

SEX UP YOUR LIFE



Nine-Month-Statement 2002



Brief overview

- 14% sales growth to € 182.2 million
- Pre-tax result increases as planned to € 12.5 million
- Restructuring measures in Wholesale impact as anticipated
- Relaunch of Beate Uhse brand on November 12, 2002.

Key company ratios

m €	Nine month 09-30-2002	Nine month 09-30-2001
Development of sales		
Total sales	182.2	160.0
Foreign share of sales in %	49.4%	44.5%
Earnings		
EBITD	21.3	15.9
EBIT	14.5	9.8
EBT	12.5	8.4
Net income for period	6.8	3.1
Other earning ratios		
Sales margin after tax	3.7%	1.9%
Return on equity	10.1%	5.1%
Finanzlage		
Cash Flow from operating activities	14.3	11.2
Liquid funds	12.6	8.1
Investments without financial assets	6.8	6.2
Depreciation	6.9	6.1
Assets and equity structure		31. 12. 2001
Balance sheet total	175.2	169.4
Shareholders equity	67.1	60.3
Capitel ratio	38.3%	35.6%
Fixed assets	76.1	73.9
Currend assets	90.9	86.9
Other information		30. 09. 2001
Employees	1,194	1,151
Personal costs ratios	30.6	27.0
Shares (€)		
Number of shares	47,323,696	46,970,570
Price (as of 09-30)	9.55	13.10
High in 2002	11.95	14.34
Low in 2002	8.65	10.98

Beate Uhse Group in the first nine months of 2002

The Beate Uhse Group developed positively not only in the first nine months but also in the third quarter examined separately. The success and the appropriateness of the extensive measures already initiated at the end of 2001 proved their efficacy, particularly in the difficult market environment. For example, the Main Association of the German Retail Industry spoke of the most severe crisis in the retail trade in the post-war period. In contrast, all profit centres in the Beate Uhse Group continued their good development.

Beate Uhse will unabatedly continue the strategic and operative realignment it has initiated.

Core competence

The rigorous concentration on the trading and sale of erotic products and contents brings with it increasing additional synergy potential between the individual profit centres. One example is cross-media marketing activities. Even in the current difficult market situation this leads to considerably improved ratios in terms of sales and results per client.

Internationalisation

Against the background of the continuing cloudy consumer environment in Germany, the strategy of growing strongly in internatio-

nal markets is proving to be an important basis for business success in 2002.

Efficiency

With the newly planned logistics centre in Almere, in the Netherlands, the Beate Uhse Group is on track for a decisive step in improving efficiency. The new logistics concept will set new benchmarks in the erotic industry for inventory turnover, capital commitment, speed of delivery and availability of goods.

Profit

In the first nine months Beate Uhse has demonstrated that, as absolute market leader, earnings improvements are possible with rigorous measures, even in a negative consumer atmosphere. All profit centres, including the Internet activities, contribute to this positive development of earnings.

Brand

The key issue over the last months was the restructuring of the brand architecture with the objective of streamlining the brand portfolio and positioning Beate Uhse as umbrella brand. In November, the extensive relaunch of the market presence of the Beate Uhse brand will be presented to the public for the first time. The brand contains a new, modern look, reflected in all profit centres of the Consumer units.

Development of sales

In the last nine months the Beate Uhse Group increased sales by almost 14% to € 182.2 million. By comparison: in 2001, sales totalled € 160 million in the same period.

Looking at the third quarter separately shows that, in 2002, Beate Uhse maintained its position successfully with sales of € 62.9 million. Growth of 18% was posted against the previous quarter in 2002. In the seasonally somewhat poorer second quarter Beate Uhse booked sales of € 53.3 million. A comparison with the third quarter of 2001 shows a 14% sales increase. This is a plus of € 7.9 million on the basis of € 55 million in Q3/2001.

Sales in the Trading division, which combines Retail, Mail Order and Wholesale activities, were above those of the previous year. Sales rose by just under 13% to € 164.1 million. In Retail, sales in the first nine months were stable at € 50 million, while Mail Order (up 27% to € 67 million) and Wholesale (up 10% to € 47 million) both improved on the comparable period of the previous year. Sales in the

Sales by profit centre m €	Nine Month 09-30-2002	Nine Month 09-30-2001
Trading	164.1	145.4
Retail	50.0	50.3
Mail Order	67.4	52.9
Wholesale	46.7	42.2
Entertainment	18.1	14.2
Holding Services	0.0	0.4
Total	182.2	160.0
Sales by region		
Mio. €	Nine Month 09-30-2002	Nine Month 09-30-2001
Germany	92.2	88.8
Netherlands	36.0	29.1
Belgium	12.0	11.6
France	10.4	6.9
England	6.5	4.7
Austria	5.7	5.0
Switzerland	1.7	1.5
Rest of Europe	9.9	9.8
Other regions	7.9	2.5
Total	182.2	160.0
Outside Germany	90.0	71.2



Entertainment division, combining the figures from the Internet and Telephone activities rose by 27% or € 3.9 million to € 18.1 million.

Despite the negative retail climate, the German share of total sales was slightly over 50%. The good development in German Wholesale and in Entertainment was the factor ensuring that Germany remains by far the most important national market. In the direct business with end clients, i.e. especially Retail and Mail Order, foreign activities fared much better.

Development of earnings

In the third quarter Beate Uhse strengthened the sustained nature of the positive development of earnings in 2002. All profit centres contributed to the good development, both across the nine-month period and in the third quarter. EBT increased by 49% from € 8.4 million to € 12.5 million. At the same time EBIT rose in the first nine months by 48% to € 14.5 million. In view of the difficult general economic situation and the restructuring and efficiency improvement measures which have not been fully completed, the management considers the development of EBIT across the quarters (Q1/2000: € 5.6 million, Q2/2002: € 3.2 million, Q3/2002: € 5.7 million) satisfactory.

EBT by profit centre m €	Nine Month 09-30-2002	Nine Month 09-30-2001
Trading	17.6	13.9
Retail	3.9	5.8
Mail Order	7.2	6.6
Wholesale	6.5	1.5
Entertainment	1.0	-1.2
Holding Services	-6.2	-4.3
Total	12.5	8.4

EBIT by profit Centre m €	Nine Month 09-30-2002	Nine Month 09-30-2001
Trading	20.1	16.6
Retail	5.1	7.1
Mail Order	7.7	6.8
Wholesale	7.3	2.7
Entertainment	1.1	-0.8
Holding Services	-6.7	-6.0
Total	14.5	9.8

Wholesale generated the highest earnings growth in the first nine months of 2002. Here the operating result increased from € 2.7 to € 7.3 million. Despite a restrained level of orders on the part of shoppers, restructuring of the German wholesaler showed considerable success. In Mail Order the EBIT grew by 13% to € 7.7 million. In a yoy comparison for the nine months Retail posted an EBIT decline of 27%. However, a comparison of the individual quarters shows that here too Beate Uhse made the best possible adjustment to the difficult general situation. In comparison to the two previous quarters, Retail almost doubled EBIT in the third quarter due to seasonal factors. The whole Trading division thus generated a total operating result of € 20.1 million, more than 21% more than in the same period of the previous year.

In the Entertainment division, the positive development also continued. After a minus of € 0.8 million in 2001, Beate Uhse now generated a positive figure of € 1.1 million. The per se negative result of Holding Services increased slightly. This segment, which bundles the entire administrative services for the Group and which generates no sales, posted a minus of € 6.7 million, after minus € 6.0 million in the first nine months of the previous year. Expenditure for the brand relaunch was the key factor impacting the Holding result this year.

Development of assets and financial situation

In the reporting period the equity capital of the Beate Uhse Group increased from € 60.3 million (December 31, 2001) to € 67.1 million (September 30, 2002). The equity ratio is thus 38.3%, after 35.6% at December 31, 2001. Decisive for the positive development was the good earnings position of the Group and thus transfers to the net income posted in the balance sheet.

At the same time the Group reduced liabilities from € 95.7 to € 90.5 million over the last nine months. Repayment of € 8 million in respect of other liabilities was offset by a € 4 million increase of the due to banks position. The growth-driven increase of returns in Mail Order and accruals in the context of the planned relocation of logistics resulted in an increase of accruals from € 13.4 to € 17.1 million. The balance sheet total increased from € 169 million to € 175 million.

On the assets side there were the following changes as of September 30: intangible assets increased by € 3.8 million. The € 1.4 million increase in the Property, Plant and Equipment position is due largely to the construction of the production hall in Hungary. Financial assets declined by € 3.1 million, due to cash inflows from loans to affiliated companies and a lower valuation of the associated companies consolidated at equity. Assets thus totalled € 76.1 million after € 73.9 million on December 31, 2001.

As of September 30, 2002, current assets increased from € 86.9 million to € 90.9 million. While inventories were reduced slightly, trade receivables, in particular, increased. The reason for this was strongly increased Mail Order sales and the somewhat slower incoming payments situation due to the general development of the economy. Beate Uhse is counteracting this with a rigorous receivables management, while making an adjustment to the relevant accruals position.

The development of assets and liabilities impacted the operative cash flow with an increase from € 12.8 million to € 14.3 million. In the third quarter Beate Uhse AG continued the targeted repayment of third-party loans. Cash flow from financing activities was thus minus € 7.1 million. Cash flow from investment activities declined from minus € 31.5 to minus € 12.0 million. Thus cash flow from investment activities reflects the change of strategy from a growth driven strongly by acquisitions to organic growth. Cash and cash equivalents at the end of the third quarter totalled € 12.6 million.

Share

In the first nine months of 2002, the Beate Uhse share has demonstrated relative strength. On a 9-month view the price was down 18%. It clearly outperformed the relevant indices MDAX and CDAX Retail. The two indices posted a minus of over 30%. In the third quarter, the Beate Uhse share first posted a slight price decline followed by considerable gains, some of which were relinquished in the rest of the quarter, so that the share closed at its opening level. In the reporting period there was a considerable outperformance against both the MDAX and CDAX Retail, which posted minuses of between 20% and almost 30%.

With this relative outperformance to the market, Beate Uhse strengthened its own position in the MDAX. In view of the pending realignment of the index worlds this is of considerable importance. In the current scenario Beate Uhse is in the borderline area of the MDAX, reduced to 50 stocks, and the SDAX, and remains an aspirant for the MDAX which is to be upgraded from 2003. The Beate Uhse Group will thus not cease in its endeavours to meet all conditions for inclusion in the new MDAX 50 - with good operating results, further Investor Relations measures and meeting the criteria of the Prime Standard.

Employees

Average employees	Nine Month 09-30-2002	Nine Month 09-30-2001
By region:		
Germany	720	751
Netherlands	335	328
Belgium	33	31
France	37	20
England	10	9
Austria	7	6
Rest of Europe	98	6
Total	1,240	1,151
By segment:		
Retail	617	596
Mail Order	262	205
Wholesale	223	185
Entertainment	94	93
Holding-Services	44	72
Total	1,240	1,151
Personnel costs (Total m €)	30.6	27.0
Personnel costs/ employee (T€)	24.7	23.5

In a year-on-year comparison, the number of employees in the Beate Uhse Group increased slightly. While the Group employed a total of 1,151 staff on September 30, 2001, the figure for the same date of the current year is 1,194. Three months ago 1,177 staff were employed.

In line with the current expansion projects, the number of employees in France and Scandinavia increased considerably.

Outlook 2002

After the results of the first nine months, Beate Uhse largely maintains the plans for the whole of 2002, communicated in 2001. Despite the continuing bleakness of the economic situation, the earnings targets appear realistic. However, due to the general consumer restraint, the Beate Uhse Group anticipates modest Christmas business. Beate Uhse expects sales of € 245 million (up 10% on the previous year) and EBT of € 17 million for the whole of 2002. The most important projects in the fourth quarter are the presentation and implementation of the comprehensive brand relaunch, the market entry on the British erotic retail market with the first shop opening in Sutton/London and further preparations for the logistics centre in Almere.

Development of profit centres

Retail

Beate Uhse Retail continued the market test of its new shop concept. Since April 2002, Beate Uhse has been testing a shop concept addressing both women and couples with selected product groups such as lingerie and toys. Alongside the introduction of the new test shops, Beate Uhse Retail is commencing with the modernisation of the traditional sex shops, in order to establish the new market presence of the Beate Uhse Group. The two shop concepts are clearly differentiated by product group, target group and ambience.

The current test markets for the new shop concept are Norway and, since October 2002, Great Britain. In the third quarter, a fourth shop in Norway was added to the three shops in Norway – in Oslo. With access to the four largest cities in the country, the first expansion phase in Norway has now been completed.

Beate Uhse Shops	Nine Month 09-30-2002		Nine Month 09-30-2001	
	absol.	in %	absol.	in %
Own Shops				
Germany	53	49,5	51	52,0
Netherlands	34	31,8	34	34,7
Belgium	9	8,4	9	9,2
France	7	6,5	4	4,1
Norway	4	3,7	0	0,0
Total	107	100.0	98	100.0
License/Franchise Shops				
Germany	50	45,5	63	57,3
Austria	25	22,7	20	18,2
Switzerland	31	28,2	24	21,8
Italy	4	3,6	3	2,7
Total	110	100.0	110	100.0

With a 120 square metre shop in Sutton, a London suburb, the test is being extended to another country market. Up to now, Beate Uhse has operated in Great Britain exclusively with mail order activities using the Pabo brand. Surveys showed that the English market is eminently suitable for a test of the new shop concept, due to various different factors. For the further stages of the test, Beate Uhse is planning shops only in the best retail locations (high street). The objective is to become a national player, as the previous market penetration of erotic shops for women and couples is below average in England.

Despite very strong consumer restraint, Beate Uhse remains on a moderate growth track in Germany. Ultimately, this was due to a further optimisation of the cost structures. In the third quarter, German Beate Uhse Retail opened two traditional shops in Frankfurt and Braunschweig. The Beate Uhse outlet at Frankfurt Airport was

Segment report

m €	Trading		Entertainment		Holding		Total	
	09-30-02	09-30-01	09-30-02	09-30-01	09-30-02	09-30-01	09-30-02	09-30-01
Sales	164.1	145.4	18.1	14.2	0.0	0.4	182.2	160.0
EBIT	20.1	16.0	1.1	-0.8	-6.7	-6.0	14.5	9.8
Depreciation	5.6	4.4	0.7	1.1	0.6	0.6	6.9	6.1
Assets	129.3	107.1	6.5	8.3	39.4	25.9	175.2	141.3
Trade payables	14.6	11.7	2.4	1.0	0.2	0.4	17.2	13.1
Provision	13.5	6.5	1.4	1.1	2.3	3.6	17.2	11.2
Amounts due the banks	5.5	9.6	0.0	0.0	45.5	27.5	51.0	37.1
Other liabilities	13.6	18.5	0.5	0.4	8.2	0.3	22.3	19.1



reopened in September, after reconstruction work in Terminal A of Frankfurt Airport. Beate Uhse used the renovation phase as an opportunity to equip the shop with the new Beate Uhse branding. Right from the new start, this shop re-established the very good client acceptance of the past and reached breakeven as early as October.

The Beate Uhse store network was extended in Italy. Here, Beate Uhse holds a 50% participation in Beate Uhse Italia GmbH. With the new shop in Trieste, the company now has four sales outlets in Italy.

Mail Order

The differentiated development at Mail Order, which was described at the half year, continued to September. In all countries, Mail Order posted sales considerably above the level of the previous year. England developed in line with planning. France considerably exceeded the goals for September. Sales in Holland, Belgium and Austria slightly lagged planning. In the third quarter, Germany did not reach the planned figures. General consumer restraint was clearly evident.

In the third quarter of 2002, the number of contacts with consumers via catalogues and direct mail shots was increased to a total of 21 million across Europe. Germany and the Netherlands were the focus of the advertising campaign which had the objective of gaining market share when the market is weak.

Wholesale

International Wholesale developed satisfactorily. The positive impulses for sales and earnings are largely due to the restructuring measures implemented, particularly in Germany. Despite what has been a good development, Wholesale anticipates modest growth over the next months, as a result of lower consumer demand resulting from the general economic situation.

Against the general market situation, the Dutch Wholesale subsidiary Scala developed well as of September 2002. As leading wholesaler for erotic products worldwide, Scala services some 2,600 clients in 60 countries. Beate Uhse Wholesale managed to compensate the declining video market with good DVD sales. However, this positive development was muted by strong price pressure for DVDs.

At the one-week autumn fair Beate Uhse Wholesale increased sales in Germany in comparison to the previous year. In normal operations German Wholesale increased its sales and earnings situation and in a difficult market extended its leading position in German erotic wholesale. The good trend is the direct result of the restructuring measures and cost optimisation introduced in 2001. The product range was considerably extended, particularly in the areas of video, DVD and lingerie. The total range covers more than 15,000 articles. German Wholesale services thousands of shoppers and suppliers of erotic products across Europe.

Entertainment

The Entertainment division continued to post a good performance. In particular, Beate Uhse New Media and NetCom strongly improved the sales and earnings situation in Internet. On the other hand, the situation on the entire online market deteriorated, due to the uncertainty of end consumers as a result of increasing dialler abuse in the worldwide web. As early as June 2002, Beate Uhse New Media initiated legal action relating to infringements of the rules of competition against various suppliers, portal and network operators who are deploying the dialler in an illegal way. In addition, Beate Uhse New Media is increasingly using alternative collection methods such as the use of credit card settlement and guarantees client security when the Beate Uhse dialler is used.

The broadband internet video store Beate Uhse Movie On, which went online in the second quarter, is posting a constant development. The film range offered has been extended from the previous range of 4,500 minutes to 10,000 minutes and new service specials have been added, such as dispatching video films as presents. Beate Uhse New Media will continue to expand the internet video store and is expecting a good development with the steadily expanding penetration of broadband connections in private households and growing awareness of Beate Uhse Movie On.

In the classical online business Beate Uhse New Media has extended its e-mail marketing. In order to more strongly position the Beate Uhse competence as experts in erotic matters, client dialogue was significantly extended with newsletter offers and free films and the cross-marketing between internet, telephony and TV. In the future, Beate Uhse New Media will reinforce the expansion of existing and new cooperation and deploy technical optimisation, such as database-based pages and broadband internet video stores.

In Telephony, Beate Uhse New Media successfully initiated further cooperations. The sales margin was increased as a result of very selectively deployed advertising measures. Since the beginning of the year, Telephony has been operating in a more earnings-oriented manner. Further work is being done to promote the convergence of the two areas Online and Telephony.

In the third quarter of 2002, the erotic channel Beate Uhse TV received the agreed payments from Premiere, as scheduled. Sales and earnings of the only German erotic channel are in line with planning. Since August 2002 Beate Uhse TV can also be booked individually on the Premiere platform for a monthly fee of € 3.

In October 2002, the Berlin TV channel started a cooperation with Neun Live GmbH & Co. KG, a free television channel sponsored by viewer calls and managed by Christiane zu Salm. Beate Uhse TV supplies a 30-minute Best of Beate Uhse TV every day and also advertises for the current value-added services of Beate Uhse New Media.

Alongside the successful cooperation with the Entertainment division, Beate Uhse TV and Retail are cooperating on joint projects. As part of a photo shooting, the well-known Beate Uhse TV presenters Carmen and Mona present the current Retail lingerie collection for the next shop catalogue. To fully exploit the synergy potential between the profit centres, film excerpts from the photo shootings are broadcast as sexy strips and spots on Beate Uhse TV.

Financial Calendar 2002

11-26-2002	Publication of the 9-month-report 2002
11-27/28-2002	Roadshow: Groupmeetings Frankfurt/London
12-31-2002	End of financial year

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Profit and Account (HGB)

	9 Month 09-30-2002	9 Month 09-30-2001	Change absol.	Change
	T€	T€	in T€	in %
Sales	182,197	160,011	22,186	13,87
Other income	6,529	5,444	1,085	19,93
Total operating performance	188,726	165,456	23,270	14,06
Materials	70,945	65,971	44,974	7,54
Personnel costs	30,608	26,997	3,611	13,38
Depreciation	6,855	6,111	744	12,18
Other expenses	64,242	56,202	8,040	14,31
Income from participation	0	375	-375	-100,00
Expenses from loss assumption from associated companies	1,588	772	816	0,00
Interest result	-2,033	-1,428	-605	42,41
Pre-tax result	12,455	8,351	4,104	49,51
Taxes on income	4,890	4,495	-395	-8,79
Other taxes	788	772	-16	-2,13
Result after taxes	6,777	3,085	3,692	119,70

Balance sheet (HGB)

	9 Month 09-30-2002	full year 12-31-2001		9 Month 09-30-2002	full year 12-31-2001
Assets	T€	T€	Liabilities	T€	T€
Intangible assets	18,525	14,682	Share capital	47,325	46,971
Tangible assets	24,945	23,536	Deposit of resolved capital increase	0	353
Financial assets	32,582	35,692	Reserve for treasury stock	3,427	2,663
			Adjustment position currency translation	196	-48
			Adjustment position minorities	269	269
			Annual net income	15,852	10,076
Total fixed assets	76,052	73,910	Shareholders equity	67,069	60,284
Inventories	33,438	35,505	Special item	250	16
Receivables	40,855	33,509	Accruals	17,145	13,412
Liquid funds	16,582	17,889	Amounts to the banks	50,925	46,952
Prepaid expenses	8,315	8,616	Trade payables	17,222	18,460
			Other liabilities	22,331	30,305
			Deferred income	300	0
Total assets	175,242	169,429	Total liabilities	175,242	169,429

Cash Flow (HGB)

	9 Month 09-30-2002	full year 12-31-2001
	T€	T€
Net income for the period	6,777	2,231
Depreciation	6,829	10,112
Increase/decrease assets	-5,130	-3,875
Increase/decrease liabilities	1,947	4,865
Other adjustments	3,838	-517
Cash Flow from operating activities	14,261	12,816
Cash Flow from investments activities	-12,025	-31,466
Cash Flow from financing	-7,144	26,038
Change in financial fund	-4,908	7,388
+/- change in financial fund	2,737	-806
Financial fund at beginning of period	14,770	8,188
Financial fund at end of period	12,599	14,770