beate uhse

2008

6 to 9

BEATE UHSE AT A GLANCE

EUR 000s		2007	2008	Change %
SALES PERFORMANCE				
Retail		82,695	73,821	-10.7
Mail Order		109,263	111,247	1.8
Wholesale		59,771	53,915	-9.8
Entertainment		16,312	13,916	-14.7
Total sales		268,041	**252,899**	-5.6
International share of sales	%	62.5	61.7	-1.3
EARNINGS PERFORMANCE				
EBITDA		15,668	19,041	21.5
EBIT		-4,439	7,077	-
EBT		-7,895	3,064	-
Net income of ongoing business divisions		-13,161	2,286	-
OTHER EARNINGS INDICATORS				
Return on sales before taxes	%	-2.9	1.2	-
Return on sales after taxes	%	-4.9	0.9	-
Return on equity	%	-19.8	2.4	-
Gross profit margin	%	56.4	58.3	3.4
FINANCIAL POSITION				
Cash flow from operating activities		13,408	8,699	-35.1
Investments		13,925	7,538	-45.9
Depreciation and amortisation		20,106	11,965	-40.5
Dividend paid		4,704	0	-100.0
BALANCE SHEET DATA				
Total assets		184,179	176,441	-4.2
Shareholders' equity		66,367	94,594	42.5
Equity ratio	%	36.0	53.6	48.8
Non-current assets		106,787	92,249	-13.6
Current assets		77,392	83,442	7.8
OTHER DATA				
Employees	total	1,414	1,301	-8.0
Personnel expenses		50,306	44,547	-11.4
Cost of sales		116,735	105,354	-9.7
Sales-related expenses		136,351	129,621	-4.9
SHARES				
Number of shares		47,323,696	70,984,696	50.0
Closing price	EUR	1.82	0.59	-67.6
Annual high	EUR	5.80	2.03	-65.0
Annual low	EUR	1.79	0.58	-67.6
Earnings per share	EUR	-0.29	0.03	-
Cash flow per share	EUR	0.13	0.21	61.5

beate uhse

2008

LETTER TO SHAREHOLDERS

DEAR LADIES AND GENTLEMEN,
DEAR SHAREHOLDERS IN BEATE UHSE AG,

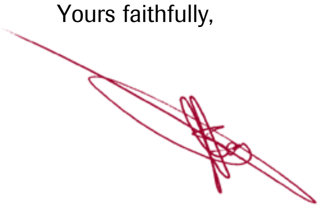
2008 was to be the turnaround year at Beate Uhse. We have achieved the targets we set ourselves – and that in spite of the financial crisis, which took everyone by surprise. With our restructuring programme, we have brought Beate Uhse back on course. Following a loss of Euro 7.9 million in the previous year, we significantly increased our earnings before taxes to Euro 3.1 million, thus meeting our forecast. We are now well-equipped to navigate our ship through the current economic turbulence, a situation which will certainly not fail to leave its mark on our company as well. Having said this, with erotica we have a wonderful product which it will always be possible to sell. Of that I personally am utterly convinced. Especially in times of economic uncertainty, when larger investments and expensive investments tend to be put back, consumers are all the more interested in enjoying life's small pleasures. Erotica is without a shadow of a doubt one such pleasure. We therefore see the crisis as also representing an opportunity – the opportunity to sell our products even better. However, we will do this differently than in the past. By offering our customers an identical shopping experience across all of our distribution channels, we are positioning ourselves as the universal marketplace for erotica.

Erotica has long achieved that degree of social acceptance for which our company founder fought in her lifetime. I personally have great admiration and respect for the outstanding achievements of this extraordinary personality and businesswoman. Building on her inheritance, writing the next chapter in the Beate Uhse story and maintaining the company's success – those are the targets I and Jan Boddaert, my new colleague on the Management Board, have set ourselves. Working together as a team, we will make every effort to ensure that this company prospers. In the awareness that this represents no small request at this time, we ask you, our shareholders, to place your trust in us. It will not be easy to convince the capital markets, but we intend to be judged on the basis of our actions.

We bear responsibility for this as a team – and we would like to thank our superb employees who support us and are equally enthusiastic about our company.

We would like to invite you to spend a day at Beate Uhse, give you an impression of what is going on at our company and the dedication that we bring to the job. To this end, our photo report allows you to experience 15 exemplary hours in our day-to-day work!

Yours faithfully,



Serge van der Hooft
COO and Speaker of the Management Board

6:00

to 6 9
15 hours
Beate Uhse

6:30

7:00

Serge van der Hooft
Speaker of the Management Board and Chief Operating Officer

Jan Boddaert
Chief Marketing Officer

Experience a day at Beate Uhse: Our photo report takes you to exciting locations and gives you a glimpse behind the scenes. Whether in Holland or Hungary, in Germany or other countries, employees at all our locations are united by their sense of commitment and sense of fun in pursuit of our common goal: Beate Uhse's success.

17 October 2008:

Walsoorden, Netherlands
Home to the mail order company and logistics centre. From here, three million packages are sent out to ten countries every day.

Börcs, Hungary
The ISO 9000-certified production plant for Mae B. vibrators – the first to win Technical Inspection Agency (TÜV) certification.

Berlin, Germany
Location of the largest Premium Shop and Germany's only erotica museum, venue for the annual Venus erotica fair.

7:30

8:00

The lights come on early in the morning at the modern logistics centre in Walsoorden, Netherlands. One million items are stored here over an area of 15,000 square metres. They are waiting to be sent to ten countries. Spain, where an online shop was launched in October 2008, was added just recently as the newest country.

In Börcs, a sleepy village of 1,040 inhabitants not far from Györ and about an hour by car from Vienna airport, the world's most advanced and modern vibrators are manufactured – in peaceful coexistence with the Catholic Church.

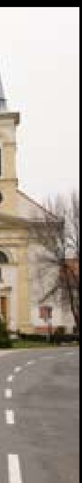
An hour later, and the Beate Uhse store at Berlin's Zoological Garden Station opens its doors. With sales floors of 180 square metres, it is the largest store in Germany. It is also home to the famous Beate Uhse Erotic Museum. In April 2008 the sales floor was converted to a premium erotica store, following the example of the flagship store in Munich.

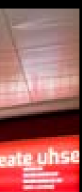
The erotica industry convenes for the 11th time now at Berlin's International Congress Center for a rendezvous – Venus, the best-known trade fair for erotica products and a meeting point for the "who's who" of the sector. Here Scala, Beate Uhse's wholesale division, will be presenting itself. The stand personnel are preparing themselves for the rush of visitors to the fair. The cases are full to the brim with brochures and specimen models.

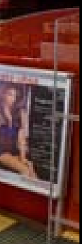
8:30 9:00 9:30

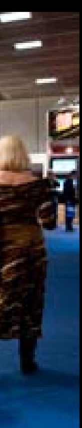
Silicome – an especially high-quality form of silicon specially developed for the Mae B. vibrators. It is so gentle and skin-compatible that it is even used for the most sensitive medical products. Until just before processing, the silicome is stored in barrels and protected from the light.

Then it is poured into a mould: Simply Geisha is one of the catchy product names created to describe the vibrators developed in-house. Even though the Mae B. product range is still quite new, it can already boast 45 models.









10:00

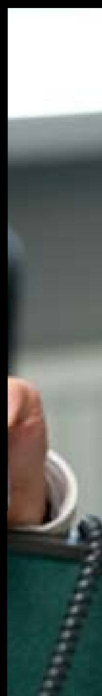
10:30

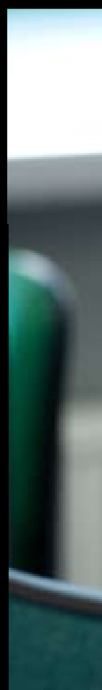
Berlin: selling is fun – well-trained and motivated saleswomen provide competent advice with the necessary sense of tact.

A hands-on test table full of bright sex toys to touch and feel: here, the customer can feel the intensity of the vibrations, the suppleness of the materials and the ergonomic forms.

Sex toys in the limelight of Venus: when it comes to the procurement of sex goods, the Toy Joy collection is among the absolute best-sellers in the market. They are exclusively available at Scala, the wholesale division Beate Uhse Group.

The warehouse is in full swing – warehouse workers take the products from the palettes and “retail packers” put together customers’ packages – two thousand packages are prepared per hour.





11:00

11:30

12:00

At the Dutch call centre, the lines are hot: the ladies manning the customer service lines answer 70,000 calls a year. They always have a sympathetic ear for every question, as well as a friendly and expert answer. It goes without saying that it all remains "our little secret"!

First quality inspection in the Hungarian plant of BU Productions Kft. The casings for the vibrators come out of production. Nothing escapes the critical eye of Heinrich Maria Brüggemann – the designer of the Mae B. toys. Even the tiniest defect is detected. Only when the first production batch is absolutely flawless does he give the go-ahead for the series.

The finished casings are closely examined one more time. Only the flawless silicone casings are approved for further processing.

12:30

The marketing experts at the mail order firm know already in October what will be fashionable in summer; which colours and patterns, which materials and cuts will be trendy. Lingerie is not only the absolute sales hit in mail order…

… it's also at the top of the list of best-selling Beate Uhse products in the stores. It's fun to try on the articles in the elegant changing booths at the premium shops. Here there is no off-putting gaudy neon light. Customers can rather choose their preferred lighting at the push of a button – natural light, sun, candles or suntan – really getting them in the mood to shop.

13:00

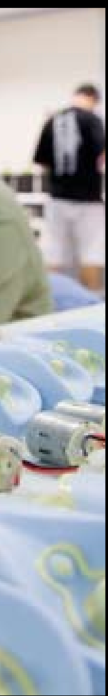
At the Hungarian sex toy production plant, the control panels are ready for assembly with the silicone casings. They are the motors that set the vibrators in motion.

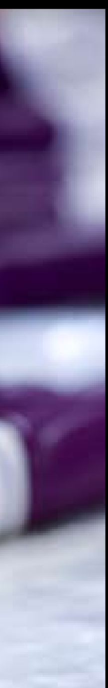
Each individual sex toy is finely and spotlessly cleaned by hand and polished before it is packaged.

13:30 | 14:00 | 14:30

These shoes are made for dancing. There they stand arranged in rows, the shoe collections for next season, waiting for their big entrance. With 23 million copies a year, Europe's top-circulation erotica mail order catalogue even outstrips some fashion magazines.

These high heels have made it into the spotlight at Venus. Seen together with the dancer's feet, they have no difficulty attracting the camera ...





… also in the camera's viewfinder: Serge van der Hooft. The COO and since 1 April Spokesman for the Management Board of Beate Uhse AG makes his television debut. As an expert in the sector, he is in great demand as an interview partner for the media. Here he is in conversation with the editorial team from Spiegel TV for a two-part Venus special.

"We see the new media as harbouring very interesting sales opportunities", van der Hooft tells the press. "Already now, more than a third of all products are ordered online. We market our films via new media such as mobile phones, IPTV, video-on-demand and do this in cooperation with telecommunications companies."

16:00 16:30 17:00

Beate Uhse's film library contains more than 1,500 titles. In particularly great demand: the high-quality film productions on offer under the private label Daring!

The pages for the mail order catalogue are put together on the computer screen. The offerings for the online shops are generated automatically and translated into six European languages: simple, fast and uncomplicated. Modern software makes it possible.

17:30

18:00

Computers and laser devices have taken control in the fully automated logistics centre, navigating the packages to their correct country of destination.

An award for Mae B. - the first sex toy officially awarded Technical Inspection Agency (TÜV) certification.

18:30 19:00 19:30

Customers appreciate the quality – in the shortest possible time, the Mae B. collection has established itself as the best-selling sex toy brand. The new sex toys appeal especially to women and couples.

While the Mae B. vibrators show their best side in the Berlin store…

… the next generation is maturing in Hungary. The freshly glued sex toys are left to harden in a quiet room until they are worked on further the next day. In industry jargon this is called the “maturing period”.

20:00

Since 1996, Germany's only museum for erotica has attracted 5,000 visitors from all over the world every month. The exhibits represent a journey through the history and cultures of the erotic…

... and the top 100 most popular erotica products of today are displayed in the new museum shop – not just to look at, but also to buy.

20:30

Showtime: in Bar 69, attractive entertainment is catered for with a burlesque dance number…

… and at Venus as well, the day is far from over. The show goes on!

That is the end of our report. You have accompanied us for fifteen hours, and actively experienced a day at our Group. This small snapshot is not quite our day-to-day work, but it gives you an idea of how varied and exciting it is to work for and with Beate Uhse.

Every day brings new interesting tasks and challenges… and we are there with a sense of fun, to solve and master them.

CONTENTS

beate uhse
2008

SUPERVISORY BOARD REPORT

DEAR LADIES AND GENTLEMEN,
DEAR SHAREHOLDERS OF BEATE UHSE AG,

The 2008 financial year was severely affected by the difficult situation in the global economy, as well as by turbulence in the erotica sector. These circumstances made it all the more important to act circumspectly and to take the right decisions. At our meetings, we accorded top priority to monitoring the implementation and progress made with the extensive restructuring programme, to reaching personnel decisions concerning Management Board and other management levels and to reviewing the cost situation. The plans for the acquisition of the Playhouse Group were without doubt the most important project which the Supervisory Board discussed in detail with the Management Board in recent months.

2.1 SUPERVISORY DUTIES AND METHODS

During 2008, the Supervisory Board performed all duties required of it by law, the German Corporate Governance Code and the Articles of Association. It monitored the work of the Management Board and the management and reached its decisions having carefully weighed up all relevant opportunities and risks. The Management Board provided the Supervisory Board at its meetings with detailed information concerning all matters relating to the company's budgeting, business performance and risk situation. The Supervisory Board was also in regular contact with the Management Board by telephone and e-mail outside the framework of meetings and was actively involved in all decisions. To the extent required by law and the Articles of Association, the Supervisory Board voted on all matters and draft resolutions proposed by the Management Board. All in all, decisions were taken on five draft resolutions. These mainly related to the public offering of 23,661,000 new shares as of 15 February 2008, the conclusion of a new banking consortium agreement, the sale of the building in Gutenbergstrasse, which was not approved, the sale of shares in Fun Factory and the request from Gerard Cok to allow him to retire from the Management Board.

The Supervisory Board maintained regular contact with the Management Board and jointly discussed the strategy, business performance and risk management of Beate Uhse AG. The Management Board informed the Supervisory Board Chairman immediately of all major business developments, enabling the latter to inform the other members of the Supervisory Board without delay.

2.2 FOCUS AND RANGE OF TOPICS AT FULL SUPERVISORY BOARD MEETINGS

The Supervisory Board held a total of four meetings in the past financial year, on 25 March, on 16 June in connection with the Annual General Meeting in Flensburg, on 8 September and on 8 December 2008. For reasons of ill health, the Chairman of the Supervisory Board, Ulrich Rotermund, was unable to attend any of the meetings. Carlo Floridi was also absent for the same reason from the meeting on 16 June.

The adoption of the 2007 annual financial statements, which were explained in detail by the Management Board and the auditors from Ernst & Young, the quarterly financial statements and the progress made with the restructuring programme were discussed at all meetings of the Board. Discussions focused in particular on the Group's financing by the conclusion of a new syndicated loan agreement and the budget targets for 2009 – 2011, on the basis of which the further positive development of the Group was presented.

The future composition of the Management Board became a topic of deliberation following Gerard Cok's retirement from the Management Board as of 31 May 2008 and subsequent election to the Supervisory Board by the Annual General Meeting on 16 June 2008. Based on mutual agreement, the contract with Otto Christian Lindemann was not extended and will expire as of 31 March 2009. The operating business will continue to be managed by Serge van der Hooft together with Jan Boddaert, who is newly appointed to the Management Board of 1 April 2009. Serge van der Hooft will also take over responsibility for the finance division and assume the function of Spokesman of the Management Board. The Board discussed the "Brand Strategy Process", a paper setting out a new brand architecture compiled and presented by the communications agency Serviceplan. With regard to the implementation and professional development of the central marketing function, a candidate is to be sought who has the competence and experience required for this crucial task for the company's future. The Management Board presented a franchising concept as a potential solution for maintaining the stagnating retail business.

The Management Board presented various alternatives for changing location in Flensburg to pool and accommodate all employees in a single building. The Supervisory Board decided that a removal to a different location could only be considered if the building in Gutenbergstrasse were to be sold.

The Board dealt closely with the new German Accounting Law Reform Act (BilMoG), which was presented in detail by the auditing company Ernst & Young.

At the December meeting, the new version of the Declaration of Conformity with the German Corporate Governance Code was unanimously approved following a detailed explanation provided by the legal advisor and minute taker Florian Sitta.

2.3 COMMITTEE WORK

The Supervisory Board of Beate Uhse AG has formed four committees in which specialist topics are considered and discussed in detail by smaller groups of members. These are the Audit Committee, Personnel Committee, Investment and Budgeting Committee and the Nomination Committee established in 2007. The Audit Committee prepared the Supervisory Board meeting held on 25 March 2008 to approve the financial statements. The Personnel Committee dealt with the future composition of the Management Board and central marketing department.

The Investment Committee discussed the plans to acquire the Playhouse Group, which was approved subject to approval by the banking consortium. The disposal of the Fun Factory shares and the purchase of the Fun Center International in Poland were also on the agenda of the Investment Committee.

2.4 CORPORATE GOVERNANCE

Beate Uhse AG supports the objectives of the German Corporate Governance Code and is committed to high-quality corporate governance. There were no conflicts of interest on the part of individual Supervisory Board members. A list of all positions held by members of Beate Uhse's Supervisory Board can be found in the notes to the financial statements on Page 133.

The company is fully compliant with the recommendations newly included in the German Corporate Governance Code and has also met a further recommendation made by the Code in terms of Management Board compensation. Apart from one point, Beate Uhse now complies with the Code in full.

2.5 AUDIT OF THE ANNUAL FINANCIAL STATEMENTS OF BEATE UHSE AG AND OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 2008 FINANCIAL YEAR

The auditing company Ernst & Young AG was once again appointed by the 2008 Annual General Meeting as auditors (for the 2008 financial year). The auditor provided a written statement outlining the extent of its business and personal dealings with the company. These consist of the engagement to monitor the restructuring programme and the internal audit. The statement provided no grounds for objection. Following its audit, the auditor granted unqualified audit opinions for the financial statements.

All members of the Supervisory Board were provided with the annual and consolidated financial statements, as well as the audit report from Ernst & Young, in good time ahead of the meeting of the Audit Committee and the meeting of the Supervisory Board to approve the financial statements on Monday, 23 March 2009. The financial statements and audit focuses were presented in detail by the auditors. After extensive discussion, the Supervisory Board acknowledged and concurred with the findings of the audit performed by Ernst & Young and, following its own detailed review of the annual financial statements, management report, consolidated financial statements and group management report, endorsed these findings. The annual and consolidated financial statements prepared by the Management Board were approved by the Supervisory Board. The annual financial statements are thus adopted.

It is to be proposed to the Annual General Meeting on 16 June 2009 that the unappropriated net loss of Beate Uhse AG for 2008, amounting to EUR 23,311,871.30 million, be carried forward.

2.6 PERSONNEL MATTERS

At its meeting on 8 September 2008, the Supervisory Board confirmed the expiry of the management contract with Otto Christian Lindemann as of 31 March 2009. Jan Boddaert was appointed as an additional member of the Management Board from 1 April 2009. As CMO, he will press ahead with the multi-channel strategy. Serge van der Hooft, COO, will manage the operating business and will also assume the functions of CFO and Spokesman of the Management Board.

Upon Carlo Floridi's departure from the company, Michael Petersen, Chairman of the Works Council for the past eight years, joined the Supervisory Board as the new employee representative and assumed all of his predecessor's positions.

2.7 THANKS TO THE EMPLOYEES AND MANAGEMENT

The Supervisory Board would like to thank all employees of Beate Uhse AG and all group companies, as well as the Management Board, for their work in the past year. The Supervisory Board very much appreciates their unrelenting efforts in a difficult economic climate, especially in view of the changes brought about by the restructuring programme. Thanks to their commitment and great loyalty to the Group, they make a decisive contribution to implementing its plans and strategies and thus impact positively on the development of the company.

Flensburg, 23 March 2009

Yours faithfully,

Gerard Cok
Chairman of the Supervisory Board

CORPORATE GOVERNANCE REPORT

The Beate Uhse Group accords great value to responsible corporate governance. In the past financial year, the company implemented a further recommendation of the German Corporate Governance Code (Point 4.2.3 Management Board Compensation) and also complied in full with the amendments and new recommendations included in the version of the Code dated June 2008. Apart from one exception, Beate Uhse AG now complies with the Code in full, thus further underlining the importance of corporate governance to the company's management. The Declaration of Conformity was adopted by the Management and Supervisory Boards on 8 December 2008.

3.1 SHAREHOLDERS AND ANNUAL GENERAL MEETING

As in previous years, in the run-up to the Annual General Meeting Beate Uhse AG enabled all of its shareholders and other interested parties to view and download the documents and information of relevance to the meeting at the company's homepage. The countermotions received were also published there without delay. For the first time in many years, the Annual General Meeting on 16 June 2008 was held at the company's domicile in Flensburg. Otto Christian Lindemann, Spokesman of the Management Board, presented the objectives met within the restructuring programme and the new strategy to more than 300 shareholders, bank representatives, journalists and guests. Company COO Serge van der Hooft, who introduced himself to shareholders for the first time, further impressed on the audience the importance of new media for the company's future. The shareholders present represented 37.6 percent of the share capital and approved the seven agenda items put to the vote with large majorities. Following the Annual General Meeting, the company made the presentation given by the Management Board available to the general public in written form on the company's homepage. For reasons of efficiency, the company foregoes the suggestion made by the Code to publish the entire Annual General Meeting on the internet.

3.2 COOPERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

The cooperation of the Management Board and the Supervisory Board is reported in detail in the Supervisory Board Report from Page 18 onwards. As in previous financial years as well, the meetings of the Board may be prepared jointly or separately by the respective shareholder and employee representatives on the Supervisory Board. Meetings of the Supervisory Board may also be held in the absence of the Management Board, a possibility which was drawn on for individual topics in 2008. Beate Uhse thus complies with a suggestion made by the German Corporate Governance Code (Point 3.6).

3.3 MANAGEMENT BOARD

The Management Board compensation system is presented in detail in the Group Management Report on Page 49. This compensation system remained largely unchanged compared with the previous year. The activities of Gerard Cok, a member of the Management Board until 31 May 2008, were compensated with a consulting fee, thus contravening Point 4.2.3 of the German Corporate Governance Code. Gerard Cok's successor as COO, Serge van der Hooft, now receives a salary, which means that this recommendation of the Code has been complied with since the departure of Gerard P. Cok.

As already referred to, the Supervisory Board appointed Serge van der Hooft as a new member of the Management Board and COO as of 1 January 2008. He thus succeeded Gerard P. Cok, who retired from his position following a transitional period as of 31 May 2008. Based on a resolution dated 12 February 2009, the Supervisory Board appointed Jan Boddaert as the new Chief Marketing Officer as of 1 April 2009. Otto Christian Lindemann, who has held the positions of CFO and Spokesman of the Management Board since April 2000, will depart from the Group at his own request upon the expiry of his management contract on 31 March 2009.

There were no changes in the Code of Procedure for the Management Board in 2008. Members of the Management Board are obliged to safeguard the company's interests and may not pursue any personal interests in their decisions. No such conflicts of interest arose among Management Board members in the year under report. No Management Board member held any positions on Supervisory Boards or comparable bodies.

3.4 SUPERVISORY BOARD

As already mentioned, Gerard P. Cok retired from the Management Board as of 31 May 2008 and was elected to the Supervisory Board by the Annual General Meeting on 16 June 2008. He assumes the position held by Michael Papenfuss. Michael Petersen joined the Supervisory Board as employee representative as of 1 July 2008, thus replacing Carlo Floridi, who left the Group as of 30 June 2008. On 7 January 2009, Gerard P. Cok was elected as Chairman of the Supervisory Board to succeed Ulrich Rotermund. Ulrich Rotermund retired from the Supervisory Board at his own request as of 11 February 2009. Andreas Bartmann, Managing Partner of Globetrotter Ausrüstung GmbH, was appointed as a new member of the Supervisory Board until the company's Annual General Meeting on 16 June 2009.

In line with the One-Third Participation Act and the Articles of Association, the Supervisory Board of Beate Uhse AG comprises two employee representatives and four shareholder representatives. Based on its own assessment, the Supervisory Board includes an adequate number of autonomous members. Gerard P. Cok, Chairman of the Supervisory Board since January 2009, is a former Management Board member and at the same time a major shareholder in Beate Uhse AG. Gelmer Westra is a partner at CROP registeraccountants and belastingadviseurs maatschap, a company which receives orders from the Beate Uhse Group to provide tax advice to its Dutch subsidiaries. Ulrich Rotermund, the former Chairman of the Supervisory Board (until 7 January 2009), was simultaneously a major shareholder in the company until January 2008. Neither Martin Weigel nor Andreas Bartmann, who was appointed in February 2009, have any business or personal dealings with the Beate Uhse Group or its Management Board. No conflicts of interest arose among board members in the year under report.

The compensation report for the Supervisory Board is presented in detail together with that of the Management Board in the Group Management Report on Pages 49 and 50. The company only complies to a limited extent with the recommendation made in Point 5.4.6 of the Code that the performance-related compensation of the board should also include components based on the company's performance. The variable compensation of the Supervisory Board is based on the dividend.

The focus of the Board's work and topics addressed at individual meetings are set out in detail in the Supervisory Board Report on Pages 18 to 20. To enhance its own efficiency, the Supervisory Board of Beate Uhse AG complies with all of the Code's recommendations concerning the formation of committees (delegation of specialist topics, chairman of the audit committee, preparations and decisions on behalf of the full Supervisory Board). An overview of the committee memberships of Supervisory Board members can be found on Pages 132 and 133.

The Supervisory Board reviews its efficiency once a year with the assistance of a checklist. This checklist enables the Board to record and assess its activities and their efficiency and, if necessary, to derive any subsequent recommendations for action. As in previous years, this review did not provide any grounds for objections in the 2008 financial year.

3.5 TRANSPARENCY

Beate Uhse AG has always accorded great priority to transparency and communications. The company reports regularly and promptly on the latest developments at the Group. In accordance with the relevant Corporate Governance recommendations, annual and quarterly reports are published within 90 and 45 days respectively. The company homepage at www.beate-uhse.ag contains a wide variety of information about the company. From an extensive financial calendar, via all publications such as annual and quarterly reports, through to ad-hoc announcements and press releases in German and English, the homepage makes all information available to the general public.

Beate Uhse AG published the following voting rights notifications pursuant to Sec. 26 of the German Securities Trading Act in the past financial year:

Date	Content
18.02.2008	DZ Bank AG exceeds 30 % of voting rights on 13.02.2008
21.02.2008	AMP Art Media Productions GmbH exceeds 5 % of voting rights on 31.12.2007
12.03.2008	DZ Bank AG falls short of 3 % of voting rights on 06.03.2008
12.03.2008	ADEF Sarl Finance Consulting exceeds 20 % of voting rights on 06.03.2008
12.03.2008	Edouard A. Stöckli falls short of 5 % of voting rights on 13.02.2008
12.03.2008	AMP Art Media Productions GmbH falls short of 5 % of voting rights on 13.02.2008
13.03.2008	Rotermund Holding AG falls short of 20 % of voting rights on 13.02.2008
13.03.2008	Philipp & Reuben Rotermund GmbH & Co. KG falls short of 3 % of voting rights on 13.02.2008
13.03.2008	Ulrich Rotermund Verw. Ges. mbH falls short of 5 % of voting rights on 13.02.2008
13.03.2008	Rotermund Handels- und Verw. Ges. mbH & Co. KG falls short of 5 % of voting rights on 13.02.2008
20.03.2008	De Feijter Associates SA falls short of 5 % of voting rights on 14.03.2008
20.03.2008	Adriaan M.P. de Feijter falls short of 3 % of voting rights on 14.03.2008
25.03.2008	Pawel Siarkiewicz exceeds 3 % of voting rights on 14.03.2008
25.03.2008	Consipio Holding B.V. exceeds 25 % of voting rights on 14.03.2008
14.04.2008	Reuben Rotermund falls short of 20 % of voting rights on 13.02.2008
14.04.2008	Ulrich Rotermund exceeds 25 % of voting rights on 26.01.2006
14.04.2008	Reuben Rotermund exceeds 25 % of voting rights on 25.01.2008
14.04.2008	Ulrich Rotermund falls short of 3 % of voting rights on 25.01.2008
14.04.2008	Beate Rotermund GmbH falls short of 3 % of voting rights on 13.02.2008
14.04.2008	Beate Rotermund GmbH exceeds 3 % of voting rights on 16.03.2007
21.04.2008	AIG Private Bank Ltd. exceeds 3 % of voting rights on 15.04.2008
23.04.2008	Rotermund Handels- und Verw. Ges. mbH & Co. KG falls short of 3 % of voting rights on 15.04.2008
23.04.2008	Ulrich Rotermund Verw. Ges. mbH falls short of 3 % of voting rights on 15.04.2008
02.05.2008	Northern Pharmaceutical Distr. Serv. GmbH falls short of 3 % of voting rights on 15.04.2008
14.05.2008	De Feijter Associates SA falls short of 3 % of voting rights on 13.05.2008
15.05.2008	American International Group, Inc. exceeds 3 % of voting rights on 15.04.2008
17.07.2008	Bayerische Hypo- und Vereinsbank exceeds 5 % of voting rights on 10.07.2008
17.07.2008	Rotermund Holding AG falls short of 10 % of voting rights on 10.07.2008
13.11.2008	AIG Private Bank Ltd. falls short of 3 % of voting rights on 01.11.2008
16.12.2008	Edouard A. Stöckli exceeds 5 % of voting rights on 15.12.2008
18.12.2008	Summa N.V. corrects voting rights notifications dated 07.11.2000 and 12.04.2002

The following directors' dealings were reported to the company and published by it in 2008:

Name	Function	Date of trade	Trade	No. of shares	Value in EUR
Ulrich Rotermund	Administrative or Supervisory Board	31.01.2008	Sale	15,209	26,714.61
Serge van der Hooft	Management Board	14.03.2008	Purchase	1,740,000	2,001,000.00
Edwin Robers	Authorised Representative Wholesale	14.03.2008	Purchase	25,000	28,750.00
Rene van Noorlos	Management Wholesale	14.03.2008	Purchase	50,000	57,500.00
Romain Boddaert	Authorised Representative Group Wholesale	14.03.2008	Purchase	25,000	28,750.00
Ulrich Rotermund	Administrative or Supervisory Board	15.04.2008	Sale	54,556	65,457.20

3.6 ACCOUNTING AND AUDITING

Since 2005, Beate Uhse AG has published its annual and quarterly reports in accordance with IFRS international accounting standards. Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Hamburg, was elected by the 2008 Annual General Meeting as auditors for the 2008 financial year. The audit assignment was subsequently issued by the Supervisory Board. The Supervisory Board had already informed itself in advance of the auditor's personal and business dealings with the company. These provided no grounds for objection.

3.7 DECLARATION OF CONFORMITY PURSUANT TO SEC. 161 OF THE GERMAN STOCK CORPORATION ACT

The Supervisory Board and Management Board of Beate Uhse AG support the objectives of the German Corporate Governance Code (version dated June 2008) with regard to the promotion of high-quality, trustworthy corporate management based on the interests of the company's shareholders, employees and customers. The corporate policy of the Beate Uhse Group aims to achieve sustainable growth in the value of the company.

Beate Uhse AG supports the recommendations made by the German Corporate Governance Code government commission. Since our previous Declaration of Conformity dated December 2007, the company has fulfilled further recommendations made by the Code. Those recommendations where Beate Uhse AG deviates from the Code have been outlined below.

Flensburg, 8 December 2008

For the Supervisory Board	For the Management Board
Ulrich Rotermund (Chairman of the Supervisory Board)	Otto Christian Lindemann (Spokesman of the Management Board)

I. The following points relate to further recommendations implemented by the company since submitting its Declaration of Conformity in December 2007 and the updates contained in the version of the Code dated June 2008 (compared with the version dated June 2007):

4.2.2 – Management Board compensation system: The Supervisory Board of Beate Uhse AG complies with the amended recommendation made by the Code and resolves and regularly reviews the Management Board compensation system, including the main contract elements.

4.2.3 Paragraph 2 – Management Board compensation: Beate Uhse AG complies with the recommendation made by the Code. The Management Board compensation consists of non-performance-related and performance-related components. Components of a long-term incentive nature have been and continued to be granted to the entire Management Board in the form of share options subject to a lockup period of two years in each case.

4.2.3 Paragraphs 4 and 5 – severance payment cap: Beate Uhse AG meets the new recommendations of the Code, namely that payments, including fringe benefits, made to a Management Board member on premature termination of his contract without serious cause do not exceed the value of two years' compensation and compensate no more than the remaining term of the contract, that the severance payment cap should be calculated on the basis of the total compensation for the past full financial year and, if appropriate, also the expected total compensation for the current financial year and that any commitment to make payments due to the premature termination of Management Board activity due to a change of control should not exceed 150 percent of the severance payment cap.

7.1.2 – Half-year and quarterly financial reports: The Supervisory Board of Beate Uhse AG complies with the new recommendation of the Code and discusses half-year and quarterly financial reports with the Management Board prior to publication.

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

7.1.4 – Publication of list of third-party companies: In the list of shareholdings in its annual financial statements, Beate Uhse AG publishes a list of those shareholdings of major significance for the company. These shareholdings are listed with their company name and headquarters, percentage shareholding and type of consolidation. For reasons of competitor surveillance, the company does not publish the additional information required by the Code (amount of equity, operating result of the past financial year).

THE SHARE

4.1 PERFORMANCE

Stock markets were dominated by the ongoing financial crisis in 2008. Triggered by the US real estate crisis, the financial crisis led to the collapse of the first US banks in the second half of the year. Due to the global integration of financial markets, the crisis ended up reaching the banking sector in Europe. In the second half of the year, the effects of the financial crisis spilled over onto the real economy as well. Notwithstanding the prospect of extensive government rescue packages, economic output slowed dramatically in all major economic regions. This difficult global economic framework created great uncertainty on international financial markets, leading to a loss of confidence among market participants. The results were to be seen in ongoing turbulence on the stock markets, with a marked increase in volatility and substantial declines in share prices in some cases. The DAX lost 40.4 percent of its value year-on-year, closing the year at 4,810.20 points and thus even 46.1 percent down on its level at the beginning of the year. Beate Uhse's share also performed unsatisfactorily in the weak economic environment in 2008. The share lost 69.3 percent of its value, closing the year at EUR 0.59, compared with an opening price of EUR 1.92 at the beginning of the year.

PERFORMANCE OF SHARE PRICE

		2007	**2008**	Change %
Opening price	EUR	4.05	1.92	-52.59
Closing price	EUR	1.82	0.59	-67.58
Annual high	EUR	5.80	2.03	-65.00
Annual low	EUR	1.79	0.58	-67.60
Performance	%	-55.06	-69.27	-

Source: Xetra

4.2 SUCCESSFUL CAPITAL INCREASE WITH SUBSCRIPTION RIGHTS

On 8 February 2008, the Management Board resolved with the approval of the Supervisory Board to execute a capital increase with subscription rights. Following the issue of 23,661,000 new shares, the company's share capital increased to EUR 70,984,696. The new shares were offered to shareholders for subscription at a price of EUR 1.15 in the period from 18 February to 3 March 2008. Consipio BV, an existing shareholder, exercised its subscription rights in full, thus providing a clear sign of confidence in the opportunities offered by Beate Uhse's strategic realignment. The net proceeds, totalling EUR 24.9 million, were used to redeem bank liabilities, thus laying a foundation to press consistently ahead with the Group's strategic realignment.

4.3 EARNINGS PER SHARE

Beate Uhse AG improved its earnings per share (EPS) to EUR 0.03 in the 2008 financial year, as against EPS of EUR -0.29 in the previous year, which was influenced to a significant extent by the restructuring programme. Earnings per share have been calculated pursuant to IAS 33 on the basis of 67,745,738 shares in the 2008 financial year, compared with a basis of 47,042,337 shares in 2007. No dilution effects arose due to options being exercised in the year under report.

EARNINGS PER SHARE

		2007	**2008**
Net earnings for period	EUR million	-13,843	2,210
Number of shares (basic)		47,042,337	67,745,738
Number of shares (diluted)		47,042,337	67,745,738
Earnings per share (basic)	EUR	-0.29	0.03
Earnings per share (diluted)	EUR	-0.29	0.03

KEY SHARE DATA

		2007	**2008**	Change %
EPS		-0.29	0.03	-
P/E ratio		-	18.1	-
Cash flow per share		13.8	2.8	-79.7
Quote/sales		0.3	0.2	-46.7
Quote/EBITDA		5.5	2.1	-61.8
Quote/book value		1.7	0.5	-68.8
Book value per share	EUR	1.1	1.2	9.1
Share capital	No. of shares	47,323,696	70,984,696	50.0
Market capitalisation	EUR	86	42	-51.3
Market capitalisation of free float	EUR	41	20	-52.0
Average sales/day	No. of shares	53,267	44,115	-17.2

Source: Xetra

4.4 DIVIDEND

Beate Uhse AG regularly enables its shareholders to participate in the company's performance in the form of a dividend. Due to the restructuring measures and the strategic realignment, however, no dividend is to be distributed this year.

DIVIDEND DISTRIBUTION 1999 / 2008

		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008*
Dividend per share	EUR	0.10	0.14	./.	0.10	0.10	./.	0.14	0.10	./.	./.
Total dividend	EUR million	4.20	6.23	./.	4.70	4.60	./.	6.60	4.70	./.	./.
Dividend payment	Date	5.8.00	26.6.01	./.	24.6.03	22.6.04	./.	20.6.06	26.6.07	./.	./.

* proposed appropriation of net earnings

4.5 CORPORATE COMMUNICATIONS

At Beate Uhse, corporate communications means reporting extensively, promptly and as objectively as possible on the strategy and all events of relevance to the Group. Top priority is accorded to maintaining regular and open dialogue with all capital market players. The Management Board presented the company and its strategy for the future to a large number of institutional investors and analysts at the DVFA Small Cap Conference on 26 August 2008 and at the German Equity Forum (Deutsches Eigenkapitalforum) on 10 November 2008. Not only that, the Management Board was also available to answer investors' questions about the company's position in numerous one-to-one meetings. Extensive information about Beate Uhse and its share is available to private investors and interested members of the general public at the company's homepage at www.beate-uhse.ag. All important information is published here without delay, ranging from the annual and quarterly reports to current press releases and ad-hoc announcements. It goes without saying that the corporate communications team is also available to answer any additional questions which may arise. The highlight of the company's communications activities in 2008 once again was the Annual General Meeting, at which the Management Board entered into direct dialogue with shareholders. More than 300 shareholders, guests and media representatives travelled to Flensburg, informed themselves about the company's programme and strategy for the future, and had the opportunity of seeing the target groups of the future in a live performance.

BASIC DATA

Marketplaces	FSE, all German stock exchanges
Segment	Prime Standard
ISIN	DE0007551400
Stock market ticker	USE

4.6 SHAREHOLDER STRUCTURE

The past year witnessed some changes in the shareholder structure of Beate Uhse AG. Alongside the capital increase, these were due to the disposal of part of the stake held by Rotermund Holding AG to Bayerische Hypo- und Vereinsbank AG. Consipio Holding BV increased its stake significantly to 29.9 percent in the course of the capital increase. Hypo- und Vereinsbank AG held a 9.8 percent stake in Beate Uhse AG at the end of the year. Moreover, Rotermund Holding holds a 7.4 percent stake, while Edouard A. Stöckli owns a total of 5.4 percent of Beate Uhse's shares. The free float therefore amounts to 47.1 percent.

GROUP MANAGEMENT REPORT 2008

5.1 BUSINESS FRAMEWORK

Group structure

Beate Uhse Aktiengesellschaft is the parent company of the Beate Uhse Group. The company, which has its legal domicile in Flensburg, has been publicly listed since 1999. The Group includes a total of 69 subsidiaries and shareholdings. Alongside the company headquarters in Flensburg, the Group also has major locations in Almere and Walsoorden in the Netherlands with their respective logistics centres. Beate Uhse AG acts as the holding company. In the 2008 financial year, the Beate Uhse Group restructured its organisation away from its previous focus on distribution channels towards a customer-oriented, market-driven organisation. The marketing, procurement and merchandising functions, as well as logistics and IT, which until now were based within the individual profit centres, are now structured on a group-wide level. This ensures that the Group has independent, superordinate control over the business divisions. The elimination of duplications allows a capable team to react quickly and decisively both to the external needs of the market and to internal requirements at the divisions. In this way, an important foundation has been laid for implementing the multi-channel structure and unifying external communications across all distribution channels. At the central distribution board, the marketing department and the operative business units take joint decisions concerning cross-marketing programmes. In parallel, the administrative functions of controlling, treasury, financial accounting, legal affairs, personnel and corporate communications have been pooled at the holding company in the interests of greater efficiency.

On 17 February 2009 Beate Uhse announced its takeover of the Playhouse Group, based in Tiel/Netherlands. Playhouse is one of Europe' leading producers and B2B providers of erotic films, sex toys, lingerie collections and wellness products and sells these under private labels and licences. The acquisition is of especially great strategic significance for the Beate Uhse Group, as it opens up new marketing potential, especially via promising new media channels, and will allow the two companies to exploit significant synergies.

Operating activities

The Group operates with its Beate Uhse, Pabo, Christine le Duc, Adam & Eve and Kondomeriet brands in four different segments: retail, mail order, wholesale and entertainment. The retail division is present in eleven European countries. The division operated 279 stores in total at the reporting date, of which 142 were under proprietary management and 137 were managed by licensees. Mail order is the oldest and largest division in terms of sales at the Beate Uhse Group. It is based both on the traditional catalogue business and increasingly on online shops as well. Whereas the retail and mail order divisions focus on business with end customers, the wholesale division operates in the B2B sector. With the companies Scala Agenturen B.V. and ZBF GmbH, Beate Uhse wholesale is one of the leading wholesalers in the erotica market. The entertainment division concentrates on marketing films directly to customers via various internet portals and club offerings. The best-known internet domain is www.beate-uhse.com.
Beate Uhse is the only provider in the erotica business to cover the whole supply chain from production to distribution to end customers and wholesale consumers. Via its various distribu-

tion channels, the company sells more than 20,000 erotica articles in the product groups of toys, lingerie, wellness and personal care, DVDs, preparations, condoms, books, magazines and, since recently, also home accessories. The new media, which are used to distribute erotic films directly from the company's own internet platforms, as well as via licensing partners such as telecommunications companies, are increasingly gaining in significance.
With the acquisition of the Playhouse Group, Beate Uhse has gained an additional attractive distribution channel – the Ladys Night home parties, which are already well established in the Netherlands and will be expanded to Germany in 2009.

Beate Uhse currently has operations in 16 countries across Europe; Spain is the newest market, with an online shop that opened in 2008. Its most important sales markets are still Germany (38.2 percent), the Netherlands (17.6 percent) and France (18.0 percent). Due to the pleasing development of the mail order segment in the German market, which remains the Group's largest and most important market, the international share of sales dropped slightly to 61.7 percent in the year under report (2007: 62.5 percent). Beate Uhse is the European market leader in the trading of erotica products via retail and mail order. In wholesale, Beate Uhse is the global market leader, with exports to more than 50 countries.

Strategy

Beate Uhse bases its strategy on the company's vision: we want to be **the** universal provider of erotica and sex products for the whole world. Erotica is a very interesting product, which offers good sales opportunities as social acceptance grows. However, the offerings and the form they take must be tailored to new target groups and trends. Beate Uhse has recognised this and has changed course in good time with a comprehensive restructuring programme. The cornerstones of Beate Uhse's strategy are:

Beate Uhse will become the universal marketplace for erotica

With its four distribution channels, Beate Uhse is more broadly positioned than any other erotica company in the world. With the introduction of home parties, a new distribution channel will be established. In this way, Beate Uhse has positioned itself in strategic terms as a universal marketplace for erotica. Especially good prospects for the future are seen in the new media and their integration with the online mail order business. Particular attention is being paid to promoting the entertainment division by using all new channels for marketing films. These include IPTV, handheld, mobile phones, video on demand or streaming, such as the already well-established platform MovieOn, which can be accessed in several languages. Great focus is placed on marketing licences to proprietary films in worldwide cooperation with telecommunications companies. This activity was successfully launched under the management of Beate Uhse Licensing B.V., a subsidiary founded in 2008.

Beate Uhse – a major business personality and a strong brand

Beate Uhse the name is closely linked with Beate Uhse the person. She was one of Germany's outstanding business personalities. With unerring commitment, she not only built up a company and a brand, but also campaigned for the acceptance of sex and erotica in society. Today, Beate Uhse is one of Germany's 50 best-known and valuable brands. Sex and erotica are far less of a taboo than in the past. Writing the next chapter of this story and maintaining the company's success: that is the credo to which employees, management staff and the Management Board have committed themselves.

Logistics centres – foundation for growth

In Almere and Walsoorden in the Netherlands the Group has two state-of-the-art logistics centres equipped to meet the challenges of the future. Deliveries to wholesale customers and the company's own shops are made from Almere, while Walsoorden supplies end customers – quickly, efficiently and punctually. Capacity volumes have been planned with further growth in mind.

Multi-channel – uniform customer communications across all distribution channels

All distribution channels and product lines are being standardised and consistently focused on the needs of the customers of tomorrow. Customers have the same shopping experience – aimed at enhancing their sex lives and thus their joie-de-vivre, regardless of where they shop – via the catalogue, an online shop, an erotica store or at one of the newly introduced home parties. The product range is being harmonised and enhanced with high-quality product lines offered under private labels. These include the successful launch of Mae B., a line of sex toys developed in-house, and the Daring! film series, both produced by the company itself. The product range is being extended to include wellness products and accessories for the home to further exploit the topic of erotica across all distribution channels. The store network is based on two concepts: Premium Shops at top-notch inner-city locations, which are aimed at couples and women, and Fun Centers on motorways and at business parks, which are tailored to the wishes of a predominantly male customer group.

Employees

The Beate Uhse Group had a total workforce of 1,301 employees across Europe as of 31 December 2008 (previous year: 1,414). The workforce thus declined by 113 employees, or 8.0 percent, compared with the previous year. This reduction was due above all to store closures in the retail business, optimised logistics and administration processes in the mail order business and internal restructuring at the holding company. Beate Uhse accorded special priority to ensuring that all measures were implemented in a socially responsible manner. Employees affected by store closures in the retail business, for example, were offered the possibility of relocation to another store or follow-up employment. With 734 employees (2007: 828), the retail business nevertheless remains the largest employer within the Beate Uhse Group. Due to enhanced processes, the mail order division had 10 employees fewer at the end of the financial year than in the previous year. The wholesale division also reduced its workforce by seven employees. The entertainment division and the holding services division slimmed down their employee totals by one each.

EMPLOYEES AT THE BEATE UHSE GROUP

BY REGION	2007	2008	Change %
Germany	695	612	-11.9
Netherlands	498	486	-2.4
Belgium	27	28	-3.7
France	82	60	-26.8
UK	7	9	28.6
Austria	11	11	0.0
Scandinavia	43	47	9.3
Italy	13	14	7.7
Other European countries	38	34	-10.5
	1,414	**1,301**	-8.0

BY SEGMENT	2007	2008	Change %
Retail	828	734	-11.4
Mail Order	255	245	-3.9
Wholesale	219	212	-3.2
Entertainment	77	76	-1.3
Holding Services	35	34	-2.9
	1,414	**1,301**	-8.0

In parallel with the reduction in employee totals, personnel expenses also dropped to EUR 44.5 million (2007: EUR 50.3 million) and are now equivalent to 17.6 percent of sales (2007: 18.8 percent). Due to provisions stated in 2007 for compensation payments within the restructuring programme, personnel expenses per employee fell year-on-year by 3.7 percent o EUR 34.2k (2007: EUR 35.6k).

A total of 11 upcoming employees completed their vocational training in Beate Uhse's commercial divisions in 2008. Field service employees were trained in modern sales and management techniques.

Economy, market and sector

The period of strong growth in the global economy came to a halt in 2008. Following a good start to the year, during which growth remained strong, the intensification in the financial crisis in autumn 2008 triggered an unusually strong downward trend in the global economy. Industrialised economies in particular were affected by the economic downturn as the year progressed, with parallel developments in virtually all industrialised nations. Emerging economies have also felt the effects of the global economic downturn and have witnessed a significant slowdown in their growth rates. Overall, according to the Institute for the World Economy (IfW), the global economy still posted growth of 3.6 percent in the year under report, with the industrialised economies contributing growth of 1.0 percent. With growth of only 1.0 percent in 2008, the euro area economy is also in decline according to the ifo, INSEE and ISAE economic research institutes. Industrial output showed an especially marked decline in the second half of the year due to falling demand and markedly more restrictive credit terms. With marginal growth of 0.3 percent, private consumer spending virtually stagnated, as consumer confidence levels deteriorated in the course of the year in spite of falling inflation rates. Belgium (+1.4 percent) and France (+0.8 percent), two major international markets for Beate Uhse, showed similar developments, while the Netherlands, now the Group's third-largest sales market, still managed to achieve respectable economic growth of 2.0 percent (Eurostat). East European economies, which until recently had still seen strong growth, also developed unevenly. While Estonia and Latvia already reported declining growth, Poland (+5.4 percent), the Czech Republic (+4.4 percent) and Slovakia (+7.0 percent) managed to boost their economic output even further. In Germany as well, the economy has clearly been heading downwards since the middle of 2008 following a substantial interim high at the beginning of the year. The German economy has been especially hard hit by the deteriorating export climate in the wake of the intensification in the financial crisis. For the year as a whole, the economy only managed to achieve growth of 1.3 percent, while GDP for the fourth quarter was already 1.6 percent down on the equivalent period in the previous year. Private consumer spending stagnated in the past year due to the encroachment of consumers' purchasing power by higher energy, fuel and food prices, a factor which persisted through until the autumn.

The economic downturn made itself felt in the erotica sector in the fourth quarter of 2008 in particular. Increased costs of living and falling real-term income led end consumers to curtail their spending, although the erotica market was less affected by this development than were providers of high-price goods. The B2B business in the sector was also affected by subdued confidence levels among end customers.

At the same time, the entire sector remains in a process of upheaval. Changing attitudes in society are creating entirely new target groups with an interest in erotica products. Women and couples are becoming increasingly open and willing to experiment in term of sex and erotica. They have generated demand for product groups which previously only played a minor role in the erotica sector – toys, lingerie and wellness products. In this, they attach top priority to the quality and design of the products and to an appealing shopping ambience. At the same time, the increasing importance of the internet has given rise to further change. Men buying hardcore erotica, formerly the most important target group for the erotica sector, now buy films online, often from video portals with content available free of charge. DVDs and the cabin business, previously the largest source of revenues in the sector, are thus declining rapidly.

These radical changes in demand structures have at the same time resulted in changes on the supply side. Providers alien to the sector, ranging from small internet shops to large electrical goods groups, have discovered the market potential of the new customer groups and are offering erotica products at all conceivable quality levels, mostly via online shops. As already mentioned, video portals with free content are playing an ever greater role. This business model nevertheless seems to falter in the medium to long term, as advertising revenues do not cover the costs incurred, such as traffic expenses. In parallel to this, numerous traditional providers who had mainly relied on DVDs and the cabin business will disappear from the market. This streamlining of the market is being accompanied by increasing professionalism in the sector. As in other sectors which have undergone similar developments, the erotica sector will concentrate on several large and small providers operate their business along professional lines. By drawing on its longstanding competence, its distribution channels and its strong brands, the Beate Uhse Group will reinforce and further expand its leading position within this market environment.

5.2 EARNINGS PERFORMANCE

Sales performance of the Group

The Beate Uhse Group generated sales of EUR 252.9 million in the 2008 financial year. Accounting for the fact that 27 proprietary stores were closed in the context of the strategic realignment in the past 18 months, this represents a reduction of 5.6 percent, and thus within the expected framework, compared with the previous year's figure of EUR 268.0 million. The impact of store closures was especially apparent in the first three quarters. In the fourth quarter, sales improved by 0.9 percent on the previous year's quarter thanks to the pleasing Christmas season and the positive performance of the mail order business. Productivity at the Group improved slightly in the year under report, with sales per employee rising by 2.6 percent from EUR 189.6k in 2007 to EUR 194.4k.

SALES BY PROFIT CENTRE

EUR 000s	2007	2008	Change %
Retail	82,695	73,821	-10.7
Mail Order	109,263	111,247	1.8
Wholesale	59,771	53,915	-9.8
Entertainment	16,312	13,916	-14,7
	268,041	**252,899**	-5,6

Sales by region

Germany remains Beate Uhse's most important market. At EUR 96.8 million, sales in the home market almost matched the previous year's figure (2007: EUR 100.4 million). As a result, their share of total sales rose to 38.3 percent (2007: 37.5 percent). At EUR 156.1 million (2007: EUR 167.6 million), international sales accounted for 61.7 percent of total sales (2007: 62.5 percent).

In France, now Beate Uhse's second-largest market, the Group posted sales growth of 2.1 percent thanks to the pleasing performance of the mail order business. The Netherlands, the third-largest market, witnessed a 7.2 percent reduction in sales due to store closures. While the UK reported lower sales (-15.0 percent) due to the weakness of the pound, Switzerland and the Scandinavian market developed very positively, with growth of 12.7 percent and 9.7 percent respectively.

SALES BY REGION

EUR 000s	2007	2008	Change %
Germany	100,427	96,792	-3.6
Netherlands	47,934	44,498	-7.2
Belgium	16,362	15,575	-4.8
France	44,612	45,560	2.1
United Kingdom	12,536	10,654	-15.0
Austria	17,176	11,472	-33.2
Switzerland	1,291	1,455	12.7
Scandinavia	11,835	12,982	9.7
Italy	3,792	3,715	-2.0
Other European countries	10,714	8,658	-19.2
Other regions	1,361	1,538	13.0
	268,041	**252,899**	-5.6

Costs of sales

Costs of sales declined more rapidly than sales in the year under report, falling from EUR 116.7 million to EUR 105.4 million. As a proportion of sales, they thus dropped significantly from 43.6 percent to 41.7 percent. This was due to the higher share of total sales attributable to the high-margin mail order business. Moreover, the margin in the mail order business itself was also improved by optimising logistics processes. By enhancing its business terms, the wholesale division also achieved a higher margin than in the previous year. In spite of the reduction in sales, the Group was therefore able to post a gross profit of EUR 147.5 million, and thus almost at the same level as in the previous year (EUR 151.3 million). The development in the gross margin underlines the effectiveness of the measures taken to optimise costs. Having still amounted to 56.4 percent in 2007, the margin could be expanded to a pleasing level of 58.3 percent in the year under report.

Other operating income

The marked increase in other operating income by 26.8 percent to EUR 20.4 million (2007: EUR 16.1 million) was chiefly due to the insurance payment of EUR 4.0 million received in connection with the water damage in Walsoorden. Moreover, a profit of EUR 0.6 million was generated from the sale of the 25.12 percent stake in Fun Factory GmbH. The previous year's figure, on the other hand, was characterised by an amount of EUR 1.7 million from the sale of the building in Walsoorden and by the receipt of the first insurance payment of EUR 1.1 million. As in previous years, income from interest on arrears and dunning revenues from mail order customers accounted for the largest share of this item.

Sales-related expenses

The Group reduced its sales-related expenses by 4.9 percent to EUR 129.6 million in the year under report (2007: EUR 136.4 million). As a percentage of total sales, sales-related expenses amounted to 51.3 percent and thus exceeded the previous year's figure of 50.9 percent. Cost savings were achieved due to reduced expenses for personnel and premises following the store closures in the retail business. Sales-related expenses were negatively affected, however, by higher advertising expenses in the mail order business aimed at increasing customer activity. The previous year's figure was burdened by expenses of EUR 4.9 million within the restructuring programme. Adjusted for these, sales-related expenses fell by EUR 1.9 million.

General administration expenses

General administration expenses dropped by 13.4 percent to EUR 29.6 million (2007: EUR 34.2 million). Following adjustment for the restructuring expenses of EUR 7.0 million included in the previous year's figure, general administration expenses rose by EUR 2.4 million. This increase mainly relates to expenses for new activities at Lebenslust GmbH and Bestseller AB, as well as to write-downs on BEATE-UHSE.TV, which was sold in March 2009.

Other operating expenses

Other operating expenses fell by 24.3 percent to EUR 1.6 million (2007: EUR 2.2 million), as the previous year's figure was negatively affected by write-downs undertaken within the restructuring programme.

Income from shareholdings

Following the sale of the stake held in Fun Factory GmbH, which had contributed EUR 0.3 million to earnings in the previous year, as well as the reclassification of the stakes held in tmc Content Group AG and Beate Uhse TV GmbH & Co. KG, which now no longer constitute associates, income from shareholdings was EUR 0.9 million lower than the previous year's figure of EUR 0.9 million.

Consolidated earnings

Notwithstanding the reduced volume of sales, the EBITDA of the Beate Uhse Group showed significant growth of 21.5% to EUR 19.0 million (2007: EUR 15.7 million), as a result of which the EBITDA margin improved from 5.9 percent to 7.5 percent. It should be noted in this respect that the insurance payment of EUR 4.0 million received in the year under report had a correspondingly positive impact on EBITDA.

Depreciation and amortisation dropped notably from EUR 20.1 million to EUR 11.9 million. Following the sharp rise in depreciation and amortisation in 2007, mainly as a result of restructuring expenses, the depreciation quota of 4.7 percent in the year under report was significantly lower than the previous year's figure (7.5 percent). Depreciation and amortisation chiefly related to property, plant and equipment, software and film rights, and the stake in BEATE-UHSE.TV.

Beate Uhse improved its operating earnings (EBIT) to EUR 7.1 million in the year under report, whereas the previous year's earnings of EUR -4.4 million had been strongly influenced by restructuring expenses. The EBIT margin thus increased from -1.6 percent to 2.8 percent.

Net interest expenses deteriorated slightly to EUR -4.0 million (previous year: EUR -3.5 million). While a positive item of EUR 0.2 million was recorded for interest swaps in the previous year, the equivalent item as of the reporting date on 31 December amounted to EUR -1.7 million. This was due to the drastic reduction in interest rates in the wake of the financial crisis. Excluding this item, net interest expenses would have amounted to EUR -2.3 million, and would thus have clearly exceeded the previous year's figure due to the reduction in the Group's debt.

Beate Uhse thus raised its earnings before taxes (EBT) to EUR 3.1 million (2007: EUR -7.9 million). Earnings were thus within the range of EUR 3 million to EUR 5 million forecast at the beginning of the year under report.

The tax charge in the year under report showed a significant reduction from EUR 5.3 million to EUR 0.8 million. This figure consists of tax refunds for previous years and the current year (EUR 3.5 million), backpayments of taxes due to tax audits (EUR -3.9 million) and changes in deferred taxes (EUR -0.4 million).

Annual net income improved to EUR 2.3 million, and thus clearly contrasts with the net deficit of EUR 13.2 million posted in 2007 due to charges incurred on the restructuring programme. The Beate Uhse Group therefore generated earnings per share of EUR 0.03 based on 67,745,738 shares (2007: EUR -0.29 Euro based on 47,323,696 shares).

5.3 FINANCIAL POSITION

Financial management and capital structure

Financial management at Beate Uhse AG aims to maintain the financing power of the overall Group at a high level and to ensure permanent availability of liquidity. To achieve this, the Group draws as required on the financing opportunities on the money and capital markets. Liquidity requirements are safeguarded by the operating business and by credit facilities from various banks. The liquidity situation is managed directly by the finance and treasury management department on a centralised basis at the holding company.

The Group had the following liabilities to banks at the reporting date on 31 December:

EUR 000s	31.12.2007	31.12.2008
Interest-bearing loans		
of which current	57,173	810
of which non-current	6,822	32,344
Overdraft liabilities	2,051	255
Total liabilities to banks and from borrowers' note loans	66,046	**33.409**

As a result of the capital increase and subsequent refinancing, liabilities to banks reduced from EUR 66.0 million in the previous year to EUR 33.4 million as of 31 December 2008. The refinancing included the conclusion of a new two-year syndicated loan agreement for a volume of EUR 42.5 million with a consortium of banks led by HSH Nordbank AG. To ensure a high degree of flexibility in the utilisation of the credit lines, these lines have floating interest rates linked to the Euribor rate and can be redeemed at any time free of charge on the respective rollover dates. At the same time, an amount of EUR 34.1 million of the new credit facilities and issue proceeds was used to redeem existing loans.

Beate Uhse had working capital credit lines of EUR 42.5 million as of 31 December 2008 (2007: EUR 33.5 million). Of these, EUR 28.0 million were drawn down at the reporting date (2007: EUR 25.5 million), of which EUR 1.6 million related to guarantee facilities.

Investments

Beate Uhse invested a total of EUR 7.5 million in the 2008 financial year, and thus EUR 6.4 million less than in the previous year (2007: EUR 13.9 million). The majority of investments were channelled into the wholesale division, which invested in rights and licences to films. Further focuses of investment included store conversions in the retail business in the context of the realigned shop concept and a standardised software system.

Cash flow statement

The cash flow from operating activities amounted to EUR 4.7 million and was thus EUR 4.7 million lower than in the previous year (2007: EUR 13.4 million). This decline was due in particular to changes in working capital. Additional capital was tied up in inventories in the year under report. While inventories were reduced by EUR 6.6 million in the previous year, this item increased by EUR 5.4 million in the year under report. The cash flow benefited not only from the substantial improvement in operating earnings, but also from a reduction in trade receivables by EUR 2.7 million. Moreover, due to the repayment of bank liabilities the outflow of funds for interest paid showed a marked reduction of EUR 2.0 million compared with the previous year.

The outflow of funds for investing activities amounted to EUR 4.3 million and thus contrasted with the inflow of funds of EUR 14.0 million in the previous year. This marked reduction was chiefly due to the sale of the Walsoorden property in the previous year, which had generated an inflow of EUR 19.5 million. The year under report witnessed a substantially lower inflow of funds amounting to EUR 5.2 million. These were attributable to the sale of the Fun Factory stake and of the tmc Content Group AG loan. The outflow of funds for investments in property, plant and equipment, intangible assets and other non-current assets decreased from EUR 13.9 million to EUR 9.3 million in the year under report.

The outflow of funds for financing activities amounted to EUR 6.7 million in the year under report and was thus substantially lower than the previous year's figure of EUR 26.3 million. Repayments of bank liabilities of EUR 57.7 million were offset by inflows of funds from the capital increase and the taking up of the new syndicated loan, which together led to total proceeds of EUR 51.0 million at the Group.

As a result, cash and cash equivalents reduced by EUR 1.8 million to EUR 5.6 million as of 31 December 2008 (previous year's reporting date: EUR 7.4 million).

5.4 ASSET POSITION

The total assets of the Beate Uhse Group reduced by 4.2 percent to EUR 176.4 million at the reporting date on 31 December 2008, as against EUR 184.2 million at the previous year's reporting date.

Assets

On the asset side, this decline is chiefly attributable to a reduction in non-current assets. These fell by EUR 14.6 million to EUR 92.2 million (2007: 106.8 million). The intensity of investment (share of total assets involving non-current assets) dropped correspondingly from 58.0 percent to 52.3 percent. Due to the capital increase, the degree to which non-current assets are covered by shareholders' equity rose significantly from 62.1 percent in the previous year to 102.6 percent.

As a result of store closures, property, plant and equipment in particular fell by EUR 4.6 million to EUR 28.2 million (2007: EUR 32.8 million). Other financial assets also dropped by EUR 5.4 million to EUR 3.9 million (2007: EUR 9.3 million). This was due to the sale of a loan receivable. Following a slight increase of EUR 0.4 million to EUR 11.0 million, intangible assets were at more or less the same level as in the previous year (EUR 10.6 million). Shareholdings, mainly consisting of a 26.83 percent stake in tmc Content Group AG, remained virtually unchanged at EUR 25.8 million (2007: EUR 26.2 million). Given the sale of the 25.12 percent stake in Fun Factory GmbH and the planned sale of BEATE-UHSE.TV, the Beate Uhse Group no longer held any investments in associates at the reporting date on 31 December 2008. As a result, the corresponding item fell from EUR 3.0 million to EUR 0 million. The sale of these two shareholdings serves to streamline the portfolio in the context of the strategic realignment. In view of the planned sale, the stake in BEATE-UHSE.TV was reclassified to assets held for sale (EUR 0.8 million). Deferred tax assets decreased by EUR 1.9 million and now amount to EUR 8.1 million (2007: EUR 10.0 million).

Current assets, by contrast, showed marked growth of EUR 6.0 million to EUR 83.4 million (2007: EUR 77.4 million). They therefore rose as a share of total assets to 47.3 percent (2007: 42.0 percent). Unlike in the previous year, inventories expanded by EUR 5.4 million to EUR 40.2 million (2007: EUR 34.8 million). This was attributable to the building up of increased stocks in the mail order business. Due to transfer pricing credits in the Netherlands, current income tax refund claims also showed a significant increase of EUR 2.1 million to EUR 3.4 million (2007: EUR 1.2 million). Other current assets and other assets also grew to EUR 6.9 million due to receivables on the sale of the loan to tmc Content Group AG and advance rental payments (2007: EUR 3.9 million). By enhancing its receivables management, the Group reduced its trade receivables, by contrast, to EUR 27.4 million (2007: EUR 30.1 million) and thus disproportionately to sales. Consistent cash management enabled cash and cash equivalents to be reduced to EUR 5.6 million (2007: EUR 7.4 million).

Shareholders' equity and liabilities

The capital increase executed in March 2008, the redemption of existing credit lines and the conclusion of a new syndicated loan agreement meant that there were significant changes in individual items on the liabilities side.

Shareholders' equity rose markedly from EUR 66.4 million to EUR 94.6 million. This growth was chiefly due to the capital increase, as a result of which share capital rose by EUR 23.7 million to EUR 71.0 million. Furthermore, shareholders' equity was also affected positively by the consolidated net income of EUR 2.3 million for the 2008 financial year. Due to the capital increase, an amount of EUR 1.9 million net of costs was allocated to the capital reserve, thus increasing this item to EUR 2.7 million. The equity ratio showed a corresponding improvement to 53.6 percent (2007: 36.0 percent). The return on equity therefore amounted to 2.4 percent (2007: -19.8 percent).

Following the conclusion of the new syndicated loan agreement, non-current liabilities rose significantly to EUR 39.6 million (2007: EUR 16.1 million) and now account for 22.4 percent of total equity and liabilities (2007: 8.7 percent). At the previous year's reporting date, non-current loans totalling EUR 32.8 million had been reclassified as current liabilities due to the pending redemption of these liabilities to banks. Interest-bearing loans therefore showed a corresponding increase from EUR 25.5 million to EUR 32.3 million at the reporting date on 31 December 2008. At EUR 3.9 million, pensions and similar obligations were slightly down on the previous year's figure of EUR 4.0 million. Mainly due to the reversal of provisions for pending losses, other non-current provisions dropped by EUR 0.7 million to EUR 2.2 million (2007: EUR 2.9 million). Other financial debt rose to EUR 0.8 million (2007: EUR 0.5 million). Deferred tax liabilities decreased substantially to EUR 0.3 million (2007: EUR 1.8 million).

Due to the repayment of existing credit lines, current liabilities showed a marked reduction to EUR 42.3 million (2007: EUR 101.7 million) and now make up 24.0 percent of total equity and liabilities (2007: 55.2 percent). As a result of the refinancing, the current portion of non-current loans dropped from EUR 57.2 million to EUR 0.8 million. At EUR 20.2 million, trade payables were at the same level as in the previous year (2007: EUR 20.4 million). Other financial debt was reduced slightly to EUR 14.2 million (2007: EUR 14.7 million). Due to the reversal of provisions for compensation and damages payments, other provisions showed a considerable decline of EUR 1.7 million to EUR 2.7 million (previous year: EUR 4.4 million). Income tax liabilities rose from EUR 2.6 million to EUR 3.8 million due to back payment obligations arising on account of a tax audit.

The debt-equity ratio, which reflects the volume of debt as a proportion of equity, improved following the capital increase and repayment of credit lines and amounted to 0.9 at the reporting date on 31 December 2008, as against 1.8 in the previous year. The return on total capital amounted to 1.3 percent (2007: -7.5 percent).

5.5 BUSINESS DIVISIONS

RETAIL

EUR 000s	2007	2008
Sales	82,695	73,821
EBITDA	5,990	6,892
EBIT	-2,379	2,582
EBT	-4,042	751
Investments	5,586	1,785

Due mainly to store closures within the restructuring programme, sales in the retail division reduced to EUR 72.8 million in the past financial year (2007: EUR 82.7 million). The European store portfolio was streamlined by a total of 27 stores not strategically compatible with the Premium Shop or Fun Center concepts. These stores were either sold or closed, with five German stores being transferred to licensees. With the closure of a further seven stores, the streamlining measures in the retail division will be completed in the current financial year.

The Premium Shops, which are targeted at the customer group of women and couples, reported consistently positive sales growth, benefiting in particular from the Christmas season. In Germany, six stores have so far been converted into Premium Shops, while outstanding success has been reported for the premium concept operating under the very well-established Christine le Duc brand in the Netherlands. In Belgium, the first two stores were rebranded as Pabo stores in the past year in line with the Group's multi-channel strategy and were able to double their sales in a matter of weeks by exploiting brand awareness for the mail order catalogue of the same name. The Fun Centers, which are targeted at a predominantly male target group and located on motorways and in business parks, also developed positively and have even exceeded their budgets in Germany. The old-style stores, by contrast, with their high share of DVD and cabin business, reported a substantial decline in sales. This development provides clear confirmation of Beate Uhse's strategy of focusing on its two store concepts of Premium Shops and Fun Centers. Further stores will progressively be converted to these concepts in the current financial year as well. At the same time, the Group will continue to pursue its multi-channel concept and rename shops in its country markets. The Group intends to rely on a franchise system to press ahead with its expansion in future. Trials using the Christine le Duc brand are planned to take place in the Netherlands in 2009.

The performance of individual product groups in the retail business also reflects the transformation in the erotica business. While sales from DVDs and cabins, previously the most important sources of revenues, have fallen significantly, the toys and lingerie product groups have posted substantial sales growth. The toys offered under the Mae B. private label showed especially pleasing developments. The launch of the first toys to be certified by the Technical Inspection Agency (TÜV) was a great success in all country markets. Mae B. has now even overtaken established toys offered by competitors in the premium price segment.

Earnings before taxes in the retail division improved to EUR 0.8 million, up from EUR -4.0 million in the previous year, which was substantially influenced by the costs of store closures.

The investments of EUR 1.8 million (2007: EUR 5.6 million) were mainly channelled into converting stores to the new design scheme.

BEATE UHSE SHOPS BY REGION
OWN SHOPS

	2007	%	**2008**	%
Germany	71	44.7	57	40.1
Italy	6	3.8	6	4.2
Switzerland	1	0.6	1	0.7
Netherlands	60	37.7	58	40.8
Belgium	10	6.3	9	6.3
France	7	4.4	7	4.9
Norway	4	2.5	4	2.8
	159	100.0	**142**	100.0

LICENCE & FRANCHISE

	2007	%	2008	%
Germany	57	45.6	67	48.9
Austria	42	33.6	44	32.1
Norway	4	3.2	4	2.9
Hungary	1	0.8	2	1.5
Poland	15	12.0	13	9.5
Slovenia	5	4.0	6	4.4
Italy	1	0.8	1	0.7
	125	100.0	**137**	100.0

MAIL ORDER

EUR 000s	2007	2008
Sales	109,263	111,247
EBITDA	4,958	8,019
EBIT	-859	6,051
EBT	-1,568	5,751
Investments	3,346	1,685

The mail order business increased its sales by 1.8 percent to EUR 111.2 million in the past financial year (2007: EUR 109.3 million). The division succeeded in overcompensating for the decline in demand compared with the previous year by significantly increasing average orders per customer. Optimised service standards led to increased customer satisfaction, which in return reduced the volume of cancellations and returns, and thus also costs. Particularly positive developments were seen in the largest markets, namely Germany (+29.5 percent) and France (+4.6 percent). New markets also reported pleasing sales growth, especially in the Czech Republic (+28 percent) and Slovakia (+29 percent), two countries which the Group only launched operations at the end of 2006.

Within the framework of the new strategy, the mail order business channelled all of its energies in the past year into pressing ahead with its transformation from a sales-driven to a customer-focused market approach. New tools analyse customers' order behaviour and the resultant findings enable new mailing and promotion campaigns to be addressed to the relevant target groups. The customer retention programme has shown its first positive results – the mail order business has raised average order volumes, while at the same time successfully reactivating former customers. The number of advertising initiatives was increased from six in the previous year to ten. Rather than four main catalogues a year, a total of six main catalogues were circulated in 2008. Around 160 pages long, they are now considerably more extensive and include a broader product range than before. Experience has shown that bulky main catalogues have a considerably longer lifespan than smaller-scale interim catalogues. To underline the novelty factor, the product range and design scheme are presented entirely differently in each catalogue. With above-average response rates, the deployment of the new catalogue has been a great success. Within the multi-channel strategy, catalogues in the individual markets were converted with the Christmas catalogue to the respective country brands of Beate Uhse, Adam & Eve, Christine le Duc and Pabo. Customers should now find a uniform product range and the same brand experience across all distribution channels. At the same time, the range of new product worlds, such as wellness and home accessories, has been extended, while the existing product range has been streamlined to focus on the bestsellers with high turnover figures. Lingerie and sex toys have developed into the strongest product groups. The brand focus and uniform market approach are boosted by cross-marketing measures, thus enabling synergies to be exploited more effectively within the various distribution channels.

MAIL ORDER INFORMATION

in millions	2007	2008
Main catalogues sent out	25.8	22.8
Orders	2.7	2.7
Packages dispatched	3.7	3.0

The mail order division sees its online business as harbouring the greatest potential. Online orders now account for an average of 33.5 percent of orders across all countries. In Germany, 40 percent of orders are placed online, while half of all orders are submitted online in the Netherlands. Extremely pleasing developments were reported for Christine le Duc's e-shop, which received a clear, uniform appearance analogous to the stores in a relaunch in June 2008. This move clearly stimulated orders, with year-on-year sales growth of up to 80 percent being registered in some weeks. Spain, the new country market, opened an online shop at the end of 2008. In future, the Group's geographical expansion should in all cases initially take the form of online shops.

Earnings before taxes at the mail order division improved considerably from EUR -1.6 million in the previous year to EUR 5.8 million. The mail order business has thus achieved a successful turnaround. In the interests of comparability, account should be taken of negative special items of EUR 1 million incurred in 2007. Earnings in 2008, by contrast, benefited from an insurance payment of EUR 4.0 million. On an operating level, therefore, the mail order division increased its earnings by EUR 2.2 million.

The investments of EUR 1.7 million (2007: EUR 3.3 million) mainly involved the software for the ERP system.

WHOLESALE

EUR 000s	2007	2008
Sales	59,771	53,915
EBITDA	5,900	4,219
EBIT	2,252	667
EBT	772	-594
Investments	4,105	3,234

The transformation currently underway in the erotica market is especially apparent in the wholesale business. Large and small companies alike will disappear from the market in the medium term if they fail to keep up with society's changing approach towards erotica or to react to the changing shopping behaviour on the part of new target groups by introducing professional product ranges. The difficulties encountered by some clients led sales in this segment to fall to EUR 53.9 million (2007: EUR 59.8 million). Scala supports its customers in adapting and modernising their product ranges in line with changing customer base structures. This way, the wholesale division not only retained its customer base, but even enlarged it by 7 percent. More than 3,000 customers visited the company's in-house fairs, while more than 35,500 contacts were made at Venus, the world's largest fair for the erotica sector.

As in other segments, it was sex toys, wellness products and lingerie which reported the strongest growth. The Toy Joy private label, which posted sales growth of 22 percent, developed into the best-selling brand in the wholesale business. The young brand's greatest success to date was reported for its "Sea of Love" sub-label, which consists of five different articles and was sold out immediately upon its launch at the Venus fair. bu productions kft, the Group's own production company in Hungary, introduced more than 40 models onto the market under the Mae B., Daring and Vibratissimo brands in 2008. Not only that, the Hungarian plant in Börcs has also successfully introduced certified quality management in accordance with ISO 9000. Moreover, the plant is authorised to produce medical products. The first sex toys to be certified by the Technical Inspection Agency (TÜV), which have been sold under the Mae B. brand exclusively at Beate Uhse since April 2008, were a huge success from the outset. The films produced under the Daring! private label achieved substantial sales growth of 18 percent, thus defying the negative overall trend in the DVD market. Daring! has successfully established itself in international markets as a provider of top-quality content. In the USA, the "Roma" title reached 6th place in the erotica film charts and Daring! was singled out by specialists as "Best Label" at the Venus erotica fair. These positive developments confirm the strategy of relying on top-quality products and private labels to differentiate the company from competitors.
One highlight in the wholesale business in the past year was the successful launch of the franchise business by the newly founded company Beate Uhse Licensing B.V. in April 2008. By December, more than 15 contracts had already been signed with well-known telecommunications companies. Among the most interesting cooperations are those with KPN in the Benelux countries, HanseNet in Germany and Canal+ in France and Scandinavia. By additionally marketing its film rights via modern channels such as video-on-demand, streaming, IPTV and mobile services as well as via traditional DVDs and the company's own internet portals, the Group is optimally exploiting its film library of around 15,000 titles.

Earnings before taxes in the wholesale division amounted to EUR -0.6 million in 2008 (2007: EUR 0.8 million). Earnings were primarily affected by the restructuring of activities at Daring! and the integration of Bestseller.

During the period under report, the wholesale division invested a total of EUR 3.2 million (2007: EUR 4.1 million), mainly in proprietary film productions under the Daring! label and in the procurement of licences.

ENTERTAINMENT

EUR 000s	2007	2008
Sales	16,312	13,916
EBITDA	3,337	2,848
EBIT	3,029	2,579
EBT	3,124	2,739
Investments	370	243

At EUR 13.9 million, sales in the entertainment division may have declined (2007: EUR 16.3 million), but they nevertheless outperformed the sector, which suffered downturns in sales of between 25 and even 40 percent. Increased competition from free portals represents a challenge for all providers. The telephone services business is also becoming increasingly difficult. The division pressed ahead with the internationalisation of its online services in 2008, with offerings being translated into several languages. The popular entertainment pages MovieOn and HotcamsOn are thus now also available in English, French and Dutch. Product names have been adapted to enhance their international marketing success. By analogy with MovieOn, there are now the portals HomepornOn (previously Privatporno), HotcamsOn (previously Amateurcams) and EnjoyOn (previously Club). The HomepornOn portal has undergone a complete graphic relaunch and now enables picture series to be downloaded as well as videos. The new cooperations in the field of billing solutions have also had a positive impact on the sales performance of the online business.

The telephony business maintained its downward trend. Alongside increasing competition from online portals, this division has suffered above all from end customer price hikes introduced by mobile phone network operators and by restricted advertising opportunities. As a result, only a few significant competitors remain in this market. Having said this, the audiotex business still represents a business operation with attractive returns. The priority now is to stabilise sales in this market. With its strong brand, great expertise in the business and highly developed network of contacts with the media world, Beate Uhse is very well positioned in this respect.

Segment earnings before taxes amounted to EUR 2.7 million in 2008 (2007: EUR 3.1 million). This decline was chiefly due to the expenses incurred in connection with the internationalisation of online portals. Due to numerous reallocations in terms of advertising, it has been possible to detach the earnings performance of the telephony division from its sales performance.

As already mentioned, the investments of EUR 0.2 million (2007: EUR 0.4 million) largely related to the internationalisation project, which is being promoted by a large team of employees, as well as to hardware enabling all technologies to be exploited in this area.

5.6 COMPENSATION REPORT

Management Board Compensation

The Personnel Committee of the Supervisory Board is responsible for Management Board contracts and for the Management Board Code of Procedure. This body advises the Supervisory Board on the structure of the compensation system and subjects this to regular review (every two years).

Compensation of members of the Management Board consists of fixed compensation and a performance-related bonus. The level of Management Board compensation is based on the principal duties of the respective member of the Board, their personal performance, the mode of operation of the Board as a whole, and the economic situation, performance and future prospects of the company and the sector in which it operates. Furthermore, Otto Christian Lindemann (CFO) received fringe benefits in the form of a company car also available for private use (value of payment in kind: EUR 11k) and compensation of EUR 45k for vacation not taken. Serge van der Hooft (COO) received fringe benefits in the form of a company car and the reimbursement of expenses (value of payment in kind: EUR 24k). No further components were agreed. No pension or other welfare commitments are provided for.

In the event of his employment relationship being terminated at the instigation of the company, the Management Board contract with Otto Christian Lindemann provided for compensation and damages payments amounting to the level of compensation agreed for the remaining regular term of the contract, limited to a maximum of two annual salaries and a minimum of one annual salary. As Mr. Lindemann is departing from the company at his own request upon the expiry of his contract, no compensation or damages will be paid.

In 2008, the members of the Management Board did not receive any payments or equivalent commitments from third parties in respect of their activities as members of the Management Board.

MANAGEMENT BOARD COMPENSATION (EUR)

Member	Position	Total
Otto Christian Lindemann	CFO Management Board Spokesman	285,454
Serge van der Hooft	COO	127,680
Gerard Cok	COO	80,000
		493,134

Supervisory Board Compensation

The compensation of the Supervisory Board is governed by Sec. 11 of the Articles of Association of Beate Uhse AG. The compensation consists of a fixed component and a variable component dependent on the dividend distributed for the past financial year. The fixed component is based on the duties of the respective member of the Supervisory Board.

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

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

SUPERVISORY BOARD COMPENSATION 2008 (EURO)

Member	Position	Compensation
Ulrich Rotermund	Chairman until 07.01.09 Retired on 11.02.09	11,250
Michael Papenfuß	Deputy Chairman Retired on 16.06.08	8,438
Martin Weigel	Member	18,750
Gerard Cok	Member from 17.06.08 Chairman from 07.01.09	3,750
Gelmer Westra	Member	15,000
Carlo Floridi	Member / Employee Representative until 16.06.08	3,750
Michael Petersen	Member / Employee Representative from 01.07.08	3,750
Monika Wilk	Member / Employee Representative	7,500
Total		72,188

5.7 RISK REPORT

5.7.1 RISK MANAGEMENT SYSTEM

All entrepreneurial activity involves not only opportunities, but also risk. Beate Uhse's risk management system provides a regulatory framework for the responsible handling of risks at the whole Group. The objective of this policy is to identify opportunities and risks in good time and to classify them. To this end, the Group uses detailed budget forecasts in combination with monthly reporting based on the 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 figures are used to depict the gross margin, cost efficiency and earnings power.

To detect changes in the market and business policy and any negative trends at an early stage, as well as to identify potential budget variances, the Group produces an adjusted forecast each quarter. This way, any potential need for action can be identified in good time. The monthly Group reporting is supplemented with key figures calculated quarterly on the basis of the consolidated balance sheet and income statement. Furthermore, the management of the individual profit centres is supported by numerous 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 group controlling department regularly reviews the risk management system, in liaison with the Management Board, in terms of its effectiveness and appropriateness.

5.7.2 INDIVIDUAL RISKS

The Stock Exchange Admissions Prospectus published on 15 February 2008 on the capital increase provided shareholders in Beate Uhse AG with important and extensive information on potential risks that could arise from the Group's business activities. These risks basically still apply. The principal risks which, based on the current assessment of the Management Board, could affect the economic situation of the Beate Uhse Group are presented below and refer to the 2009/2010 forecast period.

Macroeconomic developments

Macroeconomic developments in the sales markets most important for Beate Uhse could impact negatively on the erotica sector and therefore also on the business performance of Beate Uhse AG. In order to minimise dependence on individual markets, Beate Uhse is further expanding its international presence. Currently the international share of total sales is 61.7 percent.

Triggered by the international financial crisis, the performance of the global economy will deteriorate drastically in the 2009 financial year. In several important economic regions, including both Germany and the EU, this will lead to a recession, which will have a negative effect on large sections of the economy. As a result of these developments, Beate Uhse also faces the risk that its performance will fall short of expectations in the 2009 financial year. Beate Uhse is analysing the current situation constantly, and considers itself able to attract and retain customers even in this difficult economic situation by optimising its product range, covering all price segments, having successful private labels, improving the placement of products across all distribution channels, expanding its group-wide marketing activities, optimising its logistics activities and expanding its new Premium Shops. Experience has generally shown that providers of consumer goods in the low-to-mid price range, where Beate Uhse is also to be found, are not affected by macroeconomic downturns to the same extent as providers of premium consumer goods.

Changes in the competition

The erotica market is undergoing fundamental change, a process which has accelerated in the last five years. Attracted by the acceptance accorded to erotica, competitors alien to the sector have entered the market in recent years. Established providers, by contrast, have not kept pace with developments, nor have they adapted to the new demands. The company expects to see further competitors entering the national and international markets for erotica products in future as well, given that neither specific expertise nor substantial investments in the development of a sales system are required. Beate Uhse considers it highly likely that the competitive situation will intensify, especially in the online market. On the other hand, providers both large and small will disappear from the market. This represents an opportunity for Beate Uhse to strengthen its position as market leader and to acquire additional market share.

Beate Uhse has already laid important strategic foundations in this respect – the multi-channel approach, expanding marketing activities, differentiating product lines via high quality, strengthening the brand portfolio, ongoing competitor surveillance, pooled procurement and expanding group-wide category management, streamlining the store network, concentrating in future on the two shop concepts of Premium Shop and Fun Center, and dovetailing the mail order and online businesses. Furthermore, following its acquisition of the Playhouse Group, Beate Uhse can draw on valuable expertise in marketing via new media, a large customer base in the B2B sector, and good market penetration in the promising market for sex toys and wellness products, as well as via the new distribution channel of home parties.

Merchandise flow

Beate Uhse procures a large share of the products it sells directly from manufacturers and intermediaries, as well as partly from imports. The procurement of goods from foreign suppliers is at the same time subject to specific risks, such as delays in delivery, exchange rate fluctuations, increased customs duties and taxes, changes in the export quotas set by the relevant procurement country, potential import restrictions, safety requirements, reputation risks and other regulatory requirements.

Beate Uhse counters these risks by procuring its products from numerous suppliers worldwide, thus minimising the company's dependency on individual manufacturers. The procurement activities of the Group are centralised in the category management system, thereby pooling the potential synergies harboured by the expertise of Beate Uhse's employees and the company's market power.

Logistics centres

For the wholesale logistics centre in Almere and the mail order warehouse in Walsoorden there is the risk of breakdown, e.g. due to fire or water damage, as happened at Walsoorden at the end of 2006. The possibility of future breakdowns in technical equipment and IT systems at the centres resulting in cancellations of supplies to mail order customers can also not be ruled out.

Beate Uhse limits this risk by implementing appropriate safety systems, and also has insurance cover against damage to property and interruptions to business operations to protect against the economic consequences of breakdowns of this type.

Personnel

Committed and competent employees and management personnel are a central key to Beate Uhse's success. As the erotica sector is small and straightforward, the loss of employees with in-depth knowledge of the sector represents a definite risk. For this reason, Beate Uhse positions itself as an attractive employer, and fosters long-term retention of employees within the Group. Career prospects and long-term incentive systems for management personnel likewise represent a primary component in management development.

IT infrastructure

The information technologies deployed are constantly checked by Beate Uhse to ensure that they guarantee secure handling of IT-supported business processes, especially those involving logistical processes at its mail order and wholesale warehouses and the infrastructure for its online services. Should breakdowns in IT-supported processes occur, the smooth dispatching of merchandise or provision of online content can no longer be guaranteed. Apart from the potential loss of sales, there is also the danger of losing customers in the long term. Beate Uhse protects itself by working with duplicate technical solutions. However, this risk cannot be ruled out entirely and is covered by insurance against property damage and business interruption losses.

As an internet content and e-commerce provider Beate Uhse is, like many other internet content providers, not immune to the abuse of its internet data. The company's programmers and developers are working continually on suitable software solutions to defend against such attacks and thus to avert any resultant problems.

Legal framework

The worldwide erotica sector is subject to widely differing legislative requirements concerning the protection of minors and the sale of pornographic products. Legal guidelines in Germany, the main sales market, are especially strict and are subject to ongoing change, especially in the field of new media. A further restriction of the market with tighter legislation would lead to a loss of sales and so would represent a risk for the erotica sector. On the other hand, a tightening up of legislation may represent an opportunity for Beate Uhse, as the Group benefits from its reputation of respectability and competence in the erotica market. By working together with institutions such as the Association for Voluntary Self-Regulation, Beate Uhse is only able to exert indirect influence on the drafting of the legal framework.

Beate Uhse may face the risk of injunctive relief or damages claims should it breach industrial property rights or the personal rights of third parties, even if such breach occurs unwittingly or within utilisation periods agreed in settlements.

Liquidity

The liquidity of the Group is safeguarded via cash pooling on holding company level, as well as by centralised cash management in the finance department. All significant subsidiaries are incorporated into the cash pooling. Central investment control and credit management, furthermore, ensure that funds are supplied in good time to meet all payment obligations (loans/leasing/rent). Moreover, the Group intends to further expand its working capital management.

The syndicated loan agreement signed in February 2008 has a regular term running until 28 February 2010. Particularly in view of the current financial crisis, however, a cautious lending policy is to be expected on the part of the banks. In a letter dated 2 March 2009, the lead bank, HSH Nordbank AG, declared in writing that the financing would not be continued on the part of the HSH Nordbank AG beyond the deadline agreed in the loan agreement, meaning that a new means of refinancing must be found at that point. Due to the further reduction in loan liabilities during the year under report, however, and the fact that the other consortium banks have not followed suit, the Management Board believes that this refinancing can succeed and may even result in an optimised financing situation.

The company's 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.

Overall, the Group had unutilised credit lines of EUR 16.1 million at the reporting date.

Receivables default

The risk of receivables default has increased due to the financial crisis. All sectors – in the B2C sector mail order and in the B2B sector both entertainment and wholesale – are confronted with this risk. All divisions account for receivables default by recognising bad debt allowances at the level customary to the business. To counter this risk in good time, Beate Uhse checks the creditworthiness of its customers as far as possible, and documents their payment history. Furthermore, Beate Uhse new media GmbH has developed an effective dunning process and works in active cooperation with the providers. To limit the risk of default due to the insolvency of the provider, the company works exclusively with large providers.

Performance of Assets

The assets of the Beate Uhse Group are subject to natural impairment risk. Financial assets in particular, such as the shareholding in tmc Content Group, are subject to the risk of potential impairment, a development over which the Beate Uhse Group can exert only limited influence. The shares in the publicly listed tmc Content Group had a carrying amount of EUR 24.8 million in December 2008. However, the total market capitalisation of tmc Content Group at the reporting date amounted to just EUR 14.4 million, a level which the Management Board of Beate Uhse AG does not believe to represent a reliable measurement due to the low volume of free float. Independently of this, however, any deterioration in the performance of tmc Content Group could nevertheless make it necessary to undertake write-downs on the shares held by Beate Uhse.

Integration of the Playhouse Group

There is the risk that the integration of the Playhouse Group into the Beate Uhse Group cannot be implemented smoothly. As a result, the synergies forecast may not materialise quickly or extensively, which would place the liquidity of Beate Uhse under greater strain than expected. In order to combat this risk, a team of internal specialists directed by the Management Board is managing and monitoring the process of integrating Playhouse. Furthermore, Beate Uhse has budgeted the expected business performance of Playhouse conservatively and factored in risk discounts. In addition, the synergies expected from the takeover have only been included to a limited extent in the evaluation of future liquidity flows.

5.7.3 OVERALL RISK

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.

5.8 DISCLOSURE OF POSSIBLE TAKEOVER BARRIERS

Composition of share capital

The share capital of Beate Uhse AG amounted to EUR 70,984,696 on 31 December 2008 and was divided into 70,984,696 shares with a nominal value of EUR 1.00 each. In the context of the takeover of the Playhouse Group, a capital increase excluding subscription rights was resolved in February 2009, as a result of which the share capital increased to EUR 78,074,696.00, divided into 78,074.696 shares.

Restrictions on assignment or voting rights

There are no restrictions on the assignment or voting rights of shares in Beate Uhse AG. Each share guarantees one vote at the Annual General Meeting. Voting rights and dividend entitlement have been suspended for 281,221 treasury stock shares.

Direct or indirect shareholdings in Beate Uhse AG

At the reporting date on 31 December 2008, Consipio Holding BV held 29.9 percent of the shares in Beate Uhse AG.

Special rights

There are no special rights granting powers of control to the bearers of shares.

Control of voting rights

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

Provisions of the Articles of Association concerning the appointment and replacement of members of the Management Board

The Supervisory Board appoints the members of the Management Board and determines their number. It may appoint a member of the Management Board to be its Chairman or Spokesman. The Supervisory Board may also appoint acting members of the Management Board.

Amendments to the Articles of Association

Amendments to the Articles of Association may be adopted in accordance with the provisions of Sec. 179 et seq. of the German Stock Corporation Act (AktG). For amendments to the Articles of Association, these generally require the approval of three quarters of the share capital represented at the Annual General Meeting. The Supervisory Board is permitted to undertake amendments to the Articles of Association which only relate to the respective formulation (Sec. 10 (2) of the Articles of Association).

Powers of the Management Board to issue and buy back shares

The share capital is conditionally increased by up to EUR 1,000,000.00 by the issue of up to 1 million new bearer shares with a nominal value of EUR 1.00 each (Conditional Capital 1). The conditional capital increase is only executed to the extent that the bearers of option rights issued within the framework of the Beate Uhse AG stock option plan established by authorisation of the Annual General Meeting on 17 June 2002 exercise their option rights and to the extent that such option rights are not satisfied by the granting of treasury stock.

By resolution of the Annual General Meeting on 20 June 2005, the company's share capital is conditionally increased by up to EUR 22,661,848.00 by the issue of up to 22,661,848 new bearer shares with a nominal value of EUR 1.00 each (Conditional Capital 2). The conditional capital is only executed to the extent that bearers/creditors of convertible bonds or warrant bonds in the company or in direct or indirect majority shareholdings of the company as defined in Sec. 16 (1) and (4) of the German Stock Corporation Act (AktG) to be issued by 20 June 2010 exercise their conversion or option rights or to the extent that the bearers/creditors of convertible bonds in the company or in direct or indirect majority shareholdings of the company as defined by Sec. 16 (1) of the German Stock Corporation Act (AktG) to be issued by 20 June 2005 meet their conversion obligations to the extent that such conversion or option rights are not satisfied by the granting of treasury stock.

The Management Board is authorised, with the consent of the Supervisory Board, to increase the company's share capital by 31 May 2013 by up to EUR 35,492,348.00 by issuing new bearer shares on one or several occasions in return for cash or non-cash contributions (Authorised Capital). Following the execution of the capital increase by 7,090,000 shares in the context of the Playhouse acquisition resolved in February 2009, an amount of EUR 28,402,348.00 of this authorised capital still exists. Subscription rights are to be granted to shareholders in the event of any capital increase. The Management Board is nevertheless authorised, with the consent of the Supervisory Board, to exclude residual amounts from shareholders' subscription rights. The Management Board is further authorised, with the consent of the Supervisory Board, to exclude shareholders' subscription rights:
a) for a capital increase in return for cash contributions for an amount totalling ten percent of existing share capital upon the adoption of the resolution to draw on authorised capital, provided that the issue price of the new shares does not fall significantly short of the stock market price pursuant to Secs. 203 (1) and (2) and 186 (3) Sentence 4 of the German Stock Corporation Act (AktG);

b) to acquire property, plant and equipment, especially in the form of companies, parts of companies or shareholdings in companies.
The Management Board is entitled, with the consent of the Supervisory Board, to determine the further details relating to the execution of capital increases from authorised capital.

The Annual General Meeting of the company on 16 June 2008 authorised the company to acquire treasury stock up to a prorated amount allocable to such shares of a total of 10% of the current share capital. This authorisation came into effect on 17 June 2008 and expires on 16 December 2009.

Change of control agreements

No agreements have been reached with members of the Management Board or other management staff concerning pecuniary compensation in the event of a change of control or takeover of the company.

5.9 EVENTS AFTER THE REPORTING DATE

On 7 January 2009, Gerard P. Cok took over the chairmanship of the Supervisory Board from Ulrich Rotermund, who stepped down at his own request. Ulrich Rotermund retired from the Supervisory Board due to reasons of poor health on 11 February 2009. Andreas Bartmann, Managing Director of Globetrotter Ausrüstung GmbH, Hamburg, was appointed by Flensburg District Court as a new member of the Supervisory Board until the company's Annual General Meeting on 16 June 2009.

At its meeting on 12 February 2009, the Supervisory Board appointed Jan Boddaert to be the new Chief Marketing Officer (CMO) in the Management Board of Beate Uhse AG with effect from 1 April 2009. Otto Christian Lindemann, who has held the positions of CFO and Spokesman of the Management Board since April 2000, is departing from the Group at his own request upon the expiry of his management contract on 31 March 2009. Serge van der Hooft, COO in the Management Board of Beate Uhse, will additionally assume the function of Spokesman of the Management Board and responsibility for the controlling, finance, accounting, legal affairs, personnel and corporate communications departments.

On 17 February 2009, Beate Uhse announced its takeover of the Playhouse Group, based in Tiel/Netherlands, as of 1 January 2008. Playhouse is one of Europe's leading producers and B2B providers of erotic films, sex toys, lingerie collections and wellness products, and sells these under proprietary brands and licences. Playhouse generated sales of around EUR 13 million in the past year. The acquisition is of especially great strategic significance for the Beate Uhse Group, as it opens up new marketing potential, especially via promising new media channels, and allows the two companies to exploit substantial synergies. The purchase price for the acquisition of all shares comprises a cash component of EUR 4 million and 7,090,000 shares in Beate Uhse AG issued to the existing shareholders in the Playhouse Group at a price of EUR 1.00 per share and with a lockup period of five years. To this end, a capital increase from authorised capital was executed to the exclusion of shareholders' subscription rights.

On 16 March 2009, the Beate Uhse Group announced the sale of its 49% stake in BEATE-UHSE.TV to tmc Content Group at a purchase price of EUR 750k.

5.10 OUTLOOK

Macroeconomic situation

Even though governments and central banks have stepped up their efforts to counter the recession with economic stimulus packages and low interest rate policies, according to the Kiel Institute for the World Economy (IfW) the global economy will go into decline in 2009 and only gradually find its way out of the crisis after that. The IfW expects global output to show only slight growth of 0.4 percent. The industrialised economies in particular will feel the effects of the economic downturn. The IfW expects industrial output to decline in both the United States and Europe, as a result of which GDP in the industrialised economies is forecast to drop by 1.8 percent. In view of declining new orders and more restrictive credit terms, business confidence in the euro area is notably subdued. This has been accompanied by a substantial deterioration in consumer confidence within the euro area. Fear of unemployment and general feelings of insecurity about the developments ahead can be expected to lead to an increase in the savings rate and a reduction in private household consumer spending. Overall, the IfW expects euro area GDP to decline by 2.7 percent 2009. According to Eurostat, GDP is set to show slight growth of 0.4 percent in the Netherlands, an important market for Beate Uhse, and to stagnate in France.

The German economy, which previously benefited disproportionately from the strong global economic upturn, now also finds itself correspondingly vulnerable in the wake of the financial crisis. Economic output will fall sharply, as will GDP, which the IfW forecasts to drop by 2.7 percent this year. Consumer spending too can only be expected to rise slightly, notwithstanding the increase in average real-term wages. The ifo Institute has forecast a slight increase of 0.6 percent in consumer spending.

Developments in the sector

It is currently not possible to foresee the extent to which the erotica sector will be affected by the financial crisis. Customer price sensitivity, a factor which has been observable for several years now, may intensify, which would mean that developments in the sector would not escape the effects of the economic downturn. At the same time, however, demand for high-quality products is on the increase. As a whole, the erotica sector may well be less affected by the financial crisis than providers of more durable or expensive products, such as cars or long-distance travels.

The trend towards a more open attitude in society towards erotica and sex will continue, a development which will result in new target groups, such as women, couples and the "silver generation", coming online for the erotica sector. These target groups accord priority not only to the high quality of the products, but increasingly also to product design and the shopping ambience. Having said this, the new target groups are not growing at the same rate that established customer types are leaving the sector. Few of the traditional market players have recognised or prepared for this development. In the longer term, there will therefore be a concentration on a small number of players in the erotica sector. Large and small companies alike will pull out of the market. For Beate Uhse, this development offers the opportunity of expanding its market share significantly due to the withdrawal of competitors.

The internet is playing an ever more important role in the sector, as are the resultant possibilities of marketing erotica products and film offerings via a wide variety of new media channels. Although erotica portals offering content free of charge are encroaching on the sales of portals which do charge fees, many experts are already predicting the end of this business model. Advertising revenues do not come close to covering the costs of these portals, while their content offerings will not be able to keep pace with customers' demands and wishes in terms of quality or variety in the longer term. Beate Uhse differentiates itself from content available online free of charge by offering films of significantly higher quality. Alongside the online business, further new channels of distribution have also arisen for the erotica sector. Given increasing levels of social acceptance, the sale of erotica products in department stores is no longer taboo and shopping for erotica at home parties is finding ever more followers too. This means that new interesting distribution channels for marketing its products and addressing new target groups are becoming available to Beate Uhse.

Future alignment of the Group

Beate Uhse sees the changes in the market as representing an opportunity. With its reorganisation programme, the Group has laid a foundation of streamlined structures enabling it to react quickly and efficiently to the needs of new target groups and to consistently extend its leading position in the erotica market. By optimally exploiting all traditional distribution channels and expanding the online business, Beate Uhse will position itself as the universal marketplace for erotica.

Having introduced central marketing and established the Distribution Board last year, the Group plans to further professionalise its marketing programmes in 2009. In this context, the Group will also press ahead with implementing its multi-channel strategy to offer customers the same brand experience across all distribution channels and attract customers with a uniform product range. Top priority will be accorded to the focus on customer orientation, rather than on sales as previously. To further expand Beate Uhse's market position, the Group will also consistently develop additional distribution channels, such as a franchise system, home parties, department stores and new multimedia channels.

The Beate Uhse Group sees its worldwide cooperation with telecommunications companies aimed at marketing its film rights via traditional internet channels as harbouring particularly marked growth potential. This task has been taken over by Beate Uhse Licensing B.V., a company newly founded in 2008. Beate Uhse has established itself in this area in the shortest of periods as a respectable and competent provider for well-known telecommunications companies across the world.

The Group will press consistently ahead with establishing product lines under private labels, which will differentiate themselves from the market due to their high quality and modern design. The successful launch of the Daring! label serves as an example of this in the film business. In the sex toy segment, meanwhile, the ToyJoy line has been established for the wholesale business and the Mae B. collection for marketing to end customers. The brands acquired through the acquisition of the Playhouse Group will complement the product portfolio in future and will also be marketed via Beate Uhse's distribution channels. New product developments will always meet the company's high standards of design, quality, high-quality materials and technology. Wellness and better living are suitable themes for supplementing the erotica product range.

In the retail business, Beate Uhse will focus on its two store concepts of Premium Shops and Fun Centers, both of which are developing positively. In the current year, the store network will be successively adapted to these two concepts. The aim of the retail business is to compensate for the shrinking DVD and cabin business with other product groups in the medium term. The streamlining of the store network is almost complete; in the current year one more shop will be closed in Germany, and six more in the Benelux countries. The costs for this were largely posted in 2007. In its further expansion, the Group will rely less on proprietary stores than on its franchise system. This process will be initiated under the Christine le Duc brand in the Netherlands in 2009. If this trial is successful, franchise shops on the same model will follow in other Beate Uhse countries.

Beate Uhse will complete its internal reorganisation in 2009. The measures still to be executed include centralising procurement to exploit synergies, further implementing the multi-channel system and reviewing new media resources. The extension and group-wide harmonisation of IT structures is also on the agenda.

Sales and earnings performance

With the restructuring programme implemented in 2008, the Beate Uhse Group has created a good starting point for achieving further growth. The mail order business has successfully completed its turnaround and regained its former strength as the Group's growth driver. Further sales growth is expected here in the current year, notwithstanding the negative trend in consumer spending, based on the expansion of the online business and optimised customer relations management. Retail sales will see a temporary reduction due to the lower number of stores. However, this division stands to benefit from the significantly better performance of the Premium Shops and Fun Centers once the store network has been fully converted to these two new concepts. The Management Board expects to see a decline in sales in the wholesale division due to the difficulties faced by the erotica sector as a whole. Once the process of streamlining in the market is complete, the B2B business will revive in the longer term, focusing on a smaller number of professional providers. By marketing films across all new media distribution channels, the entertainment division is believed to have good growth prospects in the current year as well.

Given the turbulence in the global economy and the uncertainty surrounding its impact on consumer behaviour, it is currently difficult to issue any statement concerning long-term forecasts.

To facilitate a better evaluation of its future earnings position, the Group has chosen operating earnings (EBIT) as the key figure for its forecasts. Accordingly, based on current market assessments the Management Board aims to achieve a substantial improvement in the profitability of the Beate Uhse Group. It thus aims to double the operative EBIT of EUR 3.1 million posted in 2008 (adjusted to exclude the insurance payment of EUR 4 million) to between EUR 6 million and EUR 7 million in the current year. Sales, by contrast, are expected to show moderate growth in the next few years. Investments primarily relate to the introduction of a new group-wide ERP system. Furthermore, it is planned to pool employees both in Flensburg and in Walsoorden in one building at each location, thus optimising work processes and cutting costs. In the coming years as well, the focus will be on increasing the profitability of the overall Group, mainly by dovetailing the online and mail order businesses and by drawing on the multi-channel concept to better exploit the potential offered by the distribution channels.

Flensburg, 16 March 2009

Lindemann

Otto Christian Lindemann

Serge van der Hooft

6.1 CONSOLIDATED BALANCE SHEET

ASSETS

EUR 000s	Notes	2007	2008
Non-current assets			
Intangible assets	1	10,590	11,010
Goodwill	1	14,940	15,230
Property, plant & equipment	2	32,807	28,211
Other financial assets	3	9,269	3,935
Shareholdings	4	26,223	25,757
Investments in associates	5	2,989	0
Deferred tax assets	32	9,969	8,106
		106,787	**92,249**
Current assets			
Inventories	6	34,770	40,201
Trade receivables	21	30,114	27,356
Other current financial assets and other assets	7	3,867	6,859
Income tax refund claims (current)		1,233	3,414
Cash and cash equivalents	8	7,408	5,612
		77,392	**83,442**
Assets held for sale	5	0	750
Total assets		184,179	**176,441**

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR 000s	Notes	2007	2008
Shareholders' equity			
Share capital	9	47,324	70,985
Treasury stock at cost of acquisition	12	-3,463	-3,463
Capital reserves	13	745	2,653
Revenue reserves	14	3,295	3,295
Other reserves	14	133	0
Unappropriated net profit		18,235	20,445
Balancing item for currency translation	14	-41	548
Minority interests		139	131
		66,367	**94,594**
Non-current debt			
Interest-bearing loans	20	6,822	32,344
Pensions and similar obligations	15	4,058	3,968
Other provisions	16	2,876	2,156
Other financial debt	17	529	778
Deferred tax liabilities	32	1,811	333
		16,096	**39,579**
Current debt			
Trade payables		20,423	20,176
Other financial debt	18	14,738	14,241
Pensions and similar obligations	15	247	259
Other provisions	19	4,437	2,724
Income tax liabilities		2,647	3,803
Loans	20	26,427	255
Current portion of non-current loans	20	32,797	810
		101,716	**42,268**
Total shareholders' equity and liabilities		184,179	**176,441**

6.2 CONSOLIDATED INCOME STATEMENT

EUR 000s	Notes	2007	2008
Sales	26	268,041	**252,899**
Cost of sales	27	-116,735	-105,354
Gross profit on sales		151,306	**147,545**
Other operating income	28	16,088	20,400
Sales-related expenses	29	-136,351	-129,621
General administration expenses	30	-34,211	-29,615
Other operating expenses		-2,156	-1,632
Shares in earnings of associates		927	0
Other income from shareholdings		-42	0
Earnings before interest and taxes (EBIT)		-4,439	**7,077**
Financial income	31	1,696	477
Financial expenses	31	-5,152	-4,490
Earnings before taxes (EBT)		-7,895	**3,064**
Taxes on income	32	-5,266	-778
Consolidated net income		-13,161	**2,286**
Attributable to:			
Shareholders in the holding company		-13,843	2,210
Minority shareholders		682	76
Earnings per share (EPS)			
Basic (EUR)	35	-0.29	0.03
Diluted (EUR)	35	-0.29	0.03

6.3 CONSOLIDATED CASH FLOW STATEMENT

EUR 000s	2007	2008
Cash flow from operating activities		
Operating earnings (EBIT)	-4,439	**7,077**
Corrections for:		
Non-cash expenses (IFRS 2)	80	47
Depreciation of property, plant and equipment, amortisation of intangible assets	20,106	11,756
Losses incurred on the disposal of property, plant and equipment and intangible assets	-1,057	-438
Other non-cash income	-1,519	753
Changes in:		
Trade receivables	-1,602	3,038
Other assets	9,741	-3,819
Trade payables	-2,785	-742
Other liabilities	2,278	-4,833
Interest received	1,025	477
Dividend received from associate	116	0
Interest paid for loans and hedging instruments	-5,216	-3,198
Income taxes paid	-3,320	-1,419
	13,408	**8,699**
Cash flow from investing activities		
Cash received from the sale of property, plant and equipment, intangible assets and other non-current assets	26,263	5,213
Cash paid for investments in property, plant and equipment, intangible assets and other non-current assets	-13,925	-9,297
Cash paid in connection with short-term financial management	-474	0
Cash received in connection with short-term financial management	1,877	0
Cash paid for acquisition of subsidiaries	239	-228
	13,980	**-4,312**
Cash flow from financing activities		
Contribution to capital (Capital increase)	0	25,522
Dividends paid	-4,704	0
Taking up of bank liabilities	13,320	25,522
Taking up of borrowers´note loans	10,000	0
Redemption of bank liabilities	-38,866	-57,731
Redemption of borrowers‘ note loans	-6,002	0
	-26,252	**-6,687**
Net change in cash, cash equivalents and securities	1,136	**-2,300**
Changes due to movements in exchange rates	-160	504
Cash, cash equivalents and securities at beginning of period	6,432	7,408
Cash, cash equivalents and securities at end of period	7,408	5,612
Composition of cash and cash equivalents at end of period		
Cash holdings, credit balances at banks, cheques and securities	7,395	5,599
Short-term money investments	13	13
	7,408	**5,612**

6.4 GROUP EQUITY SCHEDULE

EUR 000s	Share capital	Treasury stock	Capital reserve	Revenue reserves	Other reserves
	Equity attributable to the shareholders in the parent company				
Balance as of 1 January 2007	**47,324**	**-3,463**	**664**	**3,295**	**305**
Foreign currency translation					
Addition due to consolidation					
Allocation to valuation reserve					133
Retirement of gains on cash flow hedges					-501
Retirement of tax effects of gains on cash flow hedges					196
Total income recognised in equity					**-172**
Consolidated net income in 2007					
Total period earnings					**-172**
Share-based payments			81		
Dividend distribution					
Balance as of 31 December 2007	**47,324**	**-3,463**	**745**	**3,295**	**133**
Balance as of 1 January 2008	**47,324**	**-3,463**	**745**	**3,295**	**133**
Foreign currency translation					
Reversal of valuation reserve					-133
Total income recognised in equity					**-133**
Consolidated net income in 2008					
Total period earnings					**-133**
Capital increase	23,661		1,861		
Share-based payments			47		
Balance as of 31 December 2008	**70,985**	**-3,463**	**2,653**	**3,295**	**0**

Unappropriated net profit	Balancing item for currency translation	Total	Minority interests	Total equity
36,782	**15**	**84,922**	**-438**	**84,484**
	-56	-56	13	-43
			-118	-118
		133		133
		-501		-501
		196		196
	-56	**-228**	**-105**	**-333**
-13,843		-13,843	682	-13,161
-13,843	**-56**	**-14,071**	**577**	**-13,494**
		81		81
-4,704		-4,704		-4,704
18,235	**-41**	**66,228**	**139**	**66,367**
18,235	**-41**	**66,228**	**139**	**66,367**
	589	589	-84	505
		-133		-133
	589	**456**	**-84**	**372**
2,210		2,210	76	2,286
2,210	**589**	**2,666**	**-8**	**2,658**
		25,522		25,522
		47		47
20,445	**548**	**94,463**	**131**	**94,594**

NOTES TO THE 2008 CONSOLIDATED FINANCIAL STATEMENTS

PRELIMINARY REMARKS

The following notes refer to the consolidated financial statements of Beate Uhse Aktiengesellschaft, Gutenbergstrasse 12, 24941 Flensburg ('Beate Uhse AG').
The consolidated financial statements of Beate Uhse AG for the financial year ending on 31 December 2008 were prepared by the Management Board of Beate Uhse AG on 11 March 2009 and forwarded for review and approval by the Supervisory Board.

INFORMATION CONCERNING THE COMPANY

Beate Uhse Aktiengesellschaft, Flensburg, is entered in the Commercial Register of the Flensburg District Court under No. 3737.
As the global market leader 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 distributed across virtually all economic regions of the world. The distribution channels comprise wholesale, mail order and retail, as well as internet, telephony and TV/telemedia services. Beate Uhse operates 279 shops in eleven 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.com and www.pabo.nl.

ACCOUNTING AND VALUATION PRINCIPLES

Principles underlying the preparation of the financial statements

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, financial assets available for sale and non-current debt, which have been measured at fair value, as have interests in associates.
The consolidated financial statements have been prepared in euros. Unless otherwise stated, all figures have been rounded up or down to the nearest thousand (EUR 000s).
The cost of sales method has been selected for the consolidated income statement.

Statement on compliance 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.

IFRS and IFRIC interpretations not yet in force

Beate Uhse AG has not made any premature application of the following standards which have already been published but which are not yet effective.

Already endorsed by the EU:
The IASB and the IFRIC have published the standards and interpretations listed below which have already been adopted in EU law within the comitology process, but which did not yet require compulsory application in the 2008 financial year. The Group has made no premature application of these standards and interpretations.

- IFRS 8 'Operating Segments'
- IAS 23 'Borrowing Costs'
- IAS 1 'Presentation of Financial Statements'
- IFRS 1 and IAS 27 – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- IFRS 2 'Share-based Payment'
- IAS 32 and IAS 1 – Puttable Instruments and Obligations Arising on Liquidation
- Improvements in IFRS 2008
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

IFRS 8 Operating segments
IFRS 8 was published in November 2008 and requires first-time application in reporting periods beginning on or after 1 January 2009. IFRS 8 requires companies to disclose information about their operating segments and replaces the obligation for companies to stipulate primary and secondary reporting formats pursuant to IAS 14. IFRS 8 follows the so-called management approach, which requires segment reporting to be based solely on the financial information used by the company's decision makers in their internal management of the company. Such disclosures are therefore based on the company's internal reporting and organisational structures, as well as on the key financial figures referred to when reaching decisions concerning the allocation of resources and assessment of earnings performance. The new standard will affect the way in which financial information is published about the Group's business divisions, but will not have any impact on the recognition or measurement of assets and liabilities in the consolidated financial statements.

IAS 23 Borrowing costs
The revised version of IAS 23 was published in March 2007 and requires first-time application in reporting periods beginning on or after 1 January 2009. This standard has abolished the previous option and requires borrowing costs attributable to qualifying assets to be capitalised. Qualifying assets are assets for which a substantial period of time is required to prepare them for their intended use or sale. The standard foresees prospective application of this new requirement.

In line with the transitional regulations set out in the standard, the Group will make prospective application of this standard. Accordingly, borrowing costs incurred for qualifying assets will be capitalised with effect from 1 January 2009. This does not involve any changes for borrowing costs previously incurred and recognised immediately through profit or loss. Given the immaterial significance of qualifying assets in the reporting period of first-time application, this new requirement is not expected to have any material implications for the consolidated financial statements.

IAS 1 Presentation of Financial Statements

The revised version of IAS 1 was published in September 2007 and requires first-time application in reporting periods beginning on or after 1 January 2009. The new version of the standard involves major changes in the presentation and reporting of financial information in the financial statements. In future, it will only be permitted to report transactions with owners acting in their capacity as owners in the statement of changes in equity. Other changes in equity must be included in the presentation of comprehensive income for the period, which can take the form either of a single statement or of two statements, namely an income statement and a statement of comprehensive income. Furthermore, the standard requires companies to include a balance sheet in their financial statements as of the beginning of the earliest comparative period in cases where retrospective application has been made of accounting policies or items have been retrospectively adjusted or reclassified in the financial statements.
The new standard will affect the way in which the Group's financial information is published, but will not have any impact on the recognition or measurement of assets and liabilities in the consolidated financial statements.

Amendments to IFRS 1 and IAS 27 – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

The amendments to IFRS 1 and IAS 27 were published in May 2008 and require first-time application in reporting periods beginning on or after 1 January 2009. The amendments to IFRS 1 allow companies also to recognise the costs of an investment in a subsidiary, jointly controlled entity or associate in their IFRS opening balance sheet at the amounts recognised under previously applied accounting regulations or at fair value as a substitute for cost (deemed cost). The amendments to IAS 27 solely affect the separate financial statements of parent companies and stipulate in particular that all dividends from subsidiaries, jointly controlled entities and associates must be recognised through profit or loss in the separate financial statements. The transitional regulations basically provide for prospective application.
As the regulations governing first-time application of IFRS and the requirements for separate financial statements are not relevant for the Group, these new regulations do not have any implications for the consolidated financial statements.

Amendments to IFRS 2 – Vesting Conditions and Cancellations

The amendment to IFRS 2 was published in January 2008 and requires first-time application in reporting periods beginning on or after 1 January 2009. The revision clarifies the definition of vesting conditions and regulates the accounting treatment of any termination of share-based payment plans by employees. The transitional regulations provide for retrospective application.

The position represented by the IASB deviates from previous accounting practice at the Group. As the transitional regulations require retrospective application of the new requirements, first-time application will result in a reassessment of the fair value of equity instruments granted as of the date of allocation. Any differences will be recognised directly in equity. First-time application of the new requirement will not result in any material change in the equity ratio, neither will it have any material implications for the consolidated earnings.

Amendments to IAS 32 and IAS 1 – Puttable Instruments and Obligations Arising on Liquidation

The amendments to IAS 32 and IAS 1 were published in February 2008 and require first-time application in reporting periods beginning on or after 1 January 2009. An exception has been introduced which allows puttable financial instruments to be classified as equity where certain criteria are met. Moreover, disclosures are also required for these financial instruments.
The amendments to the standards will not impact on the net asset, financial and earnings position of the Group, as the parent company has not issued any such instruments.

Improvements in IFRS 2008

The amendments resulting from the 2008 Improvements Project were published in May 2008 and, with the exception of IFRS 5 (here from 1 July 2009), require first-time application in reporting periods beginning on or after 1 January 2009. Numerous amendments were decreed within the framework of the 2008 Improvements Project, some of which involve material amendments affecting recognition and measurement and some of which are of a purely editorial nature. The latter amendments relate, for example, to the revision of individual definitions and formulations to ensure consistency with other IFRS. The Group has as yet made no application of the following amendments:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: it is clarified that all assets and liabilities of a subsidiary whose planned disposal would result in loss of control of this subsidiary also have to be classified as available for sale even when the company will retain a non-controlling interest in this former subsidiary following disposal.
- IAS 1 Presentation of Financial Statements: it is clarified that financial instruments classified as held for trading do not necessarily have to be recognised as current assets or liabilities in the balance sheet. Classification as "current" must be based solely on the criteria stipulated by IAS 1.
- IAS 10 Events after the Reporting Period: it is clarified that dividends resolved after the reporting date but prior to approval of the financial statements for publication do not constitute liabilities as of the reporting date and therefore may not be recognised as liabilities in the financial statements.
- IAS 16 Property, Plant and Equipment: revenues on property held for letting which is usually sold following such letting in the context of the company's customary business activity must be recognised as sales.
- IAS 19 Employee Benefits: as well as revising several definitions, this amendment also clarifies that plan changes resulting in a reduction in benefits for work to be performed in future must be accounted for as plan curtailments. Plan changes involving a reduction in benefits for work already performed, by contrast, must be accounted for as past service cost.

- IAS 20 Accounting for Government Grants and Disclosure of Government Assistance: for loans charging nil or low interest it will in future be obligatory to calculate the interest benefit. The difference between the amount received and the discounted amount is to be recognised as a government grant.
- IAS 23 Borrowing Costs: the definition of borrowing costs has been revised to the extent that the guidelines governing effective interest in IAS 39 have been adopted.
- IAS 27 Consolidated and Separate Financial Statements: it is clarified that the recognition of a subsidiary at fair value in accordance with IAS 39 in the separate financial statements of a parent company must also be retained in cases where the subsidiary is classified as available for sale.
- IAS 28 Investments in Associates: as the goodwill included in the carrying amount of an associate is not reported separately, it is also not assessed separately for impairment. The entire carrying amount of the investment is rather tested for impairment as a single asset and written down if required. It has now been clarified that any reversal of a write-down on an investment in an associate recognised in prior reporting periods must be recognised as an increase in this overall investment, rather than simply being assigned to the goodwill included in such investment. A further amendment relates to disclosure obligations for investments in associates measured at fair value in accordance with IAS 39. In future, these investments will only be governed by the requirements of IAS 28, which require disclosure of the type and extent of any material limitations on the ability of the associate to transfer financial funds in the form of cash or loan repayments to the company.
- IAS 29 Financial Reporting in Hyperinflationary Economies: it is clarified that the assets and liabilities to be measured and capable of measurement at fair value in financial statements prepared on the basis of historic cost do not have to be restricted to property, plant and equipment or financial investments.
- IAS 31 Interests in Joint Ventures: the amendment relates to the disclosure obligations for interests in joint ventures recognised at fair value in accordance with IAS 39. In future, these interests will only be governed by the requirements of IAS 31, which require disclosure of the obligations of the parent company and the joint venture, as well as a summary of the financial information concerning assets, liabilities, income and expenses.
- IAS 34 Interim Financial Reporting: it is clarified that basic and diluted earnings per share only have to be disclosed in interim financial statements when the company is subject to the requirements of IAS 33 Earnings per Share.
- IAS 36 Impairment of Assets: the disclosure requirements governing the determination of value in use and determination of fair value less disposal costs calculated on the basis of the discounted cash flow model have been standardised.
- IAS 38 Intangible Assets: expenditure on goods and services for use in advertising campaigns or sales promotion measures (including mail order catalogues) must in future be recognised as expenses when the company has received rights of access to these goods or services. Furthermore, the amendment allows unrestricted use of the unit-of-production method of amortisation for intangible assets.

- IAS 39 Financial Instruments: Recognition and Measurement: it will be possible in future for derivatives to be designated following initial recognition as measured at fair value through profit or loss due to a change in circumstances or to remove derivatives from this category, as such move does not represent reclassification as defined in IAS 39. Moreover, the reference to a “segment” in connection with determining whether an instrument meets the criteria for a hedging instrument has been deleted. Furthermore, it is clarified that, when measuring a debt instrument whose recognition as a fair value hedge has been terminated, reference must be made to the newly calculated effective interest rate.
- IAS 40 Investment Property: in future, property under construction which is being prepared or developed for use as a financial investment may no longer be assigned to property, plant and equipment, but must rather be assigned to investment property and measured at cost or fair value. When the company makes application of the fair value model and is unable to determine the fair value reliably, then the property under construction is measured at cost until such time as the fair value can be reliably determined or construction has been completed.
- IAS 41 Agriculture: the limitation on the use of an input tax discount rate when calculating the fair value has been abolished. Furthermore, the ban on including cash flows resulting from additional biological transformation and other future activities at the company when estimating the fair value has been lifted.

The Group assumes that, with the exception of those regulations whose implications are explicitly pointed out, the new regulations resulting from the Improvement Project will not have any material implications on the financial statements:

- IAS 16 Property, Plant and Equipment: the application of this regulation will result in a higher amount of sales in future. There will be no overall implications on consolidated earnings, as the amendment merely involves a reclassification within the income statement.
- IAS 38 Intangible Assets: as a result of this new regulation, expenses for advertising measures will generally be recognised at an earlier stage. Continuing use is to be made of the unit-of-production amortisation method, which can be expected to result in a lower amortisation amount in one future reporting period.

IFRIC 13 Customer Loyalty Programmes
IFRIC Interpretation 13 was published in June 2007 and requires first-time application in reporting periods beginning on or after 1 July 2008. This interpretation requires points granted to customers to be recognised as proprietary sales separately from the transaction for which they were granted. As a result, part of the fair value of the consideration received is assigned to and treated as customer points granted. The respective sales are recognised in the period in which the customer points granted are exercised or lapse.
As the Group currently has no customer loyalty programmes in place, this interpretation is not expected to have any implications for the consolidated financial statements.

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

IFRIC Interpretation 14 was published in July 2007 and requires application at the latest from the beginning of the first financial year after 31 December 2008. This interpretation provides guidelines for determining the maximum amount of surplus on a defined benefit plan which may be recognised as an asset pursuant to IAS 19 Employee Benefits.
As all of the Group's defined benefit pension plans currently show accounting deficits, this interpretation is not expected to have any implications for the net asset, financial and earnings position of the Group.

EU endorsement still outstanding:

- IFRS 1 First-time Adoption of IFRS
- IFRS 3 Business Combinations
- IAS 27 Consolidated and Separate Financial Statements
- Amendments to IAS 39 – Eligible Hedged Items
- IFRIC 12 Service Concession Arrangements
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 Distributions of Non-cash Assets to Owners
- IFRIC 18 Transfers of Assets from Customers

IFRS 1 First-time Adoption of IFRS

The revised version of IFRS 1 was published in November 2008 and requires first-time application in reporting periods beginning on or after 1 January 2009. The revision of the standard solely relates to editorial amendments and a restructuring of the standard. The revision contains no amendments in recognition and measurement regulations for companies applying IFRS for the first time.
The requirements of IFRS 1 are addressed to companies applying IFRS for the first time and therefore have no implications for the Group.

IFRS 3 Business Combinations

The revised version of IFRS 3 was published in January 2008 and requires first-time application in reporting periods beginning on or after 1 July 2009. The standard has been extensively revised within the IASB and FASB convergence projects. The main amendments relate in particular to the introduction of an option when measuring non-controlling interests between recognition of the prorated identifiable net assets (so-called purchased goodwill method) and the full goodwill method, which requires recognition of the entire goodwill of the company acquired, including the share attributable to non-controlling interests. Furthermore, the amendment also requires the reassessment of existing shareholdings through profit or loss upon control being gained for the first time (gradual corporate acquisition), the mandatory recognition upon acquisition of any consideration linked to the occurrence of future events and the recognition of

transaction expenses through profit or loss. The transitional regulations provide for the prospective application of the new regulation. No changes arise for assets and liabilities resulting from business combinations performed prior to first-time application of the new standard.
The amendments will impact on the amount of goodwill recognised, on the earnings for the reporting period in which a company acquisition takes place and on future earnings. In particular, application of the full goodwill method may lead to higher amounts of goodwill.

IAS 27 Consolidated and Separate Financial Statements

The revised version of IAS 27 was published in January 2008 and requires first-time application in reporting periods beginning on or after 1 July 2009. The amendments principally relate to the recognition of shares of a non-controlling nature (minority interests), which will in future participate in full in the losses of the Group, as well as to the recognition of transactions leading to loss of control at a subsidiary, the effects of which must be recognised through profit or loss. The effects of disposals of shares not leading to loss of control, by contrast, are recognised directly in equity. The transitional requirements provide for prospective application. As a result, there will be no changes for assets and liabilities resulting from such transactions performed prior to first-time application of the new standard.
As neither the aforementioned transactions nor any negative amount of non-controlling interests is to be expected at the Group in the reporting period of first-time application, the application of this standard will not have any implications for the consolidated financial statements.

Amendments to IAS 39 – Eligible Hedged Items

The amendments to IAS 39 were published in July 2008 and require first-time retrospective application in the reporting periods beginning on or after 1 July 2009. The amendment specifies how the hedge accounting principles set out in IAS 39 are to be applied to the designation of one-sided risk in a hedged item and to the designation of inflation risks as the hedged item. It is clarified that it is permitted to designate only one part of the changes in fair value or cash flow variability of a financial instrument as the hedged item. The Group's hedge accounting is not affected by this amendment.

IFRIC 12 Service Concession Arrangements

IFRIC Interpretation 12 was published in November 2006 and basically requires first-time application in reporting periods beginning on or after 1 January 2008. This interpretation has not yet been adopted in EU law. The interpretation governs the accounting treatment of obligations assumed and rights received in the context of service concessions in the financial statements of the operator.
The companies included in the consolidated financial statements do not constitute operators as defined in IFRIC 12. This interpretation will therefore have no implications for the Group.

IFRIC 15 Agreements for the Construction of Real Estate

IFRIC Interpretation 15 was published in July 2008 and requires first-time application in reporting periods beginning on or after 1 January 2009. This interpretation provides guidelines concerning the time and scope of revenue recognition for projects involving the construction of real estate.
IFRIC 15 will not have any implications for the consolidated financial statements as this interpretation is not applicable to the Group.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

IFRIC Interpretation 16 was published in July 2008 and requires first-time application in reporting periods beginning on or after 1 October 2008. IFRIC 16 sets out guidelines for identifying the foreign exchange risks which can be hedged when hedging a net investment, for determining which group companies may hold the hedging instruments intended to hedge the net investment and for calculating the exchange gain or loss to be transferred from equity to the income statement upon disposal of the hedged foreign operation. This interpretation requires prospective application.
IFRIC 16 will not have any implications for the consolidated financial statements as the Group does not own any such investments.

IFRIC 17 Distributions of Non-cash Assets to Owners

IFRIC Interpretation 17 was published in November 2008 and requires first-time application in reporting periods beginning on or after 1 July 2009. This interpretation sets out guidelines for the recognition and measurement of any obligation providing for distributions of non-cash assets to owners. The interpretation deals in particular with the time, measurement and statement of such obligation. Accordingly, such obligation may only be recognised and measured at fair value once the company is no longer able to withdraw from such obligation. The obligation and any changes in the fair value of the respective asset are to be recognised in equity. Any difference between the fair value and carrying amount of the asset is only recognised through profit or loss at the time at which this asset is transferred to the owner. This interpretation requires prospective application.
IFRIC 17 will not have any implications for the consolidated financial statements, as no distribution of non-cash assets is to be expected at the Group.

IFRIC 18 Transfer of Assets from Customers

IFRIC Interpretation 18 was published in January 2009 and requires first-time application in reporting periods beginning on or after 1 July 2009. This interpretation provides guidelines for the recognition of agreements in which a company receives property, plant or equipment or cash from a customer which the company must use to connect the customer to a distribution network, for example, and/or to provide the customer with ongoing access to a supply of goods or services. The interpretation deals in particular with recognition criteria for customer contributions and with the time and extent of revenue recognition on such business transactions. The interpretation is to be applied prospectively.
IFRIC 18 will not have any implications for the consolidated financial statements as the Group does not perform any such business transactions.

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 and valuation methods at the same reporting date as for the financial statements of the parent company.
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.
In the case of company acquisitions, the assets and liabilities of the respective subsidiaries are measured at fair value upon acquisition. Should the costs of the company acquisition exceed the fair values of the identifiable assets acquired and liabilities assumed, then the difference is recognised as goodwill. Any negative difference between the costs of the company acquisition and the identifiable assets acquired and liabilities assumed (i.e. discount upon acquisition) is recognised through profit or loss in the period of such acquisition. Shares held by minority shareholders are reported in accordance with the portion of fair value of the assets and liabilities thereby recognised proportionate to the level of shareholding held by such minority shareholders. Any losses attributable to minority shareholders in excess of such minority shareholding are subsequently offset directly against the shares of the parent company.

All inter-company 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.

PRINCIPAL DISCRETIONARY DECISIONS AND ESTIMATES

Discretionary decisions

When applying the accounting and valuation methods, the company management took 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 the exercising of considerable discretion on the part of 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 2008, the volume of recognised tax losses amounted to EUR 7,513k (previous year: EUR 7,513k) and the volume of unrecognised tax losses to EUR 749k (previous year: EUR 29,565k). Further details have been provided in Note 31.

Uncertainties in estimates

The most important assumptions relating to the future and other major existing sources of uncertainty concerning the estimates made as of the reporting 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.

Impairment of goodwill

The Group assesses at least once a year whether the value of its goodwill is impaired. Among other aspects, this requires an estimation of the use value of the cash generating units to which the goodwill has been allocated. The estimation of the use value 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 these cash flows. As of 31 December 2008, the carrying amount of goodwill amounted to EUR 15,230k (2007: EUR 14,940k).

Impairment of investments in associates and shareholdings

The Group assesses on each reporting date whether there are any indications that the value of its investments in associates or of shareholdings carried at updated cost might be impaired. Should there be any such indications, then Beate Uhse AG makes application of IAS 36 ‘Impairment of Assets’. When determining the current use value of the investment, this requires an estimation of the present value of the expected future cash flows to be generated by the shareholding, including the cash flows from the activities of the shareholding and the final sale of the investment, or of the present value of the estimated expected future cash flows resulting from the dividends of the investment and from its final sale.
In the case of shareholdings measured at fair value, the fair values have to be calculated using valuation methods as of the reporting date. These valuation methods are based on estimates of future income at the shareholdings.
As of 31 December 2008, the carrying amount of interests in associates amounted to EUR 0k (2007: EUR 2,989k) and the carrying amount of shareholdings amounted to EUR 25,757k (2007: EUR 26,223k).

SUMMARY OF PRINCIPAL ACCOUNTING AND VALUATION METHODS

The principal accounting and valuation methods used in the preparation of these consolidated financial statements are outlined below.

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 any cumulative amortisation and all cumulative impairment losses.
With the exception of 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/licences	4 years*
Software	3 years

* or contractually agreed term

Film rights are subject to percentage amortisation in line with the number of broadcasts. The percentages used vary between 20 and 50 percent depending on the type of film and the number of broadcasts.
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 disposal 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 either the primary or secondary reporting format of the Group is based in accordance with the requirements of IAS 14 'Segment reporting'.
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.

Property, plant and equipment

Property, plant and equipment is recognised at cost, except for the costs of to day to day servicing, less cumulative scheduled depreciation and cumulative impairment losses. These costs include the costs of replying part of the asset at the time at which such costs are incurred, provided that the recognition criteria are met. 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

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 disposal proceeds and the carrying amount and are recognised in the income statement in the period in which the item is retired. The residual values of the assets, useful lives and methods of depreciation are reviewed at the end of each financial year and adjusted where necessary. Expenses of large-scale servicing are recognised as replacement expenses in the carrying amount of the asset, provided that the relevant criteria are met.

Financial investments, other financial assets and financial liabilities

Financial assets and financial liabilities are measured at fair value upon initial recognition, including transaction expenses directly allocable to the acquisition of the financial asset or financial liability.
Financial assets are classified as 'financial assets measured at fair value through profit or loss', as 'loans and receivables', as 'investments held to maturity' and as 'financial assets available for sale'. The Group determines the classification of its financial assets upon initial recognition and reviews this at the end of each financial year where permitted and appropriate.
No financial assets were allocated to the categories of 'financial assets measured at fair value through profit or loss' or 'financial investments held to maturity' at the reporting date of the Beate Uhse Group.
Financial assets purchased and sold on customary market terms are recognised on the date of the transaction, i.e. on the date on which the company entered into the obligation to purchase the asset. Purchases or sales on customary market terms are purchases and sales of financial assets which require delivery of the assets within a period determined by market requirements or conventions.

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 shareholdings 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 cumulative gain or loss previously recognised in equity is transferred to the income statement.

The fair value of financial assets traded on organised markets is calculated by reference to the stock market price on the reporting date. The fair value of financial assets for which there is no active market is estimated using valuation methods. Such methods are based on transactions recently undertaken on customary market terms or on the current market value of a different instrument which is basically the same instrument, or on the analysis of discounted cash flows and on option price models.

Derivative financial instruments
The Beate Uhse Group deploys derivative financial instruments to manage current and future interest rate risks. Derivative financial instruments are recognised at fair value. Changes in fair value are recognised directly through profit or loss should there be no effective hedging relationship to a hedged item. Where an effective hedging relationship exists, changes in the fair value are recognised directly in equity. The Group had no effective hedges as of 31 December 2008.

Equity instruments for which there is no active market
Financial investments in equity instruments for which no prices are quoted on any active market and whose fair values cannot be reliably determined are carried at cost.

Financial liabilities
Following initial recognition, all financial liabilities are measured at amortised cost using the effective interest method.

Retirement of financial assets and financial liabilities
Financial assets
A financial asset (or part of a financial asset or part of a group of similar financial assets) is retired upon one of the following three conditions being met:

- The contractual rights to cash flows from the financial asset have expired.
- The Group retains the contractual rights to receive cash flows from the financial asset, but nevertheless assumes a contractual obligation to pay such cash flows without any significant delay to a third party within the framework of an agreement which meets the requirements set out in IAS 39.19 ("pass-through arrangement").
- The Group has assigned its contractual rights to cash flows from the financial asset and (a) has assigned all major risks and rewards relating to ownership of the financial asset or (b) has neither assigned nor retained all major risks and rewards relating to the ownership of the financial asset, but has nevertheless assigned the rights of disposal over the asset.

Where the Group assigns its contractual rights to cash flows from an asset and has neither assigned nor retained all major risks and rewards relating to the ownership of the asset and has also retained rights of disposal over the asset thereby assigned, then the Group continues to recognise the asset thereby assigned to the extent of its ongoing engagement.
If such ongoing engagement takes the form of a guarantee for the asset assigned, then the extent of the ongoing engagement is the lower of the original carrying amount of the asset and the maximum level of consideration received which the Group may be obliged to repay. If such ongoing engagement takes the form of a written and/or acquired option (including options settled in cash or by comparable means) to the asset assigned, then the extent of the ongoing engagement of the Group is the amount of the asset assigned which the company may repurchase. For written sales options (including options settled in cash or by comparable means) to an asset measured at fair value, however, the extent of the ongoing engagement of the Group is limited to the lower amount of the fair value of the asset assigned and the exercise price of the option.

Financial liabilities

A financial liability is retired in cases where the obligation underlying such liability has been settled, terminated or has lapsed.
Should an existing financial liability be exchanged for another financial liability from the same creditor which is subject to substantially different contractual terms, or should the terms governing an existing liability be substantially amended, then such exchange or amendment is treated as a retirement of the original liability and recognition of a new liability. The difference between the respective carrying amounts is recognised in period earnings.

Business combinations

In the year under report, 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 (EUR 423k).
The carrying amounts of the assets and liabilities upon acquisition were as follows:

BESTSELLER FILMDISTRIBUTION EUROPA AB

EUR 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

EUR 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 balances of assets acquired and liabilities assumed, amounting to EUR 487k, as well as for the investment of EUR 266k in Bestseller Rättigheter included in the property, plant and equipment of Bestseller Europa, and for the purchase prices of EUR 423k, the business combination resulted in goodwill amounting to EUR 202k. Bestseller Filmdistribution Europa AB and Bestseller Rättigheter Scandinavien AB contributed sales of EUR 530k and operating earnings of EUR -236k to the sales and earnings of the Group since the business combination.

Investments in associates

An associate is a company in which the Group's participation enables it to exercise significant influence over the company's financial and business decision-making processes even though the company is not controlled or subject to joint control.

Investments in associates are recognised using the equity method. The equity method requires the investment in an associate to be recognised in the balance sheet at cost plus any changes following acquisition in the share of the associate's net assets held by the Group. Losses exceeding the interest held by the Group in the associate are not recognised. The goodwill relating to an associate is included in the carrying amount of the investment and is not subject to scheduled amortisation. When applying the equity method, the Group assesses whether any additional impairment losses have to be accounted for in respect of the Group's net investment in the associate. The income statement includes the Group's share in the performance of the associate. Any changes recognised in equity at the associate are also recognised in the Group's equity in line with its level of shareholding and are also included in the statement of changes in shareholders' equity if necessary.

The reporting date and accounting and valuation methods for comparable business transactions and events at the associate correspond applied at the Group.

Taxes on income

Actual tax refunds and tax liabilities

Actual tax refund claims and tax liabilities for the current period and for earlier periods are measured at the amount at which a refund is expected from or a payment is expected to be required to the tax authorities. The calculation of such amounts is based on the tax rates and tax laws valid at the reporting date or due to be valid in the near future.

Deferred taxes

Deferred taxes are recognised using the balance sheet liability method for all temporary differences as of the reporting date between the value recognised for an asset or a liability in the balance sheet and the value recognised for tax purposes. Deferred tax liabilities are recognised for all taxable temporary differences, with the following exceptions:

- Deferred tax liabilities may not be recognised if they result from initial recognition of goodwill in connection with a business combination.
- Deferred tax liabilities may not be recognised if they result from initial recognition of an asset or liability in connection with a business transaction which is not a business combination and which does not have any impact on period earnings calculated in line with commercial law or on taxable earnings at the time of such business transaction.
- Deferred tax liabilities may not be recognised if they result from taxable temporary differences in connection with investments in subsidiaries or associates if the timing of the reversal of such temporary differences can be controlled and if the temporary differences are unlikely to be reversed in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, tax loss carryovers not yet used and unused tax credits to the extent that sufficient taxable income is likely to be available for the deductible temporary differences, tax loss carryovers not yet used and tax credits to be offset against, with the following exceptions:

- Deferred tax assets may not be recognised if they result from initial recognition of goodwill in connection with a business combination.
- Deferred tax assets may not be recognised for deductible temporary differences arising upon initial recognition of an asset or liability in connection with a business transaction which is not a business combination and which has no impact either on period earnings calculated in line with commercial law or on taxable income at the time of such business transaction.
- Deferred tax assets resulting from taxable temporary differences in connection with investments in subsidiaries or associates may only be recognised to the extent that such temporary differences are likely to be reversed in the foreseeable future and that sufficient taxable income will be available for the temporary differences to be offset against.

The carrying amount of deferred tax assets is reviewed at each reporting 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 reporting 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 reporting date.
Income taxes on items recognised directly in equity are recognised in equity rather than in the income statement.

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

Inventories have been measured at the lower of cost or net disposal value. The net disposal 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 any 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.

Interest-bearing loans

Loans are initially recognised at the fair value of the consideration received, following deduction of the transaction expenses involved in taking up the loan. Following initial recognition, interest-bearing loans are subsequently carried at amortised cost using the effective interest method.

Pensions and similar obligations

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 recognised in equity and the fair value of the plan assets available to settle liabilities directly. The Group had no assets qualifying as plan assets under IAS 19 at the reporting date.

Other provisions

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. Where the Group expects some or all of a provision it has recognised to be reimbursed, for example 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 a current pre-tax rate 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 as a financial expense.

Obligations 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.

Derivative financial instruments and hedging transactions

The Group uses derivative financial instruments, such as forward currency contracts, currency options and interest swaps, to hedge against foreign currency and interest rate risks. These derivative financial instruments are initially recognised at fair value upon the conclusion of the respective contract subsequently remeasured at fair value. Derivative financial instruments are recognised as assets when their fair values are positive and as liabilities when their fair values are negative.

The fair value of interest swap contracts is calculated by reference to the market values of comparable instruments. The Group did not have any forward currency or currency options transactions as of 31 December 2008.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship and its risk management objectives and strategies for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the company will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Interest swaps intended to secure cash flows and meeting hedge accounting requirements are accounted for as follows:

- The effective portion of the gain or loss from a hedging instrument is recognised directly in equity, taking due account of deferred taxes, while the ineffective portion is recognised through profit or loss.
- The amounts recognised in equity are transferred to the income statement in the period in which the hedged transaction affects period earnings, e.g. in which the financial income or expenses thereby covered are recognised or in which a planned sale or purchase is executed.

Gains and losses on changes in the fair value of interest swaps not meeting hedge accounting requirements are recognised immediately through profit or loss.

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

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 reporting 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, i.e. the forecast interest rate at which the estimated future cash flows are to be discounted to the net carrying amount of the financial asset over the expected term of the financial instrument).

Dividends

Income is recognised upon the Group acquiring a legal claim to payment.

Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred.

Share-based payments

Up to and including 2006, the employees of the Group (including management staff) received equity-settled share-based payments.
Expenses arising from equity-settled transactions were measured at the fair value of the equity instruments 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 reporting 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 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 were 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.

The Group has not classified any leases as finance leases.

Leasing payments for operating leases are recognised as expenses in the income statement on a straight-line basis over the term of the leasing agreement.

Foreign currencies

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 reporting 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. Non-monetary items measured in a foreign currency at fair value are translated at the exchange rate valid upon the calculation of fair value.

At the reporting 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 reporting 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.

The Group has opted to treat goodwill from business combinations undertaken prior to the transition to IFRS as assets denominated in euros.

Impairment of assets

The derivative goodwill and other assets of the Beate Uhse Group have been assigned to cash generating units ("CGUs") for the purposes of assessing their ongoing value.

Should the recoverable amount of the cash generating unit be lower than its carrying amount, then an impairment loss is recognised.

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, as well as the countries in which the operating companies of the wholesale division are active, also constitute CGUs.

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 7.14 percent (2007: 7.25%).
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 EUR 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.

Carrying amounts of goodwill assigned to the respective cash generating units:

GOODWILL

EUR 000s	2007	2008
Retail	7,884	7,884
Wholesale		
of which: CGU ZBF Zeitschrift Buch- und Film-Vertriebs GmbH/ Pleasure-Verlagsgesellschaft mbH, Germany	1,136	1,136
CGU Scala Agenturen BV, Netherlands	3,576	3,593
CGU Beate Uhse Max's AB, Sweden	1,255	1,389
CGU Lebenslust GmbH, Germany	452	452
Entertainment	534	534
Other	103	242
	14,940	**15,230**

To enable its ongoing value to be assessed, goodwill acquired from business combinations is assigned to the cash generating units expected to benefit from the synergies arising from the combination.
Goodwill attributable to the retail division was assigned to the stores deriving future benefit from the improvement in their competitive position. The allocation key used corresponds to the sales of the existing stores.
The goodwill resulting from the acquisition of Christine Le Duc BV, Netherlands, is worthy of mention in this respect. This goodwill amounted to EUR 5,855k as of 31 December 2008 and was assigned to the stores operating in the Netherlands based on their respective shares of sales. The goodwill assigned to the individual store is not material as a proportion of the goodwill of the Beate Uhse Group. The calculation of the recoverable amounts of the stores is based on the same basic assumptions.

Basic assumptions underlying the calculation of the value in use cash generating units as of 31 December 2008 and 31 December 2007

The market environment and development potential are assessed and evaluated by the management on an individual basis when compiling the cash flow forecasts for the 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 business segments:

IMPAIRMENT LOSSES

EUR 000s	2007	2008
Retail	2,451	255
of which: goodwill	1,336	188
plant and office equipment	1,115	67
Wholesale (goodwill)	786	0
Other	15	0
	3,252	**255**

Write-down requirements mainly resulted from individual stores in the retail division due to the inadequate attractiveness of individual store locations and resultant reduction in their values in use.

Write-ups of EUR 203k (previous year: EUR 35k) have been recognised under other operating income in the income statement.

Impairment losses of EUR 255k (previous year: EUR 2,451k) have been recognised under sales-related expenses in the income statement, while impairment losses of EUR 0k (previous year: EUR 801k) have been recognised under other operating expenses.

Correction of errors in the previous period

During the preparation of the consolidated financial statements for the period under report, it was found that the reinsurance policies deducted when calculating pension obligations in previous years do not qualify as plan assets as defined in IAS 19.

As a result, both pension provisions and other financial assets were reported at amounts which were EUR 775k too low in the consolidated financial statements for the previous year.

The correction of these errors and resultant adjustment in the previous year’s figures did not have any implications for shareholders’ equity.

NOTES TO THE CONSOLIDATED BALANCE SHEET

1 INTANGIBLE ASSETS AND GOODWILL

31 DECEMBER 2008

	Industrial property rights EUR 000s	Rights/ licences EUR 000s	Software EUR 000s	Prepayments made for intangible assets EUR 000s	Goodwill EUR 000s	Total EUR 000s
1 January 2008 (including cumulative amortisation and impairments)	40	7,930	2,600	20	14,940	25,530
Additions – acquired externally –	0	2,500	1,637	3	528	4,668
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	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 of acquisition/manufacture (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 of acquisition/manufacture (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 31 December 2008	**40**	**7,753**	**3,214**	**3**	**15,230**	**26,240**

INTANGIBLE ASSETS AND GOODWILL

31 DECEMBER 2007

	Industrial property rights EUR 000s	Rights/ licences EUR 000s	Software EUR 000s	Prepayments made for intangible assets EUR 000s	Goodwill EUR 000s	Total EUR 000s
1 January 2007 (including cumulative amortisation and impairments)	40	7,430	5,148	112	15,709	28,439
Additions – acquired externally –	0	2,705	1,499	0	1,135	5,339
Disposals	0	-289	-1	-3	0	-293
Changes in scope of consolidation	0	0	1	0	236	237
Reclassifications	0	89	0	-89	0	0
Impairment losses	0	0	-3,700	0	-2,121	-5,821
Amortisation during financial year	0	-1,984	-347	0	0	-2,331
Effect of changes in exchange rates	0	-21	0	0	-19	-40
31 December 2007	**40**	**7,930**	**2,600**	**20**	**14,940**	**25,530**
1 January 2007						
Historic cost of acquisition/manufacture (gross carrying amount)	40	16,409	10,065	112	16,025	42,651
Cumulative amortisation and impairment losses	0	-8,979	-4,917	0	-316	-14,212
Carrying amount at 1 January 2007	**40**	**7,430**	**5,148**	**112**	**15,709**	**28,439**
31 December 2007						
Historic cost of acquisition/manufacture (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 31 December 2007	**40**	**7,930**	**2,600**	**20**	**14,940**	**25,530**

2 PROPERTY, PLANT AND EQUIPMENT

31 DECEMBER 2008

	Land, leasehold rights and buildings EUR 000s	Technical equipment and machinery EUR 000s	Plant and office equipment EUR 000s	Prepayments made and assets under construction EUR 000s	Total EUR 000s
1 January 2008					
(including cumulative depreciation)	4,794	124	27,474	415	32,807
Additions – acquired externally –	210	0	2,475	185	2,870
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 of acquisition/manufacture (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 of acquisition/manufacture (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**

PROPERTY, PLANT AND EQUIPMENT

31 DECEMBER 2007

	Land, leasehold rights and buildings EUR 000s	Technical equipment and machinery EUR 000s	Plant and office equipment EUR 000s	Prepayments made and assets under construction EUR 000s	Total EUR 000s
1 January 2007					
(including cumulative depreciation)	24,735	119	29,758	419	55,031
Additions	790	67	7,351	421	8,629
Disposals	-19,497	-13	-628	-176	-20,314
Changes in scope of consolidation	0	0	234	0	234
Reclassifications	0	0	249	-249	0
Write-ups	0	0	35	0	35
Impairment losses	0	0	-1,130	0	-1,130
Depreciation during financial year	-1,226	-49	-8,397	0	-9,672
Effect of changes in exchange rates	-8	0	2	0	-6
31 December 2007	**4,794**	**124**	**27,474**	**415**	**32,807**
1 January 2008					
Historic cost	30,779	467	71,149	419	102,814
Cumulative depreciation and impairment losses	-6,044	-348	-41,391	0	-47,783
Carrying amount at 1 January 2007	**24,735**	**119**	**29,758**	**419**	**55,031**
31 December 2007					
Historic cost	9,948	471	74,894	415	85,728
Cumulative depreciation and impairment losses	-5,154	-347	-47,420	0	-52,921
Carrying amount at 31 December 2007	**4,794**	**124**	**27,474**	**415**	**32,807**

3 OTHER NON-CURRENT FINANCIAL ASSETS

EUR 000s	2007	2008
Loans to shareholdings	4,615	0
Other lendings	1,109	1,559
Deposits	1,162	1,097
Interest swaps	1,103	0
Claims from reinsurance policies	775	820
Miscellaneous	505	459
	9,269	**3,935**

4 SHAREHOLDINGS

EUR 000s	2007	2008
Shareholdings in commercial partnerships	767	765
Shareholdings in corporations	25,456	24,992
	26,223	**25,757**

On 3/25 September 2007, the company concluded a purchase and purchase rights agreement concerning the company's shareholding in tmc Content Group AG (previously: erotic media ag). This involved the company selling 2,000,000 shares in tmc Content Group AG to Bernhard Müller and Edouard Stöckli at a price of EUR 2.30 per share. Furthermore, the company granted the following purchase options to the two buyers with regard to the shares it holds in tmc Content Group AG: (I) a purchase option for 2,300,000 shares at EUR 2.36 per share within a period of 12 months from 23 October 2007, i.e. for a total of EUR 5,428,000, (II) a purchase option for 4,300,000 shares at EUR 2.39 per share within a period of 24 months from 23 October 2007, i.e. for a total of EUR 10,277,000 (plus any shares from the first option for which such option was not exercised at a price of EUR 2.39) and (III) a purchase option for 4,400,000 shares within a period of 36 months from 23 October 2007 at EUR 2.69 per share, i.e. for a total of EUR 11,836,000 (plus any shares from the first and/or second option for which such options were not exercised at a price of EUR 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 2008.
With the exception of 11 million shares held in the publicly listed company 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.
The shares held in tmc Content Group AG have been measured as an available-for-sale financial instrument with a fair value of EUR 24,870k. The fair value was determined using a capitalised earnings valuation method. Taking due account of the write-up to equity of EUR 133k in the previous year, the reassessment of the shares as of 31 December 2008 resulted in a loss of EUR 297k, which has been recognised through profit or loss. The carrying amount of the shares at the time at which tmc Content Group AG ceased to be an associate amounted to EUR 25,167k. Pursuant to IAS 39, this was taken as the cost of acquisition upon initial measurement. Due to a low transaction volume, the stock market price does not reflect the fair value of the share.

5 INVESTMENTS IN ASSOCIATES

EUR 000s	2007	2008
Fun Factory GmbH	1,496	0
Beate Uhse TV GmbH & Co. KG	1,493	0
	2,989	**0**

On the basis of a contract dated 14 October 2008, Beate Uhse AG sold its 25.12% shareholding in Fun Factory as of 1 October 2008. Of the purchase price, EUR 1,750k was due upon the conclusion of the contract, with further amounts of EUR 100k each being due two weeks following approval of the company's annual financial statements for its financial year ending on 30 September, and at the latest on 31 March 2009, 31 March 2010 and 31 March 2011.

The Management Board of Beate Uhse AG resolved in the year under report to sell its remaining 49% share in the limited capital of Beate Uhse TV GmbH & Co. KG, Berlin. At the end of the financial year, the company therefore entered into negotiations with the majority owner of Beate Uhse TV GmbH & Co. KG, tmc Content Group AG, to initiate the planned sale.
On the basis of a contract dated 16 March 2009, Beate Uhse AG ultimately sold its shares in Beate Uhse TV GmbH & Co. KG to tmc Content Group AG. The purchase price amounted to EUR 750k.
As the criteria of IFRS 5.6 et seq. were thus met at the reporting date, the shares held in Beate Uhse TV GmbH & Co. KG were classified as held for sale as of 31 December 2008 and reported in a separate item under current assets in the balance sheet. Moreover, the shares were measured at their disposal value of EUR 750k, which resulted in the previous carrying amount being written down by EUR 933k.

6 INVENTORIES

EUR 000s	2007	2008
Merchandise	26,167	38,845
Raw materials and supplies	7,134	540
Goods in transit	1,280	511
Unfinished products	189	161
Advance payments for inventories	0	144
	34,770	**40,201**

Write-downs of EUR 3,962k to the lower net selling price were recognised as of the reporting date on 31 December 2008 (previous year: EUR 1,204k).

7 OTHER CURRENT FINANCIAL ASSETS AND OTHER ASSETS

EUR 000s	2007	2008
Other lendings	0	2,865
Accrued income	1,278	1,474
Suppliers with debit balances	670	910
Other receivables	794	476
VAT credits	1,102	1,099
Miscellaneous	23	35
	3,867	**6,859**

The other lendings of EUR 2,865k involve the remaining purchase price receivable from the sale of the loan granted to tmc Content Group, which will mature on 30 June 2009.

8 CASH AND CASH EQUIVALENTS

EUR 000s	2007	2008
Credit balances at banks	5,595	4,624
Cash in transit	1,424	637
Cash holdings	389	351
	7,408	**5,612**

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 EUR 70,984,696. It is divided into 70,984,696 bearer shares of EUR 1.00 each.
The development in the Group's equity is depicted 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 2007	-281,315
Shares in circulation as of 1 January 2007	**47,042,381**
Sale of treasury stock in the 2007 financial year	44
Shares in circulation as of 31 December 2007	**47,042,425**
Increase in number of ordinary shares due to the capital increase on 13 February 2008	23,661,000
Sale of treasury stock in the 2008 financial year	50
Shares in circulation as of 31 December 2008	**70,703,475**

10 AUTHORISED CAPITAL

The Management Board is authorised on the basis of the resolution adopted by the Annual General Meeting on 21 June 2004 to increase the share capital by up to a total of EUR 23,661,000 by 31 May 2009, subject to the consent of the Supervisory Board, by issuing new shares in return for cash or non-cash contributions on one or several occasions.
As a result of the capital increase executed on 13 February 2008, this authorised capital no longer exists.

The Management is authorised on the basis of the resolution adopted by the Annual General Meeting on 16 June 2008 to increase the share capital by up to a total of EUR 35,492,348.00 by 31 May 2013, subject to the consent of the Supervisory Board, 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 resolved in February 2009, which involved increasing the capital by 7,090,000 shares in the context of the acquisition of the Playhouse Group, the remaining balance of this authorised capital now amounts to EUR 28,402,348.00.

11 CONDITIONAL CAPITAL

Conditional Capital 1

Conditional capital of EUR 1,000,000 was approved by resolution of the Annual General Meeting on 4 August 2000 and by amendment on 17 June 2002. The capital increase is only to be executed by issuing up to one million new bearer shares with a nominal amount of EUR 1.00 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 framework of the share option plan of Beate Uhse AG. The conditional capital increase is only to be executed to the extent that the owners of option rights issued within the framework of the Beate Uhse AG share option plan on the basis of the authorisation granted by the Annual General Meeting on 17 June 2002 exercise their options rights and that the option rights are not satisfied by granting treasury stock. As of 31 December 2008, 787,244 option rights of EUR 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 EUR 22,661,848 by the issuing of up to 22,661,848 new bearer shares with a nominal value of EUR 1.00 each. The conditional capital increase is only to be executed to the extent that the owners/creditors of convertible or warrant bonds of Beate Uhse AG or direct or indirect majority shareholdings of Beate Uhse AG pursuant to Sec. 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 owners/creditors of convertible bonds of Beate Uhse AG or of direct or indirect majority shareholdings of Beate Uhse AG pursuant to Sec. 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

In the course of 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 purposes of acquisitions in full or in part, mutual shareholdings or for 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.
The holdings of treasury stock showed the following development:

OWN SHARES

	Treasury stock Number	Share of share capital in percent	Cost of acquisition EUR 000s
Balance at 1 January 2007	281,315	0.595	3,463
Disposal	44		0
Balance at 31 December 2007	281,271	0.594	3,463
Disposal	50		0
Balance at 31 December 2008	**281,221**	**0.396**	**3,463**

13 CAPITAL RESERVE

The capital reserve includes the carrying amount of the obligations to employees of the Beate Uhse Group in connection with share-based compensation.
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 and members of the management of affiliated companies and the employees of Beate Uhse AG and affiliated companies are offered subscription rights. Each option right entitles its holder to acquire one share. The term of the option rights amounts to 7 years from the time at which they are granted. The option right may be exercised for the first time after a holding period (lockup period) of 2 years after it has been granted. 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 shall lapse upon their holder leaving the company.

OPTION RIGHTS

EUR	2007 Options	2007 WAEP[1]	2008 Options	2008 WAEP[1]
Outstanding at beginning of reporting period	830,945	9.35	788,744	9.50
Granted during reporting period	0	0	0	0
Lapsed during reporting period	-42,201	6.62	-1,500	5.94
Outstanding at end of reporting period	788,744	9.50	787,244	9.50
Exercisable at end of reporting period	619,156	10.47	787,244	9.50

[1] Weighted average exercise price

The weighted average remaining contractual period for the share options outstanding as of 31 December 2008 amounted to 2.58 years (2007: 3.58 years).
The exercise prices for the options outstanding at the end of the reporting period range from EUR 5.94 to EUR 11.44.
The fair value of the share options granted and to be settled by equity instruments is calculated by simulation at the time of such options being granted 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.
The amount of equity-settled share-based payments recognised as expenses amounted to EUR 47k during the 2008 financial year (previous year: EUR 81k).
No cash-settled share-based payments have been granted.
The carrying amount of the share-based payments reported in the capital reserve amounted to EUR 792k as of 31 December 2008 (previous year: EUR 745k).

14 TYPE AND PURPOSE OF OTHER RESERVES

Revenue reserves
Revenue reserves contain sums transferred from consolidated annual earnings in previous years.

Other reserves
Changes in the fair value of financial assets available for sale are recognised in these reserves.

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 OTHER POST-EMPLOYMENT BENEFITS

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 EUR 1,508k have been recognised in the consolidated income statement in connection with this defined contribution plan (previous year: EUR 3,026k).

Defined benefit plans

The following tables present the components of the expenses for pension payments recognised 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:

PENSION PAYMENT EXPENSES

	Beate Uhse AG		ZBF GmbH		Total	
EUR 000s	2007	**2008**	2007	**2008**	2007	**2008**
Current service cost	-5	-4	0	0	-5	-4
Interest expenses	-168	-182	-31	-34	-199	-216
Unrecognised actuarial losses/gains	-28	0	0	50	-28	50
	-201	**-186**	-31	**16**	-232	**-170**

The 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 defined benefit obligations recognised in the balance sheet are structured as follows:

DEFINED BENEFIT OBLIGATIONS

EUR 000s	Beate Uhse AG 2007	Beate Uhse AG 2008	ZBF GmbH 2007	ZBF GmbH 2008	Total 2007	Total 2008
Present value of defined benefit obligation	3,491	3,347	617	610	4,108	3,957
Unrecognised actuarial losses/gains	86	168	111	102	197	270
Liabilities from defined benefit obligation recognised in balance sheet	**3,577**	**3,515**	**728**	**712**	**4,305**	**4,227**

The amount is presented in the balance sheet as follows:

EUR 000s	2007	2008
Current debt	247	259
Non-current debt	4,058	3,968
	4,305	**4,227**

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

DEVELOPMENT OF DEFINED BENEFIT OBLIGATIONS

EUR 000s	Beate Uhse AG 2007	Beate Uhse AG 2008	ZBF GmbH 2007	ZBF GmbH 2008	Total 2007	Total 2008
1 January	3,602	3,577	697	728	4,299	4,305
Current service cost	5	4	0	0	5	4
Interest expenses	168	182	31	34	199	216
Actuarial losses	28	0	0	-50	28	-50
Benefits paid	-226	-248	0	0	-226	-248
31 December	3,577	**3,515**	728	**712**	4,305	**4,227**

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

BASIC ASSUMPTIONS

	2007	2008
Interest rate	5.4 percent	5.8 percent
Development in salaries and vested claims	2.0 percent	2.0 percent
Development in social security contributions ceiling	2.0 percent	2.0 percent
Adjustment rate	2.0 percent	2.0 percent
Personnel turnover	-	5.0 percent
Retirement age:		
Men	63	63
Women	60 or 63	60 or 63
ZBF GmbH individual commitments	65	65
Invalidity or death	2005G Heubeck tables	2005G Heubeck tables

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

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

16 OTHER PROVISIONS (NON-CURRENT)

EUR 000s	1 Jan. 2008	Added	Utilised	Reversed	31. Dec. 2008
Dismantling obligations at retail stores	1,693	20	115	0	1,598
Pending losses on existing agreements	917	55	90	573	309
Part-time early retirement	123	0	31	0	92
Anniversary provision	143	50	9	27	157
	2,876	**125**	**245**	**600**	**2,156**

17 OTHER FINANCIAL DEBT (NON-CURRENT)

EUR 000s	2007	2008
Fair value of interest swaps (previous year: other financial assets)	0	618
Call option obligations	414	100
Miscellaneous	115	60
	529	**778**

The call option obligations relate to rights granted for the purchase of 11 million shares in tmc Content Group AG.

18 OTHER FINANCIAL DEBT (CURRENT)

EUR 000s	2007	2008
Customer overpayments	3,592	4,175
VAT liabilities	2,199	2,559
Wages and salaries	2,094	2,016
Returned goods	970	948
Invoices outstanding	874	988
Social security contributions	802	926
Postage	436	597
Payroll and church tax	572	282
Compensation	357	47
Miscellaneous	2,842	1,703
	14,738	**14,241**

19 OTHER PROVISIONS (CURRENT)

EUR 000s	1 Jan 2008	Added	Utilised	Reversed	31 Dec. 2008
Compensation	1,697	441	250	1,087	801
Litigation expenses	1,007	57	513	427	124
Damages payments	859	75	0	709	225
Film promotion duty	215	23	0	35	203
Indexing of rents	350	123	25	242	206
Part-time early retirement	92	21	0	0	113
Pending losses on existing agreements	217	124	164	47	130
Video tax	0	922	0	0	922
	4,437	**1,786**	**952**	**2,547**	**2,724**

20 LOANS AND SECURITY

EUR 000s	2007	2008
Interest-bearing loans		
of which current	57,173	810
of which non-current	6,822	32,344
Overdraft facilities	2,051	255
	66,046	**33,409**

As a result of the standstill agreement dated 29 October / 1 November 2007, all loans from the previous year became due for payment on 29 February 2008 and were superseded by the follow-up financing facility of EUR 42.5 million on 29 February 2008. Of this credit line of EUR 42.5 million, an amount of EUR 28.0 million had been drawn down as of 31 December 2008, of which EUR 1.6 million involved the utilisation of guarantees. The standstill agreement excluded one loan agreement of Pabo B.V. at KBC (Nederland) BV (as of 31 December 2008: EUR 6,682k; of which non-current: EUR 5,908k) and one amortisable loan of Christine le Duc B.V. at Rabobank (as of 31 December 2008: EUR 79k; of which non-current: EUR 42k).

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 (previously Flensburger Sparkasse), Deutsche Postbank AG and IKB- Deutsche Industriebank AG, the reduced borrowing requirement of EUR 42.5 million due to planned asset sales and the capital increase in February 2008 was secured with a follow-up financing facility through till 28 February 2010. The syndicated loan covers the bank loans of Beate Uhse AG. The amortisable loans at the subsidiaries Pabo B.V./Pabo Holding B.V. and Christine le Duc will continue to run in parallel.

The total loan amount is subdivided into the following facilities:

- Facility A EUR 25,000,000.00
- Facility B EUR 15,000,000.00 (taking account of guarantee framework)
- Facility C EUR 2,500,000.00 (reserve line)

Interest on Facility A

The interest rate is calculated on the basis of the EURIBOR rate plus a margin. This margin amounted to 2.25% p.a. until 30.06.2008. Interest is subsequently linked to key group performance figures as follows:

Key Figure	Value	Margin
EBITDA margin	≥ 5.99	3.00% p.a.
EBITDA margin	6.00 - 7.99	2.50% p.a.
EBITDA margin	7.99 - 9.99	2.25% p.a.
EBITDA margin	10.00 - 11.99	2.00% p.a.
EBITDA margin	from 12.00	1.50% p.a.

In the 2008 financial year, interest was exclusively charged at a margin of 2.25% p.a.

Interest on Facility B

The reference interest rate is the EONIA call money index, plus a margin of 2.25% p.a.

Interest on Facility C

The interest rate is based on EURIBOR, plus a margin. This margin amounted to 2.55% p.a. until 30.06.2008. Interest is subsequently linked to key group performance figures as follows:

Key Figure	Value	Margin
EBITDA margin	≥ 6.99	3.30% p.a.
EBITDA margin	7.00 - 8.49	2.80% p.a.
EBITDA margin	8.50 - 10.99	2.55% p.a.
EBITDA margin	11.00 - 12.50	2.30% p.a.
EBITDA margin	from 12.51	1.80% p.a.

No use was made of Facility C in the 2008 financial year.

The interest charged for providing the facilities is to be paid for partial loan amounts not drawn down for Facilities B and C:

- Facility B 25.00% of the respective margin
- Facility C 25.00% of the respective margin

The syndicated loan facility was granted on the basis of the security provided for the standstill agreement until 29 February 2008, additional security, compliance with various covenants and key financial figures.

The security provided for the syndicated loan now consists of:
- Joint and several liability (or pledge if legally unenforceable) of the companies Beate Uhse new medi@ GmbH, Beate Uhse Einzelhandels GmbH, Versandhaus Beate Uhse GmbH, Scala Großhandel GmbH & Co. KG, Scala Beteiligungs GmbH and Beate Uhse B.V., Pabo S.A.S.U., Scala Agenturen B.V.
- Pledge of shares in Pabo B.V, Pabo Versandhandel GmbH and ZBF Zeitschrift-, Buch- und Film Vertriebs GmbH.
- Negative pledge of Beate Uhse AG and the aforementioned jointly liable companies in respect of the encumbrance of current and future assets.
- Pledge of brand/trademark rights and undisclosed pledge of licence claims.
- Disclosed pledge of receivables and claims of Beate Uhse AG in connection with the purchase agreement and purchase right agreements dated 3 and 25 September 2007 with regard to the shares in tmc Content Group AG (previously: erotic media ag). The remaining purchase price receivable amounted to EUR 400k as of 31 December 2008. The exercising of the purchase rights for a total of 11,000,000 shares in tmc Content Group AG would result in a further receivable of EUR 27,541k.
- Undisclosed pledge of all current and future receivables of Beate Uhse AG in connection with loans and trade receivables due from its group companies.

The financial covenants requiring calculation 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.

More specifically, the financial covenants are as follows:

EBITDA margin (EBITDA/sales)
EBITDA margin > 7.5 for the second quarter of the 2008 financial year
EBITDA margin > 8.0 for the third and fourth quarters of the 2008 financial year
EBITDA margin > 9.0 for the first and second quarters of the 2009 financial year
EBITDA margin > 10.0 from the third quarter of the 2009 financial year

Debt/equity ratio
For the 2008 financial year (Debt/EBITDAR) <= 5.0
From the 2009 financial year (Debt/EBITDAR) <= 4.0

Interest cover ratio (EBITDA/net interest expenses)
For the second quarter of the 2008 financial year: > 5.0
For the third and fourth quarters of the 2008 financial year: > 7.0
From the 2009 financial year: > 10.0

Economic equity ratio => 40.00% from the 2008 financial year

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, borrowers' note loans, 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-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 early risk 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 liabilities with floating interest rates.

Interest swaps

If the interest rate level had been 100 base points higher as of 31 December 2008, this would have resulted in a positive market value totalling EUR 174k. This would have led to a loss in value of EUR 929k in the 2008 financial year, which would have been recognised through profit or loss.
If the interest rate level had been 100 base points lower as of 31 December 2008, this would have resulted in a negative market value totalling EUR 1,376k. This would have led to a loss in value of EUR 2,479k in the 2008 financial year, which would have been recognised through profit or loss.

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:

	Increase/reduction in base points	Impact on earnings before taxes EUR 000s
2007		
EUR	+ 100	(427)
EUR	- 100	427
2008		
EUR	+ 100	(425)
EUR	- 100	425

Foreign currency risk

The Group is exposed to foreign currency risks mainly resulting from the procurement of merchandise in currencies other than the Group's currency. As of 31 December 2008, the Group had hod hedges 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. The sensitivity results from the implications of such change for receivables and liabilities denominated in the relevant currencies.

	Change in exchange rate of foreign currency to 1 EUR	Impact on earnings before taxes	Impact on shareholders' equity
2007			
USD	+ 10%	(78)	(55)
	- 10%	95	67
GBP	+ 10%	21	15
	- 10%	(26)	(18)
SKK	+ 10%	(10)	(7)
	- 10%	12	8
CZK	+ 10%	(20)	(14)
	- 10%	24	17
Total	**+10%**	**(87)**	**(61)**
	-10%	**105**	**74**
2008			
USD	+ 10%	(29)	(21)
	- 10%	35	25
HUF	+ 10%	3	2
	- 10%	(3)	(2)
GBP	+ 10%	97	69
	- 10%	(118)	(84)
SKK	+ 10%	(11)	(8)
	- 10%	14	10
CZK	+ 10%	(19)	(13)
	- 10%	24	17
total	**+10%**	**41**	**29**
	-10%	**(48)**	**(34)**

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.
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 counterparty default.
Loans are generally only granted within the Beate Uhse Group or to closely related persons. Loans granted for merchandise provision represent an exception.
Beate Uhse Einzelhandels GmbH has eighteen licence partners to which it has granted instalment loans for merchandise provision and inventory takeover. These loans had a volume of EUR 587k as of 31 December 2008.

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 EUR 168k as of 31 December 2008.
Beate Uhse AG has provided a guarantee to Nord- Ostsee Sparkasse (previously Flensburger Sparkasse) for a loan of EUR 5 million to tmc Content Group AG. The loan has a term running until 30 June 2009.
The Management Board is not aware of any circumstances indicating the probability of Nord-Ostsee-Sparkasse making demands on Beate Uhse AG in this respect.

Liquidity risk

MATURITIES OF TRADE RECEIVABLES

EUR 000s	0 days	30 days	60 days	90 days	> 90 days	Total
31.12.2007	3,984	11,608	4,515	3,429	27,582	51,118
Individual allowance						**-21,004**
31.12.2008	5,265	10,452	3,332	3,187	23,457	45,693
Individual allowance						**-18,337**

Individual allowances relate virtually exclusively to receivables more than 90 days overdue.

Impairment losses of EUR 10,537k have been recognised in the income statement for trade receivables (previous year: EUR 12,906k).

The Group's liquidity is safeguarded by means of cash pooling at Beate Uhse AG and by means of the central cash management performed by the finance 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.

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 between EUR 2.36 and EUR 2.69 should the purchase option be exercised. Reference is made to the disclosures in Note 4 'Shareholdings' of these notes to the consolidated financial statements. 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 EUR 24,870k.

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.

FINANCIAL INSTRUMENTS

	Carrying amont 31.12.2008	Balance sheet value pursuant to IAS 39: 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
Shareholdings	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
SHAREHOLDERS' EQUITY AND 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	14,241	14,241	-	-	14,241
Overdraft liabilities	255	255	-	-	255
Interest-bearing loans (current)	810	810	-	-	810

1) A capitalised earnings valuation method was used to determine the fair value of available-for-sale financial assets (11,000,000 shares in tmc Content Group AG), recognised under shareholdings at a value of EUR 24,870k. The reassessment of the shares as of 31 December 2008 resulted in a loss of EUR 297k, having accounted for the gain of EUR 133k recognised in equity in the previous year. This loss was charged to earnings. The capitalised earnings value was calculated by discounting the annual net surpluses expected for the next 4 years plus a perpetuity figure equivalent to the annual net surplus for the third year. A growth discount of 0.25% was accounted for in the perpetuity figure. The discounting was based on an interest rate of 7.14%.

The purchase options granted for 11 million shares in tmc Content Group AG have been recognised as other non-current financial debt. The valuation of these call options using a Black-Scholes option price model resulted in a fair value of EUR 100k (previous year: EUR 414k).
The fair value of loans and other financial assets and liabilities was calculated by discounting the expected future cash flows using prevalent market interest rates.
The fair value of the interest swap recognised under other non-current liabilities (EUR 618k) corresponds to its market value as of 31 December 2008.
The table below table provides a comparison of the carrying amounts and fair values of the financial instruments recognised at the Group as of 31 December 2007.

FINANCIAL INSTRUMENTS

	Carrying amont 31.12.2007	Balance sheet value pursuant to IAS 39: Amortised cost	Fair value in equity	Fair value through profit or loss	Fair value 31.12.2007
ASSETS					
Financial assets					
Other non-current financial assets	9,269	9,269	-	1,103	9,269
of which interest swaps	1,103	-	-	1,103	1,103
Shareholdings	26,223	923	25,300	-	26,223
Trade receivables	30,114	30,114	-	-	30,114
Other current financial assets and other assets	3,867	3,867	-	-	3,867
SHAREHOLDERS' EQUITY AND LIABILITIES					
Financial liabilities					
Interest-bearing loans (non-current)	6,822	6,822	-	-	6,457
Other non-current financial debt	529	115	-	414	529
Trade payables	20,423	20,423	-	-	20,423
Other current financial debt	14,738	14,738	-	-	14,738
Overdraft liabilities	2,051	2,051	-	-	2,051
Interest-bearing loans (current)	57,173	57,173	-	-	57,173

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 financial instruments at the Group which are subject to interest rate risks, broken down into their contractual maturities.

FINANCIAL YEAR ENDING ON 31 DECEMBER 2008

Fixed interest rate EUR 000s	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
Amortisable loans	810	854	870	914	966	2,346	6,760
Payer-swaps	-23	-70	0	-378	0	-147	-618

FINANCIAL YEAR ENDING ON 31 DECEMBER 2008

Floating interest rate EUR 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 loans	0	59	0	0	0	0	59

FINANCIAL YEAR ENDING ON 31 DECEMBER 2007

Fixed interest rate EUR 000s	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	**Total**
Amortisable loans	768	810	854	872	914	3,313	7,531
Payer-swaps*	0	(42)	(516)	0	(184)	(361)	(1,103)

FINANCIAL YEAR ENDING ON 31 DECEMBER 2007

Floating interest rate EUR 000s	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	**Total**
Interest-bearing loans (current)	56,405	0	0	0	0	0	56,405
Overdraft facilities	2,051	0	0	0	0	0	2,051
Amortisable loans	0	0	59	0	0	0	0

* As of 31 December 2007, the Group had eight interest swaps (payer swaps) amounting to EUR 41,609k with terms running until June 2009 (EUR 5 million), April 2010 (EUR 15 million), March/June 2012 (EUR 11.3 million) and March 2016 (EUR 10.3 million). These cover the interest rates of a corresponding volume of amortisable loans and overdraft facilities.

Financial instruments: recognition and measurement of financial guarantees

The Group had the following financial guarantees as of 31 December 2008:

EUR 000s No.	Guarantor	Initial value	Fair value 2007	Fair value **2008**
1	Bayrische Hypo- und Vereinsbank	80	80	0
2	Beate Uhse AG	5,000	5,000	5,000
		5,080	**5,080**	**5,000**

Re: No. 1
On the basis of a deed of suretyship dated 25 January 2007, Bayerische Hypo- und Vereinsbank AG guaranteed a working capital loan with an indefinite term of DVV GmbH at Raiffeisenbank Dietramszell-Thanning eG on behalf of and at the expense of Beate Uhse AG. This guarantee was claimed in full on 22.08.2008.

Re: No. 2
On the basis of a deed of suretyship dated 29 December 2006, Beate Uhse AG provided a warranty to Nord- Ostsee Sparkasse (previously: Flensburger Sparkasse). This guarantee serves to secure a loan at tmc Content Group AG due to reach final maturity on 30 June 2009.

Hedge transactions

Cash flow hedges

As of 31 December 2008, the Group had eight payer swaps to cover previous loan obligations with floating interest rates against any increase in interest rates. The fair values of these swaps are structured as follows:

INEFFECTIVE INTEREST SWAPS

EUR 000s Type of ineffective interest swap	Volume at 31.12.2008	Term	Market value (marking-to-market) at 31.12.2008
Payer-Swap	5,000	29.04.2005–29.04.2010	-30.2
Payer-Swap	5,000	29.04.2005–29.04.2010	-39.5
Payer-Swap	5,000	29.04.2005–30.04.2012	-71.1
Payer-Swap	6,163	31.01.2006-30.03.2016	-107.6
Payer-Swap	4,815	29.04.2005-30.03.2012	-44.0
Payer-Swap	2,900	09.02.2006-30.03.2016	-39.0
Payer-Swap	5,000	14.11.2006-30.06.2009	-23.2
Payer-Swap	5,000	21.05.2007-15.06.2012	-263.1
Total	**38,878**		**-617.5**

An impairment of EUR 1,721k compared with 31 December 2007 was recognised through profit or loss in the 2008 financial year in connection with the ineffective interest swaps.

23 OBLIGATIONS IN CONNECTION WITH 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 reporting 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 EUR 950k per annum. Following the expiry of the rental period, there 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 central mail order warehouse of the Group in Walsoordenstraat 72, Walsoorden, was sold to Duinweg Investeringmij B.V., Netherlands, at a price of EUR 19,500k in June 2007. Since then, the building has been let from Duinweg Investeringmij B.V. 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 rent for the property amounts to EUR 1,651k per annum. The rent is indexed on an annual basis, and for the first time on 15 July 2008.

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

MINIMUM LEASING PAYMENT OBLIGATIONS

EUR 000s	2007	2008
Within one year	2,653	2,670
Between one and five years	10,610	10,679
More than five years	29,448	35,128
	42,711	**48,478**

24 OTHER FINANCIAL OBLIGATIONS

Other financial obligations (including non-terminable operating lease obligations) were structured as follows as of 31 December 2008:

OTHER FINANCIAL OBLIGATIONS

EUR 000s	2009	2010	2011	2012	2013 and later	Total	Previous year Total
Rental expenses for premises/fittings	18,577	16,570	15,121	18,304	65,618	134,190	133,668
Guarantee fees/ interest expenses	30	24	20	17	39	130	2,252
Licence fees	153	153	153	13	0	472	625
Servicing/cleaning/ maintenance	560	269	249	244	242	1,564	1,584
Advisory expenses	645	15	15	15	15	705	174
Miscellaneous	1,233	72	14	15	16	1,350	924
Total	**21,198**	**17,103**	**15,572**	**18,608**	**65,930**	**138,411**	**139,227**

As of the reporting date, there were claims of EUR 11,743k in connection with non-terminable subletting agreements (previous year: EUR 7,163k).
Payments of EUR 1,700k were recognised in the period under report in connection with subletting agreements (previous year: EUR 1,027k).

25 CONTINGENT LIABILITIES

The Group has the following contingent liabilities:

CONTINGENT LIABILITIES

EUR 000s	2007	2008
Contingent liabilities relating to guarantees	5,080	5,000
	5,080	**5,000**

NOTES TO THE CONSOLIDATED INCOME STATEMENT

26 SALES

EUR 000s	2007	2008
Merchandise	217,385	207,714
Mail order charges	13,193	12,372
Online sales	8,194	7,903
Added value telephone services	8,332	7,623
Video cabins	7,038	4,792
Cinema	5,663	4,545
Address rental	1,819	1,666
Game machines	1,332	1,212
Licences	878	937
Miscellaneous	4,207	4,135
	268,041	**252,899**

27 COST OF SALES

EUR 000s	2007	2008
Goods and material employed	96,121	85,707
Personnel	9,349	8,937
Depreciation and amortisation	2,148	1,977
Other taxes	938	698
Miscellaneous	8,179	8,035
	116,735	**105,354**

28 OTHER OPERATING INCOME

EUR 000s	2007	2008
Dunning revenues	8,632	6,557
Insurance refunds	1,100	4,050
Rental income	1,454	2,672
Exchange differences	1,237	1,780
Income on sale of financial assets	0	625
Income on sale of non-current assets	1,807	82
Miscellaneous	1,858	4,634
	16,088	**20,400**

29 SALES-RELATED EXPENSES

EUR 000s	2007	2008
Advertising	45,660	49,417
Personnel	31,360	26,822
Premises	19,085	17,192
Non-period and neutral expenses	8,780	10,401
Postage	8,774	7,444
Freight	7,013	6,667
Depreciation and amortisation	8,446	4,800
Travel	1,262	1,242
Third-party work	1,206	1,230
Miscellaneous	4,765	4,406
	136,351	**129,621**

30 GENERAL ADMINISTRATION EXPENSES

EUR 000s	2007	2008
Personnel	9,563	8,755
Depreciation and amortisation	8,652	5,128
Premises	3,217	3,431
Maintenance, fittings and repairs	624	689
Insurances, contributions and fees	694	671
Costs of money transactions	944	1,214
Legal and advisory expenses	5,357	4,130
Travel	820	752
Telephone and communications	418	543
Third-party work	330	434
Equipment rental	325	323
Miscellaneous	3,267	3,545
	34,211	**29,615**

31 NET INTEREST EXPENSES

EUR 000s	2007	2008
Financial income	1,696	477
Financial expenses	-5,152	-4,490
	-3,456	**-4,013**

Interest and similar expenses include a one-off special item of EUR 1,721k due to the impairment of payer swaps compared with 31 December 2007. The financial crisis led to a significant reduction in base interest rates, as a result of which the fair values of the derivatives fell from EUR 1,103k in 2007 to EUR -618k.

32 TAXES ON INCOME

The principal components of income tax expenses for the 2007 and 2008 financial years are structured as follows:

CONSOLIDATED INCOME STATEMENT

EUR 000s	2007	2008
Consolidated income statement		
Income tax refund	0	-3,472
Actual income tax expenses	1,258	0
Adjustments to actual income taxes incurred in previous years	458	3,865
	1,716	**393**
Deferred income taxes		
Deferred taxes on loss carryovers	3,227	0
Arising and reversal of temporary differences	323	385
	3,550	**385**
Income tax expenses recognised in the consolidated income statement	5,266	**778**

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 2007 and 2008 financial years is structured as follows:

TRANSITION OF TAX EXPENSES

EUR 000s	2007	2008
Earnings before taxes on income	-7,895	3,064
Expected tax income/expenses (28.95 percent)	2,286	**-887**
Unrecognised tax losses in current year	-4,656	-859
Back-payments of tax for previous years	-458	0
Tax impact of goodwill amortisation	-546	-54
Back-payments of tax for period under report	0	-2,251
Tax refund for previous years	0	2,655
Impact of tax-exempt revenues	0	347
Impact of company expenses not deductible for tax purposes	-22	-14
Deviating tax rates in other countries	166	-142
Impact of change in tax rate	-2,641	0
Miscellaneous items	605	427
Total transition to group tax result	-7,552	**109**
Income tax expenses reported in the consolidated income statement	5,266	**778**

Deferred income taxes were structured as follows at the reporting date:

DEFERRED INCOME TAXES

EUR 000s	Consolidated Balance Sheet		Consolidated Income Statement	
Deferred income tax liabilities	2007	**2008**	2007	**2008**
Write-down of loans to subsidiaries	1,614	0	504	1,614
Fair-value measurement of interest swap	166	0	21	166
Loan transaction expenses	0	178	0	-178
Tenant fixtures	0	122	0	-122
Miscellaneous	31	33	10	-2
Deferred income tax liabilities recognised	1,811	**333**	535	**1,478**
Deferred income tax assets				
Tax loss carryovers	2,175	2,175	-3,305	0
Elimination of inter-company profits	1,332	1,036	-122	-296
Measurement of provisions	882	282	751	-600
Goodwill from supplementary balance sheets	2,776	2,269	-1,317	-507
Measurement of pension obligations	302	281	-85	-21
Catalogue expenses	2,132	1,586	-28	-546
Fair-value measurement of interest swap	0	179	0	179
Miscellaneous	370	298	21	-72
Deferred income tax assets recognised	9,969	**8,106**	-4,085	**-1,863**
Deferred income tax income/expenses			-3,550	**-385**

As of 31 December 2008, the Group had corporate income tax loss carryovers of EUR 11,005k and trade tax loss carryovers of EUR 4,703k relating to 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 associated companies for which no deferred taxes were stated either as of 31 December 2008 or as of 31 December 2007.

33 PERSONNEL EXPENSES

EUR 000s	2007	2008
Wages and salaries	40,728	35,804
Statutory social security expenses	6,641	6,215
Voluntary social security expenses	80	64
Miscellaneous	2,856	2,463
	50,305	**44,546**

Breakdown of personnel expenses into costs of sales items

EUR 000s	2007	2008
Cost of sales	9,349	8,937
Sales-related expenses	31,360	26,822
General administration expenses	9,563	8,755
Other operating expenses	33	32
	50,305	**44,546**

Number of employees by segment

	2007	2008
Retail	828	734
Mail Order	255	245
Wholesale	219	212
Entertainment	77	76
Services	35	34
	1,414	**1,301**

34 BREAKDOWN OF DEPRECIATION AND AMORTISATION INTO COST OF SALES ITEMS

Scheduled depreciation and amortisation

EUR 000s	2007	2008
Cost of sales	2,148	1,591
Sales-related expenses	6,162	4,701
General administration expenses	3,750	3,889
Other operating expenses	61	59
	12,121	**10,240**

Extraordinary depreciation and amortisation

EUR 000s	2007	2008
Cost of sales	0	386
Sales-related expenses	2,284	99
General administration expenses	4,902	1,239
Other operating expenses	800	0
	7,986	**1,724**

The extraordinary depreciation and amortisation reported under general administration expenses include write-downs of financial assets amounting to EUR 1,230k (previous year: EUR 1,153k).

35 EARNINGS PER SHARE

Basic 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. 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

EUR 000s	2007	2008
Basis for basic earnings per share (Period earnings attributable to shareholders in the parent company)	-13,843	2,210
Basis for diluted earnings per share	-13,843	2,210

Number of shares

Thousands	2007	2008
Weighted average number of ordinary shares for basic earnings per share (excluding treasury stock)	47,042	67,746
Weighted average number of ordinary shares for diluted earnings per share (excluding treasury stock)	47,042	67,746

No dilutive effects arose from the issuing of employee share options, as the exercise price of the options exceeded the average stock market price of ordinary shares during the period and there is no expectation that options will be exercised.

Earnings per share were calculated using the weighted average number of ordinary shares presented in the above table for both diluted and basic earnings per share. The following tables present the earnings used as numerators in the calculation:

EUR 000s	2007	2008
Share of earnings attributable to shareholders in the parent company	-13,843	2,210
Earnings for the calculation of basic earnings per share	-13,843	2,210
Basis for diluted earnings per share	-13,843	2,210

36 DIVIDEND

It is to be proposed to the Annual General Meeting that the net loss of EUR 23,311,871.30 reported by Beate Uhse AG in its annual financial statements prepared in accordance with German commercial law be carried forward.

37 OTHER DISCLOSURES

PUBLICATION PURSUANT TO SEC. 21 OF THE GERMAN SECURITIES TRADING ACT (WPHG)

The company received the following notifications pursuant to Sec. 21 of the German Securities Trading Act (WpHG) in the 2008 financial year:

1. DZ Bank AG, Deutsche Zentral-Genossenschaftsbank Frankfurt am Main, Germany, notified us pursuant to Sec. 21 (1) WpHG on 15.02.2008 that its share of the voting rights in Beate Uhse AG, Flensburg, Germany, ISIN: DE0007551400, WKN: 755140 had exceeded the 3%, 5%, 10%, 15%, 20%, 25% and 30% thresholds of voting rights by shares on 13.02.3008 and now amounted to 33.33% (corresponding to 23,661,000 voting rights).

2. AMP Art Media Productions GmbH, Flensburg, Germany, notified us pursuant to Sec. 21 (1) WpHG on 19 February 2008 that its share of the voting rights in Beate Uhse AG, Gutenbergstrasse 12, 24941 Flensburg, had exceeded the 5% threshold on 31.12.2007 and now amounted to 6.529% (corresponding to 3,089,891 votes).

3. DZ BANK AG, Deutsche Zentral-Genossenschaftsbank Frankfurt/Main, Germany, notified us pursuant to Sec. 21 (1) WpHG on 06.03.2008 that its share of the voting rights in Beate Uhse AG, Flensburg, Deutschland, ISIN: DE0007551400, WKN: 755140 had fallen short of the 30%, 25%, 20%, 15%, 10%, 5% and 3% thresholds of voting rights by shares on 06.03.2008 and now amounted to 0.00% (corresponding to 0 voting rights).

4. ADEF Sarl Finance Consulting Steinsel, Luxembourg, notified us pursuant to Sec. 21 (1) WpHG on 11.03.2008 that its share of the voting rights in Beate Uhse AG, Flensburg, Germany, ISIN: DE0007551400, WKN: 755140 had exceeded the 3%, 5%, 10%, 15% and 20% thresholds of voting rights by shares on 06.03.2008 and now amounted to 20.41% (corresponding to 14,489,489 voting rights).

   Edouard A. Stöckli, Schwendt, Österreich, notified us pursuant to Sec. 21 (1) WpHG on 07.03.2008 that his share of the voting rights in Beate Uhse AG had fallen short of the 5% threshold on 13.02.2008 and amounted to 4.87% on this date (corresponding to 3,457,558 votes).

   4.35% of voting rights (corresponding to 3,089,891 votes) are held by AMP Art Media Productions GmbH and attributable to this company pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG.

5. AMP Art Media Productions GmbH, Flensburg, Germany, notified us pursuant to Sec. 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).

6. Rotermund Holding AG, Vaduz, Liechtenstein, notified us pursuant to Sec. 21 (1) WpHG on 12.03.2008 that its share of the voting rights in Beate Uhse AG had fallen short of the 25% and 20% thresholds on 13.02.2008, amounted to 17.25% on this date and that the company possessed 12,247,490 shares in Beate Uhse AG.

7. Philipp & Reuben Rotermund GmbH & Co. KG, Flensburg, Germany, notified us pursuant to Sec. 21 (1) WpHG on 12.03.2008 that its share of the voting rights in Beate Uhse AG had fallen short of the 3% threshold on 13.02.2008 and amounted to 2.19% on this date (1,553,956 voting rights).

8. Ulrich Rotermund Verw. Ges. mbH, Flensburg, Germany, notified us pursuant to Sec. 21 (1) WpHG on 12.03.2008 that its share of the voting rights in Beate Uhse AG had fallen short of the 5% threshold on 13.02.2008 and amounted to 3.41% on this date (2,417,815 voting rights).

9. Rotermund Handels- und Verw. Ges. mbH Co. KG, Flensburg, Germany, notified us pursuant to Sec. 21 (1) WpHG on 12.03.2008 that its share of the voting rights in Beate Uhse AG had fallen short of the 5% threshold on 13.02.2008 and amounted to 3.41% on this date (2,417,815 voting rights).

   These voting rights attributable to this company pursuant to Sec. 22 (1) Sentence 1, No. 1 WpHG were held by the following company under its control - Ulrich Rotermund Verwaltungsges. mbH, Mergenthaler Str. 2, 24941 Flensburg.

10. De Feijter Associates SA, Luxembourg, Luxembourg, notified us by way of correction pursuant to Sec. 21 (1) WpHG on 18 March 2008 that its share of the voting rights in Beate Uhse AG had exceeded the 3% and 5% of voting rights by shares on 12.03.2008 and now amounted to 6.51% (corresponding to 4,619,924 voting rights).

    Furthermore, De Feijter Associates SA, Luxembourg, Luxembourg, notified us by way of correction pursuant to Sec. 21 (1) WpHG that its share of the voting rights in Beate Uhse AG had fallen short of threshold of 5% of voting rights on 14.02.3008 and now amounted to 3.73% (corresponding to 2,649,424 voting rights).

11. Adriaan M.P. de Feijter, Steinsel, Luxembourg, notified us pursuant to Sec. 21 (1) WpHG on 18 March 2008 that its share of the voting rights in Beate Uhse AG, ISIN: DE0007551400, WKN: 755140 had exceeded the thresholds of 3%, 5%, 10%, 15% und 20% of voting rights by shares on 06.03.2008 and now amounted to 20.41% (corresponding to 14,489,489 voting rights).

20.41% of the voting rights (corresponding to 14,489,489 votes) were held by ADEF Sarl Finance Consulting and were attributable to Adriaan M.P. de Feijter pursuant to Sec. 22 (1) Sentence 1, No. 1 WpHG.

Furthermore, Adriaan M.P. de Feijter notified us pursuant to Sec. 21 (1) WpHG on 18 March 2008 that his share of the voting rights in Beate Uhse AG had fallen short of the 20%, 15%, 10% and 5% thresholds of voting rights by shares on 12.03.2008 and now amounted to 4.75% (corresponding to 3,369,565 voting rights).

4.75% of the voting rights (corresponding to 3,369,565 votes) were held by ADEF Sarl Finance Consulting and were attributable to Adriaan M.P. de Feijter pursuant to Sec. 22 (1) Sentence 1, No. 1 WpHG.

Furthermore, Adriaan M.P. de Feijter notified us pursuant to Sec. 21 (1) WpHG on 18 March 2008 that his share of the voting rights in Beate Uhse AG had fallen short of the threshold of 3% of voting rights by shares on 14.03.2008 and now amounted to 1.22% (corresponding to 869,565 voting rights).

1.22% of the voting rights (corresponding to 869,565 votes) were held by ADEF Sarl Finance Consulting and were attributable to Adriaan M.P. de Feijter pursuant to Sec. 22 (1) Sentence 1, No. 1 WpHG.

Furthermore, Adriaan M.P. de Feijter notified us pursuant to Sec. 21 (1) WpHG on 18 March 2008 that his share of the voting rights in Beate Uhse AG now amounted to 0% by shares on 17.03.2008 (corresponding to 0 voting rights).

12. Pawel Siarkiewicz, Poland, notified us pursuant to Sec. 21 (1) WpHG on 17.03.2008 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 14.03.2008 and now amounted to 3.52% (corresponding to 2,500,000 voting rights).

13. Consipio Holding B.V. Walsoorden, the Netherlands, notified us pursuant to Sec. 21 (1) WpHG on 14.03.2008 that its share of the voting rights in Beate Uhse AG, Flensburg, Germany, ISIN: DE0007551400, WKN: 755140 had exceeded the threshold of 25% of voting rights by shares on 14.03.2008 and now amounted to 29.88% (corresponding to 21,213,012 voting rights).

14. Reuben Rotermund, Meggen, Switzerland, notified us pursuant to Sec. 21 (1) WpHG on 14 April 2008 that his share of the voting rights in Beate Uhse AG had exceeded the 3%, 5%, 10%, 20% and 25% thresholds of voting rights on 25.01.2008, amounted to 25.88% on this date and that he thus possessed 12,247,490 shares in Beate Uhse AG.

    These voting rights attributable to Reuben Rotermund pursuant to Sec. 22 (1) Sentence 1, No. 1 WpHG were held by the following company under his control - Rotermund Holding AG, Meierhofstr. 5, FL - 9490 Vaduz.

15. Reuben Rotermund, Meggen, Switzerland, notified us pursuant to Sec. 21 (1) WpHG on 14 April 2008 that its share of the voting rights in Beate Uhse AG had fallen short of the 25% and 20% threshold of voting rights on 13.02.2008, amounted to 17.25% on this date, and thus that he possessed 12,247,490 shares in Beate Uhse AG.

    These voting rights attributable to Reuben Rotermund pursuant to Sec. 22 (1) Sentence 1, No. 1 WpHG were held by the following company under his control - Rotermund Holding AG, Meierhofstr. 5, FL - 9490 Vaduz.

16. Ulrich Rotermund, Meggen, Switzerland, notified us pursuant to Sec. 21 (1) WpHG on 14 April 2008 that his share of the voting rights in Beate Uhse AG had fallen short of the 3%, 5%, 10%, 20% and 25% thresholds of voting rights on 25.01.2008, amounted to 0% on this date and that he did not possess any shares in Beate Uhse AG.

    These voting rights attributable to Ulrich Rotermund pursuant to § 22 (1) Sentence 1, No. 1 WpHG were held by the following company under his control - Rotermund Holding AG, Meierhofstr. 5, FL - 9490 Vaduz.

17. Beate Rotermund GmbH, Flensburg, notified us pursuant to Sec. 21 (1) WpHG on 14 April 2008 that its share of the voting rights in Beate Uhse AG had fallen short of the 3% threshold on 13.02.2008 and amounted to 2.19% on this date (1,553,956 voting rights).

    These voting rights attributable to Beate Rotermund GmbH pursuant to Sec. 22 (1) Sentence 1, No.1 WpHG were held by the following company under its control - Philipp & Reuben Rotermund GmbH & Co. KG, Mergenthaler Str. 2, 24941 Flensburg.

18. AIG Private Bank Ltd., Zurich, Switzerland notified us pursuant to Sec. 21 (1) WpHG on 16 April 2008 that its share of the voting rights in Beate Uhse AG, Gutenbergstrasse 12, 24941 Flensburg/Germany (WKN 755140) amounted to 3.677309% on 15 April 2008, corresponding to 2,610,327 shares, and thus exceeded 3%.

19. Rotermund Handels- und Verw. Ges. mbH & Co. KG, Flensburg, Germany, notified us pursuant to Sec. 21 (1) WpHG on 22 April 2008 that its share of the voting rights in Beate Uhse AG had fallen short of the 3% threshold on 22 April 2008 and amounted to 1.80% on this date (1,280,000 voting rights).

    These voting rights attributable to Rotermund Handels- und Verw. Ges. mbH & Co. KG pursuant to Sec. 22 (1) Sentence 1, No. 1 WpHG were held by the following company under its control - Ulrich Rotermund Verwaltungsges. mbH, Mergenthaler Str. 2, 24941 Flensburg.

20. Ulrich Rotermund Verw. Ges. mbH, Flensburg, Germany, notified us pursuant to Sec. 21 (1) WpHG on 22 April 2008 that its share of the voting rights in Beate Uhse AG had fallen short of the 3% threshold on 15.04.2008 and amounted to 1.80% on this date (1,280,000 voting rights).

21. Northern Pharmaceutical Distr. Serv. GmbH, Flensburg, notified us pursuant to Sec. 21 (1) WpHG on 28 April 2008 that its share of the voting rights in Beate Uhse AG had exceeded the 3% threshold on 09.04.2008 and amounted to 3.41% on this date (=2,417,815 voting rights).

    These voting rights attributable to Northern Pharmaceutical Distr. Serv. GmbH pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG were held by the following companies under its control – Rotermund Handels- und Verw. Ges. mbH & Co. KG and Ulrich Rotermund Verwaltungsges. mbH. Mergenthaler Str. 2, 24941 Flensburg.

    At the same time, Northern Pharmaceutical Distr. Serv. GmbH notified us pursuant to Sec. 21 (1) WpHG that its share of the voting rights in Beate Uhse AG had fallen short of the 3% threshold on 15.04.2008 and amounted to 1.80% on this date (1,280,000 voting rights). These voting rights were attributable to it pursuant to Sec. 22 (1) Sentence 1, No. 1 WpHG.

22. De Feijter Associates S.A., Luxembourg, Luxembourg, notified us pursuant to Sec. 21 (1) WpHG on 13.05.2008 that its share of the voting rights in Beate Uhse AG, Flensburg, Germany, ISIN: DE0007551400, WKN: 755140 had fallen short of the 3% threshold of voting rights by shares on 13.05.2008 and now amounted to 1.58% (corresponding to 1,124,424 voting rights).

23. American International Group, Inc., New York, USA, notified us pursuant to Sec. 21 (1) WpHG on 15.5.2008 that its share of the voting rights in Beate Uhse AG had exceeded the 3% threshold on 15.04.2008 and amounted to 3.68% on this date (2,610,327 voting rights).

    These voting rights attributable to American International Group, Inc. pursuant to Sec. 22 (1) Sentence 1, No. 1 WpHG were held by the following company under its control – AIG Private Bank Ltd., Pelikanstrasse 37, P.O. Box 1376, 8021 Zurich, Switzerland.

24. Bayerische Hypo- und Vereinsbank Aktiengesellschaft, Munich, notified us pursuant to Sec. 21 (1) WpHG on 14.07.2008 that the share of voting rights in Beate Uhse Aktiengesellschaft, Flensburg, held by Bayerische Hypo- und Vereinsbank Aktiengesellschaft, Munich, on 10.07.2008 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 Secs. 21 (1) and 22 (1) Sentence 1, No. 1 WpHG on 14.07.2008 that the share of voting rights in Beate Uhse Aktiengesellschaft, Flensburg, held by UniCredit S.p.A., Rome, on 10.07.2008 had exceeded the 3% and 5% thresholds and amounted to 9.8361% (corresponding to 6,982,101 voting rights from ordinary shares).

    All these shares were attributed to UniCredit S.p.A. by Bayerische Hypo- und Vereinsbank Aktiengesellschaft, Munich, pursuant to Sec. 22 (1) Sentence 1, No.1.

25. Rotermund Holding AG, Vaduz (Liechtenstein), notified us pursuant to Sec. 21 (1) WpHG on 16.07.2008 that its share of the voting rights in Beate Uhse AG had fallen short of the 15%

and 10% thresholds on 10.07.2008, 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 Sec. 21 (1) WpHG on 16.07.2008 that his share of the voting rights in Beate Uhse AG had fallen short of the 15% and 10% thresholds on 10.07.2008, 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 Sec. 22 (1) Sentence 1, No. 1 WpHG were held by the following company under his control - Rotermund Holding AG, Vaduz (Liechtenstein).

26. AIG Private Bank Ltd., Zurich, Switzerland, notified us pursuant to Sec. 21 (1) WpHG on 10 November 2008 that its share of the voting rights in Beate Uhse AG, Gutenbergstrasse 12, 24941 Flensburg/Germany (WKN 755140) amounted to 2.99%, corresponding to 2,125,000 shares on 1 November 2008, and had thus fallen short of 3%.

27. American International Group, Inc., New York, USA, notified us pursuant to Sec. 21 (1) WpHG on 15.5.2008 that its share of the voting rights in Beate Uhse AG had fallen short of the 3% threshold on 15.04.2008 and amounted to 2.99% on this date (2,125,005 voting rights).

    These voting rights attributable to American International Group, Inc. pursuant to Sec. 22 (1) Sentence 1, No. 1 WpHG were held by the following company under its control – AIG Private Bank Ltd., Pelikanstrasse 37, P.O. Box 1376, 8021 Zurich, Switzerland.

28. Edouard A. Stöckli, Switzerland, notified us pursuant to Sec. 21 (1) WpHG on 15.12.2008 that his share of the voting rights in Beate Uhse AG had exceeded the 5% threshold on 15.12.2008 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 Sec. 22 (1) Sentence 1, No. 1 WpHG.

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

BUSINESS RELATIONSHIPS TO CLOSELY RELATED PERSONS (IAS 24)

Persons in key positions

Reference is made to the ‘Notes on the company boards’ 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.

Associated companies
A list of all associated companies, including details as to their legal domiciles and the shareholdings thereby 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 Secs. 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 2008 financial year amounted to EUR 283k (previous year: EUR 230k). There were no receivables or liabilities in respect of the rental agreement as of the reporting dates for the 2008 financial year and the previous year, neither were there any contingent receivables or liabilities. There were other financial obligations amounting to EUR 373k in connection with the rental agreement as of the reporting 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 2008 financial year amounted to EUR 1,019k (previous year: EUR 1,002k). There were no receivables or liabilities or contingent receivables or liabilities in respect of the rental agreement as of the reporting dates for the 2008 financial year and the previous year. There were other financial obligations amounting to EUR 9,679k in connection with the rental agreement as of the reporting date.

Summa Finance BV, Netherlands, is the lessor of 33 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 EUR 1,516k in the 2008 financial year (previous year: EUR 1,558k). There were other financial obligations of EUR 13,641k relating to these rental agreements as of the reporting date. There were no receivables, liabilities or contingent receivables and liabilities as of the reporting date for the 2008 financial year and the previous year.

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 EUR 217k (previous year: EUR 192k) for the provision of tax advisory services to group companies in the 2008 financial year. The fees paid for these services are appropriate and customary for the market. There were no liabilities as of the reporting dates for the financial year and the previous year.

A film licensing agreement involving an annual licence fee of EUR 153k beginning in January 2002 and limited to a period of 10 years was concluded by contract dated 17 January 2002 between MVW Medien- Vertriebs GmbH, Wiesbaden, Director Günter Schmitt, and ZBF Zeitschrift-Buch- und Film-Vertriebs GmbH, Wiesbaden, Director Günter Schmitt. This resulted in other financial obligations amounting to EUR 460k as of the reporting date. This licensing agreement was concluded at usual market conditions. There were no liabilities relating to the film licensing agreement as of the reporting dates for the financial year and the previous year.

Gerard Cok, a member of the Management Board of Beate Uhse AG until 31 May 2008 and sole shareholder of European Business Consult GmbH, Bereldance, Luxembourg, received management board compensation totalling EUR 80k (previous year: EUR 190k) and consulting fees of EUR 110k via European Business Consult. The compensation paid for these services is appropriate and customary for the market. There were no liabilities in this respect as of the reporting dates for the financial year and the previous year. 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 29.9 percent shareholding in Beate Uhse AG. During the 2008 financial year, Consipio Holding BV paid a sum of EUR 563k to Beate Uhse BV (previous year: 725k) and an amount of EUR 50k to Pabo BV (previous year: EUR 120k) in return for the transfer of personnel.

A contract concerning the provision of an interim controller as of 1 December 2008 has been concluded between SBC Consulting GmbH, Mönchengladbach, a 55% subsidiary of GLC AG, at which Supervisory Board member Martin Weigel is a member of the Management Board, and Beate Uhse Einzelhandels GmbH. A sum of EUR 10k was paid for consulting services in the 2008 financial year. The fees agreed for these services are appropriate and customary for the market. There were liabilities of EUR 13k as of the reporting date for the financial year.

Participating companies
Beate Uhse AG holds a 26.83 percent shareholding in tmc Content Group AG (previously: erotic media ag), Baar, Switzerland. Based on an agreement dated 29 September 2005, Beate Uhse AG granted a loan of EUR 5,000k to tmc Content Group AG. This was paid out on 13 October 2005. The loan would have been due for repayment by 30 June 2009 at the latest,

including all interest accrued by this time. The loan claim was sold along with the respective security at a price of EUR 5,014k on 11.2.2008.

Furthermore, Beate Uhse AG has provided a guarantee for a loan of EUR 5,000k taken up by tmc Content Group AG at Nord-Ostsee Sparkasse (previously: Flensburger Sparkasse). The term of the loan in question runs until 30 June 2009.

NOTES ON SEGMENT REPORTING

The primary format for the segment reporting of the Beate Uhse Group is based on the business segments, given that the Group's risks and return on equity are mainly influenced by differences in the business divisions. The business divisions are organised and managed independently of each other. Each segment therefore represents a strategic business division. The geographical segments represent the secondary segment reporting format and are determined on the basis of the geographical location of the operating units (group subsidiaries). These basically correspond to the geographical locations of the respective customers.
The Beate Uhse Group is divided into the business segments of Retail, Mail Order, Wholesale, Entertainment and 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.
The results of the associate Beate Uhse TV GmbH & Co. KG have been allocated to the Holding Services segment.
The transfer prices between the business 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.

NOTES ON THE COMPANY BOARDS

The Management Board of the company comprises the following individuals:

Otto Christian Lindemann	CFO, Spokesman of the Management Board
Gerard Philippus Cok	Management consultant COO until 31 May 2008
Serge van der Hooft	COO since 1 January 2008

Compensation of EUR 285k was paid to the Spokesman of the Management Board, Otto Christian Lindemann, during the 2008 financial year (previous year: EUR 240k): No provision for performance-related compensation has been stated for Otto Christian Lindemann for the 2008 financial year (previous year: EUR 0k). Mr. Lindemann also received fringe benefits in the form of a company car (value of payment in kind: EUR 11k) and compensation of EUR 45k for vacation not taken. Management board compensation of EUR 128k was paid to Serge van de Hooft in the 2008 financial year. This figure includes performance-related compensation of EUR 24k paid for the 2007 financial year. Mr. van der Hooft also received fringe benefits in the form of a company car and reimbursement of expenses (value of payment in kind: EUR 24k).
European Business Consult GmbH, Bereldance, Luxembourg, was paid fees of EUR 80k in the 2008 financial year for the services of Gerard Philippus Cok.
There are pension provisions amounting to EUR 938k for former board members of Beate Uhse AG (previous year: EUR 1,145k). The pension payments made to these board members amounted to EUR 96k in the 2008 financial year (previous year: EUR 94k).

The Supervisory Board comprised the following members:

Ulrich Rotermund	Meggen, Switzerland Private investor Chairman of the Supervisory Board 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
Michael Papenfuß	Hamburg Member of the Management Board of Schwäbische Bank AG Deputy Chairman of the Supervisory Board Member of the Audit Committee Member of the Personnel Committee Member of the Nomination Committee retired on 16 June 2008
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 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
Carlo Floridi	Cologne Store manager at Beate Uhse Einzelhandels GmbH, Flensburg (employee representative) Member of the Investment Committee retired on 30 June 2008
Michael Petersen	Flensburg Chairman of the Works Council of Beate Uhse AG (employee representative) Member of the Investment Committee since 1 July 2008 Member of the Audit Committee since 7 January 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
Michael Papenfuß	Bankhaus Neelmeyer AG, Bremen (Deputy Chairman of Supervisory Board)
Martin Weigel	H-W-Investment GmbH, Glücksburg (Managing Partner) BHC AG, Liepaja (Member of Supervisory Board) Athena IT-Group A/S, Haderslev (Member of Supervisory Board) Goldmind GmbH, Hamburg (Member of Advisory Board) ABG AG, Augsburg (Deputy Chairman of Supervisory Board)

Members of the Supervisory Board receive fixed annual compensation of EUR 7.5k. In addition, as a variable component the members of the Supervisory Board receive dividend-linked compensation amounting to EUR 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 EUR 7.5k, with the Chairman receiving EUR 11.25k. The compensation of the Supervisory Board amounted to EUR 72.2k in the 2008 financial year. No variable component was paid. The Chairman of the Supervisory Board received EUR 11.3k and the Deputy Chairman EUR 8.4k. All other members of the Supervisory Board received a combined total of EUR 52.5k.

DECLARATION OF CONFORMITY PURSUANT TO SEC. 161 OF THE GERMAN STOCK CORPORATION ACT (AKTG)

The declaration required by Sec. 161 of the German Stock Corporation Act (AktG) was submitted by the Management and Supervisory Boards on 8 December 2008 and made permanently available to shareholders at the company's internet site from 18 December 2008 onwards.

AUDITOR'S FEES

Fees totalling EUR 738.5k were paid to the auditor of Beate Uhse AG for the 2008 financial year, Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Rothenbaumchaussee 78, Hamburg. Of this sum, EUR 154.5k related to the audit of the financial statements, EUR 111k to costs incurred in connection with the capital increase executed in February 2008 and EUR 473k to the audit of the bank reports compiled on a quarterly basis.

EVENTS AFTER THE REPORTING DATE

The Supervisory Board appointed Jan Boddaert as Chief Marketing Officer with effect from 1 April 2009. Otto Christian Lindemann, who has held the positions of Chief Financial Officer and Spokesman of the Management Board since April 2000, will depart from the Group upon the expiry of his contract as of 31 March 2009. Serge van de Hooft, Chief Operating Officer since 1 January 2008, will then assume these additional functions.

Based on a purchase agreement dated 17.9.2008, Beate Uhse AG 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. from Global Vastgoed B.V. as of 1.1.2008. The purchase price consists of a cash component of EUR 4 million and 7,090,000 shares in Beate Uhse AG to be issued to the sellers in a capital increase executed in return for non-cash contributions. The purchase agreement is subject to the condition precedent of approval by the Supervisory Board of Beate Uhse AG and the 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.

EXEMPTION OF CERTAIN SUBSIDIARIES FROM AUDITING AND DISCLOSURE REQUIREMENTS

The following fully consolidated affiliated German companies with the legal form of a corporation fulfilled the requirements set out in Sec. 264 (3) of the German Commercial Code (HGB) and have exercised the resultant right of exemption:

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

Flensburg, 16 March 2009

Otto Christian Lindemann   Serge van der Hooft

6.5 SEGMENT DATA BY BUSINESS UNIT

EUR 000s	Retail	Mail Order	Wholesale	Entertainment	Holding	Consolidation	Group Value
	2007						
Sales	83,221	109,323	78,600	18,697	0	-21,800	268,041
-of which with third parties	82,695	109,263	59,771	16,312	0	0	268,041
-of which with other segments	526	60	18,829	2,385	0	-21,800	0
Amortisation of intangible assets	-516	-59	-1,318	-190	-366	0	-2,449
Depreciation of property, plant and equipment	-5,638	-2,058	-1,426	-103	-447	0	-9,672
Extraordinary depreciation	-2,215	-3,700	-904	-15	0	0	-6,834
Amortisation of financial assets	0	0	0	0	-1,152	0	-1,152
Financial result	-1,663	-709	-1,480	95	302	-1	-3,456
Income from interest in associates	0	0	306	0	621	0	927
Income from other shareholdings	0	0	-42	0	0	0	-42
EBT*	-4,042	-1,568	772	3,124	-6,143	-38	-7,895
Taxes on income	-404	-3,686	-524	-1,463	811	0	-5,266
CONSOLIDATED NET INCOME*	-4,446	-5,254	248	1,661	-5,332	-38	-13,161
Assets (incl. shareholdings)	47,335	34,262	53,131	15,581	201,703	-182,024	169,988
Interests in associates	0	0	0	0	2,989	0	2,989
Investments in non-current assets	5,955	2,978	4,053	370	613	0	13,969
Liabilities	44,909	32,832	35,355	4,869	75,870	-80,481	113,354

SEGMENT DATA BY GEOGRAPHIC REGIONS

EUR 000s	Germany	Netherlands	France	Other European Countries	Consolidation	Group Value
	2007					
Sales	107,338	99,297	42,214	40,992	-21,800	268,041
-of which with third parties	105,066	79,939	42,214	40,822	0	268,041
-of which with other segments	2,272	19,358	0	170	-21,800	0
Amortisation of intangible assets	-765	-5,906	-51	-1,311	0	-8,033
Depreciation of property, plant and equipment	-4,803	-5,134	-272	-593	0	-10,802
Extraordinary depreciation	-119	0	0	0	0	-119
Amortisation of financial assets	-1,152	0	0	0	0	-1,152
Financial result	-2,428	-842	-4	-181	-1	-3,456
Income from interests in associates	927	0	0	0	0	927
Income from other shareholdings	-42	0	0	0	0	-42
EBT*	-9,422	-1,355	2,013	907	-38	-7,895
Taxes on income	-1,964	-1,488	-944	-870	0	-5,266
CONSOLIDATED NET INCOME*	-11,386	-2,843	1,069	37	-38	-13,161
Assets (incl. shareholdings)	188,531	134,198	6,667	22,616	-182,024	169,988
Interests in associates	2,989	0	0	0	0	2,989
Investments in non-current assets	4,908	7,255	566	1,240	0	13,969
Liabilities	98,933	72,724	356	21,822	-80,481	113,354

* excluding profit and loss transfer agreements

2008

Retail	Mail Order	Wholesale	Enter-tainment	Holding	Consolidation	Group Value
75,537	111,312	76,006	16,509	0	-26,465	252,899
73,821	111,247	53,915	13,916	0	0	252,899
1,716	65	22,091	2,593	0	-26,465	0
-336	-558	-1,564	-166	-468	0	-3,092
-3,973	-1,410	-1,495	-103	-167	0	-7,148
-1	0	-493	0	0	0	-494
0	0	0	0	-1,230	0	-1,230
-1,831	-300	-1,261	160	-762	-19	-4,013
0	0	0	0	0	0	0
0	0	0	0	0	0	0
751	5,751	-594	2,739	-5,587	4	3,064
-570	2,073	-624	-911	-746	0	-778
181	7,824	-1,218	1,828	-6,333	4	**2,286**
43,873	38,912	49,250	15,145	201,623	-183,882	164,921
0	0	0	0	0	0	0
1,785	1,685	3,234	243	590	0	7,537
35,898	40,976	32,793	6,197	44,430	-82,583	77,711

2008

Germany	Netherlands	France	Other European Countries	Consolidation	Group Value
104,039	95,581	43,005	36,739	-26,465	252,899
100,811	72,595	43,005	36,488	0	252,899
3,228	22,986	0	251	-26,465	0
-472	-2,144	-50	-426	0	-3,092
-3,191	-3,088	-299	-570	0	-7,148
-494	0	0	0	0	-494
-1,230	0	0	0	0	-1,230
-3,042	-404	-1	-547	-19	-4,013
0	0	0	0	0	0
0	0	0	0	0	0
4,815	810	-2,936	371	4	3,064
-3,384	2,174	991	-559	0	-778
1,431	2,984	-1,945	-188	4	**2,286**
187,761	132,309	6,265	22,468	-183,882	164,921
0	0	0	0	0	0
1,950	3,638	172	1,777	0	7,537
64,982	66,010	7,164	22,138	-82,583	77,711

6.5 LIST OF GROUP SHAREHOLDINGS AS OF 31 DECEMBER 2008

NAME, REGISTERED OFFICE	Share %	Consolidation
Beate Uhse AG		
Beate Uhse Grundstücksgesellschaft bR, Flensburg	100.00	V
Beate Uhse Grundstücksverwaltungsgesellschaft mbH, Flensburg	100.00	V
BU production Kft., Börcs (H)	100.00	V
Ceproma central product management GmbH, Flensburg	100.00	V
Mae B. GmbH, Flensburg	100.00	V
Scala Beteiligungs GmbH, Wiesbaden	100.00	V
Versandhaus Beate Uhse GmbH, Flensburg	100.00	V
Beate Uhse Einzelhandels GmbH subgroup		
Beate Uhse Einzelhandels GmbH, Flensburg	100.00	V
Beate Uhse Fun Center GmbH, Flensburg	100.00	V
Beate Uhse Italia GmbH, Bozen (I)	96.54	V
Erotic Delite AG, Haag (CH)	100.00	V
Beate Uhse new medi@ GmbH subgroup		
Arena Online-Service GmbH, Flensburg	100.00	-
Beate Uhse new medi@ GmbH, Flensburg	100.00	V
Beate Uhse New Media AS, Oslo (N)	100.00	V
COM VTX Multi Media BV, Rotterdam (NL)	100.00	V
D.N.I. Dutch Net Info BV, Rotterdam (NL)	100.00	V
EXITEC GmbH, Flensburg	100.00	V
M.O.S. Media Online Services BV, Hoorn (NL)	100.00	V
METAVOX Service & Communication GmbH & Co. Kommanditgesellschaft, Meerbusch	52.00	V
METAVOX Service & Communication GmbH, Meerbusch	52.00	-
Beate Uhse BV subgroup		
Beate Uhse BV, Walsoorden (NL)	100.00	V
B.U. BVBA, Knokke-Heist (B)	100.00	V
The Golden Meteor BV, Walsoorden (NL)	100.00	V
V.U.H. Video Holland BV, Walsoorden (NL)	100.00	V
Beate Uhse Retail Holding BV (via Beate Uhse BV) subgroup		
Anvo BVBA, Brüssel (B)	100.00	V
Beate Uhse France SAS, Lille (F)	100.00	V
Beate Uhse Ltd., Birmingham (GB)	100.00	V
Beate Uhse Retail Holding BV, Walsoorden (NL)	100.00	V
Christine le Duc BV, Voldendam (NL)	100.00	V
Christine le Duc Franchise BV, Walsoorden (NL) previously: World Entertainment BV	100.00	V
Gezed BV, Amsterdam (NL)	100.00	V
Interieur & Elektra Service BV, Walsoorden (NL)	100.00	V
Retail Belgie BVBA, Brügge (B)	100.00	V
RT BVBA, Brüssel (B)	100.00	V
Sandereijn BV, Walsoorden (NL)	100.00	V

NAME, REGISTERED OFFICE	Share %	Consolidation
Gezed Holding BV subgroup (via Beate Uhse BV)		
Beate Uhse Licensing BV, Almere (NL) previously: Adult Video Netherlands Productions BV	100.00	V
Both Multimedia & Internet Exploitatie BV, Walsoorden (NL)	100.00	V
Daring Media Group SL, Barcelona (E)	100.00	V
Gezed Holding BV, Amsterdam (NL)	100.00	V
Scala Agenturen BV, Almere (NL)	100.00	V
Scala Agenturen UK Ltd., Birmingham (GB)	100.00	V
Scala France SARL, Champigny sur Marne (F)	100.00	V
Beate Uhse Scandinavia AB subgroup (via Gezed Holding BV subgroup)		
Beate Uhse OY, Helsinki (F)	100.00	V
Beate Uhse Scandinavia AB, Täby (S)	99.97	V
Beate Uhse Sweden AB, Täby (S) previously: Beate Uhse Max´s AB, Täby (S)	100.00	V
Bestseller Filmdistribution Europa AB, Täby (S)	100.00	V
Bestseller Film OY, Helsingfors (F)	100.00	-
Bestseller Rättigheter Scandinavia AB, Täby (S)	100.00	V
Pabo Holding BV subgroup (via Beate Uhse BV)		
Adam & Eve Spain BV, Walsoorden (NL) previously: Intex Nederland BV	100.00	V
Beate Uhse United Kingdom BV, Walsoorden (NL)	100.00	V
Calston Industries Inc., Toronto (CDN)	38.00	-
Pabo BV, Hulst (NL)	100.00	V
Pabo BVBA, Kieldrecht (B)	100.00	V
Pabo Holding BV, Hulst (NL)	100.00	V
Pabo Ltd., Birmingham (GB)	100.00	V
Pabo Services SARL, Villeneuve-d‘Ascq (F)	100.00	V
Pabo SASU, Tourcoing (F)	100.00	V
Pabo Versandhandel GmbH, Innsbruck (A)	100.00	V
KONDOMERIET AS subgroup		
Beate Uhse AS, Oslo (N)	80.00	V
KONDOMERIET AS, Kolbotn (N)	80.00	V
Max`s AS, Kolbotn (N)	80.00	-
Scala Großhandel GmbH & Co. KG subgroup		
Lebenslust GmbH, Cologne	78.91	V
Pleasure-Verlagsgesellschaft mbH, Wiesbaden	100.00	V
Scala Großhandel GmbH & Co. KG, Wiesbaden	100.00	V
ZBF Zeitschrift- Buch- und Film Vertriebs GmbH, Wiesbaden	100.00	V
Other shareholdings		
Beate Uhse TV GmbH & Co. KG, Berlin	49.00	-
Beate Uhse Verwaltungs GmbH, Berlin	49.60	-
tmc Content Group AG, Baar (CH)	26.83	-
MJP Medien- Produktions- und Vertriebs GmbH & Co. KG, Eschenbur	60.00	-

V = fully consolidated
- = not included pursuant to sections 296 (2) and 311 (2) HGB

6.6 AUDIT OPINION

We have audited the consolidated financial statements compiled by Beate Uhse Aktiengesellschaft, Flensburg, consisting of the consolidated balance sheet, the consolidated income statement, 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 2008. 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, 23 March 2009

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Jöns	Tuchen
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

7.0 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.

Otto Christian Lindemann

Serge van der Hooft

8.1 MULTI-YEAR SUMMARY – BEATE UHSE 1999–2008

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
Consolidated net income		5.1	9.6	2.2	9.5
FURTHER KEY EARNINGS FIGURES					
Return on sales after tax	%	4.4	5.9	1.0	3.9
FINANCIAL POSITION AND DIVIDEND					
Cash flow		-1.5	10.4	12.8	21.4
Cash and cash equivalents		14.3	8.2	14.8	13.9
Depreciation and amortisation		5.3	7.1	10.7	9.9
Dividend distributed		0.9	4.2	6.2	0.0
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
Non-current assets		-	-	-	-
Current assets		-	-	-	-
EXPENSES					
Personnel expenses		22.8	32.5	42.3	42.3
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)**
265.6	273.1	284.8	270.9	268.0	**252.9**
31.5	26.8	32.0	24.4	15.7	19.0
21.5	17.9	22.7	14.8	-4.4	7.1
19.3	15.6	20.4	12.0	-7.9	3.1
9.9	8.7	14.4	10.0	-13.2	**2.3**
3.7	3.2	5.0	3.7	-4.9	0.9
20.3	8.6	24.3	16.9	13.4	8.7
8.3	9.2	6.8	6.4	7.4	5.6
10.1	9.1	9.5	9.7	20.1	12.0
4.7	4.7	0.0	6.6	4.7	0.0
181.2	187.2	189.7	222.9	183.4	176.4
67.8	67.8	83.6	84.5	66.4	94.6
37.4	36.2	44.1	37.9	36.2	53.6
-	105.7	111.6	142.3	106.0	92.2
-	81.6	78.0	80.6	77.4	83.4
47.3	50.6	50.1	48.3	50.3	44.5
-	110.9	109.1	107.6	116.7	105.4
-	130.4	142.6	142.4	136.4	129.6
1,344	1,477	1,523	1,458	1,414	1,301
0.10	0.00	0.14	0.10	-	-
0.43	0.34	0.49	0.43	0.13	0.21
13.25	10.48	6.10	4.04	1.82	0.59
13.43	13.02	10.37	6.95	5.80	2.03
8.90	10.05	5.80	4.00	1.79	0.58
46,492,614	47,042,201	47,042,292	47,042,381	47,042,425	70,703,475
623.0	495.0	288.7	191.2	85.6	41.7

8.2 FINANCIAL CALENDAR & CONTACT

Financial Calendar 2009

3-month report 2009	15 May 2009
Annual general meeting in Flensburg	16 June 2009
6-month report 2009	14 August 2009
Eigenkapitalforum Frankfurt	November 2009
9-month report 2009	13 November 2009

Contact

Assia Tschernookoff
Head of corporate communications
Beate Uhse AG
Gutenbergstr. 12
24941 Flensburg
Phone: +49 (0)4 61 99 66 - 125
Fax: +49 (0)4 61 99 66 - 440

Publisher
Beate Uhse AG
Gutenbergstraße 12
24941 Flensburg
www.beate-uhse.ag

Editorial staff
Beate Uhse AG
Haubrok Investor Relations GmbH

Audit
Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Design
visuphil®

Photos
Sebastian Bolesch
Christian Langbehn (Management Board)

Production
Woeste Druck + Verlag GmbH & Co. KG