

Beate Uhse
9 Months' Statement 2001



In Brief

Sales growth of 40.4% to DM 313 million.
EBT down by 15.1% to DM 16.3 million.
Strongly diverging development in the business divisions.
Restructuring of internet business introduced.

Key company indicators

million DM	01.-09. 2001	01.-09. 2000	Change in %
Development of sales			
Sales total	313.0	222,9	40.4
Foreign portion of sales in %	44.5%	24.9%	
Results of operations			
Consolidated net profit for the period	1.9%	4.5%	
Personnel expenses	52.8	44.0	20.1
No. of employees	1,151	*1,096	5.0
Return on equity in %	5.1%	8.1%	
Other indicators			
EBITDA	31.1	31.0	0.2
EBIT	19.1	20.3	-6.0
EBT	16.3	19.2	-15.0
Net profit for the period	6.0	10.1	-40.5
Financial situation and dividends			
Cash flow (from operating activities)	21.8	-3.4	
Cash and cash equivalents	15.8	17.8	-11.2
Additions to property, plant and equipment	12.2	16.3	-25.1
Depreciation	12.0	10.7	11.9
	per	per	
	30.09.01	31.12.00	
Composition of assets and equity			
Total assets	276.3	258,1	7.1
Equity	118.8	124,9	-4.8
Ratio of equity to assets in %	43.0%	48,4%	
Fixed assets	111.0	102,8	7.9
Current assets	157.2	146,5	7.2

*Full consolidation of netherlands companies

Company development

In the first nine months of 2001 sales at Beate Uhse AG developed well at DM 313 million. This corresponds to an increase of 24% against budget. In Q3 2001 alone, sales of DM 108 million were achieved. In line with the company's international expansion strategy, activities abroad, totaling DM 139.3 million, made a particularly strong contribution to the group's total sales. This corresponds to almost 45% of revenues. With an increase of DM 6.4 million, the development of sales in Germany was also pleasing.

Earnings performance however remained below expectations. After nine months, the operating result (EBT) at DM 16.3 million was 15.1% below the results for the same period in the previous year. Contrary to budget the Beate Uhse group generated earnings before tax (EBT) of only DM 3.8 million from July to September. The key factor impacting this budget variance were costs for restructuring measures at the German wholesale subsidiary ZBF. Shortfalls in sales from internet content marketing and telephone services had a negative impact on the development of business and earnings.

Trading division

With regard to sales the business division Trading developed in line with planning. The Retail, Mail Order and Wholesale divisions as well the wholesale subsidiary Scala, made strong contributions to the sales growth of 53% to DM 284.3 million. In terms of earnings the three divisions also were well above budget. It was only the sales and earnings development of the German wholesale subsidiary ZBF which are significantly below expectations, thereby negatively impacting earnings considerably. Accordingly, the Trading division, with its segments Retail, Mail Order and Wholesale, generated an EBIT of DM 32.1 million and EBT of DM 27.7 million.

Retail

In the first nine months, Retail generated slightly higher sales than planned of DM 98.4 million. The general development of Retail business was positive. Beate Uhse was able to expand its dominant position on the German market. In the first nine months an EBT of DM 11.6 million was generated. Costs for new projects and a downturn from cinema and booth business both had negatively impacted earnings.

Beate Uhse is continuing the successful strategy of expansion within clear yield targets in 1a and 1b city locations. The company sees its top locations as one of its USPs. In Q3 Beate Uhse opened a new shop in Potsdam as well as franchise outlets in Hagen and Cottbus. Similarly, measures for modernisation and renovation were implemented in the Saarbrücken and Munich locations. For Q4 plans involve another branch in Osnabrück.

Today, Beate Uhse is represented internationally with retail activities in Austria, Switzerland, Italy, the Netherlands, Belgium and France. In 2001 France was the focal point for expansion, where there are currently four shops.

Beate Uhse Shops by region

1. Proprietary Shops	01.-09. 2001		01.-09. 2000	
	absolute	in %	absolute	in %
Germany	51	52.0	49	53.3
Netherlands	34	34.7	34	37.0
Belgium	9	9.2	9	9.8
France	4	4.1	0	0.0
Total	98	100.0	92	100.0

Beate Uhse Shops by region

Licence/Franchise Shops	01.-09. 2001		01.-09. 2000	
	absolute	in %	absolute	in %
Germany	63	57.3	61	61.6
Austria	20	18.2	16	16.2
Switzerland	24	21.8	19	19.2
Italy	3	2.7	3	3.0
Total	110	100.0	99	100.0

Mail Order

Mail Order developed extremely positively, well exceeding the plan. In the reporting period revenues rose to DM 103.3 million compared to DM 40.4 million in the previous year, an increase of 155%. In the international Mail Order business, sales increased to DM 64.4 million. One reason for this increase is the full consolidation of the Dutch subsidiary. Retail sales in Germany also increased significantly by 63% to DM 38.9 million. In the context of the strong growth in sales, inventories also showed a year on year increase from DM 7.1 million to DM 10.6 million. In the reporting period an EBT of DM 12.2 million was achieved.

At the Dutch subsidiary Pabo, operational processes and storage logistics have been redesigned and optimised over the past three months. Through optimisation of storage processes, better inventory planning as well as a higher personnel capacity, the order backlog was reduced by 50%. Moreover, shorter producer delivery times supported the optimisation of logistics at the mail order centre.

The positive response to the new catalogue concept concentrating on underwear, evening fashion and toys, confirms the long-term strategy of Beate Uhse Mail order to steadily expand the catalogue. Due to legal restrictions, the German catalogue covers 88 pages at present. European countries where Beate Uhse operates under the label Pabo offer catalogues of 100 pages.

It is planned to increase the catalogue by 16 pages in future, beginning with the autumn issue. In 2001, a total of 14.2 million copies of Pabo and Beate Uhse catalogues were sent to interested parties and customers all over Europe. For the first six months of 2001 circulation of 11.5 million copies is already planned.

Sales by segment	01.-09. 2001	01.-09. 2000	Change in %
Trading	284.3	186.5	52.5
Retail	98.4	83.7	17.6
Mail order	103.3	40.4	155.5
Wholesale	82.6	62.3	32.6
Entertainment	27.8	35.4	-21.4
Holding Services	0.8	1.0	-21.1
Total	313.0	222.9	40.4

Sales by regions	01.-09. 2001	01.-09. 2000	Change in %
Germany	173.7	167.3	3.8
Netherlands	57.1	21.5	165.1
Belgium	22.8	6.3	262.3
France	13.5	3.0	343.3
England	9.2	2.1	331.6
Austria	9.8	4.4	123.7
Switzerland	2.8	3.1	-10.0
Rest of Europe	22.8	14.7	55.0
Other regions	1.3	0.4	270.2
Total	313.0	222.9	40.4
International	139.2	55.6	151.6

Wholesale

In the reporting period, Wholesale was marked by contrasting developments in the two locations Germany and the Netherlands. Overall, sales of DM 82.6 million were generated compared to DM 62.3 million in the same period of the previous year. In terms of earnings, Wholesale remained well below expectations with an EBT of DM 3.9 million. Due to restructuring earnings from Wholesale will also be negatively impacted in Q4.

Restructuring at the German wholesale subsidiary ZBF resulted in charges of DM 6.8 million in the first nine months. This meant that the operative result of this company was DM 7 million below the budget. The company took into account the generally difficult market situation in the German erotic wholesale market with declining sales, especially for magazines and videos, with a revaluation of inventories. At the same time, there were reductions in personnel, contracts with service providers renegotiated and intensive discussions held with suppliers. Beate Uhse anticipates that restructuring within ZBF will be completed in the next few months. Parallel to this, preparations are underway for the entire storage logistics to be concentrated in the group from 2003.

By comparison, the Dutch wholesale subsidiary Scala increased sales in the first nine months, although it was also not unaffected by the general downturn in sales prices and the restrained market development. Earnings developed in line with the budget.

Especially in the DVDs area, Scala will be able to avoid pressure from competition more effectively with company products from the group library. B2B activities are also being intensified. This allows retail customers to order products such as videos, DVDs, magazines, underwear, toys and stimulation articles via the internet.

The Board of Management has decided on Amsterdam as the location for the concentration of Beate Uhse Wholesale as a state of the art fully automated logistics centre, planned for 2003. Annual cost savings resulting from this reorganisation are quantified at DM 4 million. In addition to the considerable cost savings achieved through central provision for erotica retail, Beate Uhse also secures access to international markets.

Entertainment division

The business division Entertainment with its segments Internet, Telephony and TV did not fulfil expectations due to internal and external problems, particularly in internet business. In the first nine months sales totalled DM 27.8 million (previous year: DM 35.4 million). The operating result (EBIT) was DM -3.0 million and EBT DM -3.8 million.

Audiotex

The smallest segment, Telephony (Audiotex), was particularly hit by the events of September 11. For three days, TV channels did not transmit an advertisements. This led to a considerable decline in sales for this offer, which is heavily dependent on TV advertising. In the following weeks, sales gradually reached the usual level again.

Internet

The internet business suffered from a decline in sales in content marketing. Moreover, the generally weakening advertising market meant that in marketing its own internet pages Beate Uhse was unable to achieve the targeted revenues for advertising banner customers. At the same time, increasing costs in the internet due to unfavourable contracts with third party providers of live erotic shows as well as technical delays with new service providers, had an additional negative impact on the situation. Thus the EBT for Audiotex and Internet was at DM -3.0 million. For the entire year, an EBT of DM -5.3 million is expected. Originally, Beate Uhse had forecast an EBT of DM 5 million.

The Board of Management reacted to this development, dismissing the management of this division. With the recently announced acquisitions of the internet and media service provider companies Exitec AG and NetCom GmbH Beate Uhse not only gains technological expertise, which will lead to significant cost savings through greater independence from third party providers, but also a new management with excellent know-how in the internet business.

TV

Broadcasting activities of the erotica channel Beate Uhse TV are running successfully. In the past quarter, Beate Uhse TV invested in cross-media marketing activities between TV and internet. The new internet activities should generate a possibility for feedback between the channel and customers. In this way Beate Uhse wants to generate new sales channels and to increasingly meet customer wishes. As of September 2001 the start-up losses of the erotica channel negatively impacted the result of Beate Uhse AG by DM 1.5 million. The break-even is planned for 2003.

The third quarter of 2001 in figures

Investment in properties	01.-09. 2001	01.-09.2000	Change in %
by Regions			
Germany	8.7	15.7	-44.6
Netherlands	1.4	0.5	192.5
Belgium	0.0	0.0	
France	1.8	0.0	
England	0.0	0.0	
Austria	0.0	0.0	
Rest of Europa	0.3	0.1	114.3
Total	12.2	16.3	-25.1
by Segments			
Retail	6.4	9.4	-32.1
Mail Order	1.4	0.3	315.6
Wholesale	1.3	1.2	4.5
Entertainment	2.4	4.9	-51.7
Holding Services	0.7	0.5	45.5
Total	12.2	16.3	-25.7

Earnings

Earnings after tax for the first nine months period sank in the Beate Uhse group from DM 10.1 million in the same period of the previous year to DM 6.0 million. In the first six months of 2001 a figure of DM 5.6 million had been generated. Earnings per share for the

Segment Informations Beate Uhse Companies

In Mio. DM	Trading		Entertainment		Holding		Total	
	30.09.2001	30.09.200	30.09.2001	30.09.2000	30.09.2001	30.09.200	30.09.2001	30.09.2000
Sales	284.4	186.5	27.8	35.4	0.8	1.0	313.0	222.9
Income (EBIT)	32.1	21.2	-3.0	4.0	-10.0	-4.9	19.1	20.3
Depreciation	8.7	6.8	2.1	1.6	1.2	2.2	12.0	10.6
Assets	209.4	170.4	16.3	22.9	50.6	55.7	276.3	249.0
Trade Liabilities	22.9	20.8	2.0	3.2	0.7	0.3	25.6	24.3
Accruals	12.7	9.0	2.1	3.1	7.1	12.2	21.9	24.3
Liabilities	18.8	15.3	0.0	0.0	53.8	47.7	72.6	63.0
Other Liabilities	36.2	16.2	0.7	1.8	0.5	1.6	37.4	19.6

period were DM 0.13 after DM 0.21 in the previous year. Earnings before tax were at DM 16.3 million for the group. This corresponds to a tax ratio of 63% for the Beate Uhse group.

The difficulties at ZBF and in the internet business have left their mark on expenses positions. Whereas other expenses rose from DM 59.2 million to DM 109.9 million in line with the plan, largely due to strongly extended marketing activities, depreciation was not in line with budget with an increase to DM 11.9 million (previous year DM 10.7 million). Materials were DM 129.0 million in the reporting period. The percentage increase (29%) is considerably below the sales growth of 40.4%. The development in personnel expenses was similarly positive, where growth was fully in line with expectations, demonstrating the Beate Uhse Group's success in optimisation, particularly in the personnel intensive divisions such as Retail and Mail Order. Losses assumed from associated companies, totalling DM 1.5 million resulted from the participation in the erotica channel Beate Uhse TV.

Balance sheet

The balance sheet total for the Beate Uhse group increased by 7% to DM 276 million in the first nine months of 2001. At the same time shareholders' equity decreased by 4.9% to DM 118.8 million in comparison with December 31, 2000. The equity ratio thus sank to 43% (December 31, 2000: 48%).

As a result of the restrained development of earnings, return on equity decreased from 8.1% to 5.1%. With a share in the balance sheet total of DM 135.6 million, liabilities showed a yoy increase of 8 percentage points to 49%. Around 53% of liabilities are to banks.

Outlook

Due to the difficult market situation in individual divisions, particularly in the Internet segment, and the necessary, extensive restructuring at the German wholesale subsidiary ZBF, Beate Uhse AG has adjusted its profit expectations for 2001 on the basis of EBIT from DM 40 to DM 20 million (EBT from DM 38.7 to DM 16 million). The sales target for 2001 is confirmed at DM 424 million.

Q3 earnings remained below expectations at around DM 7 million, largely due to the costs of restructuring at ZBF, as well as the decline in sales in the Internet and Telephony segments. In Q4, Beate Uhse AG is expecting development to remain difficult in the problem areas ZBF and Internet. Thus earnings (EBT) for 2001 in the Internet and Telephony segments are forecast to be DM -5.3 million instead of DM 5 million as originally planned.

In this step of adjusting the forecasts, Beate Uhse AG has taken all risks from the reconstruction of Wholesale, the valuation of inventories as well as the restrained development in the Internet segment into consideration. The positive development of Retail and Mail order and the wholesaler Scala are the basis for continued positive development of business. For 2002 Beate Uhse forecasts sales of DM 475 million and an operating result (EBIT) of over DM 40 million. (These forecasts are based on German HGB; in 2002 Beate Uhse will convert to US-GAAP and will publish the appropriate transitions in Spring 2002.)

Employees

On the reporting date, September 30, the number of people employed with the Beate Uhse group was 1,151. There are 751 employees working in Germany and 400 in subsidiaries abroad.

Average number of employees	01.-09. 2001	01.-09. 2000	Change in %
<i>by region:</i>			
Germany	751	732	2.5
Netherlands	328	315	4.1
Belgium	31	26	19.2
France	20	5	300.0
England	9	7	28.6
Austria	6	5	20.0
Rest of Europa	6	6	0.0
Total	1151	*1096	5.0
<i>by Segment:</i>			
Retail	596	550	8.4
Mail Order	205	188	9.0
Wholesale	185	206	-10.2
Entertainment	93	86	8.1
Holding Services	72	66	9.1
Total	1151	*1096	5.0
<i>Personnel expenses (total DM million)</i>	52.80	43.95	20.1
<i>Personnel expenses/employee (KDM)</i>	45.87	40.10	14.4

* Number of employees by full consolidation of the Netherlands companies in 2001. Due to the consolidation sterling with the Q3 2000, the number of employees in the Netherlands have been 828 people.

Management bodies

As of October 25, 2001, Mr Ulrich Rotermund is a new member of the Supervisory Board, bringing the number of members back up to 6. The Supervisory Board is soon to re-elect for its chairman and deputy chairman.

In order to optimise operative structures, extending to the level of the Board of Management, Beate Uhse has decided to re-order responsibilities within the Board of Management. Gerard Cok will be responsible for all operational units, taking effect immediately. In addition to the divisions Retail, Mail order and Wholesale, he is now also responsible for Entertainment/New media. Otto Christian Lindemann, spokesperson for the Board of Management is responsible for the Finance and Holding Services divisions.

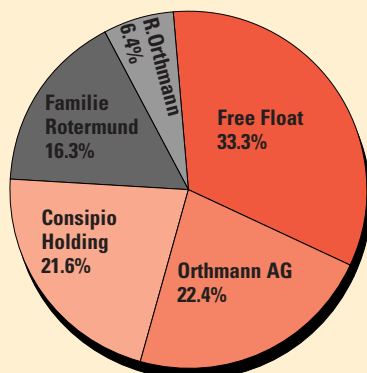
Share

Shareholder structure

At the beginning of Q3, 4,970,570 new shares from a capital increase through non-cash contributions which had already been carried out in 2000 included in trading. For economic reasons, Mr Ulrich Rotermund, son of the company founder and member of the Supervisory Board since October 25, has transferred his shares to the Swiss holding Orthmann AG in order to bundle them there with effect from October 23. Orthmann AG represents the economic interests of Mr Rotermund; the share transfer does not have any negative impact on the capital market.

For the acquisition of the internet companies Exitec and NetCom, Beate Uhse AG will carry out a capital increase through non-cash contributions of 353,126 new shares, which are subject to a staggered lock-up period of up to two years. A corresponding capital increase from authorised capital has been resolved to the exclusion of subscriptions right. The date for this to be implemented remains open.

In view of the new regulations of the stock exchange for the calculation of free float, the following distribution of shareholdings applies at the reporting date, October 31, 2001 and with 46,970,570 outstanding shares:



Performance

Despite particularly difficult market conditions, the Beate Uhse AG share showed relative strength in Q3. From EUR 13.20 at the beginning of July, the price sank by 16.7% to EUR 11.00. Beate Uhse thereby developed better than the DAX for example, or the respective industry indexes. Only the MDAX showed greater stability in the same period.

In the course of the sharp setback in stock prices on the global capital market following September 11, Beate Uhse also fell to EUR 8.10, reaching an all-time low. However, the price subsequently recovered rapidly, returning to EUR 11. It was only in the framework of the reduced earnings expectations for 2001, announced in October, that the share fell to EUR 9 again, in its current fluctuations showing an upward trend.

In Q3, the average daily turnover with Beate Uhse shares at the German stock exchange was 19,400 shares, slightly below the average for the past 12 months. Around 60% of shares are traded via Xetra, a further 35% via the Frankfurt stock exchange and 5% via individual regional stock exchanges.

Analyses

The majority of analysts currently view the Beate Uhse share as „neutral“. In the past months the Vereins- und Westbank rated Beate Uhse as neutral, Independent Research recommended underweighting the share, while Hornblower Fisher gave Beate Uhse a Trading Buy rating.

Investor Relations

As in previous months, the Beate Uhse Board of Management maintained its close contact with investors, analysts and financial journalists in the reporting period. At the analysts convention at the Dresdner Bank in Frankfurt on August 29, as well as in numerous individual discussions, the management presented the company's business development.

Due to the events of September 11, the international road show which had been planned for September 17 was postponed until next year. In the course of the reduction of earnings expectations in October, the Beate Uhse Board of Management held teleconferences with journalists, investors and analysts on the day of the announcement.

Important dates

31.12.2001	end of the fiscal year
Mai 02	publication of the annual report 2001
Mai 02	analyst meeting
Mai 02	pressmeeting
Mai 02	publication of the interim report for the first quarter of 2001
Mai 02	Telefon-Conference with the CFO

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Gewinn- und Verlustrechnung (HGB)

	01.-09. 2001	01.-09.2000	Change	Change
	KDM	KDM	KDM	%
Sales	312,955	222,913	90,042	40.39
Other income	10,648	7,302	3,346	45.82
Total output	323,603	230,215	93,388	40.57
Cost of materials	129,028	100,191	28,837	28.78
Personnel expenses	52,801	43,950	8,851	20.14
Depreciation	11,952	10,676	1,276	11.95
Other expenses	109,921	59,220	50,701	85.61
Other income	734	4,164	-3,430	
Expense from absorbing losses of associated companies	1,510	0	1,510	0.00
Interest result	-2,792	-1,130	-1,662	147.08
Income before tax	16,333	19,212	-2,879	-14.99
Corporate income tax	8,791	7,657	1,134	14.81
Other taxes	1,509	1,408	101	
Profit after tax	6,033	10,147	-4,114	-40.54

Balance Sheet (HGB)

	KDM	KDM		KDM	KDM
	30.09.2001	31.12.2000		30.09.2001	31.12.2000
Assets			Equity and liabilities		
Intangible fixed assets	15,353	16,472	Subscribed capital	91,866	91,866
Property, plant and equip.	44,748	44,561	Capital reserves	11,835	10,975
Financial assets	50,918	41,810	Currency adjustment item	-951	-212
			Minority interests	28	-54
			Net retained earnings	16,058	22,303
Total fixed assets	111,019	102,843	Equity	118,836	124,878
Inventories	60,386	68,388	Special items	37	57
Receivables	80,967	62,026	Accruals	21,863	27,644
Cash and cash equivalents	15,799	16,138	Liabilities	72,311	59,049
Prepaid expenses	8,150	8,690	Trade payables	25,567	29,598
			Other liabilities	37,707	16,844
			Deferred Income	0	15
Assets	276,321	258,085	Liabilities	276,321	258,085

Cash Flow (HGB)

	KDM	KDM
	30.09.2001	31.12.2000
Net profit	6,016	12,572
Depreciation	11,952	13,915
Increase/decrease of assets	-10,399	7,383
Decrease/increase of liabilities	20,279	-22,399
Other adjustments	-5,984	8,772
Cash flow from operating activities	21,864	20,243
Cash flow from investing activities	-19,846	-55,457
Cash flow from financing activities	-1,580	13,259
Change in cash and cash equivalents	438	-21,955
+/- changes in cash and cash equivalents	-740	10,170
Cash and cash equivalents at the beginning of the period	16,101	27,886
Cash and cash equivalents at the end of the period	15,799	16,101