beate uhse

Annual Report 2010



Company founder and entrepreneur Beate Uhse

Even today - ten years after her death - Beate Uhse would be regarded as a "modern" woman and entrepreneur. She was ahead of her times in more respects than one.

Beate Uhse remains one of Germany's best known entrepreneurs. In 1946, a young mother and aviator, Beate Uhse, distributed her "X" leaflet to inform women about contraception. The response, 32,000 copies sold, from women in post-war Germany faced with newly reunited families and economic challenges was overwhelming. After the currency reform, in 1946, Beate Uhse applied for her first trading licence for the sale of condoms and sex education books - which was almost inconceivable and a clear violation of social norms at the time. In 1962, the young entrepreneur went even one step further and opened the world's first sex shop in Flensburg under the name of the "Institut für Ehehygiene" (Institute for Marital Hygiene).

Over the course of the decades, Beate Uhse expanded her business into a flourishing medium-sized enterprise. Her entrepreneurial talent was the secret of her success. Beate Uhse was ambitious, hard-working, creative and leveraged her marketing and communication skills; as early as in 1956, the innovative young businesswoman travelled to the USA to attend marketing seminars. The resulting skill set was instrumental in her success in business.

Beate Uhse once said that being a woman helped her. As a married woman and mother, she did not match the cliché of an entrepreneur in the adult entertainment industry.

Beate Rotermund, which was her last married name, died in Switzerland on 16 July 2001 at the age of 81. She went down in history not only as the "grande dame of adult entertainment" but also as one of Germany's major post-war entrepreneurs.

In autumn 2011, Germany's ZDF TV channel will air a documentary about the life of this remarkable woman.

„I am especially pleased that we have become increasingly accepted by society over the past 50 years"

Beate Uhse, 1999

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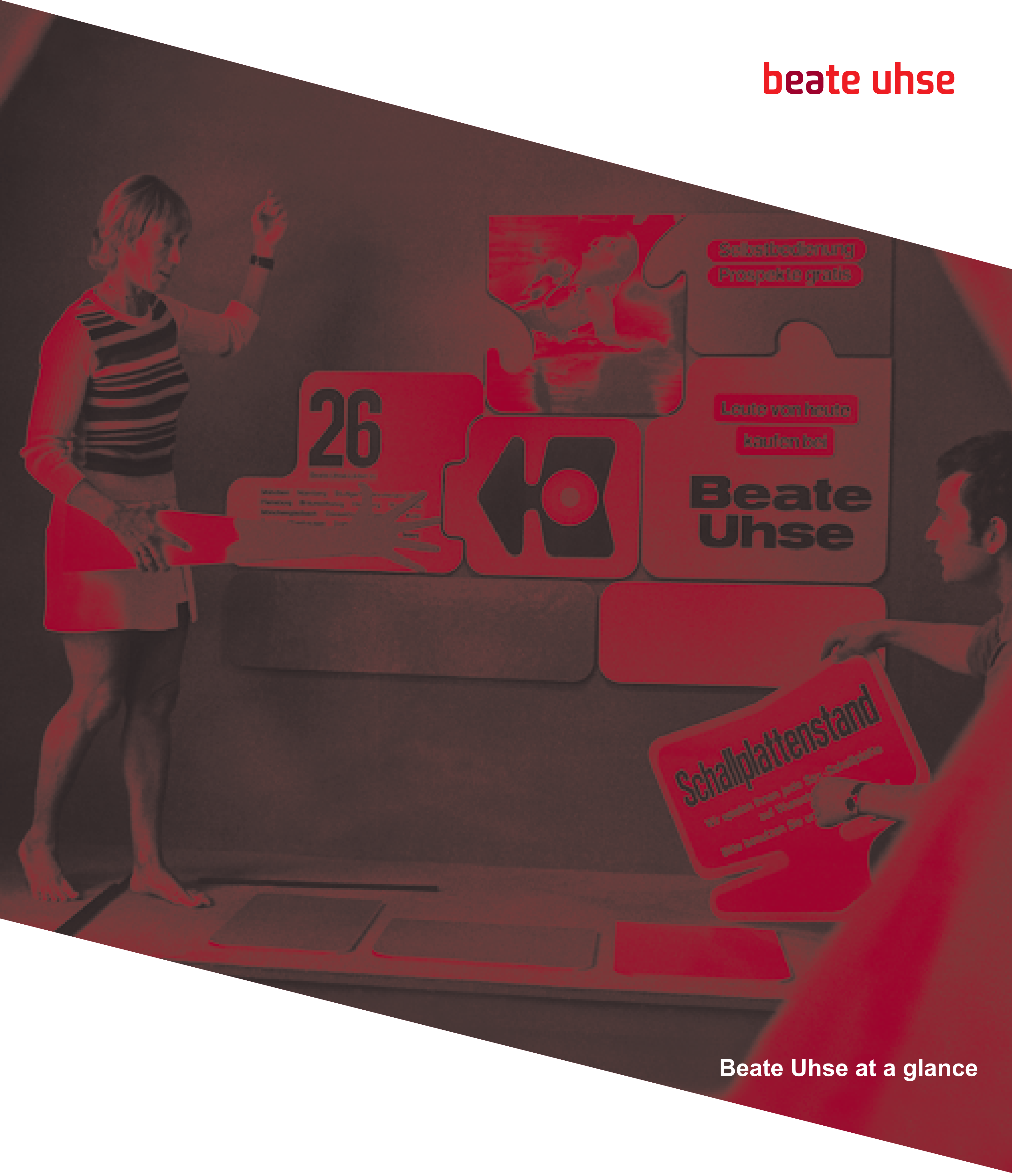


Beate Uhse at a glance

**„Being a quite normal person,
I would never have thought that
people have such a wide variety
of different needs in this area ...“**

Beate Uhse

Beate Uhse at a glance

EUR 000s	2009	2010	Change %
Sales performance			
Retail	62,809	57,164	-9.0
Mail order	104,108	88,930	-14.6
Wholesale	51,224	41,004	-20.0
Entertainment	12,553	10,603	-15.5
Total sales	**230,694**	**197,701**	**-14.3**
International share of sales (%)	64.7	65.2	0.8
Results			
EBITDA	13,136	-21,004	-
EBIT	2,697	-59,043	-
EBT	-69	-60,748	-
Net result ongoing business divisions	1,940	-67,582	-
Other earnings indicators (%)			
Return on sales before tax	0.0	-30.7	-
Return on sales after tax	0.8	-34.2	-
Return on equity	1.9	-201.4	-
Gross profit margin	57.8	54.2	-6.2
Financial situation			
Cash flow from operating activities	13,274	6,424	-51.6
Investments	15,906	11,457	-28.0
Depreciation	10,439	38,039	-
Balance sheet data			
Total assets	183,568	124,000	-32.5
Shareholders‘ equity	100,845	33,563	-66.7
Equity ratio (%)	54.9	27.1	-50,7
Long-term assets	94,761	57,185	-39.7
Short-term assets	88,807	66,815	-24.8
Other data			
FTEs*	1,048	975	-7.0
Cost of sales	97,293	90,456	-7.0
Cost of distribution	114,274	117,525	2.8
Shares (€)			
Number of shares (pieces)	78,074,696	78,074,696	0.0
Closing price	0.65	0.36	-44.6
Annual high	0.87	0.75	-13.8
Annual low	0.42	0.34	-19.0
Earnings per share	0.02	-0.87	-
Cash flow per share**	0.15	-0.34	-

2009*: Different figures due to change to FTE
**: By gross cash flow

Summary of the year 2010

1st quarter:

- The Group had a moderate start to the financial year 2010. The reorientation towards new target groups and the repositioning of the Group brands took more time than planned by the Management Board and the Supervisory Board.
- Due to the changing market environment, the ongoing repositioning of the brands and the partly unsatisfactory advertising measures of the mail order business, Group sales declined by 6.1% to EUR 55.3 million. The retail and mail order businesses suffered particularly high losses and reported a EUR 3.1 million decline in sales as compared to the previous year.
- At EUR 0.9 million (3 month 2009: EUR 2.7 million), consolidated EBIT were in line with expectations, as the company was in the midst of a process of fundamental change.
- Restructuring measures for the Group implemented in the first three months of 2010 included:
  - Harmonisation of the Group-wide ERP systems in the retail business.
  - Implementation of new software to further optimise deliveries to customers in the mail order business.
  - For the first time, the mail order business separated its offline and online advertising campaigns by customer groups and interests. Hard and soft concepts were tested by the mail order business among existing customers.

2nd quarter:

- In April and May 2010, the Beate Uhse Group signed credit agreements with Deutsche Postbank AG, Nord-Ostsee Sparkasse, Investitionsbank Schleswig-Holstein and ING Bank N.V. The credits totalled EUR 40.8 million. The agreements replaced the former credit agreement with HSH Nordbank.
- Due to the ongoing credit negotiations, the financial statements for the year 2009 and the report on the first three months of 2010 were published with delay on 21 May 2010.
- Group sales declined by EUR 13.5 million to EUR 96.0 million in the first half of 2010. The decline was attributable to the three main distribution channels, mail order, retail and wholesale.
- The mail order business responded to customers' negative feedback to the division into a hard and a soft concept. The segment immediately developed a full range concept, which is better geared to customers' wishes.
- As a result of the tests conducted in Q1 2010, the mail order business placed an even stronger focus on e-commerce.
- The retail business continued to streamline its branch network and closed branches that did not meet profitability targets.
- The decline in sales had a strong impact on the Group's profitability. As of the first half-year stage 2010, the Group posted an operating loss of EUR 6.1 million (6 month 2009: EUR 0.7 million), which we published by ad hoc news on 13 August 2010.
- Due to the performance in the second quarter, the Group was unable to meet the financial covenants agreed with the banks as of 30 June 2010. As such, the Management Board of Beate Uhse AG reached an agreement on the suspension of the covenants with these banks.
- In view of the ongoing financing negotiations, the Supervisory Board and the Management Board of Beate Uhse AG decided to postpone the Annual General Meeting, which was scheduled for 2 August 2010, to a later date.

3rd quarter:

- On 13 August 2010, Beate Uhse AG published a profit warning for the fiscal year 2010 and adjusted its targets for the year as follows: sales revenues of EUR 204.0 - 208.0 million and EBIT of EUR 3.0 - 3.5 million.
- To accelerate the repositioning of the Beate Uhse Group, the Supervisory Board supplemented the skills of the Management Board in the field of digital media and e-commerce and appointed Sören Müller as the new COO and Spokesman of the Management Board. The position of Chief Marketing Officer was eliminated and Jan Boddaert left the company by mutual agreement.
- The Group continued the restructuring, which led to a slowdown in the downward trend. Sales for the first nine months of 2010 totalled EUR 147.1 million (9 month 2009: EUR 171.3 million).
- The restructuring measures that had been initiated immediately had a strong impact on the operating result of EUR 3.9 million as of 30 September 2010. At the end of the period, the loss including the restructuring measures implemented by that date totalled EUR 12.0 million. Excluding extraordinary charges, the Group would have reported an operating loss of EUR 8.1 million as of 30 September 2010.
- Two experienced managers joined the mail order management team to strengthen the team in the fields of branding, marketing, sales and commercial management. Their aim being to push ahead the sales, e-commerce and online advertising activities, which are of great importance for the Group.
- The concentration on online activities led to the first restructurings in the mail order business. The online shopping team was increased from 7 to 24 people, whereas headcount in other areas of the mail order business was reduced by 16 people.
- The Management Board and the lending banks continued to discuss the funding of the company in an intensive and solution-oriented manner. Accordingly, the breach of the covenants agreed with the banks as of 30 September 2010 did not have negative effects on the Group's banking relationships.

4th quarter:

- On 22 November 2010, the Management Board corrected its 2010 guidance of 13 August 2010 to sales of EUR 194.0 - 196.0 million and an operating loss of EUR 13.0 - 15.0 million (excluding extraordinary effects from further restructuring measures).
- The ordinary Annual General Meeting of Beate Uhse AG was held in Flensburg on 29 November 2010.
- The Management Board and the Supervisory Board continued their exchange with the lending banks and increasingly discussed possibilities for a new funding structure for the Group.
- The new mail order management team rationalised the catalogue budget for 2011 and thus increased the scope of online activities. The aim is to reduce the frequency and/or number of pages of the catalogues while at the same time expanding the lifecycle of the catalogues.
- Definition of an ongoing optimisation concept for the e-commerce activities. In the context of this ongoing process, some 500 individual measures for increasing the conversion rate were defined as a first step. These primarily aim to boost the website traffic, to fill the shopping carts and to improve the check-out process with a view to optimising the overall conversion rate.
- The reconstruction of the logistic centre at the wholesale location in Almere, Netherlands, was completed successfully. The reconstruction work formed the basis for the planned concentration of the Group-wide wholesale activities in Almere.

The company

A simple information brochure marked the start of the company. In 1946 young Beate Uhse, distributed her “X” leaflet to inform women about contraception. The response from women in post-war Germany faced with newly reunited families and economic challenges was overwhelming. Buoyed by this initial success, Beate decided to earn her living by selling contraceptives. In 1947 she started her first business and laid the foundation for what is today, the Beate Uhse Group. In 1962, she opened the world’s first sex shop in Flensburg, Germany.

Success sometimes came at a price and, indeed, until the mid-1980s, Beate was subject to repeated and massive criticism from both conservatives and feminists. While s 2,000 legal proceedings were instituted against her, mostly because of alleged moral offences. Beate won nearly all of them. This businesswoman never shies from a challenge and went her own way, building a firm that has defended its position in Germany’s corporate sector to this very date, and is well established in many other European countries.

The brands

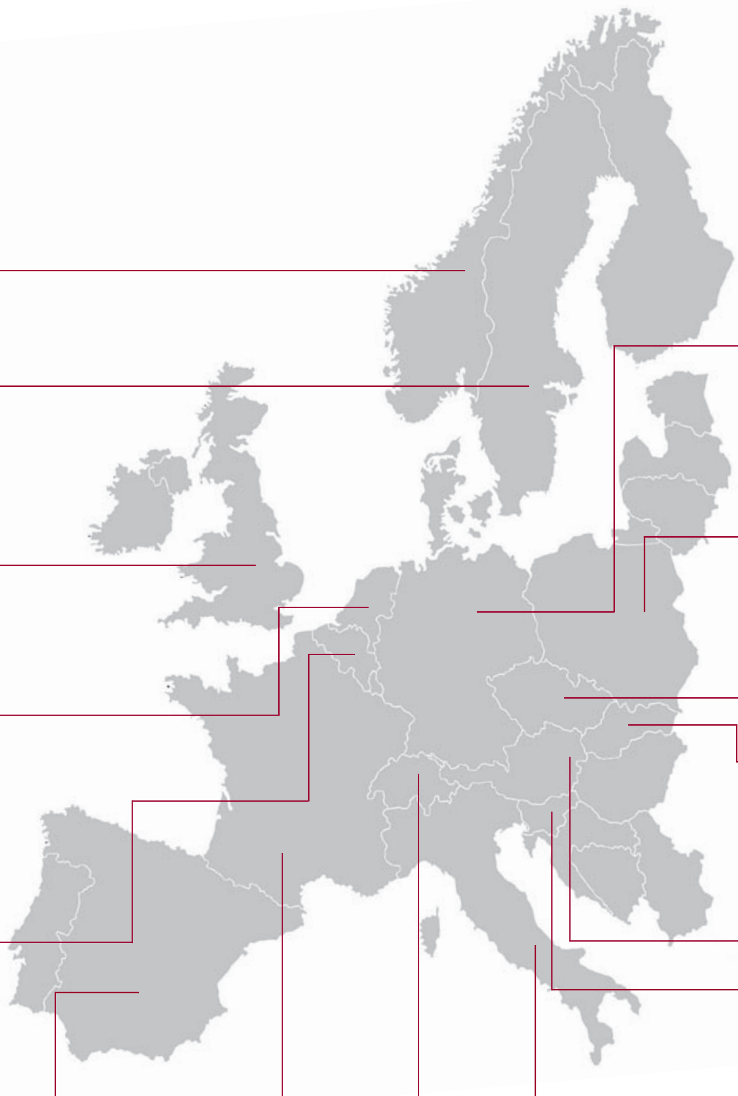
In German speaking Europe, the Beate Uhse brand is synonymous with an adult lifestyle. An estimated brand value of EUR 36 million (Semion brand survey 2010) places it among Germany’s top 50 brands. Besides the Beate Uhse brand, which is firmly established in the German-speaking area, the Group has strong local brands, whose name awareness reaches similar levels to that of Beate Uhse. In the Netherlands, the Christine Le Duc retail brand is a well-established premium brand. Today, customers can buy adult lifestyle products in 32 Christine le Duc branches as well as on the company’s website at www.christineleduc.nl. French customers appreciate the diverse product range and the services offered by the Adam & Eve mail-order business (www.adameteve.fr). Pabo is probably the Group’s best-known international mail-order brand (www.pabo.nl). It is available through the online and offline mail-order channel in ten European countries, with dedicated stores having been opened in Belgium over the past two years. With this brand structure, Beate Uhse has laid the foundation stone for a multi-channel system, benefiting from the specific local strength of each brand and achieving greater brand recognition.

In the B2B segment, the Beate Uhse Group has two wholesale brands, namely ScalaPlayhouse and ZBF. The ScalaPlayhouse Group supplies wholesale customers throughout the world and is among the leading adult lifestyle product wholesalers in Europe. The well-established ZBF brand gives the company a strong presence in the important German market.

The countries

In 65 years, the Beate Uhse Group has gained experience and expertise on which millions of customers in 15 countries rely. ”Sex up your Life“ is the motto under which Beate Uhse offers more fun with sex and, hence, more fun in life.

Worldwide
Wholesale
SCALA Playhouse
ZBF



Norway
Retail*
Entertainment
kondomeriet

Sweden*
Wholesale
beate uhse

Great Britain
Mail order
Entertainment
pabo

Netherlands
Mail order
Entertainment
pabo
Retail
Mail order
Christine le Duc

Belgium
Retail
Mail order
Entertainment
pabo

Spain
Mail order
pabo

France
Retail
Mail order
Entertainment
adam & eve

Switzerland
Retail
Entertainment
beate uhse

Italy
Retail
beate uhse

Slovenia
Retail
beate uhse

Germany
Retail
Mail order
Entertainment
beate uhse

Poland
Retail
Mail order
beate uhse

Czech Republic
Mail order
pabo

Slovakia
Mail order
pabo

Austria
Retail**
Mail order
Entertainment
beate uhse

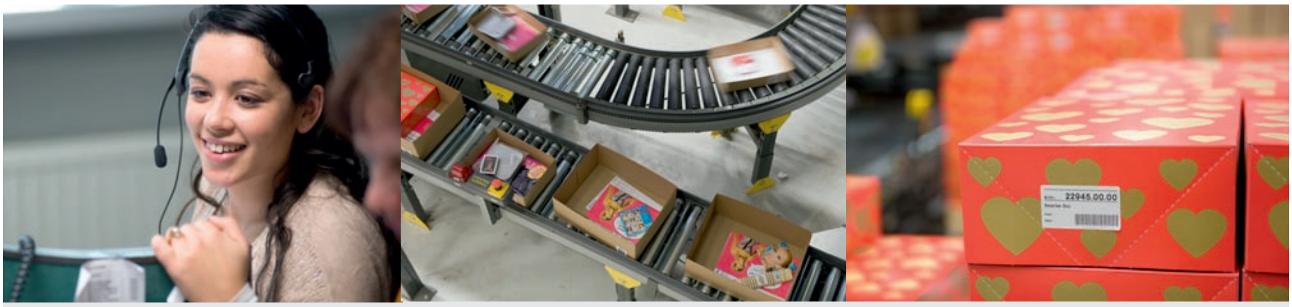
* = until 31.12.2010
** = Country licence

Brief profiles of the Beate Uhse distribution channels

Retail

In today's modern Beate Uhse shops, customers find everything that makes lovemaking even more fun: sex toys, lingerie, adult movies for men and women, wellness products, magazines and books about sex and adult lifestyle. 244 shops in ten European countries offer the unique Beate Uhse shopping experience across a variety of leading local brands such as Beate Uhse, Christine Le Duc and Pabo all reflecting the modern and attractive image of the company.

	2010
Sales revenues	57.2 EUR million
Earnings (without special effects)	-3.6 EUR million
Earnings (with special effects)	-10.8 EUR million
Employees (FTEs)	437



Mail order

In ten European countries, the Group sells its products to customers through catalogues, mailings and e-commerce. Online orders are gaining importance, as customers appreciate the anonymity and speed of this distribution channel. In Germany, Poland and Austria the Group operates under the „Beate Uhse" brand name, while the "Pabo" brand is used in the Netherlands, Belgium, the Czech Republic, the UK, Spain and Slovakia and the "Adam & Eve" brand in France. Thousands of orders are shipped daily to consumers across Europe from our state of the art distribution centre in the Netherlands.

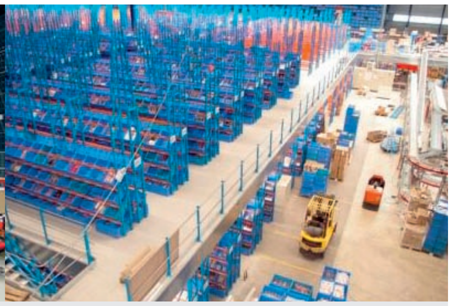
	2010
Sales revenues	88.9 EUR million
Earnings (without special effects)	-9.7 EUR million
Earnings (with special effects)	-9.7 EUR million
Employees (FTEs)	237

Entertainment

Beate Uhse offers its customers digital entertainment via Internet, downloads and both mobile and fixed telephony. Webcam shows and video-on-demand give customers access to a wide variety of adult content. The entertainment offerings, which include portals such as MovieOn, HotcamsOn, HomepornOn and EnjoyOn, are available in several languages.

	2010
Sales revenues	10.6 EUR million
Earnings (without special effects)	2.1 EUR million
Earnings (with special effects)	0.2 EUR million
Employees (FTEs)	60





Wholesale

The Beate Uhse wholesale centre in the Netherlands, our Scala-Playhouse dividion, is the central hub for deliveries to the company's own branches and external B2B customers. ScalaPlayhouse delivers adult lifestyle products to international customers. Its firm customer base includes sex shop operators, mail-order firms, drugstores and other mass market outlets. The wholesaler offers its customers an all-in-all service underpinned by the expertise of a professional purchasing, sales and production team. 120 orders can be processed simultaneously, with several thousand articles shipped every day. Customers in the German market are served and advised by the ZBF sales team. The high-quality goods sold by ScalaPlayhouse are produced in the USA, Europe and the Far East both by third-parties and by our own suppliers. The best-known house brands include Toy Joy and Mae B.

	2010
Sales revenues	41.0 EUR million
Earnings (without special effects)	-7.2 EUR million
Earnings (with special effects)	-21.2 EUR million
Employees (FTEs)	200

Corporate structure

The Beate Uhse Group has a matrix structure. Each profit centre and functional unit is under the responsibility of a Management Board member.

beate uhse

To our shareholders

„One tends to do things which are consistent with one's own morals"

Beate Uhse

Foreword of the Management Board

Dear ladies and gentlemen,

2010 was an economically difficult year for our Group. We have launched a restructuring programme in order to improve this situation. Among the most important changes in 2010 were the new composition of the Management Board, the repositioning of the mail-order business, which was initiated immediately after the new Board members took up office, and the appointment of a new mail-order management team.

Sören Müller, our new Chief Operations Officer, has profound knowledge of the online and e-commerce businesses and will thus be able to exploit the possibilities opened up by digital media and expand the Group's customer base. Taking up office on 1 October 2010, Sören Müller made it very clear that he will play an important role in shaping and pushing ahead the process of change in all B2C business segments.

2010 was also a year of new beginnings. In response to the changed market and general environment, we launched a comprehensive restructuring programme in the second half of 2010. The first measures have already been implemented. Some examples are provided below:

Mail order

- Organisational separation between online and offline mail order
- Definition of an ongoing optimisation concept for the e-commerce business to increase conversion rates
- Conversion of unprofitable geographic markets to e-commerce only

Wholesale

- Conversion of the logistic centre in Almere into the Group's central hub
- Expansion of the wholesale showroom into a modern shop-in-shop of over 1,300 square metres

Retail

- Closure of unprofitable retail stores

Business performance in 2010

As briefly mentioned in the first paragraph, 2010 was a difficult year for Beate Uhse AG. The sales and earnings performance was unsatisfactory across all distribution channels. From the second half of the year, we therefore implemented material changes to the corporate structures to make our company futureproof. These efforts did not yet have a positive effect on the poor economic performance in the financial year.

Serge van der Hooft (Spokesman, CEO) and Sören Müller (COO)

Following a satisfactory start in the first quarter of 2010, the performance of the distribution channels in the first six months of the year remained below expectations. Group revenues declined by EUR 13.5 million to EUR 96,0 million, leading to a much lower than planned result. In spite of further cost savings, the Group posted an operating loss of EUR 6.1 million in the first half of 2010. We informed you, our esteemed shareholders, about this loss in an ad-hoc release dated 13 August 2010. While the measures that were initiated immediately, e.g. the management change in the mail-order segment, effectively slowed down the downward trend in the third quarter, it was not halted completely. As of 30 September 2010, Group sales revenues stood at EUR 147.1 million, which was 14.1% below the prior year's level. At the nine-month stage, the Beate Uhse Group posted an operating loss of EUR 8.1 million before exceptional charges. The costs of the immediate measures taken in the context of the restructuring programme amounted to EUR 3.9 million at the end of September 2010. This was communicated in an ad-hoc release on 22 November 2010.

Full-year sales revenues of the Beate Uhse Group amounted to EUR 197.7 million, which was 14.3% below the previous year (2009: EUR 230.7 million). The mail-order business alone saw its sales revenues drop by EUR 15.2 million as compared to the previous year. This was due to a change in the catalogues and advertising measures into soft and hard concepts, which had been initiated at the beginning of 2010 and has been since reversed. The wholesale and retail segment continued to suffer from declining DVD sales, which are attributable to free Internet-based content offerings. As a result of the lower sales revenues, the continued pressure on margins and the sell-off of inventories at reduced prices, earnings before interest and taxes (EBIT) excluding one-time effects and restructuring costs declined to EUR -19.5 million (2009: EUR 2.7 million).

To get the company back on track, we initiated a comprehensive restructuring process in the second half of the year, which is described in the chapter “Strategic objectives and positioning” on page 39. Earnings before interest and taxes (EBIT) declined by EUR 11.7 million due to restructuring measures such as the sale of subsidiaries that are inconsistent with the Group’s future positioning, provisions for anticipated losses resulting from further shop closures implemented in the context of the profitability review of all stores as well as the optimisation of inventory management. One-time charges in conjunction with goodwill impairment, fixed assets and investments totalled EUR 27.8 million. These included, in particular, the write-down of the investment in tmc Content Group AG in an amount of EUR 12.3 million, which became necessary due to our changed outlook for this investment. Including all restructuring costs and one-time charges, Beate Uhse AG incurred an operating loss (EBIT) of EUR 59.0 million in 2010.

Corporate financing

The restructuring of the Group’s financing was also high on the agenda of the Management Board in 2010. Due to the decline in sales, we were unable to meet the financial covenants agreed with the banks as of 30 June, 30 September and 31 December 2010. We informed the banks about the situation at a very early stage which led to an intensive and constructive dialogue throughout the process in order to be able to put our company on a solid funding base for the future. The banks supported this process by suspending the covenants and supported the restructuring programme developed by Sören Müller and myself. On this basis, we were able to present the new financing structure of the Group in April 2011. We will deleverage the Beate Uhse Group signifcantly with a view to repositioning the Group quickly and efficiently while cutting interest expenses at the same time. Since September 2006, we have reduced the credit volume by EUR 58.7 million to EUR 91.7 million, which means that our Group currently has bank loans of only EUR 33.0 million. We aim to reduce the Group-wide credit volume of the Group to EUR 18.6 million by the year 2013.

3-phase process for a successful future

We will continue to change and rebuild the Group in the coming months with a view to making it profitable again the medium to long term. For this purpose, a 3-phase process was developed at the end of 2010, with the following objectives defined for 2011:

- securing the company’s working capital requirements and
- implementing additional organisational measures and changes throughout the Group.

The key projects of this phase include the optimisation of the inventory management process from purchasing to final delivery to the customer. Our two logistic centres, in Walsoorden (mail order) and Almere (wholesale), are being subjected to a comprehensive restructuring process. Together with supply chain specialist K&H Business Partner, our IT and logistic experts have worked on this project since the first quarter of 2011. Achievement of our phase 1 objectives will provide a solid foundation for the Group. The second phase of the process in 2012 and 2013 will be dedicated to the stabilisation of all business segments and the realignment of the brand and product presentation. The Group’s Europe-wide expansion and the start-up of new product segments will be on the agenda from 2014.

We laid the grounds for these changes in 2010 and will continue to implement them aggressively, as we believe in the future success of this company. Thanks to its strong brands and its organisational foundation, the Group has what it takes to become a profitable player in the adult lifestyle market once again and to develop attractive growth businesses for our shareholders in the next financial year and beyond. We appreciate your continued support as we move forward.

Yours,

Sören Müller

Serge van der Hooft
(Spokesman, CEO)

Sören Müller
(COO)

The share

General capital market situation in 2010

The European capital markets remained impacted by the 2009 financial crisis throughout 2010. The performance of the leading European stock exchanges was good in general, but inconsistent. While the European EuroStoxx 50 benchmark index lost almost 6% in the course of 2010, the DAX closed at 6,914.19 points, which represented a strong increase of 14.3%. London's FTSE 100 gained almost 9% in the course of the year, while the French CAC 40 lost roughly 3%.

Market strategists describe the performance of the markets in 2010 as good - particularly against the background of the fact that the euro-zone capital markets recovered from the strong losses incurred in the previous year as a result of the debt crisis. This performance was mainly attributable to the government stimulus packages, which were launched in response to the 2009 banking crisis and the negative developments in some EU countries. They stimulated the economy in 2010 and contributed to what was a generally positive sentiment.

The automotive industry was one of the clear winners of the stock market year 2010. The Stoxx 600 auto sector index gained just under 45% in 2010, making it the No. 1 among the 19 sector indices. The industrial goods sector was also among the outperformers in 2010. The growing demand, e.g. for luxury goods, was driven primarily by emerging countries such as China and India. Financial shares were among the losers in 2010. Due to the European debt crisis, they showed a much weaker performance.

The Beate Uhse share in 2010

The share price performance of Beate Uhse AG reflected the situation of the company as it underwent a reorganisation in 2010. In the course of the year, the share lost approx. 29% of its value (opening price: 65 cents, closing price 36 cents). This was attributable to the repositioning of the Group operations and the settlement of the company's funding issues. As a result, investors reacted with caution. The share reached an annual high of 75 cents in the first quarter and a low of 34 cents in the fourth quarter. The market capitalisation was down by 29% on the previous year to EUR 35.9 million. The average daily trading volume amounted to 35,969 shares, compared to 56,396 shares in 2009.

Performance of Shareprice 2009 / 2010

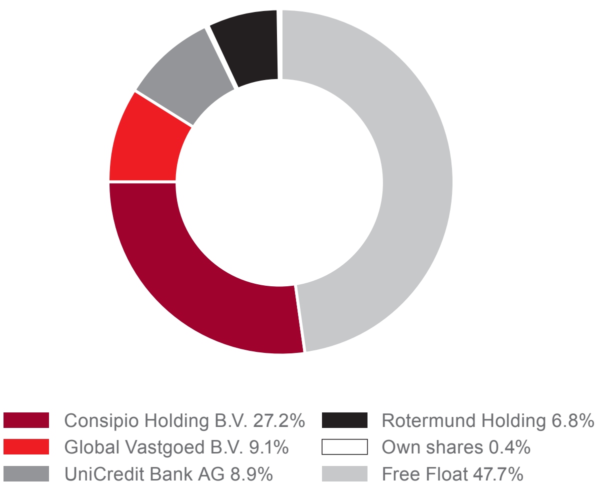
		2009	2010
Opening	EUR	0.61	0.65
Closing	EUR	0.65	0.36
High	EUR	0.87	0.75
Low	EUR	0.42	0.34
Performance	%	6.6	-29.2
Net income for the period	EUR million	1.8	-66.3
Number of shares (diluted)		78,074,696	78,074,696
Number of shares (undiluted)		78,074,696	78,074,696
Earnings per share (diluted)	EUR	0.02	-0,87
Earnings per share (undiluted)	EUR	0.02	-0,87
Market capitalisation	EUR million	50.8	35.9
Market capitalisation of free float	EUR million	24.2	17.1
Average sales / day	pieces	56,396	35,969

Basic: Xetra
Source: Dt. Börse

Shareholder structure remains unchanged

The shareholder structure of Beate Uhse AG and of the 78,074,696 shares remained unchanged in 2010.

Shareholder structure of Beate Uhse AG in 2010



Investor relations to be intensified

Beate Uhse AG attaches importance to communicating with private and institutional investors also when facing challenging situations. In 2010, the financial statements for the year 2009 and the report on the first three months of 2010 were not published within the deadlines recommended by the German Corporate Governance Code. This was due to ongoing negotiations with the banks about the funding of the company. For the same reason, the Annual General Meeting was not held in August, as had been planned, but in November 2010. Beate Uhse AG complied with all other obligations of a German joint stock corporation listed in the Prime Standard.

The Management Board plans to intensify its activities to market its shares as soon as the restructuring of the Beate Uhse Group and the repositioning of its operations are completed.

Our responsibility

„Male imagination is a woman‘s greatest asset“

Beate Uhse

Supervisory Board report

Dear Shareholders,

2010 presented the Beate Uhse Group with major challenges from outside and within. Among the external factors were the consequences of the financial market crisis and the dismal financial situation in several EU countries. Uncertainly among consumers throughout Europe influenced their purchasing behaviour. At the same time, changes in the adult lifestyle market continued. For instance, traditional sales drivers such as DVDs made a much lower contribution to sales. Apart from these external economic and market factors, the Beate Uhse Group also had to cope with a difficult internal situation in 2010.

- The financing negotiations between the banks and the company took much longer than planned.
- Some of the concepts launched in 2009 to reposition and strengthen the Group were not fully implemented within the planned time-frames.

Our Group went through a very intense restructuring phase in 2010, whose aim was to reposition the company in light of international market and customer requirements. High demands were made on both our employees and the Management Board due to the urgency and, in some cases, uncertainty of these changes with respect to downsizing measures. We, the members of the Supervisory Board of Beate Uhse AG, would therefore like to thank all employees and the Management Board for their commitment and their readiness to embrace these vital changes.

We are optimistic that we will be able to make our company successful again in the coming years, as major preconditions for this were fulfilled in 2010. These include:

- Securing the Group's funding in April / beginning of June 2011.
- Strengthening the Management Board through the appointment of a Chief Operating Officer in the final quarter of 2010.
- Clear decisions by the Management Board and the Supervisory Board regarding the repositioning of the Group in the international market.

Ongoing dialogue

The Supervisory Board of Beate Uhse AG performed all its legal and statutory duties with great care and dedication in 2010. The Supervisory Board regularly monitored the management activities of the Management Board and advised it on all matters of strategic development and financing. The Management Board provided the Supervisory Board with comprehensive written and oral information. The main topics included the funding of the Group, the general business situation and trend, the progress made with regard to the strategic repositioning, deviations in the business performance from the plans as well as the company's investment and personnel plans. All decisions that were of importance for the company were discussed between the Supervisory Board and the Management Board. In 2010, the Supervisory Board addressed two transactions requiring approval in the context of the restructuring of the Group's financing. Following thorough examination, the Supervisory Board approved both approval requests submitted by the Management Board.

Outside the meetings, the Chairman of the Supervisory Board regularly liaised with the Management Board to discuss important business incidents, the business situation and trend as well as important financing aspects.

Focus of the work of the Supervisory Board in 2010

The members of the Supervisory Board held eleven meetings in 2010. All members attended more than half of the meetings. No conflicts of interest occurred between the members of the Supervisory Board in 2010. The most important issues addressed by the Supervisory Board in 2010 were the company's funding and the business performance of the Group. The Supervisory Board addressed both topics in close cooperation with the Management Board. At all meetings, the Management Board informed the Supervisory Board in detail about the company's financing. The Supervisory Board supported the Management Board in the negotiations with the banks.

The relevant information on the business trend was made available to the Supervisory Board members e.g. in the form of monthly reports from Group Controlling. These were discussed with the Management Board and, wherever necessary, with internal experts also between the meetings. To strengthen the company in the short term and to reposition the Group, the Management Board prepared a restructuring plan in coordination with the Supervisory Board. This plan was discussed regularly and the individual process steps were monitored closely.

A major element of the restructuring plan is the strong concentration on online activities in the field of sales and marketing. To achieve these objectives in a timely manner by building on relevant market experience, the Supervisory Board decided to strengthen the Management Board in this area. As of 1 October 2010, Mr Sören Müller assumed the tasks and the responsibility as Chief Operating Officer for all international end user business fields of the Group. Together with Mr Serge van der Hooft, he has since managed the Group's business activities and is pushing ahead the restructuring process with determination and circumspection. The appointment of Mr Jan Boddaert as Chief Marketing Officer was rescinded with effect from 1 October 2010 and he has left the company. The position of Chief Marketing Officer will not be filled again. The Supervisory Board raised no objections to the management activities of the Management Board.

Other topics addressed at the Supervisory Board meetings include:
19 April 2010:
- Report of the Audit Committees on the 2009 financial statements
- Report on Q1 2010 and on the business trend in 2010
- Refinancing of the Beate Uhse Group
- 2010 Annual General Meeting
- Risk management
- Confirmation of the compensation system of the Management Board (see compensation report on page 41 of the 2010 Annual Report)

21 May 2010:
- Adoption of the 2009 financial statements and approval of the 2009 consolidated financial statements

7 June 2010:
- Resolution on the composition of the Supervisory Board
- Approval of the agenda for the Annual General Meeting

30 June 2010:
- Report of the Management Board on the first half of 2010
- Plan of measures and focal points of the work of the Management Board in the coming months
- Report of the Supervisory Board member in charge of risk management on the current state of the project

27 July 2010:
- Discussion about the postponement of the Annual General Meeting convened for August 2, 2010

2 August 2010:
- Detailed report by the Management Board on the current state of the financing talks
- Instruction to the Management Board to work out the restructuring plan in more detail
- Search for a date for the 2010 AGM and adjustment of the agenda

10 September 2010:
- Current state of the talks with the lending banks
- Discussion of the restructuring plan
- Discussion of appointments to the Management Board with a view to strengthening the Board in the fields of e-commerce, sales and marketing

24 September 2010:
- Decision to appoint a new Management Board member with effect from October 1, 2010

28 November 2010:
- Business performance in the second and third quarter of 2010
- Progress of the restructuring measures
- Status of the talks with the banks and the financing of the Group
- Efficiency review of the Supervisory Board
- Presentation and discussion of a marketing concept for the film about the life of company founder Beate Rotermund, which is planned for 2011 by a German public TV channel

29 November 2010:
- Constituent meeting of the new Supervisory Board

10 December 2010:
- Discussion of the status of the bank talks
- Management Board contract of Mr Serge van der Hooft
- Status quo of risk management

Fewer committees – more efficiency

Since 10 September 2010, the Audit Committee has been the only committee of the Supervisory Board of Beate Uhse AG. The aim of this decision is to increase the efficiency of the six-strong body. With a view to ensuring a quick and uncomplicated exchange of information and mastering the current difficult situation of the Group by drawing on the broad expertise of the full Supervisory Board, the latter decided not to comply with Clause 5.3 of the German Corporate Governance Code, which provides for the formation of additional committees. Relevant issuers are thus addressed by the Supervisory Board as a whole.

Corporate governance

In 2010, the Supervisory Board closely addressed the capital market and company law environment in Germany. The discussion focused, among other things, on the revised version of the German Corporate Governance Code of 26 May 2010. The

Supervisory Board and the Management Board decided to comply with most of the recommendations. The Declaration of Conformity and two amendments were signed at the meetings in April and September 2010 and by circulation and published immediately thereafter. For the Corporate Governance Report and the Declaration of Conformity, please refer to page 22-25 of the 2010 Annual Report.

Composition of the Supervisory Board and Management Board

Pursuant to section 97.2.3 of the German Stock Corporation Act (AktG), the term of office of the remaining members of the Supervisory Board ended on 4 September 2010. On 7 September 2010, the present members of the Supervisory Board were initially appointed by the Flensburg District Court and then confirmed in office by a large majority of the shareholders at the Annual General Meeting of Beate Uhse AG on 29 November 2010. At its constituent meeting on 29 November 2010, the Supervisory Board elected Mr Gerard P. Cok and Prof. Martin Weigel Chairman and Vice Chairman, respectively, of the Supervisory Board. Prof. Weigel resigned from the Supervisory Board and the Audit Committee with effect from 31 March 2011. Mr Gelmer Westra (tax consultant) was appointed new Chairman of the Audit Committee at the Supervisory Board meeting on 16 May 2011. Mr Westra is supported in his work on the Audit Committee by Mr Andreas Bartmann (Managing Director of Globetrotter Ausrüstung Denart & Lechhart GmbH). In 2010, the Audit Committee held four meetings as well as several telephone conferences. The table on page 43 of the management report provides a summary of the composition of the body as well as other mandates and tasks.

Prof. Martin Weigel resigned from the Supervisory Board of Beate Uhse AG at his own request with effect from 31 March 2011. Mr Weigel joined the Supervisory Board in 2005. In his capacity as Vice Chairman and Chairman of the Audit Committee, he was closely involved in the controlling functions of the Supervisory Board and contributed his profound knowledge of business administration. We would like to thank Prof. Weigel for the good and constructive cooperation and wish him every success for the future.

Separate and consolidated financial statements

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, who were elected auditors of the 2010 annual report by the 2010 Annual General Meeting, have audited the separate financial statements and the management report (HGB) of Beate Uhse AG as well as the consolidated financial statements and issued an unqualified audit opinion. The auditors also confirmed that the Management Board of Beate Uhse AG has taken the measures required pursuant to section 91.2 of the AktG. The monitoring system installed is suitable to identify developments that could jeopardise the company's continued existence at an early stage.

The documents to be audited as well as the drafts of the audit reports were made available to all members of the Supervisory Board. The auditors attended the Supervisory Board meeting on 16 May 2011, reported on the most important results of their audit and were available to both bodies to answer questions.

Based on the preparatory documents, the auditor's report and the detailed explanations provided by the auditor, the Supervisory Board held an intensive discussion. Following the audit, the Supervisory Board raised no objections against the financial statements presented by the Management Board. The separate and the consolidated financial statements of Beate Uhse AG were approved on 3 June 2011. The financial statements of Beate Uhse AG have thus been adopted. The Supervisory Board followed the proposal of the Management Board to carry forward the loss of EUR 59,1 to new account.

Flensburg, 3 June 2011

Yours,

Gerard Cok
Chairman of the Supervisory Board

German Corporate Governance Code

Corporate governance report

Beate Uhse AG's corporate governance is geared to increasing the enterprise value in a sustainable and responsible manner. Both the Supervisory Board and the Management Board of the Group act in accordance with the principle of good corporate governance. Since the publication of the first German Corporate Governance Code, Beate Uhse AG has applied its recommendations in order to regularly review and optimise the work of its executive and controlling bodies. Amendments to the Code are adopted unless they are already laid down in the Group's Articles of Association.

Beate Uhse AG largely complies with the recommendation of 26 May 2010. The latest Declaration of Conformity was published on 16 May 2011. In the fiscal year, Beate Uhse updated the Declaration of Conformity twice (30 April and 30 September 2010). All Declarations published by the Group since 2002 can be found on the Group's website at www.beate-uhse.ag.

Shareholders and Annual General Meeting

Beate Uhse AG aims to inform its shareholders promptly and comprehensively throughout the year. For this purpose, the company uses its website at www.beate-uhse.ag. In the run-up to the Annual General Meeting, this website provides shareholders and other interested parties with extensive information such as the Annual Report and quarterly reports, press publications, explanatory information regarding participation in and/or voting at the AGM as well as the online AGM.

The shareholders of Beate Uhse AG have various options to exercise their voting rights at the Annual General Meeting. They can exercise their voting right personally at the AGM or appoint an authorised person of their choice or a designated proxy of the company. From 2011, Beate Uhse AG will offer the possibility of postal or online voting for those shareholders who cannot attend the AGM personally.

Cooperation between Management Board and Supervisory Board

As in the previous years, the Management Board and the Supervisory Board of Beate Uhse AG cooperated closely in the interest of the company. A regular exchange between the two bodies takes place at the Supervisory Board meetings. In addition, the Management Board and the Chairman of the Supervisory Board liaise regularly on topics such as the strategic positioning of the Group, the progress achieved in implementing the company's plans and the operating performance of the Group. In 2010, two transactions required approval and received a positive vote from the Supervisory Board and the Management Board following close coordination between the two bodies.

Beate Uhse AG took out a D&O insurance policy with an adequate deductible for the members of its Management Board and Supervisory Board several years ago. When renegotiating the insurance policy in 2010, the company took due account of the new Code recommendations introduced in June 2009 with regard to the amount of the deductible and implemented the recommendations within the required deadlines.

Management Board

The Management Board of Beate Uhse AG focuses its management activities on the aim of sustainable value creation. Both Board members ensure that the interests of shareholders, employees and other stakeholders are taken into account in their day-to-day decisions.

With a view to strengthening the Management Board, Mr Sören Müller was appointed new Management Board member of Beate Uhse AG on 1 October 2010. In his capacity as Chief Operating Officer (COO), Mr Müller has since been responsible for all of the Group's international end user business fields. Mr Serge van der Hooft was appointed Chief Executive Officer (CEO) on 24 September 2010. He is in charge of Wholesale, Finance, Legal, Human Resources and Communications. Mr Johann A. Boddaert resigned from the position of Chief Marketing Officer (CMO) of the Group and left the company with effect from 1 October 2010.

By appointing the new Management Board, the Group complies with the "diversity" recommendation in Clause 4.1.5 of the German Corporate Governance Code. The Management Board of the Beate Uhse Group is international and the members of the Management Board have broad-based expertise in sales, media and finance to return the Group to success.

Supervisory Board

The Supervisory Board actively performed its duty to advise and supervise the Management Board in 2010. The Chairman of the Supervisory Board liaised regularly with the Management Board and communicated openly with the latter. Accordingly, the Supervisory Board was aware of the situation of the company at all times in 2010.

The Supervisory Board of Beate Uhse was re-elected at the 2010 Annual General Meeting. The composition of the supervisory body complies with the recommendations of the German Corporate Governance Code regarding diversity.

At one of its meetings the Supervisory Board addressed the latest version of the GCGC of 26 May 2010. After the meeting and the performance of some related tasks, the Supervisory Board defined detailed targets for the future composition of the Supervisory Board in accordance with Clause 5.4.1 of the Code in a telephone-based process:

The Supervisory Board of Beate Uhse AG consists in December 2010 of six members, who were elected by the 2010 Annual General Meeting. The Supervisory Board should be composed in a way which ensures that the Management Board is controlled and advised in a competent manner. When making election proposals for appointment to the Supervisory Board, the aim is to ensure that all the knowledge and experience that are required in view of the business model of Beate Uhse AG are represented on the Supervisory Board.

- **Consideration of the company's international activity**
  The Beate Uhse Group operates in different business fields in 15 European countries. The strengthening of the company's activities and the expansion into new local markets are among the company's primary objectives. To ensure that the Management Board is advised and controlled adequately with a view to these objectives, the Supervisory Board of Beate Uhse AG considers international professional experience and knowledge of its members to be indispensable.

  As the executive body of an international trading corporation, the Supervisory Board of Beate Uhse AG strives to meet these demands at all times. The members of the company's Supervisory Board should therefore have legal and economic expertise from different EU countries, e.g. as a result of their work on management or controlling bodies abroad or for foreign companies.

Supervisory Board 2010

Supervisory Board members	Nationality	Main activity	Function	Audit Committee	Other mandates in similar controlling bodies
Gerard Cok	Dutch	Management consultant	Chairman	-	None
Prof. Martin Weigel (until 31 March 2011)	German	Chairman of the Management Board of GLC Glücksburg Consulting AG	Deputy Chairman	Chairman (until 31 March 2011)	• ABG Agrarbetriebsgesellschaft AG, Augsburg (Deputy Chairman of the Supervisory Board until June 2010) • Akademie für erneuerbare Energien Lüchow-Dannenberg GmbH (Member of the Advisory Board) • Deutsche KWK, Willich (Member of the Advisory Board)
Gelmer Westra	Dutch	Tax advisor	Member	Member (Chairman since 16 May 2011)	None
Andreas Bartmann	German	Managing Director of Globetrotter Ausrüstung Denart & Lechhart GmbH	Member	Member	None
Kerstin Klippert	German	Employee of Beate Uhse new media GmbH	Member		None
Bert Ruzzette	Dutch	Supervisory Board member of tmc Content Group AG	Member		• Supervisory Board of tmc Content Group AG

- **Avoidance of potential conflicts of interest**
  The Supervisory Board shall have a sufficient number of independent members. When submitting election proposals to the Annual General Meeting, care is taken to preclude actual or potential conflicts of interest which are deemed material rather than being only of a temporary nature.

  Moreover, the Supervisory Board aims to propose only those candidates for the Supervisory Board who have the time that is required to properly perform their Supervisory Board mandate.

- **Consideration of diversity**
  When it comes to the composition of the Supervisory Board, the aim is to take diversity into consideration. In particular, more women are to be appointed to the Supervisory Board. However, diversity on the Supervisory Board is reflected also in different courses of life, professional careers and types of education and training or the age of the members.

  In future election proposals, the Supervisory Board of Beate Uhse AG will - as in the past - aim for an appropriate consideration of women.

- **Specification of an age limit**
  An age limit for the members of the Supervisory Board has been specified in the rules of procedure for the Supervisory Board of Beate Uhse AG. Accordingly, the members of the Supervisory Board who have attained the age of 65 at the time of election to the Supervisory Board shall no longer be proposed for election at the Annual General Meeting.

Since 10 September 2010, the Audit Committee has been the only committee of the Supervisory Board of Beate Uhse AG. In view of the low number of Supervisory Board members, the Supervisory Board decided to have all relevant matters addressed by the full body. The activities and the work processes of the Supervisory Board were subjected to an efficiency review in 2010. The Supervisory Board held eleven meetings in 2010.

The compensation report in the management report (page 41) provides a detailed overview of the compensation and special benefits received by the individual members of the Management Board and the Supervisory Board as well as their activities for the Beate Uhse Group. At present, no shares or securities are issued under a stock option programme or other securities-based incentive systems within the Beate Uhse Group. The stock options issued in 2005 and 2006 may be exercised within five years from the time of issue, though.

Detailed information on the business relations between the Supervisory Board members and Beate Uhse AG is provided in the notes (page 109) to the Annual Report.

Transparency

Our corporate communication aims to inform all target groups equally and at the same time. All relevant information about the Beate Uhse Group, annual and quarterly reports, press and ad-hoc releases as well as publication and event dates are made available for inspection and downloading on the company's website at www.beate-uhse.ag. No changes in voting rights pursuant to section 26 were reported to Beate Uhse AG in the 2010 reporting period.

Persons holding management positions at Beate Uhse AG are obliged under section 15a of the German Securities Trading Act (WpHG) to report purchases and sales of Beate Uhse shares when the value of these transactions reaches or exceeds EUR 5,000 within a given calendar year. No directors' dealings were reported to Beate Uhse AG in the 2010 financial year.

In 2010, both the Annual Report for the year 2009 and the report on the first three months of 2010 were published with a delay due to ongoing negotiations with the banks about the Group's funding.

Accounting and auditing

Beate Uhse prepares its consolidated financial statements and interim reports in accordance with International Financial Reporting Standards (IFRS). The 2009 financial statements and the report on the first three months of 2010 were not published within the deadlines of 90 days and 45 days, respectively, recommended by the German Corporate Governance Code.

Prior to its election as auditor of Beate Uhse AG for the year 2010, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, confirmed its impartiality in a letter dated 19 April 2010. It was agreed with the Supervisory Board that any potential grounds for disqualification or impartiality arising during the audit would immediately be reported to the Supervisory Board Chairman. No such grounds materialised. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft was elected auditor for the 2010 financial year at the 2010 Annual General Meeting. The Supervisory Board issued the audit mandate following the Annual General Meeting.

Declaration by the executive and Supervisory Board of Beate Uhse AG pursuant to section 161 companies act (AKTG) on the german Corporate Governance Code (GCGC)

In accordance with Section 161 of the Companies Act (Aktiengesetz –AktG) the Executive and the Supervisory Board of a listed German stock corporation are required to make an annual declaration stating that the company has complied and remains in compliance with the recommendations of the Government Commission of the GCGC as published in the official part of the electronic Federal Gazette or to specify which recommendations have not been or are not going to be applied. This declaration is available online on a permanent basis to shareholders at the company's www.beate-uhse.ag.

The following declaration relates to the period from 2.3.2011 until 16.5.2011. It refers to the GCGC recommendations as stipulated on 26th May 2010.

Beate Uhse AG recognises the recommendations of the Government Commission of the German Corporate Governance Code. Since its last Compliance Declaration on 2.3.2011, the Company is now in compliance with further DCGC recommendations. Those recommendations where Beate Uhse AG is not in compliance with the GCGC are explained hereinafter.

Of the new GCGC recommendations as stipulated on 26th May 2010, Beate Uhse AG is currently not in compliance with the following items:

5.3 – Formation of Committees

Since the 10th of September 2010 the Supervisory board of Beate Uhse AG works exclusively with the Audit Committee as the only qualified committee. Owing to the relatively small number of Members of the Supervisory Board (6 people), the Supervisory Board decided to discuss all topics with the entire Board.

7.1.2 – Time frame for publication of consolidated and quarterly accounts:

The publication of the annual report 2010 and the first quarter report 2011 will not take place within the timeframes defined by the German Corporate Governance Code. The reason for the delay is the currently ongoing workflow regarding the annual accounts 2010.

Flensburg, 16.5.2011

For the Supervisory Board

Gerard P. Cok

For the Executive Board

Serge van der Hooft

beate uhse

Group management report

„I never considered myself
to be the nation's tutor
in these matters –
I just gave people advice."

Beate Uhse

Business trend

Market and sector

In 2010, the European economy recovered from the serious financial crisis and the resulting recession and grew moderately, according to eurostat experts. 2010 GDP in the euro-zone was up by 1.7% on the previous year. This growth was driven by low interest rates and strong global demand. Counter-effects were caused by the EMU countries' plans for more aggressive budget consolidation, the after-effects of the burst real estate bubble in some euro-zone countries and higher consumer prices such as the oil price. These effects primarily hit weaker countries such as Greece, Portugal, Spain and Ireland. By contrast, the EU core countries quickly emerged from the crisis. The markets that are important for the Beate Uhse Group, i.e. Germany, France, the Netherlands and Belgium, all reported an upward trend in GDP in 2010. The forecast for 2011 is also positive for these countries.

Country	GDP 2009	GDP 2010	GDP forecast 2011
Euro-zone	-4.0	1.7	1.7
Germany	-4.7	3.6	3.0
Netherlands	-3.9	1.7	1.8
Belgium	-2.7	2.0	1.7
France	-2.5	1.5	1.6

Source: eurostat / GDP = gross domestic product

The German economy temporarily slowed down towards the end of the year 2010 and expanded at a much lower rate in Q 4/2010 than in the previous quarters. Nevertheless, Germany's GDP clearly exceeded the respective prior year levels in all four quarters of 2010. Germany reported the strongest growth since German reunification in 2010. The upswing was mainly driven by foreign demand and capital spending. According to the Federal Statistical Office, price-adjusted GDP for the full year 2010 increased by 3.6%.

The labour market also benefited from the upswing. According to the Federal Labour Office, the number of unemployed averaged 3.2 million, which was 5.2% below the prior year level. The fact that unemployment fell below the psychologically important 3 million mark in autumn 2010 clearly boosted consumer confidence in their financial and professional future. Income expectations picked up sharply in the course of 2010. According to GfK (Gesellschaft für Konsumforschung), they climbed from 12 points in January 2010 to 40 points in December 2010.

The benign environment and the growing planning certainty for consumers had a positive effect. The GfK experts reported that spending propensity showed a stable upward trend from what was a high level anyway. As a result, the GfK consumer climate indicator rose in line with the upward trend in the economy and reached a 3-year high at the end of 2010.

Economic experts and consumer researchers expect private consumption to play an increasingly important role for the German economy in 2011. It will become the second pillar of the upswing besides exports in 2011.

Beate Uhse AG regards the positive trend in consumer spending in 2010 and the good outlook for 2011 as important indicators for the company and the adult lifestyle industry as a whole. The consolidation in this sector continued in 2010. As in the previous years, DVD sales declined, as customers increasingly took advantage of the comprehensive, partly free, Internet offerings. High-quality products for women and couples in the toys, preparations and lingerie segments continued to win favour with consumers. Many manufacturers of adult lifestyle products placed a stronger focus than before on innovative and higher quality products for these target groups. High-quality adult lifestyle products are increasingly sold not only by specialist retailers such as the Beate Uhse city centre stores but also by drugstores and Internet shops.

In view of the positive economic outlook for Germany and other industrialised countries in Europe, we see interesting potential for development for the changing adult entertainment market. The faster this market succeeds in developing women-friendly concepts and positioning new brands, the faster adult lifestyle products will ultimately be accepted by society. The industry has the chance to establish itself as a significant retail sector catering to women and couples.

Business activity

Established in 1946, Beate Uhse was the first company in the world to market adult lifestyle products. Today, the Beate Uhse Group is the market leader in Europe. The Group has a presence in 15 countries through all distribution channels and holds a leading position in the adult lifestyle business. The products are marketed through the wholesale, mail order and retail channels and on the Internet.

B2C

Retail

Key brands
- beate uhse
- Christine le Duc
- pabo

Sales revenues 2010	EUR 57.2 million
EBIT (excl. OTE*)	EUR -3.6 million
EBIT (incl. OTE*)	EUR -10.8 million
FTEs 2010**	437

Output markets
- Germany
- Netherlands
- Belgium
- France
- Austria
- Switzerland
- Norway
- Italy
- Poland
- Slovenia

Key product groups
- Toys
- Condoms
- Lingerie / Textiles
- Multimedia

Mail order

Key brands
- beate uhse
- pabo
- adam & eve

Sales revenues 2010	EUR 88.9 million
EBIT (excl. OTE*)	EUR -9.7 million
EBIT (incl. OTE*)	EUR -9.7 million
FTEs 2010**	237

Output markets
- Germany
- Netherlands
- Belgium
- France
- Austria
- UK
- Poland
- Slovakia
- Czech Rep.
- Spain

Key product groups
- Lingerie
- Toys
- Multimedia
- Clothing

Entertainment

Key brands
- beate uhse
- pabo
- adam & eve

Sales revenues 2010	EUR 10.6 million
EBIT (excl. OTE*)	EUR 2.1 million
EBIT (incl. OTE*)	EUR 0.2 million
FTEs 2010**	60

Output markets
- Germany
- Netherlands
- Belgium
- France
- Austria
- Switzerland
- UK
- Norway

Domains
- BeateUhse.com
- sex.de
- sex.nl
- ChristineleDuc.nl
- Pabo.nl
- AdametEve.fr

* OTE: One-time effects and restructuring expenses
** The Group holding company had 41 FTEs on 31 December 2010

B2B

Wholesale

Key brands

SCALA Playhouse
ZBF
Max A.B.

Sales revenues 2010	EUR 41 million
EBIT (excl. OTE*)	EUR -7.2 million
EBIT (incl. OTE*)	EUR -21.2 million
FTEs 2010**	200

Output markets

- Global distribution

Key product groups

- Toys
- Multimedia
- Preparations
- Lingerie

* OTE: One-time effects and restructuring expenses
** The Group holding company had 41 FTEs on 31 December 2010

Beate Uhse operates 244 shops in ten countries. Millions of customers in eleven European countries appreciate the comfortable and anonymous shopping opportunity provided by the mail order channel. www.beate-uhse.com is one of the best-known adult lifestyle domains for e-commerce and entertainment. Adult movies are available through all modern new media channels such as handhelds and VoD, e.g. the MovieOn streaming platform, where movies in several languages are available. Under the Daring! label, the Group markets high-quality adult movies commissioned from well-known producers. Beate Uhse maintains its own production facility in Hungary, where high-quality sex toys are made. These include the first TÜV-certified Mae B. product line. Beate Uhse employs a total of 975 full-time employees (FTEs).

Beate Uhse is synonymous with adult entertainment. An estimated brand value of EUR 36 million (Semion brand survey 2010) places it among Germany's top 50 brands. Since the 1999 IPO, the company's brand portfolio has consisted not only of the well-established Beate Uhse brand but also of strong local brands such as Pabo, Christine le Duc and Adam & Eve. With this brand structure, Beate Uhse has laid the foundation stone for a multi-channel system. The Group benefits from the specific local strength of each brand and thus achieves greater brand identification among customers.

Earnings position

Beate Uhse AG generated sales revenues of EUR 197.7 million in the 2010 financial year, which represented a 14.3% decline on the previous year's EUR 230.7 million. A decline of EUR 15.2 million was reported in the mail order segment alone, as customers did not respond as expected to the "soft" and "hard" concepts introduced in the first half of the year and to the expanded product range. The wholesale segment generated sales revenues of EUR 41.0 million in 2010, down 20.0% on the previous year (2009: EUR 51.2 million). This was attributable to the continued decline in DVDs sales, which used to generate high margins in the past, the sale of inventories at reduced prices as well as to delivery problems during the conversion of the logistic centre in Almere from an automated high-bay warehouse to manual pick-pack-ship processes. Sales revenues in the retail segment declined by 9.0% to EUR 57.2 million (2009: EUR 62.8 million), as further stores that failed to meet the profitability requirements were closed. Retail revenues also continued to suffer from the slump in the DVD, movie and booth business. The entertainment segment reported a EUR 2.0 million drop in sales revenues to EUR 10.6 million (2009: EUR 12.6 million). In the hotly contested market, providers of free content had an adverse impact on the distribution of high-quality content of the type offered by the Beate Uhse Group.

Sales by distribution channels 2009 / 2010

EUR 000s	2009	2010	Change %
Retail	62,809	57,164	-9.0
Mail order	104,108	88,930	-14.6
Wholesale	51,224	41,004	-20.0
Entertainment	12,553	10,603	-15.5
	230,694	**197,701**	**-14.3**

65.2% or EUR 129.0 million of the Group's sales revenues were generated in European markets outside Germany (2009: 64.7%). At 34.8% or EUR 68.7 million, Germany continued to make the highest contribution to sales revenues, followed by the Netherlands (21.1%), France (16.8%) and Belgium (7%).

Sales by regions 2009 / 2010

EUR 000s	2009	2010	Change %
Germany	81,338	68,716	-15.5
Netherlands	45,916	41,767	-9.0
Belgium	15,957	13,872	-13.1
France	42,481	33,194	-21.9
UK	7,329	6,048	-17.5
Austria	9,518	9,242	-2.9
Switzerland	3,206	1,336	-58.3
Scandinavia	11,841	11,930	0.7
Italy	2,934	2,701	-7.9
Rest of Europe	8,929	7,529	-15.7
Other regions	1,245	1,367	9.8
	230,694	**197,701**	**-14.3**

In the second half of 2010, Beate Uhse AG implemented comprehensive restructuring measures in the context of its 3-phase process to reposition the Group. Expenses for restructuring measures (EUR 11.7 million) and one-time effects from write-downs of goodwill, property, plant and equipment, investments and deferred tax assets (EUR 33.8 million) shaved EUR 45.6 million off the Group result. The following analysis of the earnings position therefore focuses exclusively on the operating activities of the Beate Uhse Group and ignores the restructuring effects as well as other valuation effects of the 2010 financial year.

Cost of sales

The Group's cost of sales declined by 7% to EUR 90.5 million in 2010 (2009: EUR 97.3 million) and included EUR 0.7 million from restructuring effects. The cost of sales as a percentage of sales climbed from the previous year's 42.2% to 45.8%. Reasons for this increase include the continued competitive pressure in the DVD segment, the decline in the high-margin movie and cabin business as well as the sale of inventories at reduced prices in the retail, mail order and wholesale segment.

Other operating income

The main components of other operating income remained unchanged. The 9.3% increase to EUR 14.1 million (2009: EUR 12.9 million) is attributable to higher payment reminder fees and interest expenses charged to mail order customers as well as to an increase in derecognitions of customer credit balances.

Selling expenses

Selling expenses increased by 2.8% to EUR 117.5 million (2009: EUR 114.3 million). In spite of lower sales revenues, postage and freight expenses picked up due to an increased frequency for mailings and catalogues. The concentration on e-commerce led to an increase in personnel expenses in 2010, as new expertise was employed in this business segment to manage the changeover. In addition, expenses for write-downs of receivables were higher than in the previous year. On the other hand, advertising expenses declined, as online advertising is less cost-intensive than traditional offline advertising. As Group sales were much lower in 2010 than in the previous year, selling expenses as a percentage of sales picked up from 49.5% to 59.4%. Selling expenses in 2010 included EUR 2.6 million from one-time effects and EUR 2.2 million from restructuring effects.

General administrative expenses

General administrative expenses were up by EUR 4.2 million on the previous year's EUR 27.1 million to EUR 31.3 million. Adjusted for one-time and restructuring effects in an amount of EUR 3.5 million, administrative expenses amounted to EUR 27.8 million in 2010 (2009: EUR 27.1 million).

Other operating expenses

In 2009, other operating expenses amounted to EUR 2.2 million and included a write-down of the investment in tmc Content Group AG in an amount of EUR 1.0 million. Adjusted for one-time effects in an amount of EUR 21.3 million and restructuring expenses of EUR 6.5 million, other operating expenses totalled EUR 1.0 million in 2010.

Consolidated earnings

Due to the high special charges in fiscal 2010, consolidated earnings are shown before and after one-time and restructuring effects.

€ million	2009	2010	2010 adjusted
Sales revenues	230.7	197.7	197.7
EBITDA	13.1	-21.0	-9.9
EBIT	2.7	-59.0	-19.5
EBT	-0.1	-60.7	-21.2

The Beate Uhse Group's EBITDA declined to EUR -21.0 million in 2010 (2009: EUR 13.1 million). Restructuring and one-time effects accounted for a high EUR 11.1 million of this decline. Adjusted for these effects, the Group's EBITDA amounted to EUR -9.9 million. As a result, the adjusted EBITDA margin declined from 4.7% to -5%.

Depreciation and amortisation rose from EUR 10.4 million to EUR 38.0 million, of which EUR 28.7 million resulted from the restructuring and one-time effects. Depreciation and amortisation relating to the operating activities amounted to EUR 9.3 million, which was below the prior year level.

Earnings before interest and taxes (EBIT) dropped to EUR -59.0 million (2009: EUR 2.7 million). Adjusted for non operating effects, EBIT, which were influenced by declining sales revenues and the lower gross profit margin, amounted to EUR -19.5 million.

The financial result improved to EUR -1.7 million (2009: EUR -2.8 million). Income from interest rate hedges (swaps) made a positive contribution of EUR 0.4 million to the financial result. In 2009, the valuation of the swap had shaved EUR 0.4 million off the financial result. Adjusted for the swap, net interest income improved by EUR 0.2 million in 2010 to EUR -2.1 million in spite of the higher credit volume. This was due to lower market interest rates.

Tax expenses in 2010 amounted to EUR 6.8 million and were mostly attributable to the write-down of deferred tax assets. In 2009, the company had generated tax income of EUR 2.0 million resulting from a tax refund in the Netherlands.

Consolidated earnings amounted to EUR -67.6 million in 2010. Adjusted for restructuring and one-time effects totalling EUR 45.6 million, operating earnings after taxes stood at EUR -22.0 million. Consolidated earnings per share amounted to EUR -0.87 and to EUR -0.25 in adjusted terms.

Restructuring

Besides the drop in sales revenues, the effects of the restructuring programme initiated by the Management Board in the second half of 2010 and the one-time effects resulting from the measurement of goodwill, property, plant and equipment and investments had a strong influence on the bottom line in 2010. These effects shaved a total of EUR 45.6 million off the result (EUR 39.5 million before tax and EUR 6.1 million after tax).

One-time effects resulting from valuations amounted to EUR 27.8 million and break down as follows:

- EUR 9.0 million from write-downs in the context of impairment tests of cash-generating units, of which EUR 2.0 million relates to the valuation of individual stores and EUR 7.0 million relates to the wholesale segment;
- EUR 12.3 million from write-downs of the at-equity investment in tmc Content Group AG;
- EUR 2.7 million from the pro-rated loss from the at-equity investment in tmc Content Group AG, which must be shown in income from investments and
- EUR 3.8 million in other one-time effects from write-downs, thereof EUR 1.9 million in the entertainment segment, EUR 1.1 million in the wholesale segment and EUR 0.8 million in the holding services segment.

The expenses incurred in conjunction with the restructuring measures initiated by the Management Board of the Beate Uhse Group totalled EUR 11.7 million and break down as follows:

- EUR 2.5 million for the concentration of procurement and logistics in Almere decided by the Management Board, for which restructuring measures were initiated at ZBF GmbH, Wiesbaden;
- EUR 2.0 million for the planned closure and conversion of individual stores in Germany, the Netherlands and Belgium;
- EUR 0.5 million from the discontinuation of the operating activities of Lebenslust GmbH;
- EUR 6.3 million from the sale of subsidiaries that are no longer consistent with the future retail and wholesale distribution concepts. The sale of Sandereijn B.V. and Beate Uhse Sweden A.B. in early 2011 led to write-downs of non-current assets as the sales prices were lower than the carrying amounts of the assets and
- EUR 0.4 million from the release of deferred costs from the May 2010 financing agreements, which were replaced by the new financing agreements.

Income from investments

The purchase options for the acquisition of shares in tmc Content Group AG granted in September 2007 expired on 10 October 2010. The options were not exercised. Accordingly, tmc Content Group AG has been recognised as an associated company in the financial statements of Beate Uhse AG with effect from this date.

Restructuring effects in 2010

EUR 000s	One-time effects	Restructuring effects	Total
Cost of sales	0	-683	-683
Selling expenses	-2,610	-2,247	-4,857
General administrative expenses	-1,104	-2,362	-3,466
Other operating expenses	-21,309	-6,470	-27,779
Share in earnings of associates	-2,745	0	-2,745

Financial position

Financial management and capital structure

The Group had the following liabilities to banks at the balance sheet date on 31 December 2010:

EUR 000s	2009	2010
Interest-bearing loans		
thereof short-term	29,578	871
thereof long-term	5,144	4,256
Overdraft liabilities	2,025	34,069
	36,747	**39,196**

When the follow-up financing agreements were signed in April/ May 2010, the Group was financially divided into two sub-Groups, i.e. "Germany" and "Netherlands". Within these sub-Groups, liquidity is ensured with the help of cash pooling systems and central cash management in the respective Treasury Departments.

The financing agreements signed by Beate Uhse AG with Deutsche Postbank AG, Nord-Ostsee Sparkasse and Investitionsbank Schleswig-Holstein totalled EUR 15.8 million and comprised working capital facilities of EUR 8.0 million and amortising loans of EUR 7.8 million with original maturities until March 2015.

The financing agreement signed with ING Bank N.V. for the "Netherlands" sub-Group totalled EUR 25.0 million and comprised a working capital facility of EUR 15.0 million and an amortising loan of EUR 10.0 million. The amortising loan has a term until March 2015, while the working capital facility is valid until further notice.

Under the loan agreements signed in April and May 2010, the Beate Uhse Group had to meet various conditions and obligations such as financial covenants. A violation of these covenants entitled the lenders to terminate the loan agreements and demand immediate repayment of the loans. Due to the unexpected sales and earnings trend in 2010, the Beate Uhse Group failed to meet the targets agreed with the banks and violated the financial covenants on 30 June 2010, 30 September 2010 and 31 December 2010. Since then, the lending banks had the right to terminate the loan agreements.

Thanks to an early and intensive dialogue with the lending banks, the company was able to prevent the termination of the loans and to develop a restructuring and refinancing concept in close cooperation with the banks, thus laying the financial basis for the long-term development of the Group.

The refinancing of the German sub-Group was implemented in April 2011. The financing closed in 2010 was put on a new basis by the new financing agreements signed by Beate Uhse AG with Nord-Ostsee Sparkasse and Investitionsbank Schleswig-Holstein. Both banks will make available a total amount of EUR 6.1 million. The remaining credit balance of approx. EUR 6.6 million owed to Deutsche Postbank AG was repaid in full.

Up to the refinancing, the company made regular repayments in an amount of EUR 1.1 million as well as special repayments of EUR 0.8 million in 2010. These special repayments were related to the violation of the financial covenants. The new financing agreements from 2011 do not include any financial covenants.

In the context of the new financing agreements, Beate Uhse AG made further special repayments to the German banks at the time of the refinancing, primarily to Deutsche Postbank AG for full loan amortisation. These special repayments were largely financed by the sale of Kondomeriet A/S, Norway, with EUR 3.0 million and the sale of mail order receivables that had been written off (EUR 1.3 million). In addition, Beate Uhse AG received a special repayment of EUR 2.7 million from tmc Content Group AG for the loan granted to the latter.

In parallel to the financial restructuring in Germany, constructive talks were held with ING Bank N.V. and others regarding the future funding of the Dutch operations of the Beate Uhse Group. By the end of April 2011, ING's total exposure to the company was reduced from EUR 25.0 million to EUR 21.5 million; regular repayments totalled EUR 2.0 million, while special repayments of EUR 1.5 million were made in 2010 due to the violation of the financial covenants. In addition, special repayments totalling EUR 13.0 million were agreed to be made during the financial year 2011.

A special repayment of EUR 5.5 million will further reduce ING Bank N.V.'s credit exposure to the company to EUR 16.0 million by early June 2011. This special repayment was financed as follows:

- EUR 2.0 million from a loan granted by Dobu B.V. (receipt of payment scheduled for 10 June 2011),
- EUR 2.0 million from sale-and-lease-back transactions with Dobu B.V.; this sum was transferred to Adult Video Netherlands Productions B.V. and Scala Agenturen B.V., respectively, on 30 May 2011, as well as
- EUR 0.8 million from the sale of Dutch mail order receivables to the EOS Group, which also granted a loan of EUR 0.6 million.

Dobu B.V. is a Dutch-based special-purpose company which was established in December 2010 in order to contribute to the funding of Beate Uhse B.V. through the issue of bonds with a total minimum volume of EUR 4.0 million. Each investor can subscribe one or several bonds. The total maximum issuance is EUR 20 million.

The existing contractual agreements give ING Bank N.V. the right of termination at any time, as the Beate Uhse Group failed to meet the agreed covenants in fiscal 2010. To mitigate this risk, the Management Board of Beate Uhse AG held intensive talks with ING Bank N.V. throughout the financing process.

So far, no new credit agreements have been signed with ING. Accordingly, the old credit agreement from 2010 remains in force, which means that ING still has a right of extraordinary termination, which has not been exercised so far.

In the meantime, ING has announced its intention to withdraw the current account overdraft facility in the medium term. In a letter dated 4 May 2011, ING declared, however, that it will not terminate credit lines granted to Beate Uhse B.V. and coborrowers even if an agreed repayment of EUR 7,500k under the existing overdraft facility is not made on 1 October 2010 due to the fact that the credit lines have not been refinanced yet. In this letter ING Bank reserves the right to change its opinion and to withdraw this declaration should facts and reasons arise which ING Bank considers to justify such a decision.

As of 31 December 2010, Beate Uhse had bank loans in an amount of EUR 36.9 million, of which EUR 33.4 million was utilised in the form of current account overdrafts and amortising loans and EUR 1.1 million was utilised in the form of guarantee facilities. The new financing agreements signed with the banks provide for a further reduction in the credit volume to EUR 18.6 million (incl. loans of EUR 4.0 million) by the end of 2013.

Net asset position

Total assets of Beate Uhse AG declined by 32.5% to EUR 124.0 million as of the balance sheet date on 31 December 2010 (2009: EUR 183.6 million).

Assets

On the assets side, non-current assets declined by 39.7% to EUR 57.2 million (2009: EUR 94.8 million), while current assets fell by 24.8% to EUR 66.8 million (2009: EUR 88.8 million).

The decline in non-current assets in 2010 was caused by several factors. The impairment tests required comprehensive write-downs of goodwill in the retail and wholesale segments. As a result, goodwill of the Beate Uhse Group declined by 53.8% to EUR 9.3 million in 2010 (2009: EUR 20.2 million). At EUR 19.0 million, property, plant and equipment were down by 28.6% on the previous year's EUR 26.7 million. Besides regular depreciation and store closures, significant write-downs for impairment of intangible assets, fixed assets, investments and associated companies in an amount of EUR 28.7 million were required in 2010. The almost full reduction in investments by EUR 24.6 million to EUR 0.1 million is attributable to the reclassification of tmc Content Group AG as an associated company and the write-down of an investment in a partnership. Due to the loss posted by the Beate Uhse Group in the fiscal year 2010, part of the deferred tax assets were deferred. As a result, deferred tax assets declined by 83.4% to EUR 1.2 million (2009: EUR 7.3 million).

The moderate increase in non-current assets was attributable to other financial assets, which rose by 61.8% to EUR 5.2 million (2009: EUR 3.2 million) due to the repurchase of a EUR 5.0 million loan extended to tmc Content Group AG in 2005, which had been sold to a third party in 2008. Investments in associated companies increased by EUR 8.8 million in 2010 (2009: EUR 0 million). After the expiry of a purchase option for shares in tmc Content Group AG held by Beate Uhse AG, this investment has been recognised under associated companies since October 2010. The value of the investment in tmc Content Group AG declined by a total of EUR 15.0 million from the previous year's EUR 23.8 million due to write-downs and the pro-rated loss of the associated company.

Current assets declined by 24.8% to EUR 66.8 million from the previous year's EUR 88.8 million. The decline was primarily due to the reduction in retail inventories resulting from store closures. The Group's inventories dropped by 17.5% to EUR 32.2 million (2009: EUR 39.2 million). Trade receivables fell by 34.1% to EUR 22.1 million in 2010 (2009: EUR 33.6 million) due to two main factors. First, the lower trade receivables were a direct consequence of the sharp drop in sales revenues in the mail order segment. Second, itemised allowances were required in the entertainment segment in 2010. Technical improvements in the processing of customer cheques allowed the Beate Uhse Group to reduce collection times significantly; as a result, liquid funds were reduced by 36.7% to EUR 4.6 million (2009: EUR 7.3 million).

Liabilities

The marked decline in equity capital as of the balance sheet date on 31 December 2010 is attributable to Beate Uhse AG's consolidated earnings in the fiscal year. Equity capital dropped by 66.7% to EUR 33.6 million (2009: EUR 100.8 million). The equity ratio of Beate Uhse AG stood at 27.1% as of 31 December 2010 (2009: 54.9%). At EUR 12.2 million, non-current liabilities were almost on a par with the previous year (2009: EUR 12.4 million). Current liabilities increased by 11.2% to EUR 78.2 million (2009: EUR 70.4 million). Due to the sometimes tight liquidity situation of Beate Uhse AG in 2010, trade liabilities were EUR 5.0 million higher than in the previous year as of the balance sheet date (2009: EUR 17.0 million), with most of this increase attributable to the mail order segment. Other financial liabilities dropped by 16.3% to EUR 13.5 million (2009: EUR 16.2 million), as the Group's outstanding invoices as well as turnover tax liabilities declined and the Group's liabilities to related parties were reduced. Due to severance payments to departing employees in conjunction with the relocation of the ZBF warehouse from Wiesbaden to Almere, other provisions increased by 90.6% in 2010 to EUR 3.5 million (2009: EUR 1.8 million). The company's non-compliance with the financial covenants in 2010 entitled the lending banks to terminate the long-term loan agreements at any time, which is why the originally mostly long-term loans were classified as short-term loans as of the balance sheet date.

Current working capital dropped by 41.7% to EUR 32.5 million (2009: EUR 55.8 million). This was primarily due to the Group's much lower trade receivables and the reduction in inventories.

At EUR 43.8 million, net liabilities of Beate Uhse AG held steady at the prior year level (2009: EUR 44.0 million).

Performance of the distribution channels in 2010

Retail segment failed to benefit from the economic trend in the large EU countries

The Beate Uhse retail segment failed to benefit from the upswing in the important local markets, i.e. Germany, France, the Netherlands and Belgium. Sales revenues dropped by 9% to EUR 57.2 million in 2010 (2009: EUR 62.8 million). One of the main reasons for the decline in sales was the closure of unprofitable shops. Due to the lower sales revenues and the costs associated with the introduction of a new ERP system, the retail segment's earnings before interest and taxes (EBIT) adjusted for one-time effects and restructuring costs dropped sharply to EUR -3.6 million (2009: EUR 0.2 million). Including restructuring expenses, the retail segment posted an operating loss of EUR 10.8 million. This includes expenses for severance payments in conjunction with shop closures. Write-downs for impairment additionally weighed on the retail segment's result in 2010.

EUR 000s	2009	2010	2010 adjusted
Sales revenues	62.8	57.2	57.2
EBITDA	3.6	-0.7	0.5
EBIT	0.2	-10.8	-3.6
EBT	-1.2	-12.0	-4.7

As part of the restructuring, the Group closed 20 stores in 2010, most of which did not meet the profitability targets. As of the end of the year, the Group had 244 shops. The retail segment increasingly focuses on shops in downtown locations of large cities, the Christine le Duc concept in the Netherlands and the Pabo specialist stores in Belgium. In France, the retail segment closed three of seven Adam & Eve stores, with three more closures planned in 2011.

BEATE UHSE SHOPS BY REGIONS

OWN SHOPS

	2009	%	2010	%
Germany	54	39.4	52	42.6
Italy	6	4.4	7	5.7
Switzerland	1	0.7	1	0.8
Netherlands	56	40.9	48	39.3
Belgium	9	6.6	6	4.9
France	7	5.1	4	3.3
Norway	4	2.9	4	3.3
	137	**100.0**	**122**	**100.0**

LICENSE & FRANCHISE

	2009	%	2010	%
Germany	59	46.5	49	40.2
Austria	46	36.2	52	42.6
Netherlands	1	0.8	2	1.6
Norway	5	3.9	5	4.1
Hungary	1	0.8	0	0.0
Poland	6	4.7	6	4.9
Slovenia	6	4.7	7	5.7
Italy	3	2.4	1	0.8
	127	**100.0**	**122**	**100.0**

The optimisation and standardisation of the retail segment, which operates in ten countries, were largely completed with the introduction of a Group-wide cash register software in 2010. Going forward, the retail segment will be able to quickly perform comprehensive evaluations across all countries. Product orders and availabilities are now processed and checked directly via the cash register system. This will result in optimised deliveries to the company's own shops going forward.

In the context of the restructuring of the retail segment, the Group was able to hire an experienced sales expert for the management of the German shops. Thanks to the marketing and product range-related measures that were initiated immediately, the retail segment was able to increase the sales amount per transaction in all countries. Toys, condoms, textiles as well as multi-media products in Germany remain among the most popular product groups.

France remains the best-selling market for the mail order segment

While the mail order channel continued to generate the highest sales revenues for the Beate Uhse Group in 2010, it suffered substantial losses compared to the previous year. Sales revenues in the mail order segment declined from EUR 104.1 million in 2009 by roughly 15% to EUR 88.9 million in 2010. France established itself as the best-selling market in 2010 and contributed roughly 33% to total mail order sales, followed by Germany (27%) and the Netherlands (18%).

The lower sales revenues in the mail order segment were due, among other things, to the sale of inventories at reduced prices and the separation of the catalogues into hard and soft concepts in spring 2010. Unfortunately, the company's existing customers rejected this separation, with orders remaining far below expectations especially in the newly introduced soft segment. Moreover, the addition of technical devices and household articles to the product range in 2009 was not fully appreciated by consumers. As a result, the mail order segment generated earnings before interest and taxes (EBIT) of EUR -9.7 million (2009: EUR 6.8 million). The average value per order was far below the prior year level in 2010, with a much lower order volume additionally weighing on sales revenues and earnings.

€ million	2009	2010	2010 adjusted
Sales revenues	104.1	88.9	88.9
EBITDA	8.3	-7.5	-7.5
EBIT	6.8	-9.7	-9.7
EBT	6.5	-10.4	-10.4

With a view to halting the downward trend in the mail order segment, the Management Board appointed a new management team in the second half of 2010. The Management Board and the new management team will jointly implement the reorganisation of the distribution channel in 2011. A first step was the organisational separation between online and offline activities of the mail order segment at the end of 2010. The management team considered this separation to be necessary, as online sales on the quickly changing Internet follow other rules than the traditional advertising materials. Towards the end of 2010, online orders climbed to 49% (2009: 42%).

Entertainment segment in line with expectations

While the entertainment segment held its ground in a fiercely contested market in 2010, it also suffered a drop in sales revenues. At the end of 2010, sales revenues stood at EUR 10.6 million, down 15.8% on the previous year (2009: EUR 12.6 million). Over the year, all five business fields (online, mobile, value added telephony services, B2B online services and B2B mobile services) performed in line with the market, with moderate fluctuations in sales. Free offerings of other providers continued to have an adverse impact on the sale of high-quality content. The relaunch of the Group's website www.beate-uhse.com, which was modified in the context of the repositioning of the brands and the concentration on e-commerce activities, also had an adverse effect on the entertainment segment. Entertainment offerings are no longer shown directly on the start page, which led to a decline in traffic on the entertainment pages. In spite of this more difficult situation, the entertainment segment generated an adjusted result of EUR 2.1 million in 2010 (2009: EUR 1.6 million), as successful renegotiations were held with advertising partners and the strict cost management was continued. Earnings including one-time effects amounted to EUR 0.2 million due to the write-down of a receivable.

€ million	2009	2010	2010 adjusted
Sales revenues	12.6	10.6	10.6
EBITDA	1.9	-1.2	0.6
EBIT	1.6	0.2	2.1
EBT	1.8	0.4	2.3

The market for value added telephony services remains hotly contested. In this segment, it is especially obvious that the sales performance is a direct function of the advertising presence in the media. The entertainment segment reduced its advertising costs moderately in the course of the year, with sales revenues declining as a result.

Expansion into the Group's central hub

The market situation for the wholesale segment remained difficult for the third consecutive year. The consolidation of the entire adult lifestyle market continued as a result of new customer structures, new producers, the stronger new media and growing importance of the Internet. For the wholesale operations of ScalaPlayhouse this means declining DVD sales, pressure on margins and fewer orders placed by adult entertainment stores and web shops. Wholesale revenues declined sharply by EUR 10.2 million to EUR 41.0 million (2009: EUR 51.2 million). The operating loss (EBIT) of EUR 7.2 million adjusted for one-time effects and restructuring costs was attributable to the decline in external sales, reduced deliveries to affiliated retail and mail order companies as well as the deterioration in the gross profit margin resulting from fiercer price competition. Including one-time effects and restructuring costs, the wholesale segment posted a loss of EUR 21.2 million (2009: EUR 0 million). This decline was primarily attributable to write-downs resulting from the impairment test, the Management Board's decision to concentrate procurement and logistics in Almere and the related restructuring at ZBF GmbH as well as the impairments recognised in 2010 in conjunction with the sale of the Swedish wholesale company, Beate Uhse Sweden AB, at the beginning of 2011.

€ million	2009	2010	2010 adjusted
Sales revenues	51.2	41.0	41.0
EBITDA	3.4	-6.3	-2.4
EBIT	0.0	-21.2	-7.2
EBT	-1.3	-21.6	-8.7

In 2010, the wholesale segment took important steps to concentrate all procurement and logistic processes within the Group in Almere. The logistic capacities were optimised and prepared for the additional product flows from Germany. In the context of this concentration, the organisational preconditions for the transfer of the warehouse of ZBF GmbH from Wiesbaden to Almere were established in the final quarter of 2010. Going forward, wholesale customers in Germany will be served by a 7-strong sales team in Wiesbaden. On the occasion of the ScalaPlayhouse Spring Fair 2011, employees of ScalaPlayhouse and ZBF for the first time welcomed their customers jointly in Almere to show them the latest addition to their product ranges. Customers who like to make direct purchases can experience, order and, if desired, pick up all new adult lifestyle products in a newly designed shop-in-shop showroom.

Strategic objectives and measures

The Beate Uhse Group is in the midst of a change process. The fact that the adult lifestyle market has changed more and more in recent years means that the Beate Uhse Group is challenged to adapt to the new market environment and to get the company back on track to success. The reorganisation of the Management Board of Beate Uhse AG in mid-2010 marked the beginning of this reorganisation process. According to the project plan, the Group will undergo several phases to reinforce its position as the leading adult lifestyle company in Europe in the long term. For this purpose, the company's position will be stabilised in mature markets, while new growth regions will be developed and consolidated in the long term.

The Management Board and the Supervisory Board have defined a clear timetable and restructuring plan, which include the following phases and objectives:

Short term (2011) / Phase I:

- Beate Uhse AG was able to settle the financing of the German operations through a renegotiation of the credit agreements with the lending banks. In this context, the Group signed agreements with Nord-Ostsee-Sparkasse and Investitionsbank Schleswig-Holstein in April 2011.
- Beate Uhse will implement organisational changes in the operating units with a view to increasing the efficiency of all distribution channels. In autumn 2010, the Management Board decided, for instance, to centralise the wholesale activities. As a consequence, the logistic operations of the German wholesale subsidiary, ZBF GmbH, were relocated from Wiesbaden to Almere in early 2011, which means that wholesale customers in all countries will receive their supplies exclusively from the Netherlands. This move allows the Group to respond fast and flexibly to customer requests and incoming orders.
- In the final quarter of 2010, the Management Board modified the business model of the mail order segment by separating online and offline activities into two divisions. Since then, the mail order segment has focused strongly on its e-commerce activities and their repositioning. The offline activities provide important stimulation for the online business. It is the intelligent combination of online and offline advertising materials which will ultimately give the mail order segment a good presence with strong purchasing incentives for its customers.

Medium term (2012 – 2013) / Phase II:

- The optimisation of the ordering and delivery processes within the Group is designed to stabilise the Group's own distribution channels in the long term. Faster deliveries to the Group's own stores, for instance, have a stabilising effect on sales revenues and a positive impact on the Group's working capital.
- The Management Board attaches great importance to the presentation of the Group's brands. The Beate Uhse, Pabo, Christine le Duc and Adam & Eve brands are the strong pillars of the Group. Their positioning in the market environment and their presentation to customers are important success factors. A repositioning process will be initiated to give them the necessary appeal and make them future-proof. In this context, not only the brand presentation but also the product presentation will be reviewed and adapted to market and customer requirements.

Long term (2014 – 2015) / Phase III:

- The Beate Uhse Group wants to return to growth. This means that, besides the stabilisation of the established markets, new growth markets must be tapped for the Beate Uhse Group. There are countries in Europe, which are new ground for Beate Uhse and other companies of the adult lifestyle sector. This is where the Management Board of the Group sees interesting potential for the future.
- Beate Uhse offers its customers more. The Management Board of the adult lifestyle corporation wants to expand this lead. For this purpose, existing product ranges will be analysed and new product groups be built up. All activities are aimed at customer satisfaction. Beate Uhse wants to satisfy customers' product wishes and stimulate and encourage them to try new product worlds.

Disclosure of potential takeover barriers

The share capital of Beate Uhse AG amounted to EUR 78,074,696.00 at 31 December 2010 and was divided into 78,074,696 shares with a par value of EUR 1.00. Shares in Beate Uhse AG are not bound by any restrictions on assignment or voting rights. Each share entitles its holder to one vote at the Annual General Meeting. Voting rights and dividend entitlement are suspended for 281,233 shares held by Beate Uhse as treasury stock.

Consipio Holding BV held a 27.2% stake in Beate Uhse AG at the balance sheet date on 31 December 2010. Other than this, there were no direct or indirect shareholdings of more than 10%. There are no special rights for bearers of shares that could confer powers of control.

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

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

The Annual General Meeting of 29 November 2010 authorised the company to issue convertible bonds and/or bonds with warrants. The authorisation applies to a total nominal value of EUR 140.0 million with a term of no more than ten years. The authorisation may be exercised in partial amounts and will expire on 28 November 2015.

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

2010 compensation report

The compensation report describes the principles of Beate Uhse AG's compensation system for members of the Management Board and provides an overview of the compensation of the Supervisory Board. The report explains the structure and amount of the individual Management Board compensation as well as potential special benefits.

Management Board compensation system

This presentation of Management Board compensation includes the disclosures required by German commercial law, extended by the Management Board Compensation Disclosure Act (VorstOG), and is based on the recommendations of the German Corporate Governance Code. The structure and the level of compensation paid to individual Management Board members are reviewed and determined by the Supervisory Board at annual intervals. Management Board compensation is based on the company's economic situation and performance, as well as on the duties and performance of the Board members. The compensation paid to the Management Board is competitive on a national and international level. Comparability of compensation is ensured within the company; the compensation is appropriate and performance-based. Management Board compensation consists of non-performance-related and performance-related components. As required by section 120 para. 4 of the German Stock Corporation Act (AktG), the Supervisory Board reported on the structure of the compensation system at the 2010 Annual General Meeting under agenda item 6. The agenda item was approved by the shareholders.

Components of Management Board compensation

Non-performance-related compensation components (fixed salary)

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

Performance-related compensation components (bonus)

The granting of variable compensation components (bonus) depends on the achievement of the agreed annual financial targets of the Beate Uhse Group. The bonus is determined at the end of the annual performance period. If a bonus is granted, it is equivalent to 1% of the amount by which the EBIT of the Beate Uhse Group exceeds EUR 5.0 million. The bonus is capped at a maximum of 66% of the non-performance-related gross annual salary. The Supervisory Board may reduce the bonus to zero if circumstances exist that would make a bonus seem "inappropriate". This is decided by the Supervisory Board by the end of April of the following year.

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

Non-monetary compensation and other additional benefits (fringe benefits)

In addition, the members of the Management Board receive various fringe benefits in different amounts. These include, in particular, contributions to a voluntary private health and nursing care insurance and a pension insurance as well as the use of a company car. The members of the Management Board were also beneficiaries under a D&O insurance policy which provided for an appropriate deductible. The latter has been adjusted to comply with the provisions of the "Gesetz zur Angemessenheit der Vorstandsvergütung" (VorstAG - German Reasonableness of Management Compensation Act).

No additional components, such as commitments under stock option programmes, were agreed in 2010.

No separate agreements have been reached with the members of the Management Board for the termination of the Management Board mandate or the termination following a change of control. Chief Marketing Officer Johann A. Boddaert left the company with effect from 1 October 2010. No severance compensation was granted.

Management Board compensation in 2010

Name	Function	Contract	Fixed salery	Fringe benefits	Bonus	Total
Serge van der Hooft	CEO, Spokesman	since 1.1.2008	169,425	2,400	0	171,825
Jan Boddaert	CMO (until 1.10.2010)	since 1.4.2009	158,789	6,875	0	165,664
Sören Müller	COO (since 1.10.2010)	since 1.10.2010	36,000	0	0	36,000

Supervisory Board compensation

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

As well as having his or her expenses reimbursed, each Supervisory Board member receives fixed annual compensation amounting to EUR 7,500, payable following the end of each financial year. As a variable compensation component, Supervisory Board members receive additional dividend-based compensation amounting to EUR 1,000 for every cent by which the dividend exceeds 7 cents. The Chairman receives 1.5 times and his Deputy 1.25 times the total compensation of an ordinary member. Furthermore, members of the Audit Committee receive an annual fixed amount of 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, Supervisory Board members are also covered by a D&O insurance policy which includes an appropriate deductible.

Supervisory Board compensation in 2010

Name	Main activity	Function	Since	Committees	Compensation in EUR
Gerard Philippus Cok	Management consultant	Chairman	Since 16 June 2008 Supervisory Board member; Chairman since 7 January 2009	None	11,250
Prof. Martin Weigel	Chairman of the Management Board of GLC Glücksburg Consulting AG	Deputy chairman	Since 20 July 2005; Until 31 March 2011	Audit Committee (chairman)	20,625
Andreas Bartmann	Managing Director of Globetrotter Ausrüstung Denart & Lechhart GmbH	Member	Since 12 February 2009	Audit Committee	8,158
Gelmer Westra	Tax advisor	Member	Since 25 June 2007	Audit Committee	15,000
Bert Ruzette	Supervisory Board member of tmc Content Group AG	Member	Since 7 September 2010	None	2,384
Kerstin Klippert	Employee of Beate Uhse new medi@ GmbH	Member	Since 7 September 2010	None	2,384
Monika Wilk	Employee of Beate Uhse Einzelhandels GmbH	Employee representative	Since 13 November 2009; Until 31 August 2010	None	4,993
Michael Petersen	Work council Beate Uhse AG	Employee representative	Since 13 November 2009; Until 4 September 2010	None	5,075

Declaration on corporate governance pursuant to section 289a of the German Commercial Code (HGB)

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

Non-financial performance indicators

Employees

As of 31 December 2010, the Beate Uhse Group employed 975 people (FTEs) in Europe (2009: 1,048). The number of employees thus declined by 73, or 7%, compared with the previous year. This reduction was due above all to retail store closures as well as to restructurings in the entertainment segment in the context of the efficiency optimisation of work flows.

Employees (FTEs) of the Beate Uhse Group

By regions	2009*	2010	Change %
Germany	451	411	-8.9
Netherlands	424	412	-2.8
Belgium	18	12	-34.1
France	56	49	-12.6
UK	5	5	0.0
Austria	5	5	0.0
Scandinavia	42	39	-7.1
Italy	17	17	0.0
Other European countries	31	26	-16.1
	1,048	**975**	**-7.0**

By distribution channels	2009*	2010	Change %
Retail	515	437	-15.1
Mail order	235	237	0.9
Wholesale	181	200	-10.5
Entertainment	73	60	-17.8
Holding services	44	41	-6.8
	1.048	**975**	**-7.0**

2009*: Differences due to the changeover to FTEs

As a provider of vocational training, the Beate Uhse Group is popular among young people especially in Flensburg. In 2010, the Group trained people in the following occupations: IT specialist, media designer, media communication clerk and Bachelor of Science in business administration.

Procurement

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

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

Product quality

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

To constantly check the quality of all of its products, the Beate Uhse Group employs various inspection agencies in the countries where the products are manufactured. These quality checks are implemented and documented in line with the relevant EU directives and national requirements. The inspection of toys, which is an especially large and important product group, is performed by Intertek Group plc., one of the world's largest providers of quality inspection services.

When introducing the Mae B. private label in 2007, the Beate Uhse Group set a quality standard for sex toys. Mae B. vaginal vibrators were the first in the market to be certified by the German Technical Inspection Agency (TÜV). The high-quality toys are produced by Beate Uhse production Kft., Hungary, a wholly owned subsidiary of the Beate Uhse Group.

Brands and private labels

The Beate Uhse Group has very well-known sales brands and private labels. Among its sales brands are Beate Uhse (Germany, Austria, Italy, Poland), Pabo (Netherlands, Belgium, UK, Slovakia, Czech Republic, Slovenia, Austria), Christine le Duc (Netherlands), Adam & Eve (France and Spain) as well as Kondomeriet (Norway).

In recent years, the Beate Uhse Group has successfully launched numerous private labels in the market. In the sex toys segment, for example, Beate Uhse covers all price segments with its Mae B., Evolved and Toy Joy labels. Mae B. is an important customer retention instrument for the Beate Uhse Group, as the sex toys and personal care products are sold exclusively through the Beate Uhse B2C channels. The Daring! brand is among the leading labels in the adult movie industry. The high-quality movies are sold as DVDs and on the Internet. In spring 2010, the Beate Uhse Group launched Taboom, a new sex toy brand, in the retail and mail order segments. Taboom is positioned between premium and more aggressively priced brands and is targeted at interested first-time buyers.

Opportunities and risks

Strengths	Weaknesses
• Strong brands (Beate Uhse, Pabo, Adam&Eve, Christine le Duc) • High brand name awareness in Germany, the Netherlands, Belgium, France • Broad range of products • Active in all distribution channels • Logistic centres with high capacity • The brands stand for expertise, experience/respectability • Beate Uhse is an important player in the adult lifestyle market • Good integration of the Group within the sector • Multi-channel approach / integration of distribution channels to satisfy today's customer requirements • Centralisation of cross-channel tasks such as marketing, purchasing, merchandising	• Image is based on porn films and “dirty sex” • The Beate Uhse core brand seems a bit outdated; the brand has lost some of its modernity and pro-activity/agility • Young target groups have no strong ties with the Beate Uhse Group • The brands are not clearly defined: heterogeneity of the brand presentation between distribution channels and countries • The publication frequency of the catalogues is partly not in keeping with today's consumer expectations • Insufficient product marketing • Many mail order customers lost due to inappropriate advertising measures
Opportunities	**Threats**
• Market potential not fully exploited; sex has become socially accepted; winning new target groups for sexuality and the related products • Good market penetration of the Group allows the brands to be repositioned • Modernisation of brand images and product portfolio to expand the customer base • Internationalisation of the new brands/concepts in Europe • Use of new media such as social networks to anchor the Group's key brands and their activities in the minds of a broad target group	• Savings policy reduces effectiveness of the new brands and concepts • Uncertainty and partial loss of customers due to inconsistent brand positioning and realisation of concepts

2010 risk report

Risk management system

Revised and re-implemented in 2010, the risk management system is an integral element of all planning, controlling and reporting processes of Beate Uhse AG. The aim of the risk management system is to systematically identify, assess, document and communicate risks as early as possible in order to develop and implement efficient counter-measures. The risk management system and the internal control system are part of good and responsible corporate governance and afford protection for the Beate Uhse Group.

The internal control system comprises principles, processes and measures for the organisational implementation of the decisions taken by the management to ensure

- the effectiveness and efficiency of the business activity (this also includes the protection of assets including the prevention and detection of asset impairments),
- the correctness and reliability of internal and external financial reporting and
- compliance with relevant legal requirements.

The risk management system of the Beate Uhse Group pursues an integrated approach to ensure systematic management of risks. The basic aspects of the system are defined in a guideline.

Process of the system for early risk identification

Risk Officers continuously examine potential risks in all distribution channels, staff departments and countries. The status quo is discussed by the Risk Officers and Risk Managers at six-monthly intervals. Pre-defined risk fields such as “performance risks” or “IT risks” ensure greater clarity to identify potential risks at an early stage with the help of checklists. Risk analysis comprises the full capture of the risks to be monitored by the Risk Officer. Risks are assessed in two stages with regard to their probability of occurrence and the amount of the damage or loss. Risk Management checks the assessments for appropriateness. If risks are identified, the Risk Officers develop recommendations for action to prevent the risks from materialising. Risk Management decides on the proposed recommendations for action and monitors their implementation. The documentation follows standardised requirements. In addition, Risk Management regularly informs the Management Board about current incidents of the risk process. A Project Officer on the Supervisory Board regularly liaises with Risk Management.

In the context of the 2010 audit, the auditor examined the structure and processes of the risk management system and reported the results to the Management Board and the Supervisory Board.

Control and risk management system of the accounting processes

In accordance with section 289 para. 5 and section 315 para. 2 No. 5 of the German Commercial Code and taking into account the German BilMoG Act, Beate Uhse AG describes the control and risk management system based on the accounting process: The Management Board bears overall responsibility for the internal control and risk management system also with regard to the Group’s accounting process. In this respect, we consider such features of the internal control and risk management system which may have a material influence on the accounting and the overall statement of the consolidated financial statement to be relevant. These include the following elements, in particular:

- identification of key areas of risk and control relevant to the accounting process;
- controls aimed at supervising the accounting process and its results on the level of the Group’s strategic business units;
- preventive control measures in the Group’s accounting department, including the separation of functions in relevant areas;
- measures ensuring the correct IT-based processing of accounting-related items and data.

Beate Uhse AG considers the Group’s existing risk monitoring to be functional and appropriate. Potential improvements are analysed and implemented continuously in the interest of the company.

Individual risks

Sector risks

Europe is in a difficult economic situation whose outcome is uncertain. The countries of the European Union have mastered the banking and economic crisis, which began in 2008, very differently. This has led to environment risks for nearly all sectors and industries, as consumers feel insecure and have partly reduced their spending. This may lead to reduced sales volumes especially in the main markets of Beate Uhse AG, i.e. Germany, the Netherlands and France. Beate Uhse therefore focuses on strengthening the well-known sales brands and the expansion of new product lines to ensure that the company benefits from better visibility to customers than its competitors. In addition, the company constantly aims to optimise its procurement prices, e.g. by pooling the Group-wide purchasing structures, in order to offset a potential decline in sales volumes.

The long period of change is typical of the market for adult products. Some examples and the resulting risks for the sector and, hence, for the Beate Uhse Group are given below:

- Consumers increasingly order lingerie and toys as well as other goods on the Internet. This shift in demand may result in a sharp drop in sales revenues of the 244 Beate Uhse stores.
- External competitors such as department stores and drugstores are discovering the appeal of the adult products market and are adding such products to their ranges. Total sales of adult products are spread over a growing number of suppliers.
- The wholesale market is being inundated by more and more producers with new products and product variants. There is a risk of continued strong pressure on margins and competition for wholesale customers.
- Free video-on-demand (VoD) offerings are gaining importance in the marketing of adult movies and content. There is a risk for the Beate Uhse Group of customers migrating to free offerings.

This challenges Beate Uhse AG to restructure all distribution channels of the Group at the same time. The Group anticipated the market change at an early state and started to rebuild the Group into a brand-driven multi-channel player several two years ago. As part of this process, all distribution channels in all countries have been reviewed critically, together with their marketing measures, and integrated in line with the new positioning.

In the wholesale segment, the Group continues its quality drive and has centralised all activities in Almere to ensure fast and efficient deliveries to customers. Customers are served by sales teams in their respective countries. Moreover, ScalaPlayhouse has succeeded in encouraging all leading producers in the industry to permanently exhibit their products in a shop-in-shop showroom in Almere. Management aims to serve customers efficiently through a one-stop shop to ensure optimum customer care and close contacts.

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

The erotica industry is subject to a wide variety of legislative requirements around the world when it comes to the protection of minors. Legal requirements in Germany, the company's most important sales market, are narrowly defined, especially in terms of new media. Any further restriction in this market due to a further tightening of legal regulations therefore involves a latent risk, as it would inevitably result in a loss of sales. The Group has developed various measures to protect minors and deploy these on its websites such as www sexy.de. By working together with institutions such as Freiwillige Selbstkontrolle e.V. (Association for Voluntary Self-Regulation), Beate Uhse is also able to exert indirect influence on the drafting of the relevant legislation.

Performance risks

The wholesale logistics centres in Almere and the mail order warehouse in Walsoorden are exposed to the risk of interruption to their operations, for example due to fire or water damages. Any breakdown in the technical equipment or IT systems at these centres could lead to an interruption of deliveries to customers. Beate Uhse has mitigated this risk by installing suitable security systems. Moreover, the Group has taken out insurance to cover the economic consequences of such breakdowns.

As a trading company, Beate Uhse purchases products around the world. The procurement of goods is subject to normal trading risks, such as delays in delivery, exchange rate fluctuations, increases in customs duties and taxes, fluctuations in the quality of the goods supplied and/or potential import restrictions. In the mail order and retail segments, the procurement of goods also involves the risk of overstocking. Beate Uhse counters these risks by procuring its products from numerous suppliers worldwide, thus reducing its dependence on individual manufacturers. In Asia, the Group's wholesale arm, Scala, works together with Intertek Group plc., a quality inspection company with global operations, to monitor the quality of goods. The procurement of the products sold by the Group is centralised in the category management system.

In the context of the repositioning, the Beate Uhse Group has initiated fundamental changes to the organisational structures of the distribution channels, with more planned for 2011. At the end of 2010, the operating units of the mail order segment were separated into online and offline. This separation allows the Group to match the product ranges, advertising campaigns, budgets, etc. more effectively with the different requirements of the units. Moreover, the number of pages and the frequency of the catalogue will be reduced significantly in favour of e-commerce. As with all corporate decisions, there is a risk that the mail order segment and its new operating units grow more slowly or not as strongly as planned. This could result in a further drop in sales and, hence, to liquidity bottlenecks for the Group. The management of the mail order segment mitigates this risk with the help of regular pre-tests and post-tests of the advertising campaigns and adjustments to the product range. Employees and managers who have e-commerce experience and have operated successfully in this field for many years have joined the new online team of the mail order segment.

The centralisation of the Group-wide wholesale activities at Almere was prepared in the final quarter of 2010. The warehouse of ZBF GmbH Wiesbaden was integrated in 2011, so that the wholesale segment will be well positioned with strong sales teams in the local markets and a central wholesale location for all customers from mid-2011. This change entails the risk of customers buying their products from other wholesalers in the individual local markets and, hence, of declining sales revenues in the Group's wholesale segment. The wholesale segment was able to convince many of its own and former ZBF customers already at the first joint springtime fair of ScalaPlayhouse, which took place from 14 to 17 March 2011. Successful private labels and products of other producers and sales partners were presented on an exhibition space of 1,400 square metres. Orders are entered directly into the system via a new product scanner system connected to the logistic centre, so that deliveries to customers can be made quickly.

To optimise the Group-wide inventories and product flows, the Beate Uhse Group has launched a supply chain project. With support from K&H Business Partner GmbH, which performed an analysis prior to the start of the project, all supply chain processes of the Group will be analysed in detail and optimised. As with all projects, there is a risk that the expected effects cannot be realised at the speed and in the amount planned. The company mitigates this entrepreneurial risk with the help of a clear project organisation and daily controls based on key performance indicators (KPIs), weekly reporting to the Management Board and monthly meetings of all sub-project officers. This allows undesired developments to be identified and countermeasures to be taken at an early stage.

Personnel risks

The success of the Beate Uhse Group depends to a very great extent on the performance of its long-standing managers and the expertise of its employees. A loss of people in key positions could have an adverse impact on the market position and performance of the Group. The Beate Uhse Group positions itself as an attractive employer and aims to retain good employees in the long term. The measures taken in this context include personnel training and development measures, internal career and advancement opportunities and open discussions between the management team and the workforce.

IT risks

The information technologies deployed by the Group are reviewed on an ongoing basis to ensure that they guarantee secure handling of IT-based business processes, especially of the logistical processes in the mail order and wholesale segments and online services. Any breakdown in IT-based processes could endanger the smooth flow of merchandise or the provision of online content. This entails the risk of declining sales and of losing customers in the long term. Beate Uhse mitigates this risk with the help of duplicate technical solutions across the Group. Moreover, this risk is covered by insurance against property damage and business interruption losses.

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

Financial risks and corporate funding

Thanks to the restructuring concept adopted in cooperation between the Management Board and the Supervisory Board of Beate Uhse AG as well as the lending banks and the main shareholder, the Group's liquidity during the first phase of restructuring has been secured. The restructuring concept is based on budgets that reflect the financial performance of the Beate Uhse Group in the current weak economic environment and have determined the scope of the measures. The budgets reflect sales targets in the individual segments, which are planned to remain constant or increase moderately, respectively. Moreover, improvements in the cost structure, especially with regard to the cost of goods sold, the cost of sales and net current assets, are planned. The budgets on which the restructuring concept is based assume an unused credit line of EUR 0.7 million to EUR 2.7 million as well as liquid funds, which move inbetween EUR 1.0 and 3.0 million for the forecast period.

Bad debt risk

The bad debt risk has increased in recent years. All of the Beate Uhse Group's distribution channels are exposed to this risk. To mitigate this risk at an early stage, Beate Uhse AG checks the creditworthiness of its customers across all B2C and B2B distribution channels to the extent possible; equivalent checks are performed to manage rental default risks under subletting arrangements. The payment history and potential breaches of contract are documented. The concentration on online activities in the mail order segment will help to reduce customers' payment defaults. The payment methods used for these activities, e.g. credit cards, etc., ensure higher payment security.

Risk of investments and non-current assets

Non-current assets of EUR 57.2 million (2009: EUR 94.8 million) are stated in the consolidated financial statements, of which EUR 8.8 million (2009: EUR 23.8 million) relates to the investment in tmc Content Group AG.

Interests in investments and non-current assets of the Beate Uhse Group are subject to the risk of impairment.

In contrast to its subsidiaries, Beate Uhse AG has only limited influence on its investments. Due to the high carrying amount, an impairment of the investment in tmc Content Group AG constitutes a special risk factor. As of 31 December 2010, the shares in tmc Content Group AG, which is listed on the stock exchange, had a carrying amount of EUR 8.8 million (31 December 2009: EUR 23.8 million). The stock market value of the shares held by the Beate Uhse Group amounted to EUR 3.3 million on the balance sheet date (3 December 2009: EUR 2.1 million); the Group held a share of EUR 5.8 million in the equity capital (2009: EUR 7.6 million). Given that the market for shares in tmc Content Group AG is not active because of the extremely unchanged transaction volume and access to recent business incidents is not possible, the company has determined the fair value with the help of an expert opinion based on the DCF method. If the stock market value had been considered relevant for the determination of the recoverable amount, the Group's equity would be EUR 5.5 million lower.

In the 2010 financial year, the Beate Uhse Group's investment in tmc Content Group AG as well as other non-current assets were written down for impairment. These write-downs reduce the risks of further write-downs in future. Nevertheless, further write-downs may become necessary if the profit situation of tmc Content Group AG and the Beate Uhse Group continue to deteriorate.

Overall risk

Taking into account the risks discussed above, the Beate Uhse Group's going-concern ability significantly depends on the successful completion of the restructuring measures launched to date, the accomplishment of the resultant sales and profit targets and the planned maintenance of the Group's solvency through the refinancing exercise. If the targeted sales and profit performance and the resultant cash inflows were to fall short of those targets to an extent which could not be compensated for by additional cash-releasing measures, if the refinancing of the ING Bank loans were not to materialise as planned, or if ING Bank were to cancel or curtail the existing credit lines, the solvency and going-concern ability of Beate Uhse AG and the Group would depend on concessions made by its lenders or the injection of additional equity or debt capital.

Believing that Beate Uhse AG's and, hence, the Group's risk exposure is limited in nature and manageable, we anticipate that the company and the Group will be able to continue as a going concern.

Forecast report

The macroeconomy

The Federal Statistical Office projects that the gross domestic product (GDP) of the euro-zone will grow by 1.7% in 2011, i.e. at the same rate as in the previous year. The growth differences between the individual European countries will probably be even bigger than in 2010. European core countries such as Germany and France will be unable to fully offset the poor situation of the periphery countries, Greece, Ireland and Portugal. Economic experts expect GDP in Germany, the most important geographic market of the Beate Uhse Group, to grow by 3%, compared to 3.6% in 2010. Much higher oil prices and the increase in the prices of fresh food will probably lead to a rise in inflation in 2011. The Bundesbank projects a rate of inflation of 2.5% for Europe and of approx. 3% for Germany. While the number of unemployed in Germany was reduced to 3.2 million on an annual average in 2010 and a continued positive trend is expected for the current year, unemployment in the periphery countries will probably continue to increase in 2011. This is primarily attributable to the debt situation of the governments and the austerity measures planned in some countries.

As a result of all of the above factors, the consumer climate in the individual European countries will differ significantly in 2011. The GfK consumer climate experts expect private consumption in Germany to grow by a high 1.5%, i.e. three times as strongly as in the previous year. According to the consumer researchers, private consumption will make an increasingly important contribution to economic growth in Germany. In 2011, private consumption is expected to become the second driver of the upswing besides exports.

The sector

We believe that the consolidation in the adult lifestyle market will continue in 2011. Besides the traditional sex shops, which focus on heterosexual and homosexual men as their main customers, special retailers for women and couples will increasingly establish themselves. Adult products for women and couples will have an increasingly stronger presence in retail stores and the media. Specialist stores such as the Beate Uhse city centre shops, drugstores, shop-in-shop concepts in department stores and Internet shops will be the main suppliers of these high-quality adult products. Due to high availability of many products and the possibility to compare prices directly on the Internet, customers will remain price-sensitive.

Movies and erotic content will primarily be consumed on the Internet, TV and mobile terminals, which means that revenues from DVD sales and video booths in the wholesale and retail segments will continue to decline.

Positioning of the Group

The Beate Uhse Management Board has subjected the Group to a full reorganisation. The 3-phase repositioning began in the second half of 2010, when the Management Board was reorganised, and will last until 2015. Apart from securing funding and organisational changes in the distribution channels aimed at stabilising the business segments, it is also planned to expand the Group and to build up new product ranges. For detailed information on the 3-phase strategy, please refer to the chapter “Strategic objectives and positioning” in this management report.

Investments of approx. EUR 4.0 million are planned for 2011. The main focus of the investments will be on the project realised in cooperation with K&H Business Partner GmbH, the acquisition of film licenses and the redesign of selected stores.

Sales and earnings performance

The implementation of the 3-stage plan to reposition the Group forms the basis for achieving our objective to make Beate Uhse profitable again in the medium to long term. We will pursue this objective with circumspection and realism. A positive basis for this will be provided by the economic trend in Europe in 2011, most notably by an increase in private consumption in the core countries, which are also the main markets of Beate Uhse. We expect the high spending propensity of consumers in these countries to continue in 2012. We will keep a close eye on potential negative effects of the debt crisis in Greece, Ireland, Portugal and, maybe, Spain and adjust the restructuring measures planned for the Beate Uhse Group if and when necessary.

Between 2011 and 2013, the reorganisation will focus on the stabilisation of the existing business segments and their reorientation in accordance with customers' wishes. We will analyse all major processes and optimise them with a view to profitability, reorganise the product flows between the distribution channels and to the customer and take advantage of our strong sales brands to regain market shares in existing geographic markets. Only once these measures are completed successfully - probably from 2014 - will we begin to expand into new countries and systematically expand our product ranges.

Against the background of these plans, the growth forecast for our Group in the coming years is moderate. 2011 will be marked by the reorganisation of our distribution channels, which should have a material influence on future sales revenues and earnings especially in the mail order segment, which has been restructured into an online unit and an offline unit. We therefore project sales revenues of EUR 140.0 - 144.0 million (2010 sales: EUR 197.7 million), a positive EBITDA contribution and a decline in the operating loss to EUR 4.0 - 6.0 million for 2011 (adjusted EBIT in 2010: EUR -19.5 million). This expectation is confirmed by our internal controlling reports which indicate that our current sales, cost, profit and liquidity position following the first five months of this year is essentially on target, thereby confirming our confidence to meet these targets. Based on our plans, growth rates in 2012 and 2013 will range between 3% and 5%. We expect to generate an operating profit and, hence, a strong increase in EBIT from 2012.

Post balance sheet events

Sale of Kondomeriet A/S and Sandereijn B.V. in the context of corporate financing

With the refinancing initiated in late 2010, the Beate Uhse management aimed to reduce the Group's dependence on banks and to cut costs and interest expenses in order to restructure the company quickly and efficiently. In this context, the Management Board decided to sell several subsidiaries to be able to repay bank loans.

Under an agreement dated 15 March 2011 Beate Uhse AG therefore sold 80% of its investment in Kondomeriet A/S, Norway. The company is active in the Norwegian retail sector, where it operates 9 stores (4 own stores, 5 licensed stores) as well as in the e-commerce sector. In 2010, Kondomeriet A.S. generated sales revenues of EUR 8.2 million. The Norwegian company was acquired by Consipio B.V., Netherlands. The purchase price amounted to EUR 3.0 million. Under the agreement, Beate Uhse AG has the possibility to repurchase the shares between 1 July 2013 and 1 January 2017. Consipio B.V. holds a put option, which entitles it to sell the shares to Beate Uhse AG in the same period.

Due to the agreed repurchase option, Kondomeriet A/S will not be deconsolidated, which means that the company will continue to form part of the basis of consolidation of the Beate Uhse Group.

In the context of the debt reduction, Beate Uhse AG also sold loss-making Sandereijn B.V. under an agreement dated 24 January 2011. At the time of the sale, the Dutch retail chain comprised ten stores. In 2010, Sandereijn B.V. generated sales revenues of EUR 3.6 million and an operating loss (EBIT) of EUR 0.4 million. The Dutch company was acquired by Bocca B.V., a subsidiary of Consipio B.V., at a price of EUR 0.9 million. Under the agreement, the company must make purchases in an amount of 80% of its annual cost of goods sold from the Beate Uhse Group. In the context of the restructuring, Beate Uhse AG decided to sell the Sandereijn stores, as the locations and the composition of the product range (high percentage of DVDs, cabins and movies) were inconsistent with the future shop concepts of the Group, which means that the Group would have faced high reorganisation expenses if it had decided to effectively integrate the company into the new retail concept.

Sale of shares in Beate Uhse Sweden AB

Swedish wholesaler Beate Uhse Sweden AB was sold to Mr Michael Jutterstrom in the context of a management buy-out under an agreement dated 3 February / 31 March 2011. Specialising in DVDs, the wholesale company generated sales revenues of EUR 1.6 million and an operating loss of EUR 0.3 million in 2010. In view of the company's strong focus on DVD sales in Scandinavia and declining sales revenues, Beate Uhse AG decided to sell the company in April 2011. The purchase price for the wholesale operations was EUR 0.4 million, plus a one-time offtake obligation of the buyer for DVDs in an amount of EUR 0.3 million.

Change on the Supervisory Board of Beate Uhse AG

Prof. Martin Weigel left the Supervisory Board of Beate Uhse AG at his own request with effect from 31 March 2011. Mr Weigel joined the Supervisory Board in 2005. In his capacity as Vice Chairman and Chairman of the Audit Committee, he was closely involved in the controlling functions of the Supervisory Board and contributed his profound knowledge of business administration. Mr Gelmer Westra was appointed new Chairman of the Audit Committee at the Supervisory Board meeting on16 May 2011. Mr Westra is supported in his work on the Audit Committee by Mr Andreas Bartmann

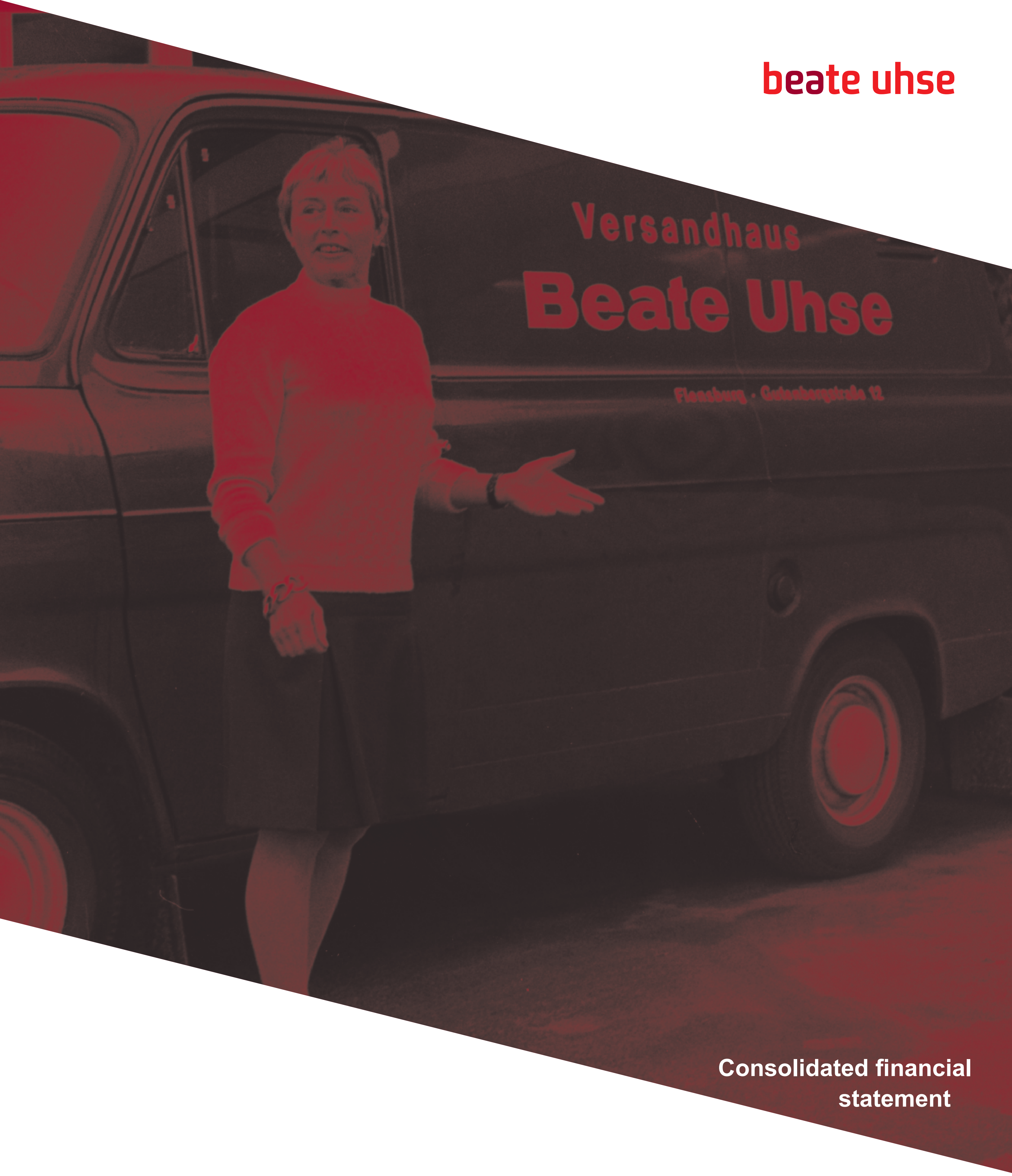
Refinancing of the Beate Uhse Group secured

For information on the financing of the Beate Uhse Group, which was restructured in April/June 2011, please refer to “Financial position” in this management report.

Flensburg, 1 June 2011

Serge van der Hooft (CEO, Spokesman)	Sören Müller (COO)

beate uhse



Consolidated financial statement

„In this touchy business, being a woman deflects some of the criticism – a man in my position would readily have been denounced as a smut peddler.“

Beate Uhse

Consolidated Balance Sheet 2009 / 2010

Assets

EUR 000s	Notes	2009	2010
Non-current assets			
Intangible assets	7.) (1)	12,663	13,524
Goodwill	7.) (1)	20,203	9,329
Property, plant & equipment	7.) (2)	26,669	19,043
Other financial assets	7.) (3)	3,183	5,151
Investments	7.) (4)	24,739	126
Shares in associated companies	7.) (5)	0	8,800
Income taxes	8.) (7) a.)	7,304	1,212
		94,761	57,185
Current assets			
Inventories	7.) (6)	39,185	32,343
Accounts receivable	7.) (20) c.)	33,580	22,146
Other short-term financial assets and other assets	7.) (7)	6,903	6,627
Income tax refund claims	-	1,877	1,102
Liquid funds	7.) (8)	7,262	4,597
		88,807	66,815
Total assets		**183,568**	**124,000**

Shareholders’ equity and liabilities

EUR 000s	Notes	2009	2010
Shareholders’ equity			
Subscribed capital	7.) (9)	78,075	78,075
Treasury stock at cost of acquisition	7.) (12)	-3,463	-3,463
Capital reserves	7.) (13)	-89	-89
Revenue reserves	7.) (14) a.)	3,295	3,295
Unappropriated net profit	-	22,209	-45,560
Balancing item for currency conversion	7.) (14) b.)	362	1,385
Non-controlling interests	-	456	-80
		100,845	33,563
Long-term liabilities			
Interest-bearing loans	7.) (20)	5,144	4,256
Pensions and similar obligations	7.) (15)	3,903	3,685
Other accruals	7.) (16)	1,787	1,618
Other financial liabilities	7.) (17)	1,077	2,306
Deferred tax liabilities	8.) (7) a.)	442	353
		12,353	12,218
Short-term liabilities			
Accounts payable	-	17,002	21,992
Other financial liabilities	7.) (18)	16,201	13,553
Pensions and similar obligations	7.) (15)	266	268
Other accruals	7.) (19)	1,830	3,487
Income tax liabilities	-	3,468	3,979
Overdraft liabilities	7.) (20)	2,025	34,069
Current loans	7.) (20)	29,578	871
		70,370	78,219
Total shareholders‘ equity and liabilities		**183,568**	**124,000**

Consolidated income statement 2009 / 2010

EUR 000s	Notes	2009	2010
Sales	8.) (1)	**230,694**	**197,701**
Cost of sales	8.) (2)	-97,293	-90,456
Gross profit on sales		**133,401**	**107,245**
Other operating income	8.) (3)	12,887	14,089
Sales-related expenses	8.) (4)	-114,274	-117,525
General administration expenses	8.) (5)	-27,099	-31,286
Other operating expenses	8.) (9) b.)	-2,218	-28,821
Share in earnings of associated companies	-	0	-2,745
Earnings before interest and taxes		**2,697**	**-59,043**
Finance income	8.) (6)	228	794
Finance expense	8.) (6)	-2,994	-2,499
Earnings before taxes		**-69**	**-60,748**
Taxes on income	8.) (7)	2,009	-6,834
Consolidated earnings		**1,940**	**-67,582**
Allocable to:			
Shareholders in the holding company		1,764	-67,769
Shares without dominant influence		176	187
Earnings per share (EPS)			
Undiluted (EUR)	8.) (10)	0.02	-0.87
Diluted (EUR)	8.) (10)	0.02	-0.87

Consolidated statement of comprehensive income 2009 / 2010

EUR 000s	2009	2010
Net income for period	**1,940**	**-67,582**
Currency translation on foreign operations	67	1,037
Other net income after tax	**67**	**1,037**
Comprehensive income after taxes	**2,007**	**-66,545**
of which allocable to:		
Shareholders in the holding company	1,578	-66,746
Shares without dominant influence	429	201

Cash Flow statement 2009 / 2010

EUR 000s	**2009**	**2010**
Cash flow from operating activities		
Earnings before taxes (EBT)	**-69**	**-60,749**
Corrections for:		
Depreciation of property, plant and equipment, amortisation of intangible assets	9,399	37,770
Losses incurred on the disposal of property, plant and equipment and intangible assets	21	602
Other non-cash expenses	618	2,891
Changes in:		
Trade receivables	-3,734	11,433
Other assets	10,554	7,141
Trade payables	-4,422	4,991
Other liabilities	-5,525	625
Finance income	-228	-794
Finance expenses	2,994	2,391
Income taxes paid/received	3,666	123
Cash flow from operating activities	**13,274**	**6,424**
Cash flow from investing activities		
Cash received from the sale of property, plant and equipment, intangible assets and other non-current assets	552	1,412
Cash paid for investments in property, plant and equipment, intangible assets and other non-current assets	-7,772	-8,425
Cash paid in connection with short-term financial management	-138	-2,861
Cash received in connection with short-term financial management	739	1,252
Cash paid for acquisition of subsidiaries, less cash and cash equivalents acquired	-3,875	0
Interest received	196	432
Cash flow from investing activities	**-10,298**	**-8,190**
Cash flow from financing activities		
Taking up of bank liabilities	6,033	33,630
Interest paid for loans and hedging instruments	-2,318	-2,586
Banks cost of financing	0	-187
Redemption of bank liabilities	-4,991	-31,668
Taking up of loans from third parties	0	42
Redemption of loans from third parties	-12	-17
Cash flow from financing activities	**-1,288**	**-786**
Net change in cash, cash equivalents and securities	**1,688**	**-2,552**
Changes due to movements in exchange rates	-38	-113
Cash, cash equivalents and securities at beginning of period	5,612	7,262
Cash, cash equivalents and securities at end of period	7,262	4,597
Composition of cash and cash equivalents at end of period		
Cash holdings, credit balances at banks, cheques and securities	7,262	4,597
	7,262	4,597

Group equity schedule 2009 / 2010

	Equity allocable to the shareholders in the parent company		
EUR 000s	**Share capital**	**Treasury stock**	**Capital reserve**
Balance as of 1 January 2009	**70,985**	**-3,463**	**2,653**
Period Earnings			
Other Earnings			
Total net income	**0**	**0**	**0**
Capital increase	7,090		-2,742
Change in scope of consolidation			
Balance as of 31. December 2009	**78,075**	**-3,463**	**-89**
Balance as of 1 January 2010	**78,075**	**-3,463**	**-89**
Period Earnings			
Other Earnings			
Dividend payout to shareholders without dominant influence			
Balance as of 31. December 2010	**78,075**	**-3,463**	**-89**

Equity allocable to the shareholders in the parent company					
Revenue reserves	**Net profits**	**Balancing item for currency conversion**	**Total**	**Minority interests**	**Total equity**
3.295	**20.445**	**548**	**94.463**	**131**	**94.594**
	1.764		1.764	176	1.940
		-186	-186	253	67
0	**1.764**	**-186**	**1.578**	**429**	**2.007**
			4.348		4.348
				-104	-104
3.295	**22.209**	**362**	**100.389**	**456**	**100.845**
3.295	**22.209**	**362**	**100.389**	**456**	**100.845**
	-67.769		-67.769	187	-67.582
		1.023	1.023	14	1.037
				-737	-737
3.295	**-45.560**	**1.385**	**33.643**	**-80**	**33.563**

beate uhse

Notes

„I learned this in America
back in 1961. A successful
mail order business also
needs walk-in shops.“

Beate Uhse

Notes to the 2010 consolidated financial statements

8.) Notes to the consolidated income statement

9.) Dividend

10.) Other disclosures

Notes to the 2010 Consolidated Financial Statements

The consolidated financial statements of Beate Uhse AG for the financial year ending on 31 December 2010 were prepared by the Management Board of Beate Uhse AG on 1 June 2011 and forwarded for review and approval by the Supervisory Board.

1.) Information about the Company

Beate Uhse Aktiengesellschaft, Gutenbergstrasse 12, 24941 Flensburg ('Beate Uhse AG' or 'the Group'), is entered in the Commercial Register of the Flensburg District Court under No. 3737.

As one of the global market leaders in the adult lifestyle and sex sector, the Beate Uhse Group has operations in 16 European countries. Moreover, the wholesale segment exports to more than 50 countries in virtually all of the world's economic regions. The distribution channels comprise wholesale, mail order and retail, as well as Internet, telephony and TV/telemedia services (entertainment). Beate Uhse operates 244 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 adult content at technologically innovative websites. The best-known portals are www.beate-uhse.com, www.sex.de and www.pabo.nl.

2.) Accounting Policies

(1) Basis of preparation

In general, the historic cost principle is used to prepare the consolidated financial statements, with the exception of derivative financial instruments and financial assets available for sale, which are measured at fair value.

The consolidated financial statements are prepared in euros. Unless otherwise stated, all figures are rounded up or down to the nearest thousand (EUR '000).

The cost of sales method is used for the consolidated income statement.

(2) Declaration of conformity with IFRS

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

(3) Change in accounting policies

The accounting policies applied basically correspond to those applied in the previous year, with the exception of the new and revised standards and interpretations listed below, which were applicable with effect from 1 January 2010:

- IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment (from 1 January 2010)
- IFRS 3 Business Combinations (revised) and IAS 27 Consolidated and Separate Finance Statements (revised), including subsequent amendments to IFRS 2, IFRS 5, IFRS 7, IAS 7, IAS 21, IAS 28, IAS 31 and IAS 39 (from 1 July 2009)
- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (from 1 July 2009)
- IFRIC 17 Distributions of Non-cash Assets to Owners (from 1 July 2009)
- "Improvements to International Financial Reporting Standards" (as adopted by the IASB in April 2009)
- "Improvements to International Financial Reporting Standards" (as adopted by the IASB in May 2008)

IFRS 2 Share-based Payment

In June 2009, the IASB published an amendment to IFRS regarding the scope of application and the accounting for Group cash-settled share-based payments. The Group applied this amendment with effect from 1 January 2010. This has no impact on the net asset, financial and earnings position of the Group.

IFRS 3 Business Combinations (revised) and IAS 27 Consolidated and Separate Financial Statements (revised)

IFRS 3 (revised) introduces material amendments relating to the accounting for business combinations. These have an impact on the measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and the subsequent measurement of contingent consideration as well as step acquisitions. These new regulations will have an impact on the amount of goodwill recognised, on the result in the reporting period in which a business combination takes place and on future results.

According to IAS 27 (revised), a change in the amount of an investment in a subsidiary which does not entail a loss of control must be accounted for as a transaction among owners in their capacity as owners. Accordingly, such a transaction cannot result in goodwill or in profit or loss. Amendments were also made to the provisions for the distribution of losses over the owners of the parent company and the non-controlling interests and the accounting rules for transactions that do not entail a loss of control.

The new regulations of IFRS 3 and IAS 27 have an impact on the acquisition and the loss of control over subsidiaries and on transactions with non-controlling interests on or after 1 January 2010.

As the Group made no acquisitions in the 2010 financial year, these amendments had no impact on the consolidated financial statements.

IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items

It is clarified that it is permissible to designate only part of the changes in fair value or the cash flow fluctuations of a financial instrument as a hedged item. This also applies to the designation of inflation risks as a secured risk or parts thereof in certain cases. The Group stated that this amendment will have no impact on the net asset, financial and earnings position of the Group as the Group did not engage in such transactions.

IFRIC 17 Distributions of Non-cash Assets to Owners

This interpretation contains guidelines for the accounting for agreements under which a company distributes non-cash assets to owners as a distribution from reserves or as dividends. This interpretation has no impact on the presentation of the net asset, financial and earnings position of the Group.

Improvements to IFRS 2008 and 2009

In May 2008 and April 2009, the IASB published two collective standards to amend several IFRS with the primary aim of eliminating inconsistencies and clarifying formulations. The collective standards provide for a transitional regulation for each amended IFRS. The application of the following new regulations resulted in a change in accounting methods but had not impact on the net asset, financial and earnings position of the Group:

Published in May 2008

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: It is clarified that if a subsidiary as classified as held for sale, all assets and liabilities must be classified as held for sale. This applies even if the enterprise retains a non-controlling interest in the former subsidiary. The amendment is applied prospectively and has no impact on the net assets, financial and earnings position of the Group.

Published in April 2009

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: It is clarified that the disclosure requirements of IFRS 5 are the only relevant provisions for non-current assets and disposal groups classified as held for sale and discontinued operations. The disclosure requirements of other IFRS must be observed only if these standards or interpretations specifically require these disclosures for assets as defined in IFRS 5 and discontinued operations. This clarification led to a change in segment reporting (see Note 8).
- IFRS 8 Operating Segments: It is clarified that segment assets and segment liabilities must be disclosed only if these assets and liabilities are regularly reported to the responsible body of the enterprise. As the Group's responsible body monitors the changes in segment assets and segment liabilities, the Group continues to disclose this information in Note 8.
- IAS 7 Statement of Cash Flows: It is stated that only expenditure that results in a recognised asset can be classified as cash flow from investing activities. This amendment will have an impact, among other things, on the presentation in the cash flow statement of the payment for the contingent consideration for the business combination completed in 2010.
- IAS 36 Impairment of Assets: The amendment clarifies that a cash generating unit to which goodwill acquired in the context of a business combination is allocated may not be larger than an operating segment determined in accordance with IFRS 8 before aggregation to the criteria specified therein. The amendment has no impact on the Group as the impairment test is performed before aggregation.

The other new regulations resulting from improvements to IFRS listed below had no impact on the accounting methods and the presentation of the net asset, financial and earnings position of the Group:

Published in April 2009

- IFRS 2 Share-based Payment
- IAS 1 Presentation of Financial Statements
- IAS 17 Leases
- IAS 34 Interim Financial Reporting
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation

(4) Future amendments to accounting and measurement methods

The IASB has published the standards and interpretations listed below which are relevant for the Group and have already been adopted by the EU but were not mandatory for the 2010 financial year. The Group does not apply these standards and interpretations prematurely. With the exception of extended disclosures in the notes, the Group does not expect them to have an impact on the recognition and measurement of assets and liabilities in the consolidated financial statements and the results in future financial years.

IAS 24 Related Party Disclosures

The revised standard IAS 24 was published in November 2009 and is effective for annual periods beginning on or after 1 January 2011. It clarifies the definition of a related party to facilitate the identification of transactions with related parties and partially exempts state-controlled entities from the duty to disclose transactions with that state and with other entities related to that state. The standard is applied retrospectively.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC Interpretation 19 was published in November 2009 and is effective for annual periods beginning on or after 1 July 2010. This interpretation clarifies that if a debtor issues equity instruments to a creditor to a financial liability, those equity instruments are consideration paid in accordance with IAS 39.41. The equity instruments issued are recognised at fair value. If the latter cannot be reliably determined, they must be recognised at the fair value of the extinguished liability. Any profits or losses are directly recognised in profit or loss. The amendment is applied retrospectively.

The IASB has published the standards and interpretations listed below which were not mandatory in the 2010 financial year. These standards and interpretations have not been endorsed by the EU yet and are not applied by the Group. However, the Group does not expect the application of these amendments to have any impact on the net asset, financial and earnings position of the Group.

(5) 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 are prepared using uniform accounting policies as of the same balance sheet date as the financial statements of the parent company.

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

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

The financial statements of the subsidiaries are prepared using the same financial reporting methods and for the same reporting period as the financial statements of the parent company.

All intercompany balances, transactions, income and expenses are eliminated in full, as are all profits and losses on inter-company transactions included in the carrying amounts of assets.

Non-controlling interests represent the share of earnings and net assets not attributable to the Group. In the income statement, earnings attributable to these interests are recognised separately from earnings attributable to shareholders in the parent company. In the balance sheet, these interests are reported within equity and separately from the equity attributable to shareholders in the parent company. Losses of a subsidiary are attributed to non-controlling interests even if this results in a negative balance.

3.) Principal discretionary decisions, estimates and assumptions

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

(1) Discretionary decisions

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

a.) 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.

b.) Measurement investments in associated companies

On the balance sheet date, Beate Uhse AG continued to hold 11,000,000 shares in tmc Content Group AG. Taking into account the treasury shares held by tmc Content Group AG, this represents an interest of 26.8% Accordingly, the investment in the associated company was accounted for using the equity method as of 31 December 2010.

As the market for the shares in tmc Content is not active due to continued extremely low transaction values and since reference to recent transactions is therefore not possible, the fair value was determined using a valuation survey based on the DCF method. Accordingly, the fair value amounted to EUR 8,800k as of the balance sheet date (previous year: EUR 23,830k). The fair value of those shares amounts to EUR 3,300k (previous year: EUR 2,640k) as of the balance sheet date.

(2) Uncertainties in estimates and assumptions

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

a.) Business combinations

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

b.) Impairment of non-financial assets

An asset or a cash generating unit is impaired when its carrying amount exceeds its recoverable amount. To estimate the recoverable amount, which is the higher of the fair value less costs to sell and the value in use, the Group must estimate the expected future cash flows from the cash generating unit and choose an appropriate discount rate to determine the present value of these cash flows. The recoverable amount is highly dependent on the discount rate used in the context of the discounted cash flow method as well as on the expected future cash flows and the growth rate used for extrapolation. As of 31 December 2010, goodwill had a carrying amount of EUR 9,329k (2009: EUR 20,203k). The basic assumptions used to determine the recoverable amount for the individual cash generating units are explained in detail in Notes 1 and 2.

c.) Impairment of investments and associated companies

The Group assesses on each balance sheet date whether there are any indications that the value of its investments carried at fair value might be impaired. Should there be any such indications, the Group calculates the potential impairment requirement by comparing the investment's carrying amount with its fair value.

If the fair value of investments recognised in the balance sheet cannot be determined using data from an active market, it is determined using measurement methods including the discounted cash flow method. The input parameters for the model are based on observable market data to the extent possible. If this is not possible, the determination of the fair values is, to a certain extent, a discretionary decision. The discretionary decisions relate to input parameters such as liquidity risk, default risk and volatility. Changes in the assumptions regarding these factors could have an impact on the stated fair value of the financial instruments.

The fair value of the investment is calculated using valuation techniques as of the balance sheet date. Among other aspects, this requires an estimation of the present value of the expected future cash flows to be generated by the investment, including future cash flows from dividends on the investment and from its final sale.

As of 31 December 2010, the carrying amount of investments was EUR 126k (2009: EUR 24,739k). Further details can be found in Note 4.

As of 31 December 2010, the investments in associated companies reclassified in the financial year had a carrying amount of EUR 8,800k. Further details can be found in Note 5.

d.) Taxes

Uncertainties exist with regard to the interpretation of complex tax regulations, amendments to tax law as well as to the amount of future taxable results and the time at which they arise. In view of the wide spectrum of international business relationships and the long-standing nature and the complexity of existing contractual agreements, it is possible that deviations between the actual results and the assumptions made and/or future changes to such assumptions will, in future, require adjustments to recognised tax income and tax expenses. Based on reasonable estimates, the Group establishes provisions for the possible consequences of tax audits in the countries in which it operates. The amount of such provisions is based on several factors such as experience from past tax audits and different interpretations of tax regulations by the taxable company and the competent tax authority. Such different interpretations may result from a large number of different facts, depending on the conditions prevailing in the country in which the respective Group company is headquartered.

Deferred tax assets are recognised for all unutilised tax losses carried forward to the extent that taxable income is likely to be available so that the losses carried forward can actually be utilised. The determination of the amount of deferred tax assets that may be capitalised requires a material discretionary decision by the management with regard to the expected amount of the future taxable income and the time at which it arises as well as the future tax planning strategies.

For more details on taxes, refer to Note 9.) (7).

Amendment to IFRS 7 – Disclosures about transfers of financial assets

The amendment to IFRS 7 was published in October 2010 and is effective for annual periods beginning on or after 1 July 2011. The amendment requires comprehensive new qualitative and quantitative disclosures about transferred financial assets that were not derecognised and about the existing continued exposure to transferred financial assets as of the reporting date.

IFRS 9 Financial Instruments: Classification and Measurement

The first part of Phase I of the preparation of IFRS 9 Financial Instruments was published in November 2009 and is effective for annual periods beginning on or after 1 January 2013. The standard includes new requirements for the classification and measurement of financial assets. According to these requirements, debt instruments must either be measured at amortised cost or at fair value through profit or loss, depending on their characteristics and the business model. Equity instruments must always be measured at fair value. Value changes in equity instruments may be recognised in other comprehensive income if the entity elected to do so at initial recognition of the financial instrument. In such a case, only certain dividend income is recognised in profit or loss. Financial assets held for trading are an exception in that they must definitely be measured at fair value through profit or loss. The IASB concluded the second part of Phase I of the project in October 2010, when requirements for financial liabilities were added. The existing classification and measurement requirements for financial liabilities are maintained, save for the following exceptions: The effects of changes in the credit risk of financial liabilities designated as at fair value through profit or loss must be recognised in other comprehensive income, and derivatives linked to unquoted equity investments may no longer be recognised at cost. The date of application has remained unchanged (1 January 2013). Enterprises may elect, however, to apply the provisions of the 2009 amendment early and separately from the requirements for financial liabilities. Early application of the requirements for financial liabilities is permitted; in this case, however, they must be applied together with the 2009 amendment. The standard is applied retrospectively.

Completion of this project is expected for mid-2011. The application of the first part of Phase I will have an impact on the classification and measurement of the Group's financial assets. No material impacts on the net asset, financial and earnings positions are expected to arise from the second phase of the project. To present a comprehensive picture of the potential impacts, the Group will quantify the impact only in conjunction with the other phases as soon as these are published.

Amendment to IAS 12 – Deferred Tax: Recovery of Underlying Assets

The amendment to IAS 12 was published in December 2010 and is effective for annual periods beginning on or after 1 January 2012. According to the amendment, deferred tax assets and liabilities for certain assets must be measured based on the assumption that the carrying amount of these assets can be recovered in full through a sale.

2010 improvements to IFRS

The 2010 improvements to IFRS 2010 are a collective standard published in May 2010, which contains amendments to various IFRS. The dates of application and transitional regulations are specified per standard.

4.) Summary of principal accounting policies

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

(1) Business combinations and goodwill

Business combinations on or after 1 January 2010

Business combinations are accounted for using the acquisition method. The cost of an acquisition is the sum total of the consideration, measured at fair value at the acquisition date, and the non-controlling interests in the acquiree. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at their proportionate interest in the net assets of the acquiree. Costs incurred in the context of the business combination are expensed.

A Group acquiring an enterprise assesses the classification and designation of the financial assets and liabilities acquired in accordance with the contractual conditions, the financial situation and the conditions prevailing on the acquisition date.

In the case of step acquisitions, the share in equity previously held by the acquirer is measured at fair value on the acquisition date and the resulting gain or loss is recognised in profit or loss.

The agreed contingent consideration is recognised at the fair value on the acquisition date. Pursuant to IAS 39, subsequent changes in the fair value of contingent consideration that constitutes an asset or liability are recognised either in profit/loss or in other comprehensive income. Contingent consideration classified as equity is not remeasured and its subsequent settlement is recognised in equity.

Upon initial recognition, goodwill is recognised at cost, which is measured as the excess of the transferred total consideration and the amount of the non-controlling interest over the acquired identifiable assets and liabilities of the Group. If this consideration is below the fair value of the net assets of the acquired subsidiary, the difference is stated in the statement of income.

Goodwill resulting from a business combination is measured at cost upon initial recognition. For the purpose of the impairment test, goodwill acquired in the context of a business combination is allocated to those cash generating units of the Group that are expected to benefit from the business combination from the acquisition date. This applies irrespectively of whether other assets or liabilities of the acquiree are allocated to these cash generating units.

When goodwill is allocated to a cash generating unit and a division of this unit is sold, the goodwill that is attributable to the divested division is taken into account in the determination of the result from the divestment of the division as a component of the carrying amount of the division. The value of the divested share of goodwill is determined on the basis of the relative values of the divested division and the remaining part of the cash generating unit.

Business combinations prior to 1 January 2010

The differences between the requirements described above and the method previously used to account for business combinations are described below:

Business combinations were accounted for using the acquisition method. Directly attributable transaction costs formed part of the acquisition cost. The non-controlling interest (formerly called minority interest) was measured at the respective share of the identifiable net assets of the acquiree.

When a business combination occurred in stages, each individual exchange transaction was recognised separately. An additionally acquired interest had no impact on goodwill from the previous exchange transaction.

When the Group acquired an enterprise, the embedded derivatives that were accounted for separately from the host contract by the acquiree were reassessed only if the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would be required under the contract.

Contingent consideration was recognised only when the Group had a present obligation, when it was more likely than not that an outflow of resources embodying economic benefits would be required and when a reliable estimate was possible.

(2) Intangible assets

Intangible assets acquired individually are measured at cost upon initial recognition. The costs of an intangible asset acquired in a business combination are equivalent to its fair value upon acquisition.

Following initial recognition, intangible assets are carried at cost, less accumulated amortisation and accumulated impairment losses.

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

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

Intangible assets with finite useful lives are subject to straight-line amortisation over the period of their economic useful lives and tested 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, 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 at 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.

The following useful lives are assumed for intangible assets:

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

[1] or contractually agreed term

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

Gains or losses on the retirement of intangible assets are measured as the difference between the net sales 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.

(3) Property, plant and equipment

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

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

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

Land is not subject to scheduled depreciation.

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

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

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

(4) Investments in associated companies

The Group's investments in associates are accounted for using the equity method. An associate is a company over which the Group has control.

Under the equity method, the shares in an associate are recognised in the balance sheet at cost plus the changes in the Group's share in the net assets of the associated company. The goodwill related to the associate is included in the carrying amount of the investment and is neither depreciated nor separately tested for impairment.

The income statement contains the Group's share in the associate's result for the period. Changes directly recognised in equity of the associate are recognised by the Group in the amount of its proportionate interest and, if necessary, stated in the statement of changes in equity. Unrealised gains and losses from transactions between the Group and the associated company are eliminated based on its proportionate interest in the associate.

The share in the profit of an associate is shown in the income statement. This is the profit attributable to the shareholders in the associated company and, hence, the profit after taxes and non-controlling interests in the subsidiaries of the associate. The financial statements of the associate are prepared as of the same reporting date as the financial statements of the Group. Adjustments to the Group's standard accounting principles are made if necessary.

Under the equity method, the Group determines whether it is necessary to recognise additional impairment losses for the Group's shares in an associate. At each reporting date, the Group determines whether there are objective indications that the investment in an associate may be impaired.

If this is the case, the difference between the recoverable amount of the investment in the associate and the carrying amount of the share in the result of the associate is recognised as an impairment loss.

When control is lost, the Group measures all shares in the former associate at fair value. Differences between the carrying amount of the investment in the associate at the time control is lost and the fair value of the remaining shares as well as the sales proceeds are stated in the income statement.

(5) Impairment of non-financial assets

At each reporting date, the Group determines whether there are indications of impairment of non-financial assets. If such indications exist or an annual impairment test of an asset is required, the Group performs an estimate of the recoverable amount of the respective asset. The recoverable amount of an asset is the higher of the fair value of an asset or a cash generating unit (CGU) less cost to sell and the value in use. The recoverable amount must be determined for each individual asset unless an asset generates no cash flows that are largely independent of the cash flows of other assets or asset groups. If the carrying amount of a CGU exceeds the recoverable amount, the asset is impaired and is written down to its recoverable amount.

Impairment losses including impairment of inventories are recognised in the expense categories that correspond to the function of the impaired asset.

For assets with the exception of goodwill, a review is made at each balance sheet date as to whether there are any indications that an impairment loss recognised in an earlier reporting period no longer exists or has decreased. If such indications exist, the Group performs an estimate of the recoverable amount of the asset or the CGU. A previously recognised impairment loss is reversed only if the assumptions that were used to determine the recoverable amount have changed. The increased carrying amount due to reversal may exceed neither the recoverable amount nor what the depreciated historical cost would have been if the impairment had not been recognised. The reversal of an impairment loss is recognised in profit or loss.

The following criteria must additionally be taken into account for certain assets:

Goodwill

Goodwill is tested for impairment once a year (as at 31 December). An impairment test is also carried out when there are indications that goodwill may be impaired.

To perform the impairment test, goodwill acquired in a business combination is allocated to those cash generating units or groups of cash generating units of the Group that are expected to benefit from the synergies of the business combination. This applies irrespectively of whether other assets or liabilities of the Group have already previously been allocated to these units or groups. Each unit or group of units to which goodwill is allocated represents the lowest level within the Group at which goodwill is monitored for internal management purposes and is not larger than a segment that is based on the Group's reporting format as defined pursuant to IFRS "Operating Segments".

The impairment is determined by determining the recoverable amount of the cash generating unit (or group of cash generating units) to which goodwill was allocated. If the recoverable amount of the cash generating unit is lower than the carrying amount of this unit, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in subsequent reporting periods.

Intangible assets

Intangible assets with infinite useful lives are tested for impairment once a year on 31 December. Depending on each individual case, the impairment test is performed for the individual asset or at the level of the cash generating unit. An impairment test is also performed when there are indications that the asset may be impaired.

(6) Financial assets

Pursuant to IAS 39, financial assets are allocated to the following categories:
- Financial assets measured at fair value through profit or loss
- Financial investments held to maturity
- Loans and receivables
- Financial assets available for sale.

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

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

a.) Loans granted and receivables

Loans and receivables are non-derivative financial assets involving fixed or determinable payments which are not quoted in an 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.

b.) Financial assets available for sale

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

(7) Impairment of financial assets

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

a.) Assets measured at amortised cost

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

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

b.) Financial assets available for sale

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

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

c.) Retirement of financial assets

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

(8) Derivative financial instruments and hedging transactions

The Group uses derivative financial instruments, especially interest rate swaps, to hedge against interest rate risks. These derivative financial instruments are measured at fair value upon agreement of the contract and are reassessed at fair value in subsequent periods.

Derivative financial instruments are recognised as financial assets when their fair values are positive and as financial liabilities when their fair values are negative. Gains and losses due to changes in the fair value of derivative financial instruments are immediately credited or charged to income, as no proven effective hedging relationships exist.

(9) Taxes on income

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

a.) Actual tax refund claims and tax liabilities

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

b.) Deferred taxes

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

Deferred taxes are recognised for all temporary differences, unless the differences are attributable to
- Initial recognition of goodwill
- Initial recognition of an asset or liability resulting from a transaction that
  a. is not a business combination
  b. does not affect earnings before taxes or taxable income at the time of the transaction being performed.

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

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

Deferred tax assets and liabilities are measured using the tax rates expected to be valid in the period in which the asset is realised or the liability settled. Assets and liabilities are thus based on the tax rates (and tax rules) valid or announced as of the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset against each other when the Group has an enforceable claim for the imputation of actual tax refund claims against actual tax liabilities and when these refer to income taxes at the same taxable entity and are levied by the same tax authority.

(10) Inventories

Pursuant to IAS 2, inventories include those assets that are held for sale in the usual course of business (finished products and merchandise), that are being produced for sale (work in progress) and that are used in production (raw materials and supplies).

Inventories are measured at the lower of cost or net realisable value. The net realisable 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.

(11) Trade receivables

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

Receivables are retired as soon as they become uncollectible.

(12) 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.

(13) 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.

(14) Pensions and similar obligations

a.)Defined contribution plans

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

b.) 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 are 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% of the defined benefit obligation or 10% of the fair value of the plan assets at this time. These gains or losses are realised over the expected average remaining working life of the employees included in the scheme.

The amount recognised as a liability in connection with a defined benefit scheme is the sum of the present value of the defined benefit obligation and the actuarial gains and losses not recognised through profit or loss. The Group had no assets qualifying as plan assets under IAS 19 at the balance sheet date.

(15) Other provisions

a.)General recognition and measurement criteria

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision it has recognised to be reimbursed (e.g. under an insurance contract), the reimbursement is recognised as a separate asset, but only when reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using an interest rate before taxes that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised under interest expenses.

b.) Obligation arising upon termination of employment relationships

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

(16) Financial liabilities

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

(17) Retirement of financial liabilities

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

(18) 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:

a.) Sale of merchandise and products

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

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

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

b.) Interest income

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

(19) Recognition of expenses

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

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

(20) Borrowing costs

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

(21) Share-based payments

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

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

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

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

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

(22) 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.

(23) Foreign currency translation

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

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

(24) Contingent liabilities and assets

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

(25) Events after the balance sheet date

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

5.) Business combinations

(1) 2010 financial year

No business combinations occurred in the 2010 financial year.

(2) 2009 financial year

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

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

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

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

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

The companies acquired made the following contributions to consolidated sales and net income in the 2009 financial year:

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

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

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

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

6.) Notes on segment reporting

(1) Operating segments

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

- retail
- mail order
- wholesale
- entertainment
- holding services.

The entertainment segment comprises online services, such as Internet content, e-commerce and telephony, as well as TV/telemedia services.

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

Transfer prices between operating segments are 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 are eliminated within consolidation.

No operating segments were combined for the purposes of identifying the reportable operating segments.

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

Information about the Group's operating segments for the financial year from 1 January to 31 December 2010 and for the previous year is presented at the end of these notes.

Furthermore, the segment report provides extensive information about geographical segments.

7.) Notes to the consolidated balance sheet

(1) Intangible assets and goodwill

31.12.2009

EUR 000s	Industrial property rights	Rights/ licences	Software	Prepayment made for intangible assets	Goodwill	Total
1 January 2009 (including cumulative amortisation)	40	7,753	3,214	3	15,230	26,240
Additions - acquired externally -	0	3,870	1,719	0	4,973	10,562
Net disposals	0	-288	-1	0	0	-289
Changes in scope of consolidation	0	62	0	0	0	62
Reclassifications	0	3	0	-3	0	0
Impairment losses	0	0	0	0	0	0
Amortisation during financial year	0	-2,514	-1,254	0	0	-3,768
Write-ups	0	0	0	0	0	0
Effect of changes in exchange rates	0	59	0	0	0	59
31 December 2009	**40**	**8,945**	**3,678**	**0**	**20,203**	**32,866**
1 January 2009						
Historic cost (gross carrying amount)	40	20,389	11,740	3	17,855	50,027
Cumulative amortisation and impairment losses	0	-12,636	-8,526	0	-2,625	-23,787
Carrying amount at 1 January 2009	**40**	**7,753**	**3,214**	**3**	**15,230**	**26,240**
31 December 2009						
Historic cost (gross carrying amount)	40	23,386	13,377	0	22,828	59,631
Cumulative amortisation and impairment losses	0	-14,441	-9,699	0	-2,625	-26,765
Carrying amount at 31 December 2009	**40**	**8,945**	**3,678**	**0**	**20,203**	**32,866**

31.12.2010

EUR 000s	Industrial property rights	Rights/ licences	Software	Goodwill	Total
1 January 2010 (including cumulative amortisation)	40	8,945	3,678	20,203	32,866
Additions - acquired externally -	0	4,360	1,108	0	5,468
Net disposals	0	-342	-2	-100	-444
Reclassifications	0	28	5	0	33
Impairment losses	0	-8	-683	-10,874	-11,565
Amortisation during financial year	0	-2,397	-1,288	0	-3,685
Effect of changes in exchange rates	0	80	0	100	180
31 December 2010	**40**	**10,666**	**2,818**	**9,329**	**22,853**
1 January 2010					
Historic cost (gross carrying amount)	40	23,386	13,377	22,828	59,631
Cumulative amortisation and impairment losses	0	-14,441	-9,699	-2,625	-26,765
Carrying amount at 1 January 2010	**40**	**8,945**	**3,678**	**20,203**	**32,866**
31 December 2010					
Historic cost (gross carrying amount)	40	27,075	14,519	22,752	64,386
Cumulative amortisation and impairment losses	0	-16,409	-11,701	-13,423	-41,533
Carrying amount at 31 December 2010	**40**	**10,666**	**2,818**	**9,329**	**22,853**

a.) Impairment of goodwill

Goodwill is allocated to cash generating units (‘CGUs’) for the purpose of assessing its ongoing value.

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

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 is taken of growth rates. The discount rate used for the cash flow forecasts amounts to 10.5% (2009: 7.46%).

If and when required in light of specific circumstances, the net selling price of the cash generating units in the retail segment (stores) is determined in addition to their 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, 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 to third parties and whose rental agreements are to be terminated within the budget period.

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

Goodwill

EUR 000s	2009	2010
Retail	7,884	5,062
Wholesale:		
- Netherlands / Germany	9,702	3,593
- Beate Uhse Max's AB, Sweden	1,389	0
- Lebenslust GmbH, Germany	452	0
Entertainment	534	534
Other	242	140
Total goodwill	**20,203**	**9,329**

b.) Basic assumptions underlying the calculation of the value in use of the cash generating units as of 31 December 2010 and 31 December 2009

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

- Cash flow forecasts
- Gross margins

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

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

The following impairment losses were recognised in the operating segments:

EUR 000s		2009	2010
Retail			
of which:	intangible assets	0	5,457
	plant and office equipment	0	1,463
Wholesale			
of which:	intangible assets	0	3,046
	plant and office equipment	0	2,422
Other			
of which:	intangible assets	0	3,062
	plant and office equipment	0	4
Total impairment losses		**0**	**15,454**

Impairment losses of EUR 15,454k were recognised under selling expenses in the income statement (previous year: EUR 0k).

In addition, retail inventories were written down by EUR 145k, with the write-down recognised in other operating expenses.

b.) Sensitivity of the assumptions made

For the cash generating units "Retail" and "Wholesale Netherlands/Germany", the estimated recoverable amount is equivalent to the carrying amount. Accordingly, a negative change in a material assumption would lead to a further impairment loss. If the discount rate were 1 percentage point higher, with all other factors being equal., this would result in a further impairment loss of EUR 3,487k at the cash generating unit "Wholesale" The impact on the cash generating unit "Retail" would not be material, given that a review of the individual branches would reveal a compensating effect due to such factors as the net realisable value von plant and office equipment.

While a 5% decline in profit resulting from lower sales revenues and/or lower profit margins, with all other factors being equal, would lead to an impairment less of EUR 2,952k, the impact on cash generating unit “Retail” would not be considered material for the reasons discussed above.

(2) Property, plant and equipment

31.12.2009

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

31.12.2010

EUR 000s	Land, leasehold rights and buildings	Technical equipment and machinery	Plant and office equipment	prepayments made and assets under construction	Total
1 January 2010 (including cumulative amortisation)	4,740	201	21,567	161	26,669
Additions - acquired externally -	204	0	2,531	222	2,957
Net disposals	-405	-6	-564	-151	-1,126
Reclassifications	0	6	99	-138	-33
Write-ups	0	0	115	0	115
Impairment losses	-259	0	-3,631	0	-3,890
Depreciation during financal year	-432	-36	-5,175	0	-5,643
Effect of changes in exchange rates	-50	-5	50	-1	-6
31 December 2010	**3,798**	**160**	**14,992**	**93**	**19,043**
1 January 2010					
Historic cost (gross carrying amount)	9,967	583	72,120	161	82,831
Cumulative amortisation and impairment losses	-5,227	-382	-50,553	0	-56,162
Carrying amount at 1 January 2010	**4,740**	**201**	**21,567**	**161**	**26,669**
31 December 2010					
Historic cost (gross carrying amount)	6,911	515	70,533	93	78,052
Cumulative amortisation and impairment losses	-3,113	-355	-55,541	0	-59,009
Carrying amount at 31 December 2010	**3,798**	**160**	**14,992**	**93**	**19,043**

Write-ups of EUR 115k (previous year: EUR 386k) were recognised under other operating income in the income statement. The write-ups in the 2010 financial year involved the reversal of impairment losses previously recognised on plant and office equipment at retail stores.

(3) Other non-current financial assets

EUR 000s	2009	2010
Loan tmc Content Group AG	0	2,291
Deposits	1,077	933
Claims from reinsurance policies	753	876
Other lendings	930	722
Other	423	329
Total	**3,183**	**5,151**

A loan granted to tmc Content Group AG by Beate Uhse AG on 29 September 2005 in an amount of EUR 5,000k was assigned to De Feijter Associates SA, Luxemburg, in February 2008. On 3 May 2010, De Feijter Associates SA Luxemburg retransferred its rights under the loan agreement to Beate Uhse AG. At the time of the transfer, the loan receivables had a value of EUR 5,291k. As of the balance sheet date, the loan receivable to tmc Content Group AG amounted to EUR 4,991k, of which EUR 2,291k is of a long-term nature and EUR 2,700k is due in the short term.

(4) Investments

EUR 000s	2009	2010
Investments in corporations	23,974	126
Investments in commercial partnerships	765	0
Total	**24,739**	**126**

In 2009, the investment in tmc Content Group AG was shown under investments in corporations. Due to the expiring purchase options granted, which were given to a third party, this investment is shown under associated companies in the current fiscal year. For further information, refer to Note 5.

In accordance with IAS 39, financial investments in equity instruments are recognised at cost as their fair value cannot be reliably determined. Only the investment in the commercial partnership was written down in full due to the ongoing losses.

(5) Associated companies

EUR 000s	2009	2010
tmc Content Group AG	0	8,800

On the balance sheet date, Beate Uhse AG continued to hold 11,000,000 shares in tmc Content Group AG. Taking into account the treasury shares held by tmc Content Group AG, this represents an interest of 27.7% (2009: 26.8%).

In September 2007, Beate Uhse AG concluded a purchase and purchase rights agreement concerning the investment held by Beate Uhse AG in tmc Content Group AG. This involved Beate Uhse AG selling 2,000,000 shares in tmc Content Group AG at a price of EUR 2.30 per share. Furthermore, Beate Uhse AG granted the buyers the following purchase options with regard to the shares it holds in tmc Content Group AG: (I) a purchase option for 2,300,000 shares at EUR 2.36 per share within a period of 12 months from 23 October 2007, (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 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. Due to the granting of these option rights, Beate Uhse AG has lost control over tmc Content Group AG, as such option rights must be taken into account when determining whether or not control exists, irrespective of whether the holder of the options actually has such intention and/or the financial resources to exercise the options. The existence of the purchase option means that the acquirers had the possibility to terminate Beate Uhse AG's control over tmc Content Group AG at any time, should Beate Uhse AG not exercise its control in accordance with the interests of the acquirers. Accordingly, the shares were accounted for as financial assets in accordance with IAS 39 until 31 December 2009.

None of the options had been exercised by the end of the exercise period in October 2010, which means that Beate Uhse AG regained control over tmc Content Group AG. Accordingly, the investment in the associated company was accounted for using the equity method as of 31 December 2010.

The table below summarises the financial information of tmc Content Group AG:

EUR 000s	2009	2010
ASSETS		
Non-current assets	45,595	23,887
Current assets	4,178	8,805
Total assets	49,772	32,692
LIABILITIES		
Equity	33,927	20,947
Current liabilities	15,129	7,830
Non-current liabilities	717	3,915
Total liabilities	49,772	32,692
INCOME STATEMENT		
Sales	17,133	12,621
Net income	-8,894	-12,387

As the market for the shares in tmc Content is not active due to continued extremely low transaction values and since reference to recent transactions is therefore not possible, the fair value was determined using a valuation survey based on the DCF method. Accordingly, the fair value amounted to EUR 8,800k as of the balance sheet date (previous year: EUR 23,830k).

The pro-rated loss in tmc for the 2010 financial year was recognised in an amount of EUR -2,745k. In addition, an impairment loss of EUR 12,285k was recognised.

a.) Basic assumptions underlying the calculation of the fair value

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

- Cash flow forecasts
- Discount rate

Cash flow forecasts

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

Discount rate

The discount rates reflect the management's assessment of the specific risks attributable to the individual cash generating units. The discount rates for the individual cash generating units were derived on the basis of weighted average costs of capital at comparable companies (peer group). The discount rate underlying the valuation amounted to 10.5% as of 31 December 2010 (previous year: 6.9%).

(6) Inventories

EUR 000s	2009	2010
Merchandise	37,732	30,976
Raw materials and supplies	793	850
Advance payments for inventories	281	253
Goods in transit	314	198
Unfinished products	65	66
Total	**39,185**	**32,343**

Write-downs of EUR 1,384k to the lower net realisable value were recognised under cost of sales in the 2010 financial year (previous year: EUR 4,036k). In addition, inventories were written down by EUR 145k and the write-down was recognised in other operating expenses as a result of the impairment test.

(7) Other current financial assets and other assets

EUR 000s	2009	2010
VAT credits	350	1,109
Loan tmc Content Group AG	0	2,700
Accrued income	1,364	1,060
Suppliers with debit balances	1,081	631
Other receivables	558	582
Other lendings	3,163	533
Deposits	210	3
Other	177	9
Total	**6,903**	**6,627**

In accordance with the agreement with tmc Content, a partial repayment of EUR 2,700k was made in February 2011. The remaining loan amount is to be repaid in two instalments by July 2013.

For further details of the loan receivables towards tmc Content Group AG, please refer to the information on other non-current financial assets in these notes.

(8) Cash and cash equivalents

EUR 000s	2009	2010
Credit balances at banks	3,662	3,456
Cheques	3,308	929
Cash holdings	292	212
Total	**7,262**	**4,597**

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 purpose 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 78,074,696.00. It is divided into 78,074,696 individual bearer shares with a nominal value of EUR 1.00 each.

The changes in the Group's equity are presented in the statement of changes in shareholders' equity.

Shares in circulation

	Shares/Number
Number of ordinary shares	70,984,696
Treasury stock as of 1 January 2009	-281,221
Shares in circulation as of 1 January 2009	70,703,475
Increase in number of ordinary shares due to capital increase on 1 April 2009	7,090,000
Treasury stock returned in 2009 financial year	-12
Shares in circulation as of 31 December 2009	
Sale of treasury stock in the 2010 financial year	2
Shares in circulation as of 31 December 2010	**77,793,465**

(10) Authorised capital

Based on a resolution adopted by the Annual General Meeting on 16 June 2008, the Management Board is authorised until 31 May 2013, subject to approval by the Supervisory Board, to increase the share capital by up to a total of EUR 35,492,348.00 by issuing new shares in return for cash or non-cash contributions on one or several occasions (Authorised Capital).

Following the execution of the capital increase by 7,090,000 shares resolved in February 2009 in connection with the acquisition of the Playhouse Group, the remaining authorised capital amounts to EUR 28,402,348.00.

(11) Conditional capital

a.) 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 conditional capital increase is only to be executed by issuing up to one million new bearer shares with a par value of EUR 1.00 each and with profit entitlement from the beginning of the financial year in which they are issued and only in order to redeem subscription rights granted within the share option plan of Beate Uhse AG. The conditional capital increase is only to be executed to the extent that bearers of option rights issued within the Beate Uhse AG share option plan on the basis of the authorisation granted by the Annual General Meeting on 17 June 2002 exercise their option rights and that the option rights are not satisfied by granting treasury stock. As of 31 December 2010, 463,667 option rights of EUR 1.00 each were outstanding.

b.) 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 par value of EUR 1.00 each. The conditional capital increase is only to be executed to the extent that the bearers/creditors of convertible or warrant bonds of Beate Uhse AG or direct or indirect majority shareholdings of Beate Uhse AG pursuant to section 16 (1) and (4) of the German Stock Corporation Act (AktG) to be issued by 20 June 2010 exercise their conversion and option rights or to the extent that the bearers/creditors of convertible bonds of Beate Uhse AG or of direct or indirect majority shareholdings of Beate Uhse AG pursuant to section 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.

The conditional capital has not been used and no convertible or warrant bonds have been issued so far. As it has become void due to expiry, the Management Board and the Supervisory Board have proposed to eliminate the existing conditional capital 2 and to create new conditional capital 2.

Based on a resolution adopted by the Annual General Meeting on 29 November 2010, the share capital of the company is conditionally increased by up to 35,000,000 new bearer shares with a par value of EUR 1.00 (conditional capital 2). The conditional capital increase serves to exercise conversion and/or option rights granted under the authorisation of the Annual General Meeting of 29 November 2010 pursuant to agenda item 5 1). The new shares are issued at the conversion or option price to be determined in accordance with the above resolution. The conditional capital increase is only to be executed to the extent that the bearers/creditors of convertible or warrant bonds of Beate Uhse AG or companies in which Beate Uhse AG directly or indirectly holds a majority shareholding pursuant to section 16 (1) and (4) of the German Stock Corporation Act (AktG) to be issued by 28 November 2015 exercise their conversion and option rights or to the extent that the bearers/creditors of convertible bonds of Beate Uhse AG or companies in which Beate Uhse AG directly or indirectly holds a majority shareholding pursuant to section 16 (1) and (4) of the German Stock Corporation Act (AktG) to be issued by 28 November 2015 who are obliged to convert such bonds actually fulfil such conversion obligations unless other forms of fulfilment are used. The shares are entitled to profit from the beginning of the previous financial year provided that they are issued before the beginning of the company's ordinary Annual General Meeting, otherwise from the beginning of the financial year in which they are issued. The Management Board is authorised to define the further details of the issue and the type of the shares.

To this day, the conditional capital increase described above has not been entered in the Commercial Register of the Flensburg district court and is therefore not effective yet.

(12) Treasury stock at cost of acquisition

Upon the stock market flotation, treasury stock was already acquired on 27 May 1999 for the purpose of sale to business partners and customers on the basis of an authorisation adopted at that time by an Annual General Meeting.

Further treasury stock was acquired in December 2001 and January 2002 for the purpose of acquisitions in full or in part, cross-shareholdings or other steps relating to the company's strategic development.

Pursuant to the resolution adopted by the Annual General Meeting on 20 June 2005, Beate Uhse AG was entitled until 19 December 2007 to acquire treasury stock up to an amount of 10% of the company's share capital. The authorisation to acquire treasury stock had subsequently been renewed annually by resolution of the Annual General Meeting, most recently on 16 June 2009. There has been no further renewal since.

The table below shows the changes in the holdings of treasury stock: see table below

(13) Capital reserve

Following the execution of the capital increase by 7,090,000 shares at a nominal value of EUR 1.00 each resolved in February 2009 in connection with the Playhouse Group acquisition, the difference between the nominal value and the market price of EUR 0.63 on 1 April 2009 (acquisition date), amounting to EUR -2,623k, was offset against capital reserves.

Furthermore, the capital reserve also includes the carrying amount of obligations to employees of the Beate Uhse Group in connection with share-based payments.

	Treasury stock (Number)	Share in share capital (%)	Cost of acquisition (EUR 000s)
Balance at 1 January 2009	281,221	0,396	3,463
Addition	12		0
Balance at 31 December 2009	281,233	0,360	3,463
Disposal	2		0
Balance at 31 December 2010	**281,231**	**0,360**	**3,463**

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

The weighted average remaining contractual term for the share options outstanding as of 31 December 2010 was 1.514 years (2009: 1.625 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 equity-settled share options granted is calculated by simulation upon allocation by means of a programme internally adapted to the agreed strategy (Monte Carlo model). A geometric Brownian process also based on the Black-Scholes model is assumed for the underlying movements in the share price.

As the lockup period for all options granted expired on 31 December 2008, no expenses were incurred in connection with share-based payments in the 2010 and 2009 financial years. No cash-settled share-based payments were granted.

As in the previous year, the share-based payment included in the capital reserve had a carrying amount of EUR 792k as of 31 December 2010.

(14) Type and purpose of other reserves

a.) Revenue reserves

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

b.) Balancing item for currency translation

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

(15) Pensions and similar obligations

a.) 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.

EUR 000s	**2009**		**2010**	
	Options	**WAEP [1]**	**Options**	**WAEP [1]**
Outstanding at beginning of reporting period	787.244	9,50	596.390	9,00
Granted in reporting period	0	0	0	0
Lapsed in reporting period	-190.854	11,06	-132.723	11,11
Outstanding at end of reporting period	596.390	9,00	463.667	8,40
Exercisable at end of reporting period	596.390	9,00	463.667	8,40

[1] weighted average exercise price

The Beate Uhse Group's Dutch employees are members of a pension plan managed by an external fund. The Dutch arm of the Beate Uhse Group is obliged to pay a certain payroll percentage into the pension plan. The Group's liability in respect of this pension plan is confined to paying these predetermined contributions; the Group is not liable for any actuarial results incurred by the external fund.

Expenses of EUR 1,930k were recognised in the consolidated income statement in connection with this defined contribution plan (previous year: EUR 2,088k). In line with the allocation of the beneficiaries, these expenses were recognised under cost of sales, selling expenses and administrative expenses.

b.) Defined benefit plans

The following tables present the components of the expenses for pension payments recognised in connection with defined benefit plans in the consolidated income statement and the amounts recognised in the consolidated balance sheet for the respective plans. The amounts shown under Beate Uhse AG include the expenses of the subsidiaries, Beate Uhse Einzelhandels GmbH and Versa Distanzhandel GmbH.

Pension expenses recognised in the consolidated income statement:
Pension expenses are recognised in the consolidated income statement under cost of sales, selling expenses and administrative expenses in line with their allocation to the employees thereby entitled.

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

The amount is presented in the balance sheet as follows:

EUR 000s	2009	2010
Current debt	266	268
Non-current debt	3,903	3,685
Total	**4,169**	**3,953**

	Beate Uhse AG		ZBF GmbH		Total	
EUR 000s	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**
Current service cost	-3	-3	0	0	-3	-3
Interest expenses	-187	-169	-35	-36	-222	-205
Recognised actuarial gains / losses	0	158	41	0	41	158
Total	**-190**	**-14**	**6**	**-36**	**-184**	**-50**

	Beate Uhse AG		ZBF GmbH		Total	
EUR 000s	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**
Present value of defined benefit obligation	3,240	3,412	681	784	3,921	4,196
Unrecognised actuarial gains / losses	222	-181	26	-62	248	-243
Liabilities from defined benefit obligation recognised in balance sheet	**3,462**	**3,231**	**707**	**722**	**4,169**	**3,953**

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

	Beate Uhse AG		ZBF GmbH		Total	
EUR 000s	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**
1 January	3,515	3,462	712	707	4,227	4,169
Current service cost	3	3	0	0	3	3
Interest expenses	186	169	36	36	222	205
Actuarial losses /gains	0	-159	-41	0	-41	-159
Benefits paid	-242	-244	0	-21	-242	-265
31 December	**3,462**	**3,231**	**707**	**722**	**4,169**	**3,953**

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

	2009	**2010**
Interest rate	5.4%	4.55%
Growth in salaries and vested claims	0.0%	0.00%
Pension adjustment rate	2.0%	2.00%
Inflation rate	2.0%	2.00%
Personnel turnover	5.0%	Mercer-specific tables
Retirement age:		
Men	62 or 63	62 or 63
Women	62 or 63	62 or 63
ZBF GmbH individual commitments	65	65
Invalidity or death	Heubeck tables 2005G	Heubeck tables 2005G

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

EUR 000s	**2006**	**2007**	**2008**	**2009**	**2010**
Present value of defined benefit obligation	4,687	4,108	3,957	3,921	4,196
Unrecognised actuarial losses / gains	-388	197	270	248	-243
Liabilities from defined benefit obligations recognised in balance sheet	**4,299**	**4,305**	**4,227**	**4,169**	**3,953**

(16) Other provisions (non-current)

EUR 000s	1 January 2010	Added	Utilised	Reversed	31 December 2010
Part-time early retirement	95	54	47	0	102
Dismantling obligations at retail stores	1,296	40	167	0	1,169
Anniversary provision	126	40	4	0	162
Pending losses on existing agreements	270	106	191	0	185
Total	**1,787**	**240**	**409**	**0**	**1,618**

(17) Other financial debt (non-current)

EUR 000s	2009	2010
Trade payables	0	1,505
Fair value of interest rate swaps	935	709
Miscellaneous	142	92
Total	**1,077**	**2,306**

The slightly higher interest rates compared to the end of the previous year and the expiry of two payer swaps at the end of April 2010 (2009 market value: EUR -77k) led to a decline in negative market values.

(18) Other financial debt (current)

EUR 000s	2009	2010
Customer overpayments	1,899	2,385
Wages and salaries	1,960	1,959
VAT liabilities	3,205	1,855
Invoices outstanding	2,729	1,168
Prepayments received	833	1,149
Returned goods	780	769
Postage	400	699
Payroll and church tax	780	544
Social security contributions	346	481
Annual accounts costs	247	311
Rents and energy costs	161	299
Compensation for damages	0	250
Customers with credit balances	278	221
Legal fees	80	151
Compensation	66	89
Liabilities to closely related companies	1,377	30
Miscellaneous	1,060	1,193
Total	**16,201**	**13,553**

(19) Other provisions (current)

EUR 000s	1 January 2010	Added	Utilised	Reversed	31 December 2010
Compensation	310	1,704	299	11	1,704
Turnover tax on video booths of previous years	885	0	0	0	885
Indexing of rents	252	116	12	0	356
Pending losses on existing agreements	106	213	96	0	223
Film promotion duty	191	0	36	0	155
Litigation expenses	24	75	14	0	85
Part-time early retirement	62	6	0	0	68
Damages payments	0	11	0	0	11
Total	**1,830**	**2,125**	**457**	**11**	**3,487**

(20) Loans and security

EUR 000s	2009	2010
Interest bearing loan		
thereof short-term	29,578	871
thereof long-term	5,144	4,256
Overdraft liabilities	2,025	34,069
Total	**36,747**	**39,196**

The syndicated loan of 4/5 February 2005 was refinanced with credit agreements for EUR 40.8 million in May 2010. Three lenders make available an amount of EUR 15.8 million to Beate Uhse AG to fund the German operations of the Beate Uhse Group:

Deutsche Postbank AG	EUR 7.0 million credit line
Nord-Ostsee Sparkasse	EUR 5.3 million credit line / amortising loan
Investitionsbank Schleswig-Holstein	EUR 3.5 million amortising loan

To fund the Dutch operations of the Beate Uhse Group, ING Bank N.V. has granted a credit volume of EUR 25 million to Beate Uhse B.V., which consists of a credit line (EUR 15 million) and an amortising loan (EUR 10,0 million) with a 50% guaranty by a public entity.

As of 31 December 2010, an amount of EUR 34.5 million was drawn under the loans, which declined to EUR 36.9 million due to repayments in 2010. The drawings consisted of overdraft facilities and amortising loans (EUR 33.4 million) and credits by way of bank guarantees (EUR 1.1 million).

The new loans were granted on the basis of securities and are subject to fulfilment of various conditions and financial covenants.

The securities comprise the joint and several liability/pledge of material subsidiaries, land charges, assignment of claims, assignment of inventories, pledge of trademark/name rights and investments as well as assignment of loan receivables of Beate Uhse AG.

The financial covenants, which must be determined at the end of each quarter, beginning on 30 June 2010, included lower/upper limits, primarily for the EBITDA margin, the margin, the dynamic debt-to-average ratio and the debt service coverage ratio as well as the equity ratio.

Due to the decline in the Group's sales revenues and earnings, the Group was unable to comply with the financial covenants agreed with the banks as of 30 June, 30 September and 31 December 2010. The suspension of these financial covenants was therefore agreed with all lending banks, which means that the credit agreements cannot be terminated for the time being.

Against this background, the mostly long-term loans are shown as current liabilities to bank.

With regard to the refinancing and the significant reduction in debts in April 2011, please refer to the information provided under “Events after the balance sheet date” in these notes.

Besides the liabilities to banks, the following material credit obligation existed as of 31 December 2010:

- EUR 5,090k, of which EUR 4,22k is of a long-term nature; credit agreement with monthly repayments between Pabo B.V. and KBC (Nederland) BV.

(21) Objectives and methods of financial risk management

Apart from derivative financial instruments, the principal financial instruments used by the Group comprise bank loans, overdraft facilities, cash and short-term deposits. 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 enters into derivative transactions. In particular, these include interest rate 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.

The Group has a policy of not trading in financial instruments. The Group’s principal risks in connection with financial instruments involve interest-rate-related cash flow risks, liquidity risks, foreign currency risks and default risks. The company management monitors the risks depicted below within the framework of the Group-wide risk early identification system.

a.) Interest rate risk

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

Overview of interest rate risk

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

	Increase / reduction	Impact on earnings before taxes	
		2009	2010
	in basis points	EUR 000s	EUR 000s
EUR	100	-303	-344
EUR	-100	303	344

Interest rate swaps

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

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

Had the interest rate level as of 31 December 2010 been 100 basis points higher, this would have resulted in a negative fair value totalling EUR 415k. This would have led to a write-up of EUR 443k in the 2009 financial year, which would have been recognised through profit or loss.

Had the interest rate level as of 31 December 2010 been 100 basis points lower, this would have resulted in a negative market value totalling EUR 1,021k. This would have led to a loss in value of EUR 163k in the 2010 financial year, which would have been recognised through profit or loss.

b.) Foreign currency risk

The Group is exposed to foreign currency risks mainly resulting from the procurement of merchandise in currencies other than its own. As of 31 December 2010, the Group had not hedged any currency risks associated with payment obligations.

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

	Change in foreign currency exchange rate to 1 euro	Impact on earnings before taxes		Impact on shareholders' equity	
		2009	**2010**	**2009**	**2010**
USD	+ 10%	119	76	85	54
	- 10%	-146	-92	-104	-65
HUF	+ 10%	5	3	3	2
	- 10%	-6	-4	-4	-3
GBP	+ 10%	-70	7	-50	5
	- 10%	86	-9	61	-6
Total	**+ 10%**	**54**	**86**	**38**	**61**
	- 10%	**-66**	**-105**	**-47**	**-74**

c.) Credit and default risk

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

Maturities of trade receivables

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

EUR 000s	0 days	< 30 days	< 60 days	> 60 days	Total
31 December 2009	7,038	12,503	4,203	25,816	49,560
Individual allowance	0	0	0	-15,980	-15,980
Total	**7,038**	**12,503**	**4,203**	**9,836**	**33,580**
31 December 2010	6,831	3,460	2,071	23,967	36,329
Individual allowance				-14,183	-14,183
Total	**6,831**	**3,460**	**2,071**	**9,784**	**22,146**

The table below shows the changes in the allowance account:

EUR 000s	Individual allowances
Balance at 1 January 2009	18,337
Added	7,707
Utilised	-10,064
Reversed	0
Balance at 31 December 2009	**15,980**
Balance at 1 January 2010	15,980
Added	7,149
Utilised	-9,726
Reversed	780
Balance at 31 December 2010	**14,183**

Loans are generally only granted within the respective financing group (German sub-group or Dutch sub-group). One exception involves loans granted for merchandise provision or inventory sales.

Beate Uhse Einzelhandels GmbH has granted instalment loans totalling EUR 243k (previous year: EUR 358k) to twelve licensing partners for merchandise deliveries and the takeover of inventories.

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 388k as of 31 December 2010 (previous year: EUR 132k).

Beate Uhse AG has provided a guarantee for an unlimited period to Nord-Ostsee Sparkasse in respect of a loan of EUR 3 million granted to tmc Content Group AG.

d.) Liquidity risk

When the follow-up financing agreements were signed in May 2010, the Group was financially divided into two sub-Groups, i.e. “Germany” and “Netherlands”. Within these sub-Groups, liquidity is ensured with the help of cash pooling systems and central cash management in the respective Treasury Departments. Central investment and credit management structures ensure that the financial funds (loans/leasing/rent) required to meet all payment obligations are available in good time.

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

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

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

EUR 000s 31 December 2009	Maturing daily	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest-bearing loans						
- Amortising loans	0	218	653	4,010	246	5,127
- Interest payments[1)]	5	71	190	521	2	789
- Overdraft facilities	34,069	0	0	0	0	34,069
Trade payables	21,992	0	0	0	0	21,992
Other financial liabilities	13,553	0	0	0	0	13,553
Financial derivatives	0	0	0	414	295	709

[1)] Given that Beate Uhse failed to meet the financial covenants in the originally long-term credit agreements before the reporting date, the liabilities are classified as current. The Management Board assumes, however, that the loans will remain available to Beate Uhse. The actual interest payments will depend on the future repayments and interest rate trends. Based on the conditions prevailing on the balance sheet date, the agreed variable interest rates lead to expected future interest payments of EUR 1,345k p.a.

e.) Market risk

As of the balance sheet date, the shares in tmc Content Group AG held by Beate Uhse AG had a carrying amount of EUR 8,800k (2009: EUR 23,800k). The Management Board continues to be of the opinion that the market value cannot be taken as a valuation benchmark, as the market for shares of tmc Content Group AG is not active. Compared to other shares, the trading volume of these shares is extremely low. The shares are traded very rarely and not on a daily basis. The Management Board did therefore not use the stock market price but used a valuation model instead. As of the balance sheet date, the shares had a market value of EUR 3,300k (2009: EUR 2,400k).

f.) Capital management

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

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

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

EUR 000s	31.12.2009	31.12.2010
Interest-bearing loans	36,747	39,196
Trade payables	17,002	21,922
Other financial liabilities	17,278	15,859
less cash and cash equivalents	-7,262	-4,597
Net financial liabilities	63,765	72,380
Shareholders equity	100,845	33,563
Total equity and		
Net financial liabilities	**164,610**	**105,943**
Liabilities/equity ratio	38,70%	68,3%

(22) Financial instruments

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

EUR 000s		Balance sheet value (IAS 39)			
	Carrying amount 31.12.2009	Amortised cost	Fair value in equity	Fair value to profit and loss	**Fair value 31.12.2009**
Assets					
Financal assets					
Other non-current financial assets	3,183	3,183	-	-	3,183
Investments	24,739	909	23,830[1)]		24,739
Trade receivables	33,580	33,580	-	-	33,580
Other current financial assets and other assets	6,903	6,903	-	-	6,903
Liabilities					
Financal liabilities					
Interest-bearing loans (non-current)	5,144	5,144	-	-	5,144
Other non-current financial liabilities	1,077	142	-	935	1,077
Interest swaps	935	-	-	935	935
Trade payable	17,002	17,002	-	-	17,002
Other current financial liabilities	16,201	16,101	-	100	16,201
Overdraft liabilities	2,025	2,025	-	-	2,025
Interest-bearing loans (current)	29,578	29,578	-	-	29,578

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

The table below provides a comparison of the carrying amounts and fair values of the financial instruments of the Group recognised in the balance sheet as of 31 December 2010.

EUR 000s		**Balance sheet value (IAS 39)**			
	Carrying amount 31.12.2010	Amortised cost	Fair value in equity	Fair value to profit and loss	**Fair value 31.12.2010**
Assets					
Financal assets					
Other non-current financial assets	5,151	5,151	-	-	-5,151
Investments	126	126		-	-126
Trade receivables	22,146	22,146	-	-	-22,146
Other current financial assets and other assets	6,627	6,627	-	-	-6,627
Liabilities					
Financal liabilities					
Interest-bearing loans (non-current)	4,256	4,256	-	-	4,256
Other non-current financial liabilities	2,306	1,597	-	709	2,306
Interest swaps	709	-	-	709	709
Trade payable	21,992	21,992	-	-	21,992
Other current financial liabilities	13,553	13,553		-	13,553
Overdraft liabilities	34,069	34,069	-	-	34,069
Interest-bearing loans (current)	871	871	-	-	871

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

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

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

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

During the reporting period ended 31 December 2010, there were no reclassifications between Level 1 and Level 2 measurements at fair value and no reclassifications to or from Level 3 measurements at fair value.

a.) Interest rate risk

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

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

Financial year as of 31 December 2009

Fixed interest (EUR 000s)	**Up to 1 year**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**More than 5 years**	**Total**
Amortising loans	838	870	914	966	1,021	1,342	5,951
Payer swaps	0	0	642	0	0	293	935
Floating interest rate (EUR 000s)							
Cash and short-term deposits	-7,262	0	0	0	0	0	-7,262
Syndicated loan	28,724	0	0	0	0	0	28,724
Overdraft facilities	2,025	0	0	0	0	0	2,025
Amortising loans	16	16	15	0	0	0	47

Financial year as of 31 December 2010

Fixed interest (EUR 000s)	**Up to 1 year**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**More than 5 years**	**Total**
Amortising loans	871	944	966	1,021	1,079	246	5,127
Payer swaps	0	402	0	0	12	295	709
Floating interest rate (EUR 000s)							
Cash and short-term deposits	-4,597	0	0	0		0	-4,597
Overdraft facilities	34,069	0	0	0	0	0	34,069

b.) Financial guarantees

The Group had the following financial guarantees as of 31.12.2010:

No. (EUR 000s)	Guarantor	Initial value	Nominal value	
			2009	2010
1	Beate Uhse AG	5,000	4,250	3,000
Total		**5,000**	**4,250**	**3,000**

On the basis of a deed of suretyship dated 4/9 June 2010 (originally 29 December 2006), Beate Uhse AG provided an unlimited accessory guarantee to Nord-Ostsee Sparkasse, Schleswig. The guarantee serves to secure a loan at tmc Content Group AG. The loan amount drawn down by tmc Content Group AG as of 31 December 2010 amounted to EUR 3,000k (previous year: EUR 4,250k).

No claims are expected to be made on the company in connection with this guarantee, as tmc Content Group AG has fulfilled its scheduled repayment obligations in line with the relevant contractual arrangements.

c.) Hedge transactions

Cash flow hedges

Ineffective interest rate swaps
As of 31 December 2010, the Group had six payer swaps with a total value of EUR 27,414k to secure loan obligations with floating interest rates against any interest rate increases. The fair value of these swaps is as follows:

EUR 11,852k with terms until March/April/June 2012; fair value: EUR -402k

EUR 15,562k with terms until February 2015 / March 2016; fair value: EUR -307k

A write-up of EUR 238k compared with 31 December 2009 was recognised through profit or loss in the 2010 financial year in connection with ineffective interest rate swaps.

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

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

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

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

Net gains/losses on financial instruments

EUR 000s	31 Dec. 2009	31 Dec. 2010
Financial instruments available for sale	-1,040	0
Derivative financial instruments	-317	238
Total	**-1,357**	**238**

23.) Lease obligations

a.) Operating leases

The Group has concluded leasing agreements for various items of property, technical equipment and plant and office equipment.

The following principal agreements were in place as of the balance sheet date.

Since 1 July 2003, the building at Rondebeltweg 2 in 1329 BA Almere, Netherlands, has been let from Immo Almere B.V., Netherlands, by Scala Agenturen B.V., Netherlands. This building houses the central ware-house of the Group’s wholesale segment. The letting agreement has a term of 20 years, with a net rent of EUR 950k per annum. Following expiry of the rental period, the letting agreement may be extended by a further 10 years. The rent is indexed on an annual basis starting on 1 July 2004.

The Group's central mail order warehouse in Walsoordenstraat 72, Walsoorden, has been let from Duinweg Investeringmij B.V. since June 2007. The rental agreement began on 15 June 2007 and runs up to and including 14 June 2027. Following expiry of the letting term, there is the option of extending the agreement by a further 5 years. The initial net rent for the property amounts to EUR 1,651k per annum. The rent is indexed on an annual basis, and for the first time on 15 July 2008.

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

EUR 000s	2009	2010
Within one year	2,742	2,787
Between one and five years	10,970	11,150
More than five years	30,118	27,817
Total	**43,830**	**41,754**

(24) Other financial obligations

Other financial obligations (including non-terminable operating lease obligations) were structured as follows as of 31 December 2010:

As of the balance sheet date, there were claims of EUR 6,390k in connection with non-terminable subletting agreements (previous year: EUR 8,818k).

Payments of EUR 2,606k were recognised in the period under report in connection with subletting agreements (previous year: EUR 2,690k).

(25) Contingent liabilities

The Group had the following contingent liabilities:

EUR 000s	2009	2010
Contingent liabilities relating to guarantees	4,250	3,000
Total contingent liabilities	**4,250**	**3,000**

The risk of claims being raised under the contingent liability of EUR 3 million is regarded as not likely. This contingent liability declined to EUR 1 million after the balance sheet date in January 2011.

EUR 000s	2011	2012	2013	2014	2015 and later	Total	Previous year Total
Rental for premises / fittings	13,773	12,489	10,929	9,428	37,613	84,232	125,683
Guarantee fees / interest expenses	21	17	15	11	9	73	99
Services/third-party services	428	0	0	0	0	428	452
Licence fees	0	0	0	0	0	0	459
Servicing / cleaning / maintenance	381	189	180	179	8	937	1,292
Advisory expenses	112	15	15	15	15	172	216
Miscellaneous	1,345	23	21	19	17	1,425	1,892
Total	**16,060**	**12,733**	**11,160**	**9,652**	**37,662**	**87,267**	**130,093**

8.) Notes to the consolidated income statement

(1) Sales

EUR 000s	2009	2010
Merchandise	191,248	166,068
Mail order charges	11,838	10,981
Online sales	7,128	6,203
Value added telephone services	7,094	4,386
Cinema	3,304	2,839
Video cabins	3,043	2,060
Address rental	1,114	1,008
Licences	2,351	981
Games machines	32	19
Miscellaneous	3,542	3,156
Total	**230,694**	**197,701**

(2) Cost of sales

EUR 000s	2009	2010
Goods and material employed	80,004	75,849
Personnel	8,035	7,800
Depreciation and amortisation	2,510	2,332
Third-party services	2,112	1,118
Other taxes	321	260
Postage	164	167
Miscellaneous	4,147	2,930
Total	**97,293**	**90,456**

(3) Other operating income

EUR 000s	2009	2010
Dunning revenues	4,630	6,482
Rental income	3,732	3,223
Derecognition of customer credit balances	1,000	1,519
Reduction in allowance	18	780
Exchange differences	917	587
Income on sale of non-current assets	74	0
Miscellaneous	2,516	1,498
Total	**12,887**	**14,089**

(4) Selling expenses

EUR 000s	2009	2010
Advertising	44,234	40,683
Personnel	22,196	23,463
Premises	16,898	16,088
Postage, freight	12,646	13,200
Bad debt losses		5,839
Depreciation and amortisation	3,987	4,000
Allocation to allowance	447	7,149
Third-party services	1,176	1,718
Travel	887	916
Non-period and neutral expenses	847	1,988
Miscellaneous	3,970	2,481
Total	**114,274**	**117,525**

(5) General administrative expenses

EUR 000s	2009	2010
Personnel	10,657	12,025
Legal and advisory expenses	3,491	4,415
Premises	3,871	3,886
Depreciation and amortisation	2,842	3,762
Costs of money transactions	953	1,374
Maintenance, fittings and repairs	848	597
Travel expenses	606	833
Third-party services	497	597
Insurances, contributions and fees	627	578
Equipment rental	368	348
Miscellaneous	2,339	2,871
Total	**27,099**	**31,286**

(6) Net interest expenses

EUR 000s	2009	2010
Income from financial derivatives (interest rate swaps)	24	362
Income from lendings	74	270
Income from tax refunds	76	42
Miscellaneous	54	120
Finance income	**228**	**794**
Expenses for interest-bearing loans	-2,135	-1,565
Expenses for financial derivatives (interest rate swaps)	-461	-689
Miscellaneous	-398	-244
Finance expenses	**-2,994**	**-2,498**
Net interest expenses	**-2,766**	**-1,704**

The income from financial derivatives includes a one-time effect of EUR 240k resulting from the write-up in the payer swaps as compared to the previous year.

(7) Taxes on income

The principal components of income tax expenses for the 2009 and 2010 financial years are structured as follows:

EUR 000s	2009	2010
Consolidated income statement		
Actual taxes on income		
Income tax refunds	-2,334	-774
Actual income tax expenses	0	1,553
Adjustments to actual income taxes incurred in previous years	-141	51
	-2,475	**830**
Deferred income taxes	**466**	**6,004**
Income tax expenses recognised in the consolidated income statement	**-2,009**	**6,834**

a.) Transition from expected tax expenses to tax expenses recognised

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

The reconciliation from the product of earnings stated in the financial statements and the applicable tax rate of the Group and the income tax expenses for the 2009 and 2010 financial years is structured as follows: see next page.

EUR 000s	2009	2010
Earnings before income tax	-69	-60,748
Expected tax income/expenses (28,95 percent)	**20**	**17,587**
Unrecognised tax losses in current year	-1,644	-11,392
Utilisation of tax loss carryforwards	1,161	0
Value adjustments to deferred tax assets capitalised in previous years	-548	-6,427
Tax payment previous year	0	-51
Tax refunds for previous years	2,780	774
Effects of non-tax-effective impairment of goodwill and investments	0	-7,431
Effects of company expenses not deductible for tax purposes	-57	-52
Deviating tax rates in other countries	-154	-54
Other items	451	212
Total transaction to group tax result	**1,989**	**-24,421**
Income tax recognised in the consolidated income statement	**2,009**	**-6,834**

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

	Consolidated balance sheet		Consolidated income statement	
EUR 000s	**2009**	**2010**	**2009**	**2010**
Deferred income tax liabilities				
Rights and licenses	388	221	58	167
Loan transaction expenses	47	77	131	-30
Tenant fixtures	0	0	122	0
Other	7	55	25	-48
Deferred income tax liabilities recognised	**442**	**353**	**336**	**89**
Deferred income tax assets				
Tax loss carry-forwards	1,627	336	-548	-1,291
Elimination of intercompany profits	773	602	-263	-171
Measurement of provisions	186	0	-96	-186
Goodwill from supplementary balance sheet	2,019	0	-250	-2,019
Measurement of pension obligations	298	262	17	-36
Catalogue expenses	1,216	0	-370	-1,216
Fair value measurement of interest swaps	271	0	92	-271
Carrying amounts of plant and office equipment	821	0	821	-821
Other	93	12	-205	-82
Deferred income tax assets recognised	**7,304**	**1,212**	**-802**	**-6,093**
Deferred income tax expenses/income			**-466**	**-6,004**

As of 31 December 2010, the Group had corporate income tax loss carryforwards of EUR 67,638k (previous year: EUR 33,746k) and trade tax loss carryforwards of EUR 36,533k (previous year: EUR 28,413k) at German group companies for which deferred tax assets in an amount of EUR 336k were recognised. The losses carried forward in the amount of EUR 47,135k are available for offsetting against future taxable income for an indefinite period. Offsetting is limited to 9 years for an amount of EUR 20,503k.

There were no deductible temporary differences in connection with shares in subsidiaries or associates for which deferred taxes were stated either as of 31 December 2010 or as of 31 December 2009.

(8) Personnel expenses

EUR 000s	2009	2010
Wages and salaries	33,343	34,236
Statutory social security expenses	5,605	5,283
Voluntary social security expenses	38	31
Miscellaneous	1,934	3,776
Total	**40,920**	**43,326**

a.) Breakdown of personnel expenses into cost of sales items

EUR 000s	2009	2010
Cost of sales	8,035	7,800
Selling expenses	22,196	23,463
General administrative expenses	10,657	12,025
Other operating expenses	32	38
Total	**40,920**	**43,326**

b.) Number of employees by segment

EUR 000s	2009	2010
Retail	515	437
Mail order	235	237
Wholesale	181	200
Entertainment	73	60
Service	44	41
Total	**1,048**	**975**

(9) Breakdown of depreciation and amortisation into cost of sales items

a.) Scheduled depreciation and amortisation

EUR 000s	2009	2010
Cost of sales	2,510	2,332
Selling expenses	3,821	3,946
General administrative expenses	2,842	2,989
Other operating expenses	59	60
Total	**9,233**	**9,327**

b.) Extraordinary depreciation and amortisation

EUR 000s	2009	2010
Cost of sales	0	0
Selling expenses	166	54
General administrative expenses	0	773
Other operating expenses	1,040	27,884
Total	**1,206**	**28,711**

The extraordinary depreciation and amortisation reported under general administrative expenses include write-downs of financial assets amounting to EUR 12,285k (previous year: EUR 1,040k).

(10) Earnings per share

Basic earnings per share are calculated by dividing the earnings attributable to the holders 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 holders 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.

a.) Earnings

EUR 000s	2009	2010
Basis for basic earnings per share (Period earnings attributable to shareholders in the parent company)	1,764	-67,769
Basis for diluted earnings per share	1,764	-67,769

b.) Number of shares

EUR 000s	2009	2010
Weighted average number of ordinary shares for basic earnings per share (excluding treasury stock)	76,021	77,793
Weighted average number of ordinary shares for diluted earnings per share (excluding treasury stock)	76,021	77,793

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

When calculating earnings per share, the weighted average number of ordinary shares in the above table was used to calculate both basic and diluted earnings.

9.) Dividend

It is to be proposed to the Annual General Meeting that the net loss of EUR 57,151,776.51 reported by Beate Uhse AG in its annual statements prepared in accordance with German commercial law be carried forward.

10.) Other disclosures

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

The company received no notifications pursuant to section 21 of the German Securities Trading Act (WpHG).

(2) Notifications of existing shareholdings received in previous years:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(3) Business relationships to related parties (IAS 24)

a.) Persons in key positions

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

b.) 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.

c.)Associates

A list of all associates, including their legal domiciles and the shareholdings held, can be found in the list of Group shareholdings.

d.) Companies with significant influence on the Group

Reference is made to the 'Disclosures pursuant to section 21 of the German Securities Trading Act (WpHG)' in respect of companies with significant influence on the Group.

The following business transactions require disclosure:

e.)Persons in key positions at the Group

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 2010 financial year amounted to EUR 1,060k (previous year: EUR 1,041k). There were no liabilities at the balance sheet date. There were other financial obligations amounting to EUR 13,247k in connection with the rental agreement as of the balance sheet date.

Summa Vastgoed, a wholly-owned subsidiary of Summa Finance BV, Netherlands, is the lessor of 31 retail outlets used by Beate Uhse Retail Holding, BV, Netherlands. All rental agreements were concluded at usual market conditions. The rental payments relating to these agreements amounted to EUR 1,249k in the 2010 financial year (previous year: EUR 1,330k). There were other financial obligations of EUR 10,719k relating to these rental agreements as of the balance sheet date. There were no liabilities as of the balance sheet date.

Summa Finance BV, Netherlands, holds 67% of the shares in Mohist B.V., Netherlands. Mohist B.V. charged Beate Uhse B.V., Netherlands, an amount of EUR 550k (previous year: EUR 185k) at customary market rates for the transfer of personnel. There were no liabilities in connection with the transfer of personnel as of the balance sheet date.

Consipio Holding BV, Walsoorden, Netherlands, holds a 27.2% shareholding in Beate Uhse AG. During the 2010 financial year, Pabo BV paid a sum of EUR 50k to Consipio Holding BV (previous year: EUR 50k) in return for the transfer of personnel. No fees were charged to Beate Uhse B.V. for the transfer of personnel (previous year: EUR 300k). There were no liabilities as of the balance sheet date.

Consipio Holding BV, Walsoorden, Netherlands, holds a 27.2% shareholding in Beate Uhse AG as well as 100% of the shares in Bocca BV, Netherlands. Bocca BV is the owner of some 52,000 addresses of private customers in Poland. Under a licensing agreement dated 2 August 2010, the right to use these addresses was transferred to Pabo BV, Netherlands. Prior to the first use, Pabo BV must pay a one-time fee of EUR 600k to Bocca. The agreement has a total duration of 5 years and provides for annual licensing fees of EUR 350k. Pabo BV has been granted an option to purchase these addresses. The purchase price of the option is EUR 100k and the option may be exercised between 1 April 2015 and 1 October 2015. In addition, Bocca BV has transferred 100 customer addresses to Scala BV, Netherlands, under a licensing agreement. A one-time fee of EUR 250k has been agreed for the use of these addresses. The agreement has a term of five years. The licensing fee amounts to 15% of the revenues generated from these addresses. It is expected that annual revenues of EUR 6 million will be achieved, which would be equivalent to an annual licensing fee of EUR 900k. A minimum license payment of EUR 100k has been agreed for the first three years. This license payment will be offset against the one-time payment of EUR 250k. Scala BV has been granted an option to purchase these addresses, which may be exercised between 1 February 2015 and 1 August 2015. All above amounts are net amounts. As of the balance sheet date, the liabilities under these agreements totalled EUR 2,856k gross. The conditions agreed were in line with general market conditions.

Erwin Cok, Managing Director of the Dutch retail segment, is sole shareholder of Devitrade Managemantdiensten, Belgium. In the financial year, amounts of EUR 147k and EUR 41k were charged to the Dutch retail segment and the Dutch mail order segment, respectively, for management services. As of the balance sheet date, no liabilities existed. The conditions agreed were in line with general market conditions.

f.) Participating and associated companies

Beate Uhse AG has provided a guarantee for an unlimited period for a loan of EUR 3,000k taken up by tmc Content Group AG at Nord-Ostsee Sparkasse (previously Flensburger Sparkasse). As of the time of the preparation of the consolidated financial statements, this guarantee amounted to EUR 1,000k.

A loan granted to tmc Content Group AG by Beate Uhse AG on 29 September 2005 in an amount of EUR 5,000k was assigned to De Feijter Associates SA Luxemburg in the second half of the year 2008. On 3 May 2010, De Feijter Associates SA Luxemburg retransferred its rights under the loan agreement to Beate Uhse AG. At the time of the transfer, the loan receivables had a value of EUR 5,291k. For the conclusion of this loan agreement, Beate Uhse AG received a one-time refund of 2% of the loan amount (EUR 106k) from tmc Content Group AG. Interest on the loan is paid quarterly at an interest rate of 6% p.a. The interest payment of EUR 75k for the fourth quarter had not been received as of the balance sheet date. As of this date, the loan amounted to EUR 4,991k. At the time of the preparation of the consolidated financial statements, the loan still amounted to EUR 2,291k.

(4) Notes on directors and officers

The Management Board of the company comprised the following individuals:

Serge van der Hooft	COO B2B CFO CEO
Johan A. Boddaert	CMO 1 April 2009 to 1 October 2010
Sören Müller	Board member in charge of B2C mail order, retail and e-commerce as well as online media, since 1 October 2010

The compensation of Serge van der Hooft for his Management Board activity amounted to EUR 169k in the 2010 financial year. No performance-related compensation was paid for the 2010 financial year. Mr. van der Hooft received fringe benefits in the form of a company car and the reimbursement of expenses (value of payment in kind: EUR 2.4k).

The compensation of Johan A. Boddaert for his Management Board activity amounted to EUR 159k in the 2010 financial year. Mr. Boddaert received fringe benefits in the form of a private pension insurance with a value of EUR 6.9k.

The compensation of Sören Müller for his Management Board activity amounted to EUR 36k in the 2010 financial year. No performance-related compensation or fringe benefits were paid.

There are pension provisions of EUR 1,140k for former directors and officers of Beate Uhse AG (previous year: EUR 1,121k). The pension payments made to these directors and officers amounted to EUR 97k in the 2010 financial year (previous year: EUR 97k).

The Supervisory Board comprised the following members:

Gerard Philippus Cok	• Knokke-Heist, Belgium • Management consultant • Chairman of the Supervisory Board • Chairman of the Personnel Committee until 10 September 2010 • Member of the Investment Committee until 10 September 2010
Andreas Bartmann	• Hamburg • Managing Director of Globetrotter Ausrüstung Denart & Lechhart GmbH • Member of the Supervisory Board since 12 February 2009 • Member of the Audit Committee since 10 September 2010
Martin Weigel (until 31 March 2011)	• Hamburg • Chairman of the Management Board of GLC Glücksburg Consulting AG, Hamburg • Deputy Chairman of the Supervisory Board • Chairman of the Audit Committees • Chairman of the Nomination Committee until 10 September 2010 • Member of the Personnel Committee until 10 September 2010
Gelmer Westra	• Egmond aan den Hoef, Netherlands • Tax advisor • Chairman of the Investment Committee until 10 September 2010 • Member of the Audit Committees • Chairman of the Audit Committees since 16 May 2011 • Member of the Nomination Committee until 10 September 2010

Monika Wilk	• Flensburg • Legal advisor at Beate Uhse Einzelhandels GmbH, Flensburg (employee representative) • Member of the Supervisory Board until 31 August 2010
Michael Petersen	• Flensburg • Chairman of the Works Council of Beate Uhse AG until 10 April 2010 (employee representative) • Member of the Supervisory Board until 4 September 2010
Theodorus B.H. Ruzette	• Wijchen (Netherlands) • President of the Administrative Board of tmc Content Group, Baar, Switzer-land • Member of Supervisory Board since 7 September 2010
Kerstin Klippert	• Flensburg • Head of online production of Beate Uhse new medi@ GmbH, • Member of Supervisory Board since 7 September 2010

Pursuant to section 97 para. 2 sentence 3 AktG, the term of office of the remaining Supervisory Board members ended on 4 September 2010. The present members of the Supervisory Board were appointed by the Flensburg District Court on 7 September 2010 and their appointment was endorsed by the Annual General Meeting of Beate Uhse AG on 29 November 2010.

Since 10 September 2010, the Audit Committee has been the only committee of the Supervisory Board of Beate Uhse AG. In view of the low number of Supervisory Board members (6 persons), the Supervisory Board decided to have all relevant matters addressed by the full body.

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

Martin Weigel	ABG Agrarbetriebsgesellschaft AG, Augsburg (Deputy Chairman of Supervisory Board until June 2010) Akademie für erneuerbare Energien Lüchow-Dannberg GmbH (Member of the Advisory Board) Deutschen KWK, Willich (Member of the Advisory Board)
Th. B. H. Ruzette	President of the Administrative Board tmc Content Group AG, Baar, Switzerland

Supervisory Board members receive fixed annual compensation of EUR 7.5k. In addition, as a variable component of compensation, Supervisory Board members 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 of the Audit Committee receiving EUR 11.25k.

The compensation of the Supervisory Board amounted to EUR 69.9k in the 2010 financial year. No variable component was paid. The Chairman of the Supervisory Board received EUR 11.3k and the Deputy Chairman EUR 20.6k. All other members of the Supervisory Board received a combined total of EUR 38k.

(5) Declaration of conformity pursuant to section 161 of the German Stock Corporation Act (AktG)

The declaration required under section 161 of the German Stock Corporation Act (AktG) was issued by the Management Board and the Supervisory Board on 30 April 2010, with an updated declaration issued on 30 September 2010, and made permanently available to shareholders on the company's website.

(6) Auditor' fees

Fees totalling EUR 635k were paid to the auditor of Beate Uhse AG, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, for the 2010 financial year. Of this sum, EUR 135k related to the audit of the consolidated and separate financial statements. An amount of EUR 139k was paid for funding advisory services in the context of the refinancing. EUR 54k was paid for support provided in the preparation of the quarterly reports to banks, while EUR 307k related to other advisory costs, especially in conjunction with a capital reconstruction concept.

(7) Events after the balance sheet date

Sale of Kondomeriet A/S and Sandereijn B.V. in the context of corporate financing

With the refinancing initiated in late 2010, the Beate Uhse management aimed to reduce the Group's dependence on banks and to cut costs and interest expenses in order to restructure the company quickly and efficiently. In this context, the Management Board decided to sell several subsidiaries to be able to repay bank loans.

Under an agreement dated 15 March 2011 Beate Uhse AG therefore sold 80% of its investment in Kondomeriet A/S, Norway. The company is active in the Norwegian retail sector, where it operates 9 stores (4 own stores, 5 licensed stores) as well as in the e-commerce sector. In 2010, Kondomeriet A.S. generated sales revenues of EUR 8.2 million. The Norwegian company was acquired by Consipio B.V., Netherlands. The purchase price amounted to EUR 3.0 million. Under the agreement, Beate Uhse AG has the possibility to repurchase the shares between 1 July 2013 and 1 January 2017. Consipio B.V. holds a put option, which entitles it to sell the shares to Beate Uhse AG in the same period.

Due to the agreed repurchase option, Kondomeriet A/S will not be deconsolidated, which means that the company will continue to form part of the basis of consolidation of the Beate Uhse Group.

In the context of the debt reduction, Beate Uhse AG also sold loss-making Sandereijn B.V. under an agreement dated 24 January 2011. At the time of the sale, the Dutch retail chain comprised ten stores. In 2010, Sandereijn B.V. generated sales revenues of EUR 3.6 million and an operating loss (EBIT) of EUR 0.4 million. The Dutch company was acquired by Bocca B.V., a subsidiary of Consipio B.V., at a price of EUR 0.9 million. Under the agreement, the company must make purchases in an amount of 80% of its annual cost of goods sold from the Beate Uhse Group. In the context of the restructuring, Beate Uhse AG decided to sell the Sandereijn stores, as the locations and the composition of the product range (high percentage of DVDs, cabins and movies) were inconsistent with the future shop concepts of the Group, which means that the Group would have faced high reorganisation expenses if it had decided to effectively integrate the company into the new retail concept.

Sale of shares in Beate Uhse Sweden AB

Swedish wholesaler Beate Uhse Sweden AB was sold to Mr Michael Jutterstrom in the context of a management buy-out under an agreement dated 3 February / 31 March 2011. Specialising in DVDs, the wholesale company generated sales revenues of EUR 1.6 million and an operating loss of EUR 0.3 million in 2010. In view of the company's strong focus on DVD sales in Scandinavia and declining sales revenues, Beate Uhse AG decided to sell the company in April 2011. The purchase price for the wholesale operations was EUR 0.4 million, plus a one-time offtake obligation of the buyer for DVDs in an amount of EUR 0.3 million.

Refinancing of the Beate Uhse Group secured

a) German sub-Group

The refinancing of the German sub-Group was implemented in late April 2011. The financing closed in 2010 was put on a new basis by the new financing agreements signed by Beate Uhse AG with Nord-Ostsee Sparkasse and Investitionsbank Schleswig-Holstein. Both banks will make available a total amount of EUR 6.1 million. The remaining credit balance of approx. EUR 6.6 million owed to Deutsche Postbank AG was repaid in full.

Up to the refinancing, the company made regular repayments in an amount of EUR 1.1 million as well as special repayments of EUR 0.8 million in 2010. These special repayments were related to the violation of the financial covenants. The new financing agreements from 2011 do not include any financial covenants.

In the context of the new financing agreements, Beate Uhse AG made further special repayments totalling EUR 7.8 million to the German banks at the time of the refinancing, primarily to Deutsche Postbank AG for full loan amortisation. These special repayments were largely financed by the sale of Kondomeriet A/S, Norway, with EUR 3.0 million and the sale of mail order receivables that had been written off (EUR 1.3 million). In addition, Beate Uhse AG received a special repayment of EUR 2.7 million from tmc Content Group AG for the loan granted to the latter.

b) Dutch sub-Group

In parallel to the financial restructuring in Germany, constructive talks were held with ING Bank N.V. and others regarding the future funding of the Dutch operations of the Beate Uhse Group. By the end of April 2011, ING's total exposure to the company was reduced from EUR 25.0 million to EUR 21.5 million; regular repayments totalled EUR 2.0 million, while special repayments of EUR 1.5 million were made in 2010 due to the violation of the financial covenants. In addition, special repayments totalling EUR 13.0 million were agreed to be made during the financial year 2011.

A special repayment of EUR 5.5 million will further reduce ING Bank N.V.'s credit exposure to the company to EUR 16.0 million by early June 2011. This special repayment was financed as follows:

- EUR 2.0 million from a loan granted by Dobu B.V. (receipt of payment scheduled for 10 June 2011),
- EUR 2.0 million from sale-and-lease-back transactions with Dobu B.V.; this sum was transferred to Adult Video Netherlands Productions B.V. and Scala Agenturen B.V., respectively, on 30 May 2011, as well as
- EUR 0.8 million from the sale of Dutch mail order receivables to the EOS Group, which also granted a loan of EUR 0.6 million.

In the meantime, ING has announced its intention to withdraw the current account overdraft facility in the medium term. In a letter dated 4 May 2011, ING declared, however, that it will not terminate credit lines granted to Beate Uhse B.V. and co-borrowers even if an agreed repayment of EUR 7.5 million under the existing overdraft facility is not made on 1 October 2010 due to the fact that the credit lines have not been refinanced yet. In this letter ING Bank N.V. reserves the right to change its opinion and to withdraw this declaration should facts and reasons arise which ING Bank considers to justify such a decision.

(8) Use of exemption rules

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

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

Flensburg, 1 June 2011

Serge van der Hooft
(CEO, Spokesman)

Sören Müller
(COO)

Segement reporting 2009 / 2010

	Retail		Mail Order		Wholesale	
Segment data by sales channels 2009 / 2010 EUR 000s	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**
Sales	63,506	57,966	104,158	89,401	71,909	61,515
-of which with third parties	62,809	57,164	104,108	88,930	51,224	41,004
-of which with intercompany partners	697	802	50	471	20,685	20,511
Amortisation of intangible assets	-227	-257	-759	-1,031	-1,772	-2,011
Depreciation of property, plant and equipment	-3,182	-2,799	-778	-1,180	-1,413	-1,382
Exceptional depreciation	0	-7,065	0	-4	-166	-10,441
Amortisation of financial assets	0	-54	0	0	0	-8
Financial result	-1,412	-1,162	-284	-731	-1,321	-1,459
Income from shareholdings in associated companies	0	0	0	0	0	0
EBT *	-1,178	-12,007	6,519	-10,431	-1,294	-22,636
Taxes on income	663	-1,540	-137	-2,296	-638	111
Net income *	-515	-13,547	6,382	-12,727	-1,932	-22,525
Assets (incl. Shareholdings)	42,909	27,022	39,341	44,351	60,406	48,447
Shareholdings in associated companies	0	0	0	0	0	0
Investments in long-term assets	2,006	1,064	1,777	3,584	3,690	3,635
Investments in financial assets	102	169	35	6,487	3,375	35
Liabilities	33,526	31,217	32,616	48,073	36,278	42,421

*excluding profit and loss transfer agreements

	Entertainment		Holding		Consolidation		Group Value	
	2009	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**
	14,491	12,602	0	2	-23,370	-23,785	230,694	197,701
	12,553	10,603	0	0	0	0	230,694	197,701
	1,938	1,999	0	2	-23,370	-23,785	0	0
	-204	-161	-640	-225	0	0	-3,602	-3,685
	-110	-104	-148	-178	0	0	-5,631	-5,643
	0	1,757	0	154	0	0	-166	-15,599
	0	0	-1,040	-13,050	0	0	-1,040	-13,112
	159	160	93	1,485	-1	2	-2,766	-1,705
	0	0	0	-2,745	0	0	0	-2,745
	1,765	409	-5,881	-16,083	0	0	-69	-60,748
	-517	-1,740	2,638	-1,369	0	0	2,009	-6,834
	1,248	-1,331	-3,243	-17,452	0	0	1,940	-67,582
	12,934	13,478	204,117	189,175	-185,320	-209,587	174,387	112,886
	0	0	0	8,800	0	0	0	8,800
	537	38	6,190	104	0	0	14,200	8,425
	46	155	20,145	28,003	-23,618	-31,817	85	3,032
	3,134	5,055	42,850	54,238	-69,591	-94,899	78,813	86,105

Segement reporting 2009 / 2010

	Germany		Netherlands	
Segment data by georgaphic Regions 2009 / 2010	**2009**	**2010**	**2009**	**2010**
EUR 000s				
Sales	85,812	72,343	94,025	84,969
-of which with third parties	84,146	70,964	72,472	62,741
-of which with intercompany partners	1,666	1,379	21,553	22,228
Amortisation of intangible assets	-806	-419	-2,441	-2,876
Depreciation of property, plant and equipment	-2,513	-2,094	-2,356	-2,803
Exceptional depreciation	-166	-1,474	0	-11,106
Amortisation of financial assets	-1,040	-13,050	0	-54
Financial result	-1,727	-690	-749	-807
Income from shareholdings in associated companies	0	-2,745	0	0
EBT *	-5,636	-23,887	581	-38,075
Taxes on income	110	-5,296	2,641	-84
Net income *	-5,526	-29,183	3,222	-38,159
Assets (incl. Shareholdings)	184,457	149,161	149,529	151,873
Shareholdings in associated companies	0	8,800	0	0
Investments in long-term assets	7,647	468	5,535	7,123
Investments in financial assets	11,091	16,483	12,612	18,326
Liabilities	57,636	59,980	68,607	102,551

*excluding profit and loss transfer agreements

France		European		Consolidation		Group Value	
2009	2010	2009	2010	2009	2010	2009	2010
39,686	30,449	34,541	33,725	-23,370	-23,785	230,694	197,701
39,686	30,449	34,390	33,547	0	0	230,694	197,701
0	0	151	178	-23,370	-23,785	0	0
-50	0	-305	-390	0	0	-3,602	-3,685
-328	-218	-434	-528	0	0	-5,631	-5,643
0	-4	0	-3,015	0	0	-166	-15,599
0	0	0	-8	0	0	-1,040	-13,112
-5	-56	-284	-154	-1	2	-2,766	-1,705
0	0	0	0	0	0	0	-2,745
2,496	1,835	2,490	-621	0	0	-69	-60,748
-136	-566	-606	-888	0	0	2,009	-6,834
2,360	1,269	1,884	-1,509	0	0	1,940	-67,582
4,677	4,261	21,044	17,178	-185,320	-209,587	174,387	112,886
0	0	0	0	0	0	0	8,800
242	269	776	565	0	0	14,200	8,425
0	40	0	0	-23,618	-31,817	85	3,032
2,670	-265	19,491	18,738	-69,591	-94,899	78,813	86,105

List of group shareholdings Beate Uhse

Name, registered office	Share %	Consoli-dation	Shareholders' equity 31.12.2010 EUR 000s	Net income / net loss 2010 EUR 000s
Beate Uhse Grundstücksgesellschaft bR, Flensburg	100,00	V	0	101[2)]
Beate Uhse Grundstücksverwaltungsgesellschaft mbH, Flensburg	100,00	V	42	-1
BU Ladies Night GmbH, Flensburg	100,00	V	-210	-115
BU production Kft., Börcs (Hungary)	100,00	V	-187[1)]	-573
Global Distributors Netherlands BV, Tiel (Netherlands)	100,00	V	623	1.222
Global Internet BV, Tiel (Netherlands)	100,00	V	131	-41
Global Novelties BV, Tiel (Netherlands)	100,00	V	-487	-776
Ladies Night Deutschland BV, Tiel (Netherlands)	100,00	V	-5	-5
Mae B. GmbH, Flensburg	100,00	V	13	-3[3)]
Scala Beteiligungs GmbH, Flensburg	100,00	V	67	1
Versa Distanzhandel GmbH, Flensburg (previously: Versandhaus Beate Uhse GmbH, Flensburg)	100,00	V	4.541	1.479[3)]
Beate Uhse Einzelhandels GmbH sub-group				
Beate Uhse Einzelhandels GmbH, Flensburg	100,00	V	3.326	-4.498[3)]
Beate Uhse Fun Center GmbH, Flensburg	100,00	V	-708	-800[4)]
Beate Uhse Italia GmbH, Bozen (Italy)	96,54	V	222	-15
Erotic Delite AG, Haag (Switzerland)	100,00	V	-694[1)]	-136
Beate Uhse new medi@ GmbH sub-group				
Arena Online-Service GmbH, Flensburg	100,00	-	102	1
Beate Uhse new medi@ GmbH, Flensburg	100,00	V	9.583	2.537[3)]
Beate Uhse New Media AS, Oslo (Norway)	100,00	V	-30[1)]	-11
COM VTX Multi Media BV, Rotterdam (Netherlands)	100,00	V	400	-982
D.N.I. Dutch Net Info BV, Rotterdam (Netherlands)	100,00	V	75	34
EXITEC GmbH, Flensburg	100,00	V	2.056	596[5)]
M.O.S. Media Online Services BV, Hoorn (Netherlands)	100,00	V	404	284
Beate Uhse BV sub-group				
Beate Uhse BV, Walsoorden (Netherlands)	100,00	V	54.558	770
B.U. BVBA, Brussels (Belgium)	100,00	V	-1.877	-52[6)]
The Golden Meteor BV, Walsoorden (Netherlands)	100,00	V	-373	4
V.U.H. Video Holland BV, Walsoorden (Netherlands)	100,00	V	-394	3

Name, registered office	Share %	Consoli-dation	Shareholders' equity 31.12.2010 EUR 000s	Net income / net loss 2010 EUR 000s
Beate Uhse Retail Holding BV sub-group (via Beate Uhse BV)				
Adam & Eve SASU, Tourcoing (France)	100,00	V	-148	-117
Beate Uhse Ltd., Birmingham (Great Britain)	100,00	V	-1.054[1)]	31
Beate Uhse Retail Holding BV, Walsoorden (Netherlands)	100,00	V	2.515	-565
Christine le Duc BV, Walsoorden (Netherlands)	100,00	V	3.531	75
Christine le Duc Franchise BV, Walsoorden (Netherlands)	100,00	V	-204	-162
Gezed BV, Amsterdam (Netherlands)	100,00	V	2.804	191
Retail Belgie BVBA, Bruges (Belgium)	100,00	V	-367	-480[7)]
RT BVBA, Brussels (Belgium)	100,00	V	-242	-87[7)]
Sandereijn BV, Walsoorden (Netherlands)	100,00	V	2.149	-399
Gezed Holding BV sub-group (via Beate Uhse BV)				
Adult Video Netherlands Productions BV, Almere (Netherlands)	100,00	V	-2.413	-984
Gezed Holding BV, Amsterdam (Netherlands)	100,00	V	21.333	-149
Scala Agenturen BV, Almere (Netherlands)	100,00	V	20.350	-1.957
Scala Agenturen UK Ltd., Birmingham (Great Britain)	100,00	V	526[1)]	89
Beate Uhse Scandinavia AB sub-group (via Gezed Holding BV sub-group)				
Adam & Eva Postorder AB, Täby (Sweden) (previously: Bestseller Filmdistribution Europa AB, Täby)	100,00	V	-3[1)]	-15
Beate Uhse OY, Helsinki (Finland)	100,00	V	7[1)]	0
Beate Uhse Scandinavia AB, Täby (Sweden)	99,97	V	-2.616[1)]	4
Beate Uhse Sweden AB, Täby (Sweden)	100,00	V	2.651[1)]	-444
Bestseller Film OY, Helsingfors (Finland)	100,00	-	9	0
Media Distribution Sweden AB, Täby (Sweden) (previously: Bestseller Rättigheter Scandinavia AB, Täby)	100,00	V	-184[1)]	2
Pabo Holding BV sub-group (via Beate Uhse BV)				
Adam & Eve Spain BV, Walsoorden (Netherlands)	100,00	V	-83	-39
Beate Uhse Poland BV, Walsoorden (Netherlands) (previously: Both Muldtimedia & Internet Exploitatie BV, Walsoorden)	100,00	V	-366	-414
Beate Uhse United Kingdom BV, Walsoorden (Netherlands)	100,00	V	-5.429	-573
Beate Uhse Versandhandelsgesellschaft mbH, Innsbruck (Austria) (previously: Pabo Versandhandel GmbH, Innsbruck)	100,00	V	2.041	333
Calston Industries Inc., Toronto (Canada)	38,00	-	272	-150[8)]
Pabo BV, Hulst (Netherlands)	100,00	V	-8.883	-14.428
Pabo BVBA, Kieldrecht (Belgium)	100,00	V	2.420	486[9)]
Pabo Holding BV, Hulst (Netherlands)	100,00	V	8.156	-238
Pabo Services SARL, Tourcoing (France)	100,00	V	428	-67
Pabo SASU, Tourcoing (France)	100,00	V	4.348	2.023

Name, registered office	Share %	Consoli- dation	Shareholders' equity 31.12.2010 EUR 000s	Net income / net loss 2010 EUR 000s
KONDOMERIET AS sub-group				
Beate Uhse AS, Oslo (Norway)	80,00	V	272[1)]	-21
KONDOMERIET AS, Kolbotn (Norway)	80,00	V	1.144[1)]	-573
Scala Großhandel GmbH & Co. sub-group KG				
Beate Uhse Franchise GmbH & Co. KG, Flensburg	100,00	V	2.920	-844[10)]
Lebenslust GmbH, Köln	78,91	V	-903	-61
Pleasure-Verlagsgesellschaft mbH, Wiesbaden	100,00	V	358	51[11)]
ZBF Zeitschrift- Buch- und Film Vertriebs GmbH, Wiesbaden	100,00	V	-5.554	-4.591
Other shareholdings				
MJP Medien- Produktions- und Vertriebs GmbH & Co. KG, Eschenburg	60,00	-	200	-7[12)]
tmc Content Group AG, Baar (Switzerland)	26,83	E	25.578[13)]	-20.397[13)]

V = fully consolidated
E = stated and valued pursuant to sections 311, 312 HGB
- = not included pursuant to sections 296 (2) and 311 (2) HGB

1) Converted at historic rates
2) 99.5% of shares held directly by Beate Uhse Aktiengesellschaft and 0.5% by Beate Uhse Grundstücksverwaltungsgesell. mbH.
3) Annual earnings prior to assumption of earnings by Beate Uhse Aktiengesellschaft
4) Annual earnings prior to assumption of earnings by Beate Uhse Einzelhandels GmbH
5) Annual earnings prior to assumption of earnings by Beate Uhse new medi@ GmbH
6) 50% of shares held by The Golden Meteor BV and 50% by V.U.H. Video Holland BV.
7) 99.5% of shares held directly by Beate Uhse Retail Holding BV and 0.5% by Beate Uhse BV.
8) Disclosures from annual financial statements as of 31 December 2010, denominated in CAD '000.
9) 99.9% of shares held directly by Pabo Holding BV and 0.1% by Beate Uhse BV.
10) Annual earnings prior to assumption of earnings by Pleasure-Verlagsgesellschaft mbH
11) Annual earnings prior to assumption of earnings by Beate Uhse Franchise GmbH & Co. KG
12) Disclosures from annual financial statements as of 31 December 2009. Annual financial statements as of 31 December 2010 not available.
13) Disclosures in CHF '000

Responsibility statement

Affirmation of the Management Board

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

Flensburg, 3 June 2011

Serge van der Hooft Sören Müller

Audit opinion

We have issued the following opinion on the consolidated financial statements and the group management report:

“We have audited the consolidated financial statements compiled by Beate Uhse Aktiengesellschaft, Flensburg, consisting of the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in group equity, the consolidated cash flow statement and the notes to the consolidated financial statements, together with the group management report for the financial year from 1 January to 31 December 2010. 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.

Without qualifying the above opinion, we point to the statements in the “Overall risk” section of the Management Report, according to which the company’s going-concern ability depends on the successful completion of the restructuring measures launched to date, the accomplishment of the resultant sales and profit targets and the planned maintenance of the Group’s solvency through the refinancing exercise. If the targeted sales and profit performance and the resultant cash inflows were to fall short of those targets to an extent which could not be compensated for by additional cash-releasing measures, if the refinancing of the ING Bank loans were not to materialise as planned or if ING Bank were to cancel or curtail the existing credit lines, the solvency and going-concern ability of Beate Uhse AG and the Group would depend on concessions made by its lenders or the injection of additional equity or debt capital.”

Hamburg, 1 June 2011

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

beate uhse

General information

„You have to be willing and able to put yourself in another person's shoes.“

Beate Uhse

Financial statements of Beate Uhse AG 2009 / 2010

Assets (EUR 000s) Fixed assets	2009	2010
Intangible assets	390	169
Property, plant & equipment	744	686
Financial assets	147,661	112,000
	148,795	112,855
Current assets		
Inventories	16	6
Receivables and other assets	27,026	5,307
Marketable securities	189	0
Cash on hand, bank balances	296	235
	27,527	5,548
Prepaid expenses	22	19
Balance sheet total	**176,344**	**118,422**

Shareholders' equity and liabilities (EUR 000s) Shareholders' equity	2009	2010
Share capital	78,075	78,075
Nominal value company shares	0	-280
Capital reserve	67,759	67,759
Reserve for treasury stock	189	0
Retained losses	-13,010	-59,138
	133,013	86,416
Accruals	5,620	5,844
Liabilities	37,711	26,162
Balance sheet total	**176,344**	**118,422**

Income statement of Beate Uhse AG

EUR 000s	2009	2010
Sales	**1,081**	**803**
Other operating income	1,075	1,089
Personnel expenses	-2,098	-2,079
Amortization and depreciation of intangible assets and property, plant and equipment	-733	-325
Other operating expenses	-3,538	-8,225
Income from shareholdings	-8,482	-37,313
Net interest result	-427	135
Result of ordinary activities	**-13,122**	**-45,915**
Extraordinary expenses	0	-424
Income taxes	147	-67
Other taxes	-26	-2
Net loss for the year	**-13,001**	**-46,408**
Profit brought forward	0	-13,009
Withdrawals from reserve for treasury stock	-8	0
Elimination of surplus for treasury stock	0	279
Retained earnings	**-13,009**	**-59,138**

Value added by the Beate Uhse Group in 2010

The value added statement of the Beate Uhse Group illustrates the creation and the utilisation of the economic output in the 2010 financial year and the previous year. Beate Uhse determines the value added by subtracting the intermediate expenditure (cost of materials, depreciation, amortisation and other expenses) from the company's output. This output compilation is compared with an expenditures compilation. The latter shows the shares in value attributable to the individual stakeholders (employees, shareholders, lenders or the public sector). The presentation describes the economic performance of the Beate Uhse Group.

In the 2010 financial year, the economic performance declined due to the lower sales revenues and the restructuring expenses. After deduction of the intermediate expenses, the value added amounted to EUR -14.6 million (2009: EUR 44.3 million).

Accrural

EUR 000s	**2009**		**2010**		**Changes**	
Sales	230,694	93.0%	197,701	93.0%	-32,993	-14.3%
Other income	13,115	7.0%	14,883	7.0%	1,768	13.5%
Company performance	**243,809**	**100.0%**	**212,584**	**100.0%**	**-31,225**	**-12.8%**
Product expenses	80,004	35.7%	75,849	35.7%	-4,155	-5.2%
Depreciation	10,439	17.9%	38,038	17.9%	27,599	-
Other expenses	109,107	52.0%	110,596	52.0%	1,489	1.4%
Income from participations	-	1.3%	2,745	1.3%	2,745	-
Added value	**44,259**	**-6.9%**	**-14,644**	**-6.9%**	**-58,903**	**-133.1%**

Appropriation

EUR 000s	**2009**		**2010**		**Changes**	
Employees	40,920	92.5%	43,326	-	2,406	5.9%
Shareholders	-	-	-	-	-	-
Company (retained)	1,764	4.0%	-66,338	-	-68,102	-
Creditors	2,994	6.8%	2,500	-17.1%	-494	-16.5%
Government	-1,595	-3.6%	5,680	-38.8%	7,275	-
Shares of other companies	176	0.4%	187	-1.3%	11	6.3%
Added value	**44,259**	**100.0%**	**-14,644**	**100.0%**	**-58,904**	**-133.1%**

Multi-year summary - Beate Uhse 1999 / 2010

EUR million		**1999**	**2000**	**2001**	**2002**
Sales		**116.4**	**163.5**	**222.8**	**244.5**
Earnings performance					
EBITDA		15.4	21.0	21.3	30.2
EBIT		10.1	13.9	10.6	20.3
EBT		10.2	13.0	8.7	17.2
Net income		**5.1**	**9.6**	**2.2**	**9.5**
Further key earnings 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 on hand, cash at bank		14.3	8.2	14.8	13.9
Depreciation		5.3	7.1	10.7	9.9
Composition of assets and equity					
Total assets		145.8	132.0	169.4	169.1
Equity		105.6	63.9	60.3	64.6
Equity ratio	%	72.4	48.4	35.6	38.2
Long-term assets		-	-	-	-
Short-term assets		-	-	-	-
Expenses					
Cost of sales		-	-	-	-
Cost of distribution		-	-	-	-
Other information					
Employees FTE	absolut	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.)	absolut	41,989,768	46,962,988	46,729,692	47,018,072
Market capitalisation total		803.9	577.5	563.7	534.8

* starting 2004 IFRS

2003	2004 *	2005	2006	2007	2008	2009	2010
265.6	**273.1**	**284.8**	**270.9**	**268.0**	**252.9**	**230.7**	**197.7**
31.5	26.8	32.0	24.4	15.7	19.0	13.1	-21.0
21.5	17.9	22.7	14.8	-4.4	7.1	2.7	-59.0
19.3	15.6	20.4	12.0	-7.9	3.1	-0.1	-60.7
9.9	**8.7**	**14.4**	**10.0**	**-13.2**	**2.3**	**1.9**	**-67.6**
3.7	3.2	5.0	3.7	-4.9	0.9	0.8	-34.2
20.3	8.6	24.3	16.9	13.4	8.7	13.3	6.4
8.3	9.2	6.8	6.4	7.4	5.6	7.3	4.6
10.1	9.1	9.5	9.7	20.1	20.1	10.4	38.0
181.2	187.2	189.7	222.9	183.4	176.4	183.6	124.0
67.8	67.8	83.6	84.5	66.4	94.6	100.8	33.6
37.4	36.2	44.1	37.9	36.2	53.6	54.9	27.1
-	105.7	111.6	142.3	106.0	92.2	94.8	57.2
-	81.6	78.0	80.6	77.4	83.4	88.8	66.8
-	110.9	109.1	107.6	116.7	105.4	97.3	90.5
-	130.4	142.6	142.4	136.4	129.6	114.3	117.5
1.344	1.477	1.523	1.458	1.414	1.301	1,048	975
0.10	0.00	0.14	0.10	-	-	-	-
0.43	0.34	0.49	0.43	0.13	0.13	0.15	-0.34
13.25	10.48	6.10	4.04	1.82	0.59	0.65	0.36
13.43	13.02	10.37	6.95	5.80	2.03	0.87	0.75
8.90	10.05	5.80	4.00	1.79	0.58	0.42	0.34
46,492,614	47,042,201	47,042,292	47,042,381	47,042,425	70,703,475	78,074,696	78,074,696
623.0	495.0	288.7	191.2	85.6	27.8	50.8	35.9

Financial calendar 2011

Date	Happening
Wednesday, 8 June 2011	3-Month Report 2011
Friday, 12 August 2011	6-Month Report 2011
Monday, 22 August 2011	General Annual Meeting
Friday, 11 November 2011	9-Month Report 2011
21-23 November 2011	Eigenkapitalforum 2011

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