND INDIVIDUAL PROJECTS IN 2004

Investments in the current financial year are being focused on the retail division (start-up phase of the Mae B. store chain, modernisation of existing store chain) and in approximately equal shares on the mail order and wholesale divisions. As of 30 September 2004, the Group had invested around Euro 2.5 million more than in the equivalent period in 2003. While there was a slight decline in the level of investment in the mail order and holding services divisions in the first nine months of 2004, there was an increase in the volume of investment in the retail and wholesale divisions. These were focused on the modernisation of Beate Uhse stores and the extension of the new wholesale logistics centre in Almere.

The most important projects in the coming months in 2004 include:

- Preparations for the further multiplication of the new Mae B. store concept in 2005
- Projects aimed at attracting new customers for the mail order business in selected growth markets, such as Germany, the UK and France
- Optimisation of working processes at the new central warehouse in Almere
- New IT system for the mail order business

BALANCE SHEET (HGB)

Assets € 000s	31.12.2003	30.09.2004	Liabilities € 000s	31.12.2003	30.09.2004
Intangible assets	23,445	24,305	Subscribed capital	47,324	47,324
Property, plant & equipment	26,657	26,080	Reserve for treasury stock	10,279	3,465
Financial assets	27,778	36,341	Revenue reserves	3,295	3,295
			Balancing item for currency conversion	710	603
			Balancing item for minority interests	-619	-851
			Retained earnings	6,795	17,790
Total fixed assets	77,880	86,726	Total equity	67,784	71,626
Inventories	42,020	43,403	Accruals	17,266	19,189
Receivables	33,254	42,624	Liabilities to banks	46,139	51,915
Marketable securities	12,560	3,728	Borrowers' note loan	20,500	19,786
Liquid assets	8,343	9,141	Trade payables	21,010	17,086
			Other liabilities	8,549	11,959
Total current assets	96,177	98,896	Total liabilities	96,198	100,746
Prepaid expenses	5,288	4,276	Deferred income	2	41
Deferred taxes	1,905	1,704			
	181,250	191,602		181,250	191,602

MARKET DEVELOPMENTS

The level of demand in the erotica market has adjusted to general economic conditions. Its development is one of "wait and see", but remains stable. The sector is currently in a phase of reorientation, as is demonstrated by events and new ownership structures at many companies in the sector. Additional potential may become available to Beate Uhse in the course of the year in the form of suitable acquisitions. These have not been accounted for in the budget targets.

INCOME STATEMENT (HGB)

€ 000s	Q 3/2003 1.7.-30.9.03	Q 3/2004 1.7.-30.9.04	9 Monate 30.09.2003	9 Monate 30.09.2004	Change € 000s	Change %
Sales	68,598	70,278	197,150	205,952	8,802	4.5
Other income	3,852	4,179	8,587	13,202	4,615	53.7
Total operating performance	72,450	74,457	205,737	219,154	13,417	6.5
Cost of materials	26,243	23,688	72,888	70,647	-2,241	-3.1
Personnel expenses	10,968	11,713	33,234	36,255	3,021	9.1
Depreciation	2,261	2,496	6,909	7,341	432	6.3
Other operating expenses	26,890	31,687	76,684	90,271	13,587	17.7
Income from participations	-97	-112	-435	-84	351	-80.7
Net interest expenses	-448	-757	-1,550	-1,941	-391	25.2
Earnings before tax (EBT)	5,543	4,004	14,037	12,615	-1,422	-10.1
Income taxes	1,810	1,212	4,988	3,132	-1,856	-37.2
Other taxes	352	255	996	760	-236	-23.7
Net income	3,381	2,537	8,053	8,723	670	8.3
Minority interests	-25	200	465	213	-252	-54.2
Profit/loss carried forward	-	-	313	2,138	1,825	583.1
Change to reserve for treasury stock	-	-	-	6,813	6,813	
Distribution to minorities	-	-	-	-98	-98	
Retained earnings	3,356	2,737	8,831	17,790	8,959	101.4

CASH FLOW (HGB)

€ 000s	Q 3/2003 1.7.-30.9.03	Q 3/2004 1.7.-30.9.04	9 months 30.09.2003	9 months 30.09.2004
Net income	3,381	2,537	8,053	8,723
Depreciation	2,262	2,496	6,909	7,341
(+/-) Increase/Decrease in assets	-7,866	-10,854	-6,799	-9,939
(-/+) Increase/Decrease in liabilities	3,155	5,679	922	-4,287
Other adjustments	2,460	4,219	2,985	1,937
Cash flow from operating activities	3,392	4,077	12,070	3,775
Cash flow from investment activities	-1,753	-948	-8,431	-4,601
Cash flow from financing activities	-4,605	-1,085	-9,642	1,732
Change in cash & cash equivalents	-2,966	2,044	-6,003	906
(+/-) Change in cash & cash equivalents	513	1,029	239	-108
Cash/cash equivalents: beginning of period	10,540	6,068	13,851	8,343
Cash/cash equivalents: end of period	8,087	9,141	8,087	9,141

SHAREHOLDERS EQUITY CHANGE ACCOUNT (HGB)

€ 000s	Equity			
	Subscribed capital	Revenue reserves		Retained earnings
		Reserves for treasury stock	Other revenue reserves	
Balance at 01.01.2003	47,324	3,425	7,920	5,015
Capital increase				
Net income for the period				8,053
Currency changes				
Earnings/losses minorities				465
Offsetting of goodwill			-2,539	
Withdrawal from/increase in revenue reserves				
Dividend				-4,702
Purchase of treasury stock				
Balance at 30.09.2003	47,324	3,425	5,381	8,832
Balance at 01.01.2004	47,324	10,279	3,295	6,795
Net income for the period				8,723
Distribution to minorities				-98
Currency changes				
Earnings/losses minorities				213
Offsetting of goodwill				
Withdrawal from/increase in revenue reserves				
Dividend				-4,657
Purchase of treasury stock		-6,813		6,813
Balance at 30.09.2004	47,324	3,465	3,295	17,790

SEGMENT REPORT (HGB)**30. September 2003**

€ 000s	Retail	Mail Order	Wholesale	Entertainment	Holding	Total
Sales	52,529	83,392	44,424	16,804	-	197,149
Operating result (EBIT)	4,771	7,475	6,255	2,829	-5,744	15,587
Depreciation	3,310	1,142	1,322	416	719	6,909
Assets	34,177	30,036	27,403	5,158	72,640	169,414
Investment in long-term assets	3,125	1,442	1,245	125	568	6,505
Trade payables	1,750	9,170	6,503	1,501	273	19,197
Accruals	5,306	5,329	2,767	1,472	2,814	17,688
Liabilities to banks	4	10	339	17	56,246	56,616
Other liabilities	2,578	5,167	1,004	389	1,253	10,391

Earned shareholders equity for the group	Adjustment for currency conversion	Minority capital Adjustment for minorities	Total equity
16,360	117	795	64,596
			0
			8,053
	239		239
		-599	-134
			-2,539
			0
			-4,702
			0
17,638	356	196	65,514
20,369	710	-619	67,784
			8,723
			-98
	-107		-107
		-232	-19
			0
			0
			-4,657
			0
20,369	603	-851	71,626

30. September 2004

Retail	Mail Order	Wholesale	Entertainment	Holding	Total
61,225	87,950	43,971	12,806	-	205,952
4,493	7,960	4,356	1,506	-3,759	14,556
3,697	916	1,412	338	977	7,340
36,791	28,226	35,872	8,337	81,965	191,191
5,293	1,114	1,972	224	372	8,975
1,832	5,001	7,468	1,433	1,353	17,087
5,155	6,597	3,403	494	3,539	19,188
901	9	9	10	70,772	71,701
3,183	4,319	855	366	2,825	11,548

NOTES

ACCOUNTING AND VALUATION METHODS

This interim report has been compiled in line with the requirements of the German Commercial Code (HGB) and in accordance with German Accounting Standard (DRS 6). The accounting and valuation principles correspond to those applied in the consolidated financial statements for the 2003 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

The following changes have occurred within the reporting entity since the 2003 consolidated financial statements (as of 30 September 2004):

- a) The shareholding held by the Beate Uhse retail division in Beate Uhse Italia GmbH was increased to 96.5 percent as of 1 June 2004. Since that date, Beate Uhse Italia GmbH has been fully consolidated within the Group.

Balance sheet total: Euro 617.8 thousand, Sales: Euro 245.8 thousand: Deficit for the period: Euro 25.3 thousand

- b) Beate Uhse New Media GmbH has taken a 100 percent shareholding in the newly founded Norwegian Beate Uhse New Media A.S.

Balance sheet total: Euro 2.2 million, Sales: Euro 132.4 thousand, Net income for the period: Euro 18.0 thousand

- c) Beate Uhse Einzelhandels GmbH has taken over 100 percent of the newly founded Beate Uhse Fun Center GmbH.

Balance sheet total: Euro 315.1 thousand, Sales: Euro 259.4 thousand, Deficit for the period: Euro 1.9 thousand

SEGMENTAL REPORTING

A detailed representation 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 2003.

EVENTS SUBSEQUENT TO THE REPORTING DATE

There have been no events requiring report under this heading subsequent to 30 September 2004.

EARNINGS PER SHARE

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

		9 months 30.09.2003	9 months 30.09.2004
Net income for the period	€ million	8.1	8.7
Number of shares (diluted)	Pieces	47,005,176	46,546,878
Number of shares (undiluted)	Pieces	47,018,072	46,549,385
Earnings per share (diluted)	EUR	0.17	0.19
Earnings per share (undiluted)	EUR	0.17	0.19

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 primarily results from profit and loss transfer agreements concluded with its subsidiaries and from further investment income, as well as from the expenses relating to its functions as the holding company. Beate Uhse AG had 42 employees as of 30 September 2004.

FINANCIAL CALENDAR 2004 / 2005

Roadshow London	15. / 16. November 2004
End of financial year	31. December 2004
Shareholders Letter	8. March 2005
Annual Report 2004	30. March 2005
3-Month Statement	12. May 2005
Shareholders Meeting	June 2005
Shareholders Letter	5. July 2005
6-Month Statement	15. August 2005
Shareholders Letter	20. October 2005
9-Month Statement	15. November 2005

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