Annual Report 2009

BEATE UHSE AT A GLANCE

EUR 000s		2008	2009	Chance %
SALES PERFORMANCE				
Retail		73,821	**62,809**	-14.9
Mail Order		111,247	**104,108**	-6.4
Wholesale		53,915	**51,224**	-5.0
Entertainment		13,916	**12,553**	-9.8
Total sales		252,899	**230,694**	-8.8
International share of sales	%	61.7	**64.7**	4.9
RESULTS				
EBITDA		19,041	**13,136**	-31.0
EBIT		7,077	**2,697**	-61.9
EBT		3,064	**-69**	-102.3
Net income of ongoing business divisions		2,286	**1,940**	-15.1
OTHER EARNINGS INDICATORS				
Return on sales before tax	%	1.2	**0.0**	-
Return on sales after tax	%	0.9	**0.8**	-
Return on equity	%	2.4	**1.9**	-
Gross profit margin	%	58.3	**57.8**	-0.9
FINANCIAL SITUATION				
Cash flow from operating activities		11,420	**13,274**	16.2
Investments		8,201	**15,906**	93.9
Depreciation		11,965	**10,439**	-12.8
BALANCE SHEET DATA				
Total assets		176,441	**183,568**	4.0
Shareholders' equity		94,594	**100,845**	6.6
Equity ratio	%	53.6	**54.9**	2.5
Long-term assets		92,249	**94,761**	2.7
Short-term assets		83,442	**88,807**	6.4
OTHER DATA				
Employees	total	1,301	**1,222**	-6.1
Cost of sales		105,354	**97,293**	-7.7
Cost of distribution		129,621	**114,274**	-11.8
SHARES				
Number of shares		70,984,696	**78,074,696**	10.0
Closing price	EUR	0.59	**0.65**	10.2
Annual high	EUR	2.03	**0.87**	-57.1
Annual low	EUR	0.58	**0.42**	-27.6
Earnings per share	EUR	0.03	**0.02**	-33.3
Cash flow per share	EUR	0.21	**0.15**	-28.6

beate uhse

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Letter to the Shareholders

Dear Shareholders,

2009 was a year with two very different stories for the Beate Uhse Group. On the one hand we benefited as expected from our efforts to address our rapidly increasing number of female and couple customers. We continued to expand our strong range of private labels, including Mae B. and Toy Joy, and broadened our offering with new product categories. As such, mail order, our largest business in terms of sales, was profitable in 2009 despite the pan-European economic situation. On the other hand, however, our wholesale and retail businesses continued to suffer from the prolonged decline in DVD sales.

Overall, we made good progress in 2009 in focusing on a significantly broader range of consumer groups. Adapting our strategy to better address new and existing target groups is a cornerstone of our future success and would not have been possible without the heavy investments made over the past five years in our two state-of-the-art fulfilment centres and our strong family of market leading international brands.

What were our most important developments in 2009?

As a company, Beate Uhse can look back on a unique history. Thanks to our strong presence both online and offline, the Beate Uhse brand, established in Germany in 1946, is now one of the best-known brands in German-speaking Europe. In these territories Beate Uhse is synonymous with adult retail and entertainment and represents quality, selection and discretion when it comes to adult lifestyle products. Across all channels, our sales in Germany amounted to Euro 81.3 million in 2009.

Beyond our dominant position in Germany, we are Europe's leading adult lifestyle company. In fact, outside Germany, we generated sales of Euro 149.4 million in 2009 or almost doubled our German sales. In all, we have operations in 16 countries. Our success is driven by our consumer retail brands, Beate Uhse, Pabo, Adam & Eve, Christine le Duc and Kondomeriet, which are individually market leaders in their respective territories. In addition, our wholesale businesses – Scala B.V., ZBF GmbH and the Playhouse Group – which serve third-party retailers helped consolidate our position as the world's largest supplier of adult lifestyle products.

In light of the current retail environment across Europe we believe our **mail order** businesses performed well. Our ability to defend against more substantial declines due to the economic climate and the decline in DVD sales reflects the measures we took in 2009 to boost business with our existing customers and to refine our selections to more effectively address consumers' individual interests. We made great progress in adapting and broadening our product ranges in line with our customers' wishes and in improving our service. We are confident that the measures we have taken will enable us to both increase the return from existing customers and attract new clients in the future.

Retail had a more difficult time in 2009. Male customers, previously the stalwart of our retail business, have maintained their migration to online media, leading DVD sales to decline further. Overall, sales dropped 14.9 percent to Euro 62.8 million. We have been encouraged however by the successful extension of our premium and city centre store concept. Here, we have benefited from a transfer of experience from our Dutch Christine le Duc store chain, which has long operated under these formats. We currently have city centre stores in eight locations in Germany, 30 in the Netherlands, five in Belgium and one in France. Women and couples are clearly attracted to this store concept, proven by our growing sales in the lingerie and toy product groups.

Wholesale sales fell 5.0 percent to Euro 51.2 million in the past year. On a positive note, growth in sales from toys, personal care and lingerie products largely made up for the sharp decline in DVD and Magazine sales. Beate Uhse's wholesale performance reflects the situation in the traditional adult lifestyle product retail market as a whole, which has experienced a difficult trading environment for the past several years due principally to the decline in DVD sales at the retail level. While our wholesale companies are acquiring additional market share as smaller wholesale competitors fail, the price war has resulted in lower overall margins. On a promising note, however, we can report increased wholesale sales to e-commerce retailers who represent the future of the B2B market. Strong demand for our private label products, such as Toy Joy, also gives us reason to be confident. Our wholesale division, now incorporating Playhouse, continues to provide us with superb market intelligence, superior purchasing power across the world, a factor also beneficial to our other businesses, and a good foundation for expanding into new markets.

Entertainment, or digital media, sales fell 9.3 percent in 2009. While it might have been expected that our on-line media sales would have benefitted from the migration by consumers from DVD to the Internet, this was not reflected in our figures. The stark reality is that economic crisis has created such a high degree of competition for adult media consumers that many on-line content providers have moved to an advertisement supported model that is simply not economical for the group to duplicate. On a bright note, sales of live interactive digital entertainment performed well and we continue to see growth in license revenues from our library as well as sales of our critically acclaimed Daring! label. We will continue to produce and profit from the distribution of high quality and niche content as well as to leverage our strong family of brands to promote on-line entertainment.

What does our position today mean for the future?

Given the substantial changes in the adult lifestyle market, we would like to use this Annual Report as an opportunity to inform our shareholders and other members of the financial community of the key strategic decisions and steps we have already taken, or plan to implement in the short term, to ensure our company is positioned to profit from both the eventual economic recovery as well as opportunities in our existing markets and potential future territories.

One of our Group's core growth drivers is the pan-European presence of our strong national retail brands – Beate Uhse, Pabo, Adam & Eve, Christine le Duc and Kondomeriet and our leading wholesale brands, SCALA, Playhouse and ZDF. For customers, these are brands are synonymous with innovative products, quality, discretion and service. To leverage these assets, we invested in two state-of-the-art logistics centres several years ago in Almere and Walsoorden in the Netherlands. These modern facilities ensure that our B2B and B2C customers in all countries are supplied efficiently and quickly from a single location with an unparalleled selection of products. What's more, their substantial capacity means that these two logistics centres allow us to **expand into new markets quickly with marginal investment.** The latest example is Spain, where we launched an online shop in 2009 and began fulfilling local customer orders only months after deciding to enter this market. Although this market is rather small right now, Spain is an example to show our capability to expand very efficient in both time and money aspects.

To achieve further efficiencies, in 2009 we began to consolidate all of the Group's merchandising and product procurement. Centralised management of our brands, distribution channels and product procurement means that we are well on track towards implementing an efficient **multi-channel marketing approach**, a process due to be completed in 2010.

By **centralising marketing activities** for the entire Group, we have opened up a new chapter in its international history. In the future, our targeted propositions will be tailored to match customers' previous shopping behaviour. Adult lifestyle products are a very personal purchase so we have to be especially sensitive to our customers' needs. This targeted approach is achieved by presenting product ranges within branded environments consistent with the customer's areas of interest. Two examples – a young woman interested in lingerie might feel less comfortable when confronted with hard core films in the webshop or catalogue. Conversely, a male DVD customer might be put off by lingerie being presented on the first pages of the catalogue. In future, we will target both customers in line with their product interests and do this within an appropriately branded environment.

These steps to realign the business and customise our propositions will enable us to address a broader range of customer groups in future. Our aim is to continue to attract new customer groups, enhance customer loyalty and increase average spending. Our marketing team is currently completing this realignment and we look forward to presenting our brand re-launch across all channels to you this fall.

In the retail business we have pressed ahead with **expanding our city centre** concept. Five stores in Belgium have been successfully opened under the well-known Pabo brand. By deciding to promote Pabo, previously a mail order brand, as a multi-channel brand, we have enhanced consumer exposure to and trust in our similarly branded catalogue and e-commerce businesses. The modern shopping ambience designed with women and couples in mind is very open, contemporary and bright. The product range is specially targeted to appeal to walk-in customers' tastes. By opening the first Beate Uhse store in a high-traffic mainstream retail shopping centre in February 2010, we have taken a further successful step in this direction. In short, our aim is to have a presence wherever women and couples shop. To achieve this, we will be relying to a greater extent on cooperation with franchise partners in future. Permanent presence in well-known shopping streets and centres enables our shops to play a decisive role in terms of our branding, once again supporting out catalogue and on-line businesses.

Brand development also extends to our **proprietary product lines**. Private label products help us to differentiate our business more clearly from competitors in future. Our Mae B., Toy Joy, Geisha, Evolved and Daring! product brands are already some of the best-known brands in the adult lifestyle business. Our portfolio of house brands is continuously reviewed by our marketing experts and buyers and adapted and updated where necessary to meet customers' needs. Our customers appreciate the products offered under these brands, as they clearly satisfy their wishes and needs. From our point of view, private labels offer two benefits. They provide us with superior margins and are also sold via our wholesalers to unaffiliated erotica retailers and online shops across the world, thereby creating extremely high levels of awareness for our house brands. In short, we have leverage our substantial B2B and B2C distribution footprint to develop new brands which individually contribute to the value of Beate Uhse.

While proprietary product lines **generate superior margins as Europe's largest player** in the sector we also benefit from economies of scale in our procurement from third party suppliers ensuring the best terms for our customers. Close cooperation between our merchandising and procurement departments with suppliers, adult retailers, e-commerce operators and end consumers provide us with a unique insight into market trends that we can quickly act to exploit.

In summary, we successfully introduced a variety of measures in 2009 that point the way forward for the Beate Uhse Group. Strengthening our international sales brands, focusing on private labels and centralising marketing and sales units to enable us to satisfy customer needs even faster are the cornerstones of our future success. This new alignment will allow us to attract new customer groups for our brands and products. What's more, assisted by our professional logistics centres we will be able to access new country markets rapidly and efficiently.

What does this mean for our shareholders?

Put simply, the products we sell have the potential to generate substantially higher margins than are typically achieved by most products in mainstream retail. Of course, this fact is equally attractive to potential new market entrants but there is a high fixed cost and initial investment required to participate in this lucrative market. Specifically, to be able to compete effectively in this market requires:

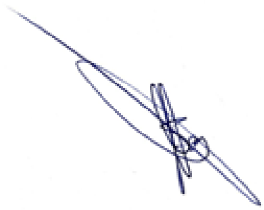
- Building up a product selection sufficiently broad to satisfy a very diverse customer base
- Building up the logistical capability to deliver products to consumers in an efficient and timely manner
- Building up consumer facing brands that evoke quality, selection discretion and service

Beate Uhse has already proven itself in these three areas and we expect our shareholders to see the benefits of these investments and assets as our business grows both in terms of customers within our existing markets and through expansion into new territories.

We would like thank you, our shareholders, for the trust you have placed in the Beate Uhse Group over the past years. Our thanks also go to the employees of all Beate Uhse companies, whose efforts allow us to meet the challenge of the global economic crisis and our changing market from a position of strength.

We will stay on track. To help us do so, we would like to thank for your continued support in future.

Yours faithfully,



Serge van der Hooft

Johan Antoinus Augusta Boddaert

The new world of Beate Uhse

Pinning the market down

Quantifying the size of the adult lifestyle retail market is something no market research institute has yet really managed to do. Estimates as high as 35 billion dollars can be found, but there are no reliable surveys that support these figures. This is partly due to the sector's unclear boundaries and discussions as to what areas it actually encompasses. Not only that, the market is highly fragmented both off-line where countless small adult lifestyle chains operate one to ten retail stores and on-line, where countless adult sites and e-tailers webshops come and go on a regular basis. All this means that there are few reliable figures to quantify the market and verifiable data is generally only available for the few companies listed on a stock exchange. In 2001, Beate Uhse AG performed its own market study. Even these results, which benefited from our own intimate knowledge of the sector, were open to debate as people are often reluctant to candidly discuss such a personal subject.

Having said this, three undisputed facts in the business world are that the adult lifestyle product market is a mainstream market of the future, it is very large, and that its potential for growth is far from exhausted. As such companies once alien to the sector are discovering the opportunities it offers and attempting to obtain a slice of the lucrative adult lifestyle cake. One prominent example is the Dutch electronics group Philips, which has publicly acknowledged its plans to expand its love toy business and hopes to enhance its turnover by selling vibrators, still coyly referred to as "sensual massage appliances". Based on Philips' own assessment, the European market for love toys is worth almost Euro 300 million. New players entering the market benefit Beate Uhse in two ways.

They enhance the mainstream acceptability of adult products and also boost our wholesale business. ►►

"The fact that large, well-known companies are entering the adult business offers nothing but advantages. It promotes business and helps improve the image of our sector, which is still seen by some as slightly off-limits."

Serge van der Hooft, COO Beate Uhse AG

Shopping with pleasure for pleasure

An appealing ambience, modern design and good service – these are crucial factors in attracting today's consumers. Our shops in high traffic retail locations and easily accessible shopping centres, our clearly defined catalogue ranges and online shops and our intimate Ladies Night Homeparty help customers to find their way through a well-structured and extensive range of products promising added pleasure – tailored to the individual needs and expectations of our customer groups. All customers can find what they are looking for, whether they are committed consumers or just on the lookout for inspiration.

Already, our wholesale customers include such well-known retailers such as Wehkamp, Amazon, Schlecker, Neckermann and Sephora.

An industry goes mainstream

In the medium term, this increasingly professional approach will lead to a significant shake-up in our market. Alongside many smaller providers, some of the sector's larger retailers that stubbornly count on physical media sales which are in decline will disappear from the market. Shops in traditional milieus, such as those around railway stations, are closing while the new generation of adult lifestyle stores – bright, friendly and welcoming – are opening their doors in mainstream upmarket locations.

The Internet, of course, has revolutionized the adult media business in every corner of the globe. In Germany, for example, 55 percent of men and 45 percent of women use the Internet for entertainment and shopping. With a declining market share, DVDs and other forms of physical media are clearly on the way out in favour of VOD and digital downloads. This development has also left its mark on the adult lifestyle market,

"We supply the content, the telecommunications industry provides the distribution channels."
Bert Ruzette,
Geschäftsführer Beate Uhse new media GmbH

where consumption of erotic films is increasingly migrating to the internet. Nevertheless, while sales of adult films on DVD continue to suffer the Internet business has not benefitted to the same extent as in the past. Competition exists today from a huge numbers of content providers who derive their income from advertising and website referral fees. Nevertheless, Beate Uhse still sees digital media channels as offering great potential for the future. The merging of telephone, television and the Internet will create new opportunities. By continuing to offer high-quality films, we are setting our own standards and positioning ourselves as a credible, competent partner for the telecommunications industry. The aim here is to market films jointly across multiple services, both fixed and mobile.

Adult lifestyle products step up and out

Long characterised by hardcore movies, the industry is now undergoing a fundamental change in its product offerings combining lifestyle and consumer culture, a development that has been spearheaded by women and couples.
Aesthetics, ambience and design have become important factors in marketing and presenting products to customers. Having said this, market mechanisms remain underdeveloped, product ranges remain generic and brand culture is in its infancy. Functionally speaking, the range of products would appear virtually endless, encompassing the whole spectrum from normal condoms through to high-tech love toys. What's lacking is the added psychological value – the erotic kick. After all, growing acceptance of adult lifestyle products - within society at large has simultaneously broadened the range of marketing and sales instruments available.

While traditional sex shops situated around railway stations and in red light districts are in decline, bright, friendly and welcoming adult lifestyle stores in inner-city locations

"Sex is becoming even more of a gourmet process."
Matthias Horx, Futurist

and women, as well as young people below the age of 22, from entering a sex shop. Nevertheless, most of those surveyed did not see a visit to a sex shop as something embarrassing in itself. After all, never before have people spoken so openly about sex as they do today. "In postmodern society, with its emphasis on fun and experimentation, sex is no longer intimate, but public. Sex is a hot topic, rather than a taboo. Sex is a commodity and an economic factor". ►►

have become popular shopping destinations for women and couples alike. The Beate Uhse flagship store opened in Munich in 2004 played a pioneering role in this respect. With 300 square metres of sales areas spread across three floors, this store presents our world in all of its variety – from stimulating love toys and seductive lingerie to aphrodisiac personal care products and sensual design accessories.
A survey by Beate Uhse confirmed that seedy locations and dark ambiences previously discouraged couples

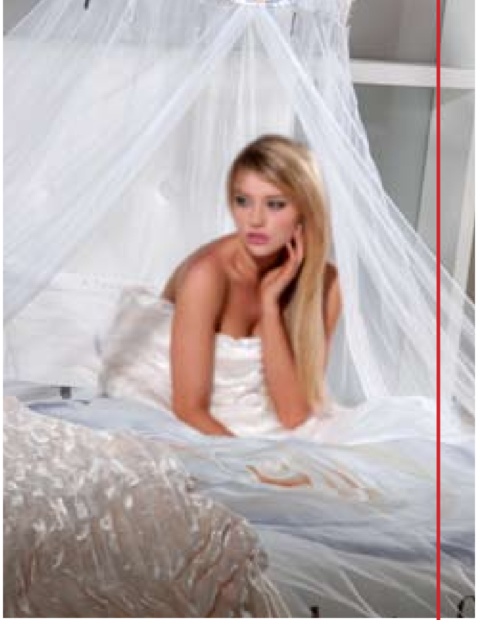
"Do they have to be in red light districts or one of these eerie side alleys?"

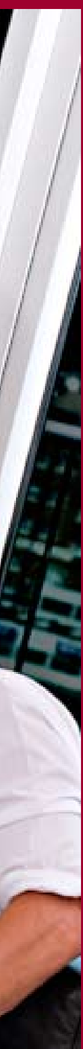
"Rather than being dark, as they often are, sex shops should be bright and friendly – a place where you feel comfortable."

"They have to have the right atmosphere – discreet, relaxed, unforced."
Consumer statements on the perfect sex shop
(Beate Uhse street interviews)

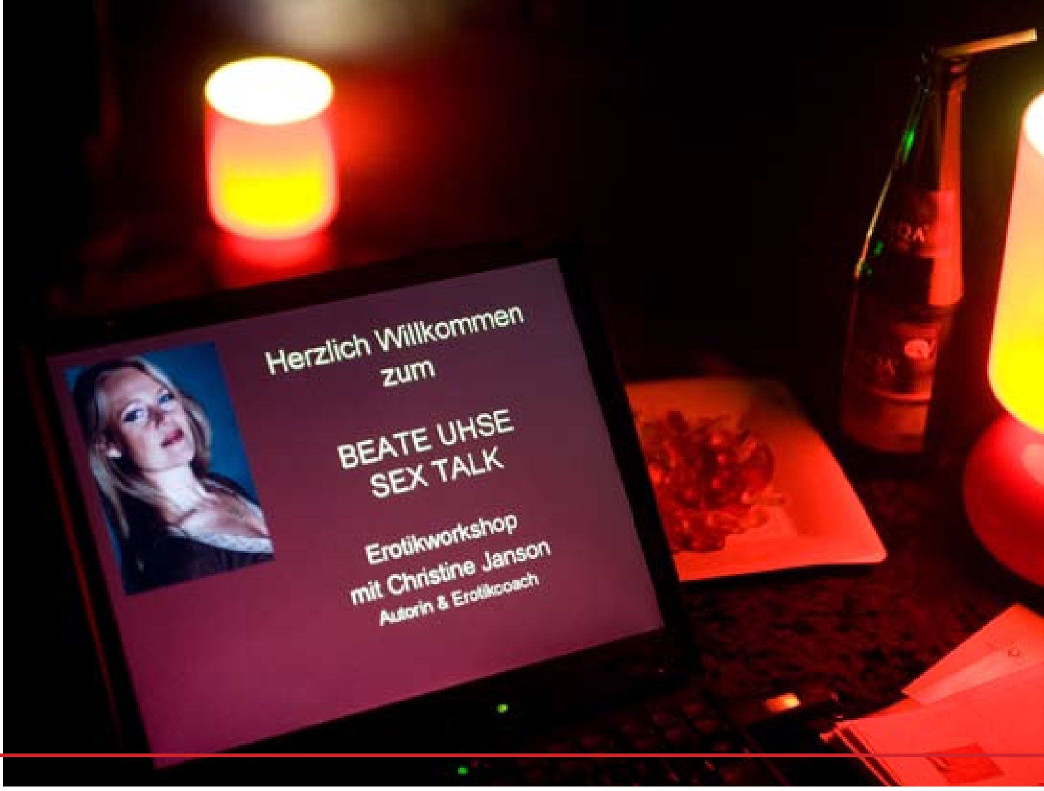
Products that inspire

As a product, sex is just as much part of life as eating and drinking. In many societies around the world, it has now gained that degree of acceptance for which Beate Uhse long fought. Sex has become part of mainstream culture. This in turn has opened up new markets – customer groups are





broadening and market potential is growing. Couples open to experimentation and emancipated women have become interested in the products offered by the adult lifestyle industry as a way to enrich their love lives. As the key driver in the sector, we provide a product range fitting today's erotic lifestyle. We offer new experiences with seductive fashion, outlandish accessories, sensual living concepts, indulgent personal care products and electronic gadgets.



Setting the stage for adult retail

Our founder Beate Uhse was from the outset a tireless campaigner for eliminating taboos surrounding erotic goods. The company upholds her commitment to this very day. The more open-minded people are in their approach towards adult lifestyle products, the greater their curiosity and willingness to experiment will be. Beate Uhse helps people live out their fantasies and broaden their sexual horizons. We are constantly casting adult products in a new light, offering customers new experiences with our products and services – all aimed at enhancing the pleasure they gain from their love lives.

That was the summary reached in 2001 already by the Planning Agentur & Equity agency in its Beate Uhse Study on Germans' attitudes towards sex. Sex is becoming increasingly mainstream around the world, receiving additional impetus from TV programmes such as "Sex and the City" and "Desperate Housewives".

Emphasising the feminine

At the same time, a new generation of women is playing an ever more important role in society. Never before have women enjoyed the educational and financial opportunities they do today. Around the world, the percentage of working women has more than doubled over the past thirty years – women now account for forty percent of the global workforce. Women's increasing financial autonomy from their families and husbands has boosted their self-confidence and increased their willingness to articulate their own wishes and expectations – also with regard to partnership, love and sex. This in term has triggered a gender revolution, one which has also revolutionised men's roles. Previously responsible only for securing the family's material wellbeing, nowadays men are expected not only to be perfect fathers, but to be perfect lovers as well. In the Smart Sex survey carried out by "Female Affairs", sixty-six percent of all women surveyed stated that they could discuss their wishes openly with their partners. Ninety percent even thought that loving relationships benefited from partners openly discussing their sexual needs. This shows that women are confident about their sexuality and are adopting an increasingly active role in the bedroom. Whereas the adult lifestyle industry traditionally focused on men, women's sexual emancipation has given rise to a new target group with high purchasing power. To attract women as customers, however, female desires first have to be defined in precise terms. A Beate Uhse survey revealed that men and wo-

"Whatever door customers use to reach us, we will be offering them the same quality shopping experience – one nevertheless clearly defined as hard or soft."

Jan Boddaert, CMO Beate Uhse AG

men are equally interested in adult lifestyle shops, but that the contents of their shopping baskets differ considerably. Men tend to spend their money on media, while women opt for love toys and lingerie. While men prefer hardcore, women tend to go for sensuality and romance. Erotic desires and needs are certainly very individual, but it is nevertheless possible to define two basic consumer groups – hard and soft. We will be targeting these groups with maximum precision across all channels in future, offering a larger and more varied product range divided into two worlds of experience – hard and soft.

Sex in the technological driving seat

Sex has done more to promote the development of technology than virtually any other subject. With its creative ideas and openness to new forms of distribution, the erotic film industry has long been a key driver of technological developments. This process began in the seventies with the VHS cassette and has continued through to Web 2.0. Whether selling products or marketing films Beate Uhse has long played a pioneering role online. Back in the early nineties

> "Sex is input in Google more often than the terms Games, Travel, Music, Weather, Health and Jobs together."
>
> Alexa Research.

already, Beate Uhse customers could organise their adult product and service shopping conveniently via Btx, a precursor to the Internet, and benefit from the interactive opportunities offered on-line, such as live chat and online dating services.

> "As the Internet enabled television becomes available in all househoulds our programmes will be only a remote control button away."
>
> Jan Otzen,
> Beate Uhse new media GmbH

According to the Alexa.com online service, far more people surf on the youporn video portal than on T-Online. Facts like these have encouraged the telecommunications industry not to leave this valuable traffic to others and to get involved with its own adult portals. New marketing opportunities outside of its own web portals are thus opening up for Beate Uhse and its films. With 10,000 feature films, we are a compelling partner for the media industry – and one with a reputable name that inspires trust. ■■

Credibility and experience are our core competencies. Our employees are unshakeable in their dedication to the business. Whether answering buyers' questions in customer service, dispatching packages in the warehouse, checking invoices in accounts, serving customers in shops, designing sales promotions in marketing or selecting products in procurement – commitment and loyalty are the values that motivate our employees.

Competence and fun

Supervisory Board Report

In 2009 the Supervisory Board of Beate Uhse AG continued to focus on the latest developments at the group and its strategic alignment. It conscientiously performed all of the duties required of it by law and the Articles of Association and addressed the company's financial performance, as well as its strategic alignment, in great detail. The Supervisory Board regularly monitored the work of the Management Board in the year under report and advised it on all major topics of relevance. The Management Board consulted the Supervisory Board on all significant decisions of the company. It also provided the Supervisory Board at its meetings with detailed information on the company's business performance, its earnings and financial position, its budgeting and further development and in particular on the progress made with the Group's realignment. The Management and Supervisory Board also maintained ongoing contact outside the framework of meetings to discuss matters on hand and consider the decisions required. Measures requiring approval by the Supervisory Board were discussed in particular detail. In 2009, the Supervisory Board dealt closely with four transactions requiring its approval, specifically the Playhouse Group acquisition, the capital increase for the Playhouse acquisition, the sale of the Group's stake in Beate Uhse TV and the licensing of the "Beate Uhse" brand to Beate Uhse TV. The Supervisory Board approved all of the draft resolutions submitted by the Management Board.

3.1 Supervisory Board discussion focuses

The Supervisory Board met on five occasions in 2009. Meetings took place in January, March, June, October and December. A further meeting was held by teleconference in February 2009. No member of the Supervisory Board attended less than half of the meetings. There were no conflicts of interest on the part of the Supervisory Board members in 2009

Key agenda items at the meeting in **January 2009** were the election of Gerard Cok as the new Supervisory Board Chairman, the retirement of Ulrich Rotermund from the Board and the creation of a new position, namely Chief Marketing Officer, on the Management Board. The Supervisory Board was also informed in detail by the Management Board on the status of negotiations with the Playhouse Group and the planned financing structure of the Beate Uhse Group. The Beate Uhse Group's future financing options were discussed. The Board also addressed changes to controlling activities in the retail business aimed at strengthening this division.

At its meeting in **February 2009**, the Supervisory Board appointed the Beate Uhse Group's first Chief Marketing Officer. In the context of the Group's realignment, the creation of this post was especially important given the Group's objective of coordinating marketing activities even more closely across distribution channels and various country markets in future. At this meeting, the Management and Supervisory Boards also discussed the planned acquisition of the Playhouse Group.

Building on the Audit Committee's detailed review of the relevant documents and following its own examination of the audit report, at its meeting in **March 2009** the Supervisory Board adopted the annual financial statements of Beate Uhse AG and the Group in line with § 172 of the German Stock Corporation Act (AktG). The Supervisory Board endorsed the Management Board's proposal concerning the retained earnings 2008. Further topics of discussion included the agenda for the 2009 Annual General Meeting, the status of the Playhouse Group integration plan and a personnel structure for the German retail business.

The Supervisory Board met in **June 2009** in order to prepare for the 2009 Annual General Meeting. Here, the Board was briefed on the implementation status for the new marketing concepts and on the Group's current business performance.

At its fifth meeting, held in **October 2009**, the Supervisory Board was briefed on the latest status of the Group's financing plans and the progress made in the relevant talks with international banks. The Supervisory Board examined this matter in great detail and approved the approach taken by the Management Board. A further key agenda item was the development of the German retail business, with a particular focus on the franchise businesses.

At the final meeting of the year, which took place in **December 2009**, the Supervisory Board dealt with the Declaration of Conformity with the German Corporate Governance Code, the Group's financing, the forecast for the overall 2009 financial year and future budgeting.

3.2 Supervisory Board committees

The work performed by Beate Uhse's Supervisory Board is partly performed in committees. The Board maintained four committees for this purpose in 2009 – the Audit, Personnel, Nomination and Investment Committees. Here, members worked together outside the framework of full Supervisory Board meetings, sharing their opinions on the projects entrusted to the various committees.

3.3 Corporate governance

The Management and Supervisory Boards adopted their 2009 Declaration of Conformity with the German Corporate Governance Code in December 2009. This was then published at Beate Uhse's company website (www.beate-uhse.ag) on 30 December 2009. The Management and Supervisory Boards are committed to diligent corporate management aimed at sustainably increasing the company's value in the interests of its shareholders. The Corporate Governance Report and the Declaration of Conformity for 2009 can be found on Pages 31 to 32 of this Annual Report.

3.4 Composition of the Supervisory and Management Boards

Ulrich Rotermund stood down as Chairman of the Supervisory Board in January 2009 and retired from the Board. We would like to take this opportunity of thanking Mr. Rotermund for the commitment he showed in his capacity as Supervisory Board Chairman. Gerard Cok was elected to succeed Ulrich Rotermund as Supervisory Board Chairman on 7 January 2009. Mr. Cok had been elected by shareholders to the Supervisory Board at the Annual General Meeting in June 2008. For nine years, he held the position of Chief Operating Officer and was the driving force behind Group's realignment. Andreas Bartmann, Managing Partner of Globetrotter Ausrüster GmbH, was appointed as a new member of the Supervisory Board of Beate Uhse AG in February 2009 and was subsequently elected to his position at the Annual General Meeting in June 2009. Since then, he has supported the Beate Uhse Group, drawing on his expertise and wealth of experience in the retail, wholesale and e-commerce businesses.

3.5 Annual financial statements of Beate Uhse AG and the Group for 2009

Ernst & Young AG Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Hamburg, audited the annual financial statements and management report (HGB) of Beate Uhse AG, as well as the consolidated financial statements and group management report (IFRS) for the 2009 financial year and granted them an unqualified audit opinion. Quarterly financial statements were not subject to any audit review.

The annual financial statements and the management report, the consolidated financial statements and group management report and drafts of the audit reports were provided by all Supervisory Board members. They were examined and discussed within the audit committee meeting on April 19, 2010 in great detail. This meeting was also attended by the auditor, who reported on key audit findings and was available to answer further questions. The Supervisory Board examined and discussed all documents submitted and the audit report drafts in great detail. The conclusive findings of our own audit of these documents did not provide any grounds for objection and we thus endorsed the auditor's findings. We approved the annual and consolidated financial statements prepared by the Management Board. The annual financial statements of Beate Uhse AG are thus adopted.

The Supervisory Board endorses the appropriation of profit proposed by the Management Board, namely that the net unappropriated loss of Euro 13,009,509.64 reported for Beate Uhse AG be carried forward.

3.6 Thanks to the employees

The Supervisory Board would like to thank the Management Board and all of the Beate Uhse Group's employees for their work and dedication during the 2009 financial year. It is the work they perform day in day out and their commitment, that will enable the Beate Uhse Group to implement its restructuring programme and give us reason to look to the future with confidence.

Flensburg, May 19. 2010

Yours faithfully,

Gerard Cok
Supervisory Board Chairman

Corporate Governance

At Beate Uhse, good corporate governance is considered to be the basis for managing the company so as to sustainably and responsibly increase its value. Since the publication of the German Corporate Governance Code Beate Uhse has worked within its recommendations. Where necessary Beate Uhse has introduced new requirements to govern the work of the Supervisory and Management Boards. Beate Uhse complies with most of the recommendations in the version of the Code dated 18 June 2009. The current Declaration of Conformity was published on 30 December 2009.

4.1 Shareholders and Annual General Meeting

Beate Uhse AG aims to inform its shareholders promptly, transparently and comprehensively throughout the year. The company is making increased use of its website at www.beate-uhse.ag to this end. In the run-up to the Annual General Meeting, this website provides shareholders and other interested parties with extensive information, such as the Annual Report, the agenda, explanatory documents and information circulars for shareholders holding physical securities in Beate Uhse AG. What's more, the Investor Relations team is also on hand to offer assistance by telephone or e-mail. Directly after the Annual General Meeting, the voting results and presentations made by the Management Board and the Supervisory Board Chairman are published in text form on the company's website.

Shareholders in Beate Uhse AG have one vote for each share held and can exercise their voting rights at the Annual General Meeting in person, via an authorised party of their choice or via a voting proxy appointed by the company to act in accordance with their instructions. This way, Beate Uhse AG helps those shareholders unable to attend the Annual General Meeting in person to exercise their voting rights.

In line with the recommendation made in Point 2.3.4 of the Code, the company is investigating the possibility of webcasting the Annual General Meeting in 2010.

4.2 Cooperation of Management and Supervisory Boards

The Management and Supervisory Board of Beate Uhse AG work together closely in the interests of the company. The Management Board briefs the Supervisory Board extensively at Supervisory Board meetings. During the financial year, the Management and Supervisory Boards maintain ongoing direct dialogue concerning the overall course of business and all major projects relevant to the Group. The Management and Supervisory Board liaised closely to discuss the four transactions requiring approval in 2009 and together reached a consensus in each case.

Beate Uhse AG concluded a D&O insurance policy with a suitable deductible for the members of its Management and Supervisory Board several years ago. With regard to the level of this deductible, the company will take due account of the new Code recommendations introduced in June 2009 when renegotiating the insurance policy in 2010 and will implement these within the required deadlines.

4.3 Management Board

In its management of the Group, the Management Board of Beate Uhse AG pursues the objective of sustainably adding value. In this, it takes due account of the interests of employees, associated companies and individuals and of its shareholders.

In the context of its realignment, the Group is increasingly focusing on the importance of ensuring an international, consistent presence for its strong group brands across all distribution channels. To meet this objective, the Supervisory Board created the position of Marketing Director for the Beate Uhse Group in February 2009 and appointed marketing specialist Jan Boddaert to the Management Board with effect from 1 April 2009. Together with Serge van der Hooft, Jan Boddaert is responsible for the Group's strategic development as well as for ensuring compliance with legal requirements and suitable risk management and control processes.

4.4 Supervisory Board

The Supervisory Board performs its duties of advising and monitoring the Management Board in its management of the company actively. In particular, the Management Board and the Supervisory Board Chairman maintain a very lively and direct dialogue concerning the company's business performance, corporate strategy, risk management and other major matters of relevance. The Supervisory Board is thus at all times informed of the company's situation.

In line with § 96 (1) of the German Stock Corporation Act (AktG) in conjunction with § 1 and § 4 of the German One-Third Participation Act (DrittelbetG) and § 7 of the Articles of Association of Beate Uhse Aktiengesellschaft, the Supervisory Board consists of two employee representatives and four representatives elected by shareholders. On 26 March 2009, the Management Board announced pursuant to § 97 (1) of the German Stock Corporation Act (AktG) that it saw the requirements for employee codetermination in the Supervisory Board as no longer being met and that the Supervisory Board should therefore only consist of shareholder representatives pursuant to § 96 (1) of the German Stock Corporation Act (AktG). The Works Council of the Beate Uhse Group filed for a court decision on this matter, but withdrew its petition in December 2009.

The Management Board has now repeated its announcement concerning the composition of the Supervisory Board. Following expiry of the deadline provided for in § 97 (2) of the German Stock Corporation Act (AktG), the Supervisory Board will consist solely of shareholder representatives. The positions held by current employee representatives on the Supervisory Board will expire upon the conclusion of the next Annual General Meeting. Based on the company's own assessment, the Supervisory Board, which will then also consist of six individuals, will include an adequate number of independent representatives.

The appointment of Gerard Cok as Supervisory Board Chairman as of 7 January 2009 and the filling of the resultant vacancy on the Supervisory Board by Andreas Bartmann in February 2009 are described in the Supervisory Board Report on Page 25. With the election of Gerard Cok and Andreas Bartmann, Beate Uhse AG has complied with the diversity called for by the Code, for example in terms of nationality, age and different fields of expertise.

The Supervisory Board of Beate Uhse AG draws on the expertise of four committees, namely the Audit, Personnel, Nomination and Investment Committees. The committees hold discussions separately from meetings of the full Supervisory Board, dealing with specific issues and preparing these for joint decisions.

Detailed information about business relationships between members of the Supervisory Board and the Beate Uhse Group can be found in the notes to the annual financial statements on Page 126/127.

The Compensation Report on Pages 50 to 52 provides detailed information on individual Management and Supervisory Board compensation packages, special payments and the activities of the Beate Uhse Group. At present, no shares or securities are issued within any current share option program or other share-based incentive systems at the Beate Uhse Group. The share options issued in 2005 and 2006 may nevertheless be subscribed within five years following issue.

An efficiency review was performed in 2009 to review the activities and working processes of the Supervisory Board.

4.5 Transparency

In its corporate communications, Beate Uhse AG ensures that all interested parties are treated equally and receive information at the same time. The company's website at www.beate-uhse.ag provides shareholders and other interested parties with access to all press releases, ad-hoc announcements and other documents, as well as informing them about the latest developments at the Beate Uhse Group. The dates of publication and other events can be found in the Financial Calendar published annually by the company on the internet.

The following changes in voting rights were reported to Beate Uhse AG in line with § 26 of the German Securities Trading Act (WpHG) in the 2009 reporting period:

Voting rights notifications

Date	Content
April 6, 2009	Global Vastegoed B.V. exceeds 3 and 5% of voting rights on March 31, 2009
May 20, 2009	Th. B. H. Ruzette exceeds 3 and 5% of voting rights on March 31, 2009
May 20, 2009	W. J. M. Kroes exceeds 3 and 5% of voting rights on March 31, 2009
May 20, 2009	W. J. M. Kroes Holding B.V. exceeds 3 and 5% of voting rights on March 31, 2009
July 21, 2009	Correction of the release from May 20, 2009: Th. B. H. Ruzette and W. J. M. Kroes exceed 3 and 5% of voting rights on March 31. 2009
October 21, 2009	Correction of the releases from April 6, 2009 / May 29, 2009 and July 21, 2009: Global Vastgoed B.V., W. J. M. Kroes Holding B.V., Th.B.H. Ruzette Holding B.V., Th. B. H. Ruzette and W. J. M. Kroes exceed 3 and 5% of the voting rights on March 11, 2009

Individuals holding management positions at Beate Uhse AG are obliged by § 15a of the German Securities Trading Act (WpHG) to report purchases and sales of Beate Uhse shares when the value of these transactions reaches or exceeds Euro 5,000 within a given calendar year. The following Directors' Dealings were reported to Beate Uhse AG and published in the 2009 financial year:

Directors´ Dealings

Name	Function	Date	Action	Shares	Euro
Global Vastgoed B.V.*	Management Wholesale	April 6, 2009	buy	7,095,000	7,095,000

*: People W. Kroers and B. Ruzzette

4.6 Accounting and Auditing

Beate Uhse has prepared its consolidated financial statements and interim reports in accordance with International Financial Reporting Standards (IFRS). Unlike in previous years, the annual financial statements for 2009 were not published within the 90-day deadline recommended by the German Corporate Governance Code.

Prior to its election as auditor of Beate Uhse AG for 2009, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, documented its independence in a letter dated March 23, 2009. It was agreed with the Supervisory Board that any potential grounds for disqualification or impartiality arising during the audit would be reported to the Supervisory Board Chairman immediately. No such grounds materialised. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft was elected as auditor for the 2009 financial year at the 2009 Annual General Meeting. The Supervisory Board then issued the audit mandate following the Annual General Meeting.

4.7 Declaration of Conformity as per § 161 AktG

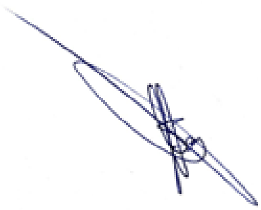
§ 161 of the German Stock Corporation Act (AktG) requires the Management and Supervisory Boards of publicly listed stock corporations to issue an annual declaration that the recommendations of the German Corporate Governance Code both have been and will continue to be complied with and also listing those recommendations with which the company has not complied and still does not comply. This declaration is made permanently available to shareholders on the internet at the company's website at www.beate-uhse.ag.

The following Declaration refers to the period from December 8, 2008 to December 30, 2009 and is based on the recommendations of the German Corporate Governance Code in the version dated June 18, 2009.

Beate Uhse AG supports the recommendations made by the German Corporate Governance Code. The company has met further recommendations of the Code since its previous Declaration of Conformity in December 2008. Any recommendations of the Code from which Beate Uhse AG deviates have been outlined below.

Flensburg, December 30, 2009

Gerard P. Cok



Serge van der Hooft

Beate Uhse AG currently does not comply with the following recommendations newly included in the Code in the version dated June 18, 2009, but will do so in future:

3.8 – D&O insurance: Beate Uhse AG maintains a D&O insurance policy with a suitable deductible for members of the Supervisory and Management Boards. Beate Uhse AG will account for the new requirements governing the level of deductible when renegotiating the insurance policy in 2010.

3.10 – Declaration in accordance with § 289 a HGB: Beate Uhse AG will publish the Declaration on Corporate Governance on the internet for the first time following the entry into force of the German Accounting Law Modernisation Act (BilMoG).

4.2.3 – Management Board compensation: The compensation structure for Management Board members at Beate Uhse AG provides for non-performance-related and performance-related components.

Variable compensation components, such as share or index-based components, are planned to be introduced from 2010. These components of compensation will reflect both positive and negative developments at the company.

5.4.4 – Appointment of Management Board members to the Supervisory Board: Gerard P. Cok retired from the Management Board as of May 31, 2008 and was elected to the Supervisory Board at the Annual General Meeting on June 16, 2008. This was consistent with the legal requirements valid at the time, as well as with the requirements of the Code. On July 7, 2009, Gerard P. Cok was elected to succeed Ulrich Rotermund as Supervisory Board Chairman.

7.1.2 – Publication periods for consolidated and quarterly financial statements: Since the entry into force of the German Corporate Governance Code, Beate Uhse AG has published its annual and quarterly financial statements within the recommended deadlines. Due to the introduction of a new ERP system in the final quarter of 2009, however, the annual financial statements for 2009 will not be published within the 90-day deadline. The Beate Uhse Group is thus according priority to the care required in preparing its annual financial statements.

Other annual and quarterly financial statements will be published within the deadlines provided for by the Code.

7.1.4 – Publication of list of third-party companies: In its annual financial statements, Beate Uhse AG publishes a list of shareholdings of material significance. Starting with the 2009 annual financial statements, all of the disclosures required by the Code will be published. The reasons for restricting such disclosures in the past ceased to apply in the 2009 financial year.

The Beate Uhse Share

5.1 2009 equity markets remained extremely volatile

Developments on the capital markets in 2009 continued to be greatly influenced by the financial crisis. Government economic stimulus packages impacted positively on the economy towards the end of 2009, leading to a marked rise in confidence. This development also left its mark on the stock markets. The DAX closed the year at 5,957 points, an increase of 23.9 percent on the previous year. The SDAX showed a similarly robust performance, closing the year up 22.7 percent at 2,066 points.

5.2 Beate Uhse's share performance

Beate Uhse's share finished 2009 at a price of 65 cents, equivalent to a 10.2 percent increase on the previous year. The Beate Uhse share reached its annual high of 87 cents on 16 April 2009 and posted its annual low of 42 cents on 23 March 2009. An average of 56,396 Beate Uhse shares were traded each day, compared with 44,115 shares per day in 2008. Stock market turnover amounted to 14.3 million shares by the end of 2009, versus 16.6 million shares in 2008.

The company's market capitalisation rose year-on-year by Euro 7.0 million (+16.8 percent) to Euro 49.0 million.

Performance of share price		2008	2009	Change %
Opening	EUR	1.92	**0.61**	-68.2
Closing	EUR	0.59	**0.65**	10.2
High	EUR	2.03	**0.87**	-57.1
Low	EUR	0.58	**0.42**	-27.6

Source: Xetra

5.3 Shareholder structure

To finance the acquisition of the Playhouse Group, Beate Uhse AG executed a capital increase in March 2009. This involved issuing 7,090,000 shares from authorised capital (share price: Euro 1.00) to the exclusion of public subscription rights. The total number of shares in Beate Uhse thus rose from 70,984,696 to 78,074,696. This capital measure in March 2009 led to changes in the shareholder structure at Beate Uhse AG.

Shareholder structure

Consipio Holding BV	%	27.2
UniCredit Bank AG	%	8.9
Rotermund Holding AG	%	6.8
Global Vastgoed BV	%	9.1
Free Float	%	47.7
Eigene Anteile Beate Uhse AG	%	0.4

Stand: Dec. 31, 2009

Basis data

Emporiums	FSE, all German stock exchanges
Segment	Prime Standard
ISIN	DE0007551400
Company ticker	USE

5.4 Earnings per share

Earnings per share 2008/2009

		2008	2009
Net income for the period	EUR million	2,210	**1,764**
Number of shares (diluted)		70,984,696	**78,074,696**
Number of shares (undiluted)		70,984,696	**78,074,696**
Earnings per share (diluted)	EUR	0.03	**0.02**
Earnings per share (undiluted)	EUR	0.03	**0.02**

Source: Xetra

Key share data 2008/2009

		2008	2009	Change %
Earnings per share		0.03	**0.02**	-33.3
P/E ratio		18.1	**26.2**	44.8
Cash Flow per share		0.21	**0.15**	-28.6
Book value per share		1.2	**1.0**	-12.0
Market capitalisation	Mio. EUR	42.0	**50.8**	20.8
Market capitalisation of free float	Mio. EUR	20.0	**24.2**	20.8
Average sales / day	pieces	44,115	**56,396**	27.8

Source: Xetra

5.5 Investor and public relations

Beate Uhse has a long tradition of communicating with its private and institutional investors. Since the company's IPO in 1999, the Investor Relations team has ensured that information is always shared with capital market participants on a timely and transparent basis. In 2009, the Management Board presented the latest corporate developments and our new strategic direction at one analyst event and at numerous meetings held with institutional investors in Germany and abroad. Our website, www.beate-uhse.ag, is a prime source of information for the company's shareholders and provides shareholders and interested parties with all of the latest information about Beate Uhse and its share. As a forum for direct dialogue, the Annual General Meeting met with great interest. Held in Flensburg, this attracted over 300 shareholders, who took the opportunity to inform themselves about the company's current position and its plans for the future.

Group Management Report 2009

6.1 Business Framework

Group structure

Beate Uhse AG is the parent company of the Beate Uhse Group. The company has its legal domicile in Flensburg and has been publicly listed since 1999. The Group comprises 68 subsidiaries and shareholdings in total. Alongside the company headquarters in Flensburg, the state-of-the-art logistics centres in Almere and Walsoorden in the Netherlands represent two further major group locations. Beate Uhse AG acts as the holding company. In its operating business, Beate Uhse addresses end consumers via its retail, mail order and entertainment distribution channels and business customers via its wholesale business.

On the basis of a purchase agreement dated 17 September 2008, Beate Uhse AG acquired 100% of the shares in Global Distributors Netherlands B.V., Global Internet B.V., Global Novelties B.V. and Ladies Night Deutschland B.V. (together: the "Playhouse Group") from Global Vastgoed B.V., Tiel, Netherlands, with economic effect as of 1 April 2009. The purchase price consists of a cash component of Euro 4,000k and 7,090,000 shares in Beate Uhse AG issued to the seller by way of a capital increase in kind. The capital increase was entered in the Commercial Register on 11 March 2009, while the powers of disposal over the shares were assigned to the seller as of 1 April 2009. One of the leading B2B players in the European erotica industry, the Playhouse Group has an extensive range of erotica products (600 articles). Its strong private labels, and well-known on the market, include Geisha and Evolved. The products are sold via Beate Uhse's distribution network and under licence. Playhouse can contribute valuable experience with new media and has a successful track record in marketing film rights via its own internet platforms, IPTV, VoD and mobile services. This acquisition is of major strategic importance for the Beate Uhse Group, given the substantial boost it will provide to the Group's activities in the highly dynamic new media business. The integration of Playhouse will enable Beate Uhse to access new potential for marketing erotic content, especially via forward-looking new media channels. At the same time, it should be possible to exploit considerable synergies between the two companies in the wholesale business.

Operating activities

The operating activities of the Beate Uhse Group are structured within its retail, mail order, entertainment and wholesale distribution channels. In its end customer business (B2C), the company operates under its Beate Uhse, Pabo, Christine le Duc, Adam & Eve and Kondomeriet brands within its retail, mail order and entertainment businesses. In its business customer business (B2B), Beate Uhse has a global presence via the wholesale companies Scala Agenturen B.V., ZBF GmbH and the Playhouse Group.

The retail business has operations in eleven European countries. The Group was operating 264 stores at the balance sheet date, 137 of which under its own management and 127 under franchisee management. It has pressed ahead with introducing its two store concepts on an international level. The city centre or premium concept targets women and couples interested in high-quality erotica products in the lingerie, sex toy, personal care, gift and living accessories product groups. As well as offering a range of DVDs, preparations, lingerie and sex toy products, the Fun Center stores also have entertainment areas (video cabins and cinemas in some cases). Beate Uhse Fun Centers mainly target male customers. Seven stores in Poland have been renamed following a brand test.

The mail order business is the Group's strongest division in terms of sales. Alongside the traditional catalogue business, online shopping is also gaining in importance. This sales segment offers the greatest future growth potential for the Beate Uhse Group. In 2009, 42 percent of customers across Europe placed their orders online. The mail order business operates in ten European countries. All mail order activities are centrally managed from the Walsoorden location in the Netherlands. In 2009, the mail order business extended its product range to include living accessories, gifts and technical devices. By broadening its product world in this way, Beate Uhse is attempting to cover more areas of life, and thus to motivate both existing and new target groups to make purchase items more often.

The entertainment business focuses on the two areas of online content marketing and added-value telephone services. On the internet, Beate Uhse offers films and services via portals and online clubs. The Group's best-known internet domain is www.sex.de. Alongside its end consumer business, Beate Uhse also provides erotica portals and payment channels to B2B customers. Beate Uhse Licensing B.V., the film rights trading division founded in 2008, grew consistently in 2009, also benefiting from the takeover of the Playhouse Group. The stock of films was significantly expanded by the addition of the high-quality Playhouse film database and new film series from Daring!, the Group's own premium film label.

With its wholesale business, Beate Uhse is one of very few providers in the erotica business to cover the entire value chain from production through to sales to both end and wholesale customers. In its various distribution channels, the company sells more than 20,000 products, including sex toys, lingerie, personal care products, DVDs, preparations, condoms, books, magazines and, most recently, living accessories, technical gadgets and gift items as well. The wholesalers within the Beate Uhse Group serve customers in the whole world.

Beate Uhse currently operates in 16 European countries. Its most important sales markets are Germany (35.3 percent), the Netherlands (19.9 percent) and France (18.4 percent). Beate Uhse is one of the European market leaders in the sale of erotica products via retail and mail order. In its wholesale business, the Group is one of the global market leaders, with exports to more than 50 countries.

Economy, market and sector

The global economy continued to be affected by the financial crisis in 2009. Following a massive downturn in the fourth quarter of 2008 and the first quarter of 2009, the global economy began to stabilise. It was supported in this by monetary and fiscal stimulus packages introduced by governments around the world, thus managing to avert a collapse in the global financial system. All in all, based on initial figures released by the Kiel Institute for the World Economy (IfW), the global economy, measured in terms of global gross domestic product (GDP), showed extremely moderate growth of 1.0% in 2009. The stabilisation in the global economy was also assisted by the emerging economies of Brazil, India and China, as well as by some other Asian countries, while traditional industrialised economies continued to be hard hit by the substantial downturn in demand.

Similar developments were seen in the euro area economy. Following its drastic downturn at the beginning of the year, a slight recovery set in towards the middle of the year. The balance of trade in particular provided positive momentum, but this was nevertheless insufficient to prevent a marked 4.0% reduction in GDP.

Based on preliminary figures from the Federal Statistics Office, the German economy contracted in 2009 for the first time following six years of growth. At 5.0%, the downturn in price-adjusted GDP was more severe than at any time since World War Two. GDP had grown by 1.3% in 2008. Expenditure on consumer goods was the only source of good news in 2009, with price-adjusted year-on-year growth of 0.4% in private consumer spending. Closer analysis nevertheless reveals that this growth was exclusively due to higher expenditure on transport and telecommunications (+5.2%). This segment benefited from the government-sponsored car scrapping scheme and stood in stark contrast to the year-on-year decline in expenditure in virtually all other segments.

The erotica sector is still undergoing a process of transformation, with providers increasingly focusing on women and couples as their main target groups. As a result, the structure of demand in the traditional retail business is migrating from DVDs to sex toys, lingerie and personal care and gift articles. These new customers attach great importance to product quality and design. They also have increasingly high expectations in terms of sustainable resource handling. This presents the manufacturers and providers of erotica products with new challenges.

A further driver of this transformation is the increasing relevance of the internet. Men, previously the erotica industry's largest customer group, are consuming pornographic and erotic films on the internet, often at free video portals. DVDs and the cabin business, once the mainstay of the sector's sales, are thus in sharp decline.

These upheavals on the demand side have automatically triggered changes on the supply side. Traditional providers mainly reliant on the DVD and cabin business are leaving the market. This shake-up is being accompanied by an increasing degree of professionalism in the sector. Like other sectors to have undergone similar developments, the erotica industry will concentrate on a small number of providers who run their businesses professionally.

Strategy and objectives

The Beate Uhse Group operates in a market characterised by significant change. The sale of videos, and later DVDs, was the erotica industry's core business for decades. Since 2006, sales of DVDs alone at Beate Uhse have declined by 36.5%. Customers are increasingly consuming films and images on the internet. This change has revolutionised the erotica market. The Beate Uhse Group has reacted by realigning its strategy and is evolving into a multichannel lifestyle company relying on strong, country-specific sales brands, such as Beate Uhse, Pabo, Adam & Eve, Christine Le Due and Kondomeriet.

By focusing on women and couples, Beate Uhse is building a foundation for the future. The aim is to compensate for the collapse in the DVD market in the retail business, and to a certain extent in the mail order business as well, with these new target groups and to build up a broader customer base in the medium term.

The product range is being consistently tailored to these new target groups and standardised across all distribution channels. To do justice to customers' wishes, Beate Uhse has extended its standard product range to include the product groups of living accessories, technical gadgets and gifts. The lingerie, sex toy and personal care product groups have been significantly expanded. The Group has also widened its range of private label products. In this, it uses high-margin labels such as Mae B., Toy Joy, Evolved, Geisha and Daring! to a certain degree as customer retention instruments, as Mae B. products, for example, are exclusively available via the Group's own distribution channels.

6.2 Earnings Performance

The Beate Uhse Group generated sales of Euro 230.7 million in the 2009 financial year. This reduction in sales, consistent with expectations, had two main causes. Firstly, the Group further reduced its number of stores in the course of its strategic realignment. Overall, Beate Uhse removed 15 stores from its European store network in the year under report. Secondly, the mail order business had a clear focus in 2009 on profitable target groups requiring lower marketing expenses, as a result of which mail order sales decreased by 6.4 percent to Euro 104.1 million. In all, consolidated sales fell 8.8 percent short of the previous year's figure. Sales per employee amounted to Euro 188.8k.

Sales by distribution channel in 2008/2009

EURO 000s	2008	**2009**	Change %
Retail	73,821	**62,809**	-14.9
Mail order	111,247	**104,108**	-6.4
Wholesale	53,915	**51,224**	-5.0
Entertainment	13,916	**12,553**	-9.8
Holding Services	0	**0**	
	252,899	**230,694**	-8.8

The Beate Uhse Group generated sales of Euro 230.7 million in the 2009 financial year. This reduction in sales, consistent with expectations, had two main causes. Firstly, the Group further reduced its number of stores in the course of its strategic realignment. Overall, Beate Uhse removed 15 stores from its European store network in the year under report. Secondly, the mail order business had a clear focus in 2009 on profitable target groups requiring lower marketing expenses, as a result of which mail order sales decreased by 6.4 percent to Euro 104.1 million. In all, consolidated sales fell 8.8 percent short of the previous year's figure. Sales per employee amounted to Euro 188.8k.

Sales by region in 2008/2009

EURO 000s	2008	2009	Abw. %
Germany	96,792	**81,338**	-16.0
Netherlands	44,498	**45,916**	3.2
Belgium	15,575	**15,957**	2.4
France	45,560	**42,481**	-6.8
UK	10,654	**7,329**	-31.2
Austria	11,472	**9,518**	-17.0
Switzerland	1,455	**3,206**	120.3
Scandinavia	12,982	**11,841**	-8.8
Italy	3,715	**2,934**	-21.0
Other European countries	8,658	**8,929**	3.1
Other regions	1,538	**1,245**	-19.0
	252,899	**230,694**	-8.8

Costs of sales

Costs of sales fell significantly from Euro 105.4 million in the previous year to Euro 97.3 million in the year under report. Given the reduction in overall sales to Euro 230.7 million (minus 8.8 percent), their share of sales rose slightly to 42.2 percent (2008: 41.7 percent). The decline in this item was driven in particular by substantially lower sales input costs (minus Euro 5.7 million). Personnel expenses reduced by Euro 0.9 million.

The wholesale business reported higher costs of sales due to tough price competition. The mail order business improved its costs of sales for the second year in succession, mainly as a result of optimised logistics processes at its central warehouse in Walsoorden. As a proportion of sales, costs of sales in the retail business remained virtually stable. The gross profit margin decreased slightly by 0.5 percentage points to 57.8 percent.

Other operating income

At Euro 12.9 million, other operating income was significantly lower in 2009 than the previous year's figure of Euro 20.4 million. The main reason for this development was the insurance payment of Euro 4.0 million received in 2008 for the water damages at the central warehouse in Walsoorden. Not only that, foreign exchange gains also dropped by Euro 0.9 million. Furthermore, interest on arrears and dunning expenses in the mail order business were Euro 2.0 million lower in 2009. This was due to the greater focus on customers with superior payment histories. Other operating income at the holding company also fell year-on-year in 2009; the previous year's figure had included income of Euro 0.6 million from the sale of the 25.12 percent stake in FunFactory GmbH and a higher volume of foreign exchange gains.

Sales-related expenses

Beate Uhse managed to reduce its sales-related expenses by 11.8 percent to Euro 114.3 million in the year under report (2008: Euro 129.6 million). As a proportion of total sales, sales-related expenses thus amounted to 49.5 percent in 2009 (2008: 51.3 percent). Cost savings were achieved, among other areas, in the retail business, where the workforce was downsized. The mail order business improved its position by targeting advertising material more clearly at specific target groups and focusing its advertising activities on existing customers. Together with improved receivables management, this focus on higher-spending customers enabled the mail order business to reduce its sales-related expenses

General administration expenses

General administration expenses were cut from Euro 29.6 million to Euro 27.1 million in the year under report (minus 8.5 percent). This was due to substantial year-on-year reductions in personnel and advisory expenses, as well to lower write-downs of financial assets. In 2008, write-downs had been recognised for Beate-Uhse.TV in particular.

Other operating expenses

Other operating expenses grew by Euro 0.6 million to Euro 2.2 million (2008: Euro 1.6 million). The Beate Uhse Group recognised impairment losses of Euro 1.0 million on its investment in tmc Content Group AG in 2009. Foreign exchange losses, by contrast, reduced by Euro 0.5 million.

Consolidated earnings

The EBITDA of the Beate Uhse Group dropped by 31.0 percent to Euro 13.1 million (2008: Euro 19.0 million). As a result, the EBITDA margin slipped from 7.5 percent to 5.7 percent. It should be noted that earnings in 2008 had benefited from an insurance payment of Euro 4.0 million.

Depreciation and amortisation fell by 12.8 percent to Euro 10.4 million. This item mainly included depreciation of Euro 3.2 million on property, plant and equipment in the retail business, of Euro 3.2 million on intangible assets and property, plant and equipment in the wholesale business and write-downs on financial assets at the holding company due to the reduction in the amount recognised for the stake in tmc Content Group AG.

Operating earnings (EBIT) decreased by Euro 4.4 million to Euro 2.7 million in 2009. Adjusted for the insurance payment of Euro 4.0 million received in 2008, operating earnings were at the same level as in the previous year. The EBIT margin amounted to 1.2 percent (2008: 2.8 percent, including insurance damages payments).

Net interest expenses improved substantially to Euro -2.8 million in 2009 (previous year: Euro -4.0 million). Negative swap items, which had severely burdened this item in 2008, amounted to a mere Euro -0.4 million in 2009.

Notwithstanding this improvement, earnings before taxes (EBT) amounted to Euro 0.1 million, and thus fell markedly short of the previous year's figure of Euro 3.1 million. These figures also reflect the impact of the insurance payment received in 2008. Adjusted for this item, pre-tax earnings in 2009 were clearly ahead of the previous year's figure.

The tax burden in the 2009 financial year was considerably lower than in the previous year. Following an income tax charge of Euro 0.8 million in 2008, in 2009 the Beate Uhse Group received a tax payment of Euro 2.0 million due to a tax refund in the Netherlands for losses incurred in previous years.

At Euro 1.9 million, consolidated net income virtually matched the previous year's figure (2008: Euro 2.3 million). The Beate Uhse Group generated earnings per share of Euro 0.02 in 2009.

6.3 Financial Position

Financial management and capital structure

The Beate Uhse Group's financial management has two key objectives:
- Maintaining the financial strength of the overall Group at a high level
- Securing the Group's liquidity.

The financial and treasury management departments at the holding company are responsible for the central management and supervision of processes in this respect.

The Group had the following liabilities to banks at the balance sheet date on 31 December 2009:

EURO 000s	2008	2009
Interest-bearing loans		
of which current	810	**29,578**
of which non-current	32,344	**5,144**
Overdraft liabilities	255	**2,025**
	33,409	**36,747**

Given the contract expiry date, the funds drawn down in connection with the two-year syndicated loan agreed at the beginning of 2008 with an original volume of Euro 42.5 million have been recognised as current loan items.

The acquisition of the Playhouse Group as of 1 April 2009 also involved taking over that company's credit lines of Euro 2.5 million. In return, the syndicated loan agreement was reduced by the same amount to Euro 40 million.

Beate Uhse thus had working capital credit lines of an unchanged total of Euro 42.5 million as of 31 December 2009. As of the balance sheet date, Euro 31.8 million of these funds, including guarantee facilities of Euro 1.5 million, were utilised (2008: Euro 28.0 million).

Investments

Beate Uhse invested Euro 14.2 million in the year under report, and thus Euro 6.7 million more than in the previous year (2008: Euro 7.5 million). This increase was attributable to the Playhouse acquisition. Further focuses of investment including the retail store modernisation programme and investments in software at the mail order business.

Cash flow statement

The cash flow from operating activities rose year-on-year by Euro 1.9 million to Euro 13.3 million (2008: Euro 11.4 million). This increase was due to a lower volume of inventories. The Group reduced its total stocks by Euro 1.0 million in the year under report, even though stocks of Euro 6.7 million were taken over upon the Playhouse acquisition as of 1 April 2009. The cash flow also benefited from tax refund payments, which exceeded the amount of taxes paid.

The outflow of funds for investing activities amounted to Euro 10.3 million in 2009, as against Euro 3.8 million in 2008. This marked year-on-year increase was due to the sale of the Fun Factory stake and the tmc Content Group AG loan in 2008. These transactions had led to an inflow of funds of Euro 5.2 million in 2008. The inflow of funds in the year under report was at a more customary level of Euro 0.6 million. Furthermore, the Playhouse acquisition led to an outflow of funds of Euro 3.8 million.

The inflow of funds from financing activities amounted to Euro -1.3 million, as against Euro -9.9 million in the previous year.

As a result, cash and cash equivalents increased by Euro 1.7 million to Euro 7.3 million.

6.4 Asset Position

The total assets of the Beate Uhse Group grew by 4.1 percent to Euro 183.6 million at the balance sheet date on 31 December 2009 (2008: Euro 176.4 million).

Assets

On this asset side of the balance sheet, this growth was mainly attributable to the increase in current assets from Euro 83.4 million to Euro 88.8 million. The intensity of investment rose by 0.3 percentage points to 45.8 percent.

Non-current assets grew by 2.7 percent to Euro 94.8 million (2008: Euro 92.2 million). This was due on the one hand to the additions to film and licence rights upon the acquisition of the Playhouse Group. Intangible assets thus rose by 15.0 percent to Euro 12.7 million (2008: Euro 11.0 million). On the other hand, goodwill increased from Euro 15.2 million to Euro 20.2 million on account of the Playhouse Group acquisition. Property, plant and equipment reduced, by contrast, due to lower investment requirements in the year under report. The impairment losses of Euro 1.0 million recognised for the investment held in tmc Content Group led investments to fall by 4.0 percent to Euro 24.7 million.

Current assets increased by 6.5 percent to Euro 88.8 million (2008: Euro 83.4 million), thus accounting for a 48.3 percent share of total of assets (2008: 47.3 percent). Inventories could be reduced by 2.5 percent to Euro 39.2 million in 2009. This was facilitated by optimised inventory management (min-max system) at the stores, as well as by store closures. The mail order business also optimised its inventories, thus more than compensating for the increase in inventories in the wholesale business due to the Playhouse Group takeover. Trade receivables grew by 22.6 percent to Euro 33.6 million, chiefly as a result of the high volume of mail order sales in December 2009 due to pleasing Christmas business. In the wholesale business, trade receivables rose on account of the Playhouse Group acquisition. Current income tax refund claims dropped to Euro 1.9 million (Euro 3.4 million) following the receipt of tax refund claims from 2008. Despite the Group's consistent cash management, cash and cash equivalents grew by 29.4 percent to Euro 7.3 million. This item was affected by cash in transit in connection with customer payments in the mail order business.

Shareholders' equity and liabilities

Shareholders' equity rose markedly from Euro 94.6 million to Euro 100.9 million (plus 6.7 percent). This growth was attributable to the capital increase by 7.1 million shares executed by the Beate Uhse Group in the course of the Playhouse acquisition in April 2009. What's more, shareholders' equity also benefited from the consolidated net income of Euro 1.7 million. These factors were opposed by the development in capital reserves, which fell by Euro 2.7 million to Euro 0.01 million at the balance sheet date. This was due to the recognition of the differential amount between the par value of Euro 1.00 and the stock market price of Euro 0.63 on shares resulting from the capital increase executed to acquire the Playhouse Group. The difference between the two figures was posted as a negative allocation to capital reserves. The equity ratio amounted to 55.0 percent at the balance sheet date, equivalent to an increase of 1.4 percentage points (2008: 53.6 percent).

Non-current liabilities reduced by 68.8 percent to Euro 12.4 million (2008: Euro 39.6 million) following the reclassification of maturing syndicated loan liabilities as current items. Non-current debt thus only accounted for 6.7 percent of the balance sheet total (2008: 22.4 percent).

Conversely, current liabilities rose by 66.4 percent to Euro 70.4 million (2008: Euro 42.3 million), thus making up 38.3 percent of the balance sheet total. By analogy with the reduction in inventories in the retail and mail order businesses, trade payables decreased by Euro 3.2 million to Euro 17.0 million (2008: Euro 20.2 million). A higher volume of outstanding invoices led other financial liabilities to rise by Euro 2.0 million to Euro 16.2 million. The utilisation of a provision for compensation and damages payments enabled other provisions to be reduced overall by Euro 0.9 million to Euro 1.8 million. Due to the reclassification of the Group's syndicated loan financing to current liabilities, the loan items grew by Euro 30.5 million to Euro 31.6 million in total.

Current working capital (inventories plus trade receivables less trade payables) rose by 17.7 percent to Euro 55.8 million (2008: Euro 47.4 million). This was mainly due to the working capital taken over with the Playhouse Group.

The net debt of the Beate Uhse Group (interest-bearing loans and overdraft liabilities less cash and cash equivalents) grew from Euro 27.8 million to Euro 29.5 million. This development too is to be viewed in the light of the acquisition of the Playhouse Group wholesale business.

6.5 Business Divisions

Retail

EURO MILLION	2008	2009
Sales	73.8	**62.8**
EBITDA	6.9	**3.6**
EBIT	2.6	**0.2**
EBT	0.8	**-1.2**
Investments	1,785	**2,006**

Retail sales declined by 14.9 percent to Euro 62.8 million in 2009 (2008: Euro 73.8 million). As part of the Group's realignment towards a multichannel approach, a total of 15 stores were closed in the period under report, of which eleven in Germany. Typical retail customer profiles have changed fundamentally in recent years. The previous male customer base is increasingly consuming erotica films on the internet. Since 2006, DVD sales in Beate Uhse's retail business have virtually halved. While stores still sold films worth Euro 20.0 million in 2006, four years later this figure had shrunk to Euro 10.7 million.

Beate Uhse reacted to the first signs of this change, opening its first premium store in one of Munich's most popular shopping streets in 2007 already. Since then, eight further stores based on the same concept have been opened in Germany, five in Belgium and one in France. In the Netherlands, the 30 Christine le Duc stores have already been performing very positively for several years now. The city centre stores newly opened in other countries have benefited greatly from the expertise built up at the Dutch store chain. These city centre stores, which operate under the brands of Beate Uhse (Germany), Pabo (Belgium), Christine le Duc (Netherlands), Adam & Eve (France and Spain) and Kondomeriet (Norway), target women and couples. They offer their customers a bright, modern shopping ambience and specialist advice. Their product range focuses on toys, personal care and preparations, lingerie and the new living accessories product group. Toy sales overtook DVD sales for the first time in the company's history in 2009.

Following the conversion of a store, its share of female customers rises by around 30 percent. The Group reached a further milestone with the opening of the first Beate Uhse store in an ECE shopping centre in Hamburg in March 2010. The Beate Uhse brand is thus present where women and couples go shopping. The city centre store concept is planned to be expanded further under all of the sales brands in the retail business (Beate Uhse, Pabo, Adam & Eve, Christine le Duc and Kondomeriet).

Beate Uhse Shops by region

Own shops

	2008	%	2009	%
Germany	57	40.1	**54**	39.4
Italy	6	4.2	**6**	4.4
Switzerland	1	0.7	**1**	0.7
Netherlands	58	40.8	**56**	40.9
Belgium	9	6.3	**9**	6.6
France	7	4.9	**7**	5.1
Norway	4	2.8	**4**	2.9
	142	100.0	**137**	100.0

Licence & Franchise

	2008	%	2009	%
Germany	67	48.9	**59**	46.5
Austria	44	32.1	**46**	36.2
Netherlands	0	0.0	**1**	0.8
Norway	4	2.9	**5**	3.9
Hungary	2	1.5	**1**	0.8
Poland	13	9.5	**6**	4.7
Slovenia	6	4.4	**6**	4.7
Italy	1	0.7	**3**	2.4
	137	100.0	**127**	100.0

*: 7 stores in Poland were renamed in 2009 following a brand test.

Mail Order

EURO MILLION	2008	2009
Sales	111.2	**104.1**
EBITDA	8.0	**8.3**
EBIT	6.1	**6.8**
EBT	5.8	**6.5**
Investments	1,685	**1,777**

The mail order business channelled all of its energies in 2009 into addressing its existing customers in line with their individual target groups. Given the difficult macroeconomic backdrop, the acquisition of new customers did not form a key focus of activities in 2009. As a result, sales decreased from Euro 111.2 million to Euro 104.1 million (minus 6.4 percent). The measures taken clearly boosted customer satisfaction levels among existing customers. The share of goods "not deliverable" dropped within a year from 3.0 percent to 1.7 percent. The share of goods returned at Pabo Mail Order could be reduced to 14.7 percent. These developments were due to the improved stocking of goods and fast and efficient logistics processes at the central warehouse in Walsoorden, thus optimising customer service levels. In all, the mail order business dispatched 2.5 million consignments to customers in 2009.

Lingerie accounted for the highest share of sales in all country markets, followed by toys. Depending on the individual country, fashion and DVDs came third and fourth. The product range was extended to include the living accessories and gift product groups.

The mail order business boosted its sales by Euro 2.1 million in the Netherlands and Belgium, but reported substantial downturns in Germany and the UK. The division amended its customer targeting policy in Germany in 2009, removing customers with particularly poor payment histories from the customer base and terminating cooperation with unprofitable affiliate partners. Sales here dropped from Euro 31.2 million to Euro 27.6 million. In the UK, the targeted reduction in marketing expenses led sales to decline to Euro 3.6 million.

One particular focus in the mail order business in 2009 involved optimising the use of advertising resources. Customer clusters were analysed and redefined, enabling advertising measures to be targeted more closely at customers' individual interests. We extended our two top customer groups of "long-term customers with high order rates" in the year under report by tailoring mailing campaigns to the respective target groups. Average order figures per customer remained stable across all customer groups in 2009. A total of 36 million catalogues were sent out to customers and other interested parties in the year under report.

For the year as a whole, the mail order business recorded 56.4 million visits to its online shops. France accounted for 18.2 million, and thus the highest number of visits, followed by Germany with 16.9 million visits. Online shopping is playing an ever more important role. While 32 percent of orders were placed online in the first quarter of 2009, by the end of the year more than 42 percent of customers were using online shopping for their order.

Wholesale

EURO MILLION	2008	2009
Sales	53.9	**51.2**
EBITDA	4.2	**3.4**
EBIT	0.7	**0.0**
EBT	-0.6	**-1.3**
Investments	3,234	**3,690**

The transformation in the erotica market described in the 2008 Annual Report remained the dominant topic in the market in 2009 as well. Sales in the wholesale business of the Beate Uhse Group fell by 5.0 percent to Euro 51.2 million (2008: Euro 53.9 million). The Beate Uhse Group is playing an active role in the cutthroat competition in the market in order to acquire additional market share in the rapidly changing market climate in the medium term. This has led to tough price competition, especially for DVDs, coupled with great pressure on margins. DVD sales in the Beate Uhse Group's wholesale business fell by 35 percent between 2006 and the end of 2009.

Positive developments were seen, on the other hand, in sales with e-commerce wholesale customers and in demand for the private label products on offer in Beate Uhse's wholesale business, such as Toy Joy, Evolved, Geisha and Daring! The wholesale companies reported growth in the toys, personal care and preparations product groups in particular. One pleasing development here was the increased profitability of toys and personal care products due to improved procurement prices.

Since the takeover of the Playhouse Group, the Beate Uhse Group has managed to integrate that company's expertise and some initial activities into the Group's direct sales. The Group established a small sales network under the Beate Uhse Ladiesnight brand in Hamburg, Hanover, Bremen and Flensburg in 2009. Home parties are an eminently suitable distribution channel for erotica products, as they foster relationships of trust between customers and the company's advisors. The core target group of Ladiesnight home parties are women who are interested in erotica products, but who would not venture into a shop on their own. Beate Uhse Ladiesnight has performed solidly in its start-up stage. This distribution channel is to be built up step by step across the whole of Germany.

As the world's leading erotica wholesaler, the group of companies linked to Scala B.V. bear a particular responsibility for the quality of the products they sell. To safeguard quality standards, the wholesale business works together with the Intertek Group plc., one of the world's largest quality inspection companies. Quality checks are performed and documented in line with the relevant EU directives and national guidelines.

Entertainment

EURO MILLIONS	2008	2009
Sales	13.9	**12.6**
EBITDA	2.8	**1.9**
EBIT	2.6	**1.6**
EBT	2.7	**1.8**
Investments	243	**537**

Within the Beate Uhse Group, the entertainment division is responsible for marketing films, images and chat sites on the internet, as well as for erotic telephony services. Sales generated from online shopping are allocated to the mail order business. Entertainment sales dropped by 9.4 percent to Euro 12.6 million in the year under report (2008: Euro 13.9 million). The online products Amateur, Amateur Cams and Privatporno developed stably in 2009. Unlike in other areas of the Group's internet services, little amateur content is available on free content portals.

Competition from free internet portals was unrelentingly tough in 2009. Beate Uhse is reacting to this situation by continually improving its own online portals so as to gain a competitive advantage among customers due to the quality and credibility it offers. The company pressed ahead with internationalising its erotica portals in the Netherlands, Belgium and France. The range of films on offer has been significantly extended by the acquisition of the Playhouse Group, which owns superb film material for France and the UK.

Beate Uhse new media increasingly also positioned itself as a provider of internet billing methods in 2009. These B2B activities are to be further expanded in future.

The telephony market was still marked by cutthroat competition in 2009. This led to high advertising expenses at Beate Uhse new media in order to uphold market share. Positive trends were seen in the marketing of video and image downloads via mobile end devices. The managers at Beate Uhse new media see this area, as well as the provision of content to third-party mobile services and SMS chat services, as representing potential growth markets for the future.

6.6 Disclosure of potential takeover barriers

The share capital of Beate Uhse AG amounted to Euro 78,074,696.00 at 31 December 2009 and was divided into 78,074,696 shares with a par value of Euro 1.00. Shares in Beate Uhse AG are not bound by any restrictions on assignment or voting rights. Each share entitles its holder to one vote at the Annual General Meeting. Voting rights and dividend entitlement are suspended for 281,233 shares held by Beate Uhse as treasury stock.

Consipio Holding BV held a 27.2 percent stake in Beate Uhse AG at the balance sheet date on 31 December 2009. Other than this, there were no direct or indirect shareholdings of more than 10 percent. There are no special rights for bearers of shares that could confer powers of control.

The Management Board is not aware of any voting rights controls in the event of employees participating in the capital of Beate Uhse AG.

The Supervisory Board appoints members of the Management Board and determines their number. It may appoint one member as the Chairman or Spokesman of the Management Board. The Supervisory Board may also appoint acting members of the Management Board.

The Annual General Meeting on 16 June 2009 authorised the company to acquire treasury stock up to a prorated amount of 10 percent of the current share capital. This authorisation became effective on 17 June 2009 and expires on 16 December 2010.

No agreements have been reached with Management Board members or other management staff in respect of compensation or compensation in kind in the event of any change of control or takeover of the company.

6.7 Compensation report

Management Board compensation system

This presentation of Management Board compensation includes the disclosures required by German commercial law, extended by the Management Board Compensation Disclosure Act (VorstOG), and is based on the recommendations of the German Corporate Governance Code. The structure and level of compensation paid to individual Management Board members is determined by the Supervisory Board and reviewed at regular intervals by the Supervisory Board Personnel Committee. The Supervisory Board also for the first time took account of the requirements of the Act on the Appropriateness of Management Board Compensation (VorstAG), which became effective in 2009.

Management board compensation is based on the company's economic situation and performance, as well as on the individual duties and personal performance of the respective Board members. It is ensured that the compensation paid to the Management Board is competitive on a national and international level. Comparability of compensation is also ensured within the company. The compensation paid to the Management Board is appropriate and performance-based. It consists of non-performance-related and performance-related components. As required by § 120 (4) of the German Stock Corporation Act (AktG), Beate Uhse AG will report on the structure of its compensation system at its 2010 Annual General Meeting and will present this as an agenda item for shareholders' approval.

Management Board compensation is structured as follows:

Non-performance-related compensation components (fixed salary)

The annual fixed salary is paid in twelve monthly instalments at the end of each month. Over and above this, Management Board members also receive a vacation allowance amounting to 8 percent of their annual total gross salary which is payable in May of each year.

Performance-related compensation components (bonus)

The granting of variable compensation components (bonus) depends on the extent to which the Beate Uhse Group has met its annual financial targets. This is determined at the end of each annual performance period. When granted, the bonus corresponds to 1% of the amount by which the EBIT of the Beate Uhse Group exceeds Euro 5,000,000.00, but is capped at a maximum of 66 percent of the individual member's non-performance-related gross annual salary. Should any circumstances make it seem appropriate to grant bonuses, the Supervisory Board may resolve to reduce the bonuses – to zero if appropriate – even if the basic requirements for granting bonuses have been met. The Supervisory Board decides by the end of April of each year as to whether a bonus is to be paid.

The Management Board is obliged to pay part or all of any bonus received back to Beate Uhse AG if the Beate Uhse Group fails to meet its financial targets for the following year or if the economic position of the Beate Uhse Group has since deteriorated significantly.

Management Board compensation in 2009

EUR	Function	Contract	Fixed salary	Bonus	Fringe Benefits	Total
Serge van der Hooft	COO, Management Board Spokesman	since 1.1.2008	157,000	0	2.400	159.400
Johann A. Boddaert	CMO	since 1.4.2009	159,600	0	7.500	167.100
Otto Christian Lindemann	CFO, Management Board Spokesman	until 31.3.2009	60,000	0	3.000	63.000

* all compensation for 2009 has been disclosed, including compensation paid for the months of January to March in which Mr. Boddaert worked for other companies in the Beate Uhse Group.

Otto Christian Lindemann, CFO, left the company upon the expiry of his management board contract in March 2009. No severance payment was therefore required or paide, since Mr. Lindemann left the company on his own whish.

Supervisory Board compensation

This presentation of Supervisory Board compensation includes the disclosures required by German commercial law and is based on the recommendations of the German Corporate Governance Code. The structure and level of Supervisory Board compensation is governed by § 11 of the Articles of Association.

As well as having his or her expenses reimbursed, each Supervisory Board member receives fixed annual compensation amounting to Euro 7,500, payable following the end of each financial year. As a variable compensation component, Supervisory Board members receive additional dividend-based compensation amounting to Euro 1,000 for every cent by which the dividend exceeds 7 cents. The Chairman receives 1.5 times and his Deputy 1.25 times the total compensation of an ordinary member. Furthermore, members of the Audit Committee receive an annual fixed amount of Euro 7,500, with the committee chairman receiving Euro 11,250.

The company reimburses Supervisory Board members for the VAT payable on their compensation. Furthermore, Supervisory Board members are also covered by a D&O insurance policy which includes an appropriate deductible.

Supervisory Board compensation in 2009

EURO MILLION	Function on Beate Uhse Supervisory Board	Committees	Compensation in Euro
Gerard Philippus Cok	Chairman (since 7.1.2009)	Personnel Committee (Chairman) Investment Committee	11,158
Martin Weigel	Deputy Chairman	Audit Committee (Chairman) Nomination Committee (Chairman) Investment Committee Personnel Committee	20,589
Andreas Bartmann	Member (since 12.2.2009)		6,616
Gelmer Westra	Member	Audit Committee Nomination Committee	15,000
Monika Wilk	Employee representative	until June 2009 Personnel Committee	4,418
Michael Petersen	Employee representative	until June 2009 Audit Committee and Investment Committee	7,705
Ulrich Rotermund	Chairman until 7.1.2009 (retired from Board on 11.2.2009)	Investment Committee	298

Corporate Governance

The declaration on corporate governance required by § 289a of the German Commercial Code (HGB) has been published in the Investor Relations section of the company's website at www.beate-uhse.ag.

6.8 Non-Financial Performance Indicators

Employees

The Beate Uhse Group had 1,222 employees in Europe as of 31 December 2009 (2008: 1,301). The number of employees thus fell by 79, or 6.1 percent, compared with the previous year. This reduction was due above all to store closures in the retail business.

Employees of the Beate Uhse group

BY REGION	2008	2009	Change %
Germany	612	**531**	-13.2
Netherlands	486	**507**	4.3
Belgium	28	**23**	-17.9
France	60	**66**	10.0
UK	9	**7**	-22.2
Austria	11	**5**	-54.5
Scandinavia	47	**37**	-21.3
Italy	14	**15**	7.1
Other European countries	34	**31**	-8.8
	1,301	**1,222**	-6.1

BY SEGMENT	2008	2009	Abw. %
Retail	734	**649**	-11.6
Mail order	245	**238**	-2.9
Wholesale	212	**218**	2.8
Entertainment	76	**73**	-3.9
Holding services	34	**44**	29.4
	1,301	**1,222**	-6.1

Procurement

All procurement processes at the Beate Uhse Group are pooled in the central procurement department in the wholesale business. The merchandising team performs ongoing, detailed analyses of customers' wishes and market trends. The procurement department supplements this expertise with product information and trends at manufacturers and sees to the ordering of the merchandise. By pooling all of the Group's procurement volumes, Beate Uhse is able to negotiate optimal conditions and prices.

The Beate Uhse Group's central procurement department cooperates closely with suppliers on a basis of partnership. The relevant processes and contacts are managed by the procurement head office in Almere, the Netherlands.

Product quality

Beate Uhse works together with a large number of erotica manufacturers around the world. The purpose of this broad base of suppliers is to enable the company to identify new trends as soon as possible, offer a wide variety of products to its customers and meet their price expectations and quality standards.

To check the quality of all of its products, the Beate Uhse Group employs various inspection agencies in the countries where the products are manufactured. Sex toys, for example, are inspected by the Intertek Group plc., one of the world's largest players in the field of quality inspections. These quality checks are implemented and documented in line with the relevant EU directives and national requirements.

With its Mae B. private label, the Beate Uhse Group has set new standards in terms of sex toy quality. Mae B.'s vaginal vibrators are the only ones on the whole market to be awarded a quality seal by the German Technical Inspection Agency (TÜV). The Beate Uhse Group manufactures these high-quality toys at Lavetra Kft., a wholly-owned subsidiary in Hungary.

SALES BRANDS AND PRIVATE LABELS

The Beate Uhse Group has very strong sales brands and private labels. Among its best-known sales brands are Beate Uhse (in Germany, Austria, Switzerland, Poland), Pabo (in the Netherlands, Belgium, Spain, the UK, Slovakia, the Czech Republic, Slovenia and Austria), Christine le Duc (in the Netherlands, Belgium), Adam & Eve (France and Spain) and Kondomeriet (in Norway). The Beate Uhse brand is valued at more than Euro 45 million (source: Semion Brand Study 2009). In its various country markets, the Group works with the brand that is strongest and best known to customers in the relevant market. As part of its multichannel concept, the Group deploys one country brand across all distribution channels in each country.

In recent years, the Beate Uhse Group has successfully launched numerous private labels onto the market. For sex toys, for example, Beate Uhse covers all price segments with its Mae B., Evolved and ToyJoy labels. Mae B. is an important customer retention instrument for the Beate Uhse Group, as the sex toys and personal care products sold under this label are only available to end customers via Beate Uhse's distribution channels. Mae B. personal care products are supplemented by the Playhouse Group's Geisha brand. Daring! – one of the leading film labels in the erotica industry – sells its high-quality films as DVDs and via the internet. The Beate Uhse Group launched Taboom, a new sex toy private label, in its retail and mail order businesses in early 2010. Taboom is positioned between premium and more aggressively priced brands and is aimed at interested first-time buyers.

6.9 Risk Report

Significant features of the internal control and risk management system

As Beate Uhse AG is a corporation with a capital market orientation as defined in § 264d of the German Commercial Code (HGB) it is obliged under § 315 (2) No. 5 of the German Commercial Code (HGB) to describe significant features of its internal control and risk management system in respect of the group financial reporting process, also including financial reporting processes at companies included in the consolidated financial statements.

The "internal control and risk management system in respect of the financial reporting process" is not legally defined. We see the internal control and risk management system as a comprehensive system and have based our definition on that provided by the German Institute of Auditors (IDW) in Düsseldorf.

Accordingly, an internal control system is taken to involve the principles, procedures and measures introduced by the company's management to safeguard the organisational implementation of management decisions

- To safeguard the effectiveness and economic viability of business activities (including protection of assets, including the prevention or detection of any asset impairment)
- To ensure the correctness and reliability of internal and external financial reporting
- To ensure that the company complies with the relevant legal requirements.

The risk management system encompasses all organisational regulations and measures to detect risks in general and to handle those risks involved in entrepreneurial activity.

The Group has implemented the following structures and processes relevant to the group financial reporting process:

The Management Board bears overall responsibility for the risk management system at the Group. To this end, the company uses detailed budget forecasts in combination with monthly reporting on the level of individual companies. The Group concentrates on sales, earnings contributions, costs and income, which are depicted as monthly, cumulative and annual figures and compared with the budget and previous year's figures. Percentage key figures are used to present the gross margin, cost efficiency and earnings power. An adjusted forecast is compiled at regular intervals to detect changes in the market and business policy and any negative trends at an early stage, as well as to identify any potential budget variances. This way, any need to take action can be recognised in good time. Monthly group reporting is supplemented by key figures calculated quarterly on the basis of the consolidated balance sheet and the income statement. Furthermore, the management of the individual profit centres is supported by those key operating figures and analyses that best depict the particular business model. The managing directors of the profit centres are obliged to communicate directly and extensively in this respect. At the same time, risks are standardised on the basis of clearly defined gradations in terms of their respective limits, probabilities of occurrence and processing priorities.

The Management Board bears overall responsibility for the internal control and risk management system, also in respect of the Group's financial reporting process. We see the most critical areas of the financial reporting process as involving those aspects of the internal control and risk management system that could significantly affect the figures reported and overall impression created by the consolidated financial statements, including the group management report. Specifically, these include the following factors:

- Identification of key areas of risk and control relevant to the financial reporting process
- Controls aimed at supervising the financial reporting process and its results on the level of the Group's strategic business divisions
- Preventative control measures in the Group's accounting department, including the separation of functions in the relevant divisions
- Measures ensuring the correct IT-supported processing of items and data relevant to the Group's accounts.

Individual risks

Sector risks

The prolonged period of economic weakness in Europe, and thus also in Beate Uhse's major sales markets, could impact negatively on the business performance of the Beate Uhse Group. Beate Uhse is reacting to this challenge by making all-round improvements to the selection of services and products it offers, giving its marketing activities an international focus, pooling group procurement activities more closely to optimise purchase prices, and covering all price segments with its product range. To minimise dependence on individual markets, Beate Uhse is further expanding its international presence. International sales accounted for 63.7 percent of sales at the end of 2009 (previous year: 61.7 percent).

The erotica market is undergoing fundamental change, a process which has accelerated in the past five years. This market transformation is apparent in numerous ways. Competitors alien to the sector have recognised the potential offered by the market and are establishing themselves as sales networks or manufacturers. The online market has matured, with consumers now tending to make well-considered decisions rather than spontaneous, intuitive purchases. What's more, the online business has increasingly been affected by video-on-demand (VoD) services offered free of charge. This intensification in the competitive situation, especially in the online business, continued in 2009.

Beate Uhse is countering the pressure from free VoD providers by offering high-quality services and excellent search functions, as a result of which the Group's own VoD portals still have convincing USPs. Future developments will be based even more closely on customers' wishes.

The wholesale business has witnessed a significant downturn in DVD and magazine purchases. The migration in demand for film and print products to the internet has continued apace. The Group is reacting to this trend by maintaining even closer contact to its existing customers, gaining access to new mass distributors, such as large electronics outlets and online customers, and building up a high-quality product range to distinguish the company even more clearly from its competitors.

Beate Uhse was early to recognise this change in the erotica market and began restructuring the Group into a brand-driven multichannel player more than two years ago. As part of this process of realignment, all distribution channels across all countries have been and continue to be reviewed critically, together with their marketing measures, and then pooled in line with the new alignment. Cooperations with competitors alien to the sector are reviewed on a case-by-case basis.

The erotica sector is subject to a wide variety of legislative requirements around the world when it comes to the protection of minors. Legal requirements in Germany, the company's most important sales market, are narrowly defined, especially in terms of new media. Any further restriction in this market due to a further tightening up in the legal framework therefore involves a latent risk, as it would automatically result in a loss of sales.

We have developed various measures to protect minors and deploy these on our websites such as www.sexy.de. By working together with institutions such as the Association for Voluntary Self-Regulation, Beate Uhse is also able to exert indirect influence on the drafting of the relevant legislation.

Performance risks

The wholesale logistics centres in Almere and Wiesbaden and the mail order warehouse in Walsoorden are exposed to the risk of any interruption to their operations, for example due to fire or water damages. Any breakdown in the technical equipment or IT systems at these centres could lead to an interruption to deliveries to our customers.

Beate Uhse has mitigated this risk by installing suitable security systems. Moreover, it also has insurance cover against damages to property and interruptions to business operations to protect against the economic consequences of breakdowns of this type.

Beate Uhse procures a large share of the products it sells directly from manufacturers and intermediaries, in some cases also via imports. The procurement of goods from foreign suppliers is subject to specific risks, such as delays in delivery, exchange rate fluctuations, increased customs duties and taxes, fluctuations in the quality of the goods supplied and potential import restrictions. In the mail order and retail businesses, the procurement of goods also involves the risk of overstocking.

Beate Uhse counters these risks by procuring its products from numerous suppliers worldwide, thus reducing its dependency on individual manufacturers. In Asia, our wholesaler Scala works together with Intertek Group plc., a quality inspection company with global operations, to monitor the quality of goods. Procurement of the products the Group sells is centralised in the category management system, thus pooling the market power of the overall Group.

Personnel risks

The success of the Beate Uhse Group depends to a very great extent on the performance of its longstanding managers and highly qualified employees. Any loss of this personnel, or lessening in its commitment, could impact negatively on the market position and performance of our Group.

We position ourselves as an attractive employer and make efforts to boost our long-term retention of high-quality employees. The measures we work with here include personnel training and development measures, internal career and advancement opportunities and lively, open discussions between the management team and the workforce.

IT risks

The information technologies deployed at the Group are constantly checked to ensure that they guarantee secure handling of IT-supported business processes, especially those involving logistical processes in our mail order and wholesale businesses and online services. Any breakdown in IT-supported processes could endanger the smooth flow of merchandise or provision of online content. This in turn involves the risk of losses of sales and the danger of losing customers in the long term. Beate Uhse protects itself here by working with duplicate technical solutions across the Group. Moreover, this risk is also covered by insurance against property damage and business interruption losses.

As an internet content and e-commerce provider, Beate Uhse is not immune to the abuse of its internet data. The company's programmers and developers are working continually on developing suitable software solutions to defend against such attacks.

Financial risks

The Group's liquidity is safeguarded via cash pooling on holding company level, as well as by centralised cash management in the finance department. All significant subsidiaries are integrated into the cash pooling system. Furthermore, central investment control and credit management ensure that funds (loans/leasing/rent) are supplied in good time to meet all payment obligations. Seasonal fluctuations in payments are offset by the cash flow from operations (2009: Euro 13.3 million).

The risk of receivables default has intensified due to the financial crisis. All of the Beate Uhse Group's distribution channels are exposed to this risk. To counter this proactively, we check the creditworthiness of our customers as far as possible and document their payment history across all B2C and B2B distribution channels.

Bank lending policies can be expected to remain restrictive, particularly in view of the current international financial situation. Following the refinancing round completed in May 2010, the Group has sufficient credit lines for the coming years to promote its operating business and press ahead with the realignment programme already largely implemented.

As previously, the new loan agreements require Beate Uhse to comply with various conditions and obligations, such as financial covenants. Any breach of these requirements would allow the lenders to terminate the loan agreements and demand immediate repayment of these loans.

The company budgets approved in December 2009 include reserves for the financial years 2010 to 2012 to ensure that the financial covenants set out in the loan agreements are not breached in the event of any minor variances between the company's budget and actual performance. Moreover, the Management Board has taken measures to improve the company's liquidity and earnings position. Should the company's performance fall significantly short of budget, however, then the possibility of individual financial covenants being breached or not met and/or of liquidity shortages arising cannot be excluded. In this case, the company would have to introduce additional, stricter measures to free up liquidity, negotiate concessions on the part of the lenders or obtain further equity or debt capital in order to maintain the company's solvency and thus its continued existence.

Development in the value of shareholdings

Interests held in shareholdings are exposed to the risk of impairment. Unlike at its subsidiaries, Beate Uhse AG only has limited possibilities of exerting influence on its shareholdings. Given its high carrying amount, any impairment in the investment held in tmc Content Group represents a particular risk. The shares held in tmc Content Group, which is publicly listed, had a carrying amount of Euro 23.8 million as of 31 December 2009. However, the market capitalisation of tmc Content Group at the balance sheet date amounted to just Euro 9.8 million. As the market for shares in tmc Content is not active given ongoing low transaction volumes, and since reference to recent transactions is therefore impossible, the company calculates the fair value using a DCF-based valuation. Any deterioration in the performance of tmc Content Group could make it necessary to recognise impairment losses on the shares held by Beate Uhse.

Overall risk

Overall, there were no major changes in the risk situation in the past year under report. No risks are currently identifiable that could, either individually or collectively, endanger the ongoing existence of the Beate Uhse Group at present or in future.

6.10 Events After the Balance Sheet Date

The company signed loan agreements dated 19. May 2010 with Nord-Ostsee Sparkasse, Flensburg, Investitionsbank Schleswig-Holstein, Kiel, and Deutsche Postbank AG, Bonn. These govern the financing of the German section of the Beate Uhse Group. A further loan agreement governing the future financing of the Dutch section of the Group was signed with ING Bank N.V. on 19 April 2010 via the Group's Dutch subsidiary Beate Uhse B.V. These agreements replace the expiring syndicated loan agreement under the leadership of HSH Nordbank AG.

The bilateral loan agreements are structured in the form of amortisable and overdraft loans and have terms of up to 5 years and a total volume of Euro 40.8 million. Security and covenants customary to the sector have been agreed. Repayments totalling Euro 25.8 million have been scheduled for the years 2010 to 2015. Credit lines of Euro 15.0 million will remain upon the expiry of this financing facility.

6.11 Outlook

Macroeconomic situation

The Kiel Institute for the World Economy (IfW) only expects the global economy to recover slowly from the "great recession". Macroeconomic developments will remain subdued in 2010/2011, as no substantial factors suitable to stimulate growth are in sight. The IfW expects gross domestic product (GDP) in industrialised economies to show only moderate real-term growth of 1.4% and 1.8% in 2010 and 2011.

For Germany, the German Institute of Economic Research (DIW) has forecast economic growth of around 2% in for both 2010 and 2011. Domestic demand, greatly supported by government stabilisation programmes, should remain the main source of momentum. According to the DIW, private consumer spending will still be the key growth driver. It remains to be seen, however, how the expected rise in unemployment to more than 4 million will affect consumers' propensity to spend.

Developments in the sector

The far-reaching process of change in the erotica sector is not yet 100% complete and will continue to be promoted by the largest players in the market in 2010 as well. The target groups of women and couples now more clearly in the sector's focus are larger overall and have different expectations in service providers in terms of product quality, product design, advertising measures, shopping ambience and service. Customers are price-sensitive, not least on account of the widespread availability of many products and the possibility of quickly checking prices on the internet. Adapting to the expectations of these new target groups represents one of the key challenges facing the erotica sector in 2010.

By addressing new target groups and repositioning sales brands and private labels, it should be possible to compensate for the substantial losses in the shrinking DVD and video cabin business in 2010. The wholesale and retail businesses in particular will continue to be hard hit by the declining DVD business. On the supply side, Beate Uhse expects to see a process of concentration and increasing professionalism in both the B2C and the B2B segments of the erotica market.

Alignment of the Group

Beate Uhse will press ahead in 2010 with the process of modernising and repositioning itself as an international multichannel company. The aim of these restructuring measures is to serve customers across all countries and distribution channels faster and more efficiently in line with their individual interests and product wishes. Looking at this modernisation process more closely, it can be seen that the Beate Uhse Group has already completed most of the tasks involved. Beate Uhse will be relying in future as well on expanding its strong private labels such as Mae B., Toy Joy and Daring!, as well as the Evolve and Geisha brands newly added due to the Playhouse takeover.

Mail order, the Beate Uhse Group's most important growth driver, was successfully turned around in 2009. Key focuses here in the past year included optimising customer data management, advertising measures and services for existing customers. From 2010, the mail order business will also be optimising its new customer acquisition processes and expects sales and earnings to benefit as a result. The mail order business will be according top priority in 2010 to the relaunch of the online shop as part of the Group's efforts to transform its most important websites into erotica portals. These erotica portals will provide customers with all-round services and information about erotica under the relevant country brands. Beate Uhse sees online retail as harbouring the greatest growth potential for the future. Not only that, online advertising measures allow the mail order business to react quickly and keep its customers up to date. By making increasing use of online advertising, the Group can thus enhance the effectiveness of its advertising measures while also cutting its advertising expenses.

The retail business will maintain the expansion of its premium store concept in international city centres in 2010. The future expansion of the retail business in Germany, France and the Netherlands will increasingly be implemented with franchise partners.

The wholesale business expects to see great pressure on prices in 2010 as well. The shake-up in the market can be expected to occupy wholesalers throughout 2010. With the new price and discount structures already introduced, Beate Uhse's wholesale business aims to raise its gross margins in the course of 2010. Moreover, it also plans to further expand its high-quality private label product lines to attract increasing numbers of mass market B2B customers, such as large electronics chains and online shops.

The entertainment business has moderate growth prospects for 2010. Beate Uhse new media is using this year to press ahead with projects such as optimising the most important erotica portals, one of which is www.beate-uhse.com, developing a standalone entertainment portal for the international market and expanding the service activities offered to third parties. By optimising the Group's own international erotica portals, Beate Uhse expects to raise awareness levels among the various target groups even further.

This process of modernising the Group required substantial investments to be made in recent years, especially in converting the store network, introducing new ERP systems and acquiring the Playhouse Group. Investments of Euro 5.5 million are budgeted for 2010. In the wholesale business, these will focus on investments in film rights with potential for use across all channels, while the retail business will continue to invest in the ongoing modernisation of its existing stores in line with customers' wishes. We have budgeted a comparable level of investment for subsequent years as well.

Sales and earnings performance

The ongoing instability in the global economic situation makes it difficult to comment on long-term forecasts. Beate Uhse's core markets of Germany, France and the Netherlands are among those industrialised nations for which economic research institutes have forecast more difficult developments in the next two years.
In 2010, the new store, product and advertising concepts will not yet fully compensate for the collapse in the DVD market. Having said this, they should provide the momentum necessary to attain the moderate sales growth of around one percent forecast by the Management Board.

For the first Quarter 2010 we expect lower sales in comparison with the first Quarter 2009. The company nevertheless still expects to be able to achieve the pre-tax earnings (EBIT) of Euro 3 million to Euro 3.5 million budgeted for 2010. Increasing profitability is also the Group's most important objective for 2011 and 2012. By centralising group-wide procurement, boosting its online business as a B2C and B2B provider in the erotica market and working with its multichannel approach to make more efficient use of its distribution channels, the Beate Uhse Group is well-positioned to achieve this objective.

Flensburg, May 19. 2010

Serge van der Hooft

Johan A. Boddaert

Consolidated Financial Statements

7.1 Consolidated balance sheet

Assets EUR 000s	Notes	2008	2009
NON-CURRENT ASSETS			
Intangible assets	1	11,010	**12,663**
Goodwill	1	15,230	**20,203**
Property, plant & equipment	2	28,211	**26,669**
Other financial assets	3	3,935	**3,183**
Investments	4	25,757	**24,739**
Income taxes	32	8,106	**7,304**
		92,249	**94,761**
CURRENT ASSETS			
Inventories	6	40,201	**39,185**
Accounts receivable	21	27,356	**33,580**
Other short-term financial assets and other assets	7	6,859	**6,903**
Income tax refund claims (short-term)		3,414	**1,877**
Liquid funds	8	5,612	**7,262**
		83,442	**88,807**
Assets held for sale	5	750	**0**
Total assets		176,441	**183,568**

Shareolders´Equity and Liabilities
EUR 000s

	Notes	2008	2009
SHAREHOLDERS'S EQUITY			
Subscribed capital	9	70,985	**78,075**
Treasury stock at cost of acquisition	12	-3,463	**-3,463**
Capital reserves	13	2,653	**-89**
Revenue reserves	14	3,295	**3,295**
Unappropriated net profit		20,445	**22,209**
Balancing item for currency conversion	14	548	**362**
Minority interests		131	**456**
		94,594	**100,845**
LONG-TERM DEBT			
Interest-bearing loans	20	32,344	**5,144**
Pensions and similar obligations	15	3,968	**3,903**
Other accruals	16	2,156	**1,787**
Other financial liabilities	17	778	**1,077**
Deferred tax liabilities	32	333	**442**
		39,579	**12,353**
SHORT-TERM DEBT			
Accounts payable		20,176	**17,002**
Other financial liabilities	18	14,241	**16,201**
Pensions and similar obligations	15	259	**266**
Other accruals	19	2,724	**1,830**
Income tax liabilities		3,803	**3,468**
Loans	20	255	**2,025**
Short-term portion of long-term loans	20	810	**29,578**
		42,268	**70,370**
Total shareholders' equity and liabilities		176,441	**183,568**

7.2 Consolidated income statement

EUR 000s	Notes	2008	2009
Sales	26	252,899	**230,694**
Cost of sales	27	-105,354	**-97,293**
Gross profit on sales		147,545	**133,401**
Other operating income	28	20,400	**12,887**
Sales-related expenses	29	-129,621	**-114,274**
General administration expenses	30	-29,615	**-27,099**
Other operating expenses		-1,632	**-2,218**
Earnings before interest and taxes		7,077	**2,697**
Financial result	31	477	**228**
Financial expense	31	-4,490	**-2,994**
Earnings before taxes		3,064	**-69**
Taxes on income	32	-778	**2,009**
Consolidated earnings		2,286	**1,940**
Shareholders in the holding company		2,210	**1,764**
Minority shareholders		76	**176**
EARNINGS PER SHARE (EPS)			
Undiluted (EUR)	35	0.03	**0.02**
Diluted (EUR)	35	0.03	**0.02**

Consolidated statement of comprehensive income

EUR 000s	2008	2009
Net income for period	2.286	**230,694**
Currency translation on foreign operations	505	**1.940**
Net loss on financial assets held for sale	-133	**0**
Other net income after tax	372	**67**
Comprehensive income after taxes	2.658	**2.007**
of which allocable to:		
Shareholders in the holding company	2.666	**1.578**
Minority shareholders	-8	**429**

7.3 Cash Flow

EUR 000s	2008	2009
Earnings before taxes (EBT)	3,064	**-69**
CORRECTIONS FOR:		
Non- cash expenses (IFRS 2)	47	**0**
Depreciation of property, plant and equipment, amortisation of intangible assets	11,756	**9,399**
Losses incurred on the disposal of property, plant and equipment and intangible assets	-438	**21**
OTHER NON-CASH EXPENSES	753	**618**
Trade receivables	3,038	**-3,734**
Other assets	-3,819	**10,554**
Trade payables	-742	**-4,422**
Other liabilities	-4,833	**-5,525**
Financial income	-477	**-228**
Financial expenses	4,490	**2,994**
Income taxes paid/received	-1,419	**3,666**
Cash flow from operating activities	11,420	**13,274**
Cash received from the sale of property, plant and equipment, intangible assets and other non-current assets	5,213	**552**
Cash paid for investments in property, plant and equipment, intangible assets and other non-current assets	-9,297	**-7,772**
Cash paid in connection with short-term financial management	0	**-138**
Cash received in connection with short-term financial management	0	**739**
Cash paid for acquisition of subsidiaries, less cash and cash equivalents acquired	-228	**-3,875**
Interest received	477	**196**
Cash flow from investing activities	-3,835	**-10,298**
Contribution to capital (capital increase)	25,522	**0**
Taking up of bank liabilities	25,522	**6,033**
Interest paid for loans and hedging instruments	-3,198	**-2,318**
Redemption of bank liabilities	-57,731	**-4,991**
Redemption of loans from third parties	0	**-12**
Cash flow from financing activities	-9,885	**-1,288**
Net change in cash, cash equivalents and securities	-2,300	**1,688**
Changes due to movements in exchange rates	504	**-38**
Cash, cash equivalents and securities at beginning of period	7,408	**5,612**
Cash, cash equivalents and securities at end of period	5,612	**7,262**
Cash holdings, credit balances at banks, cheques and securities	5,599	**7,262**
Short-term money investments	13	**0**
	5,612	**7,262**

7.4 Group Equity Schedule

EUR 000s	Equity allocable to the shareholders in the parent company				
	Share capital	Treasury stock	Capital reserve	Revenue reserves	Other reserves
Balance as of 01.01.2008	**47,324**	**-3,463**	**745**	**3,295**	**133**
Period earnings					
Other earnings					-133
Comprehensive income	**0**	**0**	**0**	**0**	**-133**
Capital increase	23,661		1,861		
Share-based payments			47		
Balance as of 31.12.2008	**70,985**	**-3,463**	**2,653**	**3,295**	**0**
Balance as of 01.01.2009	70,985	-3,463	2,653	3,295	0
Period earnings					
Other earnings					
Total net income	**0**	**0**	**0**	**0**	**0**
Capital increase	7,090		-2,742		
Change in the scope of consolidation					
Balance as of 31.12.2009	**78,075**	**-3,463**	**-89**	**3,295**	**0**

Unappropriated net profits	Balancing item for currency translation	Total	Minority interests	Total equity
18,235	**-41**	**66,228**	**139**	**66,367**
2,210		2,210	76	2,286
	589	456	-84	372
2,210	**589**	**2,666**	**-8**	**2,658**
		25,522		25,522
		47		47
20,445	**548**	**94,463**	**131**	**94,594**
20,445	**548**	**94,463**	**131**	**94,594**
1,764		1,764	176	1,940
	-186	-186	253	67
1,764	**-186**	**1,578**	**429**	**2,007**
		4,348		4,348
			-104	-104
22,209	**362**	**100,389**	**456**	**100,845**

7.5 Beate Uhse Aktiengesellschaft, Flensburg notes to the 2009 consolidated financial statements

The consolidated financial statements of Beate Uhse AG for the financial year ending on 31 December 2009 were prepared by the Management Board of Beate Uhse AG on May 17, 2010 and forwarded for review and approval by the Supervisory Board.

Information about the company

Beate Uhse Aktiengesellschaft, Gutenbergstrasse 12, 24941 Flensburg ('Beate Uhse AG' or 'the Group'), is entered in the Commercial Register of the Flensburg District Court under No. 3737.
As one of the global market leaders in the erotica and sex sector, the Beate Uhse Group has operations in 16 European countries. Moreover, the wholesale division exports to more than 50 countries in virtually all of the world's economic regions. The distribution channels comprise wholesale, mail order and retail, as well as internet, telephony and TV/telemedia services (entertainment). Beate Uhse operates 266 shops in ten countries. The mail order catalogue is dispatched in ten countries. The Beate Uhse Group possesses well-known domain names which provide customers with erotica content at technologically innovative internet sites. The best-known portals are www.beate-uhse.com, www.sex.de and www.pabo.nl.

Accounting policies

Basis of preparation

In general, application has been made of the historic cost principle in the preparation of the consolidated financial statements, with the exception of derivative financial instruments and financial assets available for sale, which have been measured at fair value.
The consolidated financial statements have been prepared in euros. Unless otherwise stated, all figures have been rounded up or down to the nearest thousand
(Euro 000s).
The cost of sales method has been selected for the consolidated income statement.

Declaration of conformity with IFRS

The consolidated financial statements of Beate Uhse AG have been prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Change in accounting policies

The accounting policies applied basically correspond to those applied in the previous year.
The Group applied the following new and revised IFRS as of 1 January 2009:

- IFRS 7 Financial Instruments: Disclosures
- IFRS 8 Operating Segments
- IAS 1 Presentation of Financial Statements
- IAS 23 Borrowing Costs (revised)
- IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of the Financial Statements: Puttable Instruments and Obligations Arising on Liquidation.

Any material implications for the presentation of the net asset, financial and earnings position of the Group arising from application of these standards are outlined below.

IFRS 8 Operating Segments

Upon becoming effective, IFRS 8 replaces IAS 14 Segment Reporting. The Group has ascertained that its operating segments pursuant to IFRS 8 correspond to the segments previously identified under IAS 14. The disclosures required by IFRS 8, including adjusted comparative information, are contained in the Segment Report at the end of these notes.

IAS 1 Presentation of Financial Statements

The revised standard requires changes in equity resulting from transactions performed with owners acting in their capacity as owners and other changes in equity to be presented separately. As a result, the statement of changes in equity only includes details of transactions performed with owners, while other changes in equity are presented aggregately in the form of a reconciliation of individual equity components. Moreover, the standard has introduced a statement of comprehensive income in which all income and expense items recognised in the income statement and all earnings components recognised in equity are presented either in a single statement or in two related statements. The Group has opted to present two separate statements.

The interpretations IFRIC 13 "Customer Loyalty Programmes" and IFRIC 15 "Agreements for the Construction of Real Estate", both of which required application for the first time in the 2009 financial year, had no material implications for the Group, neither did the revisions to IFRS 1 "First-time Adoption of IFRS", IFRS 2 "Share-based Payment", IAS 32 "Financial Instruments: Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement", which also required first-time application in the year under report.

Future amendments to accounting policies

The IASB and the IFRIC have published the following new and revised standards and interpretations relevant to the Group's business activities which did not yet require mandatory application in the 2009 financial year. The Group has made no premature application of these standards and interpretations and currently has no plans to do so.

- Amendments to IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements

The revised version of IFRS 3 was published in January 2008 and requires first-time application in financial years beginning on or after 1 July 2009. The main amendments relate in particular to the introduction of an option for the measurement of non-controlling interests, the recognition of transaction expenses through profit or loss and the accounting treatment of step acquisitions. The transitional regulations provide for prospective application of the new requirements.
The revised version of IAS 27 was published in January 2008. The amendments require first-time application in financial years beginning on or after 1 July 2009. The amendments principally relate to the recognition of shares of a non-controlling nature (minority interests).
As the Group generally adheres to a strategy of not accepting minority interests upon business combinations and also has no plans to make any step acquisitions, these amendments are not expected to have any material implications for the consolidated financial statements.

• IFRS 9 Financial Instruments

As part of the IASB project aimed at comprehensively reorganising the accounting treatment of financial instruments, in a first step the IASB published new requirements governing the classification and measurement of financial assets in November 2009. Accordingly, depending on the individual characteristics of the assets and taking due account of the relevant business model or business models, financial assets must be recognised either at amortised cost or at fair value through profit or loss. Equity instruments must in all cases be recognised at fair value. The regulations nevertheless provide for the option of specifying for each individual equity instrument upon initial recognition that fluctuations in its value may be recognised in other comprehensive income. In this case, specific dividend income would be the only income recognised through profit or loss for these equity instruments.
The standard requires mandatory application for the first time in financial years beginning on or after 1 January 2013. The new standard has not yet been endorsed by the EU. The implications for the Group of this new requirement are currently being determined.

• Improvements to IFRS

In May 2008 and April 2009 the IASB published its first two omnibus standards containing amendments to standards applicable in financial years beginning on or after 1 January / 1 July 2009 and 1 January / 1 July 2010 respectively. These omnibus standards introduce minor but necessary amendments to individual standards in order to eliminate inconsistencies and clarify formulations. The Group has not yet adopted those amendments not yet requiring mandatory application, but does not expect these to have any material implications for the financial statements.
Apart from IFRS 9, published in November 2009, and the IFRS improvements, published in April 2009, all of the amendments and new requirements listed above had been endorsed by the EU upon approval of these financial statements.
Furthermore, the IASB has also issued additional amendments to standards and interpretations and new interpretations not yet requiring mandatory application in the 2009 financial year and currently of no relevance to the Group. These are listed below:

TITLE	Date of publication	Mandatory application in financial years starting on
Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters *	July 2009	1 January 2010
Amendments to IFRS 2 Share-based Payment *	June 2009	1 January 2010
Amendments to IAS 24 Related Party Disclosures *	November 2009	1 January 2011
Amendments to IAS 32 Financial Instruments: Presentation *	October 2009	1 February 2010
Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items	August 2008	1 July 2009
Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRIC 9 Reassessment of Embedded Derivatives	March 2009	30 June 2009
Amendments to IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction *	November 2009	1 January 2011
IFRIC 16 Hedges of a Net Investment in a Foreign Operation	July 2008	1 July 2009
IFRIC 17 Distributions of Non-cash Assets to Owners	January 2009	1 July 2009
IFRIC 18 Transfer of Assets from Customers	January 2009	1 July 2009
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments *	November 2009	1 July 2010

* EU endorsement still outstanding upon approval of these financial statements

Consolidation principles

The consolidated financial statements include the financial statements of Beate Uhse AG and its subsidiaries as of 31 December of each financial year. The financial statements of the subsidiaries have been prepared using uniform accounting policies as of the same balance sheet date as the financial statements of the parent company.

Subsidiaries are companies controlled by Beate Uhse AG. Control exists when the company indirectly or directly has the possibility of determining the other company's financial and business policy in order to derive economic benefit from its activities.

Subsidiaries are fully consolidated from the time of acquisition, i.e. from the time at which the Group gains control. Their inclusion in the consolidated financial statements ends upon the parent company no longer exercising such control.

The financial statements of the subsidiaries have been prepared using the same financial reporting methods and for the same reporting period as the financial statements of the parent company.
All intercompany balances, transactions, income and expenses have been eliminated in full, as have all profits and losses on inter-company transactions included in the carrying amounts of assets.

Non-controlling interests represent the share of earnings and net assets not attributable to the Group. In the income statement, earnings attributable to these interests have been recognised separately from earnings attributable to shareholders in the parent company. In the balance sheet, these interests have been reported within equity and separately from the equity attributable to shareholders in the parent company. Losses are attributed to non-controlling interests until their net balance is zero. Any surplus losses were attributed to the parent company except in cases where the non-controlling interests had assumed an obligation to settle any losses.

Principal discretionary decisions, estimates and assumptions

The preparation of the consolidated financial statements requires the company's management to make discretionary decisions, assumptions and estimates affecting the level of income, expenses, assets and liabilities recognised at the balance sheet date, as well as the recognition of contingent liabilities. However, the uncertainty involved in these assumptions and estimates could lead to an outcome in which material adjustments have to be made to the carrying amounts of the relevant assets and liabilities in future.

Discretionary decisions

When applying the accounting policies, the company management made the following discretionary decisions with a material impact on the amounts stated in the financial statements:

Obligations from operating leases – Group as lessee

The Group has concluded leasing agreements for the rental of retail stores and other real estate. The Group has determined that all of the significant risks and rewards in connection with ownership of this real estate rented within the framework of operating leases have been retained by the lessor.

Deferred tax assets

Deferred tax assets are recognised for all unutilised tax loss carryovers to the extent that it is probable that taxable income will be available to enable the loss carryovers actually to be used. The calculation of the volume of deferred tax assets requires considerable discretion to be exercised by the company management and is based on the expected date and amount of the future taxable income and future tax planning strategies. As of 31 December 2009, the volume of recognised tax losses amounted to Euro 5,619k (previous year: Euro 7,513k).

As of 31 December 2009, the Group had corporate income tax loss carryovers of Euro 33,746k (previous year: Euro 27,506k) and trade tax loss carryovers of Euro 28,413k (previous year: Euro 24,165k) at German group companies for which no deferred tax assets were recognised. The loss carryovers are available for offsetting against future taxable income for an indefinite period.
Further details can be found in Note 32.

Uncertainties in estimates and assumptions

The most important assumptions relating to the future and other major existing sources of uncertainty concerning the estimates made as of the balance sheet date, as a result of which there is a considerable risk that significant adjustments will be required in the carrying amounts of assets and liabilities in the coming financial year, have been outlined below.

Business combinations

Application of the purchase method involves distributing the acquisition costs of the business combination among the assets acquired and liabilities assumed as of the acquisition date. This requires an assessment of the assets acquired and the liabilities assumed. To measure the assets acquired, the Group must estimate the expected future cash flows from some of these assets and also select a suitable discount rate to calculate the present value of these assets.

Impairment of goodwill

The Group assesses at least once a year whether the value of its goodwill is impaired. This requires an estimation of the recoverable value of the cash generating units to which the goodwill has been allocated. The estimation of the recoverable value, which corresponds to the higher of the fair value less disposal-related expenses and the value in use, requires the Group to estimate the expected future cash flow from the cash generating unit and furthermore to select a suitable discount rate to determine the present value of this cash flow. As of 31 December 2009, the carrying amount of goodwill amounted to Euro 20,203k (2008: Euro 15,230k). Further details can be found in Note 1.

Impairment of investments

The Group assesses on each balance sheet date whether there are any indications that the value of its investments carried at fair value might be impaired. Should there be any such indications, the Group calculates the potential impairment requirement by comparing the investment's carrying amount with its fair value. The fair value of the investment is calculated using valuation techniques as of the balance sheet date. Among other aspects, this requires an estimation of the present value of the expected future cash flows to be generated by the investment, including future cash flows from dividends on the investment and from its final sale.

As of 31 December 2009, the carrying amount of investments amounted to Euro 24,739k (2008: Euro 25,757k). Further details can be found in Note 4.

Summary of principal accounting policies

The principal accounting policies used to prepare these consolidated financial statements are outlined below.

Business combinations

Business combinations are accounted for using the purchase method. This involves recognising the identifiable assets (including intangible assets not previously recognised) and liabilities (including contingent liabilities, irrespective of future restructuring) of the business operations thereby acquired at fair value upon acquisition.

Acquisition costs correspond to the amount resulting from the fair value of assets assigned, equity instruments issued and liabilities entered into or assumed upon the date of exchange plus costs directly attributable to the acquisition.

Should the acquisition costs exceed the fair value of the identifiable assets acquired, less liabilities, then the difference is recognised as goodwill.

Any credit difference between the acquisition costs and the identifiable assets thereby acquired, less liabilities (i.e. discount upon acquisition) is recognised through profit or loss in the period of acquisition following renewed assessment of the appropriateness of the measurement of the respective assets and liabilities and of the acquisition costs of the business combination. Minority interests are recognised at the prorated share of the fair values of the assets and liabilities recognised that is equivalent to the minority share in the capital.

Intangible assets

Intangible assets acquired individually are measured at cost upon initial recognition. The costs of an intangible asset acquired in a business combination are equivalent to its fair value upon acquisition.
Following initial recognition, intangible assets are carried at cost, less accumulated amortisation and accumulated impairment losses.

Apart from capitalised development expenses, internally generated intangible assets are not capitalised. The relevant expenses are recognised through profit or loss in the period in which they are incurred.

In the case of intangible assets, it is first necessary to assess whether they have finite or indefinite useful lives.

Intangible assets with finite useful lives are subject to straight-line amortisation over the period of their economic useful lives and assessed for impairment whenever there are any indications that their value might be impaired. The period and method of amortisation for intangible assets with finite useful lives are reviewed at least at the end of each financial year. Should there have been any change in the expected useful life or the expected period of amortisation of the asset, then a different period or method of amortisation is chosen. Such changes are treated as changes in estimates. Amortisation of intangible assets with finite useful lives is recognised in the income statement under the expenses category corresponding to the function of the intangible asset in question.

Intangible assets with indefinite useful lives are tested for impairment at least once a year on the level of the individual asset or of the cash generating unit. These intangible assets are not subject to scheduled amortisation. The useful life of an intangible asset with an indefinite useful life is reviewed once a year to ascertain whether the indefinite useful life continues to apply. If not, the change in assessment from indefinite to finite useful life is introduced on a prospective basis.

Application has been made of the following useful lives for intangible assets:

Industrial property rights	Indefinite
Rights / licenses	4- 5 years [1)]
Software	3 years

[1)] or contractually agreed term

Industrial property rights grant unlimited rights and are therefore classified as assets with indefinite useful lives.

Gains or losses on the retirement of intangible assets are measured as the difference between the net sale proceeds and the carrying amount of the asset in question and are recognised through profit or loss in the period in which the item is retired.

Goodwill

Goodwill resulting from a business combination is measured at cost upon initial recognition. This is measured as the amount by which the costs of the business combination exceed the share held by the Group in the fair value of the identifiable assets, liabilities and contingent liabilities thereby acquired. Following initial recognition, goodwill is carried at cost less cumulative impairment losses. Goodwill is tested for impairment at least once a year or should any facts or changes in circumstances indicate that the carrying amount might be impaired.

When testing for impairment, the goodwill acquired in a business combination has to be allocated from the date of acquisition onwards to each of the cash generating units or groups of cash generating units at the Group expected to benefit from the synergies generated by such combination. This applies irrespective of whether other assets or liabilities of the Group have already been allocated to these units or groups of units. Each unit or group of units to which the goodwill has been allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Such level may not be larger than any of the segments on which the Group's reporting format is based pursuant to IFRS 8 'Operating Segments'.

Impairment is determined by calculating the recoverable amount of the cash generating unit (group of cash generating units) to which the goodwill refers. Should the recoverable amount of the cash generating unit (group of cash generating units) be lower than its carrying amount, then an impairment loss is recognised.

Impairment losses recognised on goodwill may not be reversed in subsequent reporting periods. The Group tests its goodwill for impairment once a year as of 31 December and when events or circumstances indicate that goodwill may be impaired.

Property, plant and equipment

Property, plant and equipment is recognised at cost, less accumulated depreciation and accumulated impairment losses. These costs also include the costs of replacing part of the asset upon such costs being incurred, provided that the recognition criteria are met. The costs of any more significant maintenance work are also included as a replacement item in the carrying amount of the property, plant and equipment, provided that the recognition criteria are met. All other maintenance and repair expenses are recognised directly through profit or loss.

Scheduled straight-line depreciation has been based on the estimated useful lives of the assets:

Buildings	20 - 50 years
Technical equipment and machinery	5 - 10 years
Plant and office equipment	7 - 8 years

Land is not subject to scheduled depreciation.

The carrying amounts of property, plant and equipment are tested for impairment as soon as there is any indication that an asset's carrying amount exceeds its recoverable amount.

Property, plant and equipment is retired upon disposal or should no further economic benefit be expected from its further use or disposal. Gains or losses incurred on the retirement of the asset are calculated as the difference between the net sale proceeds and the carrying amount and are recognised in the income statement in the period in which the item is retired.

The useful lives and methods of depreciation are reviewed at the end of each financial year and adjusted when necessary.

Financial assets

Pursuant to IAS 39, financial assets are allocated to the following categories:

- Financial assets measured at fair value through profit or loss
- Financial investments held to maturity
- Loans and receivables
- Financial assets available for sale.

Financial instruments are measured at fair value upon initial recognition. For financial instruments not classified as measured at fair value through profit or loss, account is also taken of those transaction costs directly attributable to the acquisition of the respective assets.

The Group had no financial instruments in the "financial instruments held to maturity" category in the financial year under report. Moreover, the Group had no primary financial instruments in the "financial assets measured at fair value through profit or loss" category."

Loans and receivables

Loans and receivables are non-derivative financial assets involving fixed or determinable payments which are not quoted on any active market. These assets are carried at amortised cost using the effective interest method. Gains and losses are recognised under period earnings when the loans and receivables are retired or impaired, as well as in the context of amortisation.

Financial assets available for sale

Available-for-sale financial assets are those non-derivative financial assets which are classified as available for sale and not included in any other category. These also include investments held by the Group in corporations and commercial partnerships. Following initial recognition, available-for-sale financial assets are measured at fair value, with any gains or losses being recognised as other reserves in equity. Where such financial assets are retired or where their value is found to be impaired, then the accumulated gain or loss previously recognised in equity is transferred to the income statement.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any impairment in a financial asset or group of financial assets.

Assets measured at amortised cost

Should there be any objective indications of impairment in assets measured at amortised cost, the level of impairment losses recognised corresponds to the difference between the carrying amount of the asset and the present value of expected future cash flows (except future credit defaults expected but not yet occurred), discounted by the original effective interest rate of the financial asset, i.e. the effective interest rate determined upon initial recognition. The carrying amount of the asset is reduced and recorded in an impairment schedule. The impairment loss is charged to income.

Where the level of impairment reduces in subsequent reporting periods, and where this can be objectively attributed to a circumstance arising following recognition of impairment losses, then the impairment losses previously recognised are reversed. However, the new carrying amount of the asset may not exceed its amortised cost upon recognition of the reversal. The reversal is credited to income.

Financial assets available for sale

Should an available-for-sale financial asset be impaired, an amount corresponding to the difference between its cost (less repayments and amortisation) and its current fair value (less any impairment losses already recognised through profit or loss) is charged to income following the reversal of any amounts previously recognised in equity.

Where the fair value of a debt instrument increases in subsequent reporting periods, and where this can be objectively attributed to a circumstance arising following recognition of the impairment through profit or loss, then the amount by which the fair value has increased is recognised through profit or loss. Impairments of equity instruments are not reversed through profit or loss. Any increase in their fair value following impairment is recognised in equity.

Retirement of financial assets

Financial assets are retired when the company loses its powers of disposal over the contractual rights in connection with the financial asset.

Derivative financial instruments and hedging transactions

The Group uses derivative financial instruments, especially interest swaps, to hedge against interest rate risks. These derivative financial instruments are measured at fair value upon agreement of the contract and are reassessed at fair value in subsequent periods.
Derivative financial instruments are recognised as financial assets when their fair values are positive and as financial liabilities when their fair values are negative. Gains and losses due to changes in the fair value of derivative financial instruments are immediately credited or charged to income, as no proven effective hedging relationships then exist.

Taxes on income

Taxes on income recognised in the consolidated income statement relate to taxes resulting from current and previous assessment periods, as well as to deferred taxes. Taxes on income are recognised in the consolidated income statement unless they refer to items recognised directly in equity. In these cases, the taxes are netted with equity.

Actual tax refund claims and tax liabilities

Actual tax refund claims and tax liabilities for the current period and for earlier periods are measured at the amount of refund expected from or payment expected to the tax authorities. The calculation of such amounts is based on the tax rates and tax laws valid at the balance sheet date.

Deferred taxes

Deferred taxes are recognised using the liability method for all temporary differences between the IFRS carrying amounts and the tax carrying amounts of the relevant assets and liabilities.

Deferred taxes are recognised for all temporary differences, unless the differences are attributable to

- Initial recognition of goodwill
- Initial recognition of an asset or liability resulting from a transaction that
  a) is not a business combination
  b) does not affect earnings before taxes or taxable income at the time of the transaction being performed.

Deferred tax assets in excess of deferred tax liabilities on taxable temporary differences are recognised for all deductible temporary differences and tax loss carryovers not yet used to the extent that sufficient taxable income is likely to be available for the deductible temporary differences and tax loss carryovers not yet used to be offset against.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer likely that sufficient taxable income will be available to offset the deferred tax asset at least in part. Unrecognised deferred tax assets are reviewed at each balance sheet date and recognised to the extent that it has become likely that future taxable income will enable the respective deferred tax assets to be realised.

Deferred tax assets and liabilities are measured using the tax rates expected to be valid in the period in which the asset is realised or the liability settled. Assets and liabilities have thus been based on the tax rates (and tax rules) valid or announced as of the balance sheet date.
Deferred tax assets and deferred tax liabilities are offset against each other when the Group has an enforceable claim for the imputation of actual tax refund claims against actual tax liabilities and when these refer to income taxes at the same taxable entity and are levied by the same tax authority.

Inventories
Pursuant to IAS 2, inventories include those assets that are held for sale in the usual course of business (finished products and merchandise), that are being produced for sale (work in progress) and that are used in production (raw materials and supplies).
Inventories have been measured at the lower of cost or net sale value. The net sale value is equivalent to the sales proceeds achievable in the normal course of business, less estimated costs up to completion and estimated costs of sale.

Trade receivables
Trade receivables, which generally have terms of 30 to 90 days, have been recognised at the original invoice amount less an allowance for uncollectible receivables. Allowances are stated when there are objective material indications that the Group will not be able to collect such receivables. In the mail order segment, a general allowance is recognised based on experience values.
Receivables are retired as soon as they become uncollectible.

Cash and cash equivalents
The cash and cash equivalents recognised in the balance sheet include cash holdings, cheques, credit balances at banks and short-term deposits with original maturities of less than three months.

Treasury stock
Any treasury stock acquired by the Group is deducted from equity. The purchase and sale of treasury stock is not recognised through profit or loss.

Pensions and similar obligations

Defined contribution plans

Germany has a statutory defined contribution pension scheme that provides basic pensions to employees in line with their earnings and the contributions made. Other than paying such contributions to the state pension schemes, the subsidiaries in Germany have no further payment obligations. Current contribution payments are recognised as expenses in the period in which they are incurred.

Defined benefit plans

Beate Uhse AG and two of its subsidiaries have established a defined benefit pension scheme for their employees. Pension payments are granted in the form of old-age, invalidity and surviving dependants' pensions. The pension schemes grant benefits which are dependent on the term of service and final salary. The pension scheme has been closed to new entrants since 15 December 1978.

Moreover, individual commitments have been made to former employees of ZBF Zeitschrift-Buch- und Film-Vertriebs GmbH, Wiesbaden (ZBF GmbH). Fixed amounts have been determined in the individual commitments.

The expenses for benefits within these defined benefit schemes have been calculated separately for each scheme using the projected unit credit method.
Actuarial gains and losses are recognised as income or expenses where the net balance of cumulative, unrecognised actuarial gains and losses for each individual scheme at the end of the previous reporting period exceeds the higher of 10 percent of the defined benefit obligation or 10 percent of the fair value of the plan assets at this time. These gains or losses are realised over the expected average remaining working life of the employees included in the scheme.
The amount recognised as a liability in connection with a defined benefit scheme is the sum of the present value of the defined benefit obligation and the actuarial gains and losses not recognised through profit or loss. The Group had no assets qualifying as plan assets under IAS 19 at the balance sheet date.

Other provisions

General recognition and measurement criteria

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision it has recognised to be reimbursed (e.g. under an insurance contract), the reimbursement is recognised as a separate asset, but only when reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.
If the effect of the time value of money is material, provisions are discounted using an interest rate before taxes that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised under interest expenses.

Obligation arising upon termination of employment relationships

The companies included in the consolidated financial statements allow individual employees to conclude part-time early retirement agreements governing their premature retirement from the respective company. These part-time early retirement agreements are treated in the consolidated financial statements as obligations arising upon termination of the employment relationship, with obligations and personnel expenses being recognised at the level of the present value of the expected future additional payments upon employees accepting the offer of part-time early retirement. The portion of such obligation with a maturity of more than one year is recognised as a non-current liability.

Financial liabilities

Financial liabilities are either classified as financial liabilities requiring measurement at fair value through profit or loss or loans, or as derivatives designated as hedging instruments and which are effective as such. The Group determines their classification upon initial recognition. All financial liabilities are recognised at fair value upon initial recognition. For loans, directly attributable transaction costs are added. The Group's financial liabilities comprise trade payables, other liabilities, overdraft liabilities, loans and derivative financial instruments. The Group has not classified any financial liabilities as measured at fair value through profit or loss upon initial recognition. Following initial recognition, interest-bearing loans are measured at amortised cost using the effective interest rate method. Gains and losses are recognised through profit or loss when the liabilities are retired or amortised using the effective interest rate method.

Retirement of financial liabilities

A financial liability is retired when the underlying obligation has been settled, cancelled or has expired.

Recognition of revenues

Revenues are recognised when the economic benefit is likely to accrue to the Group and the amount of revenues can be reliably determined. Moreover, the following accounting requirements have to be met prior to recognition:

Sale of merchandise and products

Sales revenues are recognised when the principal risks and rewards involved in ownership of the merchandise and products sold have passed to the buyer.

Sales revenues resulting from the sale of merchandise for which the rights of return contractually agreed with the buyer have not lapsed on the balance sheet date are deemed as recognised when the expected level of returns can be reliably estimated. Where the level of returns can be determined, an amount corresponding to the margin of expected returns is recognised under other financial liabilities and deducted from sales.

Sales are measured at the fair value of the consideration received or to be received and represent the amounts receivable for goods and services in the normal course of business. Discounts, value added tax and other sales-related taxes are deducted.

Interest income

Income is recognised upon the interest arising (using the effective interest method).

Recognition of expenses

Business expenses are recognised in the income statement upon acceptance of the relevant service or of the when the relevant expenses are incurred.

Payments in connection with operating lease agreements (rental agreements) are recognised as expenses in the consolidated income statement in equal amounts over the term of the rental or lease agreement.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or manufacture of an asset requiring significant time to be prepared for its intended use or sale are capitalised as a component of cost of the relevant asset. All other borrowing costs are recognised as expenses in the period in which they are incurred. All borrowing costs were expensed in the financial year under report.

Share-based payments

Up to and including 2006, the employees of the Group (including management staff) were granted equity-settled share-based payments with a lockup period of 2 years.

Expenses arising from equity-settled transactions were measured at the fair value of the equity instruments granted upon allocation. The fair value was determined by an external expert. Expenses relating to equity-settled transactions are recognised with a simultaneous corresponding increase in equity for the duration of the lockup period. Cumulative expenses for equity-settled transactions reflect at each balance sheet date up to the first possibility of exercise that share of the vesting period already expired and the number of equity instruments which, based on the Group's best estimate, will finally become vested. The amount charged or credited to the income statement reflects the change in cumulative expenses recognised at the beginning and end of the reporting period.

No expenses are recognised for rights to payment which do not become vested.

In accordance with the transitional regulations, application is made of IFRS 2 for all commitments of equity instruments made later than 7 November 2002 and not yet vested as of 1 January 2005.

No account needed to be taken of any dilutive effects from outstanding share options. Pursuant to IAS 33.47, a dilutive effect only arises when the average stock market price of the ordinary shares exceeds the option exercise price during the reporting period. The earnings per share figures stated for previous years have not been retrospectively adjusted to account for changes in the price of ordinary shares.

Leases

Leases are classified as finance leases when the leasing terms mean that virtually all risks and rewards involved in ownership are transferred to the lessee. All other leases are classified as operating leases.

Foreign currency translation

The consolidated financial statements are prepared in euros, which is the Group's functional and reporting currency. Each company within the Group determines its own functional currency and measures the items included in its financial statements using this currency. Foreign currency transactions are initially translated between the functional currency and the foreign currency at the spot rate on the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated to the functional currency at the exchange rate on the balance sheet date. All currency differences are recognised under period earnings. Non-monetary items valued in a foreign currency at historic cost are translated at the rate valid on the transaction date.

At the balance sheet date, the assets and liabilities of foreign subsidiaries and associates whose functional currency is not the euro are translated into euros at the exchange rate on the balance sheet date. Income and expenses are translated using the weighted average exchange rate for the financial year. The translation differences arising upon such translation are recognised as a separate component in equity. Upon the disposal of a foreign business operation, the cumulative amount recognised in equity for this foreign business operation is transferred to the income statement.

Contingent liabilities and assets

<u>Contingent liabilities</u> are not recognised in the financial statements. They are disclosed in the notes, however, unless the possibility of any outflow of economic resources is considered highly unlikely. <u>Contingent assets</u> are not recognised in the financial statements. They are disclosed in the notes, however, when the inflow of economic benefits is considered likely.

Events after the balance sheet

Events after the balance sheet providing additional information about the company's situation as of the balance sheet date ("adjusting events") are accounted for in the financial statements. Non-adjusting events are disclosed in the notes when they are of a material nature.

Business combinations in the 2009 financial year

On the basis of a purchase agreement dated 17 September 2008, Beate Uhse acquired 100 percent of the shares in Global Distributors Netherlands B.V., Global Internet B.V., Global Novelties B.V. and Ladies Night Deutschland B.V (together: the "Playhouse Group") from Global Vastgoed B.V., Tiel, Netherlands.

The purchase price consists of a cash component of Euro 4,000k and of 7,090,000 shares in Beate Uhse AG, worth Euro 4,467k at the time of the transaction, which were issued to the seller within the framework of a capital increase in kind, as well as transaction expenses of Euro 131k.

The purchase agreement was subject to the conditions precedent of approval by the Supervisory Board of Beate Uhse AG and entry of the capital increase in the Commercial Register. The Supervisory Board approved the transaction on 17 February 2009. The capital increase was entered in the Commercial Register on 11 March 2009 and the powers to dispose over the shares were assigned to the seller as of 1 April 2009 (acquisition date).

The fair value of the identifiable assets and liabilities and their respective carrying amounts at the acquired companies as of the acquisition date were as follows:

Euro 000s	Fair value	Carrying Amount
Non-current assets	1,969	222
Current assets	7,844	7,844
ASSETS	9,813	8,066
Non-current liabilities	2,751	2,306
Current liabilities	3,437	3,437
LIABILITIES	6,188	5,743
NET ASSETS	3,625	2,323
Purchase price for acquisition	-8,598	
Goodwill	4,973	

The companies acquired made the following contributions to consolidated sales and net income:

Euro 000s	Sales	Net income for period
Global Distributors Netherlands B.V.	1,276	-900
Global Internet B.V.	955	-148
Global Novelties B.V.	700	-176
Ladies Night Deutschland B.V.	6	-10
Total	**2,937**	**-882**

If the business combination had occurred at the beginning of the 2009 financial year, this would have had the following impact on consolidated sales and consolidated net income:

Euro 000s	Sales	Net income for period
Global Distributors Netherlands B.V.	1,595	-293
Global Internet B.V.	452	26
Global Novelties B.V.	696	8
Ladies Night Deutschland B.V.	0	-5
Total	**2,743**	**-264**

Consolidated sales would then have amounted to Euro 233,437k and consolidated net income to Euro 1,959k.

Business combinations in the 2008 financial year

In the 2008 financial year, Beate Uhse Max AB, Täby, Sweden, acquired 100 percent of the shares in Bestseller Filmdistribution Europa AB, Täby, Sweden, and its wholly-owned subsidiary Bestseller Rättigheter Scandinavia AB. The costs of this acquisition amounted to 4 million Swedish crowns (Euro 423k).

The carrying amounts of the assets and liabilities upon acquisition were as follows:

Bestseller Filmdistribution Europa AB

	Euro 000s
Property, plant and equipment	275
Cash and cash equivalents	19
	294
Liabilities	197
Net balance of assets acquired and liabilities assumed	97

Bestseller Rättigheter Scandinavien AB

	Euro 000s
Property, plant and equipment	56
Inventories	205
Receivables, other assets	394
Cash and cash equivalents	175
	830
Liabilities	440
Net balance of assets acquired and liabilities assumed	390

The carrying amounts of the assets and liabilities were equivalent to their fair values at the time of the business combination. Moreover, no further assets were identified which met IFRS recognition criteria. Accounting for the net balance of assets acquired and liabilities assumed, amounting to Euro 487k, as well as for the investment of Euro 266k in Bestseller Rättigheter included in the property, plant and equipment of Bestseller Europa, and for the purchase price of Euro 423k, the business combination resulted in goodwill amounting to Euro 202k.

Notes on segment reporting

Operating segments

For internal management purposes the Group is organised in business units based on distribution channels and has the following operating segments requiring report:

- **Retail**
- **Mail order**
- **Wholesale**
- **Entertainment**
- **Holding services.**

The **Entertainment** segment comprises online services, such as internet content, e-commerce and telephony, as well as TV/telemedia services.

The activities of the **Holding services** segment principally involve the provision of a group cash pool, the letting of buildings owned by the Group and the provision of head office administration departments.

Transfer prices between operating segments have been determined on the basis of customary market conditions between third parties. Segment income, segment expenses and segment results include transfers between business segments. Such transfers have been eliminated within consolidation.
No operating segments have been combined for the purposes of identifying the operating segments requiring report.

The operating earnings of the business units are monitored separately by the management when reaching decisions as to the allocation of resources and determining the earnings strength of the individual units.

Information about the Group's operating segments for the financial year from 1 January to 31 December 2009 and for the previous year has been presented at the end of these notes. Furthermore, the segment report provides extensive information about geographical segments.

Notes to the consolidated balance sheet

I intangible assets and goodwill

EURO 000s	Industrial property rights	Rights/ licences	Software	Prepayments made for intangible assets	Goodwill	Total
1 January 2009 (including cumulative amortisation)	40	7.753	3.214	3	15.230	26.240
Additions - acquired externally	0	3.870	1.719	0	4.973	10.562
Net disposals	0	-288	-1	0	0	-289
Changes in scope of consolidation	0	62	0	0	0	62
Reclassifications	0	3	0	-3	0	0
Impairment losses	0	0	0	0	0	0
Amortisation during financial year	0	-2.514	-1.254	0	0	-3.768
Write-ups	0	0	0	0	0	0
Effect of changes in exchange rates	0	59	0	0	0	59
31 December 2009	**40**	**8.945**	**3.678**	**0**	**20.203**	**32.866**
1 January 2009 Historic cost (gross carrying amount)	40	20.389	11.740	3	17.855	50.027
Cumulative amortisation and impairment losses	0	-12.636	-8.526	0	-2.625	-23.787
Carrying amount at 1 January 2009	**40**	**7.753**	**3.214**	**3**	**15.230**	**26.240**
31 December 2009 Historic cost (carrying amount)	40	23.386	13.377	0	22.828	59.631
Cumulative amortisation and impairment losses	0	-14.441	-9.699	0	-2.625	-26.765
Carrying amount at 31 December 2009	**40**	**8.945**	**3.678**	**0**	**20.203**	**32.866**

31. Dezember 2008

EURO 000s	Industrial property rights	Rights/ licences	Software	Prepayments made for intangible assets	Goodwill	Total
1 January 2008 (including cumulative amortisation)	40	7.930	2.600	20	14.940	25.530
Additions - acquired externally	0	2.500	1.637	3	528	4.668
Net disposals	0	-300	0	-20	16	-304
Changes in scope of consolidation	0	56	0	0	0	56
Reclassifications	0	54	0	0	0	54
Impairment losses	0	0	0	0	-188	-188
Amortisation during financial year	0	-2.375	-1.023	0	0	-3.398
Write-ups	0	18		0	0	18
Effect of changes in exchange rates	0	-130	0	0	-66	-196
31 December 2008	**40**	**7.753**	**3.214**	**3**	**15.230**	**26.240**
1 January 2008						
Historic cost (gross carrying amount)	40	18.492	11.500	20	17.377	47.429
Cumulative amortisation and impairment losses	0	-10.562	-8.900	0	-2.437	-21.899
Carrying amount at 1 January 2008	**40**	**7.930**	**2.600**	**20**	**14.940**	**25.530**
31 December 2008						
Historic cost (carrying amount)	40	20.389	11.740	3	17.855	50.027
Cumulative amortisation and impairment losses	0	-12.636	-8.526	0	-2.625	-23.787
Carrying amount at 31 December 2008	**40**	**7.753**	**3.214**	**3**	**15.230**	**26.240**

Impairment of goodwill

Goodwill has been assigned to cash generating units ('CGUs') for the purposes of assessing its ongoing value.

The cash generating units in the retail division generally correspond to the individual stores. In addition, the strategic business units of mail order and entertainment also constitute CGUs, as do the Dutch/German wholesale business and other operating companies in the wholesale division.

The recoverable amount of the cash generating units is generally determined based on their value in use. This is calculated using cash flow forecasts based on business plans for a period of three years which have been approved by the company management. The cash flow forecasts for the period after three years assume a stable level of cash flow; no account has been taken of growth rates. The discount rate used for the cash flow forecasts amounts to 7.46 percent (2008: 7.14 percent).

For the cash generating units in the retail division (stores), the net selling price is determined in addition to the value in use. The management estimates the net selling price of the stores on the basis of past experience – generally based on one year's net sales. In deviation to this principle, where the location / market situation only permit the sale of the store to a franchisee, then the net carrying amount of the respective assets is recognised plus discounted franchise income. A net selling price of Euro 0 is stated for stores whose location / market situation is not attractive for third parties and whose rental agreements are to be terminated within the budget period.

The carrying amounts of goodwill assigned to the respective cash generating units are structured as follows:

GOODWILL

Euro 000s	2008	2009
Retail	7,884	7,884
Wholesale:		
- Netherlands / Germany	4,729	9,702
- Beate Uhse Max's AB, Sweden	1,389	1,389
- Lebenslust GmbH, Germany	452	452
Entertainment	534	534
Other	242	242
Total goodwill	**15,230**	**20,203**

Until 31 December 2008, the German wholesale business, consisting of ZBF Zeitschrift Buch und Film Vertriebs GmbH and Pleasure GmbH, represented a separate CGU, as this was the lowest level within the Group on which goodwill was monitored for internal management purposes. Due to the extensive organisational restructuring measures implemented in the 2009 financial year, the German wholesale business is no longer separate from the Dutch wholesale business. For this reason, the goodwill still allocated to the German wholesale business CGU in the previous year (Euro 1,136k) has been reallocated to the Dutch / German wholesale business CGU.

The goodwill newly arising on account of the acquisition in the 2009 financial year of Global Distributors Netherlands B.V., Global Internet B.V., Global Novelties B.V. and Ladies Night Deutschland B.V (Euro 4,973k) was also allocated to the Dutch / German wholesale business CGU, as it is this CGU that will benefit from the synergies generated by the business combination.

Basic assumptions underlying the calculation of the value in use of the cash generating units as of 31 December 2009 and 31 December 2008

The following assumptions used to calculate the value in use of the CGUs involve estimation uncertainties:

- Cash flow forecasts
- Gross margins

The market environment and development potential are assessed and evaluated by the management on a store-by-store basis when compiling the cash flow forecasts for individual retail stores. The budget forecasts in the mail order, wholesale and entertainment divisions are compiled on the basis of growth opportunities in the respective country markets and customer groups.

Gross profit margins will rise as a result of the group-wide pooling of procurement functions and the accessing of new procurement sources. Efficiency enhancements will contribute to a reduction in handling costs.

The following impairment losses were recognised in the operating segments:

EURO 000s	2008	2009
Retail	255	0
of which: goodwill	188	0
plant and office equipment	67	0
Wholesale (goodwill)	0	0
Other	0	0
Total impairment losses	**255**	**0**

Impairment losses of Euro 0k have been recognised under sales-related expenses in the income statement (previous year: Euro 255k).

Sensitivity of the assumptions made

The company's management believes that no potential change – based on reasonable assessment – in any of the aforementioned basic assumptions used to determine the use in value of the cash generating units could lead to the carrying amounts of the cash generating units exceeding their recoverable amounts to any significant extent.

2. Property, plant and equipment

31 DECEMBER 2009

EURO 000s	Land, leasehold rights and buildings	Technical equipment and machinery	Plant and office equipment	Prepayments made and assets under construction	Total
1 January 2009 (including cumulative depreciation)	4,447	161	23,464	139	28,211
Additions - acquired externally	572	0	2,945	121	3,638
Net disposals	0	0	-226	-1	-227
Changes in scope of consolidation	0	0	246	0	246
Reclassifications	4	70	23	-97	0
Write-ups	271	0	115	0	386
Depreciation during financial year	-537	-30	-5,064	0	-5,631
Effect of changes in exchange rates	-17	0	63	0	46
31 December 2009	**4,740**	**201**	**21,566**	**162**	**26,669**
1 January 2009					
Historic cost (gross carrying amount)	10,125	514	73,711	139	84,489
Cumulative depreciation and impairment losses	-5,678	-353	-50,247	0	-56,278
Carrying amount at 1 January 2009	**4,447**	**161**	**23,464**	**139**	**28,211**
31 December 2009					
Historic cost (gross carrying amount)	9,967	583	72,120	161	82,831
Cumulative depreciation and impairment losses	-5,228	-381	-50,553	0	-56,162
Carrying amount at 31 December 2009	**4,739**	**202**	**21,567**	**161**	**26,669**

Write-ups of Euro 386k (previous year: Euro 203k) have been recognised under other operating income in the income statement. The write-ups in the 2009 financial year involved the reversal of impairment losses previously recognised on plant and office equipment at retail stores.

31 DECEMBER 2008

EURO 000s	Land, leasehold rights and buildings	Technical equipment and machinery	Plant and office equipment	Prepayments made and assets under construc-tion	Total
1 January 2008 (including cumulative depreciation and impairment losses)	4.794	124	27.474	415	32.807
Additions	210	0	2.475	185	2.870
Net disposals	76	-10	-405	-18	-357
Changes in scope of consolidation	0	0	58	0	58
Reclassifications	0	86	304	-444	-54
Write-ups	0	0	203	0	203
Impairment losses	0	0	-67	0	-67
Depreciation during financial year	-546	-33	-6.502	0	-7.081
Effect of changes in exchange rates	-87	-6	-76	1	-168
31 December 2008	**4.447**	**161**	**23.464**	**139**	**28.211**
1 January 2008					
Historic cost (gross carrying amount)	9.948	471	74.894	415	85.728
Cumulative depreciation and impairment losses	-5.154	-347	-47.420	0	-52.921
Carrying amount at 1 January 2008	**4.794**	**124**	**27.474**	**415**	**32.807**
31.December 2008					
Historic cost (gross carrying amount)	10.125	514	73.711	139	84.489
Cumulative depreciation and impairment losses	-5.678	-353	-50.247	0	-56.278
Carrying amount at 31 December 2008	**4.447**	**161**	**23.464**	**139**	**28.211**

3. Other non-current financial assets

Euro 000s	2008	2009
Other lendings	1,559	930
Deposits	1,097	1,077
Claims from reinsurance policies	820	753
Miscellaneous	459	423
Total	**3,935**	**3,183**

4. Investments

Euro 000s	2008	2009
Investments in commercial partnerships	765	765
Investments in corporations	24,992	23,974
	25,757	**24,739**

In September 2007, Beate Uhse AG concluded a purchase and purchase rights agreement concerning the investment held by Beate Uhse AG in tmc Content Group AG. This involved Beate Uhse AG selling 2,000,000 shares in tmc Content Group AG at a price of Euro 2.30 per share. Furthermore, Beate Uhse AG granted the buyers the following purchase options with regard to the shares it holds in tmc Content Group AG: (I) a purchase option for 2,300,000 shares at Euro 2.36 per share within a period of 12 months from 23 October 2007, (II) a purchase option for 4,300,000 shares at Euro 2.39 per share within a period of 24 months from 23 October 2007 and (III) a purchase option for 4,400,000 shares within a period of 36 months from 23 October 2007 at Euro 2.69 per share. Such purchase options must be executed in each case within 30 days following receipt of the notification of the intention to exercise them. None of these options had been exercised as of 31 December 2009. The prices for the purchase options set out in (I) and (II) have therefore lapsed. Should any of the three purchase option rights be exercised, then shares may only be acquired at a price of Euro 2.69 per share. With the exception of the shares held in tmc Content Group AG, financial investments in equity instruments have been measured at cost pursuant to IAS 39, as their fair value cannot be reliably determined.

As the market for the shares in tmc Content is not active due to continued low transaction values and since reference to recent transactions is therefore not possible, the fair value has been determined using a valuation survey based on the DCF method. Accordingly, the fair value amounted to Euro 23,830k as of the balance sheet date (previous year: Euro 24,780k). The resultant impairment loss of Euro 1,040k (previous year: Euro 430k) has been charged to income.

Basic assumptions underlying the calculation of the fair value

The following assumptions underlying the fair value calculation involve estimation uncertainties:

- Cash flow forecasts
- Discount rate

Cash flow forecasts

The cash flow forecasts used to calculate the fair value are based on the assumption that sales at tmc Content Group AG will show growth rates of between 10 and 15 percent in subsequent years. This sales growth is derived from the company's current business plans.

Discount rate

The discount rates reflect the management's assessment of the specific risks attributable to the individual cash generating units. The discount rates for the individual cash generating units were derived on the basis of weighted average costs of capital at comparable companies (peer group). The discount rate underlying the valuation amounted to 6.90% as of 31 December 2009 (previous year: 7.15%).

The carrying amount of the shares at the date on which tmc Content Group AG ceased to be an associated company amounted to Euro 25,167k. This amount has been taken as the acquisition cost used in the initial measurement in accordance with IAS 39.

5. Assets available for sale

By agreement dated 16 March 2009, Beate Uhse AG sold its stake in Beate Uhse TV GmbH & Co. KG to tmc Content Group AG. The purchase price amounted to Euro†750k.
As the criteria set out in IFRS 5.6 et seq. were thus met as of 31 December 2008, the shares in Beate Uhse TV GmbH & Co. KG were classified as available for sale as of 31 December 2008 and recognised in a separate item under current assets in the balance sheet.

6. Inventories

Euro 000s	2008	2009
Merchandise	38,845	37,732
Raw materials and supplies	540	793
Goods in transit	511	314
Unfinished products	161	65
Advance payments for inventories	144	753
Total	**40,201**	**39,185**

Write-downs of Euro 4,036k to the lower net sale price were recognised under costs of sales in the 2009 financial year (previous year: Euro 3,962k).

7. Other current financial assets and other assets

Euro 000s	2008	2009
Other lendings	2,865	3,163
Accrued income	1,474	1,364
Suppliers with debit balances	910	1,081
Other receivables	476	558
VAT credits	1,099	350
Deposits	19	210
Miscellaneous	16	177
Total	**6,859**	**6,903**

Of other lendings, an amount of Euro 2,514k involves the remaining purchase price receivable from the sale of a loan granted to tmc Content Group AG.

8. Cash and cash equivalents

Euro 000s	2008	2009
Credit balances at banks	4,624	3,662
Cheques	637	3,308
Cash holdings	351	292
Total	**5,612**	**7,262**

The credit balances at banks pay interest at variable interest rates for credit balances with no notice period. The fair value of cash and cash equivalents corresponds to their carrying amount.

For the purposes of the consolidated cash flow statement, cash and cash equivalents include the liquid funds outlined above.

9. Share capital

The fully paid-in share capital amounts to Euro 78,074,696.00. It is divided into 78,074,696 individual bearer shares with a nominal value of Euro 1.00 each.
The development in the Group's equity is presented in the statement of changes in shareholders' equity.

Shares in circulation

	Shares/Number
Number of ordinary shares	47,323,696
Treasury stock as of 1 January 2008	-281,271
Shares in circulation as of 1 January 2008	47,042,425
Increase in number of ordinary shares due to capital increase on 13 February 2008	23,661,000
Sale of treasury stock in the 2008 financial year	50
Sale of treasury stock in the 2008 financial year	70,703,475
Increase in number of ordinary shares due to capital increase on 1 April 2009	7,090,000
Treasury stock returned in 2009 financial year	-12
Shares in circulation as of 31 December 2009	77,793,463

The capital increase executed in the 2009 financial year relates to the acquisition of 100 percent of the shares in Global Distributors Netherlands B.V., Global Internet B.V., Global Novelties B.V. and Ladies Night Deutschland B.V. as of 1 April 2009. The purchase price consisted of a cash component of Euro†4,000k and 7,090,000 shares in Beate Uhse AG, which were issued to the sellers in the context of a capital increase in kind.

10. Authorised capital

Based on a resolution adopted by the Annual General Meeting on 16 June 2008, the Management Board is authorised until 31 May 2013, subject to approval by the Supervisory Board, to increase the share capital by up to a total of Euro 35,492,348.00 by issuing new shares in return for cash or non-cash contributions on one or several occasions (Authorised Capital).
Following the execution of the capital increase by 7,090,000 shares resolved in February 2009 in connection with the acquisition of the Playhouse Group, the remaining authorised capital amounts to Euro 28,402,348.00.

11. Conditional capital

Conditional Capital I

Conditional capital of Euro 1,000,000 was approved by resolution of the Annual General Meeting on 4 August 2000 and by amendment on 17 June 2002. The conditional capital increase is only to be executed by issuing up to one million new bearer shares with a nominal amount of Euro 1.00 each and with profit entitlement from the beginning of the financial year in which they are issued and only in order to redeem subscription rights granted within the share option plan of Beate Uhse AG. The conditional capital increase is only to be executed to the extent that bearers of option rights issued within 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 option rights and that the option rights are not satisfied by granting treasury stock. As of 31 December 2009, 596,390 option rights of Euro 1.00 each were outstanding.

Conditional Capital 2

On the basis of a resolution adopted by the Annual General Meeting on 20 June 2005, the share capital is conditionally increased by up to Euro 22,661,848 by the issuing of up to 22,661,848 new bearer shares with a nominal value of Euro 1.00 each. The conditional capital increase is only to be executed to the extent that the bearers/creditors of convertible or warrant bonds of Beate Uhse AG or direct or indirect majority shareholdings of Beate Uhse AG pursuant to § 16 (1) and (4) of the German Stock Corporation Act (AktG) to be issued by 20 June 2010 exercise their conversion and option rights or to the extent that the bearers/creditors of convertible bonds of Beate Uhse AG or of direct or indirect majority shareholdings of Beate Uhse AG pursuant to § 16 (1) and (4) of the German Stock Corporation Act (AktG) to be issued by 20 June 2010 who are obliged to convert such bonds actually meet such conversion obligations, to the extent that such conversion and option rights are not satisfied by the granting of treasury stock. The shares are entitled to participate in profits from the beginning of the financial year in which they are issued.

12. Treasury stock at cost of acquisition

Upon the stock market flotation, treasury stock was already acquired on 27 May 1999 for the purpose of sale to business partners and customers on the basis of an authorisation adopted at that time by an Annual General Meeting.
Further treasury stock was acquired in December 2001 and January 2002 for the purpose of acquisitions in full or in part, cross-shareholdings or other steps relating to the company's strategic development.
Pursuant to the resolution adopted by the Annual General Meeting on 20 June 2005, Beate Uhse AG was entitled until 19 December 2007 to acquire treasury stock up to an amount of 10 percent of the company's share capital. Since then, this authorisation to acquire treasury stock has been renewed annually by resolution of the Annual General Meeting, most recently on 16 June 2009.
Holdings of treasury stock have developed as follows:

	Treasury stock Number	Share in share capital in percent	Cost of acquisition Euro 000s
Balance at 1 January 2008	**281,271**	**0.594**	**3,463**
Disposal	50		0
Balance at 31 December 2008	**281,221**	**0.396**	**3,463**
Addition	12		0
Balance at 31 December 2009	**281,233**	**0.360**	**3,463**

13. Capital reserve

Following the execution of the capital increased by 7,090,000 shares at a nominal value of Euro 1.00 each resolved in February 2009 in connection with the Playhouse Group acquisition, the difference between the nominal value and the market price of Euro 0.63 on 1 April 2009 (acquisition date), amounting to Euro -2,623k, was offset against capital reserves.
Furthermore, the capital reserve also includes the carrying amount of obligations to employees of the Beate Uhse Group in connection with share-based payments.

On the basis of the authorisation granted by the Annual General Meeting on 17 June 2002, the members of the Management Board of Beate Uhse AG are offered subscription rights, as are members of the management of associates and the employees of Beate Uhse AG and its associates. Each option right entitles its bearer to acquire one share. The term of the option rights amounts to 7 years from allocation. The option right may be exercised for the first time after a holding period (lockup period) of 2 years following allocation. Following the expiry of the lockup period, the option right may be exercised within a period of 4 weeks following publication of the six-month report and of the annual report (exercise windows). Should option holders not exercise their subscription rights during any particular exercise window, then they may do so in the following exercise windows for a period not exceeding the expiry of the term of the option rights thereby granted. Any option rights not exercised lapse upon their holder leaving the company.

	2008		2009	
		WAEP 1)		WAEP 1)
EUR	Options	Euro	**Options**	Euro
Outstanding at beginning of reporting period	788,744	9.50	787,244	9.50
Granted in reporting period	0	0	0	0
Lapsed in reporting period	-1,500	5.94	-190,854	11.06
Outstanding at end of reporting period	787,244	9.50	596,390	9.00
Exercisable at end of reporting period	787,244	9.50	596,390	9.00

1) weighted average exercise price

The weighted average remaining contractual term for the share options outstanding as of 31 December 2009 amounted to 1.625 years (2008: 2.58 years).

The exercise prices for the options outstanding at the end of the reporting period range from Euro 5.94 to Euro 11.44.

The fair value of the equity-settled share options granted is calculated by simulation upon allocation by means of a programme internally adapted to the agreed strategy (Monte Carlo model). A geometric Brownian process also based on the Black-Scholes model has been assumed for the underlying movements in the share price.

As the lockup period for all options granted expired on 31 December 2008, no expenses were incurred in connection with share-based payments in the 2009 financial year (previous year: Euro 47k). No cash-settled share-based payments have been granted.

The carrying amount of the share-based payments reported in the capital reserve amounted to Euro 792k as of 31 December 2009 (previous year: Euro 792k).

14. Type and purpose of other reserves

Revenue reserves

Revenue reserves contain sums transferred from consolidated net income in previous years.

Balancing item for currency translation

The balancing item for currency translation serves to record differences arising from the translation of the financial statements of foreign subsidiaries and associated companies.

15. Pensions and similar obligations

Defined contribution plans

The employees of the Beate Uhse Group in Germany belong to a state pension plan administered by the federal government. The Beate Uhse Group is required to contribute a certain percentage of its personnel expenses to the pension plan in order to cover the payments of this scheme. The Group's sole obligation in connection with this pension scheme is the payment of the contributions so determined.

Expenses of Euro 1,280k have been recognised in the consolidated income statement in connection with this defined contribution plan (previous year: Euro 1,508k). In line with the allocation of the beneficiaries, these expenses have been recognised under costs of sales, sales-related expenses and administration expenses.

Defined benefit plans

The following tables present the components of the expenses for pension payments recognised in connection with defined benefit plans in the consolidated income statement and the amounts recognised in the consolidated balance sheet for the respective plans.

Pension expenses recognised in the consolidated income statement:

	Beate Uhse AG		ZBF GmbH		Total	
Euro 000s	2008	**2009**	2008	**2009**	2008	**2009**
Current service cost	-4	**-3**	0	**0**	-4	**-3**
Interest expenses	-182	**-187**	-34	**-35**	-216	**-222**
Recognised actuarial gains / losses	0	**0**	50	**41**	50	**41**
	-186	**-190**	**16**	**6**	**-170**	**-184**

Pension expenses are recognised in the consolidated income statement under costs of sales, sales-related expenses and administration expenses in line with their allocation to the employees thereby entitled.

The amount recognised in the balance sheet for defined benefit obligations is structured as follows:

	Beate Uhse AG		ZBF GmbH		Total	
Euro 000s	2008	**2009**	2008	**2009**	2008	**2009**
Present value of defined benefit obligation	3,347	**3,240**	610	**681**	3,957	**3,921**
Unrecognised actuarial gains / losses	168	**222**	102	**26**	270	**248**
Liabilities from defined benefit obligation recognised in balance sheet	3,515	**3,462**	712	**707**	4,227	**4,169**

The amount is presented in the balance sheet as follows:

Euro 000s	2008	2009
Current debt	259	**266**
Non-current debt	3,968	**3,903**
Total	**4,227**	**4,169**

Development in the defined benefit obligations recognised in the balance sheet:

	Beate Uhse AG		ZBF GmbH		Total	
Euro 000s	2008	**2009**	2008	**2009**	2008	**2009**
1 January	3,577	**3,515**	728	**712**	4,305	**4,227**
Current service cost	4	**3**	0	**0**	4	**3**
Interest expenses	182	**186**	34	**36**	216	**222**
Actuarial losses	0	**0**	-50	**-41**	-50	**-41**
Benefits paid	-248	**-242**	0	**0**	-248	**-242**
31 December	**3,515**	**3,462**	**712**	**707**	**4,227**	**4,169**

The basic assumptions underlying the calculation of pension obligations are presented below:

	2008	2009
Interest rate	5.8 percent	**5.4 percent**
Development in salaries and vested claims	2.0 percent	**0.0 percent**
Pension adjustment rate	2.0 percent	**2.0 percent**
Inflation rate	2.0 percent	**2.0 percent**
Personnel turnover	5.0 percent	**5.0 percent**
Retirement age		
Men	63	**62 or 63**
Women	60 or 63	**62 or 63**
ZBF GmbH individual commitments	65	**65**
Invalidity or death	Heubeck-Tafeln 2005G	**Heubeck-Tafeln 2005G**

The amounts for the current and four preceding reporting periods are structured as follows:

Euro 000s	2005	2006	2007	2008	2009
Present value of defined benefit obligation	4,801	4,687	4,108	3,957	**3,921**
Unrecognised actuarial gains / losses	-821	-388	197	270	**248**
Liabilities from defined benefit obligations recognised in balance sheet	3,980	4,299	4,305	4,227	**4,169**

16. Other provisions (non-current)

Euro 000s	1 January 2009	Added	Utilised	Reversed	31 December 2009
Dismantling obligations at retail stores	1,598	45	85	262	1,296
Pending losses on existing agreements	309	9	10	38	270
Part-time early retirement	92	4	1	0	95
Anniversary provision	157	19	0	50	126
Total	**2,156**	**77**	**96**	**350**	**1,787**

17. Other financial debt (non-current)

Euro 000s	2008	2009
Fair value of interest swaps	618	**935**
Call option obligations	100	**0**
Miscellaneous	60	**142**
Total	**778**	**1,077**

18. Other financial debt (current)

Euro 000s	2008	2009
Customer overpayments	4,175	**1,899**
VAT liabilities	2,559	**3,205**
Wages and salaries	2,016	**1,960**
Returned goods	948	**780**
Liabilities to closely related companies	0	**1,377**
Prepayments received	60	**833**
Invoices outstanding	988	**2,729**
Social security contributions	926	**346**
Postage	597	**400**
Payroll and church tax	282	**780**
Compensation	47	**66**
Miscellaneous	1,643	**1,826**
Total	**14,241**	**16,201**

19. Other provisions (current)

Euro 000s	1 January 2009	Added	Utilised	Reversed	31 December 2009
Compensation	801	191	467	215	310
Litigation expenses	124	11	99	12	24
Damages payments	225	0	50	175	0
Film promotion duty	203	12	0	24	191
Indexing of rents	206	97	18	33	252
Part-time early retirement	113	0	51	0	62
Pending losses on existing agreements	130	42	66	0	106
Video tax	922	0	0	37	885
	2,724	**353**	**751**	**496**	**1,830**

20. Loans and security

Euro 000s	2008	2009
Interest-bearing loans		
of which current	810	**29,578**
of which non-current	32,344	**5,144**
Overdraft liabilities	255	**2,025**
	33,409	**36,747**

With the signing of a syndicated loan agreement on 4/5 February 2008 with a bank consortium consisting of HSH Nordbank AG as leader of the consortium, Nord- Ostsee Sparkasse, Deutsche Postbank AG and IKB- Deutsche Industriebank AG, the company's credit requirements were secured by a follow-up financing facility of Euro 42.5 million through to 28 February 2010. This was subsequently extended to 31 May 2010. As of 31 December 2009, an amount of Euro 30.3 million had been drawn down from the credit line, which was reduced from Euro 42.5 million to Euro 40 million in 2009. Of the amount drawn down, Euro 1.5 million involves the utilisation of guarantee facilities.

The total loan amount is subdivided into the following facilities:
- Facility A Euro 24,705,750.00 (as of 31 December 2008: 25,000,000.00)
- Facility B Euro 12,794,250.00 (as of 31 December 2008: 15,000,000.00)
- Facility C Euro 2,500,000.00 (reserve line)

Guarantee facilities are imputed to Facility B. Interest on Facilities A and C

The interest is calculated on the basis of the EURIBOR rate plus an EBITDA-based margin ranging from 1.50% p.a. to 3.30% p.a. As of 31 December 2009, the margin amounted to 2.25% p.a..
As in the previous year, no use was made of the reserve line Facility C in 2009.

Interest rate on Facility B
The reference interest rate is the EONIA call money index, plus a margin of 2.25% p.a.
Provision interest rates are charged for partial loan amounts not drawn down in Facilities B and C.
The syndicated loan facility was granted on the basis of security provided and compliance with various covenants and key financial figures.

Among other components, the security provided for the syndicated loan consists of joint and several liability of major subsidiaries in Germany and abroad, pledges of shares in subsidiaries, pledges of brand / trademark rights and the disclosed pledge of receivables and claims of Beate Uhse AG.

The financial covenants calculated on the basis of rolling group figures at the end of each quarter, and for the first time as of 30 June 2008, stipulate minimum / maximum limits for the EBITDA margin, debt/equity ratio, interest cover and equity ratio.

Alongside the loan liabilities of Beate Uhse AG in connection with the syndicated loan agreement, the Group had the following significant credit obligations as of 31 December 2009:
- Euro 5,908k, of which non-current portion: Euro 5,122 k; loan agreement with monthly repayments agreed between Pabo B.V. and KBC (Nederland) B.V.
- Euro 1,465k; utilisation of Rabobank overdraft facility by Playhouse companies acquired as of 1 April 2009. Reference is made to the information provided in "Events after the balance sheet date" with regard to the follow-up financing agreed to replace the syndicated loan agreement expiring in 2010.

Reference is made to the information provided in "Events after the balance sheet date" with regard to the follow-up financing agreed to replace the syndicated loan agreement expiring in 2010.

21. Objectives and methods of financial risk management

Apart from derivative financial instruments, the principal financial instruments used by the Group comprise bank loans, overdraft facilities, cash, short-term deposits and shares in publicly listed companies. The principal objective of these financial instruments is to finance the business activities of the Group. The Group has various additional financial assets and liabilities directly arising in the course of its business activities, such as trade receivables and payables.

Furthermore, the Group also enters into derivative transactions. In particular, these include interest swaps. These derivative financial instruments are intended in particular to hedge interest rate risks resulting from the business activities of the Group, as well as its sources of financing.
It was and remains the Group's policy not to trade with financial instruments.

The Group's principal risks in connection with financial instruments involve interest-rate-related cash flow risks, liquidity risks, foreign currency risks and default risks. The company management monitors the risks depicted below within the framework of the group-wide risk early identification system.

Interest rate risk

The risk of fluctuations in market interest rates to which the Group is exposed primarily results from current and non-current loan liabilities with floating interest rates.

Overview of interest rate risk

The following table shows the sensitivity of consolidated earnings before taxes to any reasonable hypothetical change in interest rates. The sensitivity results from the implications of such change for loans with floating interest rates, excluding any impact of interest swaps.

EURO 000s	Increase / reduction in base points	Impact on earnings before taxes
2008		
EUR	+100	(425)
EUR	- 100	425
2009		
EUR	+ 100	(303)
EUR	-100	303

Interest swaps

Had the interest rate level as of 31 December 2009 been 100 base points higher, this would have resulted in a negative fair value totalling Euro 415k. This would have led to a write-up of Euro 520k in the 2009 financial year, which would have been recognised through profit or loss.

Had the interest rate level as of 31 December 2009 been 100 base points lower, this would have resulted in a negative market value totalling Euro 1,482k. This would have led to a loss in value of Euro 547k in the 2009 financial year, which would have been recognised through profit or loss.

Foreign currency risk

The Group is exposed to foreign currency risks mainly resulting from the procurement of merchandise in currencies other than its own. As of 31 December 2009, the Group had not hedged any currency risks associated with payment obligations.

The following table shows the sensitivity of consolidated earnings before taxes to any reasonable hypothetical change in exchange rates relevant to the Group's receivables and liabilities.

	Change in foreign currency exchange rate to 1 euro	Impact on earnings before taxes	Impact on shareholders' equity
2008			
USD	+10%	(29)	(21)
	- 10%	35	25
HUF	+ 10%	3	2
	- 10%	(3)	(2)
GBP	+ 10%	97	69
	- 10%	(118)	(84)
Total	**+ 10%**	**71**	**50**
	- 10%	**(86)**	**(61)**
2009			
USD	+10%	119	85
	- 10%	(146)	(104)
HUF	+ 10%	5	3
	- 10%	(6)	(4)
GBP	+ 10%	(70)	(50)
	- 10%	86	61
Total	**+ 10%**	**54**	**38**
	- 10%	**(66)**	**(47)**

Credit and default risk

The Group's default risk primarily relates to trade receivables. The Group checks the creditworthiness of all customers wishing to conclude a credit-based transaction. Moreover, the volumes of receivables are monitored on an ongoing basis.

Maturities of trade receivables

The analysis of trade receivables overdue but not impaired as of 31 December is as follows:

EURO 000s	0 days	< 30 days	< 60 days	> 60 days	Total
31.12.2008	5,265	10,452	3,332	26,644	45,693
Individual allowance	0	0	0	-18,337	-18,337
	5,265	**10,452**	**3,332**	**8,307**	**27,356**
31.12.2009	7,038	12,503	4,203	25,816	49,560
Individual allowance	0	0	0	-15,980	- 15,980
Total	**7,038**	**12,503**	**4,203**	**9,836**	**33,580**

The allowance account developed as follows:

	Individual allowances
Balance at 1.1.2008	21,004
Added	10,537
Utilised	-13,204
Reversed	0
Balance at 31.12.2008	18,337
Balance at 1.1.2009	18,337
Added	7,707
Utilised	-10,064
Reversed	0
Balance at 31.12.2009	**15,980**

In respect of the Group's other financial assets, which include cash and cash equivalents, available-for-sale financial assets and specific derivative financial instruments, the Group is exposed to a maximum default risk corresponding to the carrying amounts of these instruments in the event of any counter-party default.

Loans are generally only granted within the Beate Uhse Group or to closely related persons. One exception involves loans granted for merchandise provision or inventory sales.
Beate Uhse Einzelhandels GmbH has twelve licence partners to which it has granted instalment loans for merchandise provision and inventory takeover. These loans had a volume of Euro 358k as of 31 December 2009.

Beate Uhse Fun Center GmbH has granted a loan to a third party to take over the inventory at a discontinued shop. This loan had a value of Euro 132k as of 31 December 2009.
Beate Uhse AG has provided a guarantee for an unlimited period to Nord- Ostsee Sparkasse in respect of a loan of Euro 4.25 million granted to tmc Content Group AG.

Liquidity risk

The Group's liquidity is safeguarded by means of cash pooling at Beate Uhse AG and by the central cash management performed by the treasury department. All major subsidiaries are included in the cash pool. Central investment and credit management structures ensure that the financial funds (loans/leasing/rent) required to meet all payment obligations are available in good time.

The Group aims to maintain a balance between consistently covering its financing requirements and safeguarding its flexibility.

The following table presents the maturities of the Group's financial liabilities on the basis of contractual, undiscounted repayments.

EURO 000s	Maturing daily	up to 3 months	3 to 12 months	1 to 5 years	more than 5 years	Total
31 December 2009						
Interest-bearing loans						
- Syndicated loan	0	28,724	0	0	0	**28,724**
- Amortisable loans	0	142	712	3,802	1,342	**5,998**
- Interest payments	0	277	253	737	49	**1,316**
- Overdraft facilities	2,025	0	0	0	0	**2,025**
Trade payables	17,002	0	0	0	0	**17,002**
Other financial liabilities	16,201	0	0	142	0	**16,343**
Financial derivatives	0	0	0	642	293	**935**

EURO 000s	Maturing daily	up to 3 months	3 to 12 months	1 to 5 years	more than 5 years	Total
31 December 2008						
Interest-bearing loans						
- Syndicated loan	0	0	0	26,335	0	**26,335**
- Amortisable loans	0	134	676	3,651	2,358	**6,819**
- Interest payments	0	386	1,005	1,162	154	**2,707**
- Overdraft facilities	255	0	0	0	0	**255**
Trade payables	20,176	0	0	0	0	**20,176**
Other financial liabilities	14,241	0	0	160	0	**14,401**
Financial derivatives	0	0	0	471	147	**618**

Market risk

The purchase option for a total of 11 million shares in tmc Content Group AG granted in the 2007 financial year has in principle resulted in a market risk. Beate Uhse AG has undertaken to sell the shares at a price of Euro 2.69 should the purchase option be exercised. Reference is made to the disclosures in Note 4 'Investments'. As Beate Uhse AG holds the shares and is not permitted to sell them for the term of the purchase option, the market risk of the option granted is compensated for by increases in the value of the shares thereby held. The remaining market risk for the shares thereby held is equivalent to their carrying amount of Euro 23,830k.

Capital management

The primary objective of the Group's capital management is to ensure that the Group maintains a high credit rating and solid equity ratio to support its business activities.

The Group manages its capital structure and adjusts this to account for changes in the macroeconomic framework.

Financial liabilities include interest-bearing loans, derivative financial instruments, trade payables and other liabilities, less cash and cash equivalents. Shareholders' equity comprises the equity attributable to shareholders in the parent company and minority interests.

EURO 000s	31.12.2008	31.12.2009
Interest-bearing loans	33.409	36.747
Trade payables	20.176	17.002
Other financial liabilities	15.019	17.278
less cash and cash equivalents	-5.612	-7.262
Net financial liabilities	62.992	63.765
Shareholders equity	94.594	100.845
Total equity and net financial liabilities	**157.586**	**164.610**
Debt/equity ratio	40,0%	38,7%

22. Financial instruments

The table below provides a comparison of the carrying amounts and fair values of the financial instruments of the Group recognised in the balance sheet as of 31 December 2009.

Euro 000s	Carrying amount 31.12.2009	Balance sheet value (IAS 39) Amortised cost	Fair value in equity	Fair value through profit or loss	Fair value 31.12.2009
ASSETS					
Financial assets					
Other non-current financial assets	3,183	3,183			3,183
Investments	24,739	909	23,830[1]		24,739
Trade receivables	33,580	33,580			33,580
Other current financial assets and other assets	6,903	6,903			6,903
LIABILITIES					
Financial liabilities					
Interest-bearing loans (non-current)	5,144	5,144			5,144
Other non-current financial debt	1,077	142		935	1,077
of which interest swaps	935			935	935
Trade payables	17,002	17,002			17,002
Other current financial debt	16,201	16,101		100	16,201
Overdraft liabilities	2,025	2,025			2,025
Interest-bearing loans (current)	29,578	29,578			29,578

[1] The valuation of the shares held in tmc Content Group AG as of 31 December 2009 resulted in impairment losses of Euro 1,040k which were charged to earnings.

The table below provides a comparison of the carrying amounts and fair values of the financial instruments of the Group recognised in the balance sheet as of 31 December 2008.

		Balance sheet value (IAS 39)			
Euro 000s	Carrying amount 31.12.2008	Amortised cost	Fair value in equity	Fair value through profit or loss	Fair value 31.12.2008
ASSETS					
Financial assets					
Other non-current financial assets	3,935	3,935			3,935
Investments	25,757	887	24,870[1]		25,757
Trade receivables	27,356	27,356			27,356
Other current financial assets and other assets	6,859	6,859			6,859
LIABILITIES					
Financial liabilities					
Interest-bearing loans (non-current)	32,344	32,344			32,344
Other non-current financial debt	778	60		718	778
of which interest swaps	618			618	618
Trade payables	20,176	20,176			20,176
Other current financial debt	14,141	14,141		100	14,241
Overdraft liabilities	255	255			255
Interest-bearing loans (current)	810	810			810

The following hierarchy was used to determine the fair value of financial instruments:

Level 1: Fair values based on listed prices on active markets.

Level 2: Fair values determined using valuation techniques in which input factors of key significance for the fair value are based on observable market data.

Level 3: Fair values determined using valuation techniques in which input factors of key significance for the value are not based on observable market data.

The call options granted on 11 million shares in tmc Content Group AG and derivative financial instruments (interest swaps) are valued on Level 2.
The Group's shares in tmc Content Group AG, which are classified as available for sale and measured at fair value, are valued on Level 3.
The fair value of the shares held in tmc Content developed as follows:

	2008	**2009**
FAIR VALUE		
Balance at 1.1.	25,300	**24,870**
Change in fair value / impairment losses	-430	**-1,040**
Balance at 31.12.	24,870	**23,830**

Further details can be found in Note 4.

The impairment losses of Euro 1,040k recorded in the 2009 financial year (previous year: Euro 430k) have been recognised under other operating expenses.

There were no reclassifications between Level 1 and Level 2 fair value measurements and no reclassifications of fair value measurements in or out of Level 3 in the reporting period as of 31 December 2009.

Interest rate risk

The interest rate of financial instruments with floating interest rates is adjusted at intervals of less than one year. The interest rate on financial instruments with fixed interest rates is set until the maturity of the respective financial instrument.

The following table groups the carrying amounts of the Group's financial instruments that are subject to interest rate risks, broken down into their contractual maturities.

FINANCIAL YEAR AS OF 31 DECEMBER 2009

Fixed interest Euro 000s	up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	more than 5 years	**Total**
Amortisable loans	838	870	914	966	1,021	1,342	5,951
Payer swaps	0	0	642	0	0	293	935

Floating interest rate Euro 000s	up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	more than 5 years	**Total**
Cash and short-term deposits	(7,262)	0	0	0	0	0	(7,262)
Syndicated loan	28,724	0	0	0	0	0	28,724
Overdraft facilities	2,025	0	0	0	0	0	2,025
Amortisable loans	16	16	15	0	0	0	47

FINANCIAL YEAR ENDING ON 31 DECEMBER 2008

Fixed interest rate Euro 000s	up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	more than 5 years	**Total**
Amortisable loans	798	838	870	914	966	2,374	6,760
Payer swaps	0	0	0	471	0	147	618

Floating interest rate Euro 000s	up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	more than 5 years	**Total**
Cash and short-term deposits	(5,612)	0	0	0	0	0	(5,612)
Syndicated loan	0	26,335	0	0	0	0	26,335
Overdraft facilities	255	0	0	0	0	0	255
Amortisable loan	12	16	16	15	0	0	59

Financial guarantees

The Group had the following financial guarantees as of 31 December 2009:

Euro 000s				Nominal value
No.	Guarantor	Initial value	2008	2009
1	Beate Uhse AG	5,000	5,000	**4,250**
		5,000	**5,000**	**4,250**

On the basis of a deed of suretyship dated 17 September 2009 (originally 29 December 2006), Beate Uhse AG provided an unlimited accessory guarantee to Nord- Ostsee Sparkasse, Schleswig. The guarantee serves to secure a loan at tmc Content Group AG. The loan amount drawn down by tmc Content Group AG as of 31 December 2009 amounted to Euro 4,250k (previous year: Euro 5,000k). No claims are expected to be made on the company in connection with this guarantee, as tmc Content Group AG has fulfilled its scheduled repayment obligations in line with the relevant contractual arrangements.

Hedge transactions

Cash flow hedges

Ineffective interest swaps

As of 31 December 2009, the Group had seven payer swaps with a total value of Euro 31,146k to secure loan obligations with floating interest rates against any interest rate increases. The fair value of these swaps is as follows:

Euro 23,333k with terms until March/April/June 2012; fair value: Euro -642k

Euro 7,813k with terms until March 2016; fair value: Euro -293k

A write-down of Euro 317k compared with 31 December 2008 was recognised through profit or loss in the 2009 financial year in connection with ineffective interest swaps.

As of 31 December 2008, the Group had eight payer swaps with a total value of Euro 38,878k to secure loan obligations with floating interest rates against any interest rate increases. The fair value of these swaps was as follows:

Euro 29,815k with terms until March/April/June 2012; fair value: Euro -471k

Euro 9,063k with terms until March 2016; fair value: Euro -147k

A write-down of Euro 1,721k compared with 31 December 2007 was recognised through profit or loss in the 2008 financial year in connection with ineffective interest swaps.

Net gains/losses on financial instruments

Euro 000s	31.12.2008	31.12.2009
Loans granted by the company and receivables	-7,309	**-10,537**
Financial instruments available for sale	-430	**-1,040**
Derivative financial instruments	-1,721	**-317**
	-9,460	**-11,894**

23. Lease obligations

Operating leases

The Group has concluded leasing agreements for various items of property, technical equipment and plant and office equipment.
The following principal agreements were in place as of the balance sheet date.

From 1 July 2003, the building at Rondebeltweg 2 in 1329 Almere, Netherlands, was let from Immo Almere B.V., Netherlands, by Scala Agenturen B.V., Netherlands. This building houses the central warehouse of the Group's wholesale division. The letting agreement has a term of 15 years, with a net rent of Euro 950k per annum. Following expiry of the rental period, the letting agreement may be extended by a further 10 years. The rent is indexed on an annual basis starting on 1 July 2004.
The Group's central mail order warehouse in Walsoordenstraat 72, Walsoorden, has been let from Duinweg Investeringmij B.V. since June 2007. The rental agreement began on 15 June 2007 and runs up to and including 14 June 2027. Following expiry of the letting term, there is the option of extending the agreement by a further 5 years. The initial net rent for the property amounts to Euro 1,651k per annum. The rent is indexed on an annual basis, and for the first time on 15 July 2008.

At the balance sheet date, the Group had the following future minimum leasing payment obligations in connection with the aforementioned operating leases:

Euro 000s	2008	2009
Within one year	2,670	**2,742**
Between one and five years	10,679	**10,970**
More than five years	35,128	**33,425**
	48,478	**47,137**

24. Other financial obligations

Other financial obligations (including non-terminable operating lease obligations) were structured as follows as of 31 December 2009:

Euro 000s	2010	2011	2012	2013	2014 and later	Total	Previous year Total
Rental for premises / fittings	17,967	16,278	15,243	14,086	18,800	125,683	134,190
Guarantee fees / interest expenses	25	20	17	14	23	99	130
Licence fees	153	153	153	0	0	459	472
Servicing / cleaning / maintenance	529	262	245	244	12	1,292	1,564
Advisory expenses	156	15	15	15	15	216	705
Miscellaneous	1,709	134	18	15	16	1,892	1,350
Total	**20,991**	**16,862**	**15,691**	**14,374**	**18,866**	**130,093**	**138,411**

As of the balance sheet date, there were claims of Euro 8,818k in connection with non-terminable subletting agreements (previous year: Euro 11,743k).
Payments of Euro 2,690k were recognised in the period under report in connection with subletting agreements (previous year: Euro 1,700k).

25. Contingent liabilities

The Group had the following contingent liabilities:

Euro 000s	2008	2009
Contingent liabilities relating to guarantees	5,000	**4,250**
Total contingent liabilities	**5,000**	**4,250**

NOTES TO THE CONSOLIDATED INCOME STATEMENT

26. Sales

Euro 000s	2008	2009
Merchandise	207,714	**191,248**
Mail order charges	12,372	**11,838**
Online sales	7,903	**7,128**
Value added telephone services	7,623	**7,094**
Cinema	4,545	**3,304**
Video cabins	4,792	**3,043**
Licences	937	**2,351**
Address rental	1,666	**1,114**
Games machines	1,212	**32**
Miscellaneous	4,135	**3,542**
Total	**252,899**	**230,694**

27. Costs of sales

Euro 000s	2008	2009
Goods and material employed	85,707	**80,004**
Personnel	8,937	**8,035**
Depreciation and amortisation	1,977	**2,510**
Third-party services	2,600	**2,112**
Other taxes	698	**321**
Miscellaneous	5,435	**4,311**
Total	**105,354**	**97,293**

28. Other operating income

Euro 000s	2008	2009
Dunning revenues	6,557	**4,630**
Rental income	2,672	**3,732**
Exchange differences	1,780	**917**
Income on sale of non-current assets	82	**74**
Insurance refunds	4,050	**0**
Income from sales of financial assets	625	**0**
Miscellaneous	4,634	**3.534**
Total	**20,400**	**12,887**

29. Sales-related expenses

Euro 000s	2008	2009
Advertising	49,417	**44,234**
Personnel	26,822	**22,196**
Premises	17,192	**16,898**
Non-period and neutral expenses	10,401	**8,280**
Postage	7,444	**7,030**
Freight	6,667	**5,616**
Depreciation and amortisation	4,800	**3,987**
Third-party services	1,230	**1,176**
Travel	1,242	**887**
Miscellaneous	4,406	**3,970**
Total	**129,621**	**114,274**

30. General administration expenses

Euro 000s	2008	2009
Personnel	8,755	**10,657**
Premises	3,431	**3,871**
Legal and advisory expenses	4,130	**3,491**
Depreciation and amortisation	5,128	**2,842**
Costs of money transactions	1,214	**953**
Maintenance, fittings and repairs	689	**848**
Insurances, contributions and fees	671	**627**
Travel	752	**606**
Telephone and communications	543	**559**
Third-party services	434	**497**
Equipment rental	323	**368**
Miscellaneous	3,545	**1,780**
Total	**29,615**	**27,099**

31. Net interest expenses

Euro 000s	2008	2009
Income from tax refunds	307	**76**
Income from lendings	49	**74**
Income from financial derivatives (interest swaps)	7	**24**
Miscellaneous	114	**54**
Financing income	**477**	**228**
Expenses for interest-bearing loans	-2,235	**-2,135**
Expenses for financial derivatives (interest swaps)	-1,720	**-461**
Miscellaneous	-535	**-398**
Financing expenses	**-4,490**	**-2,994**
Net interest expenses	**-4,013**	**-2,766**

The expenses for financial derivatives include a special item of Euro 317k due to the write-down in the payer swaps since 31 December 2008. The prolongation of the financial crisis in 2009 led to a further reduction in base rates, as a result of which the fair values of the derivatives decreased from Euro -618k in 2008 to Euro -935k.

32. Taxes on income

The principal components of income tax expenses for the 2008 and 2009 financial years are structured as follows:

Euro 000s	2008	2009
Consolidated income statement		
Actual taxes on income		
Income tax refunds	-3,472	**-2,334**
Actual income tax expenses	0	**0**
Adjustments to actual income taxes incurred in previous years	3,856	**-1,415**
	293	**-2,475**
Deferred income taxes	385	**466**
Income tax expenses recognised in the consolidated income statement	**778**	**-2,009**

Transition from expected tax expenses to tax expenses recognised

The tax rate applicable in Germany amounts to 28.95 percent and includes German trade tax based on the relevant multipliers and corporate income tax. The applicable tax rate of 25.5 percent in the Netherlands includes income tax.

The transition from the product of the earnings stated in the financial statements and the tax rate applicable to the Group and the income tax expenses for the 2008 and 2009 financial years is structured as follows:

Euro 000s	2008	2009
Earnings before taxes on income	3,064	-69
Expected tax income / expenses (28.95 percent)	**-887**	**20**
Unrecognised tax losses in current year	-859	-1,644
Utilisation of tax loss carryovers	0	1,161
Reversal of deferred tax on loss carryover at ZBF GmbH	0	-548
Tax impact of goodwill amortisation	-54	0
Back-payments of tax for previous years	-2,251	0
Tax refunds for previous years	2,655	2,780
Impact of tax-exempt revenues	347	0
Impact of company expenses not deductible for tax purposes	-14	-57
Deviating tax rates in other countries	-142	-154
Miscellaneous items	427	451
Total transition to group tax result	**109**	**1,989**
Income tax expenses recognised in the consolidated income statement	**-778**	**2,009**

Deferred income taxes were structured as follows at the balance sheet date:

EURO 000s	Consolidated balance sheet 2008	2009	Consolidated income statement 2008	2009
Deferred income tax liabilities				
Write-down of loans to subsidiaries	0	**0**	1,614	**0**
Rights and licences	0	**388**	166	**58**
Loan transaction expenses	178	**47**	-178	**131**
Tenant fixtures	122	**0**	-122	**122**
Miscellaneous	33	**7**	-2	**25**
Deferred income tax liabilities recognised	**333**	**442**	**1,478**	**336**
Deferred income tax assets				
Tax loss carryovers	2.175	**1,627**	0	**-548**
Elimination of intercompany profits	1.036	**773**	-296	**-263**
Measurement of provisions	282	**186**	-600	**-96**
Goodwill from supplementary balance sheets	2.269	**2,019**	-507	**-250**
Measurement of pension obligations	281	**298**	-21	**17**
Catalogue expenses	1.586	**1,216**	-546	**-370**
Fair value measurement of interest swaps	179	**271**	179	**92**
Carrying amounts of plant and office equipment	0	**821**	0	**821**
Miscellaneous	298	**93**	-72	**-205**
Deferred income tax assets recognised	**8.106**	**7,304**	**-1,863**	**-802**
Deferred income tax income / expenses			-385	**-466**

The deferred tax liabilities on rights and licences arising due to the Playhouse purchase price allocation were posted directly in equity.

As of 31 December 2009, the Group had corporate income tax loss carryovers of Euro 33,746k (previous year: Euro 27,506k) and trade tax loss carryovers of Euro 28,413k (previous year: Euro 24,165k) at German group companies for which no deferred tax assets were stated. The loss carryovers are available for offsetting against future taxable income for an indefinite period.
There were no deductible temporary differences in connection with shares in subsidiaries or associates for which no deferred taxes were stated either as of 31 December 2009 or as of 31 December 2008.

33. Personnel expenses

Euro 000s	2008	2009
Wages and salaries	35,804	**33,434**
Statutory social security expenses	6,215	**5,605**
Voluntary social security expenses	64	**38**
Miscellaneous	2,463	**1,934**
Total	**44,546**	**40,920**

Breakdown of personnel expenses into costs of sales items

Euro 000s	2008	2009
Costs of sales	8,937	**8,035**
Sales-related expenses	26,822	**22,196**
General administration expenses	8,755	**10,657**
Other operating expenses	32	**32**
	44,546	**40,920**

Number of employees by segment

Euro 000s	2008	2009
Retail	734	**649**
Mail order	245	**238**
Wholesale	212	**218**
Entertainment	76	**73**
Services	34	**44**
	1,301	**1,222**

34. Breakdown of depreciation and amortisation into cost of sales items

Scheduled depreciation and amortisation

Euro 000s	2008	2009
Costs of sales	1,591	**2,510**
Sales-related expenses	4,701	**3,821**
General administration expenses	3,889	**2,842**
Other operating expenses	59	**59**
	10,240	**9,233**

Extraordinary depreciation and amortisation

Euro 000s	2008	2009
Costs of sales	386	**0**
Sales-related expenses	99	**166**
General administration expenses	1,239	**0**
Other operating expenses	0	**1,040**
	1,724	**1,206**

The extraordinary depreciation and amortisation reported under general administration expenses include write-downs of financial assets amounting to Euro 1,040k (previous year: Euro 1,230k under general administration expenses).

35. Earnings per share

Basic earnings per share are calculated by dividing the earnings attributable to the bearers of ordinary shares in the parent company by the weighted average number of ordinary shares in circulation during the year. Diluted earnings per share are calculated by dividing the earnings attributable to the owners of ordinary shares in the parent company by the weighted average number of ordinary shares in circulation during the year plus the weighted average number of ordinary shares which would be issued as ordinary shares with a corresponding dilutive effect following conversion of all potential ordinary shares.

The following table presents the amounts used to calculate basic and diluted earnings per share.

Earnings

Euro 000s	2008	2009
Basis for basic earnings per share (Period earnings attributable to shareholders in the parent company)	2,210	**1,764**
Basis for diluted earnings per share	2,210	**1,764**

Number of shares

Euro 000s	2008	2009
(thousands)		
Weighted average number of ordinary shares for basic earnings per share (excluding treasury stock)	67,746	**76,021**
Weighted average number of ordinary shares for diluted earnings per share (excluding treasury stock)	67,746	**76,021**

No dilutive effects arose from the issuing of employee share options, as the exercise price of the options significantly exceeded the average stock market price of ordinary shares during the period and there is no expectation that options will be exercised.
When calculating earnings per share, the weighted average number of ordinary shares in the above table was used to calculated both basic and diluted earnings.

36. Dividend

It is to be proposed to the Annual General Meeting that the net loss of Euro 13,009,509.64 reported by Beate Uhse AG in its annual statements prepared in accordance with German commercial law be carried forward.

37. Other disclosures

Publication pursuant to § 21 of the German Securities Trading Act (WpHG)

The company received the following notifications pursuant to § 21 of the German Securities Trading Act (WpHG):

1. Global Vastgoed B.V., 4004 JV Tiel, Netherlands, notified us pursuant to § 21 (1) WpHG on 21 October 2009 (correction of the notifications on 6 April) that its share of the voting rights in Beate Uhse AG, Flensburg, Germany, ISIN: DE0007551400, WKN: 755140 had exceeded the 3% and 5% thresholds of voting rights on 11 March 2009 and on that date amounted to 9.08745% (corresponding to 7,095,000 voting rights).

2. W.J.M. Kroes Holding B.V., Tiel, Netherlands, notified us pursuant to § 21 (1) WpHG on 21 October 2009 (correction of the notifications on 29 May 2009) that its share of the voting rights in Beate Uhse AG, Flensburg, Germany, ISIN: DE0007551400, WKN: 755140 had exceeded the 3% and 5% thresholds of voting rights on 11 March 2009 and on that date amounted to 9.08745% (corresponding to 7,095,000 voting rights). Of these voting rights, 9.08745% (7,095,000 voting rights) are attributable to W.J.M. Kroes Holding B.V. pursuant to § 22 (1) Sentence 1 No. 1 WpHG. The voting rights attributed to this company are held by the following company under its control, whose share of the voting rights in Beate Uhse AG amounts to 3% or more: Global Vastgoed B.V.

3. Th. B. H. Ruzette Holding B.V., Tiel, Netherlands, notified us pursuant to § 21 (1) WpHG on 21 October 2009 (correction of the notifications on 29 May 2009) that its share of the voting rights in Beate Uhse AG, Flensburg, Germany, ISIN: DE0007551400, WKN: 755140 had exceeded the 3% and 5% thresholds of voting rights on 11 March 2009 and on that date amounted to 9.08745% (corresponding to 7,095,000 voting rights). Of these voting rights, 9.08745% (7,095,000 voting rights) are attributable to Th. B. H. Ruzette Holding B.V. pursuant to § 22 (1) Sentence 1 No. 1 WpHG. The voting rights attributed to this company are held by the following company under its control, whose share of the voting rights in Beate Uhse AG amounts to 3% or more: Global Vastgoed B.V.

4. Walter Johannes Maria Kroes, Netherlands, notified us pursuant to § 21 (1) WpHG on 21 October 2009 (correction of the notifications on 21 July 2009) that his share of the voting rights in Beate Uhse AG, Flensburg, Germany, ISIN: DE0007551400, WKN: 755140 had exceeded the 3% and 5% thresholds of voting rights on 11 March 2009 and on that date amounted to 9.08745% (corresponding to 7,095,000 voting rights). Of these voting rights, 9.08745% (7,095,000 voting rights) are attributable to him pursuant to § 22 (1) Sentence 1 No. 1 WpHG. The voting rights attributed to him are held by the following companies under his control, whose share of the voting rights in Beate Uhse AG amounts to 3% or more: Global Vastgoed B.V., W.J.M. Kroes Holding B.V.

5. Theodorus Bernardus Henricus Ruzette, Netherlands, notified us pursuant to § 21 (1) WpHG on 21 October 2009 (correction of the notifications on 21 July 2009) that his share of the voting rights in Beate Uhse AG, Flensburg, Germany, ISIN: DE0007551400, WKN: 755140 had exceeded the 3% and 5% thresholds of voting rights on 11 March 2009 and on that date amounted to 9.08745% (7,095,000 voting rights). Of these voting rights, 9.08745% (7,095,000 voting rights) are attributable to him pursuant to § 22 (1) Sentence 1 No. 1 WpHG. The voting rights attributed to him are held by the following companies under his control, whose share of the voting rights in Beate Uhse AG amounts to 3% or more: Global Vastgoed B.V., Th.B.H. Ruzette Holding B.V.

The company forwarded these notifications to the Federal Financial Supervisory Authority and published them across Europe, and specifically in the Companies Register.

Notifications of existing shareholdings received in previous years:

AMP Art Media Productions GmbH, Flensburg, Germany, notified us pursuant to § 21 (1) WpHG on 7 March 2008 that its share of the voting rights in Beate Uhse AG, Gutenbergstrasse 12, 24941 Flensburg, had fallen short of the 5% threshold and amounted to 4.35% on this date (corresponding to 3,089,891 shares).

Pawel Siarkiewicz, Poland, notified us pursuant to § 21 (1) WpHG on 17 March 2008 that his share of the voting rights in Beate Uhse AG, Flensburg, Germany, ISIN: DE0007551400, WKN: 755140 had exceeded the 3% threshold of voting rights by shares on 14 March 2008 and now amounted to 3.52% (corresponding to 2,500,000 voting rights).

Consipio Holding B.V. Walsoorden, Netherlands, notified us pursuant to § 21 (1) WpHG on 14 March 2008 that its share of the voting rights in Beate Uhse AG, Flensburg, Germany, ISIN: DE0007551400, WKN: 755140 had exceeded the 25% threshold of voting rights on 14 March 2008 and now amounted to 29.88% (corresponding to 21,213,012 voting rights).

Bayerische Hypo- und Vereinsbank Aktiengesellschaft, Munich (now: Uni Credit Bank AG), notified us pursuant to § 21 (1) WpHG on 14 July 2008 that the share of voting rights in Beate Uhse Aktiengesellschaft, Flensburg, held by Bayerische Hypo- und Vereinsbank Aktiengesellschaft, Munich, on 10 July 2008 had exceeded the 3% and 5% thresholds and amounted to 9.8361% (corresponding to 6,982,101 voting rights from ordinary shares).

UniCredit S.p.A., Rome (Italy), notified us pursuant to § 21 (1) and § 22 (1) Sentence 1 No. 1 WpHG on 14 July 2008 that the share of voting rights in Beate Uhse Aktiengesellschaft, Flensburg, held by UniCredit S.p.A., Rome, on 10 July 2008 had exceeded the 3% and 5% thresholds and amounted to 9.8361% (corresponding to 6,982,101 voting rights from ordinary shares). All these voting rights were attributed to UniCredit S.p.A. by Bayerische Hypo- und Vereinsbank Aktiengesellschaft (now: Uni Credit Bank AG), Munich, pursuant to § 22 (1) Sentence 1, No. 1 WpHG.

Rotermund Holding AG, Vaduz (Liechtenstein), notified us pursuant to § 21 (1) WpHG on 16 July 2008 that its share of the voting rights in Beate Uhse AG had fallen short of the 15% and 10% thresholds on 10 July 2008, amounted to 7.43% on this date, and thus that it possessed 5,277,490 shares in Beate Uhse AG.

Reuben Rotermund, Meggen (Switzerland), notified us pursuant to § 21 (1) WpHG on 16 July 2008 that his share of the voting rights in Beate Uhse AG had fallen short of the 15% and 10% thresholds on 10 July 2008, amounted to 7.43% on this date, and thus that 5,277,490 shares in Beate Uhse AG were in his possession. These voting rights attributable to Reuben Rotermund pursuant to § 22 (1) Sentence 1, No. 1 WpHG were held by the following company under his control: Rotermund Holding AG, Vaduz (Liechtenstein).

Edouard A. Stöckli, Switzerland, notified us pursuant to § 21 (1) WpHG on 15 December 2008 that his share of the voting rights in Beate Uhse AG had exceeded the 5% threshold on 15 December 2008 and amounted to 5.396% on this date (corresponding to 3,830,558 votes). 4.35% of the voting rights (corresponding to 3,089,891 votes) were held by AMP Art Media Productions GmbH and attributable to Edouard A. Stöckli pursuant to § 22 (1) Sentence 1, No. 1 WpHG.

As a result of the capital increase executed on 11 March 2009, the percentage shareholdings may have changed accordingly.

Business relationships to closely related persons (IAS 24)

Persons in key positions

Reference is made to the 'Notes on Directors and Officers' in respect of the persons in key positions.

Subsidiaries

A list of all subsidiaries included in the consolidated financial statements can be found in the list of group shareholdings.
Business transactions performed between the company and its subsidiaries, which constitute closely related persons, were eliminated within consolidation and are not outlined in the context of these notes.

Associates

A list of all associates, including their legal domiciles and the shareholdings held, can be found in the list of group shareholdings.
Companies with significant influence on the Group

Reference is made to the 'Disclosures pursuant to § 21 of the German Securities Trading Act (WpHG)' in respect of companies with significant influence on the Group.
The following business transactions require disclosure:

Persons in key positions at the Group

As the son of Ulrich Rotermund, who was Chairman of the Supervisory Board of Beate Uhse AG until 7 January 2009 and retired from the Supervisory Board on 11 February 2009, Reuben Rotermund is a close family relative whose business relationships with the Beate Uhse Group also require report. He is the owner of the real estate in Düsseldorf, Graf Adolf Strasse, in which Beate Uhse Einzelhandels GmbH, Flensburg, operates a retail outlet. Furthermore, Reuben Rotermund is the owner of the building at Gutenbergstr. 13, Flensburg, which is let by Beate Uhse AG. The rental agreements were concluded at customary market conditions. The rent paid in the 2009 financial year amounted to Euro 283k (previous year: Euro 283k). There were no liabilities at the balance sheet date. There were other financial obligations amounting to Euro 91k in connection with the rental agreement as of the balance sheet date.

Immo Almere BV, Walsoorden, Netherlands, is wholly owned 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 rental agreement was concluded at usual market conditions between Immo Almere BV and Scala Agenturen BV, Amsterdam, in respect of a logistics centre in Almere, Netherlands, with effect from 1 July 2003. The rental payments for the 2009 financial year amounted to Euro 1,041k (previous year: Euro 1,019k). There were no liabilities at the balance sheet date. There were other financial obligations amounting to Euro 8,845k in connection with the rental agreement as of the balance sheet date.

Summa Finance BV, Netherlands, is the lessor of 31 retail outlets used by Beate Uhse Retail Holding, BV, Netherlands. All rental agreements were concluded at usual market conditions. The rental payments relating to these agreements amounted to Euro 1,330k in the 2009 financial year (previous year: Euro 1,516k). There were other financial obligations of Euro 11,965k relating to these rental agreements as of the balance sheet date. There were no liabilities as of the balance sheet date.
Summa Finance BV, Netherlands, holds 75 percent of the shares in Mohist B.V., Netherlands. Mohist B.V. charged Beate Uhse B.V., Netherlands, an amount of Euro 185k at customary market rates for the transfer of personnel. There were no liabilities in connection with the transfer of personnel as of the balance sheet date.

Gelmer Westra, a member of the Supervisory Board of Beate Uhse AG since 25 June 2007, is a partner in Crop registeraccountants, a tax advisory and auditing company in the Netherlands. Crop registeraccountants received fees totalling Euro 114k (previous year: Euro 217k) for the provision of tax advisory services to group companies in the 2009 financial year. The fees paid for these services are appropriate and customary for the market. There were no liabilities at the balance sheet date.
Gerard Cok, Chairman of the Supervisory Board since 7 January 2009 and sole shareholder of European Business Consult GmbH, Bereldance, Luxembourg, received consulting fees of Euro 190k (previous year: Euro 190k) via European Business Consult. The compensation paid for these services is appropriate and customary for the market. There were no liabilities as of the balance sheet date. This disclosure has also been made in the notes to the management board compensation paid during the financial year under report.

Consipio Holding BV, Walsoorden, Netherlands, holds a 27.2 percent shareholding in Beate Uhse AG. During the 2009 financial year, Consipio Holding BV paid a sum of Euro 300k to Beate Uhse BV (previous year: Euro 563k) and an amount of Euro 50k to Pabo BV (previous year: Euro 50k) in return for the transfer of personnel. There were no liabilities as of the balance sheet date.
Globa Vastgoed B.V, Tiel, Netherlands, holds a 9.1 percent shareholding in Beate Uhse AG. In connection with periods prior to the acquisition of the Playhouse Group as of 1 April 2009, Global Vastgoed B.V. still had profit claims against individual companies of the Playhouse Group amounting to Euro 3,000k as of 31 December 2009. In the consolidated financial statements, these have been netted against the Playhouse Group companies' receivables from Global Vastgoed B.V. Following netting, there remained a liability of Euro 1,377k as of the balance sheet date, which has been recognised under other financial obligations.

An advisory agreement was concluded between SBC Consulting GmbH, Mönchengladbach, a company of the Supervisory Board member Martin Weigel, and Beate Uhse Einzelhandels GmbH as of 1 December 2008. This agreement was terminated as of 30 June 2009. An amount of Euro 63k was paid for advisory services in the 2009 financial year. The agreed compensation is appropriate and customary for the market. There were no liabilities as of the balance sheet date.

Participating companies

Beate Uhse AG has provided a guarantee for an unlimited period for a loan of Euro 4,250k taken up by tmc Content Group AG at Nord- Ostsee Sparkasse (previously Flensburger Sparkasse).

Notes on Directors and Officers

The Management Board of the company comprises the following individuals:

Otto Christian Lindemann	CFO, Spokesman of the Management Board until 31 March 2009
Serge van der Hooft	COO since 1 January 2008
Johan A. Boddaert	CMO since 1 April 2009

An amount of Euro 60k was paid to Otto Christian Lindemann for his management board activity in the 2009 financial year (previous year: Euro 285k). No provision for performance-related compensation has been recognised for Otto Christian Lindemann for the 2009 financial year (previous year: Euro 0k). Mr. Lindemann received fringe benefits in the form of a company car (value of payment in kind: Euro 3k).

The compensation of Serge van der Hooft for his management board activity amounted to Euro 157k in the 2009 financial year. No performance-related compensation was paid for the 2009 financial year. Mr. van der Hooft received fringe benefits in the form of a company car and the reimbursement of expenses (value of payment in kind: Euro 2.4k).

The compensation of Johan A. Boddaert for his management board activity amounted to Euro 160k in the 2009 financial year. Mr. Boddaert received fringe benefits in the form of a private pension insurance with a value of Euro 7.5k.

There are pension provisions of Euro 1,121k for former directors and officers of Beate Uhse AG (previous year: Euro 938k). The pension payments made to these directors and officers amounted to Euro 97k in the 2009 financial year (previous year: Euro 96k).

The Supervisory Board comprised the following members:

Ulrich Rotermund	Meggen, Switzerland Private investor Chairman of the Supervisory Board until 7 January 2009 Member of the Personnel and Investment Committees retired from the Supervisory Board on 11 February 2009
Gerard Philippus Cok	Knokke-Heist, Belgium Management consultant joined the Supervisory Board on 16 June 2008 Chairman of the Supervisory Board since 7 January 2009 Chairman of the Personnel Committee since 7 January 2009 Member of the Investment Committee since 7 January 2009
Andreas Bartmann	Hamburg Managing Director of Globetrotter Ausrüstung Denart & Lechhart GmbH Member of the Supervisory Board since 12 February 2009
Martin Weigel	Hamburg Chairman of the Management Board of GLC Glücksburg Consulting AG, Hamburg Deputy Chairman of the Supervisory Board since 7 January 2009 Chairman of the Audit Committee Chairman of the Nomination Committee Member of the Investment Committee until 7 January 2009 Member of the Personnel Committee since 7 January 2009
Gelmer Westra	Egmond aan den Hoef, Netherlands Tax advisor at CROP registeraccountants and belastingadviseurs maatschap, Hoofddorp, Netherlands Chairman of the Investment Committee since 17 January 2009 Member of the Audit Committee Member of the Nomination Committee
Monika Wilk	Flensburg Legal advisor at Beate Uhse Einzelhandels GmbH, Flensburg (employee representative) Member of the Personnel Committee until 16 June 2009 Member of the Supervisory Board until 16 June 2009 newly appointed since 13 November 2009

Michael Petersen	Flensburg Chairman of the Works Council of Beate Uhse AG until 10 April 2010 (employee representative) Member of the Investment Committee until 16 June 2009 Member of the Audit Committee until 16 June 2009 Member of the Supervisory Board until 16 June 2009 newly appointed since 13 November 2009

Members of the Supervisory Board also sit on the following other supervisory boards:

Ulrich Rotermund	President of the Administrative Board of tmc Content AG, Baar, Switzerland
Martin Weigel	BHC AG, Liepaja (Member of Supervisory Board) Athena IT-Group A/S, Haderslev (Member of Supervisory Board) ABG AG, Augsburg (Deputy Chairman of Supervisory Board)

Supervisory Board members receive fixed annual compensation of Euro 7.5k. In addition, as a variable component of compensation Supervisory Board members receive dividend-linked compensation amounting to Euro 1k for each cent by which the dividend exceeds 7 cents. The Chairman receives 1.5 times and his Deputy 1.25 times the total compensation of a normal member. Those members of the Supervisory Board who are members of the Audit Committee receive an additional fixed annual amount of Euro 7.5k, with the Chairman receiving Euro 11.25k.

The compensation of the Supervisory Board amounted to Euro 65.8k in the 2009 financial year. No variable component was paid. The Chairman of the Supervisory Board received Euro 11.3k and the Deputy Chairman Euro 20.4k. All other members of the Supervisory Board received a combined total of Euro 34.1k.

Declaration of Conformity pursuant to § 161 of the German Stock Corporation Act (AktG)

The declaration required by § 161 of the German Stock Corporation Act (AktG) was submitted by the Management and Supervisory Boards on 30 December 2009 and made permanently available to shareholders at the company's internet site.

Auditor' fees

Fees totalling Euro 324k were paid to the auditor of Beate Uhse AG, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft , Rothenbaumchaussee 78, Hamburg, for the 2009 financial year. Of this sum, Euro 135k related to the audit of the financial statements, Euro 130k to the audit of the bank reports compiled quarterly and Euro 59k to other advisory expenses.

Events After the Balance Sheet Date

With the signing of the relevant loan agreements, the refinancing of the Beate Uhse Group was successfully concluded in May 2010. The Group's financing is thus secured for the coming years.
Specifically, the following banks have committed funds totalling Euro 40.8 million as follows:

- ING Bank N.V. with a working capital facility and amortisable loan of Euro 25 million
- Deutsche Postbank AG with a working capital facility of Euro 7 million
- Nord-Ostsee Sparkasse with a working capital facility and amortisable loan of Euro 5.3 million
- Investitionsbank Schleswig-Holstein with an amortisable loan of Euro 3.5 million

These new bilateral financing facilities serve to fully redeem the previous consortium banks HSH Nordbank AG and IKB Deutsche Industriebank AG, to partly redeem the previous consortium banks Nord-Ostsee Sparkasse and Deutsche Postbank AG and to fully redeem Rabobank for the overdraft facilities at the Playhouse companies.

The loan agreements have been structured with terms of up to 5 years and require security and compliance with various conditions and covenants customary to the sector.

Among other components, the security consists of the joint and several liability of major subsidiaries in Germany and abroad, land charges, pledges of brand / trademark rights, the assignment of inventories and pledges of receivables.

The financial covenants agreed with German lenders provide for minimum and maximum limits for the EBITDA margin, the dynamic debt/equity ratio, interest cover and equity ratio based on rolling group figures for the first time as of 30 June 2010 and based on rolling figures for the German subgroup for the first time as of 31 March 2011.

The financial covenants agreed with ING Bank N.V. are based on rolling figures at the Dutch subgroup. They provide for minimum and maximum limits for the debt service cover ratio, senior net leverage and the cover ratio of EBITDA and total assets in each case as totals for the parties bearing joint liability as a proportion of the respective overall totals (guarantor cover ratio) for the first time as of 31 March 2010.

Repayments totalling 25.8 million have been agreed for the years 2010 to 2015. Credit lines of 15 million thus remain upon expiry of the financing facilities.

Exemption of certain subsidiaries from auditing and disclosure requirements

The following fully consolidated associated German companies with the legal form of a corporation fulfilled the requirements set out in § 264 (3) of the German Commercial Code (HGB) and have exercised the resultant right of exemption from the duty to prepare, audit and publish annual financial statements in accordance with the requirements applicable to corporations:

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

Flensburg, May 19. 2010

Serge van der Hooft

Johan A. Boddaert

Segment data by business unit

EUR 000s	Retail	Mail Order	Wholesale	Entertain-ment	Holding	Consolida-tion	Group Value
	2008						
Sales	75,537	111,312	76,006	16,509	0	-26,465	252,899
-of which with third parties	73,821	111,247	53,915	13,916	0	0	252,899
-of which with other segments	1,716	65	22,091	2,593	0	-26,465	0
Amortisation of intangible assets	-336	-558	-1,564	-166	-468	0	-3,092
Depreciation of property, plant and equipment	-3,973	-1,410	-1,495	-103	-167	0	-7,148
Exceptional depreciation	-1	0	-493	0	0	0	-494
Amortisation of financial assets	0	0	0	0	-1,230	0	-1,230
Financial result	-1,831	-300	-1,261	160	-762	-19	-4,013
Income from shareholdings in associated companies	0	0	0	0	195	0	195
EBT *	751	5,751	-594	2,739	-5,587	4	3,064
Taxes on income	-570	2,073	-624	-911	-746	0	-778
Net income *	**181**	**7,824**	**-1,218**	**1,828**	**-6,333**	**4**	**2,286**
Assets (incl. Shareholdings)	43,873	38,912	49,250	15,145	201,623	-183,882	164,921
Investments in long-term assets	1,785	1,685	3,234	243	590	0	7,537
Liabilities	35,898	40,976	32,793	6,197	44,430	-82,583	77,711

Segment data by geographic regions 2007 / 2008

EUR 000s	Germany	Netherlands	France	Other European Countries	Consolidation	Group Value
	2008					
Sales	104,039	95,581	43,005	36,739	-26,465	252,899
-of which with third parties	100,811	72,595	43,005	36,488	0	252,899
-of which with other segments	3,228	22,986	0	251	-26,465	0
Amortisation of intangible assets	-472	-2,144	-50	-426	0	-3,092
Depreciation of property, plant and equipment	-3,191	-3,088	-299	-570	0	-7,148
Exceptional depreciation	-494	0	0	0	0	-494
Amortisation of financial assets	-1,230	0	0	0	0	-1,230
Financial result	-3,042	-404	-1	-547	-19	-4,013
Income from shareholdings in associated companies	195	0	0	0	0	195
EBT *	4,815	810	-2,936	371	4	3,064
Taxes on income	-3,384	2,174	991	-559	0	-778
Net income *	**1,431**	**2,984**	**-1,945**	**-188**	**4**	**2,286**
Assets (incl. Shareholdings)	187,761	132,309	6,265	22,468	-183,882	164,921
Investments in long-term assets	1,950	3,638	172	1,777	0	7,537
Liabilities	64,982	66,010	7,164	22,138	-82,583	77,711

*excluding profit and loss transfer agreements

2009						
Retail	Mail Order	Wholesale	Entertain-ment	Holding	Consolida-tion	Group Value
63,506	104,158	71,909	14,491	0	-23,370	230,694
62,809	104,108	51,224	12,553	0	0	230,694
697	50	20,685	1,938	0	-23,370	0
-227	-759	-1,772	-204	-640	0	-3,602
-3,182	-778	-1,413	-110	-148	0	-5,631
0	0	-166	0	0	0	-166
0	0	0	0	-1,040	0	-1,040
-1,412	-284	-1,321	159	93	-1	-2,766
0	0	0	0	0	0	0
-1,178	6,519	-1,294	1,765	-5,881	0	-69
663	-137	-638	-517	2,638	0	2,009
-515	**6,382**	**-1,932**	**1,248**	**-3,243**	**0**	**1,940**
42,909	39,341	60,406	12,934	204,117	-185,320	174,387
2.006	1,777	3,690	537	6,190	0	14,200
33,526	32,616	36,278	3,134	42,850	-69,591	78,813

2009					
Germany	Netherlands	France	Other European Countries	Consolidation	Group Value
85,812	94,025	39,686	34,541	-23,370	230,694
84,146	72,472	39,686	34,390	0	230,694
1,666	21,553	0	151	-23,370	0
-806	-2,441	-50	-305	0	-3,602
-2,513	-2,356	-328	-434	0	-5,631
-166	0	0	0	0	-166
-1,040	0	0	0	0	-1,040
-1.727	-749	-5	-284	-1	-2.766
0	0	0	0	0	0
-5,636	581	2,496	2,490	0	-69
110	2,641	-136	-606	0	2,009
-5,526	**3,222**	**2,360**	**1,884**	**0**	**1,940**
184,457	149,529	4,677	21,044	-185,320	174,387
7,647	5,535	242	776	0	14,200
57.636	68,607	2,670	19,491	-69,591	78,813

List of group sharholdings as of 31 december 2009

Name, registered	Share %	Consoli- dation	Shareholders´ Equity 31.12.2009 EURO 000s	Net income / Net loss 2009 EURO 000s
Beate Uhse Grundstücksgesellschaft bR, Flensburg	100.00	V	0	400 [2)]
Beate Uhse Grundstücksverwaltungsgesellschaft mbH, Flensburg	100.00	V	43	-2
BU Ladies Night GmbH, Flensburg (previously: Ceproma central product management GmbH)	100.00	V	-95	-23
BU production Kft., Börcs (H)	100.00	V	-203	-205
Global Distributors Netherlands BV, Tiel (NL)	100.00	V	1,751	-420
Global Internet BV, Tiel (NL)	100.00	V	2,109	-124
Global Novelties BV, Tiel (NL)	100.00	V	409	182
Ladies Night Deutschland BV, Tiel (NL)	100.00	V	10	-15
Mae B. GmbH, Flensburg	100.00	V	13	42 [3)]
Scala Beteiligungs GmbH, Flensburg, (previously: Wiesbaden)	100.00	V	66	-1
Versandhaus Beate Uhse GmbH, Flensburg	100.00	V	5,345	1,793 [3)]
Beate Uhse Einzelhandels GmbH subgroup				
Beate Uhse Einzelhandels GmbH, Flensburg	100.00	V	2,592	-1,660 [3)]
Beate Uhse Fun Center GmbH, Flensburg	100.00	V	1	226 [4)]
Beate Uhse Italia GmbH, Bozen (I)	96.54	V	133	-8
Erotic Delite AG, Haag (CH)	100.00	V	-468 [1)]	-139
Beate Uhse new medi@ GmbH subgroup				
Arena Online-Service GmbH, Flensburg	100.00	-	101	3
Beate Uhse new medi@ GmbH, Flensburg	100.00	V	7,553	679 [3)]
Beate Uhse New Media AS, Oslo (N)	100.00	V	-66 [1)]	-43
COMVTX Multi Media BV, Rotterdam (NL)	100.00	V	1.381	-50
D.N.I. Dutch Net Info BV, Rotterdam (NL)	100.00	V	324	47
EXITEC GmbH, Flensburg	100.00	V	1,460	1,024 [5)]
M.O.S. Media Online Services BV, Hoorn (NL)	100.00	V	1,956	483

Name, registered	Share %	Consolidation	Shareholders´ Equity 31.12.2009 EURO 000s	Net income / Net loss 2009 EURO 000s
Beate Uhse subgroup				
Beate Uhse BV,Walsoorden (NL)	100.00	V	52,922	3,079
B.U. BVBA, Brüssel (B), (previously: Knokke-Heist (B))	100.00	V	-939	-242 [6)]
The Golden Meteor BV,Walsoorden (NL)	100.00	V	-377	-118
V.U.H.Video Holland BV,Walsoorden (NL)	100.00	V	-397	-118
Beate Uhse Retail Holding BV (via Beate Uhse BV) subgroup				
Adam & Eve SASU,Tourcoing (F)	100.00	V	-31	-68 [7)]
Anvo BVBA, Brüssel (B)	100.00	V	11	-4 [7)]
Beate Uhse France SAS, Champigny sur Marne (F), (previously: Lille (F))	100.00	V	1,060	-282
Beate Uhse Ltd., Birmingham (GB)	100.00	V	-1,047 [1)]	71
Beate Uhse Retail Holding BV,Walsoorden (NL)	100.00	V	3,115	477
Christine le Duc BV,Walsoorden (NL), (previously:Voldendam (NL))	100.00	V	3,456	716
Christine le Duc Franchise BV,Walsoorden (NL)	100.00	V	-42	-41
Gezed BV,Amsterdam (NL)	100.00	V	2,613	-174
Retail Belgie BVBA, Brügge (B)	100.00	V	113	51 [8)]
RT BVBA, Brüssel (B)	100.00	V	-155	27 [8)]
Sandereijn BV,Walsoorden (NL)	100.00	V	2,548	105

Name, registered	Share %	Consolidation	Shareholders´ Equity Euro 000s		Net income / Net loss 2009 Euro 000s	
Gezed Holding BV subgroup (via Beate Uhse BV)						
Adult Video Netherlands Productions BV, Almere (NL) (previously: Beate Uhse Licensing BV)	100.00	V	-1,429		-323	
Both Multimedia & Internet Exploitatie BV, Walsoorden (NL)	100.00	V	49		512	
Daring Media Group SL, Barcelona (E)	100.00	V	-644		-56	
Gezed Holding BV, Amsterdam (NL)	100.00	V	21,482		1,655	
Scala Agenturen BV, Almere (NL)	100.00	V	22,307		1,657	
Scala Agenturen UK Ltd., Birmingham (GB)	100.00	V	421	1)	119	9)
Scala France SARL, Champigny sur Marne (F)	100.00	V	-118		-536	
Beate Uhse Scandinavia AB subgroup (via Gezed Holding BV subgroup)						
Beate Uhse OY, Helsinki (F)	100.00	V	7	1)	0	
Beate Uhse Scandinavia AB, Täby (S)	99.97	V	-1,343	1)	12	
Beate Uhse Sweden AB, Täby (S)	100.00	V	2,591	1)	37	
Bestseller Filmdistribution Europa AB, Täby (S)	100.00	V	66	1)	1	
Bestseller Film OY, Helsingfors (F)	100.00	-	8		0	
Bestseller Rättigheter Scandinavia AB, Täby (S)	100.00	V	93	1)	191	
Pabo Holding BV subgroup (via Beate Uhse BV)						
Adam & Eve Spain BV, Walsoorden (NL)	100.00	V	-45		-100	
Beate Uhse United Kingdom BV, Walsoorden (NL)	100.00	V	-5,138		-802	10)
Calston Industries Inc., Toronto (CND)	38.00	-	272			
Pabo BV, Hulst (NL)	100.00	V	7,999		-2,285	11)
Pabo BVBA, Kieldrecht (B)	100.00	V	1,849		1,442	
Pabo Holding BV, Hulst (NL)	100.00	V	8,395		1,696	
Pabo Ltd., Birmingham (GB)	100.00	V	- 805	1)	-78	
Pabo Services SARL, Tourcoing (F), (previously: Villeneuve-d'Ascq (F))	100.00	V	611		360	
Pabo SASU, Tourcoing (F)	100.00	V	2,750		2,865	
Pabo Versandhandel GmbH, Innsbruck (O)	100.00	V	1,799		487	

Name, registered	Share %	Consoli-dation	Shareholders´ Equity Euro 000s		Net income / Net loss 2009 Euro 000s	
KONDOMERIET AS subgroup						
Beate Uhse AS, Oslo (N)	80.00	V	275		365	
KONDOMERIET AS, Kolbotn (N)	80.00	V	324	1)	708	
Scala Großhandel GmbH & Co. KG sub-group						
Beate Uhse Franchise GmbH & Co. KG, Flensburg (previously: Scala Großhandel GmbH & Co. KG, Wiesbaden)	100.00	V	3,764		-32	
Lebenslust GmbH, Köln	78.91	V	-840		-225	
Pleasure-Verlagsgesellschaft mbH, Wiesbaden	100.00	V	307		-302	12)
ZBF Zeitschrift- Buch- und Film Vertriebs GmbH, Wiesbaden	100.00	V	-963		-1,925	
Other shareholdings						
MJP Medien- Produktions- und Vertriebs GmbH & Co. KG, Eschenburg	60.00	-	239		-65	14)
tmc Content Group AG, Baar (CH)	26.83	E	45,975		-14,809	13)

V = vollkonsolidiert
E = Ausweis und Bewertung gemäß §§ 311, 312 HGB
- = kein Einbezug gemäß § 296 Abs. 2 HGB sowie § 311 Abs. 2 HGB

1) Converted at historic rates
2) 99.5 % of shares held directly by Beate Uhse Aktiengesellschaft and 0.5 % by Beate Uhse Grundstücksverwaltungsgesell. mbH.
3) Annual earnings prior to assumption of earnings by Beate Uhse Aktiengesellschaft
4) Annual earnings prior to assumption of earnings by Beate Uhse Einzelhandels GmbH
5) Annual earnings prior to assumption of earnings by Beate Uhse new medi@ GmbH
6) 50 % of shares held by The Golden Meteor BV and 50 % by V.U.H. Video Holland BV.
7) 99 % of shares held by Sandereijn Belgie BVBA and 1 % by Beate Uhse BV.
8) 99.87 % of shares held by Beate Uhse Retail Holding BV and 0.13 % by Beate Uhse BV.
9) 99.87 % of shares held by Gezed Holding BV and 0.13 % by Beate Uhse France SAS.
10) Disclosures from annual financial statements as of 31.12.2008, denominated in CAD 000s.
11) 99.9 % of shares held by Pabo Holding BV and 0.1 % by Beate Uhse BV.
12) Annual earnings prior to assumption of earnings by Scala Großhandels GmbH & Co. KG
13) Disclosures in CHF 000s
14) Disclosures from annual financial statements as of 31 December 2008. Annual financial statements as of 31 December 2009 not available.

Audit Opinion

We have audited the consolidated financial statements compiled by Beate Uhse Aktienge-sellschaft, Flensburg, consisting of the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in group equity, the consolidated cash flow statement and the notes to the consolidated financial statements, together with the group management report for the financial year from 1 January to 31 December 2009. The preparation of the consolidated financial statements and the group management report in accordance with IFRS as adopted by the EU and the provisions of German commercial law requiring supplementary application pursuant to Section 315a (1) of the German Commercial Code (HGB) is the responsibility of the management board of the company. Our responsibility involves expressing an opinion on the consolidated financial statements and the group management report on the basis of our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the German Commercial Code (HGB), taking due account of the principles governing the proper auditing of financial statements promulgated by the German Institute of Auditors (IDW). These standards require the audit to be planned and executed in such a manner that any inaccuracies and infringements with a material impact on the depiction of the net asset, financial and earnings situation provided by the consolidated financial statements, taking due account of the applicable accounting standards, and by the group management report are identified with reasonable assurance. When determining the audit procedures, account was taken of our knowledge of the business activities and economic and legal environment of the group, as well as of expectations as to any possible misstatements. The effectiveness of the internal accounting controlling system and the evidence supporting the disclosures made in the consolidated financial statements and the group management report were examined within the framework of the audit, principally on the basis of trial samples. The audit includes an assessment of the annual financial statements of the companies included in the consolidated financial statements, the delineation of the scope of consolidation, the accounting and consolidation principles applied and the principal estimates made by the board of management, as well as an appraisal of the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonably secure basis for our opinion.

Our audit did not give rise to any qualifications.

On the basis of the findings of our audit, it is our opinion that the consolidated financial statements comply with the requirements of IFRS as adopted by the EU, as well as with the provisions of German commercial law requiring supplementary application pursuant to Section 315a (1) of the German Commercial Code (HGB), and that they provide a true and fair view of the net asset, financial and earnings situation of the Group, taking due account of the aforementioned requirements. The group management report is consistent with the consolidated financial statements and provides an accurate overall impression of the situation of the group and adequately portrays the opportunities and risks involved in its future development.

Hamburg, May 20, 2010

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Opaschowski	Tuchen
Wirtschaftsprüfer	Wirtschaftsprüfer

Responsibility Statement

Responsibility Statement

We hereby affirm that to the best of our knowledge the consolidated financial statements provide a true and fair picture of the net asset, financial and earnings position of the Group in accordance with the applicable accounting standards and that the business performance, including the business results and the situation of the Group, is depicted in the group management report in a way providing a true and fair picture of actual circumstances, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Flensburg, May 20, 2010

Serge van der Hooft

Johan A. Boddaert

Multi-year summary beate uhse 1999/2009

EUR million		1999	2000	2001	2002
Sales		116.4	163.5	222.8	244.5
EARNINGS PERFORMANCE					
EBITDA		15.4	21.0	21.3	30.2
EBIT		10.1	13.9	10.6	20.3
EBT		10.2	13.0	8.7	17.2
Net income		5.1	9.6	2.2	9.5
FURTHER KEY EARNINGS FIG-URES					
Return on sales after tax	%	4.4	5.9	1.0	3.9
FINANCIAL POSITION AND DIVI-DEND					
Cash flow		-1.5	10.4	12.8	21.4
Cash on hand. cash at bank		14.3	8.2	14.8	13.9
Depreciation		5.3	7.1	10.7	9.9
COMPOSITION OF ASSETS AND EQUITY					
Total assets		145.8	132.0	169.4	169.1
Equity		105.6	63.9	60.3	64.6
Equity ratio	%	72.4	48.4	35.6	38.2
Long-term assets		-	-	-	-
Short-term assets		-	-	-	-
EXPENSES					
Cost of sales		-	-	-	-
Cost of distribution		-	-	-	-
OTHER INFORMATION					
Employees	total	722	905	1,173	1,251
Dividend per share	EUR	0.10	0.14	0.00	0.10
Cash flow per share	EUR	0.24	0.36	0.27	0.41
Share price on 31 Dec	EUR	19.00	14.00	11.98	11.35
Annual high	EUR	28.20	20.03	14.34	12.00
Annual low	EUR	12.52	11.00	8.10	8.65
Shares in circulation (31 Dec.)	total	41,989,768	46,962,988	46,729,692	47,018,072
Market capitalisation total		803.9	577.5	563.7	534.8

2003	2004 (IFRS)	2005 (IFRS)	2006 (IFRS)	2007 (IFRS)	2008 (IFRS)	2009 (IFRS)
265,6	273,1	284,8	270,9	268,0	252,9	**230,7**
31.5	26.8	32.0	24.4	15.7	19.0	13.1
21.5	17.9	22.7	14.8	-4.4	7.1	2.7
19.3	15.6	20.4	12.0	-7.9	3.1	-0.1
9.9	8.7	14.4	10.0	-13.2	2.3	**1.9**
3.7	3.2	5.0	3.7	-4.9	0.9	0.8
20.3	8.6	24.3	16.9	13.4	8.7	13.3
8.3	9.2	6.8	6.4	7.4	5.6	7.3
10.1	9.1	9.5	9.7	20.1	20.1	10.4
181.2	187.2	189.7	222.9	183.4	176.4	183.6
67.8	67.8	83.6	84.5	66.4	94.6	100.8
37.4	36.2	44.1	37.9	36.2	53.6	54.9
-	105.7	111.6	142.3	106.0	92.2	94.8
-	81.6	78.0	80.6	77.4	83.4	88.8
-	110.9	109.1	107.6	116.7	105.4	97.3
-	130.4	142.6	142.4	136.4	129.6	114.3
1,344	1,477	1,523	1,458	1,414	1,301	1,222
0.10	0.00	0.14	0.10	-	-	-
0.43	0.34	0.49	0.43	0.13	0.13	0.15
13.25	10.48	6.10	4.04	1.82	0.59	0.65
13.43	13.02	10.37	6.95	5.80	2.03	0.87
8.90	10.05	5.80	4.00	1.79	0.58	0.42
46,492,614	47,042,201	47,042,292	47,042,381	47,042,425	47,042,475	77,793,475
623.0	495.0	288.7	191.2	85.6	27.8	50.8

Figures & Dates

Financial Calendar

Date	Happening
May 21, 2010	3-Month Report 2010
August 2, 2010	General Annual Meeting
August 13, 2010	6-Month Report 2010
November 12, 2010	9-Month Report 2010
November 22.-24, 2010	Eigenkapitalforum 2010

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