



2004 **beate uhse**

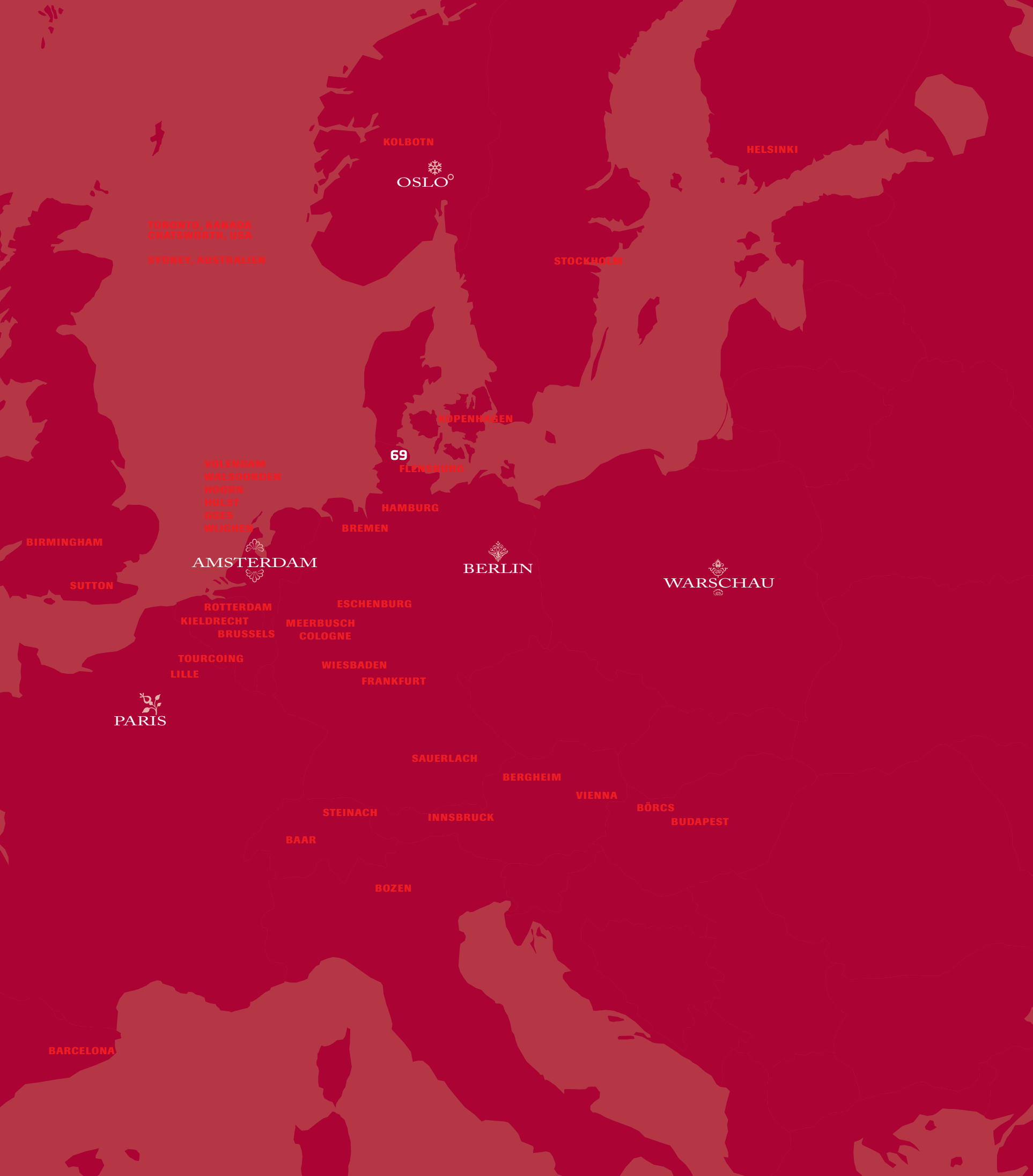


Our vision:

We aim to be **the** universal provider of sex and erotica products for the whole world.

BEATE UHSE AT A GLANCE

EUR million		2003	2004	Change %
SALES GROWTH				
Retail		77.3	85.9	11.2
Mail Order		103.5	118.7	14.7
Wholesale		62.3	56.2	-9.7
Entertainment		22.5	17.0	-24.5
Holding Services		-	-	-
Total sales		265.6	277.9	4.6
Foreign share of sales	%	52.6	56.6	
RESULTS				
EBITDA		31.5	28.8	-8.7
EBIT		21.5	18.6	-13.4
EBT		19.3	16.0	-16.8
Net income after tax		9.9	9.7	-1.8
OTHER EARNINGS INDICATORS				
Return on sales before tax	%	7.3	5.8	-20.9
Return on sales after tax	%	3.7	3.5	-5.4
Return on equity	%	14.5	13.4	-7.9
Gross profit margin	%	68.7	73.0	6.2
FINANCIAL SITUATION				
Gross Cashflow		20.0	19.7	-1.5
Cashflow (operating activities)		20.3	10.8	-46.8
Investments		19.3	10.1	-47.7
Depreciation		10.1	10.1	0.4
Dividend		4.7	4.7	-0.9
BALANCE SHEET DATA				
Total assets		181.2	187.9	3.7
Shareholders equity		67.8	72.8	7.3
Equity ratio	%	37.4	38.7	3.5
Fixed assets		77.9	84.8	8.9
Current assets		96.2	97.1	1.0
OTHER DISCLOSURES				
Employees		1,344	1,477	9.9
Personnel expenses		47.3	50.7	7.2
Cost of materials		96.8	92.0	-4.9
Other expenses		102.7	122.0	18.8
SHARE				
Number of shares		47,323,696	47,323,696	-
Closing share price	EUR	13.25	10.48	-20.9
Annual high	EUR	13.43	13.02	-3.1
Annual low	EUR	8.90	10.05	12.9
Earnings per share	EUR	0.21	0.21	0.0
Cashflow per share	EUR	0.46	0.42	-8.7



KOLBOTN

OSLO°

HELSINKI

TORONTO, KANADA
CRATSWORTH, USA

SYDNEY, AUSTRALIEN

STOCKHOLM

KOPENHAGEN

69

FLENSBURG

VOLENDAM
WALSOORDEN
HOORN
HULST
GOLS
WIJCHER

HAMBURG

BREMEN

BIRMINGHAM

SUTTON

AMSTERDAM

BERLIN

WARSCHAU

ROTTERDAM
KIELDRECHT
BRUSSELS

ESCHENBURG
MEERBUSCH
COLOGNE

TOURCOING
LILLE

WIESBADEN
FRANKFURT

PARIS

SAUERLACH

BERGHEIM

VIENNA

STEINACH

INNSBRUCK

BÖRCS

BUDAPEST

BAAR

BOZEN

BARCELONA

2004 beate uhse

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LETTER TO THE SHAREHOLDERS

DEAR LADIES AND GENTLEMEN, DEAR SHAREHOLDERS,

The 2004 financial year was a mixed year for Beate Uhse AG. We had a very good start to the year in the first quarter of 2004. In the second and third quarters, we too did not remain unaffected by the subdued levels of consumer confidence among our customers, especially in Germany and the Benelux countries. Our Christmas sales, by contrast, were extremely pleasing. All in all, in view of the fact that we virtually met our target, we were satisfied with our sales performance for the overall 2004 financial year. Unfortunately, the same cannot be said for our operating earnings. This was primarily due to two factors: the problems with our warehouse logistics and the amendments to the legislation governing the entertainment division. These meant that we were not able to reach the earnings target which we had set ourselves. With pre-tax earnings of € 16 million in 2004, we failed to meet our budget target. We were nevertheless satisfied with the bottom line – our annual net surplus. In spite of the low level of pre-tax earnings, this figure was at the same level as in the previous year.

The 2004 financial year saw us make a decisive investment in the future in the form of the new central warehouse in Almere (Netherlands). We are confident that we will begin to reap the resultant benefits starting in the coming year.

We were on the verge of selling our shareholding in erotic media ag at the end of 2004. It was planned to sell 12 million shares to Almira S.A. at a price of € 8.50 per share. Negotiations were taken up in the autumn of 2004. On 8 December 2004, given that the Management Board was reasonably certain at that point that the agreement would be concluded in the following weeks, we published an ad-hoc announcement regarding the potential sale of the shares. The negotiations with Almira S.A. continued into the 2005 financial year. On 11 March 2005, Almira S.A. informed Beate Uhse AG that it would not be able to execute the take-over of the shares within the envisaged timeframe. Upon receiving this information, Beate Uhse AG decided to terminate the negotiations for the time being, but remains open to further discussions.

1.1 WHAT WERE THE KEY FACTS IN THE 2004 FINANCIAL YEAR?

- Sales growth of 4.6 percent to € 278 million in spite of the difficult economic climate. The Group thus generated the highest level of sales in its history.
- Operating earnings (EBIT) fell to € 18.6 million. This was equivalent to a decline of 13.3 percent.
- Pre-tax earnings (EBT) amounted to € 16 million and were thus 16.7 percent lower than in the previous year.
- The annual net surplus remained constant and amounted to € 9.7 million at the end of the year.
- The overall return on investment (ROI) improved by 6.5 percent.
- Earnings per share therefore amounted to € 0.21.

Strategic vision, determination and humanity - these are the attributes with which we would like to lead Beate Uhse AG into the future.



1.2 FUTURE OF THE ENTERTAINMENT DIVISION The entertainment division of Beate Uhse did not perform in line with our expectations in 2004. A variety of external factors, including the new legal framework in Germany, resulted in a fundamental change in the online business. This led to a massive downturn in sales in the overall market as a result of consumers' loss of confidence in dialer payment methods. Moreover, the free cost announcements on added value service numbers led to increasing price sensitivity on the part of consumers. The tightening up of the regulations governing the protection of minors represented a further factor impacting on sales. These regulations were partly responsible for market share being lost to foreign online providers governed by other regulations. Overall, the purchasing behaviour in the online market witnessed a shift in 2004 away from spontaneous towards more conscious purchasing decisions. Beate Uhse new media was not the only company to suffer a significant downturn in sales in 2004 on account of this development – the overall online market in Germany had to cope with a 70 percent fall in sales in 2004.

Beate Uhse reacted to these new requirements with a variety of technical innovations in 2004. These included developing different dialer technologies and providing consumers' experience of online products with a structure targeted at their new decision-making processes. We aim to pool the entertainment activities even more closely within the Group in future. The entertainment division will focus in future on:

- its core business on the internet
- new broadband technologies and
- the video-on-demand sector.

We see these areas as harbouring interesting opportunities for positioning Beate Uhse in the market either on a standalone basis as in the past, or in the form of suitable cooperations. The market potential available offers interesting opportunities for growth in this respect.

1.3 GROUP STRATEGY AND ORIENTATION In spite of the not entirely easy situation in 2004, Beate Uhse is on the way towards realising its vision of "becoming the universal provider of erotica and sex products for the whole world". The renewed increase in our sales, coupled with our greater market penetration in the international erotica business, have enabled us to gain further ground. In 2004, Beate Uhse was once again the world's largest erotica company in terms of sales.

Our four profit centres mean that we are well positioned in the international erotica market. Our efforts are principally focused on the organic growth of the Group. Whenever the opportunity of acquiring interesting companies in promising markets or segments arises, however,

we conscientiously examine the opportunities and risks involved in a take-over.

This was the case in 2004, with the two large-scale acquisitions opportunities involving General Media Inc. / Penthouse and condomi ag. Following thorough investigations, we eventually decided against a take-over in both cases.

When reaching such decisions, we accord top priority to complying with the Group's strategic guidelines. In 2004, we maintained our focus on our core competencies, pressed ahead with the internationalisation of the Group (e.g. expansion of the store network in Europe), and identified potential optimisation measures aimed at raising the efficiency and profitability of the company in the long term (e.g. centralisation of group warehouse logistics at Almere) and placed the Beate Uhse brand even more closely at the centre of our activities (e.g. further conversions of Beate Uhse shops to a new, modern design scheme).

1.4 BEATE UHSE STRENGTHENS ITS POSITION IN THE MARKETS OF THE FUTURE

The launch of the new Mae B. shop concept contributed to strengthening the presence of the Beate Uhse brand in the past year. Mae B. has been positioned as a "daughter" of Beate Uhse and is oriented towards the needs of confident modern women who know what they want in matters of sex and erotica. In the course of the year we opened four shops in Hamburg, Berlin and Frankfurt. Three of these are shop-in-shops in large Karstadt department stores and one is a standalone store in one of the most popular shopping streets in Hamburg. Following this initial rollout, we are currently in the process of reviewing the product range and the presentation of the goods in the shops, as well as identifying further locations. Moreover, we are considering extending the Mae B. concept to our mail order activities. This profit centre has the competence, international structures and additional marketing power necessary to raise the international profile of Mae B. even more rapidly and exhaustively.

In summary, the principal measures undertaken in 2004, namely

- the pooling of our entertainment activities
- the centralisation of warehouse logistics at Almere
- the continuation of the international expansion of our store network in Europe and
- our focus on new country markets in the mail order division

mean that we have laid solid foundations for our further international expansion and thus for the future success of our company. In 2004, the implementation of some of these measures, particularly the relocation of wholesale logistics, resulted in a loss of earnings. We are nevertheless convinced that the central warehouse represents an investment in the future of Beate Uhse. This will become apparent at the latest in 2006, when it will be possible to exploit the synergy potential between the individual profit centres arising as a result of the centralisation.

1.5 OUR THANKS TO OUR EMPLOYEES We should like to extend our thanks to all those individuals who dedicate their energies every day to furthering the success of the Beate Uhse Group. We have taken a large step towards realising our vision. We primarily owe this to our employees. Their commitment, their feedback at all levels and their acting as confident ambassadors of Beate Uhse have considerably strengthened the company. These individuals have earned our heartfelt thanks – we look forward to mastering the challenges which lie ahead together with them.

Yours sincerely,



Otto Christian Lindemann
Spokesman for the Management Board
Chief Financial Officer



Gerard Cok
Chief Operating Officer

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CHRONICLE

2.1 HIGHLIGHTS IN 2004

JANUARY

Beate Uhse announces that its sales and earnings in the 2003 financial year were exactly on target.

FEBRUARY

Deutsche Telekom AG terminates its assumption of the risks relating to receivables default, which it had previously borne for all customers. Legislation requiring free price announcements to be made to all callers to value-added service numbers from the German landline network enters effect at almost the same time in Germany, thus raising price sensitivity on the part of internet users. These two measures result in a downturn in sales in the online business.

MARCH

Beate Uhse bids € 62 million for the US company General Media Inc. and thus announces its interest in the licence rights for the Penthouse brand. In summer 2004, Beate Uhse decides not to make any further bid for the licence rights.

The Mae B. erotica concept is launched at the end of March with two shops in Hamburg (Karstadt department store in Mönckebergstrasse / Bleichenbrücke).

The wholesaler Scala BV hosts its annual Spring Fair in Amsterdam and generates considerable success with its customers and interested parties.

Following Frankfurt, Hanover and Munich, Beate Uhse opens its fourth airport shop at Stuttgart airport.

APRIL

Beate Uhse now also available at petrol stations! Using the Beate Uhse Internet Card, customers are able to view selected, non-free pages and use erotic chat sites. The sales partner for the Sexy Cards is Lekkerland, a large-scale supplier of petrol stations in Germany.

Beate Uhse Retail opens its third store in Poland (Poznan).

MAY

The Dutch company Scala BV, the world's most important wholesaler of erotica products, moves into its new logistics centre at Almere, Netherlands.

The expansion of the specialist retail store concept is maintained with the opening of a further large-scale store in Antwerp, Belgium.

JUNE

Beate Uhse AG examines the possibility of taking over the Cologne-based company condomi AG, but subsequently decides against the acquisition.

2.2 COMPANY HISTORY

1946

Beate Uhse initiates the mailing of "Schrift X", an educational brochure on birth control using the Knaus-Ogino method.

1948

Launch of the mail-order business. The first eight-page catalogue is published.

1952

The newly established company has six employees and 200,000 customers. Publication of the 32-page catalogue „Is everything ok with our marriage?“ with over 50 products.

1962

The world's first sex shop is opened in Flensburg.

1971

Beate Uhse opens its 25th shop in Germany.

JULY

Mae B. opens its second shop-in-shop at the Karstadt department store on Hermann Platz in Berlin.

AUGUST

Frankfurt becomes the third location in Germany for the new Mae B. shop concept for women and couples.

The second level of implementation of the law combating the abuse of value-added telephone numbers comes into force. Callers from the mobile network receive a free announcement of the costs before the call is continued. This has a negative impact on sales in the online business.

SEPTEMBER

According to the Semion Brand Study, the value of the Beate Uhse brand rises to € 62 million. Beate Uhse is thus one of the 50 most valuable and best-known brands in Germany.

Beate Uhse TV achieves its highest viewer figures since the launch of its broadcasting activities.

OCTOBER

The retail division increases its shareholding in Beate Uhse Italia GmbH to 96 percent with retrospective effect as of 1 June 2004 and thus reinforces its presence in Italy.

Beate Uhse streamlines the structures of its Scandinavian business and subjects its activities in that region to a complete reorganisation.

NOVEMBER

The warehouse of the Christine le Duc chain moves into the new central warehouse in Almere. The new logistics centre thus enables the Group for the first time to realise additional synergy potential between the profit centres.

DECEMBER

Beate Uhse negotiates with Almira S.A. regarding the sale of 12 million shares in erotic media ag.

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1975

This is a moment the businesswoman Beate Uhse has long fought for - § 184 of the Penal Code comes into force, thus legalising regulated pornography.

1981

Beate Uhse becomes a stock corporation. Succession results in an asset split at the company.

1999

IPO: initial listing of the Beate Uhse share on the Frankfurt stock exchange.

2001

Beate Rotermund dies on 21 July 2001.

2002

Relaunch of the Beate Uhse brand - reorganisation of the corporate design and of the brand architecture. Launch of the new slogan - „Sex up your Life“.

THE BEATE UHSE FOUNDATION

People's generosity in Europe and the whole world is thankfully very great, especially when it comes to catastrophes on an enormous scale. We had the opportunity of witnessing this once again in December 2004 and early 2005 in the aftermath of the devastating tsunami which destroyed large stretches of the coast of Indonesia, Thailand, India, Sri Lanka and other countries. In such times, the provision of support to smaller-scale, less spectacular projects recedes into the background. While this is understandable, it can have difficult implications for the initiators of more modest projects.

The Beate Uhse Foundation (www.beate-uhse-stiftung.de) maintained its commitment to this kind of smaller-scale, regional aid project once again in 2004 and stepped in to help people in need. Its activities continue to focus on the fields of childcare, education and social welfare, especially for women in desperate circumstances. The Beate Uhse Foundation offers assistance wherever fast and unbureaucratic help is required.

3.1 PROJECTS SUPPORTED In memory of Beate Rotermond, the Foundation supported "Konkret", a project for women living with cancer in Flensburg, with a donation on the occasion of her birthday. This psycho-social advisory centre provides women suffering from cancer and their relatives with advice and support at these difficult times of their lives.

A further project involved the Beate Uhse Foundation making particularly intensive efforts to support a young woman from Schleswig-Holstein who was suffering from leukaemia. The money donated enabled blood samples to be categorised within the framework of a large-scale blood donation campaign in order to find matching stem cells.

Within the framework of its activities, the Beate Uhse Foundation also looked after people with illnesses which, while not life-threatening, nevertheless restrict their quality of life – blind people and people with visual disabilities. The Iris Foundation in Schleswig supports the Hamburg Institute for the Rehabilitation and Integration of people with impaired sight into their workplaces. The common goal involves enabling people with difficulties of sight to lead as independent and autonomous a life as possible.

As well as women in need, children naturally form a further focal point of the work of the Foundation. In 2003, the Foundation enabled a boy from Hamburg with multiple disabilities to benefit from dolphin therapy in Florida. In 2004, assistance was granted to two further children's projects in Schleswig-Holstein. The "Diako" children's network in Flensburg has set itself the goal of making young patients' hospital visits as child-friendly as possible. Children should be provided with a caring environment in hospital, thus enabling them to avoid being traumatised. Along with the children, parents and families are also closely integrated into these activities.

The work of the "Children's Hospice Initiative" also received substantial assistance from the Beate Uhse Foundation in 2004. This project initiated by the Katharinenospiz in Flensburg allows children with life-shortening illnesses to be cared for on an outpatient basis, together with their parents and brothers and sisters. The donation enabled an initial contact and support centre to be set up at the Katharinenospiz.

3.2 BEATE UHSE - CHRONICLE OF A LIFE

The 205 page coffee-table book "Beate Uhse - Chronicle of a Life" has been published with the assistance of the archive of the Beate Uhse Foundation - partly as a means of thanking major donors. The book contains previously unpublished photos from the private estate of Beate Rotermund. Five euros are donated to the Beate Uhse Foundation for each copy of the book sold by Beate Uhse Holding GmbH (www.beateuhse-holding.de).

The Beate Uhse Foundation would be pleased to receive a donation from you!

Beate Uhse Stiftung zu Flensburg
Flensburger Sparkasse - A/C: 666 666 Sort-code 215 500 50

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3.2

THE SHARE

4.1 PERFORMANCE OF THE SHARE PRICE IN 2004 The performance shown by the Beate Uhse share for the overall year was not satisfactory. Having started the year at € 13.02 (Xetra), the share price declined to € 10.48 as of 30 December 2004. At the beginning of the first quarter, the security was affected by the share buyback programme initiated in November 2003. At the end of March 2004, it was quoted at € 11.75. The second quarter was characterised by the sale of treasury stock given that the intended take-over of General Media Inc. was not implemented. In preparation for the take-over, Beate Uhse shares had been bought back on the stock exchange for use as a potential means of payment. The share concluded the first half of the year with a price of € 11.09 and a performance of minus 14.8 percent (Xetra). This trend also continued in the third quarter. By the end of the September, the share price amounted to € 10.40 (Xetra), representing a decline of 20.1 percent since the beginning of the year. At the end of the fourth quarter, Beate Uhse AG expected with reasonable certainty to conclude an agreement with an investor regarding the sale of 12 million shares relating to its shareholding in erotic media ag and thus to generate additional income of more than € 70 million for the 2004 financial year. In line with the requirements of the new Investor Protection Improvement Act (ANSVG), Beate Uhse AG published this information in the form of an ad-hoc announcement issued on 8 December 2004. This resulted in a slight increase in the share price to € 11.14. By the end of the financial year, the Beate Uhse share was quoted at € 10.48. **This corresponds to a performance of minus 19.5 percent (Xetra) for the overall year. The average price for the twelve-month period amounted to € 11.09.** The share registered its annual high of € 13.02 at the beginning of the year and reached its annual low of € 10.05 in October 2004.

DEVELOPMENT OF SHARE PRICE 2003/2004

		2003	2004
Opening	EUR	11.25	13.02
Clothing	EUR	13.25	10.48
High	EUR	13.43	13.02
Low	EUR	8.90	10.05
Average	EUR	10.60	11.09
Development	%	17.78	-19.5

Source: Xetra / Dt. Börse

4.2 MARKET CAPITALISATION The Beate Uhse share began the financial year with a market capitalisation of € 623 million (free float market capitalisation: € 214 million). In line with the performance of the share, the market capitalisation declined over the year to € 485 million (free float market capitalisation: € 147 million). By the end of the financial year, this figure had improved to € 495 million (free float market capitalisation: € 152 million). The trading volume in the Xetra trading system totalled 1.5 million shares (value: € 16.9 million) for the overall year. The average daily trading volume amounted to 5,961 shares.

KEY SHARE DATA 2003/2004

		2003	2004
Earnings per share		0.21	0.21
P/E ratio		64	51
Cashflow per share		28.6	25.12
Quote / sales		2.4	1.8
Quote / EBITDA		19.9	17.2
Quote / book value		13.0	8.2
Book value per share		1.0	1.3
Capital stock		47,323,696	47,323,696
SDAX weight	%	3.8	2.2
Market capitalisation	EUR	623	495
Market cap. free float	EUR	183	152
Ø Sales / day		13,538	5,961

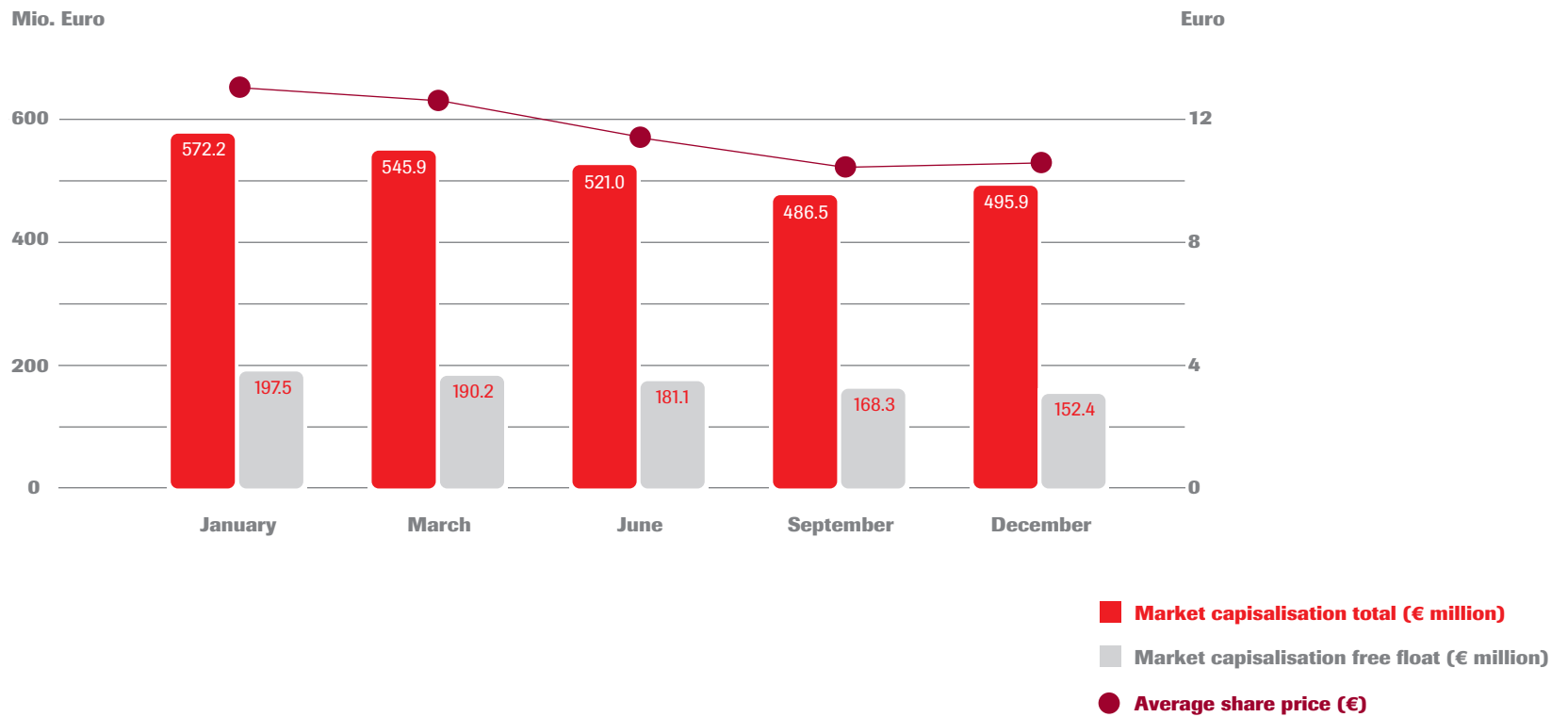
Source: Xetra

4.3 INDEX COMPARISON The performance of the Beate Uhse share was weaker than that of the stock market indices in 2004. The SDAX index concluded the year with an increase of 11.4 percent. With a decline of 19.5 percent, the performance of Beate Uhse also fell short of that of the DAX and MDAX indices.

The Beate Uhse share is listed in the Prime Standard of the Frankfurt Stock Exchange and is a member of the SDAX and Classic All Share segments, as well as of the Prime Retail sector index. As of 3 January 2005, the share has also been listed in the new GEX index, which includes all German companies in the Prime Standard of the Frankfurt Stock Exchange which have been publicly listed for a maximum of ten years and which are managed by owners holding at least 25 percent of the shares. Around 120 companies fulfilled these criteria upon the launch of this new index for medium-sized companies.

4.4 SALE OF TREASURY STOCK As already announced by the Management Board of Beate Uhse AG at the 2004 Annual General Meeting, the company sold treasury stock during the financial year (549,450 shares). These sales were predominantly executed on an off-floor basis (476,000 shares), with the remaining shares (73,450) being sold on the stock markets during the first half of the year. In this way, Beate Uhse AG returned those shares to the market

4.0
4.4



MARKET CAPITALISATION AND SHARE PRICE IN 2004

which it had purchased in preparation for a possible take-over of General Media Inc.. Beate Uhse AG had set itself a clear price range for the acquisition price for General Media. Since the company was sold for a price in excess of this range, Beate Uhse had no further involvement in the sale. The shares acquired in advance were returned to the market in June and July 2004 at an average price of € 11.98. This corresponds to a loss of around € 0.41 per share (in total: € 227,268.73). Overall, Beate Uhse AG generated proceeds of € 6.8 million from its sale of treasury stock in 2004.

4.5 INVESTOR RELATIONS Close communication with the financial markets is a matter of priority for Beate Uhse AG. The company maintained its targeted communications with financial market participants in 2004. The Chief Financial Officer held talks with institutional investors and analysts within the framework of four road shows in Frankfurt and London. Throughout the year under report, the Management Board was in ongoing contact with decision makers in the financial markets. Private investors were informed of the latest developments via the internet (www.beate-uhse.ag). Personal enquires were answered promptly and extensively by the Investor Relations department.

In the course of the year, Beate Uhse AG relaunched its Investor Relations internet pages. At www.beate-uhse.ag shareholders and interested parties can find all mandatory, up-to-date and important information relating to the security and to developments within the Beate Uhse Group.

BASIC DATA BEATE UHSE SHARE

Emporiums	FWB, alle Dt. Börsen	
IPO stock price	EUR	7.20
Segment	Prime-Standard	
ISIN	DE0007551400	
Company ticker	USE	
Shareholder structure (31. 12. 2004):		
Orthmann AG	%	54
Consipio Holding BV	%	21
Free Float	%	25

EARNINGS PER SHARE 2003/2004

		2003	2004
Net income for the period	EUR million	9.9	9.7
Number of shares (diluted)		46,940,995	46,549,385
Number of shares (undiluted)		46,940,995	46,549,385
Earnings per share (diluted)	EUR	0.21	0.21
Earnings per share (undiluted)	EUR	0.21	0.21

4.6 RESEARCH The Beate Uhse share was covered by Independent Research and by Seydler AG in 2004. The studies and their updates were published in March 2004 (Seydler Update; recommendation: fair), September 2004 (Independent Research; recommendation: buy) and in December 2004 (Independent Research Update; recommendation: buy). Berenberg Bank also compiled a study which is exclusively available to customers of this bank.

4.7 DESIGNATED SPONSORING Since January 2003, Seydler AG has acted as designated sponsor for the Beate Uhse share. Seydler AG generates manual prices on a daily basis and thus closely addresses the requirements of the market. The joint aim of Beate Uhse AG and Seydler AG involves increasing trading volumes in the long term. In 2004, the trading volume of the Beate Uhse share unfortunately declined to 2.2 million shares, representing a decline of around 35 percent compared with 2003 (Xetra and FSE).

4.8 SHAREHOLDER STRUCTURE The shareholder structure of Beate Uhse AG continues to be characterised by a very high degree of continuity. The two major shareholders, Orthmann AG and Consipio Holding BV, once more maintained their shareholding at a high level in 2004. At the end of the year, Orthmann AG increased its shareholding to 53.5 percent, thus exceeding the threshold of 50 percent of the voting rights in Beate Uhse AG. The disclosure to Beate Uhse AG in respect of the new ownership structure was made by Orthmann AG on 3 January 2005. This disclosure was then published by Beate Uhse AG in line with Section 25 of the Securities Trading Act (WpHG) on 5 January 2005. Beate Uhse AG did not receive any disclosures from Consipio Holding BV for 2004 in respect of any changes in its shareholding. At the end of the year, its shareholding in the company amounted to 21 percent. As a result of the increase in the shareholding held by Orthmann AG, the free float declined in the course of the year from 34.2 percent to 24.9 percent. Beate Uhse AG owns 0.6 percent of its shares. The company continues to pursue the aim of expanding its free float in the long term.

The share capital of Beate Uhse AG remained unchanged at 47,323,696 shares during the year under report. As a result of the sale of treasury stock, the number of outstanding shares rose to 47,042,201.

4.9 DIVIDEND & DIVIDEND-POLICY The Management Board of Beate Uhse AG has proposed to the Supervisory Board that the earnings of Beate Uhse AG for the 2004 financial year be carried forward and invested in the operating business, and thus to refrain from paying a dividend for the past financial year.

DIVIDEND PAYMENT 1999 / 2004

		1999	2000	2001	2002	2003	2004*
Dividend per share	EUR	0.10	0.14	-	0.10	0.10	-
Total dividend	EUR million	4.2	6.2	-	4.7	4.6	-
Dividend payment	Date	5.8.00	26.6.01	-	24.6.03	22.6.04	21.6.05

*proposed appropriation of earnings

4.10 STOCK OPTION PROGRAMME FOR BEATE UHSE EMPLOYEES The employees of Beate Uhse AG participated for the third consecutive year in the performance of the company by means of a stock option programme. The company's management made a total of 189,468 option rights available in 2004. Of these, 103,395 option rights of € 1 each were allocated to the members of the Management Board and to the directors of affiliated companies, while 86,073 option rights were granted to employees of the company and of affiliated companies. The directors of the international companies included in the Group allocated options to their employees at their own discretion. The option rights issued in 2004 may be exercised from 16 August 2006. The exercise price amounts to € 11.44.

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4.10

CORPORATE GOVERNANCE

Beate Uhse AG used the 2004 financial year to implement more far-reaching approaches to high-quality corporate governance within the Group, to increase the level of transparency and to make further improvements to its corporate management. No changes were made in 2004 to the Codes of Procedure for the Management Board and the Supervisory Board. Six amendments were made to the company's Articles of Association as a result of corresponding resolutions adopted by the Annual General Meeting.

A retrospective analysis of corporate governance at the company reveals that the 2004 financial year did not see any negative variances compared with the most recent Statement of Compliance issued on 9 December 2003. **On the contrary, in the past year Beate Uhse AG fulfilled three further recommendations of the German Corporate Governance Code in its version dated 21 May 2003.** The company has deviated and continues to deviate from three points. These have been depicted in the Statement of Compliance.

Beate Uhse AG attaches the greatest priority to increasing the value of the company on a sustainable basis. Beate Uhse will in future continue to make consistent application of the principles of corporate governance in those areas expedient to the size, nature and structure of the company.

5.1 SHAREHOLDERS AND ANNUAL GENERAL MEETING Beate Uhse AG further extended its internet presence as a comprehensive platform for information relating to the Annual General Meeting. Shareholders were able to view and download those documents required by law to be made available. Moreover, all information relating to voting proxies and the forms required for this purpose were also provided on the internet. One counter-motion was received in the run-up to the Annual General Meeting. This was also published by the company on the internet. In view of the costs and benefits involved, Beate Uhse has continued to refrain from broadcasting the entire Annual General Meeting on the internet and has limited itself in this respect to transmitting the speech of the Board of Management and the voting results. This means that the recommendation made by the German Corporate Governance Code in Point 2.3.4 has not been fulfilled.

Around 85.8 percent of the company's capital was represented at the 2004 Annual General meeting. The twelve items on the agenda which were put to the vote were each approved with around 99 percent of the votes cast. These items included new regulations pertaining to the chairing of the Annual General Meeting. These regulations widened the circle of potential chairpersons in order to ensure that the Meeting can be competently chaired in all circumstances.

5.2 COOPERATION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

In addition to the total of 4 meetings of the Supervisory Board held in 2004, the direct contact between the Management Board and the Chairman of the Supervisory Board formed an ongoing component of their cooperation. All meetings of the Supervisory Board were attended by the Management Board. When necessary, the Supervisory Board withdrew to discuss issues in the absence of the Management Board. The meetings have been and continue to be prepared both jointly and separately by the respective shareholder and employee representatives of the Supervisory Board. Beate Uhse is in compliance with the recommendations contained in Point 3.6 of the German Corporate Governance Code. The same applies to the recommendation contained in Point 3.10: Beate Uhse examines and comments on all recommendations of the Code which are relevant to the company.

The Supervisory Board continued to be informed without delay of all developments in 2004, especially those regarding the budget variances at the entertainment profit centre and the problems arising in connection with the relocation of wholesale logistics activities to Almere, Netherlands. Beate Uhse succeeded for the first time in meeting the 90 day deadline for the publication of its annual and consolidated financial statements for the 2003 financial year.

The risk management activities of the Group were further optimised in 2004. As in 2003, the manager with responsibility for risk management reported to the Management Board, the Supervisory Board and the Audit Committee.

5.3 THE MANAGEMENT BOARD The close links introduced in 2003 between the top management level of the Group and the profit centres and their most important subsidiaries were upheld in 2004. The decision-making structures involving the Management Board, the Strategy Board and the management boards of the individual profit centres have proven to be effective and resulted in a closer dovetailing of decision-making levels.

In 2004, Beate Uhse disclosed the remuneration of the Management Board on an individual basis and broken down into the components stipulated in the Code for the first time in its 2003 financial statements. Rather than providing a separate remuneration report, we would draw your attention to the disclosures made on Page 81 of the notes to the consolidated financial statements.

No changes were made in 2004 to the Code of Procedure of the Management Board. There were no conflicts of interest on the part of its individual members. No member of the Management Board was a member of supervisory boards or held any comparable positions outside the Group.

5.4 THE SUPERVISORY BOARD The 2004 Annual General Meeting re-elected the shareholder representatives to the Supervisory Board. The four previous representatives stood for election and were confirmed in office. The period in office of the shareholder representatives on the Supervisory Board will expire at the 2008 Annual General Meeting and has thus been synchronised with the period in office of the employee representatives. Beate Uhse has thus complied with the recommendation contained in Point 5.4.4 of the Code. The remuneration of the Supervisory Board was also restructured by resolution of the Annual General Meeting. Beate Uhse is thus for the first time in compliance with the recommendation contained in Point 5.4.5 of the Supervisory Board. (Further details can be found in the Statement of Compliance below.)

Apart from the Audit Committee, the Supervisory Board of Beate Uhse did not establish any further committees in 2004. The duties in 2004 did not require the establishment of such committees. In the interests of efficiency, none were therefore established. In the event of future duties making it expedient to establish committees, then the Supervisory Board will do so and thus comply with the recommendations contained in Points 5.3.3 and 5.3.4 of the Code.

In 2004, the Supervisory Board reviewed the effectiveness of its activities on the basis of self-assessment.

No changes were made in 2004 to the Code of Procedure of the Supervisory Board. There were no conflicts of interest.

5.5 TRANSPARENCY Beate Uhse began preparing at a very early stage for the Investor Protection Improvement Act, which came into force on 30 October 2004. The group of individuals affected by Directors' Dealings was redefined. All individuals who were to be classified as such directors were notified by the company and informed of the new legislation. Beate Uhse will review the composition of this group of individuals on a regular basis. The company did not receive any notifications in respect of Directors' Dealings in 2004.

5.0
5.5

DETACH THE MAP BEFORE YOU START YOUR JOURNEY!

't Smalle

2

Bliss Spa

11

Beate Uhse (Gezed BV)

69

Erotic Museum and red-light district
NIEUW MARKT

13

Supper Club

3

Yab Yum

4

Hotel Dylan Amsterdam

1

SINGEL

Cineac

5

9

8 It

10 April

Escape

HEREN-GRACHT

KEIZER-GRACHT

Palladium

6

Canecao Rio

7

PRINSEN-GRACHT

RIJKS MUSEUM

SINGELGRACHT

12

Albert Cuypmarkt

HET IJ

CENTRAAL STATION

OOSTERDOCK

BINNEN AMSTEL

AMSTERDAM



AMSTERDAM

HOTEL

1) *Dylan Amsterdam*

The Dylan is among the most unusual hotels in Amsterdam – noble, conscious of tradition, highly modern and nevertheless small and cosy. These are probably some of the most fitting attributes for the hotel designed by the British designer Anouska Hempel. Each room has its own individual atmosphere and its own colour and material scheme. Its awareness of tradition mean that it attaches great priority to protecting the private sphere of its guests. Heaven on earth can be found in the small garden which provides hotel guests with rest and relaxation in the middle of one of the most exciting cities in Europe.

Keizersgracht 384, 1016 GB Amsterdam
Telefon +31 (0)20 - 53 02 010
www.dylanamsterdam.com

FOOD & DRINKS

2) *'t Smalle*

The 't Smalle captivates visitors with its fantastic location directly on one of the canals in the city centre. The venue's own landing stage is the perfect place to enjoy a relaxed coffee in the summer sunshine. But be warned – when the weather is good, the most desirable places on the pontoon are taken very quickly. If you get up early, you can secure the best places for an extended breakfast as the kick-off to an exciting day. The atmosphere at 't Smalle is typical of that in the so-called Proeflokaal. The small sampling rooms often have a museum-like character and are certainly very cosy.

Egelantiersgracht 12, 1015 RL Amsterdam
Telefon +31 (0)20 - 62 39 617

3) *Supper Club*

The Supper Club is one of the most unusual restaurants in the city and promises to be an unforgettable experience. While dining you can make yourself comfortable on ultramodern couches covered with endless cushions. The food and drinks are served by breathtaking beauties. And while you are enjoying your food, the event is in full swing. Models present decent up-to-date fashion trends. Female dancers move to tingling music and alternating lighting images bathe the scene in ever new shades.

Jonge Roelensteeg 21, 1012 PL Amsterdam
Telefon +31 (0)20 - 34 46 400
www.supperclub.nl

NIGHTLIFE

4) *Yab Yum*

Yab Yum transports you to another century. The overwhelming design of the rooms is luxuriant, very noble and extravagant. However, you should know that the club only receives male guests and expects gentlemen's manners. Yab Yum attaches great importance to style, discretion and etiquette.

Singel 295, 1012 WH Amsterdam
Telefon +31 (0)20 - 62 49 503
www.yabyum.com

5) *Cineac*

Cineac is a unique combination of restaurant and bar in a monumental atmosphere. The spaciousness provided by the dome-shaped roof of this thirties building is particularly impressive. Cineac is synonymous with quality and excellent service. However, you have to be over 25 years old to partake of this experience.

Reguliersbreestraat 31-33, 1017 CM Amsterdam
Telefon +31 (0)20 - 53 06 888
www.cineac.nl

6) *Palladium*

In the evening, this pretty café blossoms into a trendy bar. This is the place for sexy dancing to really loud music. The atmosphere at Palladium is just the thing to put you in the mood for further nocturnal activities.

Kleine Gartmanplantsoen 7, 1017 RP Amsterdam
Telefon +31 (0)20 - 62 66 566

7) *Canecao Rio*

Brazilian lifestyle right in the centre of Amsterdam. At the weekends, this small Brazilian bar often gets out of control. Scantly, exotically dressed young people rock on the dance floor to the hot salsa rhythms performed by a live band. Some nights at Canecao Rio just don't want to come to an end.

Lange Leidsdwaarsstraat 68-70, 1017 NM Amsterdam
Telefon +31 (0)20 - 62 61 500

8) *It*

"It" is one of the most legendary clubs in Holland. This is the place to party from Wednesday through to Sunday. However, the techno/house club is also known for its merciless bouncers. A tip for your outfit: the less you wear or the more creative your apparel, then the greater your chances of getting past the boys at the door. The benefits of this tough selection process can then be witnessed once you are inside.

Amstelstraat 24, 1017 DA Amsterdam,
www.it.nl

9) *Escape*

Escape is the meeting place for young, trendy people. Here you can dance to commercial house music and enjoy the high-tech light and laser show as well as video projections. Those of you wanting to go to Escape at the weekend will have to arrive early or use the time spent while queuing for the odd flirt. The Saturday night club has the reputation of being the best disco event in the whole of Holland.

Rembrandtplein 11-15, 1017 CT Amsterdam
Telefon +31 (0)20 - 62 21 111
www.escape.nl

10) *April*

For gays on a flying visit to Amsterdam, April is a must. The club is one of the best-visited in town. It is already worth checking out by the afternoon. Then you will find a wide, wonderfully mixed scene crowd.

Reguliersdwaarsstraat 37, 1017 BK Amsterdam
Telefon +31 (0)20 - 62 59 572
www.april-exit.com

WELLNESS

11) *BLISS Spa*

As you will know, bliss means completely unadulterated happiness. And spa represents healthy water applications. Put together then, the BLISS Spa is a feel-good oasis in the centre of Amsterdam. Recharge your batteries, relax and allow yourself to be spoiled. The BLISS Spa team will take professional care of your spiritual, facial, mental and physical needs.

Keizergracht 124, 1015 CW Amsterdam
Telefon +31 (0)20 - 62 27 504
www.blissspa.nl

PARKS & SIGHTS

12) *Albert Cuypmarkt*

The Albert Cuypmarkt is probably the most colourful and unconventional mixed products market in the country. This is where Dutch people and foreigners meet – and not only to shop. No, a visit to the Albert Cuypmarkt is also a social event. Between the fruit, vegetables, flowers, clothes, groceries, watches and much, much more, you can meet for a chat, people watch or make some new acquaintances.

Amsterdam, beim Ferdinand Bolstraat,
mit der Tram 4, 16, 24 oder 25
www.vv.nl (Touristenbüro Amsterdam)

13) *Red-light District / Erotic Museum*

A visit to Amsterdam without seeing the legendary red-light district is like visiting Holland and not eating any cheese. The Erotic Museum makes for a good introduction to this notorious mile. Its five floors have a fascinating selection of photographs, paintings, sculptures and many other exhibits from all over the world. Here you can find everything to do with sex and erotica.

O.Z. Achterburgwall 54, 1012 DP Amsterdam
Telefon +31 (0)20 - 62 47 303

BEATE UHSE IN AMSTERDAM

Gezed BV
Warmoesstraat 65, 1012 HW Amsterdam
Telefon: +31 (0)20 - 622 67 53

The changes to insider law were also adopted at the earliest possible opportunity. A register of insiders was compiled and corresponding inspection and notification routines established. All insiders received correspondence informing them of the new legislation. As a result of the extension of ad-hoc announcement obligations, Beate Uhse makes the decisions relating to the publication of insider information in a committee established for this purpose.

5.6 ACCOUNTING In 2004, the Beate Uhse Group published its 2003 consolidated financial statements for the first time within 90 days and thus complied with the recommendation contained in Point 7.1.2 of the Code. The annual financial statements of the Beate Uhse Group for the 2004 financial year will not be published within the period of 90 days recommended in the Code as a result of the calling off of the sale of its shareholding in erotic media ag on 11 March 2005. In view of the fact that the Statement of Compliance was already published on 17 December 2004, this does not include any mention of this circumstance.

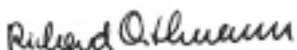
The requirement to compile financial statements in accordance with internationally recognised accounting standards has also not been met. Beate Uhse will convert to IFRS for the first time with its 2005 Annual Report. The Audit Committee appointed a second auditing company to review the efficiency of the auditing of the annual financial statements and to investigate all related business processes. Following the conclusion of this review, the improvements proposed therein have already been accounted for in the compilation and auditing of the annual financial statements for the 2004 financial year.

5.7 STATEMENT OF COMPLIANCE PURSUANT TO SEC. 161 OF THE GERMAN STOCK CORPORATION ACT (AKTG) The Supervisory Board and the Management Board of Beate Uhse AG support the aim of the German Corporate Governance Code with regard to the promotion of responsible, trustworthy corporate management based on the interests of the company's shareholders, employers and customers. The corporate policy of the Beate Uhse Group aims to increase the value of the company on an ongoing basis.

Beate Uhse AG supports the recommendations made by the German Corporate Governance Code government commission. Since our most recent Statement of Compliance dated 9 December 2003, the company has fulfilled further recommendations of the Code. It continues to deviate from the recommendations in some points. Details of these points and the related explanations have been listed below.


Flensburg, 17 December 2004

On behalf of the Supervisory Board



Richard Orthmann
(Chairman of the Supervisory Board)

On behalf of the Management Board



Otto Christian Lindemann
(Spokesman of the Management Board)

I. The following points relate to recommendations fulfilled by the company since the submission of our Statement of Compliance dated 9 December 2003:

4.2.4 – Disclosure of Management Board remuneration: the remuneration of the Management Board was reported in line with the recommendations of the Corporate Governance Code on an individual basis and broken down into the required components in the notes to the consolidated financial statements for the 2003 financial year and will continue to be disclosed in subsequent years.

5.4.5 – Remuneration of the Supervisory Board: the remuneration of the Supervisory Board outlined in § 11 of the company's Articles of Association has been restructured in line with the resolution passed by the Annual General Meeting held on 21 June 2004. In addition to the reimbursement of their expenses, the members of the Supervisory Board receive fixed remuneration of € 10,000.00 payable following the expiry of the respective financial year, as well as remuneration dependent on the dividend, and thus performance-related, amounting to € 1,000.00 for every cent by which the dividend exceeds 7 cents. The Chairman receives three times and his Deputy twice the remuneration of the normal members of the Board. The work of the members of the Audit Committee is remunerated separately. In the interests of maximising their autonomy, the committee members receive a fixed annual amount of € 10,000 and the Chairman of the committee is paid a fixed sum of € 20,000.

This remuneration is disclosed in the consolidated financial statements on an individual basis.

7.1.2 – Deadlines for the Compilation of Consolidated Financial Statements: the annual financial statements of Beate Uhse AG for the 2003 financial year were published on 30 March 2004 and thus fulfilled the requirements of the German Corporate Governance Code (90 days following the end of the reporting period). Subsequent interim reports and all further annual reports for subsequent years will also be published within the recommended deadlines of 90 days and 45 days respectively.

II. The following points relate to recommendations contained in the Code which were not and have not yet been implemented:

4.2.3 – Components of Management Board Remuneration: the extension of the contract of one member of the Management Board in 2003 was taken as an opportunity in line with the Code to agree variable components in addition to fixed remuneration. The variable remuneration is linked to the financial success of the company and only comes into effect if the budgeted level of pre-tax earnings is exceeded. In this event, the additional remuneration shall amount to two percent of the excess sum. In addition, share options with a nominal value of € 1.00 were made available to the Management Board from the company's Stock Option Programme. No further adjustments have been made. The development of a complex system of management board remuneration is not considered appropriate at present in view of the fact that the Management Board of Beate Uhse AG consists of only two members.

5.3 – Establishment of Committees: apart from the Audit Committee, the Supervisory Board of Beate Uhse AG did not establish any further committees in the past and still has not done so. This decision is attributable to the low number of members of the Supervisory Board (6 individuals).

The Supervisory Board of Beate Uhse AG aims to be able to react to new requirements with maximum flexibility. Committees are therefore only established when required and are chaired by the member of the Supervisory Board with the highest level of specialist competence in the area involved.

7.1.1 – Consolidated Financial Statements: since its initial public offering in 1999, Beate Uhse AG has published annual reports and quarterly reports in German and English in line with the German Commercial Code (HGB). The first-quarter interim report in 2006 is scheduled to constitute the first publication of an interim report based on international accounting standards (IFRS). The annual financial statements for 2005 will be compiled in accordance with international accounting standards (IFRS).

Further information on corporate governance at Beate Uhse AG and the Group can be found at: www.beate-uhse.ag

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SUPERVISORY BOARD REPORT

DEAR LADIES AND GENTLEMEN, DEAR SHAREHOLDERS,

If I were allocated only a few words to describe the most important aspect of our work during the 2004 financial year, then I would choose the words “intensive dialogue between the Management Board and the Supervisory Board”. This ongoing and highly open dialogue with the Management Board has strengthened the company. The issues it encompassed include: successes reported in individual divisions of the company, such as increasing returns, progress in their international expansion or pleasing growth rates in various country markets, as well as problems, such as the commencement of operations at the new wholesale logistics centre. We focused in particular on the entrepreneurial decisions to be made during the 2004 financial year, which required a detailed and competent weighing up of the respective opportunities and risks: the planned acquisition of Penthouse / General Media and the take-over of condomi AG. In addition to these projects, both of which were not realised for a variety of different reasons, the sales negotiations concerning the shares in erotic media ag and Beate Uhse TV GmbH & Co. KG naturally formed a further focal point of our discussions.

During the 2004 financial year, the Supervisory Board performed the duties required of it by law, the company’s Articles of Association and its own Code of Procedure. We advised the Management Board on a regular basis with regard to the running of the company and monitored the management of the company. The Supervisory Board was directly involved in all decisions of fundamental significance for the company. The monthly written reports, regular telephone calls between the Management Board and the Supervisory Board and direct exchanges at the full meetings constituted the most important foundations for our discussions and decisions. The Supervisory Board was provided with a written copy of the minutes of Management Board meetings.

6.1 COMMITTEE WORK The Supervisory Board established an Audit Committee once again in the past financial year. There were no further committees. The Audit Committee met on four occasions during the year under report. The members of this body are: Detlef Bindert (Chairman), Nicolaas Bootsma and Richard Orthmann. The Committee dealt in particular with the annual and consolidated financial statements, the enhancement of risk management and the conversion of the company’s accounting to IFRS. It discussed compliance with the budget and the quarterly reports. It granted the audit mandate to the auditing company selected by the Annual General Meeting, Ernst & Young AG Wirtschaftsprüfungsgesellschaft. The Audit Committee also determined the focal points of the audit and agreed the level of remuneration. The Audit Committee passed all necessary resolutions to the extent that it was authorised to do so. In other cases, the resolution to be passed by the Supervisory Board as a whole was formulated as appropriate. The Chairman of the Committee, Detlef Bindert, provided the overall Supervisory Board with extensive reports on the work of the Audit Committee.

6.2 FOCUS OF THE WORK OF THE SUPERVISORY BOARD In addition to the agreement of strategy and in particular of decisions requiring the consent of the Supervisory Board, the regular focal points of the work of the Supervisory Board involved jointly discussing topics such as the development of sales, earnings and employment within the Group. Further important topics included the company’s financial situation, comparisons of the company’s actual performance with the budget, investment policies and the main shareholding and disinvestment projects. Within these topics, we focused in particular on the following points:

- Liquidity planning within the group cash pooling framework
- Strategic corporate planning, especially in the entertainment division

- The enhancement of corporate governance and the submission of the Statement of Compliance. Please also see Pages 18 to 19 in this respect
- The acquisition and disposal of treasury stock
- Discussions relating to the condomi AG and Penthouse / General Media Inc. projects
- Discussion and the leading of negotiations for the planned sale of shares in erotic media ag.

At its meeting on 16 December, the discussions of the Supervisory Board focused on the budget for the 2005 financial year. In the absence of the Management Board, the Supervisory Board dealt with issues such as the efficiency review of the Supervisory Board, the Code of Procedure for the Supervisory Board and for the Audit Committee. A further important topic of discussion in the second half of the year involved the new legal provisions contained in the Investor Protection Improvement Act. The employees and company boards were able to prepare for these new provisions at an early stage and to fulfil the requirements as soon and as well as possible in the interest of the company's shareholders.

The Supervisory Board held a total of four meetings during the year under report. As a result of a longer-term stay in the USA, one member was not able to attend two of the meetings in person, but was informed verbally and in writing and included in decision-making processes. The meetings were held on 17 March, 20 June, 3 September and 16 December 2004. All meetings took place partly in the presence and partly in the absence of the Management Board.

6.3 AUDIT OF ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS FOR 2004 The annual financial statements and consolidated financial statements for the 2004 financial year have been compiled by Beate Uhse AG in accordance with the German Commercial Code (HGB). The statements have been audited by the auditing company Ernst & Young AG Wirtschaftsprüfungsgesellschaft. We have obtained a statement from the auditors outlining the extent to which they are involved in any further business or financial relationships with the Beate Uhse Group. This statement, which includes information as to further auditing mandates at important subsidiaries, provides no cause for objection. Ernst & Young provided the Chairman of the Audit Committee with ongoing reports as to the status of the audit. Upon the conclusion of its audit, Ernst & Young granted an unqualified audit opinion to the annual financial statements of Beate Uhse AG, as well as to the consolidated financial statements, for the 2004 financial year.

All members of the Supervisory Board were provided with the annual and consolidated financial statements, as well as the audit report, in good time for the meeting held to approve the financial statements on 6 April 2005. The financial statements were discussed in detail at this meeting. The auditor attended the meeting, reported on the principal findings of the audit and

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was available to answer questions. We acknowledged and agreed with the results of the audit undertaken by Ernst & Young. Our own detailed audit of the annual financial statements, the consolidated financial statements and the management reports did not give rise to any objections. **The Supervisory Board approved the annual and consolidated financial statements compiled by the Management Report. The annual financial statements of Beate Uhse AG are thus adopted.** We endorse the proposal made by the Management Board that the earnings of Beate Uhse AG for 2004 be retained and that no dividend be distributed. This is intended to provide additional funds for investments in the operating business aimed at the further expansion of the company's market position. The proposed appropriation of earnings will be presented for approval by the Annual General Meeting on 20 June 2005.

6.4 DIRECTORS DEALINGS & CONFLICTS OF INTEREST

Each member of the Supervisory Board is required to disclose to the Supervisory Board without delay any conflicts of interest arising on account of other advisory or executive functions, even if such conflict of interest is only of a temporary nature. No conflicts of interest arose during the period under report. A list of all appointments held by the members of the Supervisory Board in addition to their duties at Beate Uhse can be found on Page 81 of this report. No shares or related rights requiring to be disclosed pursuant to Sec. 15a of the German Securities Trading Act (WpHG) were bought or sold by members of the Supervisory Board of Beate Uhse AG during the 2004 financial year.

6.5 NEW COMPOSITION OF THE SUPERVISORY BOARD

Richard Orthmann stepped down from his position as Chairman of the Supervisory Board on 22 March 2005 and resigned from the Supervisory Board. His duties have been assumed by the previous Deputy Chairman of the Supervisory Board, Ulrich Rotermund. **In the context of new elections, Ulrich Rotermund was elected as the new Chairman of the Supervisory Board of Beate Uhse AG.**

Following many years of service to the Supervisory Board, Detlef Bindert resigned from office for professional reasons on 31 March 2005. We should like to thank both gentlemen for their work and the great commitment they have shown to the Beate Uhse Group in the past years.

6.6 DEPENDENT COMPANY REPORT

The Management Board compiled a dependent company report for the year under report pursuant to Sec. 312 (3) of the German Stock Corporation Act (AktG). This report was audited by Ernst & Young AG Wirtschaftsprüfungsgesellschaft and was granted an unqualified audited opinion. The dependent company report was forwarded to the Supervisory Board, which subjected it and the legal transactions and measures outlined therein to an independent audit pursuant to Sec. 314 (2) of the German Stock Corporation Act (AktG). This audit did not give rise to any objections.

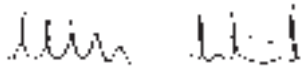
DEPENDENT COMPANY REPORT

Beate Uhse AG, Flensburg, has compiled a report on its relationships with associated companies pursuant to Sec. 312 of the German Stock Corporation Act (AktG). This report concluded with the following declaration: "The Management Board hereby declares that in the legal transactions listed in the report in respect of affiliated companies, Beate Uhse AG, Flensburg, received commensurate compensation in line with the circumstances known upon such legal transactions being undertaken. No measures requiring report were undertaken during the financial year from 1 January to 31 December 2004."

6.7 THANK YOU TO THE EMPLOYEES We should like to extend our thanks to all employees and to the Management Board for the work they have performed in 2004. They can rightly be proud of their achievements. The past year was by no means easy. By working together, however, a very good foundation has been laid for the further profitable development of the company.

Please be assured that we, the employees, the Management Board and the Supervisory Board, will continue to work in the interests of increasing the value of the company.

Flensburg, 6 April 2005



Ulrich Rotermund
Chairman of the Supervisory Board

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GROUP MANAGEMENT REPORT FOR 2004

7.1 THE 2004 FINANCIAL YEAR The Beate Uhse Group succeeded in reaching many of its strategic, operating and financial targets during the 2004 financial year. In other areas, the company was unfortunately not able to meet its targets. The Group Management Report therefore provides a mixed picture of the group of companies.

In 2004, Beate Uhse was able to further extend its position as the market leader in the international erotica business by expanding its network of stores across Europe and by launching a new brand - Mae B. - which is primarily targeted at women. The company also succeeded in further expanding its mail order customer base. With sales of € 278 million, the Beate Uhse Group remains the top company in the erotica sector in terms of sales.

As a result of unexpected problems (e.g. the logistics centre in Almere), some other strategically important projects could not be implemented in line with the company's plan.

From a financial point of view, the 2004 financial year at the Beate Uhse Group was not as successful as had been expected. At € 278 million, sales were virtually on target and increased by around € 12 million on 2003. Pre-tax earnings fell short of expectations. At € 16 million, they were down on the previous year's earnings (€ 19.3 million) and below the budget for 2004 (€ 21.8 million). More pleasing developments were seen in the annual net surplus - at € 9.7 million, this was highly satisfactory and was at the same level as in 2003.

From the point of view of the management, the 2004 financial year revealed the degree of potential optimisation available for improving the structure of the Group even further. The key areas of potential for promoting significant growth include: the exploitation of synergies among the profit centres, the optimisation of warehouse logistics, more extensive utilisation of the power of the Beate Uhse brand and the expansion of clear retail concepts for new target groups.

7.2 ECONOMY, MARKET AND SECTOR Beate Uhse is the market leader in the European erotica and sex sector. Since 2003, Beate Uhse has also been the erotica company with the highest level of sales in the world and is expected to have consolidated this position in 2004. The sales of Beate Uhse were primarily generated in 12 European countries and in the USA. In addition to these countries, the wholesale division also exported merchandise to a further 50 countries across all of the world's economic regions. With a 43.4 percent share of overall sales, Germany remained the company's most important sales market, although its significance is declining, followed by the Netherlands and France. The Asian market, particularly China, is of great significance to the procurement activities of Beate Uhse.

The German economy only showed a very subdued level of growth in 2004. According to figures released by the Federal Ministry of Economics and Employment (BMWA), its growth amounted to 1.7 percent and was primarily driven by exports. At 1.3 percent, the growth in consumer expenditure was significantly lower. Germany was thus at the bottom end of the league tables within the EU. Based on figures published by Eurostat, the Eurozone economy showed quarterly growth of between 1.7 and 2.4 percent in the first three quarters of 2004. The equivalent figures for Germany lay between 0.8 and 1.4 percent. The situation in the Netherlands and Italy was similarly difficult. (Reliable figures for the overall year were not available upon this report going to print). These three countries also showed the weakest levels of consumer expenditure in Europe. Economic growth and consumer expenditure showed considerably more dynamic developments in the ten new members states of the EU and in the USA.

The development of overall economic and consumer expenditure figures in the Beate Uhse Group's most important sales markets therefore provided little or no tangible impetus for the development of the business. The 2005 financial year is expected to see hardly any improvement in economic developments, but is nevertheless expected to bring a slight revival in consumer expenditure in the most important country markets.

The euro rose by around 8 percent against the US dollar during 2004. The Beate Uhse Group is exposed to possible exchange rate fluctuations in terms of its purchasing activities (procurement in Asia) and in terms of its sales outside the Eurozone. It benefited slightly from exchange rate developments in 2004.

RETAIL AND EROTICA MARKET

The 2004 financial year was a very difficult year for the retail sector in Germany. Sales declined by 1.6 percent (Federal Statistics Office) and were thus at the same level as in 1999. Based on estimates provided by the Retail Association (BAG),

the number of insolvencies in the retail sector amounted to around 4,000. The mail order segment reported even poorer developments, falling by 3.4 percent in Germany (Federal Association of German Mail Order Businesses – bvH). Somewhat better developments were reported for specialist mail order businesses. E-commerce figures were positive, with a year-on-year increase of 36 percent in 2004 and thus an absolute volume of € 4.9 billion in Germany alone. Within the sector, clothing and personal equipment showed above-average developments, but nevertheless witnessed a decline. (There were no equivalent figures for the whole of Europe upon this report going to print.)

Based on the assessment made by Beate Uhse, the erotica segment, especially retail and mail order activities involving erotica products, were not able to escape the subdued consumer climate, but were not as strongly affected as other segments.

Many of the tendencies witnessed in previous years were maintained in the individual divisions of the erotica market in 2004. Videos, for example, lost further ground to DVDs as the preferred data carrier for erotica content and now play a virtually insignificant role in the market. At the same time, the “film” segment is suffering from continuing price pressure. Alternative distribution channels, such as the internet, are gaining further in significance. The so-called telephony market and the online business are suffering from two developments which are making payment collections more difficult – on the one hand, the charging on of receivable defaults to providers by Deutsche Telekom AG and on the other the loss of confidence in online payments as a result of dialer abuse. This area can only be expected to recover slowly.

There were virtually no changes in the structure of national and international providers and competitors in the erotica market in 2004. The new ownership structures at the US American company General Media Inc., with its top brand Penthouse, and at the condom producer condomi AG,

Cologne, also did not result in any changes in the structure of the competition.

In addition to Orion Versand GmbH & Co., which is also based in Flensburg, the main competitors of Beate Uhse continue to be small and regionally structured companies in the respective individual country markets. Both in the store business and on the internet, the market is characterised by the number of providers, rather than by their size. As the European market leader, Beate Uhse aims to play an active role in the consolidation and focusing of the sector, which began several years ago and which can be expected to intensify as a result of the tightening up of the legal framework.

7.3 STRATEGY AND IMPLEMENTATION The Beate Uhse Group is the leading erotica company in Europe and since 2003 has also been the largest erotica company in the world in terms of its sales. The object of the company involves trading in erotica products on a global basis. Our target groups include end customers and fellow providers in the erotica market. Beate Uhse is one of very few companies in Europe to have activities in all distribution channels. The company currently has outlets in 13 countries.

The success of the Group is based on its four profit centres of Retail, Mail Order, Wholesale and Entertainment. These are independently managed by international managers. The operating control and strategic orientation of the Group is undertaken by the Management Board. The profit centre structure is supported by management boards acting as a supervisory body at all profit centres and by a Strategy Board consisting of representatives of all operating divisions. This board reports to and advises the Management Board on a regular basis.

Beate Uhse's individual distribution channels of retail, mail order and wholesale are among the leading companies in the international erotica business. With exports to more than 60 countries around the world, Scala BV, the Group's wholesale

company, is the uncontested global leader. Apart from Germany and the member states of the European Union, its most important sales markets in future will also include the new EU member states in Eastern Europe. Our vision is to become the provider of sex and erotica products for the whole world in the coming years. The global presence of the Beate Uhse Group constitutes a key aim in this respect. In order to reach its targets, since 2002 the Beate Uhse Group has consistently based its actions on a new strategic framework. The most important elements of this framework are:

- Focusing on core competence
- Expanding the Group's international presence
- Optimising efficiency levels within the Group
- Strengthening and expanding the Beate Uhse brand
- Raising profitability levels

Apart from its strong presence in all distribution channels, the "Beate Uhse" brand also represents a further important pillar of the company's success. **With a value of € 62 million (plus 5 percent; source: Semion Brand Study 2004), the brand is among the 50 most important brands in Germany.** The umbrella brand strategy launched in 2002 is reinforced by our "Beate Uhse – Sex up your Life" slogan.

The Beate Uhse Group is controlled by means of a management holding company and decentralised profit centres. A key figure system tailored to the needs of Beate Uhse serves to monitor the company's business performance. As well as absolute key figures, this system makes use of relative performance and balance sheet figures and variance figures. The performance of these key figures is compared with budget figures and those for the previous year.

7.4 RETAIL PROFILE

At the end of 2004, Beate Uhse Retail was operating 310 stores in 10 countries across Europe. In addition to proprietary stores in 1A locations, Beate Uhse is also represented by franchising and licensing partners in smaller cities. In Austria and Switzerland, the Group works together with general country agencies. The company's expansion into further promising markets, such as Poland, will be promoted in the form of shareholdings with business partners on location. In 2004, the activities of Beate Uhse Retail in the European market were primarily undertaken under the auspices of the Beate Uhse, Christine le Duc, Kondomeriet, Mae B. and E.D.C. brands. Just under 40 percent of the shops operate under the umbrella brand name of Beate Uhse.

BEATE UHSE SHOPS BY COUNTRY OWN SHOPS

	2003	%	2004	%
Germany	63	40.4	66	40.2
Italy	-	-	6	3.7
Netherlands	66	42.3	66	40.2
Belgium	9	5.8	10	6.1
France	8	5.1	9	5.5
Norway	8	5.1	7	4.3
United Kingdom	2	1.3	-	-
	156	100.0	164	100.0

LICENCE & FRANCHISE

	2003	%	2004	%
Germany	53	41.1	53	38.1
Austria	33	25.6	39	28.1
Switzerland	38	29.5	43	30.9
Norway	4	3.4	4	2.9
Italy	1	3.4	-	-
	129	100.0	139	100.0

INVESTMENTS

	2003	%	2004	%
Poland	5	50.0	7	100.0
Italy	5	50.0	-	-
	10	100.0	7	100.0

(The Italian shops have been taken into concern in 2004)

STRATEGY

The Beate Uhse retail division aims to dominate the European sex and erotica market on the basis of clear retail concepts. In this respect, all retail activities are focused on four main brands and shop concepts. These concepts, which are clearly differentiated from each other, are aimed at different target groups. The product and sector management activities of the retail division are pooled within the Group. In order to increase the company's presence in its respective markets, its shop concepts are supported by e-commerce activities and shop-in-shop cooperations.

On account of its widespread presence in European shopping streets, the retail division has a central marketing function for the overall Group. Beate Uhse is the market leader in Germany, the Netherlands and Belgium.

IMPLEMENTATION & BUSINESS PERFORMANCE IN 2004

Controlled growth in international markets formed the focus of activities in the 2004 financial year.

Those stores which did not fulfil our profitability criteria were closed. These measures to streamline the business had a particularly noticeable positive effect in Germany and France in the course of the year. We succeeded in increasing our market share in both countries in spite of the difficult economic environment. The situation in Belgium and the Netherlands, by contrast, proved to be difficult. Neither country company achieved any further expansion of its market presence. It will no longer be possible to achieve any significant expansion in these two countries in view of the fact that the awarding of shop licences is restricted by the state. The level of crowding out competition is rising in both markets. Beate Uhse is countering this situation with the help of new concepts. The first Beate Uhse specialist store was opened in Belgium (Antwerp) in the second quarter and has reported highly pleasing developments. Poland is a growth market, where Beate Uhse was represented by seven outlets via a shareholding at the end of the year. The classic Beate Uhse concept has met with a very warm reception from Polish customers and within a very short period has taken on the role of trend-setter in the Polish erotica market.

In order to reinforce the company's brand presence and for advertising reasons, two further Beate Uhse shops were opened in 2004 at the highly-frequented locations of Stuttgart airport and Cologne/Bonn airport. Beate Uhse retail now has operations at five airports. In view of the successful performance of such stores, this concept will be pursued further at international locations.

In addition to highly-frequented locations, Beate Uhse is also continuing to rely on the international expansion of its specialist stores. In 2004, this large-scale concept was able to repeat the success seen in the previous year. Customers value the anonymity, the generous presentation of merchandise, the large shop surfaces and the easy accessibility of the stores. In March 2004, Beate Uhse retail launched a new shop

concept for women and couples under the "Mae B." brand name. Mae B. addresses women who value style, who are self-confident, established in their careers and financially comfortable. A total of four Mae B. shops was opened in 2004 - in Hamburg (2 x March), Berlin (June) and Frankfurt (August). Mae B. is basing its expansion on a mixture of shop-in-shops, in order to raise awareness levels and to achieve high customer frequency levels, and of stand-alone stores in order to provide customers with a special shopping experience in a suitable atmosphere. Beate Uhse retail is satisfied with the business performance in the first nine months. Mae B.'s launch year was negatively affected by the crisis at Karstadt/Quelle AG in view of the fact that the shop-in-shops at Karstadt department stores were affected by declining customer frequency levels between September and the mid-November. The further expansion of the Mae B. chain is being pursued cautiously in order to await developments at the Karstadt department stores and to build up contacts with further cooperation partners.

The integration of the "Christine le Duc" brand into the Group's retail activities was continued in 2004. In November, the Christine le Duc warehouse moved into the central warehouse in Almere in order to make greater use of synergies within the Group. The expansion of the brand in Belgium is scheduled to take place in 2005.

7.5 MAIL ORDER PROFILE

The mail order division represents the spearhead of the Group's expansion policies. In order to access new country markets, initial market tests and analyses are undertaken by the mail order division. The mail order activities of the Beate Uhse Group are pooled under the "Pabo" brand. The association of this brand with the Group is underlined by the competence label "By Beate Uhse". For linguistic reasons, Pabo uses an additional brand in France, but this is the only

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market where this is the case. In 2004, the mail order division was represented in nine countries. Pabo is the clear market leader in the erotica product mail order segment in virtually all of these countries. Customers are kept informed and contacted on a regular basis by means of direct marketing measures, such as catalogues, mailings, coupon booklets and via the internet.

STRATEGY

The erotica mail order business is a seasonal business and can be divided into spring/summer and autumn/winter. The Pabo mail order business works with two main catalogues in each season, as well as various advertising measures. More than 50 percent of sales in the past two years were generated by these catalogues. The relevance of the product range presented in the catalogues is increasing in line with the growing significance of the main catalogues as the division's most important marketing instrument. The basic Pabo product ranges include textile products, DVDs/videos and erotica accessories. Since 2002, Pabo has increasingly focused on textile products as its most important sales driver and has particularly focused on the target group of women in this respect. In order to secure its long-term success, in 2004 Pabo extended its main catalogues, particularly the lingerie product sections, by 32 pages each to a total of 190 pages. As well as erotic underwear, this promising new product area at Pabo also includes body jewellery, wigs and shoes.

Success in the mail order business is based on a constantly growing and active volume of customers and addresses. In 2004, Pabo invested around 37 percent of its sales in international marketing measures and thus in the acquisition of new customers. On the basis of this experience, the Beate Uhse mail order division sees further growth potential in terms of both new and existing customers in those countries in which it was operating in 2004. This potential is intended to be tapped by increasing the frequency of customer contacts, e.g. in the DVD/video and lingerie product areas. It is planned to address customers using special catalogues supplementing the two annual main catalogues. Moreover, Pabo introduced more aggressive pricing structures in 2004 in order to activate its customer base.

IMPLEMENTATION AND BUSINESS PERFORMANCE IN 2004

The mail order business of the Beate Uhse Group was satisfied with its performance in 2004. The year was characterised by the ongoing weakness of the economic climate in most European countries. In contrast to traditional universal mail order businesses, which reported a massive downturn in sales, specialist mail order businesses managed to consolidate their positions or, like Pabo, even to expand. In terms of country markets, France and the UK showed the best performance in 2004. France established itself as the second-largest sales driver for Pabo after Germany. The German mail order business also generated positive growth – in part as a result of the further intensification of marketing campaigns in 2004. Looking to the future, Pabo is planning the targeted expansion of its international activities in smaller

markets. The Beate Uhse mail order division is investigating the possibility of expanding into the country markets of the ten new EU member states.

The situation in the USA remains difficult. The acquisition of new customers is especially difficult, given that Pabo is not able to draw on the advertising channels used in Europe. Post mailings are not permitted in the United States and many magazines refuse to publish Pabo advertisements in view of the fact that other advertising customers would not tolerate the presence of an erotica company in the same advertising environment. Pabo therefore has to rely on new advertising strategies in the USA. Separate marketing measures for lingerie and for erotica products will be tested in 2005.

Overall, Pabo dispatched around 16 million main catalogues in Europe and the USA in 2004. The number of orders showed a year-on-year increase of 14 percent to 2.7 million, with a total of more than 3.2 million parcels (plus 18 percent) being sent out to customers in 2004. In order to adjust mail order structures to this ongoing rapid growth, in 2004 Pabo pressed ahead with its plans for converting to a new higher-performance IT system. The new technology is also intended to set new standards in e-commerce, so that customers can become increasingly independent in terms of enquiring as to the availability of goods, delivery periods etc. The implementation of the first software module is scheduled to take place in spring 2005.

7.6 WHOLESALE

PROFILE

The wholesale division of the Beate Uhse Group supplies erotica products providers in more than 60 countries around the world. An unusually extensive range of more than 20,000 sex and erotica articles are available to customers. The activities of Scala BV (Netherlands), AVN BV (Netherlands), VDN BV (Netherlands), Max AB (Sweden) and ZBF GmbH (Germany) are pooled at the wholesale profit centre. The Beate Uhse wholesale division has an international network of producers with which it has concluded a wide range of exclusive agreements concerning the supply of erotica products. Within the Group, the wholesale division is increasingly assuming the role of a central logistics service provider, enabling other profit centres to increase their focus on sales and distribution strategies.

STRATEGY

The strategic alignment of this profit centre is largely based on the needs and potential of Scala BV, the most significant wholesaler within the Group. Scala is the global market leader in the sale of erotica products. The move into the new logistics centre in Almere, Netherlands, undertaken in the second quarter 2004 marks an important step towards the future for Scala. The company's aim is to establish itself as the leading "one-stop company" in the erotica market and to convince its customers by means of its product variety, quality, professionalism and customer friendliness.

The centralisation of logistics functions at Almere is representative of the efforts undertaken by Beate Uhse to optimise its group procurement structures. The wholesale division has assumed the role of purchaser of the DVD/video, toys, magazines, erotica accessories and part of the lingerie product groups for the overall Group. The Group expects to generate considerable cost savings potential by pooling its purchasing power. It is planning to raise the level of procurement from Asian countries in order to further optimise pricing structures,

expand the use of private label products and to further increase the company's influence on product quality.

A decisive strategic role is played by the increased use of proprietary products at all of the Group's profit centres. In future, Beate Uhse will differentiate itself even more clearly from the competition by supplementing its product ranges with new proprietary products. The close cooperation between Beate Uhse's wholesale division and manufacturers means that trends in the erotica market can be recognised and implemented at a very early stage. The increased presentation of proprietary products will enable the pricing of the product range to be more balanced. The Group's proprietary production plants in Germany (Pleasure GmbH) and Hungary (Lavetra Kft) mean that it can react very flexibly and rapidly to market requirements and trends.

The wholesale product range can be subdivided into roughly four areas – DVD/videos, magazines, toys (including underwear and wellness) and miscellaneous. The decline in prices witnessed in the DVD/video segment in recent years continued in 2004. The product range is planned to be rounded off in the individual price segments, thus achieving an even more balanced composition. Exclusive contracts with producers are being pursued and greater numbers of US films are being included in the product range. The "toys" product group is being reviewed in detail. The aim is to develop further proprietary products in this segment and to compile new, modern product concepts. A comprehensive market analysis of existing brands, concepts and product ranges is being planned in order to strengthen the lingerie wholesale range for the future. This is expected to result in the development of a proprietary underwear concept and the supplementation of the product range with shoes, accessories and gadgets.

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IMPLEMENTATION & BUSINESS PERFORMANCE IN 2004

The 2004 financial year was extremely difficult for the Beate Uhse wholesale division. **Due to technical problems, the relocation of Scala BV into its new central warehouse (May 2004) took place eight months behind schedule. Further technical problems arose once operations had begun, meaning that working processes could not be optimised as planned. Increased personnel was required in order to compensate for the defects. In spite of these measures, Scala BV was not always able to fulfil orders and customer wishes within the agreed delivery times, resulting in a decline in sales in 2004. The earnings of the wholesale division for the 2004 financial year were strongly affected by the costs of deploying external technology service providers.**

It was nevertheless possible to integrate the logistics structures of the companies Christine le Duc, VDN and AVN into the central warehouse in the course of the year, thus exploiting newly generated synergy potential within the Group. The integration of the logistics activities of the German retail division was postponed until 2005.

Completely different developments were reported by the German wholesaler ZBF GmbH. The restructuring measures introduced in 2003 were implemented in full and have brought the company back to success. As an autonomous unit, ZBF can react very closely to market developments. In 2004, ZBF succeeded in negotiating and implementing new procurement conditions, especially in terms of supply agreements and return rights.

Overall, ZBF operated in a stable market with slight growth in 2004. This situation was principally due to the overall economic climate. In terms of the composition of its product range, ZBF continued to rely on DVDs, toys and magazines. In reaction to the ongoing decline in the level of demand for videos, ZBF will remove videos from its range in 2005 and offer films exclusively in the form of DVDs. The DVD market continued to be affected by the general pressure on prices in 2004.

However, prices now seem to have bottomed out in this segment. ZBF was satisfied with the performance of its toy range in 2004, but sees potential for increasing sales in future and for optimising its margins by improving procurement terms within the Group. Sales and margins in the magazine segment remained stable in 2004.

The Beate Uhse Group streamlined its company structures in Scandinavia at the end of 2004 in order to make greater use of the competencies available in the respective profit centres in these country markets. In the past, Scandinavia was the only region in which retail, mail order and wholesale activities were not connected to the respective profit centres. The restructuring resulted in the closure of the Danish wholesale outlet Max APS. Existing customers have since been supplied by Scala BV and by the Swedish wholesaler Beate Uhse Max AB. With a market share of 25 percent, Max AB is the largest provider of erotica products in Scandinavia. In future, Max AB will work more closely within the Group with Scala BV in the fields of logistics and product range composition.

7.7 ENTERTAINMENT PROFILE

The entertainment profit centre pools all of the Group's activities in the fields of online, telephony, mobile communications and television services. Beate Uhse acts as a content provider for end consumers in the entertainment market, as well as acting as a full-service cooperation partner for portal operators.

The most important companies with which Beate Uhse was active on the market in 2004 are: Beate Uhse new medi@ GmbH, Exitec AG and COM VTX Multi Media BV, as well as its shareholdings in Beate Uhse TV GmbH & Co. KG (49 percent – valuation at equity) and erotic media ag (34 percent). The figures for Beate Uhse TV and erotic media ag are both accounted for at the holding division of the Group. The Beate

Uhse Group has positioned itself as a provider of content and support in the field of entertainment. New media services are being expanded, with Beate Uhse continuing to focus on the internet, broadband technology and the increasingly significant growth in videos-on-demand. In 2004, Beate Uhse TV was largely autonomous in its management of the television activities of the Group, which are broadcast via the Premiere pay TV channel.

STRATEGY

The new media division has the reputation of being a respectable provider and partner, particularly in the online and telephony market, and covers the entire production process. Its technical competence and the variety of its products provide customers with great benefits and are suitable for international multiplication.

The aims of the entertainment division are:

- to achieve a leading position in the online market; to be one of the big players on an international level
- to catch up with the two largest competitors in the field of telephony in Germany; to achieve a profitable position in the international markets
- to structure and extend mobile services within the Group.

Beate Uhse is placing its hopes in the increasingly strict regulation of the internet. This will benefit respectable providers in the long term, given that there will be a decline in user fraud, as well as in content and traffic theft. Moreover, in contrast to its competitors, this profit centre can benefit from the advantages of the Beate Uhse Group and the resultant synergy potential.

IMPLEMENTATION & BUSINESS PERFORMANCE IN 2004

The performance of the new media division of the Beate Uhse Group was not on target in 2004. **A variety of external factors affecting the overall online and telephony market placed a burden on both human and financial resources. This situation meant that the operating business could not be developed to the customary extent.**

Moreover, the entertainment division was affected by the disposal of the shareholdings in erotic media ag (34 percent) and Beate Uhse TV GmbH & Co. KG (49 percent) intended for the end of 2004. The planned disposal of these shares was provisionally cancelled in March 2005 in view of the fact that the potential purchaser (Almira SA) failed to comply with the agreed conditions. The shareholdings will remain within the Group until further notice and will continue to be integrated into the operating business performance.

Online

The legislation governing the use of dialers in Germany was tightened up in the first quarter of 2004 and the use of dialers in Switzerland was prohibited. Beate Uhse expects this stricter approach to online market fraud to be advantageous in the medium term in view of the fact that, as a respectable provider, the company will be able to occupy distribution fields previously used by disreputable competitors. The direct implications of this legislation were nevertheless detrimental to the performance of Beate Uhse entertainment in 2004, given that consumers have lost confidence in overall dialer technology and have thus also avoided the equivalent services offered by the Beate Uhse Group.

Sales were further burdened by the free price announcements required for callers to value added service numbers from German landline numbers (February 2004) and from the mobile network (August 2004). This statutory change resulted in increasing price sensitivity among consumers and a corresponding reduction in the length of calls.

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In general, Beate Uhse observed a change in the online market in 2004 away from spontaneous, intuitive purchases towards conscious purchasing decisions on the part of customers. The new media division accounted for this development by realigning its online products. Customers' experience of various Beate Uhse portals was oriented in a targeted manner towards such purchasing decisions. Users are accompanied up to the actual transaction. The initial trials using this procedure have been successful and this approach is intended to be pursued further in 2005. Moreover, by establishing club and subscription models, Beate Uhse has laid the foundations for working in a targeted manner towards generating ongoing customer connections.

As a result of the factors outlined above, overall sales on the online market in Germany declined by around 70 percent in 2004. Beate Uhse new media reported a 34 percent decline in sales over the same period (adjusted for e-commerce). The situation is not satisfactory, but shows that Beate Uhse was confronted with problems in 2004 which had a far stronger impact on the overall market. The stricter provisions governing the protection of minors had a negative effect on earnings, given that market share was lost to foreign online providers not complying with these provisions.

Telephony

The telephony market in 2004 was characterised by an oligopolistic structure with a constant market volume. It would only be possible for Beate Uhse to increase its market share by crowding out competitors. There was no significant potential for the Group to expand its advertising in view of the fact that there was a decline in the volume of profitable advertising space available. A further problem in the field of telephony was the requirement to provide free price announcements for added value telephone numbers, which was introduced in 2004. This led to a noticeable decline in responses, with the result that some individual marketing approaches were either no longer effective, or only to a limited extent.

Beate Uhse plans to extend telemedia switching volumes in order to promote the renewed expansion of this business area in 2005.

Mobile Communications

The mobile communications market is still in a very early stage of development in terms of its erotica functionalities. Beate Uhse sees this sector as harbouring interesting growth potential for the Group and is suitably prepared. Initial cooperation agreements have been concluded with providers and portals with international activities. Interactive services (P-SMS chat, video-text contact market etc.) and content for various end appliances are available, enabling the company to press ahead with developments in this area in 2005.

Television

The performance of Beate Uhse TV, the only German TV broadcaster with a licence for broadcasting soft erotica, benefited in 2004 from the positive development witnessed by the pay TV broadcaster Premiere. With just under 3.2 million subscribers, by the end of 2004 the broadcaster had the highest number of customers since its launch. Premiere expanded its erotica programme in the past year by adding the full erotica Blue Movie range and by providing erotica with a larger platform within the broadcaster.

7.8 SALES The Beate Uhse Group was satisfied with its sales performance in 2004. At € 277.9 million, overall sales were € 12.3 million higher than in the previous year (plus 4.6 percent). Sales at the erotica group fell 4.1 percent short of their target of € 289.6 million. The sales performance of the four profit centres varied widely in 2004. While the retail division witnessed sales growth as a result of consolidation, and the mail order grew organically, sales at the wholesale and entertainment divisions were down on the previous year.

The very pleasing developments seen at the two most important sales drivers, retail and mail order, certainly prove that Beate Uhse is excellently positioned in the market and that the company is capable of reporting pleasing rates of growth, even in Germany, in spite of the difficult economic climate. Those areas which were problematic in 2004 have been clearly analysed. In the wholesale division the causes were internal. The move to the logistics centre in Almere had to be postponed several times and did not run as smoothly as planned. This had a negative impact on both sales and earnings. The causes of the decline in sales at the entertainment division are mainly to be found in the significant tightening up of the relevant legislation. This fundamental change to the legal framework affected the entire market and thus had a particularly marked impact on the market leader, Beate Uhse. Overall, the performance of sales in the 2004 financial year

shows that the foundations for further growth are fully intact and that Beate Uhse has the right structure even in difficult market conditions. It is now a question of quickly dealing with the internal problems in the wholesale division and of successfully completing the realignment of the entertainment division already begun in 2003. The excellent performance of the two divisions with the highest level of sales, retail and mail order, confirms that the company has the right strategy of sustainable long-term expansion primarily driven by internal growth.

SALES BY QUARTER 2003 / 2004

€ million	Q1/2003	Q1/2004	Q2/2003	Q2/2004	Q3/2003	Q3/2004	Q4/2003	Q4/2004
Retail	17.3	20.4	16.3	19.1	18.9	21.7	24.8	24.7
Mail Order	31.6	36.2	23.5	22.8	28.3	28.9	20.1	30.8
Wholesale	17.1	17.5	11.5	10.8	15.8	15.6	17.9	12.3
Entertainment	5.3	4.8	5.9	4.0	5.6	4.0	5.7	4.2
Holding Services	-	-	-	-	-	-	-	-
	71.3	78.9	57.2	56.8	68.6	70.3	68.5	71.9

If the sales performance is analysed in terms of its constituent quarters, the tendency is very similar to that seen in 2003. The erotica sector has its strongest quarters during the darker seasons (1st and 4th quarters). In 2004, Beate Uhse achieved year-on-year sales growth in three out of four quarters. This growth ranged between 2.4 and 10.7 percent per quarter. Only in the second quarter were the company's sales 0.7 percent down on the previous year.

A comparison of the 2003/2004 financial years following adjustment for acquisitions (Christine le Duc, Beate Uhse Italia, FunCenter) reveals that sales rose by € 4.8 million in 2004 (plus 1.8 percent).

The profit centres reported a wide variety of sales performance. The retail and mail order divisions, for example, generated double-digit sales growth. This pleasing development was clouded by developments at the wholesale and entertainment divisions, which were far from ideal. In 2004, the Dutch wholesale subsidiary Scala BV had to cope with the implications of the eight-month delay in the move to the new central warehouse in Almere. Problems with logistical processes led to delayed deliveries throughout the entire year, resulting in a decline in wholesale sales from € 62.3 million in the previous year to € 56.2 million (minus 9.8 percent).

7.7
7.8



DETACH THE MAP BEFORE YOU START YOUR TRIP

BERLIN-TEGEL AIRPORT

WEDDING

PRENZLAUER BERG

Club of the Polish Failures

Viaux

7

Monsieur Vong

HACKESCHE HÖFE

11

oxymoron

6

AM3

ALEXANDER PLATZ

Lustgarten

9

UNTER DEN LINDEN

MOABIT

REICHSTAG BUILDING

SPREE

CHARLOTTENBURG

TIERGARTEN

BERLIN-MITTE

BRANDENBURG GATE

Beate Uhse Erotik Museum

69

ZOO

Mae B. (Karstadt 1. Floor)

69

Hotel Ku'Damm 101

1

KREUZBERG

Bateau Ivre

5

Hamam

2

Arena

WILMERSDORF

SCHÖNEBERG

TREPTOW

10

Pfaueninsel

BERLIN-TEMPELHOF AIRPORT



BERLIN



BERLIN

HOTEL

1) *Ku'Damm 101*

An exciting address for business travellers with high technological requirements and tourist looking for a short break with high aesthetic and lifestyle expectations. Absolute musts: breakfast on the 7th floor with a view out over the roofs of Berlin and a late-night visit to the lounge bar. This is a perfect location for fashion victims – all of the top designer shops are in the immediate vicinity. Which means that this is the place to meet a lot of beautiful, modern people.

Kurfürstendamm 101, 10711 Berlin
Telefon +49 (0)30 - 52 00 530
www.kudamm101.de

WELLNESS

2) *Where only Women get spoiled...*

A thousand and one nights in the centre of Berlin. In the Kreuzberg district you can find a hamam only for women – inspired by the bath house culture of the orient. The Turkish sauna and cleansing bath, traditionally a male reserve, is a place of communication and total relaxation for the body, mind and soul. The targeted care measures begin with a relaxing warm bath in an oriental marble basin or an all-over mud peeling session. Once the body is softened, supple and receptive, then the beneficial massage with the kese, a fine satin glove, can begin. The final relaxation takes place on the Göbek tasi, a warm marble surface where you can sit.

Schokofabrik, Mariannenstr. 6, 10997 Berlin
Telefon +49 (0)30 - 615 14 64
www.hamamberlin.de

FOOD & DRINKS

3) *Monsieur Vong*

More of a quick eatery than a restaurant – but what an experience! The menu consists of only two or three daily dishes, but Vietnamese food probably does not taste this good even in Hanoi. Do not be put off by queues – the staff has everything under control, and after a few minutes you will be shown to your place. Be warned: physical contact to the neighbours at your table cannot always be avoided, but in view of the colourful mixture of interesting guests, this is not really a deficit. During the annual Berlinale film festival it might even be the back of a Hollywood star which you lean back on contentedly after your meal.

Alte Schönhauser Allee 46, 10119 Berlin
Telefon +49 (0)30 - 30 87 26 43
www.monsieurvong.de
(no reservations!)

4) *Arena*

On mild summer evenings, social Berliners like to meet on the water. A whole series of beach bars has appeared on the banks of the Spree in recent years. The most spectacular of these locations is the Arena in Treptow. A swimming pool inside a large boat on the river, an open air bar and comfortable deckchairs from which the spectacular view over the Spree can be enjoyed – the perfect start to an eventful night. A variety of events are held in the adjacent hall (listed industrial building).

Eichenstraße 4, 12435 Berlin
Telefon +49 (0)30 - 53 32 030
www.arena-berlin.de

5) *Bateau Ivre*

Referred to in the scene as “The Frenchman”, Bateau Ivre is a must for anybody on the lookout for Mediterranean flair and a flirt, especially in summer. The Frenchman is the second home of the typical resident of the Kreuzberg district, easy-going and always open to a relaxed chat. Watch out girls: the tapas and salads are served by real Frenchmen!

Oranienstraße 18, 10999 Berlin
Telefon +49 (0)30 - 61 40 36 59

NIGHTLIFE

6) *oxymoron*

During the day, oxymoron is an elegant coffee house with a restaurant (Italian and French cuisine). In the late evening, it is transformed into a fashionable night club. The atmosphere is communicative and it is easy to meet people from a huge variety of Berlin scenes. Even its surroundings are something special – the first dining club in Berlin is located in the Hackesche Höfe. Built in 1905/06, these form the largest complex of interconnected courtyards in Germany. The interior of the oxymoron salon refers back to the atmosphere of the 1920s, the best years for the Hackesche Höfe, in an exciting mix of past and present.

Rosenthaler Straße 40/41, 10178 Berlin
Telefon +49 (0)30 - 28 39 18 86
www.oxymoron-berlin.com

7) *Club of the Polish Failures*

This is an exceptional club – even by the colourful standards of the Berlin scene. It is where old and new Europe meet of an evening. Striving for perfection is not a priority for the managers and guests of this club – they prefer trash. This is probably what makes the Club of the Polish Failures the liveliest of its kind. Being creative in an individual way and providing people with a platform to present the results of this creativity – this is what the club does twice a week. On these evenings, people who may not be particularly successful in the outside world read out texts they have written themselves.

Torstraße 66, 10119 Berlin
Telefon +49 (0)30 - 28 09 37 79
www.polnischeversager.de

ART

8) *Viaux – Gallery for Fashion Photography*

Located in the “Mitte” district, this outlet of the Hamburg gallery is specialised in fashion photography. Often filling the entire walls, the original shots by the world’s best photographers open up new, sensual and erotic perspectives.

Mullackstraße 12, 10119 Berlin
Telefon +49 (0)30 - 28 09 99 80
www.viaux.com

PARKS

9) *Lustgarten*

Take your darling for a walk through this pleasure of the crowned heads of Germany. The combination of flowerbeds, orangerie, herb gardens, statues, grottoes, follies, fountains and summerhouses provides a unique atmosphere for dreamy walks together. Established in 1646, the garden has a turbulent history and has one of the richest traditions of anywhere in the city.

Karl-Liebknecht-Straße / Kupfergraben, 10117 Berlin
www.berlin.de

10) *Pfaueninsel*

The Pfaueninsel is a synthesis of the arts. In 1793, King Friedrich Wilhelm II acquired the island as a destination for excursions and turned it into an exotic world in the heart of Berlin. Characterised as it is by meandering paths opening out onto natural beauties or architectural experiences, this is the perfect destination for couples in love.

Take the S-Bahn to Wannsee, then continue with bus line 218 as far as the final stop.

DRESS FOR SUCCESS

11) *AM3 / Fine rib forever*

Who said that fine rib isn’t sexy? AM3, a small, but extremely exclusive shop in the “Mitte” district will prove you otherwise. Top quality underwear with timeless style and elegance: On no account forget to visit the back courtyard. Here there is a series of further interesting shops where shopping is simply fun.

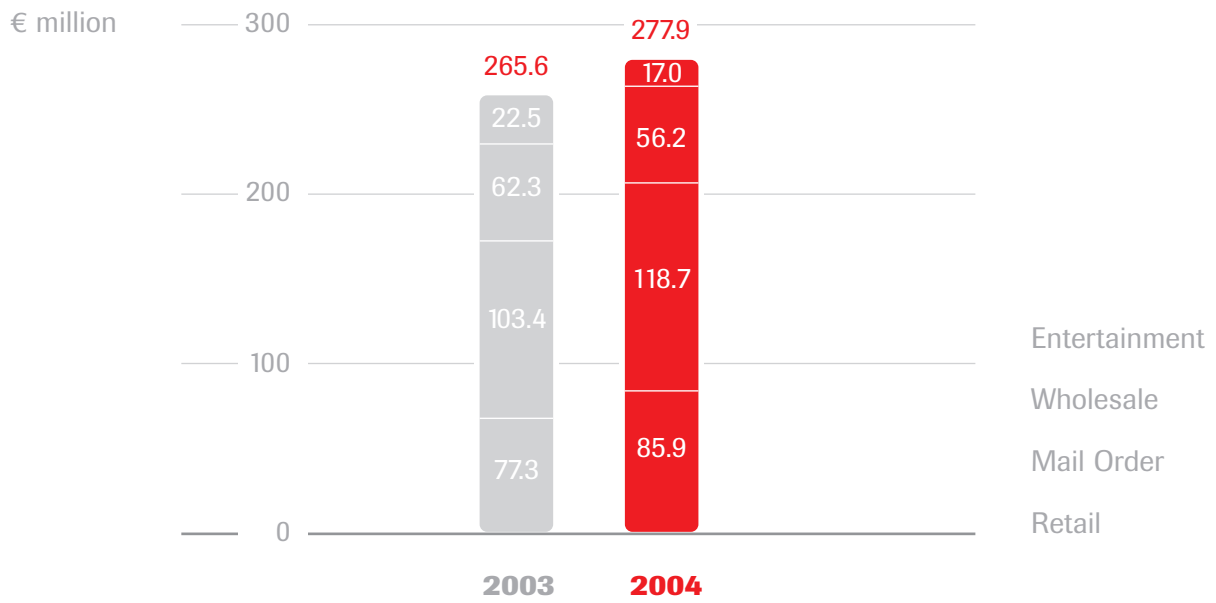
Münzstraße 23, 10178 Berlin
Telefon +49 (0)30 - 30 88 19 46

BEATE UHSE IN BERLIN

**Mae B.
Hermannplatz
(on the first floor of Karstadt, department store)
10967 Berlin
Telefon: +49 (0)30 - 61 20 10 05**

**Beate Uhse Erotic-Museum & Shop
Joachimstaler Straße 4 / Kantstraße 5, 10623 Berlin
Telefon: +49 (0)30 - 88 62 66 13**

SALES BY PROFIT CENTRE 2003 / 2004



The entertainment division was also faced with a decline in sales in 2004. This division witnessed a year-on-year decline of 24.5 percent and concluded the 2004 financial year with sales of € 17 million (2003: € 22.5 million). The principal reason for this development was consumers' loss of confidence in dialer technology as a means of payment. This tendency was already apparent at the beginning of the year and affected the overall online market in Germany. Moreover, various laws were tightened up in Germany in 2004 (protection of minors, free price announcements for value added numbers etc.). These factors resulted in a decline in sales in the online business.

The retail division of the Beate Uhse Group, by contrast, reported highly convincing developments. The store network was expanded in a targeted manner by 15 shops which met the profit-driven criteria set by the retail division. Sales grew by 11.2 percent to € 85.9 million (2003: € 77.3 million). A major part of this sales growth is due to acquisitions and/or consolidation. The Christine le Duc Shops acquired in 2003 were only included in the Group with the sales of € 2.6 million generated during the limited period of their consolidation. In 2004, they contributed sales of € 9 million.

The mail order division generated the highest volume of sales in the Group once again in 2004. Sales rose by 14.8 percent to € 118.7 million (2003: € 103.5 million). This pleasing development was due in particular to the French and British markets, as well as to Germany. The US business once again proved to be difficult in 2004. The expenditure on marketing activities was raised once more in all Pabo countries, and in Germany in particular, in order to gain market share. The Pabo mail order business aims to exploit the high level of marketing expenses in order to achieve a strong position for the future.

If the development of sales in 2004 is analysed in terms of regions, the country markets in Austria, France and the UK were especially strong. All three markets reported double-digit percentage growth rates. In spite of minor problems in

SALES BY REGION 2003 / 2004

€ million	2003	2004	Change %
Germany	125.8	120.5	-4.2
Netherlands	48.7	51.8	6.2
Belgium	16.6	17.4	5.3
France	19.0	25.3	33.2
United Kingdom	13.2	14.8	12.2
Austria	7.9	18.1	129.1
Switzerland	1.9	1.8	-5.3
Scandinavia	14.8	13.1	-11.2
Other European countries	10.5	9.3	-11.4
Other regions	7.3	5.8	-20.6
	265.6	277.9	4.6

the retail sector (crowding out competition), the Dutch and Belgian markets also show potential for growth. A slight decline in sales was reported for Germany and Switzerland, both of which markets were negatively affected by the relative importance of their online activities. Sales in Scandinavia declined by 11.2 percentage points as a result of the restructuring. Sales in other European countries fell (minus 11.4 percent) as a result of the logistics difficulties at the wholesaler Scala BV. With a 43.4 percent share of overall sales, Germany was once again the most important national market for the Beate Uhse Group in 2004. The share of international sales nevertheless rose for the third year in succession to reach its current level of 56.6 percent.

7.9 EARNINGS SITUATION The earnings of the Beate Uhse Group did not develop on budget at all divisions during the year under report. On the group level, Beate Uhse reached the previous year's level of earnings after tax, while operating earnings fell short of expectations.

VALUE CREATION

The sales of the Beate Uhse Group amounted to € 277.9 million in 2004, compared with € 265.6 million in the previous year. Following the deduction of input costs for materials, depreciation and other operating expenses, the value created amounted to € 53.7 million. The equivalent figure for the previous year was € 56.0 million. The slight decline in the

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value created figure is primarily attributable to the rise in other operating expenses. The increase in advertising expenses reflected in this figure more than compensated for the overall rise in the company's gross performance and the significant improvement in its materials input ratio. The company was able to reduce its material expenses while significantly increasing its sales as a result of the improvement in its purchasing and procurement structures and due to the increased share of sales generated by the mail order division. Taken together with the stable gross margin for the majority of the product areas, this resulted in a disproportionate increase in the gross profit of the Group to € 202.7 million. This corresponds to growth of 11.1 percent.

OPERATING EXPENSES

In contrast to the positive development seen in the cost of materials, Beate Uhse did not entirely succeed in maintaining its personnel expenses at a constant level. These rose by 7.1 percent and thus increased somewhat more than sales. This was primarily due to higher personnel totals at the new logistics centre. The personnel expenses ratio rose from 17.8 to 18.2 percent. At € 188k per employee, personnel productivity in 2004 was at a similarly high level as in 2003. **Other operating expenses rose as a percentage of sales from 38.7 percent to 43.9 percent. This was mainly attributable to the high level of mail order advertising activities. Beate Uhse aims to exploit the weak market situation in some areas of Europe as an opportunity for acquiring significant new market share by means of increased advertising efforts.** There was also a slight increase in rental expenses. This was partly attributable to the retail division on account of the growth in its sales areas and partly to the wholesale division as a result of the rental payments for the logistics centre. The rise in allowances for bad debts within other operating expenses directly correlated with the rise in sales in the mail order division. Overall, at 3.7 percent of sales, these can be termed satisfactory.

DEVELOPMENT OF OPERATING EXPENSES 2003 / 2004

€ million	2003	2004	Change %
Costs of material	96.8	92.0	-4.9
Personnel expenses	47.3	50.7	7.1
Other operating expenses	102.7	122.0	18.8

OPERATING EARNINGS PERFORMANCE

There was a decline in key operating earnings figures in 2004. This development was attributable in particular to the wholesale and entertainment divisions for the reasons outlined above. In terms of its operating earnings before interest, taxes, depreciation and amortisation, the earnings contribution made by the mail order division was roughly at the same level as in the previous year. The EBITDA across all profit centres amounted to 10.4 percent, compared with 11.8 percent in the previous year.

The level of depreciation at Beate Uhse was at the same level as in the previous year. The most important items in this respect were the depreciation of property, plant and equipment and the amortisation of intangible assets, of which around € 1.4 million related to goodwill. The depreciation ratio remained constant. Operating earnings (EBIT) nevertheless declined by 13.3 percent and thus fell short of expectations.

DEVELOPMENT OF OPERATING INCOME 2003 / 2004

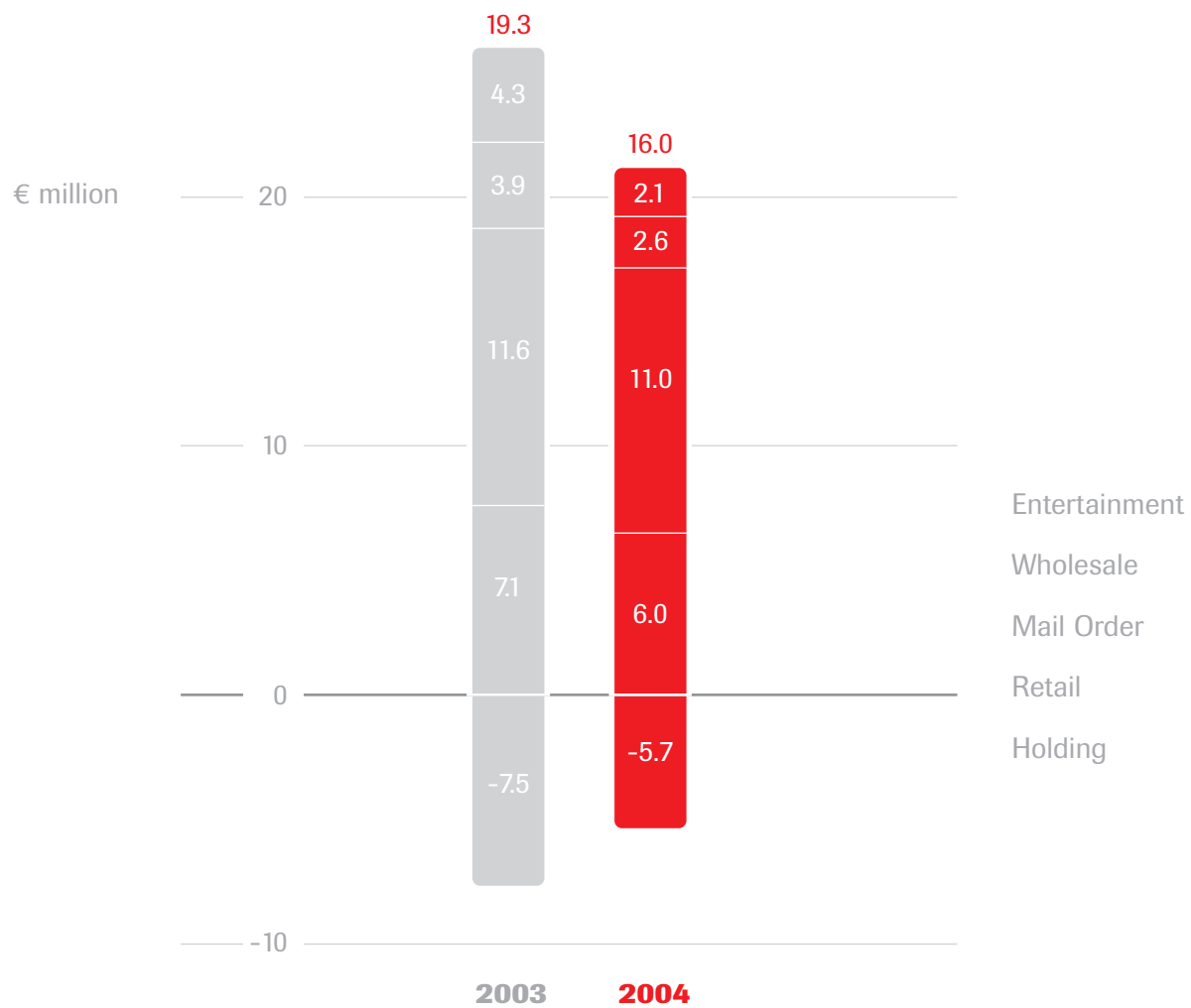
€ million	2003	2004	Change %
EBITDA	31.5	28.8	-8.7
EBIT	21.5	18.6	-13.4
EBT	19.3	16.0	-16.8

Net interest expenses were slightly higher than in the previous year. The net interest burden amounted to € 2.6 million, compared with € 2.2 million in the previous year. Thanks to the group cash pooling structure, interest expenses remained largely stable in spite of a higher level of liabilities.

Earnings before tax (EBT) therefore amounted to € 16 million in 2004. This figure was around € 3.3 million lower than in the previous year and therefore also fell short of the company's expectations. More than half of this decline was incurred in

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EBT BY PROFIT CENTRE 2003 / 2004



the 4th quarter of 2004, during which the problems in the wholesale division had a particularly strong impact. The first and third quarters generated the highest level of earnings in 2004. The fourth quarter, which is usually very strong as a result of the seasons involved, failed to meet its budget target.

EARNINGS BEFORE TAX AT THE PROFIT CENTRES

In terms of pre-tax earnings, the mail order division was once again by far the most successful profit centre in 2004. With earnings before tax (EBT) of € 11 million, it generated around 50 percent of the total earnings reported by the operating profit centres.

EBT BY QUARTER 2003 / 2004

€ million	Q1/2003	Q1/2004	Q2/2003	Q2/2004	Q3/2003	Q3/2004	Q4/2003	Q4/2004
Retail	1.4	1.8	0.3	0.3	2.4	1.5	3.0	2.4
Mail Order	2.7	3.1	2.3	2.2	2.1	2.4	4.5	3.3
Wholesale	2.5	2.2	2.0	0.3	1.5	1.2	-2.1	-1.0
Entertainment	0.4	0.8	1.1	0.1	1.2	0.6	1.6	0.6
Holding Services	-1.4	-1.3	-2.8	-0.9	-1.6	-1.6	-1.7	-1.9
	5.6	6.6	2.9	2.0	5.5	4.0	5.2	3.4

Pre-tax earnings at the retail division were lower in 2004 than in the previous year. This was due in part to the start-up losses incurred by the new Mae B. store chain. The mail order division increased its marketing activities once again in 2004 in order to boost its own market presence within the international mail order business.

The wholesale division reported the lowest pre-tax return. The entertainment division, which was similarly beset with difficulties, concluded the year with a return of 12.4 percent. Although this figure is quite high in comparison with the other profit centres, it does not correspond to the returns actually achievable in the field of entertainment. The budgeted return had been much higher in this respect. The mail order division achieved a return on sales of 9.3 percent, with the retail division generating a slightly lower return of 7.0 percent.

Beate Uhse largely succeeded in implementing the cost reductions targeted in the holding services division.

TAXES

A significant reduction was achieved in the tax burden of the Beate Uhse Group in 2004, which amounted to a total of € 6.3 million. The tax rate thus fell from 42.8 percent to 28.8 percent. This decline was achieved by using tax loss carryovers and tax-deductible expenses for valuation adjustments in respect of affiliated companies.

NET INCOME AND EARNINGS PER SHARE

Beate Uhse succeeded in maintaining its earnings after tax for the 2004 financial year at almost the same level as the previous year. Following € 9.9 million in the 2003 financial year, Beate Uhse generated net income of € 9.7 million in 2004. This is equivalent to earnings per share of € 0.21. The company plans not to distribute a dividend for 2004 and to retain the net income. As a result of the share in the losses borne by minority shareholders (€ 0.4m), the profit brought forward (€ 2.1m) and changes in reserves (€ 7.5m) the net distributable earnings of the Group amounted to € 19.7 million as of 31 December 2004.

NET INCOME AND PROPOSED DIVIDEND 2003 / 2004

€ million	2003	2004	Change %
Net income	9.9	9.7	-1.4
Dividend proposal	4.6	-	-

The return on equity (based on net income) saw a slight decline as a result of the rise in equity, amounting to 13.4 percent compared with 14.5 percent in the previous year. The return on sales after tax remained virtually unchanged at 3.5 percent, compared with 3.7 percent in 2003.

7.10 NET ASSET SITUATION Total assets rose by € 6.7 million (plus 3.7 percent) to € 187.9 million in 2004. The principal change on the asset side related to the increase in fixed assets and inventory totals. On the liability side, there was a rise in equity on account of the annual net surplus. The liabilities of the Group showed a slight increase over and above the level of sales growth.

ASSET STRUCTURE

The fixed assets of the Beate Uhse Group rose by € 7.0 million (plus 8.9 percent) to reach € 84.8 million as of 31 December 2004. The most significant change in this respect related to financial assets. Loans to associated companies declined by € 730k. This was due to a change in the reporting entity: the shareholding in Beate Uhse Italia GmbH was increased to 96 percent as of 1 June 2004 and was therefore fully consolidated for the first time. The shares held in associated companies rose by a total of € 9.3 million (plus 41 percent) in the third quarter of 2004 to € 31.7 million, thus altering the Group's financial assets. These showed a year-on-year increase of € 8.1 million (plus 29 percent) to € 35.9 million. There was hardly any net change, by contrast, in the level of intangible assets and property, plant and equipment. The goodwill stated as of 31 December amounted to € 15.2 million. The advance payments made in 2003 for new software for the mail order division (€ 1.7 million) were capitalised as software in the 2004 financial year.

Current assets showed only a slight net increase to € 97.1 million (plus 1 percent). However, there were significant shifts within the individual balance sheet items. Inventory totals were mainly affected by the rise in raw materials and supplies (plus 38.7 percent) to € 9.0 million. This increase involved incomplete catalogues at the Pabo mail order business. The rise in finished products and merchandise to € 37.2 million (plus 12.0 percent) also had a strong impact on inventory levels. This increase of € 4.0 million resulted from the start-up difficulties at the central warehouse in Almere. The responsible subsidiary, Scala BV, had to increase inventory levels as a result of the logistics problems surrounding the commencement of operations at the new warehouse in order to secure its ability to make deliveries both within the Group and to customers in a total of 60 countries around the world.

Receivables rose by a total of 14 percent to € 37.9 million. The largest variance related to the rise in trade receivables by € 4 million (plus 16 percent) to € 29.4 million. These therefore

grew in proportion to the sales growth of 14.8 percent reported by the mail order division.

There was a decline in 2004, by contrast, in the total volume of securities. These fell by 75.7 percent to € 3.0 million as a result of the sale of treasury stock in the second quarter of 2004 and of the disposal of a General Media Inc./Penthouse bond. Treasury stock declined by € 7.5 million (minus 72.5 percent) to € 2.8 million. The sale of a General Media Inc./Penthouse bond acquired by the Beate Uhse Group in the course of their acquisition efforts resulted in a decline of € 2.1 million (minus 90.5 percent) in the value of the other securities item to € 216.5k.

Fixed assets as a proportion of total assets, the fixed assets ratio, increased slightly from 43 percent to 45 percent. The level of working capital showed a significant decline to € 25 million as of the reporting date (2003: € 31.5 million).

CAPITAL STRUCTURE

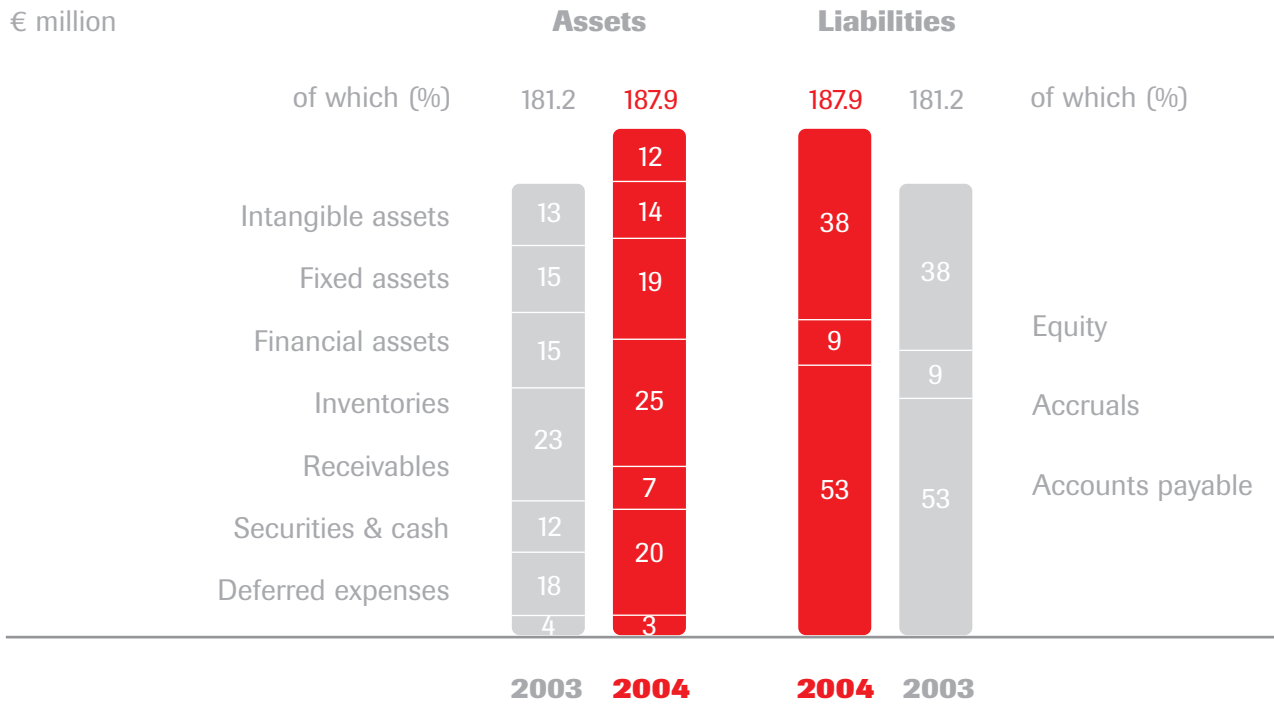
There was a slight improvement in the capital structure of the Beate Uhse Group. Net distributable earnings rose by € 12.9 million to € 19.7 million. The level of equity showed a corresponding improvement to € 72.8 million (plus 7.3 percent). The sale of treasury stock in 2004 enabled the reserves for treasury stock to be reduced by € 7.4 million to € 2.8 million at the end of the financial year (minus 72.5 percent). The Group's equity ratio amounted to 38.7 percent and thus showed a slight improvement compared with 2003 (37.4 percent).

The equity ratio of Beate Uhse AG amounted to 67.8 percent as of 31 December 2004. This is equivalent to equity of € 157.4 million, an increase of 3.6 percent compared with the previous year.

It should also be noted that in the past Beate Uhse made use of the offsetting of goodwill with reserves within the Group permitted by the Commercial Code.

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STRUCTURE OF THE BALANCE SHEET 2003 / 2004



The level of accruals taken by the Group in 2004 remained at largely the same level as in 2003.

When compared with the growth of the Group, the rise in total liabilities can be seen to be appropriate. Liabilities to banks increased by € 4.5 million to € 50.6 million (plus 9.7 percent). This was primarily attributable to the situation in the new logistics centre in Almere. On account of the start-up difficulties, the wholesale division was forced to increase inventory levels, with a simultaneous decline in the division's cash flow. This made it necessary to provide this profit centre with additional funds, which were financed in part by bank liabilities. In terms of their remaining terms, 82 percent of the bank liabilities are of a short-term nature. The remaining loans have medium-term or long-term terms.

The rise in trade payables (plus 72 percent to € 22.2 million) was analogous to the growth in inventories. It was possible to reduce other liabilities to € 6.7 million (minus 22.1 percent).

The interest burden of the Beate Uhse Group developed in line with its debt capital. Beate Uhse had already reorganised its debt in 2003 in order to achieve an optimal interest structure and issued two borrowers' note loans. The interest level reached a historic low in the middle of 2004 and subsequently showed a slight increase. This did not have any impact on the interest expenses of the Group.

7.11 FINANCIAL SITUATION Thanks to the cash pooling structure introduced at the Group in 2003, Beate Uhse was once again able to optimise the relationship between short-term liabilities and liquid funds at all profit centres during 2004. At the reporting date for 2004, the Group's liquidity amounted to € 9 million and was thus slightly higher than in the previous year (€ 8.3 million).

The cash flow from operating activities fell to € 10.8 million (2003: € 20.3 million), in part as a result of increased inventory levels at the wholesale division, which tied up liquid funds. Moreover, the high level of sales growth at the mail order division (plus 14.8 percent) resulted in a significant increase in trade receivables at this profit centre.

Total investments, including those made in financial assets, amounted to € 20.5 million in 2004. This figure includes the acquisition of 2 million shares in erotic media ag made in mid-2004. This resulted in additions of € 10 million to the financial assets. Repayments made by third parties and the sale of the Penthouse bond led to incoming payments in 2004 within the framework of short-term financial funds.

The various financing activities undertaken in 2004 resulted in an inflow of funds amounting to € 0.4 million at the Beate Uhse Group (2003: outflow of funds of € 9.5 million). Beate Uhse received incoming payments of € 2.2 million from the disposal of treasury stock in 2004. The payment of the dividend for the 2003 financial year led to a reduction of € 4.8 million in financial funds. The net taking up and repayment of financial loans resulted in incoming payments of € 3 million.

The volume of liquidity available as of the reporting date amounted to € 9 million and corresponded to the annual average level.

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7.12 EMPLOYEES At the end of the 2004 financial year, the Beate Uhse Group had a total of 1,477 employees in 13 countries. Of this figure, 852 employees worked in retail, 283 in mail order, 218 in wholesale, 82 in entertainment and 42 at the holding company.

EMPLOYEES AT THE BEATE UHSE GROUP

BY REGION	2003	2004
Germany	722	748
Netherlands	384	509
Belgium	31	34
France	42	44
United Kingdom	20	26
Austria	7	18
Scandinavia	80	42
Other European countries	41	38
USA	17	18
	1,344	1,477

BY PROFIT CENTRE	2003	2004
Retail	716	852
Mail Order	281	283
Wholesale	217	218
Entertainment	86	82
Holding Services	44	42
	1,344	1,477

GENERAL DATA		2003	2004
Average Age		37	38
Male employees	%	51.3	46.3
Female employees	%	48.7	53.7
Personnel expenses	€ m	47.3	50.7
Expenses per employee	EUR 000s	35.2	34.3

The retail division thus remained by far the largest employer within the Group. The increase of 149 employees has to be put into perspective, however, given that only one quarter of the employees at the Christine le Duc stores had been accounted for in 2003 as a result of the prorated consolidation. This store chain was integrated in October 2003. On this basis, the retail division had a total of 802 employees at the reporting date at the end of 2003. In 2004, Beate Uhse retail took on 136 new employees as a result of the expansion of its store network across Europe.

Employee totals remained stable at the other profit centres. The temporary increase at the wholesale division (12 employees as of September 2004) was attributable to the requirement for additional human resources as a result of the move into the new logistics centre.

The personnel expenses of the Beate Uhse Group rose by € 3.4 million to € 50.7 million. At 18.2 percent, the personnel expenses ratio (personnel expenses as a proportion of sales) remained virtually unchanged (2003: 17.8 percent).

MOTIVATING EMPLOYEES

Beate Uhse aims to work on a long-term basis with highly motivated and committed employees with a positive attitude towards their employer and their daily tasks. It is apparent that the foundations for a positive attitude have to be provided by the company's structures and its management. For this reason, the promotion and training of Beate Uhse employees is accorded high priority and innovations and ideas on the part of the employees are promoted. Both points are anchored in the Articles of the Beate Uhse Group.

Further foundations of high-quality, trusting and long-term cooperation include open and honest communication. We aim to keep our employees informed of the latest developments to the greatest extent possible. With this in mind, we organise regular information forums on current topics. Information of direct importance to the workforce is provided as promptly as possible to all employees in the various countries either by notice or by e-mail. One means of communication which enjoys great popularity among the employees is the company newspaper. This informs employees not only about important issues, but also includes local human interest articles. This aspect is granted special attention in view of the fact that interpersonal relationships are very important for an international group with a decentralised structure, such as the Beate Uhse Group. In addition to the ongoing communications required by daily work, we also promote contacts between the employees of different profit centres and countries by means of joint activities and direct exchange.

Employees like to be rewarded for their efforts. This constitutes a key component of their motivation. Performance-related salary components are therefore form a fixed element of the remuneration system for senior employees within the Beate Uhse Group. Moreover, we also provide employees with the opportunity of participating in the company's success on the capital markets by means of an Employee Stock Option Pro-gramme. The programme was offered for the first time in 2002. A total of 189,468 option rights were made available in 2004.

Social responsibility forms part of the personnel policy at the Beate Uhse Group. Beate Uhse provides young people with an interesting start to their professional lives. The Group trains individuals in four professional vocations and provides students and graduates with trainee positions. Beate Uhse collaborates with the Nord-Akademie to provide students of business administration with the opportunity of a reinforcing their studies with practical experience.

7.13 ENVIRONMENTAL REPORT Within the framework of its responsibility towards society as a whole, the Beate Uhse Group is also aware of its duty of care towards the environment. As a trading company, its opportunities for optimising and influencing the environment are limited and primarily involve ensuring that the circulation of goods and packaging is undertaken with due environmental awareness and with the aim of saving resources. In terms of product safety, Beate Uhse attaches importance to the environmental friendliness and compatibility of the components and materials used. Corresponding obligations form a fixed part of the overwhelming majority of supply agreements. Moreover, Beate Uhse undertakes its own quality and materials checks. In general, the company aims to ensure that natural resources are handled sparingly and with the highest possible degree of environmental sensitivity.

7.14 EVENTS SUBSEQUENT TO THE REPORTING DATE The profit centres of the Beate Uhse Group have had a successful start to the 2005 financial year.

On 11 March 2005, the Beate Uhse Group issued an ad-hoc announcement stating that Almira S.A., Switzerland, was not in a position to implement its take-over of the shares in erotic media ag within the timeframe originally envisaged. In contrast to the announcement made on 8 December 2004, the Management Board and Supervisory Board of Beate Uhse AG decided to provisionally break off negotiations with Almira S.A. in respect of the sale of the erotic media ag shares. It was also announced that the Beate Uhse Group would retain its shareholding in Beate Uhse TV GmbH & Co. KG until further notice.

7.15 RISK AND OPPORTUNITY MANAGEMENT The risk and opportunity management activities at Beate Uhse form part of the company's overall planning, controlling and reporting process. The regular, systematic identification and analysis of risks, potential risks and opportunities enables risks to be minimised to the greatest possible extent and allows problems to be analysed at as early a stage as possible and new opportunities to be investigated. The guidelines valid for the entire Group (risk philosophy, value limits, acceptable expenses etc.) are therefore reviewed by the company's management on an annual basis. The foundations of the company's risk and opportunity management comply with the requirements of the Corporate Control and Transparency Act (KonTraG).

The structure and implementation of the risk and opportunity management system was reviewed by the auditor last year within the framework of the annual financial statements. No risks have currently been identified which, either individually or as a whole, could at present or in future endanger the ongoing existence of the company or have any permanent negative impact on its net asset, financial or earnings position.

7.12
7.15

GROUP RISK AND OPPORTUNITY MANAGEMENT PROCESSES

In addition to the group guidelines, the risk and opportunity reviews undertaken by the Strategy Board on a quarterly basis form the second pillar of the controlling system. These serve to systematically identify, analyse, assess, control, document, communicate and supervise all known and potential new risks and opportunities at the profit centres and in the Group. The managing directors of the profit centres are obliged to provide direct extensive information concerning the respective risks and opportunities. The risks are subject to a fixed uniform analysis in terms of their value limits, probability of occurrence and processing priority in order to facilitate subsequent assessments. The risk manager reports to the respective member of the Management Board on a regular basis.

BUSINESS RISKS

Changes in the Competition / Shifts in Distribution Channels

The erotica market has witnessed changes in its basic structure in recent years. Overall, there has been a rise in public awareness of retail activities involving erotica products and services. As a result of more liberal societal views, the sector is assessed more positively than was still the case a few years ago. Issues relating to sex and erotica are no longer taboo. This change harbours both opportunities and risks for the Beate Uhse Group. The opening of the market involves the risk of losing market share to traditional retail companies and thus of being exposed to more intense competition in future. The Beate Uhse Group assesses the probability of this scenario arising as relatively high. In order to be able to benefit from this new situation and openness, however, Beate Uhse has also used the launch of new shop concepts and the modernisation of the company's proprietary stores in order to present itself more visibly in top shopping locations. By taking this step, Beate Uhse has consciously increased its proximity to the traditional retail sector and has plans to expand further in order, among other aims, to address women more clearly as a target group. In order to delineate itself clearly from the competition, Beate Uhse has pressed ahead with the expansion of proprietary products in the fields of lingerie, DVDs and toys and has concluded exclusive agreements with producers.

In addition to the changes in the competitive environment, the shift in distribution channels towards new technical media is continuing apace. Traditional retail channels are exposed to the risk of losing sales to the internet. This risk affects the mail order and retail divisions of Beate Uhse. However, this risk can largely be countered by means of the Group's own e-commerce activities. In addition to their range of merchandise, the retail and mail order divisions intend to enhance the status of their internet presence using activities such as live shows. Further measures include a greater involvement in new means of communication, such as SMS, MMS, Chat etc., as a way of generating access to customers. The profit centres will initiate projects across the Group in order to implement such measures.

Within the online market, a movement has been observed away from spontaneous, intuitive purchases towards conscious purchasing decisions. Club and subscription systems are gaining in acceptance in the market. There is the risk that there will be a decline in prices for the content on offer. Beate Uhse New Media is meeting this development with the conversion of its own systems to allow it to actively lead users through to the purchasing transaction. Moreover, club and subscriber pages with fixed prices are being offered to a great extent. In order to maintain price stability, particular importance is being attached to content exclusivity.

External Factors

New media have witnessed highly rapid technical developments in the past years. These developments have resulted in large market potential for all internet and telephony providers. However, the challenge involves keeping up with technical developments, for example in the field of payment technologies. All internet providers are exposed to this risk. Internal systems have to be continuously adjusted to the new standards, given that outdated technology may result in a loss of sales.

With effect from 1 January 2006, 0190 numbers will be converted to new 0900 numbers. There is the risk that this might lead to a decline in sales, given that customers might turn to other providers once the familiar numbers are no longer available. The extent to which Beate Uhse new medi@ will be affected by this situation cannot be quantified in advance. Beate Uhse new medi@ informed itself about the forthcoming changes at a very early stage and has made efforts to obtain new 0900 numbers and has submitted applications for the embedding procedure (particularly well-established 0190 numbers will be transferred to new lines). In view of the fact that the conversion to 0900 numbers will affect the entire market, this change will also provide Beate Uhse new medi@ with opportunities for acquiring new customers for its own services, particularly since Beate Uhse has significantly better advertising and marketing resources as a result of its market presence and the size of the company.

Risks of Direct Marketing

The mail order division of the Beate Uhse Group keeps its customers informed by distributing two main catalogues per year and by various accompanying advertising measures. Any misjudgements in the compilation of the main catalogues and advertisements, or in the selection of the products thereby presented, harbour risks for the success of the catalogue, given that it is prepared well in advance of publication. In order to secure the company's delivery capacity, the merchandise for around 70 percent of the planned level of sales is purchased prior to the publication of the catalogue. There is the risk that large inventory levels will be accumulated in the event of the products on offer not satisfying customers' tastes. Pabo, the mail order brand of the Beate Uhse Group, minimises this risk by using trial catalogues which are distributed to representative customers as a test of demand prior to the purchasing of merchandise. Upon the production of the catalogue, risks are minimised by using skeletal catalogues which are subsequently supplemented in the geographical markets by products specific to the respective countries.

Loss of Image for the Beate Uhse Brand

As a result of its company history and the sector in which it operates, the Beate Uhse Group is the object of great public interest. As well as positive reports in the media, the company also receives negative press coverage in individual cases. The high level of public awareness harbours both risks and opportunities for the Beate Uhse Group. In order to protect the brand and the company from any such damage to the greatest extent possible, the Beate Uhse Group makes all possible efforts to provide media representatives with open, timely and honest information. Any negative reporting could result in the "Beate Uhse" brand in particular being damaged or losing some of its positive pulling power. In order to minimise this risk, the Beate Uhse Group reviewed its brand structure several years ago and has since developed and established further strong subsidiary brands to complement the umbrella brand, such as Pabo, Mae B. and Dr. Müller, which are used for particular sales channels or niche markets.

Procurement Risks

The Beate Uhse Group trades in erotica products at all stages of the market chain. In spite of strict controls within the Group, procurement activities can result in the purchase of defective goods. In the event of such products being sold by the Beate Uhse Group, there is the risk that the company will incur product liability. In view of the various checks undertaken, the Group considers the probability of such situation arising to be low. The Beate Uhse Group is in close contact with other providers in the erotica market in order to exploit their common market position so that considerable influence can be exerted on producers around the world. In general, Beate Uhse accords priority to the CE certification of products which are to be offered by the Group. In the field of rubber products, the Group's proprietary production facilities in Hungary enable it to develop its own certified product lines.

Personnel Risks

The European erotica market is relatively closely knit on the supply side. For companies operating in this market, the loss of employees with insider knowledge and good contacts can therefore involve risks. The success of the company partly depends on the ability of the Beate Uhse Group to find suitably qualified specialist and management personnel and to integrate them into and retain them at the company in the long term. As the strongest provider in the erotica market in view of its diversification and size, the Beate Uhse Group is one of the potentially most interesting employers. In order to retain employees at the company and to enhance their identification with the company, Beate Uhse provides its employees with training and development measures, interesting remuneration and good internal promotion opportunities.

IT Risks

All of the company's activities are heavily dependent on IT processes. The most important dependencies of the Beate Uhse Group in this respect are the logistical processes in its mail order and wholesale warehouses and the infrastructure for its online services. In the event of there being a breakdown of IT-supported processes, the smooth dispatching of merchandise or the provision of online content cannot be guaranteed. Apart from the risk of lost sales, there is also the risk of losing customers in the long term. In the case of the Beate Uhse Group, the risk of breakdowns is covered by various duplicate technical solutions, but cannot be excluded entirely. In particular, problems may arise when new systems are introduced, as has been exemplified by the new central warehouse in Almere, Netherlands.

LEGAL RISKS

Tightening of Legislation

The erotica market and with it the Beate Uhse Group are subject to a wide variety of legislation. As an international company with operations in 13 countries, the Beate Uhse Group is also required to comply with the respective national legal frameworks. In Germany, the legislation governing payment methods, the protection of minors and the sale of erotica products is particularly strict and subject to ongoing adjustment to current requirements (e.g. EU legislation). The daily work of the Beate Uhse Group and of other participants in the market involves a high level of potential legal risk and resultant costs, e.g. the development and implementation of new payment methods. In general, the Beate Uhse Group may also benefit from any tightening up of legislation in view of the fact that the company stands for respectability and competence in the erotica market.

FINANCIAL RISKS

Liquidity Risk

The Beate Uhse Group has entered into financial covenant agreements with lending banks within the framework of its working capital credit lines. In the event of the risk arising that one of the covenants made might be violated for reasons relating to the operating business, for example, credit lines could be terminated. The Beate Uhse Group considers the probability of this situation arising to be low given that the company counters such risks by means of transparent and prompt communications with its lenders. The relationships between the Beate Uhse Group and its lenders are close and characterised by mutual trust.

Receivables Default Risk

Within the Group, the risk of receivables default is particularly relevant to the mail order and entertainment profit centres. Both areas account for pending receivables default by making bad debt allowances at the level customary to the business. In order to maintain the volume of receivables defaults at as low a level as possible, Beate Uhse new medi@ has developed alternative payment methods and introduced an effective dunning system. Initial experience has shown that sales limits per user make a particularly valuable contribution to significantly reducing the default rate.

The Beate Uhse Group has covered risks relating to operative interruptions, fire etc. with suitable insurance policies. The Group is covered by a business liability insurance policy amounting to € 30 million.

Similar to all companies with international operations, Beate Uhse is subject to a series of further risks and opportunities which could have a significant impact on its future development. In terms of its future operating performance, however, all early indicators, such as market development, incoming orders, development of customer base, key inventory and receivables figures, show that Beate Uhse will once again develop positively in 2005. No risks have been identified which could endanger the ongoing existence of the Beate Uhse Group at present or in the future. However, the risks outlined in this section could influence the forecasts provided in the Outlook below.

The risk and opportunity management system in place throughout the Beate Uhse Group is continuously reviewed and improved.

7.16 OUTLOOK

UNDERLYING ECONOMIC CONDITIONS

The underlying economic conditions show a moderately positive tendency for Europe. The economic situation seems to be improving slightly in some European countries, partly as a result of structural and fiscal reform measures. This is particularly true of Germany, France and the Netherlands. The Centre for European Economic Research (CEER) expects the Eurozone countries to see average economic growth of 1.8 percent in 2005 and of 2.0 percent in the following year. Economic growth in the Eurozone is therefore expected to continue to lag behind that in the USA. It is probable that Germany, one of the most important markets for the Beate Uhse Group, will once again report only a low level of growth in the next two years and will thus remain one of the weakest performers in the European Union. The Federal Government expects the economy to grow by 1.6 percent in 2005. Consumer expenditure figures are also expected to show a turnaround in 2005 and to report positive growth once again. At 0.7 percent, however, the level of growth forecast for consumer expenditure is very modest. The main reason for such turnaround is presumably the tax relief of around € 7 billion resulting from the final stage of the tax reform. The CEER expects consumer expenditure in the Eurozone to rise by 1.5 percent in 2005 and by 1.8 percent in 2006. Consumer expenditure in the USA may well fall short of the development of the overall economy. This is attributable to the high level of personal debt. The European capital markets have also honoured the marginally positive forecasts. The reporting season in Germany has started well, with DAX companies presenting satisfactory results. They have thus laid a solid foundation for developments in the coming months and have once again created an initial basis of trust for investors.

The erotica sector will see further consolidation in the coming two years, thus maintaining the trend seen in previous years. Increasing numbers of small companies will be taken over by larger competitors. One major change could involve the entry

of large retail chains into the erotica market. The increasing liberalisation of attitudes towards erotica issues means that products such as erotic underwear and toys are becoming socially acceptable. For large players in the market, this development harbours opportunities for accessing new target groups.

STRATEGIC OUTLOOK

In future, the Beate Uhse Group will consistently pursue the vision formulated in 2002 with its underlying strategic framework. Beate Uhse is on the way towards becoming the universal provider of sex and erotica products for the whole world. As the foundation for realising this vision, the international expansion of the Group continued in 2004 and will be maintained in the coming 24 months by means of operative growth and possibly also by means of acquisitions. Beate Uhse will adhere to its future strategy of exhausting the potential of those national markets in which the Group already has operations, as well as accessing new markets, if appropriate with local cooperation partners. This expansion will primarily involve organic growth.

The new logistics centre in Almere represents one key milestone in the international expansion of the Group. In the coming years, this will play an increasingly significant role as an international focal point for the procurement and sale of erotica products for the Group's profit centres, as well as for external third parties. Particularly with regard to procurement, the Group will continue to pursue the course taken in 2004 and expand its range of contacts to manufacturers in Asia. The Beate Uhse Group will continue to adhere to its previous business policies. Operating successes, such as the growth seen in the retail and mail order divisions in 2004, confirm that the management has taken the right course. The future of the shareholding held in erotic media ag and thus also of the Group's involvement in the TV business in 2005 and 2006 cannot yet be answered conclusively. The possibilities include selling this division, as well as permanently integrating it into the Group.

7.15
7.16

EXPECTED PERFORMANCE

The operating business of the Beate Uhse Group will enable it to achieve further improvements in its sales and earnings in the next two years. **Beate Uhse expects its consolidated sales to rise by around 5 percent in 2004 and an improvement of at least 15 percent in its consolidated earnings before taxes. Provided that the Eurozone economy continues to develop positively, this trend is expected to be maintained in 2006.** These positive assumptions are based on the discontinuation of the extraordinary expenses incurred by the central warehouse in Almere in 2004, the stabilisation of the entertainment market and the continued growth of the retail and mail order profit centres as a result of the expansion of country markets and target groups.

The Beate Uhse Group plans to expand its mail order logistics structures in the coming two years in order to do justice to the sharp rise in order volumes and the expansion of the international presence of the Pabo mail order business. The company has allocated financial funds of € 8 million in its investment budget for 2006. Furthermore, the conversion of Beate Uhse shops in international locations to the new design will be continued. An investment of around € 6.5 million has been earmarked for the re-branding and associated measures. No further large-scale investments have currently been planned.

The financial situation of the Group remains stable. Its equity ratio is expected to remain at approximately 40 percent on an ongoing basis. Annual earnings will make a particular contribution to this pleasing development. There will be a slight increase in the company's gearing. Liabilities will be reduced from the cash flow by means of scheduled repayments. In parallel, Beate Uhse also intends to use the planned retained earnings to achieve an additional reduction in its financial debt in 2005. In the event of it being possible to implement the sale of the erotic media ag shares in 2005, then the funds thereby generated would facilitate further massive improvements in the capital structure of the Group. The expansion of the operating business will largely be financed by the operating cash flow.

As one of the leading companies in Europe, the Beate Uhse Group can be expected to benefit from the consolidation of the erotica market and to acquire further market share. Beate Uhse has the reputation of being a respectable and competent company, as well as acting as a contact partner for the sector. These attributes make the erotica group attractive as a partner for large international retail companies interested in cooperating to promote the transformation of the erotica market. Beate Uhse is already in talks with various companies in this respect.

The profit centres of the Beate Uhse Group will continue to focus on the expansion of their international activities in the coming months, as well as adapting to the change in market conditions. In 2005, the German retail division will relocate its logistics activities to the central warehouse in Almere. As well as exploiting synergy effects within the Group, this will enable

shops to be supplied more rapidly and at less expense. The retail division will press ahead with the expansion of its store network in all existing country markets. This expansion will be focused on France, Germany and Poland.

The mail order division sees interesting growth opportunities for 2005 and 2006 in the countries in which Pabo currently operates. The growth drivers in this respect are expected to be the UK, France and the German-speaking countries. Marketing expenses will remain unchanged at their currently high levels in order to enable the company to acquire further market share in Europe. During this growth phase, pretax earnings will take second place to the increase in market share.

The wholesale division will further consolidate its position in the German market. Plans are being made in this respect to supplement product ranges with high-quality proprietary products. A further aim involves improving procurement conditions in order to increase the gross margin. The division is not expected to increase its market share in Germany. Scala BV will use the 2005 financial year for optimising its technical working processes, so that the wholesale division can return to normal operations. Moreover, improvements to the internet B-2-B platform are intended to simplify customers' access to merchandise even easier. As well as optimising its working processes, Scala will also focus in the coming months on extending its range of services and thus at raising customer retention levels.

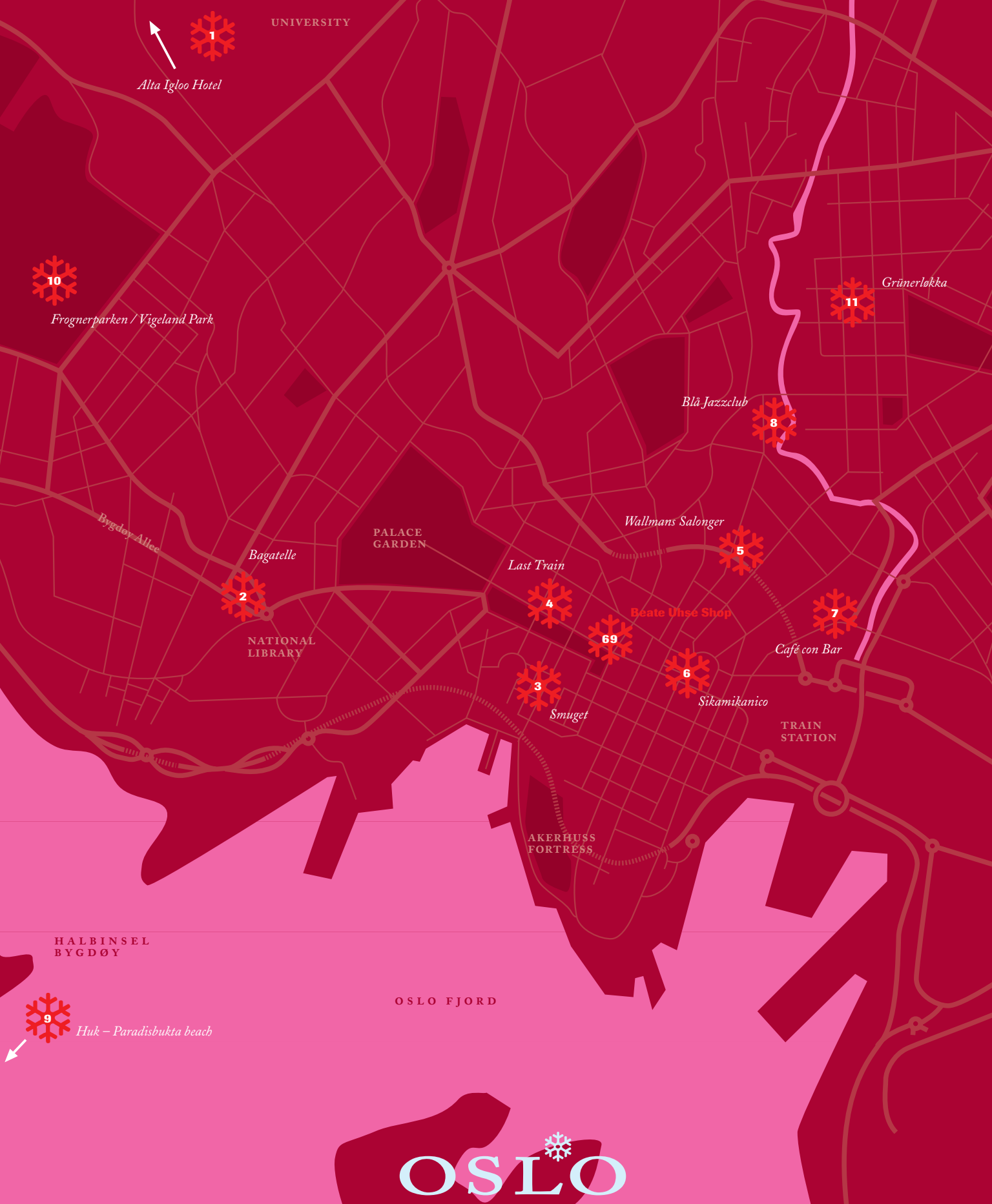
The entertainment division will focus on its online, telephony and mobile communications activities. The forced withdrawal of untrustworthy providers from the online business provides the company with the opportunity of occupying new areas of business. With its new products, such as club and subscription models, Beate Uhse is well prepared for this development. In 2005 and 2006, the entertainment division will focus on the expansion of its international partnerships in the online and mobile technology markets.

Flensburg, 23 March 2005

The Management Board

7.16

DETACH THE MAP BEFORE YOU START YOUR TRIP



Alta Igloo Hotel

UNIVERSITY



Frognerparken / Vigeland Park



Grünerløkka



Blå Jazzclub



Bagatelle

PALACE GARDEN



Last Train



Wallmans Salonger



Beate Uhse Shop



Café con Bar



Smuget



Sikamikanico

TRAIN STATION



Huk - Paradisbukta beach

HALBINSEL
BYGDØY

OSLO FJORD

OSLO

OSLO

HOTEL

1) *Alta Igloo Hotel*

This is surely the coolest place in the world to spend a hot night. The Alta Igloo ice igloo is around two hours by plane from Oslo (flight with Scandinavian Airlines – around € 200 per person). The hotel consists of 1,600 m² of unadulterated ice. Everything from the bed and furniture to the glasses at the bar is made of ice. The Alta Igloo has 20 rooms and has a cheery indoor temperature of between minus 4 and 7 degrees. Compared with temperatures of up to minus 30 degrees outdoors, this makes for quite a cosy atmosphere. Those visitors wanting to get things straight following a passionate night can get married in the hotel's own ice chapel.

Alta Friluftspark, Storelvdalen, 9518 Alta
Telefon +47 (0)784 - 33 378
www.alta-friluftspark.no

FOOD & DRINKS

2) *Bagatelle*

If the way to a man's heart is via his stomach, then this is a good place to start a promising relationship. Bagatelle is among the best addresses in Scandinavia and is the only restaurant in the country to have been awarded two Michelin stars. First-class hospitality has been celebrated here since 1932. Just the right atmosphere for a romantic evening à deux. Bagatelle is particular noted for its fish and shellfish dishes.

Bygdøy Allé 3, 0257 Oslo
Telefon +47 (0)22 - 12 14 40
www.bagatelle.no

NIGHTLIFE

3) *Smuget*

This is just the right place for those of us who find stars and celebrities sexy. Smuget is one of the largest live music clubs in the city. Everybody who is anybody in Norway comes here to party. The guests have even been known to include superstars such as Mick Jagger or Eric Clapton. With 3 stages and 6 bars, this is the place to party from Monday to Saturday evening. Live concerts with everything from jazz to blues are also a regular occurrence. For the quieter moments, Smuget also has a restaurant and café.

Rosenkrantz'gate 22, 0160 Oslo
Telefon +47 (0)22 - 42 52 62
www.smuget.no

4) *Last Train*

Small, unprepossessing club with a huge atmosphere. Last Train is located in the university campus of Oslo and is known as a good place for a flirt. In any case, the loud rock music means that conversations can only be held between two. Optimal conditions. The live concerts at Last Train are particularly popular.

Karl-Johans Gate 45, 0162 Oslo
Telefon +47 (0)22 - 41 52 93
www.lasttrain.no

5) *Wallmans Salonger*

Come and visit Norway's largest show restaurant. Wallmans combines easy entertainment with superb food. The stars on the stage also include the guests in their musical show, guaranteeing you an unforgettable experience. Apart from the show restaurant, Wallmans also has 5 bars and a night club for when the show is over.

Molleparken 6, 0459 Oslo
Telefon +47 (0)23 - 22 65 90
www.wallmans.no

6) *Sikamikanico*

Insiders just say Sika to refer to the hottest dance club in town. Sika is well-known for its high erotica and flirt factor. Beautiful people, great bodies and real individualists feel particularly at home at Sika and get their share of dance-workout.

Stortovet 10, 0155 Oslo
Telefon +47 (0)22 - 41 44 09
www.sikamikanico.no

7) *Café con Bar*

A particular popular spot for the Oslo society crowd. In the café and restaurant you can sense the relaxed atmosphere which has its roots in the easygoing approach to life of the Scandinavians. The adjacent bar is very popular bar at the weekends, with regular new guest DJs setting the sounds.

Brugata 11, 0186 Oslo
Telefon +47 (0)22 - 05 02 00
www.cafeconbar.no

8) *Bla*

Bla is an institution for all jazz lovers. It is the largest jazz club in Scandinavia and was placed in the top 100 best clubs of its kind in the world by Down Beat Magazin (April 2002 / 2004). At Bla you can enjoy daily live performances of all varieties of jazz.

Brenneriveien 9c, 0182 Oslo
Telefon +47 (0)22 - 20 91 81
www.blx.no

PARKS

9) *Romantic Picnic on the Oslo-Fjord*

A large number of small islands in the Oslo Fjord promise undisturbed twosomeness, romanticism and natural beauty. The extended beaches of the mainland and the Oslo fjord islands can be reached by bike, bus or ferry. Huk is one of the most popular places for the young and beautiful Northerners, with the Bygdøy peninsula for their friends in the South West. The gay community meets at the beach in Paradisbukta (Bygdøy peninsula). A special tip for the summer: on the island of Langøyene it is permitted to spend the night under the stars.

www.oslofjordinfo.com
www.norwegische-landschaften.de

10) *Frognerparken / Vigeland Park*

This beautiful park attracts around 1 million visitors every year. Rather than being a secluded backwater, then, Frognerparken is definitely worth a visit. Especially in the summer, the colourful mixture of visitors means that the park has a high flirt factor. Contacts can easily be made, and those who are not interested in discussing the greenery can talk about the 200 sculptures by Gustav Vigeland which adorn the park. In the gay scene, the park has an international reputation as a meeting place.

www.norwegische-landschaften.de

11) *Grünerlokka*

This is currently the most fashionable district of Oslo. Those who manage to find a flat here live in the most desirable part of town and are right at the centre of the scene. Grünerlokka provides its visitors and residents with a colourful mixture of bars, designer shops, galleries, restaurants and cafés. As soon as the first rays of sunshine arrive in the spring, the Norwegians relocate to the streets. Seeing and being seen is the name of the game here. Grünerlokka is the touristy counterpart of the well-known Akker Brygge entertainment district by the harbour.

www.visitoslo.com/nightlife-gruenerlokka

BEATE UHSE IN OSLO

Beate Uhse
Grensen 9 , 0159 Oslo, Telefon: +47 (0)22 - 33 47 88
email: lise@beateuhse.no

8.0 CONSOLIDATED BALANCE SHEET 2004 / 2003

ASSETS	Notes	2004 EUR 000s	2003 EUR 000s
FIXED ASSETS	12.3.1		
Intangible assets		22,912	23,445
Property, plant and equipment		26,029	26,657
Financial assets	12.3.2	35,895	27,778
		84,836	77,880
CURRENT ASSETS			
Inventories	12.3.3	47,109	42,020
Receivables and other assets	12.3.4	37,929	33,254
Marketable securities	12.3.5	3,047	12,560
Cash on hand, cash at bank		9,035	8,343
		97,120	96,177
PREPAYMENTS AND ACCRUED INCOME		4,303	5,288
BALANCING ITEM FOR EXPECTED TAX RELIEF IN SUBSEQUENT FINANCIAL YEARS	12.3.6	1,675	1,905
Total assets		187,934	181,250

8.0

SHAREHOLDERS EQUITY AND LIABILITIES	Notes	2004 EUR 000s	2003 EUR 000s
SHAREHOLDERS EQUITY	12.3.7		
Capital subscribed		47,324	47,324
Reserve for treasury stock		2,830	10,279
Other revenue reserves		3,052	3,295
Balancing item for currency conversion		938	710
Balancing item for minority interests		-1,115	-619
Consolidated net earnings		19,734	6,795
		72,763	67,784
ACCRUALS	12.3.8	16,463	17,266
LIABILITIES	12.3.9	98,683	96,198
ACCRUALS AND DEFERRED INCOME		25	2
TOTAL LIABILITIES		187,934	181,250

9.0 CONSOLIDATED INCOME STATEMENT 2004 / 2003

	Notes	2004 EUR 000s	2003 EUR 000s
SALES	12.4.1	277,852	265,586
Increase/decrease in finished goods and work in progress		-45	113
Other capitalised own-account services		91	123
Other operating income	12.4.2	16,850	13,475
Cost of materials	12.4.3	-92,046	-96,838
Personnel expenses	12.4.4	-50,700	-47,323
Amortisation of fixed intangible assets and depreciation of property, plant and equipment		-10,142	-10,061
Other operating expenses	12.4.5	-121,969	-102,654
Income from shareholdings	12.4.6	-1,270	-945
Net interest expenses	12.4.7	-2,572	-2,199
RESULT OF ORDINARY ACTIVITIES		16,049	19,277
Taxes on income	12.4.8	-4,615	-8,260
Other taxes		-1,712	-1,158
NET INCOME		9,722	9,859
Share of loss attributable to minority interests		425	1,517
Net earnings brought forward		2,138	313
Withdrawals from reserve for treasury stock		7,449	-
Transfer to reserve for treasury stock		-	-6,854
Withdrawals from other revenue reserves		-	1,960
CONSOLIDATED NET EARNINGS		19,734	6,795

10.0 CONSOLIDATED CASHFLOW STATEMENT 2004 / 2003

	2004 EUR 000s	2003 EUR 000s
1. Net income for the period (including minority interests)	9,722	9,859
2. + Depreciation of property, plant and equipment	10,142	10,061
3. +/- Increase/decrease in accruals	-818	1,976
4. +/- Other non-cash expenses/income	1,438	1,033
5. + Losses/profits incurred on disposals of fixed assets	-13	14
6. +/- Increase/decrease in inventories, trade receivables and other assets not attributable to investment or financing activities	-10,199	-640
7. -/+ Increase/decrease in inventories, trade payables and other liabilities not attributable to investment or financial activities	558	-1,987
8. = CASHFLOW FROM OPERATING ACTIVITIES	10,830	20,316
9. + Cash received from disposals of property, plant and equipment	237	444
10. + Cash received from disposals of intangible assets	62	463
11. - Cash paid for investments in property, plant and equipment	-6,422	-5,093
12. - Cash paid for investments in intangible assets	-3,520	-3,250
13. + Cash received from disposals of financial assets	319	795
14. - Cash paid for investments in financial assets	-5,233	-1,257
15. - Cash paid for the acquisition of consolidated companies and other business units	-140	-9,008
16. + Cash received in connection with short-term financial management of cash investments	3,816	2,091
17. - Cash paid in connection with short-term financial management of cash investments	-90	-2,064
18. = CASHFLOW FROM INVESTMENT ACTIVITIES	-10,971	-16,879
19. + Cash received from equity transfers (sale of treasury stock)	2,217	4
20. - Cash paid to company owners and minority shareholders (dividends, acquisition of treasury stock, equity repayments, other distributions)	-4,755	-11,556
21. + Cash received from the issue of bonds or the taking up of loans	21,635	37,959
22. - Cash paid for the redemption of bonds and loans	-18,674	-35,940
23. = CASHFLOW FROM FINANCING ACTIVITIES	423	-9,533
24. Change in cash and cash equivalents (subtotal of nos. 8, 18, 23)	282	-6,096
25. +/- Changes in cash and cash equivalents due to exchange rate, reporting entity or valuation-related changes	410	588
26. + Cash and cash equivalents at beginning of period	8,343	13,851
27. = CASH AND CASH EQUIVALENTS AT END OF PERIOD	9,035	8,343

11.0 ANALYSIS OF FIXED ASSETS IN 2004

EUR 000s	HISTORIC COST							
	1 Jan 2004	Additions	Exchange rate differences	Additions from initial consolidation	Disposals	Disposals upon initial / final consolidation	Reclassifications	31 Dec 2004
INTANGIBLE ASSETS								
Franchises, industrial property rights and similar rights and values and licenses to such rights and values								
Non-depreciable industrial property rights	1,032	24	-	-	1,020	-	-	36
Rights/licenses	13,780	954	-4	-	1,952	-	-62	12,716
Software	3,775	1,304	-	14	12	-	1,852	6,933
	18,587	2,282	-4	14	2,984	-	1,790	19,685
Goodwill	18,523	1,238	-17	3	804	-	-	18,943
Payments on account	1,687	-	-	-	-	-	-1,687	-
	38,797	3,520	-21	17	3,788	-	103	38,628
PROPERTY, PLANT AND EQUIPMENT								
Land, leasehold rights and buildings, including buildings on third-party land	11,511	420	105	-	4	-	-	12,032
Technical equipment and machines	514	31	11	-	20	-	-	536
Other equipment, furniture and fixtures	52,942	5,833	22	278	2,409	-	-100	56,566
Payments on account & assets under construction	58	138	-	-	-	-	-3	193
	65,025	6,422	138	278	2,433	-	-103	69,327
FINANCIAL ASSETS								
Shares in affiliated companies	321	-	-	-	7	18	-	296
Loans to affiliated companies	1,092	-	-	-	-	-	-	1,092
Shares in associated companies	22,396	10,258	-	-	979	-	-	31,675
Loans to associated companies	730	-	-	-	280	450	-	-
Shareholdings	856	-	-	-	-	-	-	856
Reinsurance claims	660	27	-	-	-	-	-	687
Other loans	2,238	386	-	-	671	-	-	1,953
	28,293	10,671	-	-	1,937	468	-	36,559
	132,115	20,613	117	295	8,158	468	-	144,514

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CUMULATIVE DEPRECIATION

NET BOOK VALUE

1 Jan 2004	Additions	Additions from initial consolidation	Releases	Reclassification	31 Dec 2004	31 Dec 2004	31 Dec 2003
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-	-	-	-	-	-	36	1,032
8,956	941	-	1,860	-23	8,014	4,702	4,825
3,189	669	13	12	58	3,917	3,016	586
12,145	1,610	13	1,872	35	11,931	7,754	6,442
3,207	1,434	2	858	-	3,785	15,158	15,315
-	-	-	-	-	-	-	1,687
15,352	3,044	15	2,730	35	15,716	22,912	23,445
3,495	1,002	-	1	-	4,496	7,536	8,016
372	76	-	20	-	428	108	142
34,501	6,020	77	2,189	-35	38,374	18,192	18,441
-	-	-	-	-	-	193	58
38,368	7,098	77	2,210	-35	43,298	26,029	26,657
51	-	-	-	-	51	245	270
142	-	-	-	-	142	950	950
-	-	-	-	-	-	31,675	22,396
-	-	-	-	-	-	-	730
-	-	-	-	-	-	856	856
-	-	-	-	-	-	687	660
322	149	-	-	-	471	1,482	1,916
515	149	-	-	-	664	35,895	27,778
54,235	10,291	92	4,940	-	59,678	84,836	77,880

NOTES TO THE 2004 CONSOLIDATED FINANCIAL STATEMENTS

PRELIMINARY REMARKS

The following notes refer to the consolidated financial statements of Beate Uhse Aktiengesellschaft. The consolidated financial statements of Beate Uhse AG have been compiled in accordance with the German Commercial Code. The consolidated income statement has been compiled using the total cost procedure in line with Section 275 (2) of the German Commercial Code (HGB). In order to improve the clarity of presentation, individual items in the balance sheet and the income statement have been combined and have been presented broken down into their individual components and explained in these notes.

12.1 PRESENTATION OF GROUP STRUCTURE The parent company is Beate Uhse Aktiengesellschaft, Flensburg ('Beate Uhse AG'), entered in the Commercial Register of the Flensburg District Court under No. 3737.

REPORTING ENTITY AND ASSOCIATED COMPANIES

The consolidated financial statements of Beate Uhse AG include the financial statements both of Beate Uhse AG and of the companies itemised in the list of group shareholdings.

INITIAL CONSOLIDATIONS DURING THE YEAR UNDER REPORT

The following companies were included in the consolidated financial statements for the first time during the 2004 financial year:

Name, Registered Office	Abbreviation	Share %	Initial consolidation
Beate Uhse B.U. BVBA, Belgium	B.U. BVBA	100.00	1. 1. 2004
Beate Uhse Fun Center GmbH, Germany	BU Fun Center	100.00	28. 7. 2004
Beate Uhse Italia GmbH, Italy	BU Italia	96.54	1. 6. 2004
Beate Uhse new media AS, Norway	BU NM AS	100.00	25. 8. 2004
D.N.I. Dutch Net Info BV, Netherlands	DNI	100.00	1. 1. 2004
Erotic Centre BVBA, Belgium	Erotic Centre	100.00	1. 1. 2004
Retail Belgie BVBA, Belgium	Retail Belgie	100.00	1. 1. 2004
The Golden Meteor BV, Netherlands	Golden Meteor	100.00	1. 1. 2004
V.U.H. Video Holland BV, Netherlands	V.U.H. Video	100.00	1. 1. 2004

Based on the purchase agreement dated 28 May 2004, Beate Uhse Einzelhandels GmbH, Flensburg, acquired a further 46.54 percent of the shares in BU Italia at a purchasing price of € 1.00 and now owns 96.54 percent of the shares. The company was fully consolidated as of 1 June 2004, having been previously valued at equity. Its initial full consolidation resulted in a debit difference of € 243k, which was offset in full against revenue reserves. The business activities of BU Italia encompass the operation of retail shops in Italy.

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The sales and annual net income of BU Italia are as follows:

BU ITALIA

EUR 000s	2004	2003
Sales	800	670
Annual net deficit	82	218

BU NM AS was founded as of 25 August 2004. Its sole shareholder is Beate Uhse new medi@ GmbH, Flensburg. The business activities of BU NM AS encompass the issuing of the magazines Lek and Cocktail, as well as publishing activities and the sale of advertising space, mail order business, services and memberships via the internet. The sales and annual net income of BU NM AS are as follows:

BU NM AS

EUR 000s	2004
Sales	780
Annual net surplus	16

DNI, which had not been included in the consolidated financial statements previously on account of its subordinate significance, was consolidated for the first time as of 1 January 2004. This initial consolidation did not result in any credit or debit differences. The business purpose of DNI encompasses online services and the management and supply of external computer applications via the internet, as well as other services. The sales and annual net income of DNI are as follows:

DNI

EUR 000s	2004	2003
Sales	610	497
Annual net surplus	17	29

BU Fun Center was founded as of 24 August 2004. Its sole shareholder is Beate Uhse Einzelhandels GmbH, Flensburg, with which a subordination and profit transfer agreement was concluded on 11 August 2004. The object of the company entails the operation of a games room and an inn, as well as retail involving all kinds of goods, especially personal pharmaceutical products, textiles, printed material, image and sound carriers, as well as related activities. The sales and annual net income of BU Fun Center are as follows:

BU FUN CENTER

EUR 000s	2004
Sales	564
Annual net surplus (prior to profit transfer)	4

Based on a purchase agreement dated 25 September 2003, the group company Beate Uhse BV, Walsoorden, Netherlands, acquired a 100 percent shareholding in Golden Meteor at a purchasing price of € 7k. A total of 100 percent of the shares in V.U.H. Video was also acquired on the basis of a purchase agreement dated 25 September 2003 at a purchasing price of € 1. Golden Meteor and V.U.H. Video each hold 50 percent of the companies Erotic Centre and B.U. BVBA, which were founded on 18 October 2003 and 4 November 2003 respectively and which manage the Belgian retail business. The companies were initially included in the Group as of 1 January 2004. These initial consolidations did not result in any credit or debit differences. The sales and annual net income of Golden Meteor are as follows:

GOLDEN METEOR

EUR 000s	2004
Sales	13
Annual net surplus	21

The sales and annual net income of V.U.H. Video are as follows:

V.U.H. VIDEO

EUR 000s	2004
Sales	13
Annual net surplus	17

The sales and annual net income of Erotic Centre are as follows:

EROTIC CENTRE

EUR 000s	2004
Sales	2,467
Annual net surplus	19

The sales and annual net income of B.U. BVBA are as follows:

B.U. BVBA

EUR 000s	2004
Sales	1,895
Annual net surplus	-

Retail Belgie was founded by Beate Uhse Retail Holding BV (99.5 percent shareholding) and Beate Uhse BV (0.5 percent shareholding) on 1 January 2004. The object of the company is the provision of services and the letting and rental of chain stores.

RETAIL BELGIE

EUR 000s	2004
Sales	-
Annual net surplus	332

These amendments to the reporting entity have had the following impact on key items in the balance sheet and the income statement:

EUR 000s	
BALANCE SHEET	
Fixed assets	1,614
Current assets	2,321
Liabilities	3,159
INCOME STATEMENT	
Sales	7,355
Cost of materials	2,037
Personnel expenses	1,780
Depreciation	481
Other operating expenses	2,153

ADDITIONS TO ASSOCIATED COMPANIES

Based on a contract dated 28 November 2004, Beate Uhse new medi@ GmbH, Flensburg, contributed € 100k to Quattrocomm AG, Zug, Switzerland, and received 50 percent of the business shares in return. The business activities of Quattrocomm encompass the provision of services in mobile telephone networks and on the internet, as well as the provision of advisory services to partner companies. The initial inclusion using the equity method took place on 31 December 2004. This initial consolidation did not result in any credit or debit differences. In order to increase the shareholding held in erotic media ag, Baar, Switzerland, 1 million shares in erotic media ag were acquired on 30 June 2004 and on 15 July 2004 respectively at an acquisition cost of € 5,000k in each case. Beate Uhse AG now owns 34.2 percent of the shares in erotic media ag (previous year: 29.3 percent).

DISPOSALS OF ASSOCIATED COMPANIES

In December 2003, the group company Beate Uhse Scandinavia AB, Sweden, acquired 50 percent of the shares in the newly founded Multimedia Mobile Content AS (MMC), Kolboten, Norway, for an amount of NOK 500,000.00 (€ 60k). The pro-rata equity in MMC corresponds to the purchasing price. The initial inclusion using the equity method took place on 31 December 2003. The capital was increased by NOK 1,107,000 on 5 March 2004. Following this increase, the shareholding held by Beate Uhse Scandinavia AB amounted to 23.7 percent in percentage terms. In June 2004, all business shares were sold to Telitas AS, Norway, at a price of NOK 6,340,000.

SUMMARY OF FINANCIAL STATEMENT OF ASSOCIATED COMPANIES

Summary of consolidated financial statement of erotic media ag, Switzerland,
as of 31 December 2004 (Swiss Law):

CHF 000s

ASSETS	
Fixed assets	29,132
Current assets	15,995
	45,127

LIABILITIES	
Equity	38,880
Minority shares	2,518
Debt	3,729
	45,127

INCOME STATEMENT	
Sales	18,484
Other operating income	146
Cost of materials	5,083
Personnel expenses	3,317
Depreciation	5,426
Administration	1,575
Advertising	351
Other operating expenses	702
Net interest expenses	-194
Taxes on income	320
Minority shareholders' share of earnings	36
Annual net income	1,626

Summary of annual financial statements of Beate Uhse TV GmbH & Co. KG, Berlin, as of 31 December 2004:

EUR 000s	
ASSETS	
Outstanding contributions	454
Fixed assets	3,365
Current assets	1,523
	5,342
LIABILITIES	
Equity	3,168
Accruals	66
Debt	2,108
	5,342
INCOME STATEMENT	
Sales	7,476
Other operating income	118
Cost of materials	1,086
Personnel expenses	867
Depreciation	5,044
Other operating expenses	561
Annual net income	36

COMPARABILITY OF THE CONSOLIDATED FINANCIAL STATEMENTS WITH THE PREVIOUS YEAR

The income statement contained in the consolidated financial statements is only comparable with that of the previous year to a limited extent. The retail company Christine le Duc, which was initially included on 1 October 2003, has been included in the income statement for the first full year in 2004. The principal items in the income statement of Christine le Duc are as follows:

EUR 000s	2004	4th Quarter of 2003
Sales	9,031	2,585
Cost of materials	2,795	798
Personnel expenses	3,143	876
Depreciation	492	132
Other operating expenses	2,022	452
Annual net income	314	188

COMPANIES NOT INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

Three of the companies itemised in the list of group shareholdings and six associated companies have not been included in the consolidated financial statements on account of their subordinate significance pursuant to Sec. 296 (2) of the Commercial Code.

Companies Exempted from the Obligations to Compile Annual Financial Statements Pursuant to Sec. 264 (3) of the Commercial Code

The following affiliated companies included in the consolidated financial statements are exempted by Sec. 264 (3) of the Commercial Code from the obligation to compile individual financial statements according to the regulations governing corporations, as well as from the obligations to compile management reports and to audit and disclose their annual financial statements:

- Beate Uhse Einzelhandels GmbH, Flensburg
- Versandhaus Beate Uhse GmbH, Flensburg
- Beate Uhse new medi@ GmbH, Flensburg.

12.2 GENERAL ACCOUNTING, VALUATION AND CONSOLIDATION PRINCIPLES

CONSOLIDATION PRINCIPLES

The consolidated financial statements have been compiled as of the reporting date of the parent company, Beate Uhse AG, on 31 December 2004. The annual financial statements of the subsidiaries included in the consolidated financial statements have also been compiled as of the reporting date for the consolidated financial statements.

The capital consolidation of the subsidiaries has been undertaken using the book value method pursuant to Sec. 301 (1) of the Commercial Code. This involves the book value of the shareholdings being offset against the prorated capital required to be consolidated at the time of the acquisition of the shares, or, in the event of the shares having been acquired at different times, at the time of the company becoming a subsidiary.

In the event of the initial consolidation pursuant to Sec. 301 (1) of the Commercial Code giving rise to a debit difference, this is allocated to the individual assets of the subsidiaries to the extent that its value exceeds the previous carrying amount. Any remaining debit difference is offset against the reserves without being disclosed in the income statement, or is disclosed as goodwill on the assets side and amortised pursuant to Sec. 301 (1) of the Commercial Code, while any credit difference arising from the capital consolidation is deducted from goodwill.

Goodwill resulting from initial consolidation has been apportioned as follows:

DEVELOPMENT OF GOODWILL

EUR 000s	2004	2003
Total goodwill	109,123	108,881
Netting with capital reserve	87,522	87,522
Netting with credit differences	4,012	4,012
Netting with revenues carried forward	624	624
Netting with revenue reserves	8,318	8,075
Goodwill following netting	8,647	8,648
Cumulative amortisation	1,058	354
Remaining goodwill	7,589	8,294

The goodwill resulting from the capital consolidation and remaining following the above netting procedure amounted to € 8.647 million and is subject to straight-line amortisation over a useful life of 15 years.

VALUATION OF SHAREHOLDINGS IN ASSOCIATED COMPANIES

Associated companies have been accounted for at equity based on the book value method pursuant to Sec. 312 of the Commercial Code. The book values of the shareholdings were updated to take account of prorata annual net surpluses or deficits, dividend distributions and depreciation. In this, the values determined on the basis of the respective national jurisdictions were used without amendment.

CONSOLIDATION OF INTERCOMPANY BALANCES

All receivables and liabilities between the companies included in the consolidated financial statements of Beate Uhse AG have been offset against each other. Contingent liabilities have been consolidated in the same way.

CONSOLIDATION OF INCOME AND EXPENSES

All sales, expenses and income between companies included in the reporting entity have been offset against each other.

ELIMINATION OF INTERCOMPANY RESULTS

Intercompany results have been eliminated from the inventories as long as the deliveries were made while the supplier formed part of the reporting entity. Any book gains or losses incurred on intercompany sales of fixed assets have been eliminated.

DEFERRED TAXES

The deferred tax assets reported in the consolidated financial statements relate to valuation differences resulting from the calculation of accruals for "Altersteilzeit" (partial early retire-

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ment) on the basis of tax law and the Commercial Code respectively, as well as to tax accruals arising from the elimination of intercompany results. The tax rates used for the calculation of deferred taxes for the German, Dutch and Danish subsidiaries amount to 38 percent, 34.5 percent and 30 percent respectively.

CURRENCY CONVERSION

Receivables denominated in foreign currencies have been converted at the mean rate on the day of their arising. The principle of the lower of cost or market was accounted for as of the reporting date. Liabilities denominated in foreign currencies have been converted at the mean rate on the day of their arising. Account was taken of the imparity principle as of the reporting date. Business transactions in foreign currencies have been converted at the mean rate on the day of such transactions.

The conversion of individual financial statements denominated in foreign currencies has been undertaken using the functional currency method. The Euro is the functional currency of Beate Uhse AG. This involves the conversion being undertaken at the rate on the reporting date or on the relevant date in accordance with the prevalent financial relationship between the parent company and the subsidiary.

Since the companies involved operate independently, exclusive use has been made in these consolidated financial statements of reporting date rates for currency conversion. All balance sheet items of the consolidated foreign group companies, with the exception of equity (subscribed capital, reserves and profit carried forward), which is converted at the historical rate prevalent upon consolidation, have been converted into euros at the mean exchange rate on the reporting date. Any differences in the conversion of the equity arising from changes in the exchange rate have been included in the balancing item for currency conversion without any impact on earnings. Income and expenses in the income statement have been converted using the annual average exchange rate. The annual result of the converted income statement has been reported in the consolidated balance sheet and the difference included in the balancing item for currency conversion without any impact on earnings.

ACCOUNTING AND VALUATION PRINCIPLES

The assets and liabilities of those subsidiaries included in the consolidated financial statements pursuant to Sec. 300 (2) of the Commercial Code have been valued using the same uniform methods applied to the annual financial statements of the parent company pursuant to Sec. 308 of the Commercial Code. In view of their subordinate significance for the true and fair depiction of the net asset, financial and earnings position of the Group, it was decided not to adjust those accounting and valuation methods applied at the associated companies erotic media ag, Switzerland, Quattrocomm AG, Switzerland and FunFactory GmbH, Bremen, which deviate from those applied in the consolidated financial statements. The same applies to Beate Uhse Italia, which was fully consolidated for the first time in the 2004 financial year.

12.2

The company's intangible assets and property, plant and equipment have been capitalised at historical cost of acquisition or manufacture in line with Sec. 255 of the Commercial Code. Scheduled depreciation has been charged on a straight-line basis taking account of the expected useful lives of the assets. Low-value assets have been written down in full in their year of acquisition. The following useful lives have been assumed for intangible assets:

USEFUL LIVES OF INTANGIBLE ASSETS

Industrial property rights	unlimited
Rights / licences	4 years¹⁾
Software	3 years

1) or contractually agreed term

Film rights with an unlimited useful life have been amortised as a percentage calculated in line with their broadcasts. The percentages vary between 20 and 50 percent depending on the type of film and the number of broadcasts.

Goodwill arising from the capital consolidation and not subject to netting has been amortised over the customary estimated useful life of 15 years. A useful life of between 5 and 15 years has been applied in the case of other goodwill.

The company's financial assets have been stated at cost of acquisition or at their net realisable value. Valuation adjustments have been undertaken for any impairment of value expected to be of a long-term nature. Inventories have been valued at cost of acquisition or of manufacture or at their net realisable value.

Trade receivables have been stated at their nominal value. Appropriate bad debt allowances have been made to cover identifiable individual risks. On the basis of past experience, a lump-sum allowance has been made in the mail order segment. No application has been made of an overall lump-sum allowance.

Other assets have been stated at nominal value taking account of any depreciation to net realisable values required in individual cases.

Deferred taxes are created on temporary differences between taxable earnings according to tax provisions and the results according the Commercial Code. A deferred item for anticipated tax relief in subsequent financial years as defined by Sec. 274 (2) of the Commercial Code has been created for deferred tax assets.

The pension accruals have been calculated by an actuary using the "Teilwert" method to determine the value of pension obligations and the present value of current pension payments taking account of Sec. 6a of the Income Tax Act (EstG) and the mortality tables issued by Dr. Klaus Heubeck in 1998.

Tax accruals and other accruals account for all uncertain liabilities and pending losses from current transactions. They have been stated at the level required by prudent commercial judgement. Suitable accruals have been taken to cover sales with rights of return in the mail order division. Allocations to such accruals have been deducted from sales. The estimated return rate was accounted for when calculating the level of the accrual for the first time as of

DETACH THE MAP BEFORE YOU START YOUR TRIP





PARIS

PARKS & SIGHTS

1) *Pigalle*

Paris – the city of love – Arrondissement 18, the Pigalle, is the proof that this reputation is not just restricted to the romantic side of life. Things get a little harder around the Montmartre on the Place Pigalle, the Place Blanche and the Boulevard de Clichy – a multitude of sex shops, peep shows, cinemas and night clubs attract tourists and Parisians alike. Life in this quarter gets going in the late hours of the evening and is in full swing way into the night.

www.ger.cityvox.com

HOTELS

2) *Hotel Caron de Beaumarchais*

It doesn't get any more romantic than this! The Caron de Beaumarchais invites you to come on a dainty and stylish journey back into the 18th century. Lovingly executed down to the tiniest detail, this hotel transports its visitors into another world. Its situation in the middle of the Marais quarter is ideal for lovers. After all, the narrow cobbled alleyways are teeming with good restaurants, bars and small boutiques. Not only that – at around € 150 a night, it is very reasonable by Parisian standards. Which makes it all the more difficult to get one of the 19 rooms.

12 Rue Vieille du Temple, 75004 Paris
Telefon +33 (0) 142 - 72 34 12

3) *Hotel Meurice*

The Star for Lovers is certainly the right choice for making your sweetheart's weekend in Paris as pleasant as possible. A champagne reception, late check out and unlimited usage of the spacious wellness and spa facilities are just some of the ingredients to make an unforgettable stay. However, with room prices of between € 700 and € 1,300, you shouldn't be short of cash here. Meurice is especially proud of its room service, which makes it even more difficult to leave your own room and the hotel to go out and about in the city.

228 Rue de Rivoli, 75001 Paris
Telefon +33 (0) 144 - 58 10 10
www.meuricehotel.com

FOOD & DRINKS

4) *Le Beauvilliers*

Romantic, elegant, even a little bit noble. With its three individually designed rooms and flower terrace, Le Beauvilliers is no normal restaurant. That's how stars and starlets see it too, coming to test the extensive selection of champagnes. Its namesake Antoine Beauvilliers was not only an officer and provincial count, but was also one of the founders of haute cuisine. He opened the first modern-style restaurant in Paris in 1780 and published the epochal work for the world of cuisine – L'Art du cuisinier. The cuisine at Le Beauvilliers is based on a rather traditional and authentic interpretation of Haute Cuisine.

52 Rue Lamarck, 75018 Paris
Telefon +33 (0) 142 - 54 54 42

5) *Boulevard Saint-Germain*

Cafés are to Parisian life what cheese is to baguette. In view of the huge variety of cafés for every time of day and occasion, we will not recommend any particular café here. A tip: on the Boulevard Saint-Germain everybody can find the right place to relish a taste of Parisian life.

Boulevard Saint-Germain, Quartier Latin

MUSEUM

6) *Musée de l'Érotisme*

Six storeys of sex: the erotica museum in the middle of the entertainment quarter of the 18th Arrondissement offers a huge variety of sexual and erotic exhibits from all over the world. Sculptures, paintings and graphics from every part of the globe and from various periods. The museum also includes an art gallery and is located in a 19th century townhouse. Those of you who have always been looking for an unusual erotic gift will strike lucky in the integrated shop.

72 Boulevard de Clichy, 75018 Paris
Telefon +33 (0) 142 - 58 28 73
Geöffnet: 10 bis 2 Uhr

NIGHTLIFE

7) *Les Bains*

It gets extremely hot in this club at night... and that's not just because the location is a former Turkish bath. Regardless of the latest fashions and trends, Les Bains is well-established as a hotspot in Parisian nightlife. Les Bains is still a meeting place for the beautiful and rich. The atmosphere plays with the building's past – tiled floors, exposed heating pipes and aquariums with fish are combined with a stylish interior. Be prepared to be scrutinised at the entrance. And those of you who enjoy a romantic dinner in a not entirely cheap restaurant should try out the club.

7 Rue du Bourg-l'Abbé, 75003 Paris
Telefon +33 (0) 148 - 87 01 80

8) *Sanz Sans*

One of the top bars in Paris for more than ten years now. The special attraction of Sanz Sans lies in its successful combination of actually quite contradictory elements – with its gorgeous velvet furnishings, the bar rather resembles a private club. At the same time, the best DJs really get the atmosphere going with soul and hip-hop. The barmaids regularly dance on the counters. The cocktails are legendary. The terrace of Sanz Sans provides an entirely different impression. Here you can enjoy the spring sunshine even in the afternoon. The restaurant is recommendable and is not especially expensive.

49 Rue du Faubourg Saint Antoine, 75011 Paris
Telefon +33 (0) 144 - 75 78 78
www.sanzsans.com

9) *Crazy Horse Paris*

Together with Folies-Bergère and Moulin-Rouge, Crazy Horse (founded in 1951) is the third mainstay Parisian cabaret. The Crazy Horse is wonderfully old-fashioned, actually full of tourists, politically incorrect, but nevertheless an experience. The current show, L'Art du Nu, keeps up to its name. Pure erotica, great bodies and light shows are the ingredients for a completely hot show which is equally entertaining for men and women. In the small, entirely red room there is only one adequate category of refreshment – champagne.

12 Avenue George V, 75008 Paris
Telefon +33 (0) 147 - 23 97 90
www.lecrazyhorseparis.com

GALERIEN / KULTUR

10) *Les Frigos*

This is the place to find a whole spectrum of artists. Sculptors, painters, photographers and multimedia artists show their ideas and creations ranging from the wacky to the erotic. The location of this collection of works of around 40 artists is an old cooling store of the Paris railways. There are no fixed opening times, so the best thing is just to have a look at the area or get a first impression on the internet.

19 Rue de Frigos, 75013 Paris
Telefon +33 (0) 144 - 24 96 96
www.les-frigos.com

11) *Théâtre Lucernaire*

Not an erotic tip in the real sense, but a recommendation for all romantics looking to surprise their sweethearts with a real classic. After all, the fox has been telling the little prince in this theatre for 20 years that you can only see really well with the heart. However, the Théâtre Lucernaire is not limited to the little prince by Saint Exupéry, but also includes mainstream cinemas, a bar, restaurant, cook shop and art gallery.

53 Rue de Notre Dame des Champs, 75006 Paris
Telefon: +33 (0) 145 - 44 57 34

WELLNESS

12) *Les Bains de Marais*

Visitors to this original Moroccan steam bath are spoiled will all conceivable kinds of massages and a multitude of wellness applications. Les Bains de Marais is one of the most luxurious baths in the city and allows its guests to soak up its unique world of fragrances, oils and lotions. At certain times, visiting is restricted to women or men. Bathing clothes are required during mixed visiting times.

31-33 Rue des Blanc Manteaux, 75004 Paris
Telefon +33 (0) 144 - 61 02 02
www.lesbainsdumarais.com

BEATE UHSE IN PARIS

Beate Uhse France SAS
82 Rue Saint Denis, 75001 Paris
Telefon +33 (0) 140 - 26 03 60

31 December 2004. In previous years, the accrual had been calculated on the basis of all permitted returns. Tax accruals have been taken pursuant to Sec. 306 of the Commercial Code for consolidation-related transactions with an impact on earnings to the extent that the deviating tax expenses are expected to be balanced out in subsequent financial years. No tax accruals have been taken for quasi-permanent differences where the differential amount is only expected to be balanced out in the distant future. Liabilities have been stated at their respective repayment amounts.

12.3 NOTES ON THE CONSOLIDATED BALANCE SHEET

12.3.1. FIXED ASSETS

Changes to the group's fixed assets have been depicted in the attached fixed-asset schedule. The disclosures as to investment holdings pursuant to Sec. 313 (2) No. 4 Sentence 1 of the Commercial Code have been made in a separate schedule pursuant to Sec. 313 (4) Sentence 1 of the Commercial Code and submitted to Flensburg District Court.

12.3.2. SHARES IN ASSOCIATED COMPANIES

The gross amount including cumulative depreciation of all debit differences relating to associated companies not reported separately amounted to € 22,903k as of 31 December 2004. Cumulative depreciation amounted to € 3,277k as of 31 December 2004.

12.3.3. INVENTORIES

EUR 000s	2004	2003
Raw materials and supplies	8,953	6,455
Work in progress	289	273
Finished goods and merchandise	37,226	33,227
Payments on account	641	2,065
	47,109	42,020

12.3.4. RECEIVABLES AND OTHER ASSETS

EUR 000s	2004	2003
Trade receivables	29,403	25,320
Receivables from affiliated companies	-	83
Receivables from companies in which investments are held	16	50
Other assets	8,510	7,801
	37,929	33,254

As in the previous year, receivables and other assets are due within one year.

12.3.5. SECURITIES

EUR 000s	2004	2003
Treasury stock	2,830	10,279
Other securities	217	2,281
	3,047	12,560

Treasury stock was acquired in the course of the IPO on 27 May 1999 for sale to business partners and customers on the basis of a resolution passed by an Annual General Meeting at that time. Further treasury stock was acquired in December 2001 and January 2002 for the purposes of acquisitions in part or in total, mutual shareholdings or for other steps relating to the strategic development of the company. On the basis of the resolution passed at the Annual General Meeting held on 21 June 2004, Beate Uhse AG is entitled to acquire treasury stock in a volume of up to 10 percent of the company's share capital prior to 21 December 2005.

The volume of treasury stock showed the following developments in the 2004 financial year:

TREASURY STOCK 2004

	Treasury stock	Share of capital %	Acquisition costs EUR
Opening balance	831,082	1.757	10,278,722.03
Disposal	549,587	1.161	-6,814,166.40
Write down to market value as of 31.12.04			-634,343.54
Closing volume	281,495	0.596	2,830,212.09

The loss on disposal averaged € 0.41 per share, therefore amounting to € 227,268.73 in total, and has been posted in the consolidated income statement. Proceeds of € 5,232,000 from the disposal of 436,000 treasury stock shares were used to increase the company's shareholding in erotic media ag, Baar, Switzerland, during the 2004 financial year. Moreover, 40,000 treasury stock shares were sold to Consipio Holding BV, Walsoorden, and 137 shares to other purchasers. A further 73,450 treasury stock shares were sold via the stock exchange. The average price of the treasury stock amounts to € 10.05. A reserve for treasury stock has been created for all such shares.

12.3.6. DEFERRED ITEMS DUE TO ANTICIPATED TAX RELIEF IN SUBSEQUENT FINANCIAL YEARS

Deferred tax assets are structured as follows:

ACCRUAL ITEMS

EUR 000s	2004	2003
from the elimination of intercompany profits	1,652	1,865
from the accrual for partial early retirement	23	40
	1,675	1,905

12.3.7. EQUITY

The equity capital amounts to € 47,323,696 and has been paid in full. It is divided into 47,323,696 registered bearer shares of € 1.00 each. The development of group equity has been depicted in the equity schedule. The net income of Beate Uhse AG depicted in the balance sheet, which amounts to € 19,717,384.36, is available for distribution to the shareholders.

AUTHORISED CAPITAL

On the basis of the resolutions passed at the shareholders' meetings held on 17 March 1999, 1 April 1999 and 11 May 1999, authorised capital amounting to € 21,000,000 was created for the purpose of issuing new shares in return for cash or non-cash contributions. A capital increase amounting to € 4,970,570 was undertaken on 19 October 2000 in return for non-cash contributions in connection with the acquisition of Gezed Holding BV, Amsterdam, Netherlands. The authorised capital was accordingly reduced to € 16,029,430. On account of the capital increase of € 353,126 from authorised capital in return for the non-cash contribution of NetCom GmbH, Flensburg, and Exitec AG, Flensburg, the authorised capital was reduced on 14 February 2002 by € 353,126 to € 15,676,304. The previous authorised capital was annulled on the basis of the resolution passed at the Annual General Meeting held on 21 June 2004 and subsequently increased to € 23,661,000.

CONDITIONAL CAPITAL

Conditional capital amounting to € 1,000,000 was approved on the basis of a resolution passed at the shareholders' meeting on 4 August 2000 and amended by resolution on 17 June 2002.

The conditional capital increase is to be executed by issuing up to one million new bearer shares with a nominal value of € 1.00 and profit participation rights from the beginning of the financial year in which they are issued and only to exercise subscription rights granted within the framework of the share option plan operated by Beate Uhse AG. The conditional capital increase will only be executed to the extent that the bearers of option rights issued within the framework of the Beate Uhse AG share option plan on the basis of the authorisation granted by the Annual General Meeting on 17 June 2002 exercise their rights to shares and that such shares option rights are not fulfilled by granting treasury stock.

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Option rights were issued for the first time in the 2002 financial year. These related to 101,820 option rights of € 1.00 granted to the upper management levels (Management Board of the company and managing directors of affiliated companies) and to 89,034 option rights granted to lower levels (employees of the company and of affiliated companies). These option rights may not be exercised prior to 9 October 2004. The exercise price amounts to € 11.06. Option rights were issued for a second time in the 2003 financial year. These related to 99,275 option rights at € 1.00 granted to the upper management levels (Management Board of the company and managing directors of affiliated companies) and to 94,265 option rights granted to lower levels (employees of the company and of affiliated companies). These option rights may not be exercised prior to 9 August 2005. The exercise price amounts to € 11.11. Option rights were issued for a third time in the 2004 financial year. These related to 103,395 option rights at € 1.00 granted to the upper management levels (Management Board of the company and management directors of affiliated companies) and to 86,073 option rights granted to lower levels (employees of the company and of affiliated companies). These option rights may not be exercised prior to 16 August 2006. The exercise price amounts to € 11.44.

REVENUE RESERVES

EUR 000s	2004	2003
Reserve for treasury stock	2,830	10,279
Other revenue reserves	3,052	3,295
	5,882	13,574

The reserve for treasury stock showed the following development:

EUR 000s	2004
Balance at 1 January 2004	10,279
Withdrawals from reserve for treasury stock	7,449
Balance at 31 December 2004	2,830

CREDIT DIFFERENCES

The capital consolidation in prior years gave rise to credit differences amounting to € 4,012k, which have been offset against goodwill.

12.3.8. ACCRUALS

EUR 000s	2004	2003
Accruals for pensions and similar obligations	3,171	3,295
Income taxes	4,168	3,004
Deferred taxes on temporary differences	228	1,368
Total tax accruals	4,396	4,372
Holiday / overtime claims for employees	1,552	1,633
Merchandise return	1,262	1,172
Compensation payments	891	1,222
Personnel expenses (bonuses, premiums)	882	1,580
Rental expenses	710	407
Outstanding invoices	702	673
Postal expenses	657	376
Partial early retirement	430	463
Legal expenses	68	303
Other	1,742	1,770
Total other accruals	8,896	9,599
Total accruals	16,463	17,266

Pension accruals are based on a uniform welfare policy at the Beate Uhse Group. The pension scheme was closed to new entrants in December 1978.

12.3.9. LIABILITIES

EUR 000s	31.12.04	of which up to 1 year	31.12.03	of which up to 1 year
Liabilities to banks	50,605	41,674	46,139	33,731
Borrowers' note loans	19,071	1,429	20,500	1,429
Prepayments received on orders	-	-	5	5
Trade payables	22,182	22,182	20,684	20,684
Liabilities to affiliated companies	169	169	317	317
Liabilities to companies in which an investment is held	-	-	4	4
Other liabilities	6,656	6,656	8,549	8,549
Total liabilities	98,683	72,110	96,198	64,719
of which for taxes	2,731	2,731	3,273	3,273
of which for social security	1,189	1,189	1,266	1,266

Of the liabilities to banks, a total of € 8,931k (previous year: € 12,408k) have a remaining term of 1 to 5 years. Of the short-term liabilities to banks, which amount to € 41,674k, a total of € 5,000k are secured against interest rate rises by means of an interest swap (term until 06/05). Of the borrowers' note loans placed on the financial markets in 2003 (€ 10,500k, term up to 02/2006, final maturity, and € 10,000k, term up to 10/2010, half-yearly repayment from 30 April 2004; thirteen instalments of € 714,285.00; final instalment of € 714,295.00 on 30 October 2010),

a total of € 16,214k (previous year: € 16,214k) have a term of 1-5 years and € 1,429k (previous year: € 2,857k) have a term of more than 5 years. In order to reduce the fixed interest rate, a receiver interest swap (term up to 10/2010) was concluded in 01/2004 for the borrowers' note loan subject to repayment and originally amounting to € 10,000k.

The liabilities are secured as follows:

SECURITIES

EUR 000s	Security
Commerzbank AG, Flensburg	2,895
	Comprehensive land charge entered for following real estate in Flensburg: Gutenbergstrasse 12 and Mergenthaler Strasse at € 2,556k and Am Pferdewasser and Friesische Strasse 35-39 at € 1.534k.

Furthermore, financial covenants have been agreed within the framework of working capital credit facilities granted by Commerzbank AG, Dresdner Bank AG, Vereins- und Westbank AG and HSBC Trinkaus & Burkhardt KgaA, Nord/LB Norddeutsche Landesbank, as well as with investors in the borrowers' note loan subject to repayment (€ 10,000k). These require the following upper/lower limits to be complied with in respect of key financial figures: Dynamic debt-equity ratio: max. 3.0 (2.5 in the case of the borrowers' note loan), interest cover of at least 7.0 and equity ratio of at least 30 percent.

Other financial obligations were structured as follows as of 31 December 2004:

EUR 000s	2005	2006	2007	2008	2009 and later	Total
Rent/leasing for space and furnishings	15,479	13,197	11,351	10,099	29,008	79,134
Guarantee charges and interest expenses	1,210	496	335	193	153	2,387
Licence fees	306	306	306	306	920	2,144
Maintenance, cleaning and repairs	406	95	95	96	97	789
Advisory expenses	209	205	210	35	35	694
Outstanding contribution obligation:						
Beate Uhse TV GmbH & Co. KG Berlin	454	-	-	-	-	454
Services / third-party services	179	-	-	-	-	179
Other	127	12	10	10	10	169
	18,370	14,311	12,307	10,739	30,223	85,950

The purchase agreement governing the acquisition of 25.1 percent of the shares in Fun Factory GmbH, Bremen, includes the obligation to pay a remaining purchasing price to the selling party amounting to 10 percent of the EBITDA generated by Fun Factory GmbH, at the latest by 30 April of each respective year. This obligation is limited to a period of five years and to an amount of € 250k. This obligation resulted in the payment of € 42k in the 2004 financial year. The Group has the following contingent liabilities pursuant to Sec. 251 of the Commercial Code:

EUR 000s	2004
Liabilities from guarantees and bill guarantees	1,040
Liabilities from the issue and transfer to bills	147
	1,187

12.3.10. DERIVATIVE FINANCIAL INSTRUMENTS

The company has the following derivative financial instruments pursuant to Sec. 285 No. 18 of the Commercial Code:

TO COVER INTEREST RISKS RELATING TO FINANCIAL OBLIGATIONS

Of the short-term liabilities to banks, which amount to € 41,212k, a total of € 5,000k are secured against an interest rate increase by means of an interest swap. The interest swap of € 5,000k has a term up to 28 June 2005. Its current value (marking to market) as of 31 December 2004 was € 55k in the negative. In order to reduce the fixed interest rate, a receiver interest swap was concluded for the borrowers' note loan subject to repayment, which originally amounted to € 10,000k. The receiver interest swap with a term up to 30 October 2010 had a value of € 8,571k as of 31 December 2004. Its current value (marking to market) as of 31 December 2004 was € 40k in the positive.

TO COVER EXCHANGE RATE RISKS RELATING TO PAYMENT OBLIGATIONS

On 17 May 2004, Beate Uhse AG concluded a forward exchange transaction for the purchase of USD 2,000k with a term up to 5 January 2005 for the calculation and payment of purchases of merchandise in US dollar by its subsidiaries Scala Agenturen BV, Amsterdam, Netherlands, and Pabo BV, Hulst, Netherlands. The difference between the exchange rate thereby secured and the exchange rate as of 31 December 2004 has resulted in a negative item of € 199k, which has been stated at the respective subsidiaries as an accrual for pending losses on current transactions.

12.4. NOTES ON THE CONSOLIDATED INCOME STATEMENT

12.4.1. SALES

The company's sales can be broken down into the following divisions:

EUR 000s	2004	2003
Sales of merchandise	238,039	220,135
Cinema and video cabins	16,538	17,376
Income from telephone services	9,622	10,361
Compensation from internet/T-Online	7,732	11,940
Other	5,921	5,774
	277,852	265,586

The company's sales can be broken down into the following geographical regions:

SALES BY GEOGRAPHICAL REGIONS

EUR 000s	2004	2003
Germany	120,488	125,749
Netherlands	51,750	48,737
France	25,276	18,980
Rest of Europe	22,414	25,280
Austria	18,082	7,890
Belgium	17,439	16,560
UK	14,807	13,200
USA	4,790	6,232
Switzerland	1,841	1,940
Other regions	965	1,018
	277,852	265,586

12.4.2. OTHER OPERATING INCOME

EUR 000s	2004	2003
Operating income		
Late payment interest and reminder fees	9,201	6,444
Rental income	1,323	1,226
Exchange differences	1,106	418
Income from the sale of financial assets	694	-
Other operating income	1,025	1,514
	13,349	9,602
Income relating to other periods and neutral income		
Income from the sale of securities	1,476	-
Income from the release of provisions	1,100	1,521
Other income relating to other periods and neutral income	925	2,352
	3,501	3,873
	16,850	13,475

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12.4.3. COST OF MATERIALS

EUR 000s	2004	2003
Expenses for raw materials, supplies and for merchandise purchased	80,785	81,208
Expenses for services purchased	11,261	15,630
	92,046	96,838

12.4.4. PERSONNEL EXPENSES

EUR 000s	2004	2003
Wages and salaries	40,525	37,719
Social security, expenses for pensions and other support measures	10,175	9,604
	50,700	47,323
of which for pension expenses	277	279

NUMBER OF EMPLOYEES

	2004	2003
Employees	1,477	1,344

12.4.5. OTHER OPERATING EXPENSES

EUR 000s	2004	2003
Operating expenses		
Advertising expenses	45,691	36,179
Rental expenses	22,168	20,571
Additions to specific value adjustments	10,322	6,898
Postage	9,751	6,865
Third-party services	5,651	4,000
Legal and advisory expenses	4,485	4,334
Parcel postage and COD fees	3,522	4,013
Insurance, fees, contributions	1,810	1,732
Other operating expenses	12,309	10,430
	115,709	95,022
Net interest expenses		
Exchange rate differences	767	2,772
Expenses relating to other periods and neutral expenses		
Losses on receivables	5,051	4,701
Other expenses relating to other periods and neutral expenses	442	159
	5,493	4,860
	121,969	102,654

12.4.6. INCOME FROM INVESTMENTS

EUR 000s	2004	2003
Income from shareholdings	292	94
Depreciation of financial assets and of securities classified as current assets	-784	-322
Profit / loss from associated companies:		
FunFactory GmbH, Bremen	123	43
Beate Uhse TV GmbH & Co. KG, Berlin	18	5
erotic media ag, Baar, Switzerland	-919	-696
Beate Uhse Italia GmbH, Bozen, Italy	-	-69
Total profit / loss from associated companies	-778	-717
	-1,270	-945

12.4.7. NET INTEREST EXPENSES

EUR 000s	2004	2003
Other interest and similar income	355	553
of which from affiliated companies	-	-
Interest and similar expenses	-2,927	-2,752
of which to affiliated companies	3	4
	-2,572	-2,199

12.4.8. TAXES ON INCOME

EUR 000s	2004	2003
Taxes on income	4,135	8,080
Retrospective tax payment resulting from tax audit	480	180
	4,615	8,260

The following deferred tax expenses or income have been recorded in the income statement:

EUR 000s	2004	2003
Deferred tax expenses from accrual for partial early retirement	-17	-19
Deferred tax expenses / income from elimination of intercompany profits	-213	710
Deferred tax income / expenses from consolidation of intercompany balances	1,140	-1,140
	910	-449

The volume of tax losses carried forward and not yet utilised amounts to € 15,686k.

TRANSITION FROM EXPECTED TAX EXPENSES TO REPORTED

TAX EXPENSES

The operating earnings of € 16.0 million and tax expenses of € 4.6 million result in a tax rate of 28.8 percent at the Group. The expected tax rate at the Group amounts to 38 percent for Germany and to 34.5 percent for the Netherlands. The transition from expected tax expenses to actual tax expenses is based on the following calculation:

EUR 000s	2004	Tax Rate	Tax Expenses
Expected tax expenses of EUR 000s 16,048 (EBT)		38 %	6,098
Losses abroad which are not deductible for tax purposes	4,692	38 %	1,783
Write-up of financial assets (affiliated companies)			1,543
Retrospective tax payment resulting from tax audit in the Netherlands			480
Expenses not deductible for tax purposes resulting from the valuation of treasury stock as of the reporting date			329
Divergent tax rates in other countries		8 to 10 %	105
Utilisation of losses carried forward in other countries	1,676	38 %	-637
Quasi-permanent differences resulting from valuation-adjustments for receivable from / loans to affiliated companies			-5,086
Actual tax expenses			4,615

12.5. OTHER DISCLOSURES

DISCLOSURES REQUIRED BY SECTIONS 15A, 25 AND 42 OF THE SECURITIES TRADING ACT (WPHG)

No notifications pursuant to Sec. 15a of the Securities Trading Act (WpHG) were received by the company during the 2004 financial year. There was therefore no requirement to make any corresponding announcements. On 3 January 2005, Orthmann AG, Schulstrasse 6, CH-9323 Steinach, notified the company pursuant to Sec. 21 of the Securities Trading Act (WpHG) that it had exceeded the threshold of 50 percent of the voting rights in Beate Uhse AG and that it now held 53.48 percent of the voting rights, compared with its previous total of 44.86 percent.

The following disclosures are to be made in respect of existing investments of a volume requiring disclosure:

The following notifications pursuant to Sec. 41 of the Securities Trading Act were received by the company in April 2002: Consipio Holding BV, Walsoordensestraat 72, NL-45588 KD Walsoorden, notified the company that it held 20.98 percent of the voting rights in Beate Uhse AG on 1 April 2002.

Summa NV (formerly: Fienco NV), Zegersdreef 96, B-29330 Brasschaat, notified the company that it indirectly held 20.98% of the voting rights in Beate Uhse AG on 1 April 2002. These voting rights are allocable to this company pursuant to Sec. 22 (1) Sentence 1, No. 1 of the Securities Trading Act. The company forwarded these notifications to the Federal Supervisory Office for Securities Trading and published them in the *Börsenzeitung* (Stock Exchange Journal).

The Chairman of the Supervisory Board, Richard Orthmann, announced pursuant to Sec. 15a of the Securities Trading Act that he had acquired 84,501 shares in the company at a price of € 10.13 per share on 30 December 2002 and that he now held 154,501 shares with a nominal value of € 1.00 in the company.

STATEMENT OF COMPLIANCE PURSUANT TO SEC. 161 OF THE STOCK CORPORATION ACT (AKTG)

The statement required by Sec. 161 of the Stock Corporation Act was submitted by the Management Board and the Supervisory Board on 16 December 2004 and made available to the shareholders of the company at the company's homepage on 20 December 2004.

BUSINESS RELATIONSHIPS WITH RELATED PARTIES

Business relationships with related parties are required to be disclosed in accordance with German Accounting Standard No. 11 (DRS 11), "Reporting on Relationships with Related Parties".

Closely related parties include natural persons and legal entities and companies which are in a position to be able to control the reporting company or one of its subsidiaries or exercise considerable direct or indirect influence on the reporting company or one of its subsidiaries, as well as such legal entities and companies as which the reporting company is in a position to control or over which it may exercise considerable influence.

These include the members of the Management and Supervisory Boards of Beate Uhse AG, as well as management employees in key positions at Beate Uhse AG. They further include the managing directors of subsidiaries and their key management personnel.

No disclosures are required to be made about business transactions eliminated within the framework of the consolidation.

The following business transactions required disclosure:

Ulrich Rotermund is the Deputy Chairman of the Supervisory Board and owner of the real estate in Düsseldorf, Graf Adolf Strasse, in which Beate Uhse Einzelhandels GmbH, Flens-

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burg, operates a retail outlet. Furthermore, Ulrich Rotermund is the sole limited partner in Beate und Ulrich Rotermund Grundstücksverwaltungs GmbH & Co KG, Flensburg, which in turn is the owner of the building at Gutenbergstr. 13, Flensburg, which is rented by Beate Uhse AG. The rental agreements were concluded at usual market conditions. The rent paid in the 2004 financial year amounted to € 216k (previous year: € 217k). There were no receivables or liabilities in respect of the rental agreement as of the reporting dates of the 2004 financial year and of the previous year, neither were there any contingent receivables and liabilities. There were other financial obligations amounting to € 280k in connection with the rental agreement as of the reporting date.

DIAG Deutsche Immobilien AG, Norderfriedrichskoog, owns a 50 percent shareholding in Immo Almere BV, Walsoorden, Netherlands. A further 50 percent of the shares in Immo Almere are held by Summa Finance BV, Netherlands. Summa Finance BV is in turn wholly owned by Summa NV, Belgium. The owner of this company is the Cok family. A total of 79 percent of the shares in DIAG Deutsche Immobilien AG, Norderfriedrichskoog, is held by Orthmann AG, Steinach, Switzerland. The shares in Orthmann AG are in turn owned by Richard Orthmann, Chairman of the Supervisory Board (49 percent) and Ulrich Rotermund, Deputy Chairman of the Supervisory Board (49 percent).

A rental agreement was concluded at usual market conditions between Immo Almere BV and Scala BV, Amsterdam, in respect of a logistics centre in Almere, Netherlands, with effect from 1 July 2003. A further rental agreement in respect of the use of the technical facilities available at the warehouse came into force on 1 July 2004. The rental payments for the 2004 financial year amounted to € 1,340k (previous year: € 554k). There were no receivables or liabilities or contingent receivables in respect of the rental agreement as of the reporting dates of the 2004 financial year and the previous year. There were other financial obligations amounting to € 24,985k in connection with the rental agreement as of the reporting date.

Summa Finance BV, Netherlands, is the lessor of 37 retail outlets used by Beate Uhse Retail Holding, BV, Netherlands, and the lessor of the administration building and warehouse of Pabo BV, Netherlands. All rental agreements were concluded at usual market conditions. The rental payments relating to these agreements amounted to € 1,922k in the 2004 financial year (previous year: € 1,843k). There were other financial obligations of € 29,020k relating to these rental agreements as of the reporting date. There were no receivables, liabilities or contingent receivables as of the reporting date for the 2004 financial year. Liabilities of € 43k had been reported in the previous year.

Nicolaas Bootsma, a member of the Supervisory Board of Beate Uhse AG, is director of Crop registeraccountants, a tax advisory and auditing company in the Netherlands. Crop registeraccountants received fees totalling € 130k (previous year: € 134k) for the provision of tax advi-

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sory services to group companies. The fees paid for these services are appropriate and customary for the market. There were no liabilities as of the reporting dates for the financial year and the previous year.

A film licensing agreement involving an annual licence fee of € 153k beginning in January 2002 and limited to a period of 10 years was agreed in a contract dated 17 January 2002 between MVW Medien- Vertriebs GmbH, Wiesbaden, Director Günter Schmitt, and ZBF Zeitschrift-Buch- und Film-Vertriebs GmbH, Wiesbaden, Director Günter Schmitt. This resulted in other financial obligations amounting to € 1,074k as of the reporting date. This licensing agreement was concluded at usual market conditions. There were no liabilities relating to the film licensing agreement as of the reporting dates of the 2004 financial year and the previous year.

Gerard Cok, a member of the Management Board of Beate Uhse AG and proprietor of European Business Consult GmbH, Bereldance, Luxembourg, received fees totalling € 185k (previous year: € 172k) via European Business Consult for management consultancy services provided to group companies. The fees paid for these services are appropriate and customary for the market. There were no liabilities in this respect as of the reporting dates of the 2004 financial year and the previous year.

On the basis of a contract dated 24 June 2004, Orthmann AG, Switzerland, acquired a total of 436,000 shares in Beate Uhse AG at a purchasing price of € 12,00 per share. In return, on the basis of a contract with the same date, Beate Uhse AG acquired from Orthmann AG, Switzerland, 2,000,000 shares in erotic media ag at a purchasing price of € 5.00 per share. It was agreed between Beate Uhse AG and Orthmann AG that the mutual purchasing price receivables and liabilities should be offset against each other. A loan agreement in respect of the remaining payment obligation of € 4,768k on the part of Beate Uhse AG to Orthmann AG was also concluded on 24 June 2004. The interest rate amounted to 4.5 percent and the amount could be repaid at any time up to 31 December 2004 at the latest. The amount was repaid in full by Beate Uhse AG during the financial year, with a payment of € 1,000k on 15 July 2004 and one of € 3,768k on 28 December 2004. The interest rate was appropriate and customary for the market. There were no liabilities in respect of this transaction as of the end of the financial year.

On the basis of a contract dated 15 June 2002, Beate Uhse AG agreed sales options with Orthmann AG in respect of the company's shares in erotic media ag, Baar, Switzerland, Beate Uhse TV GmbH & Co. KG, Berlin, and Beate Uhse Verwaltungsgesellschaft mbH, Berlin. Beate Uhse AG was thereby entitled to exercise the sales options with the writer of such options, Orthmann AG, up to 31 December 2004. The sales options were annulled on the basis of the annulment agreement dated 24/25 June 2004.

NOTES ON SEGMENTAL REPORTING

The accounting and valuation methods are identical to those applied to the consolidated financial statements and were determined prior to consolidation. The segments of the Group are divided in terms of their operations into the functional divisions of Retail, Mail Order, Wholesale, Entertainment and Holding Services. The Entertainment segment encompasses online services, such as internet content, e-commerce and telephone services. The activities of Holding Services primarily relate to the provision of a group cash pool, the letting of buildings belonging to the Group and the provision of central administrative departments. All business areas have been broken down into their respective geographical regions. Annual results have been depicted without taking account of profit and loss transfer agreements.

Segmental assets include all operating assets used by a given segment and primarily consist of fixed assets, current assets and prepayments and accrued income. Segmental liabilities include all operating liabilities relating to a given segment and primarily consist of accruals, as well as short and long-term liabilities and deferred income. The transfer prices applied to sales within the Group have been set in line with market prices. Consolidated earnings have been derived principally by eliminating intercompany profits in terms of fixed and current assets and by eliminating income from investments.

NOTES ON THE CASH FLOW STATEMENT

Overall investments including financial assets amounted to € 20.6 million in 2004, of which € 15.3 million affected payments. These were financed by the sale of treasury stock (€ 2.2 million), the taking up of bank loans (€ 4.5 million), the proceeds from the sale of the General Media Bond and by the cash flow from operating activities. As in the previous year, the financial funds relate exclusively to cash holdings and bank balances. Income tax payments of € 8,391k (previous year: € 7,297k), interest payments of € 3,003k (previous year: 2,440k) and dividend payments of € 4,755k (previous year: € 4,702k) were made during the 2004 financial year.

In order to increase the shareholding in erotic media ag, Baar, Switzerland, two lots of 1 million shares in erotic media ag were acquired from Orthmann AG on 30 June 2004 and 15 July 2004 respectively at costs of acquisition of € 5,000k in each case. This acquisition of shares was financed in part by the disposal of 436,000 treasury stock shares of Beate Uhse AG to Orthmann AG at a price of € 12.00 per share. Moreover, it was agreed between Beate Uhse AG and Orthmann AG that the purchasing price receivables and liabilities would be offset, resulting in only € 4,768k of the purchasing price obligation being required to be paid.

NOTES ON THE COMPANY BOARDS

The Management Board of the company consists of:

Otto Christian Lindemann Businessman
Spokesman of the Management Board, Chief Financial Officer

Gerard Phillipus Cok Businessman, Chief Operating Officer

The remuneration paid to the Spokesman of the Management Board, Otto Christian Lindemann, amounted to € 249k in the 2004 financial year. Mr. Lindemann will not receive any performance-related remuneration for the 2004 financial year. During the financial year, the members of the Management Board were granted a total of 39,100 options to shares in the company at a nominal value of € 1.00 and an exercise price of € 11.44 (Otto Christian Lindemann: 16,000 and Gerard Ph. Cok: 23,100) These options may not be exercised prior to 16 August 2006.

The Supervisory Board consisted of the following members:

Richard Orthmann Steinach, Switzerland, Private Investor
Chairman of the Supervisory Board of Beate Uhse AG
Member of the Audit Committee

Ulrich Rotermund Meggen, Switzerland, Private Investor
Deputy Chairman of the Supervisory Board of Beate Uhse AG

Detlef Bindert Frankfurt am Main
Group Treasurer, Deutsche Bank AG, Frankfurt am Main
Chairman of the Audit Committee
Till 31 March 2005

Nicolaas Bootsma Blokker, Netherlands
Auditor at Crop Registeraccounts, Hoofddorp,
Netherlands
Deputy Chairman of the Audit Committee

Monika Wilk Flensburg
Legal counsel at Beate Uhse Einzelhandels GmbH, Flensburg
(employee representative)

Carlo Floridi Cologne
Store manager at Beate Uhse Einzelhandels GmbH, Flensburg
(employee representative)

ZOO

1 Hotel Le Regina

NEW CITY

9 Marketplace

HISTORIC CITY

6 Tea Art

WISLA

69 Beate Uhse

UNIVERSITY

STADIUM

Klubokawiarnia

12

10

Nowy Swiat

13

The Mexican

Riverview Wellness Centre
(InterContinental Warszawa)

7

CULTURE
PALACE

WARSAW
MAIN STATION

5

Green Coffee

Tonic Caffè

11

3

Bacio

4

Cafe Karma

2

Qcchnia Artystyczna

Lazienki Park

8

WARSCHAU

DETACH THE MAP BEFORE YOU START YOUR TRIP



WARSCHAU

HOTEL

1) *Hotel Le Regina*

In the heart of the historic centre of Warsaw lies Le Regina. This five-star wellness hotel has been lovingly reconstructed on the model of a palace from the 18th century and combines warmth with modernity. After an exciting wander through Warsaw, you can relax in the comfortable wellness area and allow yourself to be thoroughly spoiled.

Koscielna 12, 00-218 Warsaw
Telefon +48 (0)22 - 53 16 000
www.leregina.com

FOOD & DRINKS

2) *Qchnia Artystyczna*

The artists' kitchen is a romantic restaurant on the East side of Ujazdowski castle. In spite of the large numbers of tourists who visit Warsaw every year, this is a real insider's tip. The restaurant doesn't even have a sign, so keep your eyes open.

Al. Ujazdowskie 6, 00-461 Warsaw
www.qchnia.pl

3) *Bacio*

Bacio is a wonderful small romantic location for a rendezvous. Even its name is suggestive – Bacio is the Polish word for kiss. This dreamy restaurant offers a wide selection of traditional Italian dishes and wines. Tip: whatever you have as your main course, you should certainly try Deser Bacio (pears with hot chocolate and vodka) as your dessert.

Ul. Wilcza 43, 00-678 Warsaw
Telefon +48 (0)22 - 62 68 303
www.bacio.pl

4) *Cafe Karma*

Are you on the lookout for a first-rate espresso? Then go to Cafe Karma. This is where young Poles meet to while away the time and to find some relaxation. The small cafe is particularly recommendable for enjoying the first rays of sunshine at a small table outdoors. Then Cafe Karma really comes into its own on the circular Zbawiciela Square.

Plac Zbawiciela 3/5, 00-640 Warsaw
Telefon +48 (0)22 - 875 87 09

5) *Green Coffee*

A stone's throw away from the culture palace is Green Coffee. It is just the right place for a moment's relaxation. Enjoy the selection of superb coffee variations and the possibility of observing interesting and attractive people.

Marszalkowska 84/92, 00-514 Warsaw
Telefon +48 (0)22 - 825 98 96

6) *TeaArt*

A piece of British tea culture in Poland – that is TeaArt. With extremely comfortable furnishings with old tables, sofas and armchairs which have certainly witnessed more than a few flirts, TeaArt is just the right place to start a romance. Tip: complement your cup of quality tea with a piece of apple pie or ginger cake.

Bednarska 28/30, 00-321 Warsaw
Telefon +48 (0)22 - 852 80 68

WELLNESS

7) *Riverview Wellness Centre (InterContinental Warszawa)*

Enjoy probably the most breathtaking view of the Polish capital. The view turns all kinds of physical workout into a unique experience. The Riverview Wellness Centre is located on the 43rd and 44th floors of the hotel. The fitness and wellness club offers the whole range of sport programmes, a sauna, a steam bath, massages and every conceivable kind of beauty and relaxation treatment.

Ul. Emilii Plater 49, 00-125 Warsaw
Telefon +48 (0)22 - 328 88 88
www.warszawa.intercontinental.com

PARKS & SIGHTS

8) *Lazienki Park*

This park is primarily a tribute to the arts, a testimony to the particular taste of the man to whom the part owes its beauty – King Stanislas Augustus Poniatowski, the last king of Poland. The centrepiece of the park is the Royal Residence set next to the water. Water has a symbolic importance for the park. In Polish, the word *lazienki* means bath. At the end of the 17th century, the park belonged to the politician and poet, Lubomirski. In his love for Greek mythology, for women in general and for Aphrodite, the goddess of love, in particular, he created numerous cosy little corners and pavilions in the gardens, which are suited to indulging in love. The omnipresence of love can still be felt today.

Ul. Agrykoli 1, 00-460 Warsaw
Telefon +48 (0)22 - 621 62 41/5
www.lazienki-krolewskie.pl

9) *Market Square in the Historic City Centre*

It is the heart of Warsaw. The market square offers a colourful bustle of activity at all times of the year. Here you can see spontaneous open-air concerts and performances by theatre groups, with both professional and amateur artists. The secretive nooks and crannies round the city walls invite those who are looking for some romantic calm beyond the bustle to go for a stroll. The picturesque alleys lead away from the city centre down to the Vistula – a must for romantics.

10) *Nowy Świat*

Nowy Świat is one of the most exclusive streets of Warsaw. It borders directly onto the Krakowskie Przedmieście. Nowy Świat is an ideal place for shopping. Shops, restaurants, cafes and patisseries with delicious Polish cakes invite you to try them out. Tip: the numerous garden pubs are the best place to listen to the atmospheric music of the street musicians.

Nowy Świat 63, 00-357 Warsaw
Telefon +48 (0)22 - 826 58 03
www.nowyswiat.com.pl

NIGHTLIFE

11) *Tonic Caffè*

Tonic Caffè is known throughout the city for its unusually pretty waitresses. The ladies don't just look good, they also charm you with excellent service. The atmosphere in the bar is stylish and the music is good, if sometimes somewhat loud. The far-reaching view over the exclusive shopping street Marszalkowska is a further reason to come and enjoy this venue.

Marszalkowska 77/79, 00-683 Warsaw
Telefon +48 (0)22 - 622 17 77

12) *Klubokawiarnia*

Surely one of the coolest places in Warsaw. Spend a night dancing here and you will know what goes on in the Warsaw singles scene. The DJs at Klubokawiarnia are among the best of their kind, the furnishings flirt with the country's past. Note: at weekends the selection process at the doorway is particularly strict.

Ul. Czackiego 8, 00-043 Warsaw
www.klubokawiarnia.pl

13) *The Mexican*

The Mexican was the hotspot in the summer of 2004. Its appeal lies in its extraordinarily hot young atmosphere. The dance surface is packed throughout the night, and the high-tech speakers pump out the latest hits. Striptease and erotic dance accessories are always a welcome sight. Note: the bouncers are very direct in their statements and pay close attention to good behaviour.

Foksal 10a, 00-366 Warsaw
Telefon +48 (0)22 - 826 90 21
www.mexican.pl

BEATE UHSE IN WARSAW

Beate Uhse Retail Poland
Jana Pawla II 46/48 paw. 6 , 01-148 Warsaw
Telefon +48 (0)22 - 635 96 43

The members of the Supervisory Board also sit on the following supervisory boards:

Richard Orthmann Chairman of the Supervisory Board of DIAG
Deutsche Immobilien AG, Norderfriedrichskoog

Detlef Bindert Chairman of the Supervisory Board
of Deutsche Bank Finance NV, Curacao
Member of the Supervisory Board of Deutsche Bank
Financial Inc., Delaware, USA

The shareholder representatives on the Supervisory Board were elected at the Annual General Meeting held on 21 June 2004. Following the Annual General Meeting, the members of the Supervisory Board reelected Richard Orthmann as Chairman of the Supervisory Board and Ulrich Rotermund as his deputy.

The Annual General Meeting held on 21 June 2004 provided the remuneration of the members of the Supervisory Board with a new structure. The members of the Supervisory Board now receive fixed annual compensation of € 10k. As a variable component, the members of the Supervisory Board receive additional dividend-related remuneration amounting to € 1k for every cent by which the dividend exceeds 7 cents. The Chairman receives three times the remuneration and his deputy twice the amount of the total remuneration of an ordinary member. Those members of the Supervisory Board who are also members of the Audit Committee receive an additional annual fixed sum of € 10k, with the Chairman of the Committee receiving twice this amount. The remuneration of the Supervisory Board amounted to € 117k in the 2004 financial year. The fixed component amounted to € 90k, while the variable component totalled € 27k. The Chairman of the Supervisory Board received € 39k and his deputy € 27k. All other members of the Supervisory Board received € 13k. Pension accruals of € 981k have been provided for former members of the boards of Beate Uhse AG. Pension payments of € 92k were made to these board members during the 2004 financial year. As of the reporting date, the members of the company's boards owned a total of 324,041 shares in the company, as well as options to a further 107,550 shares in the company.

PROPOSED APPROPRIATION OF NET EARNINGS OF BEATE UHSE AG

It will be proposed to the Annual General Meeting that the net earnings of Beate Uhse AG amounting to € 19,717,384.36 be retained.

Flensburg, 23 March 2005

Otto Christian Lindemann

Gerard Phillipus Cok

12.5

13.0 SEGMENT DATA BY BUSINESS UNIT 2004 / 2003

EUR 000s	2004						Group Value
	Retail	Mail Order	Wholesale	Entertainment	Holding	Consolidation	
SALES	86,358	118,722	70,257	17,477	1,225	-16,187	277,852
- of which with third parties	85,925	118,707	56,232	16,988	-	-	277,852
- of which with other segments	433	15	14,025	489	1,225	-16,187	-
Depreciation	6,004	1,083	2,243	810	1,277	-1,275	10,142
Net interest expenses	-1,211	-314	-918	-16	-862	749	-2,572
Taxes on income	894	4,116	2,116	233	694	-3,438	4,615
Other non-cash entries	2,144	2,213	2,585	488	1,627	-1,385	7,672
Income from shareholdings in associated companies	-	-	-	-	-778	-	-778
Income from other shareholdings	-	-	-	17	929	-514	432
NET INCOME (excluding profit and loss transfer agreements)	1,828	6,522	-629	1,402	6,053	-5,454	9,722
Assets (incl. shareholdings)	44,241	42,632	51,558	14,823	282,104	-247,424	187,934
Investments in long-term assets	5,815	1,399	5,139	2,500	11,775	-6,015	20,613
Liabilities	35,957	33,631	35,952	8,769	110,432	-109,570	115,171

SEGMENT DATA BY GEOGRAPHIC REGIONS 2004 / 2003

EUR 000s	2004						Group value
	Retail	Mail Order	Wholesale	Entertainment	Holding	Consolidation	
GERMANY							
Sales with third parties	53,726	32,544	21,120	13,098	-	-	120,488
Assets	24,942	9,299	11,659	10,910	218,867	-188,314	87,363
Investments in long-term assets	3,730	6	572	2,290	11,685	-3,265	15,018
REST OF EUROPE							
Sales with third parties	32,199	81,373	34,148	3,890	-	-	151,610
Assets	19,299	33,333	39,899	3,913	63,237	-59,110	100,571
Investments in long-term assets	2,085	1,393	4,567	210	90	-2,750	5,595
OTHER REGIONS							
Sales with third parties	-	4,790	964	-	-	-	5,754
Assets	-	-	-	-	-	-	-
Investments in long-term assets	-	-	-	-	-	-	-

13.0

2003

Retail	Mail Order	Wholesale	Entertainment	Holding	Consolidation	Group value
77,727	103,448	84,169	23,042	1,663	-24,463	265,586
77,308	103,448	62,330	22,500	-	-	265,586
419	-	21,839	542	1,663	-24,463	-
4,932	935	2,656	678	1,344	-484	10,061
-887	-186	-928	43	-966	725	-2,199
1,427	4,148	2,282	498	-537	442	8,260
1,673	3,015	9,427	373	3,885	-	18,373
-	-	-	-	-713	-	-713
-	-	-	56	10,565	-10,530	91
4,826	7,310	1,784	3,509	2,099	-9,669	9,859
48,465	42,763	49,474	16,849	301,119	-277,420	181,250
11,552	1,028	1,901	2,434	6,430	-6,549	16,796
41,745	34,149	40,649	12,558	105,588	-121,223	113,466

2003

Retail	Mail Order	Wholesale	Entertainment	Holding	Consolidation	Group value
51,928	32,658	22,080	19,090	-	-	125,756
25,290	10,371	11,039	12,546	235,262	-194,680	99,828
3,347	41	369	298	6,430	-4,444	6,041
25,380	64,560	39,230	3,410	-	-	132,580
23,175	32,392	38,435	4,303	65,857	-82,739	81,423
8,204	987	1,532	2,136	-	-2,104	10,755
-	6,230	1,020	-	-	-	7,250
-	-	-	-	-	-	-
-	-	-	-	-	-	-

14.0 EQUITY SCHEDULE 2004 / 2003

EUR 000s	Equity					
	Subscribed capital	Revenue reserves		Retained earnings	Group equity earned	Balancing item for currency conversion
		Reserves for treasury stock	Other revenue reserves			
BALANCE 1 Jan 2003	47,324	3,425	7,920	5,015	16,360	117
Consolidated net income for the period				9,859	9,859	
- of which eligible for distribution € 6,795k						
Currency changes						593
Share of losses attributable to minority shareholders				1,517	1,517	
Offsetting of goodwill						-2,665
Withdrawal from transfer to revenue reserves				1,960		-1,960
Purchase of treasury stock		6,854			-6,854	
Dividend					-4,702	-4,702
BALANCE 31 Dec 2003	47,324	10,279	3,295	6,795	20,369	710
Consolidated net income for the period				9,722	9,722	
- of which eligible for distribution € 9,722k						
Currency changes						228
Share of losses attributable to minority shareholders				425	425	
Offsetting of goodwill						-243
Disposal of treasury stock		-7,449			7,449	
Dividend					-4,657	-4,657
BALANCE 31 Dec 2004	47,324	2,830	3,052	19,734	25,616	938

14.0

Minority Shareholders		
Balancing item for minority interests	Balancing item for currency conversion	Total group equity
795		64,596
		9,859
	-249	344
-1,165		352
		-2,665
		-4,702
-370	-249	67,784
		9,722
	27	255
-425		-243
		-4,755
-893	-222	72,763

15.0 LIST OF GROUP SHAREHOLDINGS AS OF 31 DECEMBER 2004

NAME, REGISTERED OFFICE	Share %	Consoli- dation	Currency	Equity 31 Dec 2004	Net income/ net deficit 2004	
Beate Uhse Einzelhandels GmbH, Flensburg	100.0	V	EUR 000s	5,183	3,069	1)
Beate Uhse Grundstücksgesellschaft bR, Flensburg	100.0	V	EUR 000s	-	255	2)
Beate Uhse Grundstücksverwaltungsgesellschaft mbH, Flensburg	100.0	V	EUR 000s	49	-	
Beate Uhse Fun Center GmbH, Flensburg	100.0	V	EUR 000s	25	3	7)
Beate Uhse Italia GmbH, Bozen, I	96.6	V	EUR 000s	2	-27	
Ceproma central product management GmbH, Flensburg	100.0	V	EUR 000s	-322	-44	
EXITEC AG, Flensburg	100.0	V	EUR 000s	-249	240	
KONDOMERIET AS, Kolbotn, N	80.0	V	EUR 000s	1,062	517	6)
Lavetra International Kft., Börcs, H	100.0	V	EUR 000s	132	1,153	6)
Mae B. GmbH, Flensburg	100.0	V	EUR 000s	13	-663	1)
Scala Beteiligungs GmbH, Wiesbaden	100.0	V	EUR 000s	62	2	
Versandhaus Beate Uhse GmbH, Flensburg	100.0	V	EUR 000s	5,525	1,945	1)
BEATE UHSE new medi@ GmbH Subgroup						
Arena Online-Service GmbH, Flensburg	100.0	-	EUR 000s	65	20	
Beate Uhse new medi@ GmbH, Flensburg	100.0	V	EUR 000s	5,067	770	1)
Beate Uhse New Media AS, Oslo, N	100.0	V	EUR 000s	1,982	16	
COM VTX Multi Media BV, Rotterdam, NL	100.0	V	EUR 000s	811	154	
D.N.I. Dutch Net Info BV, Rotterdam, NL	100.0	V	EUR 000s	18	17	
M.O.S. Media Online Services BV, Hoorn, NL	100.0	V	EUR 000s	434	80	
METAVOX Service & Communication GmbH & Co. Kommanditgesellschaft, Meerbusch	52.0	V	EUR 000s	-141	200	
METAVOX Service & Communication GmbH, Meerbusch	52.0	-	EUR 000s	48	3	
BEATE UHSE BV SUBGROUP						
Beate Uhse BV, Walsoorden, NL	100.0	V	EUR 000s	30,933	-873	
B.U. BVBA, Knokke-Heist, B	100.0	V	EUR 000s	20	-	8)
Erotic Centre BVBA, Brüges, B	100.0	V	EUR 000s	39	19	8)
Erotic Discount Centre, Budapest, H	50.0	-	EUR 000s	4	-	
International Fun Center, Warsaw, PL	50.0	-	EUR 000s	50	-	
Intersex, Warsaw, PL	50.0	-	EUR 000s	133	-	
Pabo BVBA, Kieldrecht, B	100.0	V	EUR 000s	3,324	1,747	3)
Retail Belgie BVBA, Brüges, B	100.0	V	EUR 000s	352	332	9)
Sandereijn Belgie BVBA, Brussels, B	100.0	V	EUR 000s	504	140	4)
The Golden Meteor BV, Walsoorden, NL	100.0	V	EUR 000s	27	21	
V.U.H. Video Holland BV, Walsoorden, NL	100.0	V	EUR 000s	11	17	
BEATE UHSE RETAIL HOLDING BV SUBGROUP (VIA BEATE UHSE BV)						
Beate Uhse France SAS, Lille, F	100.0	V	EUR 000s	788	-284	
Beate Uhse Ltd., Sutton, GB	100.0	V	EUR 000s	-949	-503	
Beate Uhse Retail Holding BV, Walsoorden, NL	100.0	V	EUR 000s	2,913	-270	
Christine le Duc BV, Voldendam, NL	100.0	V	EUR 000s	1,005	314	
Gezed BV, Amsterdam, NL	100.0	V	EUR 000s	1,518	816	
Interieur & Elektra Service BV, Walsoorden, NL	100.0	V	EUR 000s	64	-53	
Movie Rent Amsterdam BV, Walsoorden, NL	100.0	V	EUR 000s	580	262	
Sandereijn BV, Walsoorden, NL	100.0	V	EUR 000s	1,532	292	
GEZED HOLDING BV SUBGROUP (VIA BEATE UHSE BV)						
Adult Video Netherlands Productions BV, Amsterdam, NL	100.0	V	EUR 000s	-64	21	
Both Multimedia & Internet Exploitatie BV, Walsoorden, NL	100.0	V	EUR 000s	59	52	

NAME, REGISTERED OFFICE	Share %	Consoli- dation	Currency	Equity 31 Dec 2004	Net income/ net deficit 2004
Gezed Holding BV, Amsterdam, NL	100.0	V	EUR 000s	14,082	317
Intex Nederland BV, Amsterdam, NL	100.0	V	EUR 000s	51	3
Phofil Book Import BV, Amsterdam, NL	100.0	-	EUR 000s	18	-
Scala Ltd., Birmingham, GB	100.0	V	EUR 000s	444	107
Scala Agenturen BV, Amsterdam, NL	100.0	V	EUR 000s	15,138	791
Video Distributie Nederland Vdn BV, Wijchen, NL	100.0	V	EUR 000s	465	-121
World Entertainment BV, Walsorden, NL	100.0	V	EUR 000s	6	3
PABO HOLDING BV SUBGROUP (VIA BEATE UHSE BV)					
Calston Industries Inc., Toronto, CDN	38.0	-	CAD 000s	280	-68
Dutch finest Fantasies Inc., Chatsworth, USA	73.0	V	EUR 000s	-6,385	-1,768
Pabo BV, Hulst, NL	100.0	V	EUR 000s	18,543	3,806
Pabo Holding BV, Hulst, NL	100.0	V	EUR 000s	727	-70
Pabo Ltd., Birmingham, GB	100.0	V	EUR 000s	-278	-74
Pabo SARL, Tourcoing, F	100.0	V	EUR 000s	3,024	1,961
Pabo USA BV, Goes, NL	73.0	V	EUR 000s	-5,474	-14
Pabo Versandhandel GmbH, Innsbruck, A	100.0	V	EUR 000s	-370	-673
SCALA GROSßHANDEL GMBH & CO. KG SUBGROUP					
Pleasure-Verlagsgesellschaft mbH, Wiesbaden	100.0	V	EUR 000s	307	428 10)
Scala Großhandel GmbH & Co. KG, Wiesbaden	100.0	V	EUR 000s	21,197	19,803
ZBF Zeitschrift- Buch- und Film Vertriebs GmbH, Wiesbaden	100.0	V	EUR 000s	2,971	1,636
BEATE UHSE SCANDINAVIA AB SUBGROUP					
Beate Uhse AS, Oslo, N	82.0	V	EUR 000s	-1,808	-903 6)
Beate Uhse Max's AB, Stockholm, S	82.0	V	EUR 000s	-2,129	-876 6)
Beate Uhse OY, Helsinki, FIN	82.0	V	EUR 000s	7	-
Beate Uhse Scandinavia AB, Stockholm, S	82.0	V	EUR 000s	-101	507
Max's Aps, Kopenhagen, DK	82.0	V	EUR 000s	-420	-264
PARTIALLY CONSOLIDATED ASSOCIATED COMPANIES					
Beate Uhse TV GmbH & Co. KG, Berlin	49.0	E	EUR 000s	3,168	36 5)
Beate Uhse Verwaltungs GmbH, Berlin	49.6	-	EUR 000s	31	3
erotic media ag, Baar, CH	34.2	E	CHF 000s	47,142	2,256 12);13)
FunFactory GmbH, Bremen	25.1	E	EUR 000s	1,487	479
MJP Medien- Produktions- und Vertriebs GmbH & Co. KG, Eschenburg	50.0	-	EUR 000s	843	-151
Quattrocomm AG, Zug, CH	50.0	E	CHF 000s	250	50

1) Annual earnings prior to transfer of profits to Beate Uhse AG

2) 99.5% shareholding via Beate Uhse AG and 0.5%
via Beate Uhse Grundstücksverwaltungsgesellschaft mbH

3) 99.9 % shareholding via Pabo Holding BV and 0.1 % via Beate Uhse BV

4) 99.9 % shareholding via Beate Uhse Retail Holding BV and 0.1 % via Beate Uhse BV

5) Outstanding contributions of € 454k to the subscribed capital

6) Conversion to historic rates

7) Annual earnings prior to transfer of profits to Beate Uhse Einzelhandels GmbH

8) 50 % shareholding via The Golden Meteor BV and 50 % via V.U.H. Video Holland BV

9) 99.5 % shareholding via Beate Uhse Retail Holding BV and 0.5 % via Beate Uhse BV

10) Annual earnings prior to transfer of profits to Scala Grosshandels GmbH & Co. KG

11) These figures have been taken from the annual financial statements as of 31 December 2003.
The annual financial statements as of 31 December 2004 were not available.

12) erotic media ag holds 49% of the shares in Beate Uhse TV GmbH & Co. KG.
This results in a prorated increase of the indirect share held by Beate Uhse AG

13) erotic media ag holds 50.4% of the shares in Beate Uhse Verwaltungs GmbH.
This results in a prorated increase of the indirect share held by Beate Uhse AG

V = fully consolidated

E = reported and valued pursuant to Sections 311 and 312 of the Commercial Code

- = not included pursuant to Sections 296 (2) and 311 (2) of the Commercial Code

16.0 AUDIT OPINION

16.0

We have audited the consolidated financial statements and the group management report prepared by Beate Uhse Aktiengesellschaft for the fiscal year from 1 January 2004 to 31 December 2004. The preparation of the consolidated financial statements and the group management report according to German commercial law are the responsibility of the Company's legal representatives. Our responsibility is to express an opinion, based on our audit, on the consolidated financial statements and the group management report.

We conducted our audit of the consolidated financial statements pursuant to Sec. 317 of the German Commercial Code (HGB) and in compliance with the generally accepted standards for the audit of financial statements issued by the German Institute of Auditors (Institut der Wirtschaftsprüfer). Those standards require that we plan and perform the audit to obtain reasonable assurance that inaccuracies and violations are recognized which significantly affect the presentation of the net worth, financial position and results of the Company as conveyed by the consolidated financial statements, in compliance with generally accepted accounting principles, and by the group management report. The scope of the audit was planned taking into account our understanding of business operations, the Group's economic and legal environment, and any potential errors anticipated. In the course of the audit, the effectiveness of the system of internal accounting controls is assessed, and the disclosures in the consolidated financial statements and group management report are verified, mainly on the basis of spot checks. The audit comprises the assessment of the financial statements of the companies included in the consolidated financial statements, the demarcation of the consolidation group, the accounting and consolidation principles applied and estimates by the legal representatives as well as the appraisal of the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give any cause for qualification.

The consolidated financial statements of the Company, in compliance with generally accepted accounting principles, present a true and fair view of the assets, liabilities, financial position and results of the Group. The group management report provides a suitable overall presentation of the Group's position and suitably presents the risks of future development.

Hamburg, 23 March 2005

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Nendza Dührkop
Wirtschaftsprüfer Wirtschaftsprüferin

17.0 FINANCIAL STATEMENTS BEATE UHSE AG 2004 / 2003

17.1 BALANCE SHEET

	2004	2003		2004	2003
	EUR 000s	EUR 000s		EUR 000s	EUR 000s
ASSETS			EQUITY AND LIABILITIES		
FIXED ASSETS			EQUITY		
Intangible assets	1,030	2,189	Subscribed capital	47,324	47,324
Property, plant and equipment	526	713	Capital surplus	87,522	87,522
Financial assets	176,868	159,078	Reserve for treasury stock	2,819	10,266
	178,424	161,980	Retained earnings	19,717	6,795
				157,382	151,907
CURRENT ASSETS			ACCRUALS		
Inventories	76	35		3,406	2,592
Receivables and other assets	49,790	49,479	LIABILITIES		
Securities	2,819	12,329		71,377	69,634
Cash on hand, bank balances	971	228	DEFERRED INCOME		
	53,656	62,070		3	2
PREPAID EXPENSES					
	84	52	BALANCE SHEET TOTAL		
DEFERRED TAXES				232,168	224,135
	4	33	BALANCE SHEET TOTAL		
				232,168	224,135
BALANCE SHEET TOTAL					

17.2 INCOME STATEMENT BEATE UHSE AG

	2004	2003
	EUR 000s	EUR 000s
SALES	1,577	1,457
Other operating income	22,379	733
Personnel expenses	-2,211	-2,431
Amortisation and depreciation on intangible assets and property, plant and equipment	-693	-609
Other operating expenses	-6,632	-3,658
Income from shareholdings	-4,021	18,109
Net interest expenses	-5	-334
RESULT FROM ORDINARY ACTIVITIES	10,394	13,268
Income taxes	-261	69
Other taxes	-1	-1
NET INCOME FOR THE YEAR	10,131	13,336
Profit brought forward	2,138	313
Withdrawals from reserve for treasury stock	7,448	-
Transfer to reserve for treasury stock	-	-6,854
RETAINED EARNINGS	19,717	6,795

17.0

17.3

17.3 KEY INFORMATION ON THE COURSE OF BUSINESS AT BEATE UHSE AG IN 2004

GENERAL:

Beate Uhse AG acts as the holding company for the subsidiaries and shareholdings of the Group. It is quoted as a public listed company (AG) on the Frankfurt Stock Exchange.

The AG performs the central group functions of accounting, controlling, financing, human resources, legal and communications services.

COURSE OF BUSINESS:

Beate Uhse AG sold a total of 549,469 treasury stock shares (€ 6.8 million) and held 279,905 shares (previous year: 829,374 shares) with a value of € 2.8 million at the end of the year (previous year: € 10.3 million).

Beate Uhse AG acquired a further 2 million shares in erotic media ag at a purchase price of € 10 million and held 34.15 % of the shares in the company at the end of the year.

The bonds in General Media Inc., New York were sold and generated income of € 1.2 million.

In view of the pleasing earnings performance of its wholesale subsidiary, ZBF GmbH, Beate Uhse AG wrote up its shareholding by € 19.6 million.

By contrast, the financial assets of affiliated companies had to be written down by € 7.1 million.

As a result of a current purchase bid, the value of the Beate Uhse TV KG had to be written down by € 2.4 million.

The most significant items in the financial assets as of 31 December 2004:

- Beate Uhse BV, Netherlands, amounting to € 66.8 million
- Beate Uhse new medi@ GmbH, Germany, amounting to € 39.3 million
- erotic media ag, Switzerland, amounting to € 32.4 million
- Scala Grosshandel GmbH & Co KG, Germany, amounting to € 21.1 million

The net profit of € 19.7 million reported by Beate Uhse AG is to be retained. The relevant resolution will be proposed to the Annual General Meeting for approval on 20 June 2005.

18.1 MULTI-YEAR SUMMARY - BEATE UHSE 1999 / 2004

	1999	2000	2001	2002	2003	2004	
EUR million							
Sales	116.4	163.5	222.8	244.5	265.6	277.9	
RESULT OF OPERATIONS							
EBITDA	15.4	21.0	21.3	30.1	31.5	28.8	
EBIT	10.1	13.9	10.6	20.3	21.5	18.6	
EBT	10.2	13.0	8.7	17.2	19.3	16.0	
Net income	5.1	9.6	2.2	9.5	9.9	9.7	
PROFITABILITY							
Return on sales	%	4.4	5.9	1.0	3.9	3.7	3.5
FINANCIAL POSITION AND DIVIDENDS							
Cashflow	-1.5	10.4	12.8	21.4	20.3	9.7	
Liquid assets	14.3	8.2	14.8	13.9	8.3	9.0	
Depreciation	5.3	7.1	10.7	9.9	10.1	10.1	
Dividends distributed	0.9	4.2	6.2	0.0	4.7	4.7	
COMPOSITION OF ASSETS AND EQUITY							
Total assets	145.8	132.0	169.4	169.1	181.2	187.9	
Equity	105.6	63.9	60.3	64.6	67.8	72.8	
Equity ratio	%	72.4	48.4	35.6	38.2	37.4	38.7
Fixed assets	84.1	52.6	73.9	72.1	77.9	84.8	
Current assets	57.0	74.9	86.9	86.4	96.2	97.1	
EXPENSES							
Personnel expenses	22.8	32.5	42.3	42.3	47.3	50.7	
Cost of materials	48.8	70.4	90.9	94.0	96.8	92.0	
OTHER							
Employees	722	905	1,173	1,251	1,344	1,477	
Dividends per share	EUR	0.10	0.14	-	0.10	-	
Cashflow per share	EUR	0.32	0.23	0.26	0.46*	0.46	0.42
Share price on 31 Dec.	EUR	19.00	14.00	11.98	11.35	13.25	10.48
Annual high	EUR	28.20	20.03	14.34	12.00	13.43	13.02
Annual low	EUR	12.52	11.00	8.10	8.65	8.90	10.05
Shares in circulation		42,000,000	46,970,570	46,970,570	47,323,696	47,323,696	47,323,696
Market capitalisation total		803.9	577.5	563.7	534.8	623.0	495.0

*Started 2002: accounting of the cashflow by share on the base of gross cashflow

18.2 FINANCIAL CALENDAR 2005

3-month report 2005	11 May 2005
Annual general meeting 2005	20 June 2005
Shareholders letter II/2005	5 July 2005
6-month report 2005	15 August 2005
Shareholders letter III/2005	20 October 2005
9-month report 2005	15 November 2005
End of financial year	31 December 2005

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18.4

18.3 CONTACT INVESTOR RELATIONS

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The 2004 Annual Report is also available in German and may be obtained from the company.

18.4 NOTES ON STATEMENTS REFERRING TO THE FUTURE

This Annual Report contains certain forecasts and information regarding future developments which are based on the convictions of the management of Beate Uhse AG and on the assumptions and information currently available to Beate Uhse AG. Insofar as these texts include the terms "assume", "believe", "assess", "expect", "intend", "can/could", "plan", "forecast" and "should", for example, or comparable terms, these are deemed to be statements referring to the future and are consequently subject to a degree of uncertainty. Many factors may contribute to the actual results of the Beate Uhse Group differing considerably from the forecasts implied by such statements referring to the future. Such factors include:

- changes in the general economic climate, in particular any possible economic recession or only a low level of growth in Europe
- changes in exchange and interest rates
- increasing competitive pressure with a negative impact on the development of prices
- bottlenecks in or interruptions to supply / procurement / logistics activities or employment disputes
- amendments to legislation, ordinances or government policies
- amendments to the business strategy
- other risks and uncertain factors.

In the event of any of these factors or any other imponderables arising, or of any of the assumptions underlying the statements proving to be inaccurate, the results could differ considerably from the statements made. Apart from its legal obligations, Beate Uhse AG does not intend to update these forecasts and information on an ongoing basis and assumes no obligation in this respect. The forward-looking statements and information are based on the circumstances prevailing upon the day of their publication.

18.5 BEATE UHSE 2004 ANNUAL REPORT

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