beate uhse

Annual Report 2011

Contents

Financial summary

EUR 000s	2011	2010	Change %
Sales performance			
Retail	47,468	57,164	-17.0
Mail Order	62,832	88,930	-29.3
Wholesale	29,504	41,004	-28.0
Entertainment	9,208	10,603	-13.2
Total sales	**149,012**	**197,701**	**-24.6**
Share of international sales (%)	67.1%	65.2%	
Earnings position			
EBITDA	3,314	-21,578	-115.4
EBIT	-5,159	-58,051	-91.1
EBT	-8,230	-59,756	-86.2
Net result for the year from continuing operations	-7,838	-66,590	-88.2
Other earnings indicators (%)			
Return on sales before tax	-5.5	-30.2	-81.7
Return on sales after tax	-5.3	-33.7	-84.4
Return on equity	-30.4	-198.4	-84.7
Gross profit margin	51.8	54.2	-4.6
Financial situation			
Cash flow from operating activities	14,644	6,424	128.0
Capital expenditure	4,352	11,457	-62.0
Depreciation, amortisation and impairment	8,473	36,473	-76.8
Assets and equity			
Total assets	94,113	124,000	-24.1
Shareholders' equity	25,797	33,563	-23.1
Equity ratio (%)	27.4	27.1	1.3
Non-current assets	48,509	57,185	-15.2
Current assets	45,604	66,815	-31.7
Additional information			
Fulltime equivalten (FTE)	816	975	-16.3
Cost of sales	71,879	90,456	-20.5
Selling expenses	71,689	117,525	-39.0
The share (EUR)			
Number of shares	78,074,696	78,074,696	0.0
Share price at end of period	0.27	0.36	-25.0
Share price high	0.45	0.75	-40.0
Share price low	0.26	0.34	-23.5
Earnings per share	-0.10	-0.86	-
Cash flow per share*	0.00	-0.34	-

* by gross cash Flow

Overview of the year 2011

1st quarter:

- In January 2011, Beate Uhse new medi@ GmbH began a partnership with the Frankfurt-based music TV channel iMusic 1. Since the launch of its "Nightclips" programme, sexy music videos with chart hits, hip hop, rock and electro beats have been broadcast daily from 12.30 a.m. to 4.00 a.m. (Mondays to Thursdays until 6.00 a.m.). Nightclips combines music and erotica features in an extraordinary nightly programme. The broadcasts are complemented by the website www.nightclips.com.
- Since the beginning of February 2011, the worldwide wholesale activities of the adult lifestyle corporation have been bundled in Almere, Netherlands. The Wiesbaden-based branch ZBF GmbH acts exclusively as a distribution channel for the German wholesale market. This consolidation means a higher level of cost efficiency for the overall logistics activities of the Group. Customers benefit directly in terms of service and delivery.
- The planned organisational separation of the online and offline areas of the Mail Order business was completed in the first quarter of 2011.
- During the first quarter of 2011, the Management Board held further discussions with financing banks. Key aspects of the new financing were discussed and action taken.
- At the beginning of March 2011 and following intensive discussions, the Beate Uhse Management Board concluded a contract with K&H Business Partner GmbH for optimising the areas of purchasing, logistics and dispatch for the Almere and Walsoorden locations.
- During the international Spring trade fair, the Dutch Scala-Playhouse B.V. celebrated its 40th birthday together with 2,500 customers visiting from 32 countries. Together with the German distributor ZBF GmbH, ScalaPlayhouse presented its new showroom at the extensive Spring trade fair (14–17 March 2011). Own brands such as Playhouse, Toy Joy and Extase will have a permanent display area of 1,400 sqm, and business partners will be able to show their product range via the modern shop-in-shop design.
- On 31 March 2011, Prof. Martin Weigel stepped down as Vice-Chairman of the Supervisory Board, having held the post for six years. His successor as Head of the Audit Committee is Gelmer Westra.

2nd quarter:

- In April 2011, Beate Uhse Group took great steps towards debt reduction by concluding new credit agreements for the German subgroup. Since September 2006 the drawdown of loans has been reduced by EUR 64.3 million, from EUR 91.7 million to EUR 27.6 million. The aim is to further reduce the loans to EUR 18.6 million by 2013.
  The Management Board's objectives are to reduce Group debt sustainably in order to strengthen the independence of the Group for an efficient new orientation of operations as well as to lower interest and bank charges.
- On 28 April 2011 Beate Uhse AG released an ad hoc announcement publishing its preliminary sales and results forecast for the financial year 2010. Sales of EUR 197.7 million and an EBIT of EUR -56.5 million were forecast for this financial year, which was strongly affected by one-off effects. After adjusting for restructuring and one-off effects, an operating loss (EBIT) of EUR 18.5 million was anticipated.
- The K&H project, which aims to optimise the Group-wide supply chain, began to bear initial fruits during the second quarter of 2011. In this context inventories were significantly reduced, contract conditions were improved with suppliers and providers of services and the structures of existing supply chain processes were streamlined.
- In the second quarter of 2011, the offline area of the Mail Order unit revised the August 2011 catalogue and implemented initial changes to the catalogue's format in respect of layout, usability and product presentation of the catalogue brands.
- In the second quarter of 2011, the Mail Order division continued optimising its ordering processes. During the reporting period, affiliate banners were redesigned, price structures in affiliate marketing were changed and search engine marketing was further optimised to generate more hits on the Group's websites, among other things.
- As of 1 June 2011, an International Retail Manager position will oversee coordination and management of retail activities across all countries of Beate Uhse Group. The objective of the Retail team is to generate heightened interest among existing and new customers through targeted visual merchandising, optimising the product ranges and creating clear retail concepts.

3rd quarter:

- Following a comprehensive overhaul of its online presence, Beate Uhse relaunched its Group website www.beate-uhse.ag in July 2011. The website has proven popular with both shareholders and visitors as it is informative, very user-friendly and has a fresh design.
- Around 200 shareholders came to the 2011 Annual General Meeting held on 22 August 2011 at the company headquarters in Flensburg, Germany. Mr Udo H. Bensing was elected as a new member of the Supervisory Board in the course of the meeting. Mr Bensing is an auditor and tax advisor based in Germany. He will support the Supervisory Board as a member of the Audit Committee.
- ScalaPlayhouse won the prize for “Best Overseas Distributor” at the ETO Adult Industry Awards. Innovation, service and the continuous pursuit of improvements are the strengths of ScalaPlayhouse. The wholesaler was able to improve the quality of its service yet again following the reorganisation of its central warehouse in Almere.
- From 5–7 September, ScalaPlayhouse invited existing and potential customers to an in-house trade fair at Almere. Around 600 customers visited the fair, which showcased products and innovations from 30 exhibitors.
- The Management Board presented a new organisational and management structure of the Group to the Beate Uhse staff as part of the restructuring activities.

4th quarter:

- In October 2011, the German public-sector broadcaster ZDF showed a film based on the life of Beate Rotermund, played by Franka Potente. The showing attracted a large number of viewers (more than five million households), underlining the interest in the role model businesswoman and exceptionally strong woman.
- The company paid homage to its founder by opening an extensive special exhibition at Berlin’s Erotic Art Museum on the tenth anniversary of the death of Beate Rotermund. Carrying the title “Beate Uhse – a courageous life”, the exhibition showcases key stages in the life of this extraordinary businesswoman. Large-scale pictures and personal exhibits tell the story of her childhood in East Prussia, her passion – flying – and track the growth of her company: starting with the sexual enlightenment brochure “Schrift X” in 1947 and opening the world’s first ever sex shop in 1962, growing to become one of Germany’s best-known companies.
- The Management Board of Beate Uhse Group continued with restructuring measures. Internal control teams were set up to coordinate and manage the entire process, taking charge of implementing and communicating all measures in the distribution channels and shared service functions.
- The Management Board commissioned a high-profile online specialist with an eye to revamping its e-Commerce activities. Thanks to its extensive experience with renowned companies such as KPN, bol.com and Vodafone, Beate Uhse’s e-Commerce activities are set to be optimised at a fast clip in 2012.
- Following a decline in inventories by EUR 12.4 million in the first nine months of 2011 due to the Group-wide process optimisation of the flow of goods, additional success was also enjoyed in the fourth quarter. Key positions in the areas of Operations, Category Management and IT were re-staffed. Training programmes for management and their teams conducted by K&H Business Partner GmbH were successful and led to a number of optimisation measures for the goods flow in both the Wholesale and Mail Order units. The K&H consulting contract is due to expire as planned in the first quarter of 2012. The well-trained management team at Beate Uhse Group will assume stewardship of the supply chain project and the implementation of the planned measures.
- Germany’s first Leg Avenue store opened its doors in Berlin on 2 December 2011. Beate Uhse Group markets the high-quality Leg Avenue products through an exclusive shop-in-shop in its store located in the heart of Berlin. Leg Avenue offers stylish tights, erotic lingerie, burlesque attire, shoes and accessories for fashion-conscious, confident women.

The Group

Millions of customers place their trust in the competence and diversity of Beate Uhse. For more than 65 years. Customers value the individual advice provided by staff in the shops or by the mail order call centre employees. Beate Uhse offers its customers product quality and diversity in 151 stores, online and via mail order in 12 countries throughout Europe. The Online Entertainment division is one of the largest providers of adult entertainment on the internet and by telephone. The Wholesale unit supplies B2B customers around the world with a range of around 20,000 products. Our foremost goal is to satisfy the needs and desires of our customers each and every day.

Our history

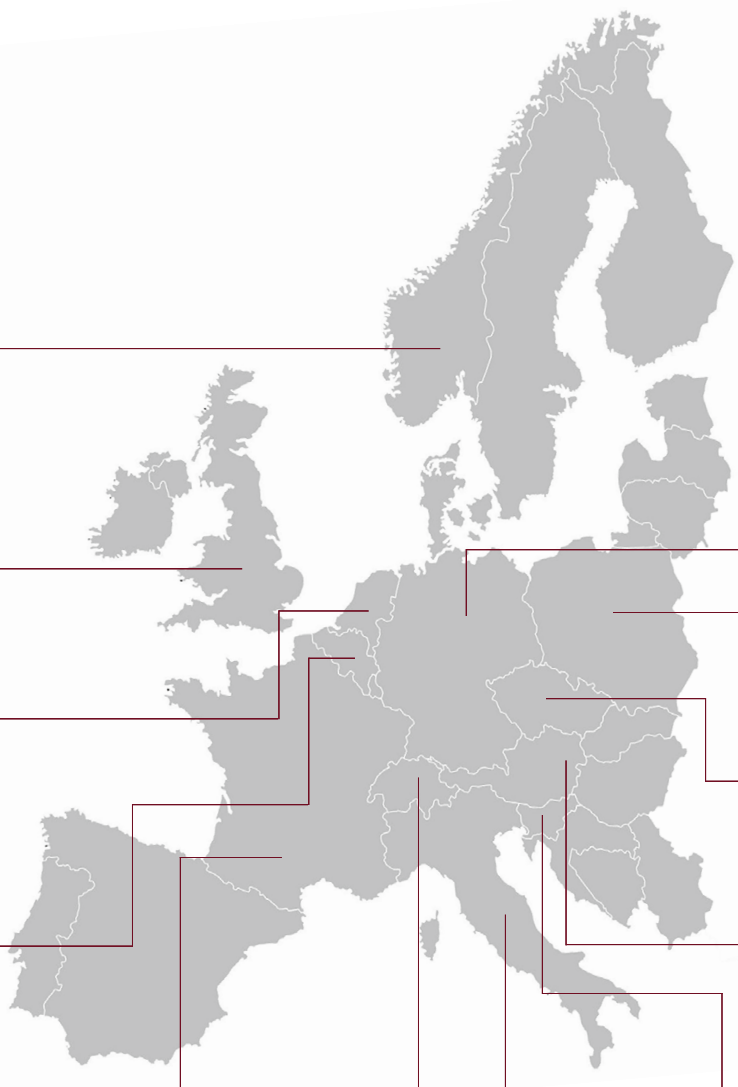
Beate Uhse is a company steeped in history, and it all started with a sex education brochure. In 1946, the young Beate Uhse wrote and distributed “Schrift X”, a brochure on contraception. This proved very popular among women of the time, on whom war had left its mark. Shortly after the end of the war in 1947, Beate Uhse founded her company, thereby laying the foundations for the Group as we know it today. In 1962, she opened the world’s first sex shop – in Flensburg, Germany. Beate Uhse was the target of considerable criticism from conservative groups and feminists alike because of her activities until well into the 1980s. Around 2,000 lawsuits were brought against the businesswoman, mainly on the grounds of moral offences. She prevailed against almost all of them. With perseverance, an innovative spirit and a feeling for the needs of people, she built up a company which continues to hold its own in Germany’s economy and is known throughout many European countries.

The brand

The name Beate Uhse is synonymous with adult lifestyle products. With an estimated market value of EUR 32.0 million (Semion brand study 2011), it is among Germany’s 50 most valuable brands. In addition to the Beate Uhse brand, which is well established in Germany, the Group works with strong national brands in other countries, whose brand awareness are comparable. For example, the retail brand Christine Le Duc has been established in the Netherlands as a premium brand. Currently, customers shop in 31 Christine le Duc stores and on the website www.christineleduc.nl. Customers in France value the range of products and quality of service provided by Adam & Eve mail order (www.adameteve.fr). The Group’s strongest international mail order brand is Pabo (www.pabo.nl). It enjoys success in 6 European countries with classic mail order as well as e-commerce activities. It has had its own line of shops in Belgium for around four years to support the brand.

Beate Uhse Group’s B2B wholesale activities are conducted under the brand ScalaPlayhouse. The ScalaPlayhouse group supplies wholesale customers around the world and is one of the leading wholesalers of adult lifestyle products in Europe.

Beate Uhse countries



Worldwide
Wholesale
SCALA PLAYHOUSE

Norway
Retail
Mail order
kondomeriet

Great Britain
Mail order
Entertainment
pabo

Netherlands
Mail order
Entertainment
pabo
Retail
Mail order
Christine le Duc

Belgium
Retail
Mail order
Entertainment
pabo

Germany
Retail
Mail order
Entertainment
beate uhse

Poland
Retail*
Mail order
beate uhse

Czech Republic
Mail order
pabo

Austria
Mail order
Entertainment
beate uhse

France
Retail
Mail order
Entertainment
adam & eve

Switzerland
Retail
Entertainment
beate uhse

Italy
Retail
beate uhse

Slowenia
Retail*
beate uhse

* = Country licence partner

Beate Uhse distribution channels

Retail

Pure shopping enjoyment! This is what customers of Beate Uhse Retail experience every day. They can shop to their heart's content in 151 stores throughout 9 countries in Europe. Individual advice, inspiration from a large range of products and the opportunity to try on lingerie there and then are important reasons why many Beate Uhse customers continue to shop in traditional retail stores.

	2011
Sales revenues	47.5 EUR million
Earnings	-1.9 EUR million
Employees (FTEs)	379

Mail Order

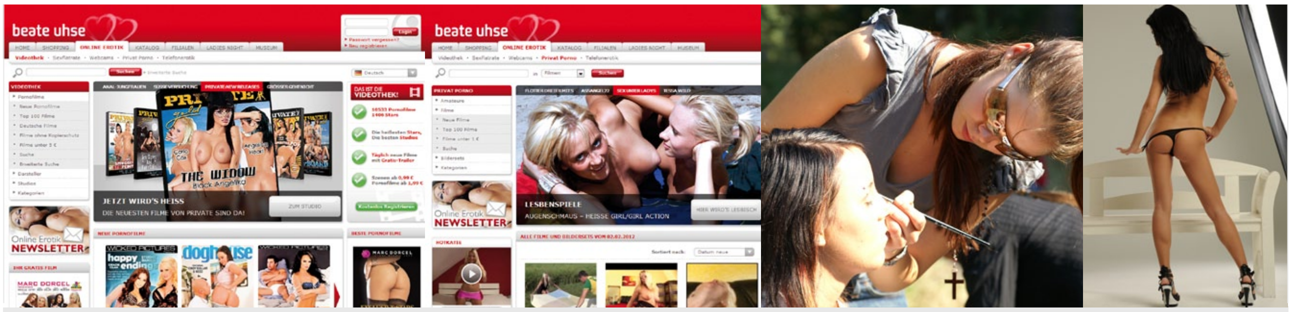
Fast. Anonymous. Uncomplicated. This is Beate Uhse Mail Order. Millions of customers place their trust in the online and catalogue specialist. With a sure feel for the latest trends, the Mail Order purchasing team puts together several collections every year for its customers. The Beate Uhse Group enjoys success in 9 countries throughout Europe.

	2011
Sales revenues	62.8 EUR million
Earnings	3.6 EUR million
Employees (FTEs)	189

Wholesale

When developing and supplying adult lifestyle products, Beate Uhse sets store by the diversity and expertise of its partners around the world. Therefore, wholesale customers such as sex shop owners, mail order businesses and mass market retailers benefit from this profund knowledge and the global network of the ScalaPlayhouse Group.

	2011
Sales revenues	29.5 EUR million
Earnings	-3.5 EUR million
Employees (FTEs)	148



Entertainment

The internet has revolutionised the adult lifestyle market, and the Beate Uhse Entertainment division is one of the beneficiaries of the new online market. Beate Uhse new medi@ offers its customers unique, adult entertainment via the internet, IPTV, fixed-line telephones and mobile devices. Cutting-edge technology together with high-quality films, clips and chats set Beate Uhse's Entertainment services apart from other providers.

	2011
Sales revenues	9.2 EUR million
Earnings	1.3 EUR million
Employees (FTEs)	55

Letter to shareholders

Dear readers, shareholders, and employees,

Last year, we presented here our key objectives for the financial year 2011. We set ourselves the task of securing the liquidity of Beate Uhse Group. We have succeeded in doing so. Thanks to agreements with Nord-Ostsee Sparkasse, the Schleswig-Holstein Investment Bank and ING Bank N.V. concluded in 2011, we have created a solid financing framework for the coming years. And this was not all: we were also able to reduce our level of borrowing by EUR 13.5 million to EUR 23.7 million as at the end of March 2012.

Our second objective was to implement a range of Group restructuring measures to pave the way for a return to profitability in the medium to long term. We made considerable headway in our work to achieve this as well. During the first year of our restructuring process, the loss from earnings before interest and taxes was cut from EUR 58.1 million to EUR 5.2 million. This trend is clear evidence of the strength of the decisions we have made so far. It gives us the momentum and reassurance to press ahead with the implemented processes with great concentration and determination.

Which organisational changes did we implement in 2011?

We completed the separation of online and offline activities in Mail Order, our largest sales unit. Following this separation, our focus was squarely on online activities. As a result, we were able to improve significantly the cost structure of the distribution channel. Furthermore, we paid closer attention to the profitability of advertising activities and products in the classic catalogue business, meaning that while Mail Order made a lower contribution to overall sales, we were able to achieve substantially higher earnings contributions for both areas. The Mail Order unit thus successfully returned to profitability in 2011.

We also brought our supply chain optimisation project to improve goods management to a successful conclusion at the end of 2011. In addition to establishing new working structures, from purchasing to customer despatch, we reduced the amount of capital tied up in inventory goods by EUR 12.4 million over the reporting year.

The Retail unit continued work on its realignment, pressing ahead with the closure of stores that did not meet profitability criteria. Out of this reason 22 company-owned stores were closed or sold off in 2011. From today's standpoint, this process has largely been completed.

Economic development in 2011

Our primary focus in 2011 was on the implementation of restructuring measures. In order to achieve higher earnings contributions for the Group, we made the clear decision to concentrate on profitability in all distribution channels, at the expense of sales. This strategy has paid off and enables us to look to the future with optimism.

In 2011, our Group generated sales of EUR 149 million, which corresponds to a drop of EUR 24.6% (2010: EUR 197.7 million). Following a negative EBITDA contribution in the previous year, Beate Uhse achieved a positive result here in 2011 with EUR 3.3 million.

We improved our earnings before interest and taxes (EBIT) by EUR 52.9 million. This means that the operating loss in 2011 amounted to just EUR 5.2 million (2010: EUR 58.1 million). We therefore managed to achieve a result within the forecast range of EUR 4 million to EUR 6 million. The loss before taxes was also considerably lower than in 2010. We reduced this by EUR 51.5 million to EUR 8.2 million in 2011.

Change of stock exchange segment

In our ad hoc announcement on 7 March 2012, we informed you that my Management Board colleague Sören Müller and I had decided to transfer the stock exchange listing of Beate Uhse to the General Standard of the Frankfurt Stock Exchange. We took the deliberate decision though to remain in the most strictly regulated segment of the Deutsche Börse, the Regulated Market. We are confident that Beate Uhse Group will work its way back to profitability by means of the many operating measures taken. This will also be the time when we will once again boost our presence in the capital market to make use of the opportunities available here.

The aim of this change from the Prime to the General Standard is to strike a balance between the transparency needs of shareholders and the expense associated with a stock market listing.

Deutsche Börse accepted our application for revocation in a letter dated 26 March 2012. As of 27 June 2012, the Beate Uhse share will thus be traded in the General Standard of the Regulated Market.

Yours,

Serge van der Hooft
(Chairman of the
Management Board, CEO)

Sören Müller
(COO)

The Beate Uhse share

Capital market development in 2011

In 2011, European capital markets were grappling with the nightmare scenario of sovereign default in Europe. No European stock market was able to escape the significant downward trend, with all of them ending 2011 with considerable losses.

The European benchmark index EuroStoxx 50 recorded a loss of 17.05% for the year. In contrast, the London FTSE 100 only shrank by 5.55%. The French CAC 40 recorded a significant year-on-year fall of 16.95%. By the same token, the DAX was unable to shelter itself from the uncertainty sweeping the markets and lost 15% of its value by the end of the year.

This was despite a positive start to 2011 for the DAX, which reached a high of 7,528 points in May 2011. The performance of the 30 leading stock market-listed companies began to sour at the beginning of August 2011 during negotiations on a new round of austerity measures for Greece. The European Central Bank then proceeded to buy Italian and Spanish government bonds while the markets began to fret about the health of several European banks. Fears of a global economic downturn fanned the flames of uncertainty raging in European markets. The Dow Jones, the leading benchmark index in the US, recovered and recorded an overall increase of 6% at the end of a turbulent year.

The winners on the stock markets in 2011 included a number of somewhat more conservatively classified stocks from the pharmaceutical, consumer goods and brewery industries. Indeed, two German companies were among then ten most successful stocks of the European benchmark index: SAP with +7.22% and Deutsche Börse with +/- 0%. This contrasted with significant losses for banks, ranking them among the worst performers in the EuroStoxx 50.

The Beate Uhse share in 2011

The Beate Uhse share was also unable to counter the downward trend of European capital markets. Moreover, the extensive restructuring programme in Beate Uhse Group's operating activities was reflected in the share price. In the course of the year, the share lost 41.1% of its value (opening price: EUR 0.46, closing price: EUR 0.27). The Management Board and Supervisory Board focused squarely on operational realignment during the restructuring process, fully aware of the temporary negative impact this might have on the share price.

The high for the year (closing price) of the Beate Uhse share was EUR 0.45 in January 2011. Its low point was recorded at EUR 0.26 in August of the reporting year. A daily average of 46,083 shares were traded (2010: 35,969 shares). Market capitalisation shrank in year-on-year comparison by 41.3% to EUR 21.1 million. The ratio of share price to cash flow with respect to a gross cash flow of EUR 219.0 million was 96.3. The book value per share was EUR 0.21.

Performance of Shareprice 2011 / 2010

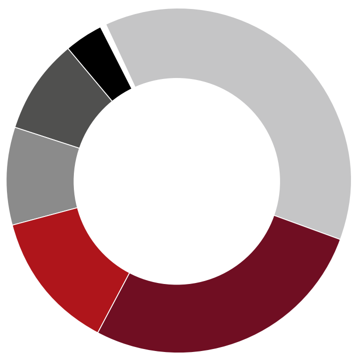
		2011	2010
Opening	EUR	0.46	0.65
Closing	EUR	0.27	0.36
High	EUR	0.45	0.75
Low	EUR	0.26	0.34
Performance	%	-41.1	-29.2
Net income for the period	EUR million	-8,029	-67,769
Number of shares (diluted)		78,074,696	78,074,696
Number of shares (undiluted)		78,074,696	78,074,696
Earnings per share (diluted)	EUR	-0.10	-0.86
Earnings per share (undiluted)	EUR	-0.10	-0.86
Market capitalisation	EUR million	21.1	35.9
Market capitalisation of free float	EUR million	8.0	17.1
Average sales / day	pieces	29,296	35,969

Basis: Xetra
Source: Dt. Börse

Ownership structure

The share capital of Beate Uhse AG was divided into 78,074,696 shares at the end of the year. Beate Uhse AG received five voting rights announcements in December 2011 pursuant to Section 21 (1) of the German Securities Trading Act (WpHG). Pursuant to Section 26 (1) WpHG, these were published for distribution across Europe and are available to read on the Group's website www.beate-uhse.ag under Investor Relations / Financial News. The ownership structure as of 31 December 2011 was as follows:

Ownership structure of Beate Uhse AG in 2011



Free Float	37.69 %
Consipio Holding B.V.	27.17 %
Venus Hyggelig	13.11 %
Global Vastgoed B.V.	9.09 %
UniCredit Bank AG	8.94 %
Rotermund Holding	3.64 %
Treasury shares	0.36 %

Investor relations

Beate Uhse AG did not publish its 2010 financial statements and the subsequent report on the first quarter of 2011 within the time frame recommended by the German Corporate Governance Code and laid down by the stock exchange rules due to the negotiation of new credit agreements with the aim of reducing overall debt within the Group. Beate Uhse AG complied with all other obligations of a stock corporation listed in the Prime Standard.

Supervisory Board report

Dear Shareholders,

The Management Board continued to successfully push forward work on restructuring Beate Uhse Group in the financial year under review. Key successes in the first quarter included the centralisation of Group-wide wholesale activities at Almere, the closure of additional stores which did not meet profitability criteria, and the significant reduction in selling expenses in the Mail Order unit by focussing on online business. In the second quarter, the Management Board secured the financing of Beate Uhse Group, thereby also ensuring greater independence from banks in the future. In the third quarter, the Group recorded initial successes in the course of a project launched by the Management Board to optimise flows and inventories of goods. Inventories had fallen by EUR 12.4 million as of the end of the period. In the last quarter of 2011, the Management Board determined the future management and control structure of the Group by introducing internal control teams.

As a result, 2011 was a successful year for the Group with regards to the implementation of strategic goals. We have made considerable progress in our efforts to safeguard the future success of Beate Uhse. We would like to express our thanks to the Management Board and employees for initiating and implementing the wide range of measures. Their efforts made a key contribution to these crucial early successes.

Continual dialogue

The Supervisory Board of Beate Uhse AG performed its duties as dictated by law and the articles of association with due care in 2011. The Board supervised the Management Board's leadership of the company on an ongoing basis. Furthermore, the Management Board provided the Supervisory Board with comprehensive information, both in writing and orally, about the development of the company. Key topics for the Group such as financing, the general business situation and the progress of the extensive restructuring work were discussed by both boards. In 2011, there was one transaction requiring Supervisory Board approval (see key topics dated 14.2.2011), which was approved after detailed assessment.

Focus of the work of the Supervisory Board in 2011

The Supervisory Board held eight meetings in 2011. All members attended more than half of the meetings. The Supervisory Board was presented with all key information concerning business performance and the restructuring work, meaning that the Supervisory Board was always fully informed of the position of Beate Uhse AG. There were also no conflicts of interests in 2011.

Topics addressed at the Supervisory Board meetings included 14 February 2011:

- Report on development of business in 2010/2011
- Current situation with banks
- Resolution on transactions requiring approval, such as the sale of Sandereijn B.V., Kondomeriet A/S, Beate Uhse Scandinavia AB and the legal restructuring of the Playhouse Group
- Discussion about measures to access new customer groups

16 May 2011:

- Report from the Audit Committee and approval of the 2010 separate and consolidated annual financial statements
- Report on the first quarter of 2011
- German Accounting Law Modernisation Act (BilMoG)

3 June 2011:

- Adoption of the 2010 separate and consolidated annual financial statements

14 June 2011:

- Resolution on the agenda for the 2011 Annual General Meeting
- Resolution on a new member of the Supervisory Board
- Resolution to appoint an auditor for the 2011 financial year

20 June 2011:

- Resolution on a new member of the Supervisory Board

21 August 2011:

- Report on the first half of 2011
- Status of restructuring measures

22 August 2011:

- Evaluation and discussion about the current division of responsibilities within the Supervisory Board

1 December 2011:

- Report on development of business in the first nine months of 2011
- Discussion about the liquidity situation of the company
- Current progress of restructuring work
- Current goods availability analysis in Retail and Mail Order units
- Planning for 2012

Fewer committees – more efficiency

The reduction in the number of qualified committees formed by the Supervisory Board proved prudent in 2011. Since 10 September 2010, the Audit Committee has been the only committee formed by the Supervisory Board of Beate Uhse AG. The aim of this decision, to increase the efficiency of the six-member body, has been achieved.

Corporate governance

In 2011, the Supervisory Board addressed the underlying conditions provided by the capital market and company law. The Supervisory Board approved the updates to the declarations of compliance dated 2 March and 16 May 2011 by circulation. You can access the current corporate governance report and the 2011 declaration of compliance in the 2011 Annual Report on page 17 or on the Group's website www.beate-uhse.ag under Investor Relations / Corporate Governance.

Composition of the Supervisory Board and Management Board

Mr Udo H. Bensing was elected to the Supervisory Board of Beate Uhse AG by the Annual General Meeting with effect from 22 August 2011. Information about the Group's Supervisory Board members can be found in the corporate governance report on page 16 of this annual report.

Separate and consolidated annual financial statements

Ernst & Young GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Hamburg, who were elected auditors of the 2011 Annual Report by the 2011 Annual General Meeting, have audited the separate financial statements and management report (pursuant to the German Commercial Code [HGB]) of Beate Uhse AG, as well as the consolidated annual financial statements and Group management report, and issued an unqualified audit certificate. The auditors also confirmed that the Management Board has taken the measures required pursuant to Section 91 (2) of the German Stock Corporation Act (AktG). The monitoring system in place is capable of identifying early on developments that may jeopardise the company's continued existence as a going concern.

The documents to be audited, together with the drafts of audit reports, were made available to all members of the Supervisory Board in a timely fashion. The auditors attended the Audit Committee meetings on 16.4.2012 and the Supervisory Board meeting to approve the financial statements on 17.4.2012, reported on the key results of their audit and were available to both bodies to answer questions.

The Supervisory Board held an intensive discussion based on the preparatory documents, the auditor's report and the detailed explanations provided by the Chairman of the Audit Committee for the results of the provisional audit. Following the audit, the Supervisory Board raised no objections to the financial statements presented by the Management Board. These separate and consolidated annual financial statements of Beate Uhse AG were approved on 17.4.2012. The financial statements of Beate Uhse AG have therefore been adopted. The Supervisory Board concurred with the proposal of the Management Board to carry forward the loss of EUR 63.4 million to new account.

Flensburg, Germany, 17.4.2012

Yours

Gerard Cok
Chairman of the Supervisory Board

German Corporate Governance Code

Corporate governance report

Both the Supervisory Board and the Management Board of Beate Uhse AG have committed themselves to a corporate governance aimed at increasing the enterprise value in a sustainable and responsible manner. Since the publication of the first German Corporate Governance Code (DCGK), Beate Uhse AG has applied its recommendations in order to review and optimise the work of the executive and controlling bodies. Amendments to the code are adopted insofar as these are already set out in the Group's articles of association.

Beate Uhse AG largely complies with the recommendations of the Code dated 26 May 2010. Beate Uhse AG published its most recent declaration of compliance on 3 April 2012. Two updates were made during the 2011 financial year, on 2 March 2011 and 16 May 2011. All declarations published are available on the Group's website www.beate-uhse.ag under Investor Relations / Corporate Governance.

Shareholders and Annual General Meeting

Beate Uhse AG provides comprehensive and up-to-date information to shareholders and interested parties on the company's website www.beate-uhse.ag. In the run-up to the Annual General Meeting, the website provides shareholders and interested parties with extensive information related to participation, such as for shareholders with shares and share certificates in collective safe custody. During the meeting, shareholders of Beate Uhse AG may exercise their voting rights personally, or by appointing an authorised person of their choice or a designated proxy of Beate Uhse AG. In addition to this, Beate Uhse supports shareholders who are unable to attend the Annual General Meeting in person by offering the possibility of postal or online voting. During the Annual General Meeting, the Chairman of the Supervisory Board informs shareholders about the details of the compensation report for the Management Board and Supervisory Board.

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 interests of the company. A regular exchange between the two bodies takes place at the Supervisory Board meetings, and the respective Chairmen liaise on a continual basis to decide on the strategic positioning of the Group. In the course of the 2011 financial year, one transaction required approval; it received a positive decision following close coordination between the two boards.

The Management Board and Supervisory Board observe the principles of good corporate governance. To supplement this, Beate Uhse AG has had a D&O insurance policy in place with an appropriate deductible for the members of its Management Board and Supervisory Board for several years.

Management Board

The Management Board of Beate Uhse AG governs the company under its own responsibility in the interests of the company. It determines the strategic alignment of the Group, ensures compliance with legal regulations and the demands of shareholders, employees and other stakeholders associated with the company. Beate Uhse AG has worked with a risk controlling system for a number of years under the leadership of the Management Board.

The Management Board of Beate Uhse has an international orientation and its members bring a broad range of expertise in the areas of sales, media and finances to their work. Rules of procedure are in place that serve as the basis for its work. Management Board remuneration is regulated in a compensation system (management report page 28/29), which is explained in the compensation report. There were no conflicts of interests in the body in 2011.

Supervisory Board

The Supervisory Board of Beate Uhse AG actively advised and supervised the Management Board and its leadership of the company in 2011. The Chairman of the Supervisory Board in particular liaised closely with the Management Board as a result of the restructuring work being performed in 2011. Consequently, the Supervisory Board was aware of the situation of the company at all times during the 2011 financial year.

The Supervisory Board met eight times during 2011 under the leadership of the Chairman of the Supervisory Board. The Audit Committee is the only committee that the Supervisory Board of Beate Uhse AG has formed. The Supervisory Board, which is comparatively small with six members, has decided to handle all other matters in the course of plenary sessions for efficiency reasons. The Supervisory Board's rules of procedure govern its responsibilities and working methods. The Supervisory Board consists of men and women of different nationalities and ages who have different professional occupations. The body thus enjoys sufficient diversity. There were no conflicts of interests in the financial year under review.

The compensation report in the management report (page 28/29) provides a detailed overview of the compensation and fringe benefits received by individual members of the Management Board and Supervisory Board, as well as their activities for Beate Uhse Group. No shares or securities are currently being issued via a stock option programme or other securities-based incentive schemes within Beate Uhse Group. However, the stock options issued in 2005 and 2006 may be exercised within five years from the time of issue.

Detailed information on the business relations between the Supervisory Board members and Beate Uhse AG is provided in the Notes (page 89-91) to the Annual Report.

Transparency

Beate Uhse AG makes use of standard communication channels for obligatory publications, thereby ensuring that publication occurs simultaneously for all parties. In addition, shareholders and interested parties can visit our website www.beate-uhse.ag, where all obligatory publications such as ad-hoc releases, voting rights announcements and directors' dealings are available, as well as annual and quarterly reports. In the 2011 reporting period, Beate Uhse AG reported five changes in voting rights pursuant to Section 21 Abs. 1 of the German Securities Trading Act (WpHG) and no directors' dealings pursuant to Section 15a of the same legislation.

Supervisory Board of Beate Uhse AG

Supervisory Board members	Main acitivity	Function	Committees
Gerard Philippus Cok	Management consultant	Chairman	none
Prof. Martin Weigel (Chairman till 31.3.2011)	Chariman of the Management Board of GLC Glücksburg Consulting AG	Deputy Chairman	Chairman of the Audit Committee
Andreas Bartmann	Managing Direcot of Globetrotter Ausrüstung Denart & Lechhart GmbH	Member	Member Audit Committee
Gelmer Westra	Tax advisor	Member	Member Audit Committee (Chairman since 16.5.2011)
Bert Ruzette	Supervisory Board member of tmc Content Group	Member	none
Kerstin Klippert	Employee Beate Uhse new medi@ GmbH	Deputy Chairman	none
Udo H. Bensing	Auditor & Tax advisor Taxon GmbH	Member	Audit Committee

Voting rights announcements in 2011

Name	Place	Date	Threshold values	Percentage
Venus Hyggelig GmbH	Kiel, Germany	28.12.2011	3%, 5% und 10% exceeded	13.11%
Sparkassen- und Giroverband für Schleswig-Holstein	Kiel, Germany	29.12.2011	3%, 5% und 10% exceeded	13.11%
Rotermund Holding AG (in supplementary liquidation)	Vaduz, Lichtenstein	29.12.2011	Fallen below 5%	3.64%
Meteor ALF Beteiligungsgesellschaft mbH	Flensburg, Germany	29.12.2011	Fallen below 3%	-
Equicon Aktiengesellschaft	Vaduz, Lichtenstein	29.12.2011	Fallen below 3%	-

Accounting and auditing

Beate Uhse prepares its consolidated financial statements and interim reports in accordance with International Financial Reporting Standards (IFRS).

Prior to its election as auditor of Beate Uhse AG for the year 2011, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, confirmed its impartiality in a letter dated 10 June 2011. 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 2012 financial year at the 2011 Annual General Meeting. The Supervisory Board issued the audit mandate following the Annual General Meeting.

Declaration by the Management Board and Supervisory Board of Beate Uhse AG pursuant to Section 161 of the German Stock Corporation Act (AktG) on the German Corporate Governance Code (DCGK)

In accordance with Section 161 of the German Stock Corporation Act (AktG), the Management Board and 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 on the German Corporate Governance Code (DCGK) as published in the official part of the electronic Federal Gazette by the German Federal Ministry of Justice 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 on the company's website www.beate-uhse.ag.

The following declaration relates to the period from 16 May 2011 until 3.4.2012. It refers to the recommendations of the DCGK dated 26 May 2010.

Beate Uhse is committed to the recommendations of the Government Commission on the German Corporate Governance Code. Since the last declaration of compliance on 16 May 2011, the company has committed itself to additional DCGK recommendations. Any recommendations with which Beate Uhse AG has not complied are subsequently explained.

Flensburg, Germany, 3.4.2012

For the Supervisory Board	For the Management Board
Gerard P. Cok	Serge van der Hooft

Of the recommendations of the DCGK dated 26 May 2010, Beate Uhse AG is not yet in compliance with the following points:

5.3 – Formation of committees
Since 10 September 2010, the Supervisory Board of Beate Uhse AG has worked exclusively with the Audit Committee as the only qualified committee. Owing to the relatively small number of members of the Supervisory Board (six people), the Supervisory Board has decided to discuss all topics with the entire Board.

7.1.2 – Time frame for the publication of consolidated and quarterly financial statements
The 2011 financial statements will not be published within the time frame set by the German Corporate Governance Code. Beate Uhse Group will publish its financial statements in accordance with the time frame set out by the German Securities Trading Act (WpHG) in order to comply with the principles of due care and attention.

Business trend

Market and sector

In 2011, gross domestic product in the eurozone increased by 1.5% and by 1.6% in the 27 member states of the European Union. This means that although the European economy registered renewed growth over the previous year, a closer look at quarterly figures indicates that the pace of growth slowed considerably in the course of the year. European economies were particularly affected by uncertainties stemming from the sovereign debt crisis.

The German economy contracted slightly in the final quarter of 2011. The adjusted gross domestic product fell by 0.2% in quarter-on-quarter comparison. According to the German Federal Statistics Office, overall growth in 2011 totalled 3.0%. Towards the end of the year, economic growth was hampered particularly by exports. Consumer spending also showed signs of weakening compared to the previous quarter. In the fourth quarter, 41.6 million people were working and contributing to Germany's economic output. Based on figures from the German Federal Statistics Office, this number was 1.4% higher than in the previous year.

Consolidation in the adult lifestyle sector continued to progress. The online segment remained the strongest-growing market. Customers watched an increasing number of adult films on the internet, or ordered goods anonymously and quickly online. There was also a continued and increasing trend for store concepts and product lines targeted at women. The number of female customers in Beate Uhse stores was also on the rise again.

Business activity

The adult lifestyle company, founded in 1946, is one of the foremost companies in the industry. The Group has wholesale, retail, mail order and entertainment activities in twelve countries.

Gross domestic product / change in %

Country	Q 1/2011	Q 2/2011	Q 3/2011	Q 4/2011	2011*
Eurozone (17 countries)	0.8	0.2	0.1	-0.3	1.5
Germany	1.3	0.3	0.6	-0.2	3.0
Netherlands	0.7	0.1	-0.4	-0.7	1.8
Belgium	0.9	0.3	-0.1	-0.2	2.2
France	0.9	-0.1	0.3	0.2	1.6

Source: eurostat

* = Estimates

B2C

Retail

Key brands
beate uhse
Christine le Duc
pabo

Sales revenues 2011	EUR 47.5 million
EBIT 2011	-1.9 million
FTE* 2011	379

Output markets

- Germany
- Netherlands
- Belgium
- Switzerland
- Norway
- Italy
- Poland**
- Slovenia**
- France

Key product groups

- Toys
- Preparations & Wellness
- Lingerie / Textiles
- Multimedia

Mail order (offline and online)

Key brands
beate uhse
pabo
adam & eve

Sales revenues 2011	EUR 62.8 million
EBIT 2011	3.6 million
FTE* 2011	198

Output markets

- Germany
- Netherlands
- Belgium
- France
- Austria
- UK
- Poland
- Czech Rep.
- Norway (buyer's option)

Key product groups

- Lingerie
- Toys
- Multimedia
- Clothing

Entertainment

Key brands
beate uhse
pabo
adam & eve

Sales revenues 2011	EUR 9.2 million
EBIT 2011	1.3 million
FTE* 2011	55

Output markets

- Germany
- Netherlands
- Belgium
- France
- Austria
- Switzerland
- UK

Key product groups

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

* 36 FTEs were employed in the Group's holding company as at 31.12.2011.
** = Country licences

B2B

Wholesale

Key brands SCALA PLAYHOUSE

Sales revenues 2011	EUR 29.5 million
EBIT 2011	EUR -3.5 million
FTE* 2011	148

Output markets

- Global distribution

Key product groups

- Toys
- Multimedia
- Preparations
- Lingerie

The Retail division is a key distribution channel of Beate Uhse Group. Beate Uhse offers its customers adult lifestyle products and excellent sales advice in 151 stores throughout nine countries. The permanent presence of stores in many large cities and highly frequented places, such as airports and motorway service stations, represents a key marketing instrument for Beate Uhse Group.

Beate Uhse Group's Mail Order unit enables millions of customers throughout nine European countries to purchase products conveniently, anonymously and quickly on the internet or by catalogue. By concentrating on the online business, the Mail Order unit gives customers access to an always up-to-date range of goods as well as ensuring short delivery times. Beate Uhse Group is working increasingly with its own brands, such as Besired, to inspire customers with quality, attractive prices and innovative products.

The URL www.beate-uhse.com is among the most well-known adult websites for e-commerce and entertainment. From its Entertainment division, Beate Uhse offers adult films and content via every modern communication channel available through new media. These include IPTV, hand-held devices, and video-on-demand portals such as the MovieOn streaming platform.

The Wholesale unit delivers goods to customers around the world from its site in Almere, Netherlands. In addition to adult lifestyle shop owners, regular customers include large retail chains, online shops and drugstore chains. The ScalaPlayhouse wholesale unit sets itself apart as the exclusive distributor of high-quality brands like Leg Avenue from other providers. In a one-stop shop, customers can view the products in a modern showroom covering 1,400 square metres, order products from a customer sales advisor and take the goods with them immediately.

Its strong sales brands and product brands are key to the success of Beate Uhse Group. The "Beate Uhse" brand alone has a market value of EUR 32 million (according to the Semion Brand Study 2011) and is one of Germany's 50 most valuable brands. In addition to the well-known Beate Uhse brand in German-speaking countries (Germany, Austria, Switzerland, Italy, Poland and Slovenia), the company's portfolio of brands has increased since going public in 1999 to include names such as Pabo (Netherlands, Belgium, United Kingdom and Czech Republic), Christine le Duc (Netherlands), Kondomeriet (Norway), and Adam and Eve (France). With these names the Group benefits from the strength of the brands in their respective countries, thereby achieving a greater level of market recognition among its customers. In order to build on its market position, the Group is developing own brands in every country.

Business performance 2011

Work to restructure Beate Uhse Group made considerable progress in 2011. The Management Board and Supervisory Board were able to almost completely achieve the goals set for the first restructuring phase of the adult lifestyle corporation. Key successes included the centralisation of Group-wide wholesale activities at Almere, the continued implementation of restructuring measures in the Retail unit, and the significant reduction in selling expenses in the Mail Order unit by focussing on online business. In the middle of the year, the Management Board was able to secure financing for Beate Uhse Group by reorganising the pool of banks, together with corresponding loan agreements, thereby helping the Group to gain greater independence from banks.

The project to optimise flows and inventories of goods also achieved a number of successes. Work processes in the areas of purchasing, logistics and merchandise planning were restructured. As a result, inventory levels were reduced by EUR 12.4 million as at the end of 2011. In the first quarter of 2012, the project had progressed to such an extent that the consultancy services provided by logistics specialist K&H Business Partner GmbH could come to an end as scheduled. The project is now being managed by internal employees of Beate Uhse Group.

The Retail unit pursued its strategic objectives with vigour in 2011. In order to improve profitability of the distribution channel, 22 of the company's stores were closed, handed over to franchise partners, or sublet either completely or partially. Contracts with 19 franchise partners were terminated. The optimisation of the store network to remove unprofitable sites is thus now nearly complete. As a result of the country licensing agreement for Austria expiring, there were 52 fewer stores than in the previous year. The Retail management team made considerable improvements to delivery intervals and inventories in the stores. This was aided in particular by a clear structure for the merchandise planning system and regular sales meetings to optimise the range of products available across all distribution channels.

In 2011, the Mail Order unit switched its business model from paper-based catalogue business to e-commerce. The number of employees in the online business unit was boosted significantly. In order to direct customers specifically to the online shop, the Mail Order unit employs a mix of strategies including affiliate marketing, search engine optimisation and newsletters. Thanks to its extensive customer database, Beate Uhse's Mail Order unit is able to reach out to several million people via email. Having prepared the way thoroughly in 2011, the Mail Order unit is now focusing its efforts on enhancing product presentation and optimising usability from product presentation to the shopping cart to finally the purchase. Establishing emotive themed areas will serve to help guide customers through the wide range of different products in the future.

Earnings position

Performance of distribution channels in 2011

Sales revenues EUR 000s	2011	2010	Change %
Retail	47,468	57,164	-17.0
Mail order	62,832	88,930	-29.3
Wholesale	29,504	41,004	-28.0
Entertainment	9,208	10,603	-13.2
	149,012	**197,701**	**-24.6**

Retail

Sales in the Retail unit fell by 19.2% to EUR 46.2 million in 2011. The reason for this decline was the closure of 22 own stores in the reporting period as a result of the restructuring measures. However, profitability in the Retail unit improved noticeably compared to the same period of the previous year due to the store closures. The Retail unit recorded an operating loss (EBIT) of EUR 1.9 million (2010: EUR -10.8 million). Work to restructure the retail network to improve efficiency was largely completed in the year under review.

€ million	2011	2010 adjusted	2010
Sales revenues	47.5	57.2	57.2
EBITDA	0.8	0.5	-0.7
EBIT	-1.9	-3.6	-10.8
EBT	-2.7	-4.7	-12.0

Own shops	2011	%	2010	%
Germany	40	40.0	52	42.6
Italy	7	7.0	7	5.7
Switzerland	0	0.0	1	0.8
Netherlands	38	38.0	48	39.3
Belgium	7	7.0	6	4.9
France	4	4.0	4	3.3
Norway	4	4.0	4	3.3
	100	**100.0**	**122**	**100.0**

Mail Order

Mail Order sales declined by 29.3% to EUR 62.8 million in 2011 (2010: EUR 88.9 million). 67.2% of sales in the Mail Order unit (2010: 49.0%) were generated from the online business. In the reporting year the unit pushed forward with its efforts to strengthen its focus on the online segment, notably by overhauling technical processes and optimising the way in which products are presented. In the course of the supply chain optimisation project, the range of products offered by the Mail Order unit was trimmed down, while receivables management was optimised by concentrating on the online business and improving supervision. The use of online advertising means and the focus on successful offline advertising methods have contributed significantly to increasing the effectiveness of Mail Order advertising. As a result, the Mail Order unit increased its operating result (EBIT) in 2011 by EUR 13.3 million to EUR 3.6 million (2010: EUR -9.7 million).

€ million	2011	2010 adjusted	2010
Sales revenues	62.8	88.9	88.9
EBITDA	5.8	-7.5	-7.5
EBIT	3.6	-9.7	-9.7
EBT	3.1	-10.4	-10.4

Wholesale

Sales in the Wholesale unit decreased by 28.0% to EUR 29.5 million in 2011 (2010: EUR 41.0 million). Market conditions in this segment remained difficult, and consolidation of the market proceeded. As a result, the importance of the DVD business continued to diminish, market pressure remained high and Wholesale customers continued to be cautious, making low-volume orders.

In 2011, the Wholesale unit bundled its activities at the site in Almere. Together with the implementation of the supply chain optimisation project, this work helped to achieve the goal of increasing the Group's logistics efficiency over the long term. The Wholesale unit also successfully concluded the project to optimise goods flows at the end of 2011 as planned. Among other measures, the range of goods on offer was optimised as part of this project. Furthermore, the Wholesale unit harnessed new growth potential by becoming the exclusive distributor of well-known adult brands such as Leg Avenue. As a result, EBIT improved to EUR -3.5 million (2010: EUR -21.2 million) in 2011.

€ million	2011	2010 adjusted	2010
Sales revenues	29.5	41.0	41.0
EBITDA	-0.4	-2.4	-7.3
EBIT	-3.5	-7.2	-21.2
EBT	-4.5	-8.7	-22.6

Entertainment

The Entertainment unit recorded sales of EUR 9.2 million in 2011. This corresponds to a drop of 13.2% (2010: EUR 10.6 million). There continues to be a great deal of competition in the online market. Free services also served to undermine the marketing of high-quality online content in 2011. The Entertainment unit was able to bring more stability to its sales as the year unfolded by working tirelessly to improve the company's own websites and portals, as well as pursuing a targeted product marketing strategy. In 2011, the Entertainment unit generated 58.1% of its sales online. EBIT improved due to efforts to concentrate on profitable online services and cuttings costs by EUR 1.3 million (2010: EUR 0.2 million).

€ million	2011	2010 adjusted	2010
Sales revenues	9.2	10.6	10.6
EBITDA	1.5	0.6	-1.2
EBIT	1.3	2.1	0.2
EBT	1.6	2.3	0.4

The Group

Sales

In the financial year 2011, Beate Uhse Group generated sales of EUR 149.0 million (2010: EUR 197.7 million).

Sales by regions EUR 000s	2011	2010	Change %
Germany	48,976	68,716	-28.7
Netherlands	33,343	41,767	-20.2
France	24,524	33,194	-26.1
Scandinavia	11,435	11,930	-4.1
Belgium	10,468	13,872	-24.5
Rest of Europe	9,542	7,529	26.7
Austria	3,627	9,242	-60.8
UK	3,382	6,048	-44.1
Italy	2,294	2,701	-15.1
Switzerland	868	1,336	-35.0
Other regions	553	1,366	-59.5
	149,012	**197,701**	**-24.6**

In 2011, 67.1% of Beate Uhse Group's sales were generated outside Germany. With 32.9% of total sales, Germany remained the most important single national market for Beate Uhse Group in 2011.

Cost of sales

Thanks to the Group's extensive range of restructuring measures, the cost of sales fell by EUR 18.6 million to EUR 71.9 million (2010: EUR 90.5 million) in 2011. In a year-on-year comparison, the cost of materials in the Retail, Mail Order and Wholesale units was considerably lower in view of the fact that retail stores and wholesale companies were sold in 2011. In the offline business, the Mail Order unit concentrated on profitable advertising methods and customer groups.

Despite this, the cost of goods sold rose to 48.2% of sales (2010: 45.8%). This was due to the product range optimisation which was carried out as part of the supply chain optimisation project. The aim here was to focus on core products, to reduce the number of products within the core product ranges and to concentrate on products with a high warehouse turnover rate.

Other operating income

Other operating income rose by EUR 1.3 million to EUR 15.4 million (2010: EUR 14.1 million). The Mail Order unit's business model focusing on online business led to lower overdue fees and interest given that the Mail Order sales volume was lower overall, while at the same time the share of sales from the online business, in which payment is increasingly made by credit card and in advance, increased. In addition, income from rent declined because a number of sublet stores were closed in the course of the restructuring programme in the Retail unit. This contrasted with a significant rise in income from the reversal of write-downs on receivables, among other things thanks to better receivables management, which therefore compensated for the aforementioned effects.

Selling expenses

The business policy changes introduced in the Mail Order unit at the end of 2010 led to a significant reduction in selling expenses in 2011. Specifically, selling expenses fell by EUR 45.8 million to EUR 71.7 million (2010: EUR 117.5 million). Its share of total sales was cut from 59.4% to 48.1%. The restructuring activities primarily decreased costs for personnel, advertising, mail order and rent, and also reduced the scale of write-downs on receivables. The most encouraging trend was evident in the Mail Order unit. Focusing on the most profitable offline advertising methods and placing a clear emphasis on online business resulted in a substantial drop in selling expenses.

General administrative expenses

Beate Uhse Group cut general administrative expenses by EUR 7.3 million to EUR 24.0 million in the reporting period (2010: EUR 31.3 million). A reduction in staff and rental costs in the Mail Order, Retail and Holding units contributed to this positive development. In contrast to this, consultancy fees rose as a result of the support provided by the specialists at K&H in the course of the supply chain optimisation project. The project was brought to a successful conclusion at the end of 2011.

Other operating expenses

Other operating expenses fell by EUR 26.8 million to EUR 0.4 million (2010: EUR 27.2 million). In 2010, this item included EUR 27.8 million of expenses for extraordinary and restructuring activities.

Share in earnings of associated companies

The share in earnings of associated companies resulted from the interest held in tmc Content Group AG, which is accounted for using the equity method. As of the end of 2011, the share in losses amounted to EUR 1.5 million (2010: EUR 3.3 million).

Consolidated earnings

Beate Uhse Group was able to make substantial improvements to its profitability across all distribution channels in 2011 thanks to extensive restructuring activities. In particular, the Mail Order unit successfully managed to change its course and recorded a positive earnings contribution.

€ million	2011	2010 adjusted	2010
Sales revenues	149.0	197.7	197.7
EBITDA	3.3	-9.9	-21.6
EBIT	-5.2	-19.5	-58.1
EBT	-8.2	-21.2	-59.8

The EBITDA of Beate Uhse Group increased by EUR 24.9 million to EUR 3.3 million (2010: EUR -21.6 million) in 2011. Aside from the consultancy fees for the K&H project in the amount of EUR 1.5 million, there were no noteworthy extraordinary or restructuring effects in 2011 compared to the previous year.

Depreciation, amortisation and impairment significantly declined in 2011 to EUR 8.5 million (2010: EUR 36.5 million). Of the amount in 2010, EUR 27.1 million was due to extraordinary and restructuring effects, meaning that the operating result (EBIT) also increased correspondingly significantly by EUR 52.9 million to EUR -5.2 million (2010: EUR -58.1 million).

The negative finance result increased to EUR -3.1 million (2010: EUR -1.7 million). The reason for this was higher financing expenses for the Group as a result of a rise in interest rates and of interest accrued on the purchase price liability in connection with the option to buy back shares in Kondomeriet A.S.

Beate Uhse Group recorded a positive tax result of EUR 0.4 million in 2011 due to the repayment of taxes from previous years. In 2010, the Group's tax burden amounted to EUR 6.8 million. This included a value adjustment on deferred tax assets in the amount of EUR 6.0 million.

Earnings per share came to EUR -0.10 in 2011. In 2010, the Group recorded earnings per share of EUR -0.86.

Financial position

At the end of April 2011, refinancing for the German subgroup was implemented. By signing new financing agreements with the Nord-Ostsee Sparkasse and the Schleswig-Holstein Investment Bank, Beate Uhse AG laid new parameters for the financing arranged in 2010. The two banks provided funds for a total of EUR 6.1 million.

An outstanding amount of EUR 6.6 million was repaid to the Deutsche Postbank AG in full. In the course of this refinancing, Beate Uhse AG made additional unscheduled repayments of a total of EUR 7.8 million to the German banks when the refinancing was agreed, primarily to repay fully Deutsche Postbank AG. These unscheduled repayments were largely financed by the sale of the Norwegian retail company Kondomeriet A.S. for EUR 3.0 million and the sale of written-down Mail Order receivables (EUR 1.3 million). Furthermore, Beate Uhse AG received an unscheduled payment of EUR 2.7 million from tmc Content Group AG on a loan granted.

Up to 31 December 2011, loans from the Nord-Ostsee Sparkasse and the Schleswig-Holstein Investment Bank were reduced to EUR 5.3 million. In January 2012, another agreed unscheduled repayment was made in the amount of EUR 1.0 million.

At the same time that financing in Germany was being restructured, constructive talks with the ING Bank N.V. and others were held with a view to securing additional financing for the Dutch subgroup of Beate Uhse Group. The size of the loan with the ING Bank N.V. was further reduced to EUR 16.0 million by the beginning of June 2011 due to an unscheduled repayment of EUR 5.5 million. This unscheduled repayment was financed by:

- EUR 2.0 million from the receipt of a loan from Dobu B.V.
- EUR 2.0 million from sale-and-lease-back transactions with Dobu B.V.
- EUR 0.8 million from the sale of Dutch mail order receivables to the EOS Group, which also made an advance payment of EUR 0.6 million on mail order receivables yet to be sold

Founded in December 2010 and based in the Netherlands, Dobu B.V. is a company tasked with issuing bonds with a minimum total value of EUR 4.0 million for the purposes of financing Beate Uhse B.V.

Up to 31 December 2011, credit lines with ING Bank were reduced to EUR 15 million (total used: EUR 13.6 million).

In view of existing contractual agreements, ING Bank N.V. retains the right to terminate the business relationship at any time given that Beate Uhse Group did not meet the agreed covenants in the financial year 2010. The Management Board of Beate Uhse AG worked to eliminate this risk through intensive discussions with ING Bank N.V. over the entire financial year.

No new credit agreements have yet been concluded with ING. This means that the old credit agreement from 2010 remains in place and ING retains its special right to termination, which has not yet been exercised, however. In the meantime, ING has announced its desire to withdraw in the medium term from its current agreement to provide an overdraft credit limit.

In a letter dated 27 March 2012, ING Bank N.V. declared that it will not terminate the credit lines provided to Beate Uhse B.V. and co-debtors even if Beate Uhse B.V. does not make a repayment of EUR 7.5 million due by 30 June 2012 on the existing overdraft credit limit in the event that the refinancing planned for this has not yet been implemented. However, ING Bank N.V. retains the right to withdraw this declaration if, in the opinion of ING Bank N.V., facts or circumstances arise that give cause for this.

Net assets

The balance sheet total of Beate Uhse AG fell by 24.1% to EUR 94.1 million (2010: EUR 124 million) as of 31 December 2011.

Assets

Non-current assets decreased by 15.2% to EUR 48.5 million (2010: EUR 57.2 million). This drop was primarily the result of ongoing depreciation and amortisation. Consequently, intangible assets fell by 26.7% to EUR 9.9 million in 2011 (2010: EUR 13.5 million). Property, plant and equipment decreased by 12.1% to EUR 16.7 million (2010: EUR 19.0 million). The Retail unit reduced the number of own stores by 22 in 2011 in order to be able to focus on profitable stores in the retail network. Other non-current financial assets saw only minor changes in 2011 (EUR 4.7 million; 2010: EUR 5.2 million), however there were a number of opposing developments within the item. On the one hand, a portion of the money due under a loan from tmc Content Group AG in the amount of EUR 1.1 million was recognised as being current, as it becomes due in 2012. On the other hand, rental guarantees were replaced by rental deposits in the course of the Group's refinancing, which led to an increase in non-current financial assets. The share in associated companies, tmc Content Group AG, Switzerland, declined by the share of losses for the financial year from EUR 8.8 million to EUR 7.3 million.

At EUR 45.6 million, current assets were well below the amount in the previous year (EUR 66.8 million). The project launched in early 2011 to optimise stocks and flows of goods and to deconsolidate certain companies enabled Beate Uhse Group to cut inventories successfully by 38.3% to EUR 20.0 million (2010: EUR 32.3 million). Trade receivables declined by 18.6% to EUR 18.0 million (2010: EUR 22.1 million). The Mail Order unit was able to make significant improvements to its receivables management by switching to online business, selling customer receivables to a service provider at the beginning of 2011. Other current financial assets and other assets were cut by more than half (57.7%) to EUR 2.8 million (2010: EUR 6.6 million). Among other things, this was due to the fact that tmc Content Group AG repaid EUR 2.7 million of a short-term loan taken out from Beate Uhse Group.

Equity and liabilities

The shareholders' equity of Beate Uhse Group declined by 23.1% to EUR 25.8 million (2010: EUR 33.6 million) in 2011, primarily as a result of the loss recorded for the financial year. In view of the fall in the balance sheet total compared to the previous year, the equity ratio increased slightly to 27.4% (2010: 27.1%).

In the course of refinancing Beate Uhse Group in 2011, the interest-bearing loans that were previously recognised as overdraft liabilities rose by 77.8% to EUR 7.6 million (2010: EUR 4.3 million). Consequently, non-current liabilities increased by 13.6% to EUR 13.9 million in 2011 (2010: EUR 12.2 million).

Beate Uhse Group significantly reduced current liabilities by 30.4% to EUR 54.4 million (2010: EUR 78.2 million). Thanks to the optimisation of stock levels in the course of the K&H logistics project in the Wholesale and Mail Order units, trade payables decreased by 40.4% to EUR 13.1 million (2010: EUR 22.0 million).

In 2011, overdraft liabilities were 55.9% lower than in the previous year at EUR 15.0 million (2010: EUR 34.1 million). This was due to the restructuring of loans according to their terms as well as unscheduled repayments made in 2011 amounting to EUR 13.3 million and scheduled repayments of EUR 3.2 million.

As a result of the changes in the group of consolidated companies and optimisation of goods management in the Group, current operating capital reduced by 23.5% to EUR 24.9 million (2010: EUR 32.5 million).

Net debt of Beate Uhse Group was cut to EUR 20.9 million in 2011 (2010: EUR 34.6 million).

Disclosure of potential takeover barriers

The share capital of Beate Uhse AG amounted to EUR 78,074,696.00 as at 31 December 2011 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 the 281,231 shares held by Beate Uhse as treasury shares.

As at 31 December 2011, Consipio Holding B.V. held a 27.17% stake in Beate Uhse AG and Venus Hyggelig GmbH 13.11%. No other direct or indirect shareholdings of more than 10% are known. 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 relating to employees participating in the capital of Beate Uhse AG.

The Supervisory Board appoints the 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 deputy members of the Management Board.

The Annual General Meeting on 29 November 2010 authorised the company to issue convertible or option bonds. The authorisation applies to a total nominal amount of EUR 140 million with a term of no more than ten years. The authorisation can be exercised in stages and remains in force until 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 a change of control or takeover of the company.

2011 compensation report

The compensation report describes the principles of Beate Uhse AG's remuneration 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 German Management Board Compensation Disclosure Act (VorstOG), and is based on the recommendations of the German Corporate Governance Code (DCGK). 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 Management 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.

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 total annual gross salary, 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 Beate Uhse Group. The bonus is determined at the end of the corresponding annual performance period. If a bonus is granted, it is equivalent to 1% of the amount by which the EBIT of the Group exceeds EUR 5 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 Beate Uhse Group deteriorates 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 of a D&O insurance policy with an appropriate deductible. The latter has been adjusted to comply with the provisions of the German Act on the Appropriateness of Management Board Compensation (VorstAG).

No additional components, such as commitments under stock option programmes, were agreed in 2011.

Management Board compensation in 2011

Name	Function	Contract	Fixed salary	Fringe benefits	Bonus	Total
Serge van der Hooft	CEO, Spokesman	since 1.1.2008	168,480	2,400	0	170,880
Sören Müller	COO	since 1.10.2010	144,000	0	0	144,000

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 (DCGK). The structure and the amount of the Supervisory Board compensation are governed by Article 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 or her 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 were also covered by a D&O insurance policy which includes an appropriate deductible.

Supervisory Board compensation in 2011

Name	Main activity	Function	Since	Committees	Compensation in EUR
Gerard Philippus Cok	Management consultant	Chairman since 7.1.2009	Since 16.6.2008 Member	None	11,250
Prof. Martin Weigel	Chairman of the Management Board of GLC Glücksburg Consulting AG	Deputy chairman	Since 20.7.2005 (till 31.3.2011)	Audit Committee (chairman)	5,086
Andreas Bartmann	Managing Director of Globetrotter Ausrüstung Denart & Lechhart GmbH	Member	Since 12.2.2009	Audit Committee	15,000
Gelmer Westra	Tax advisor	Member	Since 25.6.2007	Audit Committee (chairman since 16.5.2011)	17,353
Theodorus B. H. Ruzette	Präsident tmc Content Group	Member	Since 7.9.2010	None	7,500
Kerstin Klippert	Employee of Beate Uhse new medi@ GmbH	Deputy chairman since 22.8.2011	Since 7.9.2010 Member	None	8,173
Udo H. Bensing	Taxon GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft	Member	Since 22.8.2011	Audit Committee	5,384

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 the end of the reporting year, Beate Uhse Group employed 816 employees (FTEs, 2010: 975). This means that the number of employees fell by 159 or 16.3% compared to the previous year. In the course of restructuring the Group, job cuts were made in all distribution channels. Beate Uhse Group reduced the number of jobs in both the Wholesale and Mail Order units by improving the efficiency of work processes. The Retail unit reduced its retail network by a total of 93 shops (therefrom 22 own shops), meaning that the number of jobs here also declined.

FTEs by regions	2011	2010	Change %
Germany	321	411	-21.9
Netherlands	371	412	-10.0
Belgium	13	12	8.3
France	38	48	-20.8
UK	6	5	20.0
Austria	2	5	-60.0
Scandinavia	30	39	-23.1
Italy	16	17	-5.9
Other European countries	19	26	-26.9
	816	**975**	**-16.3**

By distribution channels	2011	2010	Change %
Retail	379	437	-13.3
Mail order	198	237	-16.5
Wholesale	148	200	-26.0
Entertainment	55	60	-8.3
Holding services	36	41	-12.2
	816	**975**	**-16.3**

Beate Uhse Group is particularly popular among young people in Flensburg, Germany, as a company that provides training. In 2011, the Group trained people in the professions of IT specialist, digital media designer and management assistants for marketing communication, as well as with a Bachelors of Science in Business Administration programme.

Purchasing and procurement

All procurement processes within Beate Uhse Group are bundled into the Wholesale unit. The task of merchandising is to monitor and analyse customer desires and market trends on an ongoing basis and to incorporate these into product development. Purchasing supplements this knowledge with product information and trends from the manufacturer and is responsible for ordering the goods. By bundling purchases from the entire Group, Beate Uhse is able to buy at optimum conditions and prices.

Product quality

Beate Uhse works together with a large number of producers around the world. The aim of such diverse partnerships is to be able to offer customers a wide range of different products, to live up to the price and quality expectations of our customers, and to ensure the Group's independence from individual suppliers.

In order to be able to meet the quality requirements of customers, Beate Uhse works together with test institutes such as Intertek Group plc. All inspections are carried out and documented in accordance with EU directives and relevant national requirements.

Brands and private labels

Beate Uhse Group has very well-known sales brands and private labels across Europe. Brands include Beate Uhse (Germany, Austria, Italy, Poland), Pabo (Netherlands, Belgium, United Kingdom, Slovakia, Czech Republic, Slovenia, Austria), Christine le Duc (Netherlands), Adam & Eve (France and Spain) and Kondomeriet (Norway).

Over the past few years, Beate Uhse Group has also successfully established a number of private labels in the market. These include the sexy fashion lines Besired and BLove as well as the sex toy brand Taboom. In cooperation with brand manufacturers such as Leg Avenue, the Group sells exclusive, high-quality lingerie and stockings across all distribution channels.

Risk report

Risk management system

The risk management system, which was overhauled and revamped in 2010, is an integral part of all planning, controlling and reporting processes of Beate Uhse AG. The aim of the risk management system is to systematically identify risks as early as possible, to assess them, document them and communicate them in order to be able to develop and implement effective countermeasures. Both the risk management system and the internal control system represent a key protection mechanism for Beate Uhse Group as part of good and responsibly minded corporate management.

The internal control system comprises principles, procedures and measures surrounding the organisational implementation of management decisions

- to safeguard the effectiveness and commercial viability of business activities, including protection of assets as well as preventing and uncovering financial losses,
- to ensure the appropriateness and reliability of internal and external accounting practices, and
- to comply with all key legal regulations which apply to the company.

The risk management system of Beate Uhse Group follows a holistic and integrative approach to the systematic handling of risks. The principles of the system are set out in guidelines.

Potential risks are monitored decentrally on a continual basis by risk officers across all distribution channels, administrative departments and countries. Risk officers and managers discuss the current situation at six-monthly intervals. Pre-defined risk areas such as “performance risks” or “IT risks” improve clarity and enable potential risks to be identified promptly using check lists. The risk analysis involves a complete recording of risks to be monitored by the risk officer. Risks are assessed in two stages: with regards to their probability of occurrence and the extent of damage. Risk management evaluates the appropriateness of the assessments. If risks are identified, the risk officers develop recommended courses of action to prevent such risks from occurring. Risk management decides on the proposed courses of action and monitors their implementation. Records are kept in accordance with standardised requirements. In addition, risk management informs the Management Board regularly about current events in the risk process. A project officer sits on the Supervisory Board and is also in regular contact with the risk management department.

Pursuant to Sections 289 (5) and 315 (2)(5) of the German Commercial Code (HGB) and in reference to the German Accounting Law Modernisation Act (BilMoG), Beate Uhse AG describes below the control and risk management system, using the accounting process as an example.

The Management Board carries the overall responsibility for the internal control and risk management system, including the accounting process. With regards to the accounting process, we consider any features of the internal control and risk management system to be material if they can have a significant impact on the balance sheet and the overall presentation of the annual financial statements, including the management report. These include the following elements in particular:

- Identifying the key risk and control areas relevant to the accounting process
- Inspections to monitor the accounting process and its results at the strategic business divisions level
- Preventative control measures in finance and accounting including a separation of functions in relevant areas
- Measures which ensure that accounting-related records and data are processed properly by IT software

Beate Uhse AG believes the existing risk monitoring system is functional and appropriate. The system is subject to continual inspections in the search for further areas of improvement in the interests of the company.

Individual risks

Industry risks

Europe is currently experiencing economic turmoil with an as yet uncertain outcome. There have been stark differences in the extent to which member states of the European Union have been able to cope with the financial and economic crisis which began in 2008. The result has been the emergence of peripheral risks for almost every branch of the economy, as consumers are unsettled and have cut back consumption in some areas. For Beate Uhse AG, this may lead in particular to lower sales volumes in the company's main sales markets of Germany, the Netherlands and France. As a result, Beate Uhse is concentrating especially on strengthening the existing brands and on developing new product lines to enhance the company's position among customers compared to the competition. In addition to this, the company works continually to optimise purchase prices via a range of measures, such as bundling Group-wide purchasing activities so as to be able to counter any possible reduction in sales.

The adult lifestyle market is currently undergoing an extended phase of market upheaval. Examples and the subsequent risks for the industry and, in turn, Beate Uhse Group, are as follows:

- Customers are buying an increasing amount of lingerie and sex toys as well as other consumer goods online. This shift in demand may result in a dramatic fall in sales for Beate Uhse's 203 stores.
- Competitors who are new to the industry such as department stores and drugstores are discovering the appeal of the adult lifestyle market and including a number of adult lifestyle products in their own product ranges. Overall sales of adult lifestyle products are spread over an increasing number of providers.
- The wholesale market is being flooded by ever more producers with new products and product variations. There is a risk of permanent downward pressure on margins and fierce competition to acquire and retain wholesale customers.
- Free video-on-demand (VoD) services from private television channels or pay TV broadcasters are becoming an ever greater force to be reckoned with in marketing adult films and content. The risk for Beate Uhse Group is that customers will move towards free services.

This has presented Beate Uhse AG with the challenge of implementing far-reaching restructuring measures simultaneously throughout all sales areas of the Group. The Group identified the shift in the adult lifestyle market at an early stage and began reshaping the Group several years ago with a view to turning it into a brand-oriented, multi-channel organisation. In the course of this realignment, all distribution channels in every country have been and are being closely examined, together with local marketing strategies, and brought together in line with the new orientation.

The Group is continuing its quality drive in the Wholesale unit, centralising all activities to streamline delivery to customers from its site at Almere. Customers are looked after by sales teams in the respective countries. Moreover, ScalaPlayhouse succeeded in ensuring that all key producers in the industry present their products on a permanent basis in a shop-in-shop showroom at the Almere site. The management's aim is to serve customers efficiently by means of a one-stop shop in order to secure an optimum level of customer contact.

Beate Uhse is countering the pressure being created by free VoD services through high-quality services and very good search functions, meaning that Group-own VoD portals continue to have unique selling points. Future innovations will focus even more strongly on customer needs.

The adult lifestyle industry continues to be subject to a range of widely divergent laws as a result of youth protection regulations. Particularly in Germany, the company's most important sales market, legislation has become very strict, notably with regards to new media. Any further tightening of the legal framework to limit the market represents a potential risk, as this would inherently involve an impingement on sales. The Group is developing a range of youth protection measures used on the websites. Through cooperation with various institutions, such as Freiwillige Selbstkontrolle e.V., Beate Uhse is able to have an indirect effect on the legislative process shaping the underlying legal conditions.

Performance risks

There is a risk of business interruptions at the Wholesale logistic centres in Almere and the Mail Order warehouse in Walsoorden as a result of fire or flood damage, among other things. Failures of the technical equipment and IT systems may result in interruptions to the supply of products and services to our customers. Beate Uhse mitigates this risk by installing corresponding security systems. Furthermore, the economic consequences of such interruptions are covered by property and business interruption insurance.

As a trading company, Beate Uhse buys products from around the world. The purchase of goods is subject to standard trading risks such as delivery delays, volatile exchange rates, rises in customs duties and taxes, varying quality of the products supplied and/or possible import restrictions. In the Mail Order and Retail units, the purchase of goods is subject to the risk of overstocking. Beate Uhse minimises these risks by purchasing from a variety of different suppliers around the world. This reduces dependencies on individual producers. In Asia, the wholesaler ScalaPlayhouse works together with the globally active quality assurance company Intertek Group plc. in order to monitor quality. The procurement of products sold by the Group is centralised in the Category Management department for the whole Group.

In the course of realigning the company, Beate Uhse Group has introduced a number of fundamental changes to the organisational structures of the distribution channels, with additional ones planned for 2012. At the end of 2010, the operating Mail Order units were split into online and offline activities. This separation enables the Group to customise product ranges, advertising campaigns and budgets, etc. for the different circumstances of these areas. In addition, offline activities were scaled down considerably in favour of e-commerce. As is the case for all corporate decisions, there is a risk that the Mail Order unit may develop more slowly or less favourably than planned with its new operating units. The result of this may be an additional decline in sales, leading to potential liquidity shortages in the Group. The Mail Order management team is working to minimise this risk by conducting regular assessments of advertising campaigns, both before and after, as well as by adjusting the product range. The new online Mail Order team has been strengthened with additional employees and managers who have experience in e-commerce and enjoyed much success in the past.

Work to centralise Group-wide wholesale activities at the Almere site was successfully implemented in the financial year 2011 with the integration of the goods warehouse of ZBF GmbH Wiesbaden, meaning that the Wholesale unit has been well positioned to serve all customers with a strong sales team in each country and a central wholesale facility since the middle of 2011. Nevertheless, there is still the risk that this reorganisation will result in customers purchasing from other wholesalers in the individual national markets and that, consequently, there will be a decline in sales for the Wholesale unit.

Personnel risks

The success of Beate Uhse Group depends heavily on the performance of the management team, which has been with the company for years, and the expertise of its employees. A change of employees in key positions could have a negative impact on the market position and development of the Group. Beate Uhse Group has positioned itself as an attractive employer and endeavours to retain good employees over the long term. Measures here include employee training courses, internal career and promotion opportunities, and meaningful dialogue between management and employees.

IT risks

The information technology in use is subject to continual evaluation in order to ensure that IT-based business processes are handled securely, in particular logistics workflows in the Mail Order and Wholesale units, as well as for online services. If there are any interruptions to IT-based processes, the smooth despatch of goods or the provision of online content cannot be guaranteed. There is a risk of a loss of earnings and the risk of losing customers over the long term. Beate Uhse implements preventive measures on a Group level here by means of technical back-up and standby systems. Moreover, the Group is also covered by property and business interruption insurance.

As a provider of online content and e-commerce services, Beate Uhse is also exposed to the risk of internet data being misused. The company’s programmers and developers work continually to develop software solutions to protect against such attacks and receive training to this end.

Financial risks and corporate financing

The restructuring concept, implemented jointly by the Management Board and Supervisory Board of Beate Uhse AG and the majority shareholder as well as the banks providing financing, together with the project to optimise working capital successfully implemented in 2011, helped to improve substantially the liquidity situation during the financial year 2011.

The restructuring concept is based on corporate planning which presents the financial performance of Beate Uhse Group in the current weak economic climate and has determined the scope of measures to be executed.

Corporate planning takes sales targets in the individual segments into account, which are forecast to remain constant or to increase slightly due to closures or sales. Furthermore, there are plans to make improvements to the cost structure, particularly with regard to the cost of goods sold, property and personnel expenses as well as net current assets. The corporate planning, on which the restructuring concept is based, forecasts an available credit line of between EUR 0.2 million and EUR 7.4 million in the forecast period set by the Management Board of 2012 to 2014, as well as available cash and cash equivalents in the planning period of between EUR 1 million and EUR 3 million.

Bad debt risk

The risk of bad debts has risen sharply over the past few years. All of the distribution channels of Beate Uhse Group are exposed to this risk. In order to be able to head off this risk as early as possible, Beate Uhse AG checks the creditworthiness of customers in all B2C and B2B distribution channels, as far as possible, as well as the ability to pay in respect of rental agreements, such as in the Retail unit. Payment history and possible breaches of contract are documented. In order to reduce the risk of a customer not paying, the focus is increasingly on online activities in the Mail Order unit. The payment methods used there, e.g. credit cards, ensure a greater level of payment security.

Risks associated with shareholdings and non-current assets

In the consolidated financial statements, non-current assets are recognised in the amount of EUR 48.5 million (2010: EUR 57.2 million), EUR 7.3 million of this (2010: EUR 8.8 million) relate to shares in tmc Content Group AG.

Shares in associated companies and other non-current assets of Beate Uhse Group are subject to the risk of possible impairments.

In contrast to the subsidiaries, the influence of Beate Uhse AG on associated companies is limited. Due to their high carrying amount, there is a particular risk of impairment with regard to the shares held in tmc Content Group AG.

The shares in the publicly traded tmc Content Group AG had a carrying amount of EUR 7.3 million as at 31 December 2011 (31.12.2010: EUR 8.8 million). The stock market value of the shares held by Beate Uhse AG amounted to EUR 1.4 million on the balance sheet date (31.12.2010: EUR 3.3 million); the pro-rata shareholders' equity amounted to EUR 4.2 million (2010: EUR 5.8 million).

In order to evaluate if any impairments have been incurred, the company determines the fair value of the shares on the basis of an appraisal report using the DCF method. If the stock market value were considered as being key to determining the realisable value, shareholders' equity of Beate Uhse AG would be EUR 5.9 million less.

Beate Uhse Group recognised pro-rata losses from tmc Content Group AG of EUR 1.5 million using the equity method for the financial year 2011. This reduces the risk of any further potential write-downs being necessary in the future. Nevertheless, a further deterioration in earnings at tmc Content Group AG may render future write-downs necessary.

Overall risk

In consideration of the aforementioned risks, the ability of Beate Uhse AG to continue as a going concern depends heavily on the successful implementation of the restructuring measures currently being introduced and that subsequent sales and earnings targets can be achieved, thereby enabling the company to remain solvent as planned.

If the expected development in sales and earnings, as well as the corresponding inflow of cash were to fall below a level which cannot be offset by further measures to free up liquidity, the company's loan with ING Bank not be refinanced as planned or the credit line assured by ING Bank is terminated or curtailed, the solvency and, by extension, the continued existence of Beate Uhse AG and the Group would depend on concessions being made by creditors or by the injection of additional equity or borrowed capital.

We believe the risks faced by Beate Uhse AG and the Group as a whole are limited and manageable, and we therefore believe that the company and the Group will be able to continue as a going concern.

Events after the balance sheet date

Beate Uhse applies for transfer from Prime Standard to General Standard

On 7 March 2012, Beate Uhse AG applied to transfer its stock exchange listing from the Prime Standard to the General Standard. This change does not affect the admission of the shares to the Regulated Market of the Frankfurt Stock Exchange. In the interests of its shareholders, Beate Uhse AG intends to remain in the most strictly regulated segment of Germany's stock market in order to continue to meet the transparency requirements of its shareholders. The legal transparency rules for EU-regulated markets apply to both the Prime and the General Standard.

Deutsche Börse accepted the application for revocation in a letter dated 26 March 2012. As of 27 June 2012, the Beate Uhse share will be admitted to the General Standard of the Regulated Market.

The Management Board of Beate Uhse AG decided on this course of action in order to reduce the costs and additional administrative effort needed to maintain the stock market listing. The current focus on restructuring the Group and the trading volume of the share support the decision to move to the General Standard. By changing to the General Standard, financial reports will only be published in German, interim reports published instead of quarterly reports, and an annual analysts' conference is optional.

Forecast

Overall economic environment

The European Commission is forecasting a minor recession in the eurozone for 2012. Europeans expect the economy to contract by 0.3%. The reason for this is lingering uncertainty as a result of the credit crisis. Following a weak performance in the first half of the year, the European Commission expects the economy to return to moderate growth in the second half of the year, however. This is anticipated to continue in 2013 and subsequently to translate into annual growth of 0.8% according to estimates from the International Monetary Fund (IMF, January 2012).

2012 will be marked by highly contrasting growth rates in the currency union, which will only subside to a limited extent in 2013. The commissioners expect Greece's economy to shrink by 6.8% and Portugal's by 3.3%. Forecasts by the European Commission also expect a recession to hit countries that are important for Beate Uhse Group, including Italy, Spain, the Netherlands, Belgium and Slovenia. Muted growth is predicted for Austria and Slovakia, two countries in which Beate Uhse is also active. The two economic powerhouses of France and Germany are set to experience moderate growth of 0.4% and 0.6% respectively, in the opinion of the Commission. In 2013, the IMF predicts a considerable improvement in the situation of the two core countries of Germany and France. In contrast, negative growth rates continue to be anticipated for countries such as Italy and Spain.

A consumer climate study conducted by GfK, a market research company, rated German consumers as being optimistic at the start of 2012. Business expectations and the propensity to make purchases increased noticeably, while income expectations remained steady at a high level. According to GfK experts, German consumers continue to offer a positive counterweight against the rising economic risks and the sustained debt crisis in the eurozone. Further development here will certainly depend heavily on the economic situation and expected wage agreements. Despite the significantly weaker growth forecast for 2012, the GfK expects the labour market situation to develop positively for the year as a whole. Companies are also continuing to look towards the future with optimism, a fact presented by the ifo business climate index, which rose for the third time in a row.

Industry trend

The adult lifestyle market is set to continue the trend of splitting into two key directions over the coming months. In addition to the classic sex shops and online entertainment portals, which cater to a largely male audience, high-quality shop and lifestyle concepts are being established for women and couples. In view of their societal acceptance, they are increasingly key in determining the public image of the adult lifestyle industry. Lingerie stores in large shopping centres, adult lifestyle stores for women and couples in the inner shopping districts of large cities, or adult toys in drugstores have long become a normal part of modern life. They help shape the image of the adult lifestyle industry and have become a strong force countering the traditional pornography industry.

The sale of erotic and pornographic entertainment via online media such as computers, tablets and mobile telephones, as well as the online sale of products such as lingerie, sex toys and accessories continue to be the fastest growing areas. Customer price sensitivity is set to remain high in the future due to high availability, product diversity and the ability to compare prices quickly on the internet.

Positioning of the Group

Work to restructure Beate Uhse Group made good progress in 2011. This represents a firm basis for the additional measures planned by the Management Board to be introduced as part of its three-phase strategy until 2015. In 2012 and 2013, Beate Uhse Group will gradually stabilise its business areas and increase their efficiency. To achieve this, goods flows in the Wholesale unit, as well as between the sales companies, Wholesale, Mail Order and Retail units, will be reviewed, analysed and further optimised. The Group also sees interesting potential for improving the working capital. Over the next few years, Beate Uhse Group will bring its product range even closer in line with customer expectations with regard to quality and attractive prices. An expansion into new country markets is also under consideration.

As a key engine of growth in the Group, e-Commerce will be expanded further. Traditional in-store retail activities will focus on profitable locations such as city centres, large shopping centres and tourist spots. Shopping in an attractive setting increases the attractiveness of the brand and thereby strengthens e-commerce activities in the long term.

The Wholesale and Entertainment units will continue to expand their successful B2B activities.

The optimisation of ordering and delivery processes in the Wholesale unit will also have a positive effect on the end consumer sales units of Mail Order and Retail, for example by providing prompt delivery of exclusive products to own stores and the Mail Order unit. As a result, the Group expects sales to stabilise and to achieve positive effects for the working capital.

Aside from stabilising the company’s own sales channels, brand management will play a key role during this phase of restructuring. The key Group brands Beate Uhse, Pabo, Christine le Duc and Adam & Eve will be clearly positioned in the market, the presentation of products overhauled and adapted to meet the needs of both customers and the market.

In the third and final stage of the restructuring process, Beate Uhse Group expects to return to growth. To this end, Beate Uhse is pursuing two main courses. On the one hand, the product range is being analysed in detail, with new product areas being supplemented in line with customer demand. At the same time, new growth markets will be tapped during the third phase of restructuring, notably for online business and e-commerce. The Group sees a healthy potential for future growth in the 27 member states of the European Union.

Sales and earnings development

Based on the continued optimism seen in German consumer behaviour, the positive labour market situation and recent forecasts from the ifo business climate index, the Management Board of Beate Uhse AG sees developments as promising. The Board expects this high level of consumer confidence to continue in 2012 in Beate Uhse’s key national markets. Any potential negative effects stemming from the European debt crisis are being monitored by the Management Board and, if necessary, planned measures will be adapted to the situation.

As announced in the previous annual report, Beate Uhse Group was able to increase EBIT significantly in the year under review by EUR 52.9 million. In terms of purely operating results, Beate Uhse Group improved its earnings by EUR 14.3 million. With an EBIT of EUR -5.2 million, Beate Uhse Group achieved earnings which corresponded to the range forecast in the previous year. The Management Board made its growth forecasts for the coming years with a sense of proportion, given the fact that the Group will be undergoing restructuring until 2015. The Management Board expects the Group to generate sales of between EUR 142 million and EUR 147 million for the financial year 2012 (2011: EUR 149 million). The pleasing development seen in financial year 2011 demonstrates that focusing on profitable business activities is the right course of action. As a result, Beate Uhse Group will maintain its focus here in the coming years. Thanks to the measures introduced in 2010/2011, the Group is set to return to profitability. An operating result of EUR 0 million to EUR 2 million is forecast for the financial year 2012.

For the financial years 2013 and 2014, the Management Board expects sales to rise by 3%. The operating result is also expected to develop positively.

Flensburg, Germany, 30 March 2012

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

Consolidated balance sheet 2011 / 2010

Assets

EUR 000s	Notes	2011	2010	1.1.2010*
Non-current assets				
Intangible assets	6	9,912	13,524	12,663
Goodwill	6	9,064	9,329	20,203
Property, plant and equipment	7	16,742	19,043	26,669
Other financial assets	8	4,702	5,151	3,183
Equity investments	9	127	126	909
Shares in associated companies	10	7,288	8,800	22,838
Deferred tax assets	37	674	1,212	7,304
		48,509	57,185	93,769
Current assets				
Inventories	11	19,959	32,343	39,185
Trade receivables	26	18,020	22,146	33,580
Other current financial assets and other assets	12	2,801	6,627	6,903
Income tax refund claims		17	1,102	1,877
Cash and cash equivalents	13	4,807	4,597	7,262
		45,604	66,815	88,807
Total assets		**94.113**	**124.000**	**182.576**

* Amended, see Note 2f, page 47

Equity and liabilities

EUR 000s	Notes	2011	2010	1.1.2010*
Shareholders' equity				
Subscribed capital	14	78,075	78,075	78,075
Treasury stock, at cost of acquisition	17	-3,463	-3,463	-3,463
Capital reserve	18	-89	-89	-89
Retained earnings	19	3,295	3,295	3,295
Unappropriated net profit		-53,589	-45,560	21,217
Balancing item for currency translation	19	1,332	1,385	362
Non-controlling interests		236	-80	456
		25,797	33,563	99,853
Non-current liabilities				
Interest-bearing loans	25	7,569	4,256	5,144
Pensions and similar obligations	20	3,590	3,685	3,903
Other provisions	21	1,297	1,618	1,787
Other financial liabilities	22	1,304	2,306	1,077
Deferred tax liabilities	37	119	353	442
		13,879	12,218	12,353
Current liabilities				
Trade payables		13,108	21,992	17,002
Other financial liabilities	23	15,659	11,342	16,201
Pensions and similar obligations	20	283	268	266
Other provisions	24	3,076	5,698	1,830
Income tax liabilities		4,164	3,979	3,468
Overdraft liabilities	25	15,033	34,069	2,025
Current loans	25	3,114	871	29,578
		54,437	78,219	70,370
Total equity and liabilities		**94,113**	**124,000**	**182,576**

* Amended, see Note 2f, page 47

Consolidated income statement 2011 / 2010

EUR 000s	Notes	2011	2010*
Sales	31	**149,012**	**197,701**
Cost of sales	32	-71,879	-90,456
Gross profit on sales		**77,133**	**107,245**
Other operating income	33	15,368	14,089
Sales expenses	34	-71,689	-117,525
General administrative expenses	35	-24,031	-31,286
Other operating expenses		-428	-27,255
Share in earnings of associated companies	10	-1,512	-3,319
Operating result (EBIT)		**-5,159**	**-58,051**
Finance income	36	611	794
Finance expense	36	-3,682	-2,499
Earnings before taxes (EBT)		**-8,230**	**-59,756**
Taxes on income	37	392	-6,834
Consolidated earnings		**-7,838**	**-66,590**
Attributable to:			
Shareholders of the parent company		-8,029	-66,777
Non-controlling interests		191	187
Earnings per share (EPS)			
Basic (EUR)	40	-0.10	-0.86
Diluted (EUR)	40	-0.10	-0.86

* Amended, see Note 2f, page 47

Consolidated statement of comprehensive income 2011 / 2010

EUR 000s	2011	2010*
Result for period	**-7,838**	**-66,590**
Differences from currency translation	93	1,037
Other net income after tax	**93**	**1,037**
Comprehensive income after taxes	**-7,745**	**-65,553**
Attributable to:		
Shareholders of the parent company	-7,778	-65,754
Non-controlling interests	33	201

* Amended, see Note 2f, page 47

Consolidated cash flow statement 2011 / 2010

EUR 000s	2011	2010*
Cash flow from operating activities		
Earnings before taxes (EBT)	**-8,230**	**-59,756**
Adjustments:		
Depreciation and amortisation of property, plant and equipment and intangible assets	8,472	36,778
Proceeds from disposal of property, plant and equipment and intangible assets	-10	602
Other non-cash expenses	958	2,890
Change in:		
Trade receivables	3,531	11,433
Other assets	12,376	7,141
Trade payables	-7,997	4,991
Other liabilities	532	625
Finance income	-611	-794
Finance expense	3,682	2,391
Income taxes paid/received	1,941	123
Cash flow from operating activities	**14,644**	**6,424**
Cash flow from investing activities		
Cash received from the sale of property, plant and equipment, intangible assets and other non-current assets	1,612	1,412
Cash paid for investments in property, plant and equipment, intangible assets and other non-current assets	-4,209	-8,425
Cash paid in connection with short-term financial management	-656	-2,861
Cash received in connection with short-term financial management	3,264	1,252
Cash received for acquisition of subsidiaries, less cash and cash equivalents acquired	988	0
Interest received	296	432
Cash flow from investing activities	**1,295**	**-8,190**
Cash flow from financing activities		
Taking up of liabilities to banks	470	33,630
Interest paid for credits/loans and hedging instruments	-3,041	-2,586
Financing charges payable to banks	0	-187
Repayment of liabilities to banks	-15,646	-31,668
Taking up of loans from third parties	2,531	42
Repayment of loans from third parties	-42	-17
Cash flow from financing activities	**-15,728**	**-786**
Net change in cash and cash equivalents and securities	**211**	**-2,552**
Changes due to movements in exchange rates	-1	-113
Cash and cash equivalents and securities at beginning of period	4,597	7,262
Cash and cash equivalents and securities at end of period	4,807	4,597
Composition of cash and cash equivalents at end of period		
Cash on hand, cash at banks, cheques and securities	4,807	4,597
	4,807	4,597

* Amended, see Note 2f, page 47

At a glance To our shareholders Our responsibility Group management report **Consolidated financial statement** Statement General information

Consolidated statement of changes in equity 2011

	Equity attributable to shareholders of the parent company								
EUR 000s	**Subscribed capital**	**Treasury stock**	**Capital reserve**	**Retained earnings**	**Unappropriated net profit**	**Balancing item for currency translation**	**Total**	**Minority interests**	**Total equity**
Balance as of 1 January 2010	**78,075**	**-3,463**	**-89**	**3,295**	**21,217**	**362**	**99,397**	**456**	**99,853**
Result for the period					-66,777		-66,777	187	-66,590
Other earnings						1,023	1,023	14	1,037
Comprehensive income					**-66,777**	**1,023**	**-65,754**	**201**	**-65,553**
Distributions to shareholders with non-controlling interests								-737	-737
Balance as of 31 December 2010	**78,075**	**-3,463**	**-89**	**3,295**	**-45,560**	**1,385**	**33,643**	**-80**	**33,563**
Balance as of 1 January 2011	**78,075**	**-3,463**	**-89**	**3,295**	**-45,560**	**1,385**	**33,643**	**-80**	**33,563**
Result for the period					-8,029		-8,029	191	-7,838
Other Earnings						251	251	-158	93
Comprehensive Income					**-8,029**	**251**	**-7,778**	**33**	**-7,745**
Change in scope of consolidation						-304	-304	304	0
Distributions to shareholders with non-controlling interests								-201	-201
Capital increase through shareholders with non-controlling interests								180	180
Balance as of 31 December 2011	**78,075**	**-3,463**	**-89**	**3,295**	**-53,589**	**1,332**	**25,561**	**236**	**25,797**

* Amended, see Note 2f, page 47

Notes to the 2011 consolidated financial statements

1) Information about the company

Beate Uhse Aktiengesellschaft, Gutenbergstraße 12, 24941 Flensburg, Germany ("Beate Uhse AG" or "the Group") is registered in the Commercial Register of the Flensburg District Court with number 3737. The Beate Uhse Group of companies is one of the world's foremost providers of adult lifestyle and sex products, with a presence in twelve European countries. In addition to this, the Wholesale unit exports to over 50 countries spread across almost every economic region in the world. Its distribution channels comprise the Wholesale, Mail Order and Retail divisions, as well as the internet, telephony and TV/telemedia services (Entertainment). The Group operates 151 shops in nine countries. The mail order catalogue is distributed in eight countries. Beate Uhse Group owns the rights to well-known domain names which provide customers access to adult content on technologically innovative websites. The most well-known sites include www.beate-uhse.com, www.sex.de and www.pabo.nl.

The consolidated financial statements of Beate Uhse AG for the financial year ending 31 December 2011 were prepared by the Management Board of Beate Uhse AG on 30 March 2012 and forwarded to the Supervisory Board for review and approval.

2) Measurement and accounting principles

a. Basis of preparation

The consolidated financial statements are prepared according to the historical cost method of accounting, 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 values have been rounded to thousands of euros.

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

b. Declaration of conformity with IFRS

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

c. Changes to measurement and accounting methods

The measurement and accounting methods applied correspond to the methods used in the preceding year. Furthermore, the Group has applied the following new or revised standards and interpretations:

Standard / Interpretation		Statutory use	Adopted by the European Commission	Effect
IFRS 7	Financial Instruments: Disclosures Amendment to IFRS 7: Improvements to disclosures on transfers of financial assets	1.7.11	Yes	None anticipated
IAS 24	Related Party Disclosures	1.1.11	Yes	Expanded definition of related parties
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1.1.11	Yes	None
IAS 32	Classification of Rights Issues	1.2.10	Yes	None
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1.7.10	Yes	None
Annual Improvement Project 2011	Collective standard to amend various IFRS as part of the annual improvements process for IFRS	1.1.11	Yes	No material effect

d. Future changes to measurement and accounting methods

The following standards and interpretations are not yet mandatory and have not yet been applied:

Standard / Interpretation		Statutory use	Adopted by the European Commission	Effect
IFRS 7	Financial Instruments: Disclosures	1.1.13	No	No material effect
	Offsetting Financial Assets and Financial Liabilities			
	Details on the transition to IFRS 9	1.1.15	No	Details of financial instruments in the Notes
IFRS 11	Joint Arrangements	1.1.13	No	Elimination of proportionate consolidation – review of consequences ongoing
IFRS 12	Disclosure of Interests in Other Entities	1.1.13	No	Details of the scope of consolidation in the Notes
IFRS 13	Fair Value Measurement	1.1.13	No	Review of consequences ongoing
IAS 1	Presentation of Financial Statements Amendments in June 2011 regarding the presentation of items of other comprehensive income	1.7.12	No	Revised presentation of the statement of comprehensive income
IAS 19	Employee Benefits The IASB published amendments to IAS 19 in June 2011	1.1.13	No	See the details of provisions for employee benefits in the Notes (elimination of the “corridor” method, actuarial losses of EUR 2,055 thousand currently not recorded)
IAS 32	Financial Instruments: Presentation Amendments in December 2011 regarding the offsetting of financial assets and financial liabilities	1.1.14	No	No material effect
IFRS 1	First-time Adoption of International Financial Reporting Standards Amendment regarding fixed transition dates and severe hyperinflation	1.7.11	No	None
IFRS 10	Consolidated Financial Statements	1.1.13	No	Review of consequences ongoing
IAS 12	Income Taxes Amendment in December 2010 regarding the recovery of underlying assets	1.1.12	No	None
IAS 27	Separate Financial Statements The consolidation principles previously included were revised and now form a separate standard	1.1.13	No	None
IAS 28	Investments in Associates and Joint Ventures This edition supplements the previous version, IAS 28 (2003): Investments in Associates	1.1.13	No	None
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1.1.13	No	None
IFRS 9	Financial Instruments In December 2011, the IASB published a new date for compulsory first-time adoption and details on making the transition	1.1.15	No	Review of consequences ongoing

e. Consolidation principles

The consolidated financial statements comprise the financial statements of Beate Uhse AG and its subsidiaries as at 31 December of each financial year.

Subsidiaries are companies that are controlled by Beate Uhse AG. A controlling interest exists if the company is directly or indirectly able to determine the financial and business policies of a company in order to derive benefits from the latter's activities.

Subsidiaries are fully consolidated from the time of acquisition, i.e. from the time the Group obtains control of the company. A company is deconsolidated as soon as the parent company no longer has a controlling interest in the company.

The subsidiaries included in the consolidated financial statements are shown in the list of shareholdings at the end of these Notes.

The following companies left the scope of consolidation in the reporting year and were deconsolidated:

- Sandereijn BV, Walsoorden, the Netherlands
- Beate Uhse Schweden AB, Täby, Sweden
- Adam & Eva Postorder AB, Täby, Sweden
- Media Distribution Sweden AB, Täby, Sweden
- Bestseller Film OY, Helsinki, Finland

The financial statements of the subsidiaries are prepared in accordance with uniform accounting principles and for the same reporting period as the financial statements of the parent company.

All intra-Group balances, transactions, income and expenses are eliminated in full, as are all gains and losses from intra-Group transactions which are included in the carrying amounts of assets.

Non-controlling interests represents the share of earnings and net assets not attributable to the Group. Earnings arising from these shareholdings are recognised in the income statement separately from the share in earnings which is attributable to the shareholders of the parent company. In the balance sheet, these interests are reported within equity and separately from the equity attributable to shareholders of the parent company.

Losses incurred by a subsidiary are still attributable to non-controlling interests even if such attribution leads to a negative balance.

f. Error correction pursuant to IAS 8

In the course of a random inspection by the German Financial Reporting Enforcement Panel (DPR), the following errors were identified in the consolidated financial statements to 31 December 2009.

1. The shareholding of 26.8% in tmc Content Group AG (tmc) was measured as an asset available for sale in the consolidated financial statements to 31 December 2009 following recognition of an impairment charge of EUR 1 million. tmc was not classified as an associated company, as other parties held an option to acquire the shares of Beate Uhse AG in tmc at a price of EUR 2.69 per share until October 2010. The stock market price had been significantly below the subscription price for over a year and amounted to EUR 0.24 per share as of 31 December 2009. Given the decreased content of the option and in view of other facts and circumstances as of 31 December 2009, the shareholding should have been classified as an associated company and included in the consolidated financial statements. Consequently, a share in current losses of approximately EUR 2 million (accounted for using the equity method) should have been recognised.

Not classifying tmc as an associated company is an infringement of IAS 28.7 ff.

2. Goodwill of EUR 20.2 million has been recognised in the consolidated financial statements. The notes to the consolidated financial statements as of 31 December 2009 did not contain any sensitivity analyses which properly account for impairment risks due to potential declines in sales and profit margins.

This is an infringement of IAS 36.134 f.

According to IAS 8.41 ff, a company must correct errors from prior periods retrospectively. Due to the impairment recognised for the shares in tmc Content Group AG in the consolidated financial statements as of 31 December 2010 and the rerecognition of the shareholding as an associated company upon expiration of the options, the identification of the error does not and did not have an impact on the measurement in the balance sheet as of 31 December 2010 and 31 December 2011, nor did it affect the consolidated income statement for 2011. However, pursuant to IAS 8.41 ff, a correction to the comparison information in the consolidated income statement for the financial year 2010 needs to be made, as the impairment charge recognised in financial year 2010 was set too high by EUR 992 thousand as a result of the retrospective error correction to be made for 2009. Furthermore, IAS 1 requires the presentation of a balance sheet as of 1 January 2010, given the fact that the error concerns a period which came before the comparison year 2010.

As a result of the correction, shares in associated companies of EUR 22,838 thousand (prior to correction: EUR 0 thousand), shareholdings of EUR 909 thousand (prior to correction: EUR 24,739 thousand) and an unappropriated net profit of EUR 21,217 thousand were recognised in the opening balance sheet as at 1 January 2010, EUR 992 thousand lower than before the correction.

Furthermore, the correction in the consolidated income statement for 2010 led to a reduction in other operating expenses by EUR 1,566 thousand to EUR 27,255 thousand (prior to correction: EUR 28,821 thousand) and to a share in earnings of associated companies of EUR -3,319 thousand (prior to correction: EUR -2,745 thousand), resulting in an increase in consolidated earnings by EUR 992 thousand to EUR -66,590 thousand (prior to correction: EUR -67,582 thousand).

3) Principal discretionary decisions, estimates and assumptions

When preparing the consolidated financial statements, company management is required to make discretionary decisions, estimates and assumptions which have an effect on the level of income, expenses, assets and liabilities recognised as at the balance sheet date, as well as on the recognition of contingent liabilities. However, the uncertainties associated with these assumptions and estimates could lead to results that require material adjustments to be made to the carrying amounts of the relevant assets or liabilities in the future.

a. Discretionary decisions

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

Obligations from operating lease agreements – 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. Uncertainties with regard to estimates and assumptions

The most important forward-looking assumptions together with other key sources of estimation uncertainties as at the balance sheet date which give rise to a considerable risk that a material adjustment to the carrying amounts of assets or liabilities may become necessary in the course of the next few financial years are explained below:

Measurement of 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 27.7%. Accordingly, the investment in the associated company was accounted for using the equity method as of 31 December 2011.

At every balance sheet date, the Group determines if there are any indications to suggest that the shares may be impaired. If any such indications exist, the Group determines the extent of impairment required by comparing the carrying amount with the recoverable amount, which is the higher of fair value less cost to sell and value in use.

The value in use determined during the impairment test using a valuation report based on the DCF method amounted to EUR 7,800 thousand as of the balance sheet date (previous year: EUR 8,800 thousand) and is therefore greater than the carrying amount of EUR 7,288 thousand calculated using the equity method. While the input parameters used in the valuation model are based as far as possible on observable market data, they also require an estimate to be made of the cash value of expected future cash flows that the associated company will generate.

Impairment of goodwill

Impairment exists if the carrying amount of an asset or of a cash-generating unit exceeds its recoverable amount. In order to estimate the recoverable amount, which is the higher of fair value less cost to sell and value in use, the Group must estimate the expected future cash flows from the cash-generating unit and, furthermore, select an appropriate discount rate to determine the cash value of these cash flows. The recoverable amount depends heavily on the discount rate used as part of the discounted cash flow method as well as on the expected future inflow of funds and the growth rate used for extrapolation purposes.

The carrying amount of goodwill amounted to EUR 9,064 thousand as at 31 December 2011 (2010: EUR 9,329 thousand).

The underlying assumptions used to determine the recoverable amount for the various cash-generating units are explained in more detail in Note 6.

Taxes

Uncertainties exist regarding the interpretation of complex tax regulations, amendments to tax laws, the amount of future taxable profits and the time at which they arise. In view of the wide range of international business relationships as well as the long-term nature and complexity of existing contractual agreements, it is possible that differences may arise between actual results and the assumptions made or that future amendments to such assumptions will make it necessary to adjust the tax income and tax expense which has already been recognised. Based on reasonable estimates, the Group therefore forms 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 differing interpretations of tax regulations by the taxable company and the tax authority responsible. Any such differences in interpretation may be the result of a wide range of circumstances, depending on the conditions prevailing in the country in which the respective Group company is head-quartered.

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. As at 31 December 2011, deferred tax assets on unutilised tax loss carryforwards in the amount of EUR 227 thousand were recognised.

No deferred tax assets were recognised for existing loss carryforwards amounting to EUR 71,562 thousand (corporation tax) and EUR 38,413 thousand (trade tax).

Additional details regarding taxes are provided in Note 37.

4) Summary of the key measurement and accounting methods

The principal measurement and accounting methods used to prepare these consolidated financial statements are outlined below.

a. Business combinations and goodwill

Business combinations are recognised using the purchase method. The cost of an acquisition is the total sum of the consideration received, 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.

If the Group acquires an enterprise, it 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 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 net income 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 of acquisition, 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 recognised in profit and loss.

After initial recognition, goodwill is measured at the cost of acquisition less accumulated impairment charges. 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 irrespective of whether other assets or liabilities of the acquiree are allocated to these cash-generating units.

If 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.

b. Intangible assets

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

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

Internally generated intangible assets are not capitalised, with the exception of capitalised development expenses. 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 straightline 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 / licences	4-5 years [1)]
Software	3 years

[1)] or the contractually agreed term

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

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

c. 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 an 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 straightline depreciation is based on the following estimated useful lives of the assets:

Buildings	20-50 years
Technical equipment and machinery	5-10 years
Operating 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.

An item of property, plant and equipment is either derecognised upon disposal or when no further economic benefit is expected from the continued use or sale of the asset. Gains or losses incurred on the derecognition of the asset are calculated as the difference between the net sale proceeds and the carrying amount and are recognised in profit and loss 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.

d. Shares in associated companies

The Group's investments in associates are recognised using the equity method. An associated company is one over which the Group has significant influence.

Under the equity method, the shares in an associated company are recognised in the balance sheet at cost plus any changes in the Group's share in the net assets of the associated company occurring after acquisition. Goodwill attributable to the associated company is included in the carrying amount of the investment and is neither amortised nor tested separately for impairment.

The income statement contains the Group's share of the associated company's earnings for the period. Changes recognised directly in the equity of the associated company 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 the Group's proportionate interest in the associate.

The share in the earnings of an associate is shown in the income statement. This is the profit attributable to the shareholders of 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 conform with 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 earnings 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.

e. 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 groups of assets. 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.

With the exception of goodwill, assets are reviewed 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 makes an estimate of the recoverable amount of the asset or the CGU. A previously recognised impairment charge is only reversed if there has been a change in the assumptions made when calculating the recoverable amount since the last impairment charge was recognised. 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 be taken into account additionally for certain assets:

Goodwill

Goodwill is subject to an impairment test 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 irrespective of whether other assets or liabilities of the Group have already been previously 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, based on the Group's reporting format as defined pursuant to IFRS 8 "Operating Segments".

The impairment is determined by calculating 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 indefinite useful lives are tested for impairment at least 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 carried out when there are indications that the asset may be impaired.

f. Financial assets

Financial assets as defined by IAS 39 are divided into the following categories:

- Financial assets measured at fair value through profit or loss
- Financial assets 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 did not hold any financial instruments in the “financial assets held to maturity” category in the financial year under review. Moreover, the Group had no primary financial instruments in the “financial assets measured at fair value through profit or loss” category.

Loans and receivables

Loans and receivables are non-derivative financial assets with 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 in the result for the period when the loans and receivables are derecognised or impaired, as well as in the context of amortisation.

Financial assets available for sale

Financial assets available for sale are non-derivative financial assets that have been classified as available for sale and have not been assigned to another 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 derecognised or where their value is found to be impaired, the accumulated gain or loss previously recognised in equity is transferred to the income statement.

Financial assets measured at fair value through profit or loss

Financial assets recognised at fair value through profit or loss include exclusively derivative financial instruments and hedging transactions (see section i).

g. Impairment of financial assets

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

Assets measured at amortised cost

If objective indications exist that assets recognised at amortised cost may be impaired, the extent of the impairment is calculated as being the difference between the carrying amount of the asset and the cash value of the expected future cash flows (excluding expected future credit defaults not yet incurred), 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 using a value adjustment account. The impairment loss is recognised with effect on net 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 of the impairment loss is recognised with effect on net income.

Financial assets available for sale

If the value of an asset available for sale has been impaired, an amount corresponding to the difference between the cost of acquisition (less any repayments and amortisation) and the 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.

h. Derecognising financial assets

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

i. 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 recognised immediately with effect on net income, insofar as no proven effective hedging relationships exist.

j. 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 such cases, these taxes are netted with equity.

Actual tax refund claims and tax liabilities

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

Deferred taxes

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

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 business transaction which
  - a. is not a business combination or
  - 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 assets 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. In doing so, tax rates (and tax regulations) are used which are valid at or announced for 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.

k. 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) or are used in the course of 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 of completion and estimated costs of sale.

l. 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 recognised 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 derecognised as soon as they become uncollectible.

m. Cash and cash equivalents

The cash and cash equivalents recognised in the balance sheet include cash on hand, cheques, credit balances at banks and shortterm deposits with original maturities of less than three months.

n. Treasury stock

Any treasury stock acquired by the Group is deducted from equity. The purchase and sale of treasury stock are not recognised with effect on net income.

o. Pensions and similar obligations

Defined contribution plans

German law requires all employees to be covered by a basic, defined contribution social security plan, which pays out a pension depending on income 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.

A similar basic coverage plan exists in the Netherlands, whereby employees belong to a pension scheme which is managed by an external fund. Other than paying contributions to these funds, subsidiaries active in the Netherlands are not subject to any further obligations to provide benefits. Current contribution payments are recognised as expenses in the period in which they are incurred.

Defined benefit plans

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

Furthermore, individual commitments have been made to former employees of ZBF Zeitschrift-Buch- und Film-Vertriebs GmbH, Wiesbaden, Germany (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 as at the balance sheet date.

p. Other provisions

General recognition and measurement criteria

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

When the Group expects some or all of a provision it has recognised to be reimbursed (e.g. under an insurance contract), the reimbursement is recognised as a separate asset, but only if reimbursement is virtually certain.

The expense relating to any provision is presented in the income statement net of any reimbursement.

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

Obligation arising upon termination of employment contracts

The companies included in the consolidated financial statements sometimes grant individual employees the possibility 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 obligations with a maturity of more than one year is recognised as a non-current liability.

q. Financial liabilities

Financial liabilities are either classified as financial liabilities which are measured at fair value through profit or loss, as loans or as derivatives.

The Group determines how its financial liabilities are to be classified 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 method.

Gains and losses are recognised through profit or loss when the liabilities are derecognised or amortised using the effective interest method.

r. Derecognising financial liabilities

A financial liability is derecognised if the obligation underlying this liability has been settled, cancelled or has expired.

s. 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. Furthermore, the accounting criteria named below must be met in order to recognise the income.

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.

Interest income

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

t. Recognition of expenses

Business expenses are recognised in profit and loss upon acceptance of the relevant service or 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.

u. 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 review.

v. 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 lock-up period of two 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 lock-up 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.

w. 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.

x. 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 with effect on net income 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 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. 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.

y. Contingent liabilities and receivables

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

z. 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 if they are of a material nature.

5) Notes on segment reporting

Operating segments

For internal management purposes the Group is organised in business units based on distribution channels and has the following 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 during consolidation.

No operating segments were combined for the purposes of identifying the reporting 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 2011 and for the previous year is presented at the end of these Notes.

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

Notes to the consolidated balance sheet

6) Intangible assets and goodwill

31.12.2011

EUR 000s	Industrial property rights	Rights/ licences	Software	Goodwill	Total
1 January 2011 (including cumulative amortisation)	40	10,666	2,818	9,329	22,853
Additions - acquired externally -	0	1,165	914	0	2,079
Net disposals	-5	-1,340	0	0	-1,345
Change in scope of consolidation	0	-544	0	0	-544
Reclassification	0	-194	247	0	53
Impairment losses	0	-7	0	-264	-271
Amortisation during financial year	0	-2,863	-967	0	-3,830
Effect of changes in exchange rates	0	-18	0	-1	-19
31 December 2011	**35**	**6,865**	**3,012**	**9,064**	**18,976**
1 January 2011					
Historic cost (gross carrying amount)	40	27,075	14,519	22,752	64,386
Cumulative amortisation and impairment	0	-16,409	-11,701	-13,423	-41,533
Carrying amount at 1 January 2011	**40**	**10,666**	**2,818**	**9,329**	**22,853**
31 December 2011					
Historic cost (gross carrying amount)	35	27,853	14,275	21,285	63,448
Cumulative amortisation and impairment	0	-20,988	-11,263	-12,221	-44,472
Carrying amount at 31 December 2011	**35**	**6,865**	**3,012**	**9,064**	**18,976**

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	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	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 current value.

The cash-generating units in the Retail segment correspond to the individual stores. In addition, the strategic business units of the Mail Order and Entertainment divisions also constitute CGUs, as do the Dutch/German Wholesale business and other operating companies in the Wholesale division.

The recoverable amount of the cash-generating units is generally determined based on their value in use. This is calculated using cash flow forecasts based on business plans for a period of three years which have been approved by the company management. The cash flow forecasts for the period after three years assume a stable level of cash flow; no account is taken of growth rates. The discount rate used for the cash flow forecasts is 10.2% (previous year: 10.5%).

For the cash-generating units in the Retail unit (stores), the net selling price is also determined in addition to the value in use on a case-by-case basis if circumstances require this. Management estimates the net selling price of the stores on the basis of past experience, usually net annual sales, unless specific information is available about the recoverable selling price. In deviation to this principle, where the location or 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 recognised for stores whose location or 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 as follows:

Goodwill

EUR 000s	2011	2010
Retail	4,797	5,062
Wholesale	3,593	3,593
Entertainment	534	534
Other	140	140
Total Goodwill	**9,064**	**9,329**

b. Basic assumptions underlying the calculation of the value in use of the cash-generating units as of 31 December 2011 and 31 December 2010

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

- Sales and cash flow forecasts
- Gross profit margins

For the sales and cash flow forecasts for the individual stores in the Retail unit, the management reviews and assesses the market environment and development opportunities on a case-by-case basis.

Planning calculations in the Wholesale and Entertainment units are made on the basis of growth opportunities in the respective country markets and customer groups.

Plans expect a rise in gross profit margins as a result of the Group-wide bundling of procurement activities and of acquiring access to new supply sources. Improvements in efficiency will help to reduce handling costs.

The following impairment losses were recognised in the operating segments:

EUR 000s	2011	2010
Retail		
of which: intangible assets	271	5,457
property, plant & equipment	112	1,463
Wholesale		
of which: intangible assets	0	3,046
property, plant & equipment	0	2,422
Other		
of which: intangible assets	0	3,062
property, plant & equipment	0	4
Total impairment losses	**383**	**15,454**

Impairment charges of EUR 365 thousand were recognised in the income statement under selling expenses and of EUR 18 thousand under general administrative expenses (previous year: EUR 15,454 thousand).

c. Sensitivity of the assumptions made

In the cash-generating unit “Wholesale”, the estimated recoverable amount was EUR 11,516 thousand above the carrying amount. A negative change in cash flows of up to EUR 1,300 thousand (corresponds to approx. 30%) at the end of the detailed planning period and the perpetuity would result in no impairment charges being required, with other assumptions remaining unchanged.

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 of operating and office equipment.

7) Property, plant and equipment

31.12.2011

EUR 000s	**Land, leasehold rights and buildings**	**Technical equipment and machinery**	**Operating and office equipment**	**Prepayments made and assets under construction**	**Total**
1 January 2011 (including cumulative depreciation)	3,798	160	14,992	93	19,043
Additions - acquired externally -	82	0	2,046	2	2,130
Net disposals	-58	-1	-194	-4	-257
Reclassifications	0	0	38	-91	-53
Write-ups	0	0	402	0	402
Impairment losses	0	0	-112	0	-112
Depreciation during financal year	-348	-30	-3,858	0	-4,236
Effect of changes in exchange rates	-157	-14	-4	0	-175
31 December 2011	**3,317**	**115**	**13,310**	**0**	**16,742**
1 January 2011					
Historic cost (gross carrying amount)	6,911	515	70,533	93	78,052
Cumulative depreciation and impairment losses	-3,113	-355	-55,541	0	-59,009
Carrying amount at 1 January 2011	**3,798**	**160**	**14,992**	**93**	**19,043**
31 December 2011					
Historic cost (gross carrying amount)	6,192	468	64,838	0	71,498
Cumulative depreciation and impairment losses	-2,875	-353	-51,528	0	-54,756
Carrying amount at 31 December 2011	**3,317**	**115**	**13,310**	**0**	**16,742**

Write-ups of EUR 402 thousand (previous year: EUR 115 thousand) were recognised under other operating income in the income statement. The write-ups in the 2011 financial year involved the reversal of impairment losses previously recognised on operating and office equipment at retail stores.

31.12.2010

EUR 000s	Land, leasehold rights and buildings	Technical equipment and machinery	Operating and office equipment	Prepayments made and assets under construction	Total
1 January 2010 (including cumulative depreciation)	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 depreciation 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 depreciation 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**

8) Other non-current financial assets

EUR 000s	2011	2010
Deposits	1,733	933
Loan tmc Content Group AG	1,141	2,291
Claims from reinsurance policies	855	876
Other lendings	686	722
Other	287	329
Total	**4,702**	**5,151**

As of the balance sheet date, the loan receivable due from tmc Content Group AG amounted to a total of EUR 2,291 thousand, of which EUR 1,141 thousand is non-current and EUR 1,150 thousand current.

9) Equity investments

EUR 000s	2011	2010
Investments in corporations	127	126

10) Associated companies

EUR 000s	2011	2010
tmc Content Group AG	7,288	8,800

As of 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% (previous year: 27.7%).

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

EUR 000s	2011	2010
Assets		
Non-Current assets	17,421	23,887
Current assets	4,187	8,805
Total assets	21,608	32,692
Equity & liabilities		
Equity	15,762	20,947
Current liabilities	4,190	7,830
Non-Current liabilities	1,656	3,915
Total equity & liabilities	21,608	32,692
Income statement		
Sales	7,046	12,621
Net income	-5,632	-12,387

A pro-rata loss from tmc Content Group AG for the financial year 2011 was recorded in the amount of EUR -1,512 thousand (previous year: EUR - 3,319 thousand).

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 (value in use) and the carrying amount of the share in earnings of the associate is recognised as an impairment loss.

Basic assumptions underlying the calculation of the value in use

The following assumptions used to calculate the value in use 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 was 11.55% as of 31 December 2011 (previous year: 10.5%).

11) Inventories

EUR 000s	2011	2010
Merchandise	18,971	30,976
Raw materials and supplies	739	850
Advance payments for inventories	197	253
Unfinished products	35	66
Goods in transit	17	198
Total	**19,959**	**32,343**

In the financial year 2011, impairment charges were recognised for the lower net selling price of EUR 739 thousand (previous year: EUR 1,384 thousand), which were recognised under cost of sales.

12) Other current financial assets and other assets

EUR 000s	2011	2010
Loan tmc Content Group AG	1,150	2,700
Accrued income	712	1,060
Suppliers with debit balances	480	631
Other receivables	401	582
Other lendings	40	533
VAT credits	5	1,109
Deposits	0	3
Other	13	9
Total	**2,801**	**6,627**

13) Cash and cash equivalents

EUR 000s	2011	2010
Credit balances at banks	3,868	3,456
Cheques	754	929
Cash holdings	185	212
Total	**4,807**	**4,597**

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

For the purposes of the consolidated cash flow statement, cash and cash equivalents refer solely to the liquid funds listed above.

14) Subscribed 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 equity.

Shares in circulation

	Shares
Number of ordinary shares	78,074,696
Treasury stock as of 1 January 2010	-281,233
Shares in circulation as of 1 January 2010	77,793,463
Sale of treasury stock in 2010 financial year	2
Shares in circulation as of 31 December 2010	77,793,465
Sale of treasury stock in 2011 financial year	0
Shares in circulation as of 31 December 2011	**77,793,465**

15) 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 a total of up to EUR 35,492,348.00 by issuing new shares in return for cash or non-cash contributions on one or more occasions (authorised capital).

Following the execution of the capital increase by EUR 7,090,000.00 in return for non-cash contributions resolved in February 2009 in connection with the acquisition of the Playhouse Group, the remaining authorised capital amounts to EUR 28,402,348.00.

16) 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 (conditional capital 1). The conditional capital increase is only to be executed by issuing up to one million new bearer shares with a nominal 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 2011, 326,535 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 29 November 2010, the share capital is conditionally increased by up to EUR 35,000,000 by the issuing of up to 35,000,000 new bearer shares with a nominal value of EUR 1.00 each (contingent capital 2). The contingent capital increase serves the exercise of 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 to be issued at the conversion or option price to be determined in accordance with the above resolution. The contingent capital increase is only to be executed to the extent that the bearers/creditors of convertible or option bonds of Beate Uhse AG or companies in which Beate Uhse AG directly or indirectly holds a majority shareholding as per Section 16 (1) and (4) of the German Stock Corporation Act (AktG) to be issued by 28 November 2015 exercise their conversion or 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 as per 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 participate in profits 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, subject to the approval of the Supervisory Board.

17) Treasury stock at cost of acquisition

In the course of the company’s initial stock flotation, treasury stock was first 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. Authorisation ended on 16 December 2010.

Holdings of treasury stock have developed as follows:

	Treasury stock (Numbers)	Share in share capital (in percent)	Cost of aquisition (EUR 000s)
Balance at 1 January 2010	281,233	0.360	3,463
Disposal	-2		0
Balance at 31 December 2010	281,231	0.360	3,463
Disposal	0		0
Balance at 31 December 2011	**281,231**	**0.360**	**3,463**

18) 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 -2,623 thousand, was offset against capital reserves.

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

On the basis of the authorisation granted by the Annual General Meeting on 17 June 2002, the members of the Management Board of Beate Uhse AG are offered subscription rights, as are members of the management of associates and the employees of Beate Uhse AG and its associates.

Each option right entitles its bearer to acquire one share. The term of the option rights is seven years from allocation. The option right may be exercised for the first time after a holding period (lock-up period) of two years following allocation. After expiry of the lock-up period, the option right may be exercised within a period of four weeks following publication of the half-year 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 subsequent 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.

	2011		2010	
	Options	WAEP [1)]	Options	WAEP [1)]
Outstanding at the beginning of repoting period	463,667	8.40	596,390	9.00
Granted in reporting period	0	0	0	0
Lapsed in reporting period	-137,132	11.44	-132,723	11.11
Outstanding at end of repoting period	326,535	7.12	463,667	8.40
Exercisable at end of reporting period	326,535	7.12	463,667	8.40

[1)] weighted average exercise price

The weighted average remaining contractual term for the share options outstanding as of 31 December 2011 was 0.958 years (previous year: 1.514 years).

The exercise prices for the options outstanding at the end of the reporting period range from EUR 5.94 to EUR 8.38.

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 lock-up period for all options granted expired on 31 December 2008, no expenses were incurred in connection with share-based payments in the 2011 and 2010 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 792 thousand as of 31 December 2011.

19) Type and purpose of other reserves

a. Retained earnings

Retained earnings contain sums transferred from the consolidated earnings 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.

20) Pensions and similar obligations

a. Defined contribution plans

The employees of Beate Uhse Group in Germany belong to a state pension plan administered by the federal government. 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.

The Beate Uhse Group's employees in the Netherlands are members of a pension plan managed by an external fund. The Dutch arm of 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 1,897 thousand were recognised in the consolidated income statement in connection with these defined contribution plans (previous year: EUR 1,930 thousand). In line with the allocation of the beneficiaries, these expenses were recognised under cost of sales, selling expenses or 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 are as follows:

	Beate Uhse AG		ZBF GmbH		Total	
EUR 000s	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Current servive cost	-3	-3	0	0	-3	-3
Interest expenses	-150	-169	-35	-36	-185	-205
Reocgnised actual gains/ losses	0	159	0	0	0	159
Total	**-153**	**-13**	**-35**	**-36**	**-188**	**-49**

Pension expenses are recognised in the consolidated income statement under cost of sales, selling expenses or 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:

	Beate Uhse AG		ZBF GmbH		Total	
EUR 000s	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Present value of defined benefit	3,379	3,412	803	784	4,182	4,196
Unrecognised actuarial gains/ loss	-242	-181	-67	-62	-309	-243
Liabilities from defined benefit obligation recognised in balance sheet	**3,137**	**3,231**	**736**	**722**	**3,873**	**3,953**

The amount is presented in the balance sheet as follows:

EUR 000s	**2011**	**2010**
Current liabilities	283	268
Non- current liabilities	3,590	3,685
Total	**3,873**	**3,953**

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

	Beate Uhse AG		**ZBF GmbH**		**Total**	
EUR 000s	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
1 January	3,231	3,462	722	707	3,953	4,169
Current service cost	3	3	0	0	3	3
Interest expence	150	169	35	36	185	205
Acturial losses /gains	0	-159	0	0	0	-159
Benefit paid	-247	-244	-21	-21	-268	-265
31 December	**3,137**	**3,231**	**736**	**722**	**3,873**	**3,953**

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

	2011	**2010**
Interest rate	4.50 %	4.55 %
Growth in salaries an vested claims	0.00 %	0.00 %
Pension adjustment rate	2.00 %	2.00 %
Inflation rate	2.00 %	2.00 %
Personnel turnover	Mercer-specific table	Mercer-specific table
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 table 2005G	Heubeck table 2005G

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

EUR 000s	**2007**	**2008**	**2009**	**2010**	**2011**
Present value of defined benefit obligation	4,108	3,957	3,921	4,196	4,182
Unrecognised actuarial losses /gains	197	270	248	-243	-309
Liabilities from defined benefit obligations recognised in balance sheet	**4,305**	**4,227**	**4,169**	**3,953**	**3,873**

21) Other provisions (non-current)

EUR 000s	1 Jan 2011	Added	Utilised	Reversed	31 Dec 2011
Dismantling obligations at retail stores	1,169	48	79	109	1,029
Anniversary provision	162	0	62	0	100
Pending losses on existing agreements	185	0	97	0	88
Part-time early retirement	102	8	30	0	80
Total	**1,618**	**56**	**268**	**109**	**1,297**

22) Other financial liabilities (non-current)

EUR 000s	2011	2010
Trade payables	984	1,505
Fair value of interest rate swaps	262	709
Miscellaneous	58	92
Total	**1,304**	**2,306**

23) Other financial liabilities (current)

EUR 000s	2011	2010
Liabilities to closely related companies	3,174	30
Invoices outstanding	2,968	1,168
Wages and salaries	1,595	1,959
VAT liabilities	1,531	1,855
Prepayments received	1,213	1,149
Customers with credit balances	874	221
Payroll and church tax	625	544
Interest	591	0
Advertising	521	22
Social security contributions	486	481
Annual accounts costs	394	311
Returned goods	303	769
Customer overpayments	197	174
Postage	129	699
Legal fees	101	151
Compensation	82	89
Rents and energy costs	76	299
Consulting services	74	91
Compensation for damages	0	250
Miscellaneous	725	1,080
Total	**15,659**	**11,342**

24) Other provisions (current)

EUR 000s	1 Jan 2011	Added	Utilised	Change in the consolidated group	Reversed	31 Dec 2011
Excess payments by customers	2,211	1,032	0	0	1,799	1,444
Turnover tax on video booths of previous years	885	0	0	0	0	885
Indexing of rents	356	59	20	0	154	241
Compensation	1,704	152	1,453	-165	62	176
Pending losses on existing agreements	223	1	99	0	0	125
Film promotion duty	155	0	39	0	0	116
Part-time early retirement	68	47	37	0	0	78
Damages payments	11	0	0	0	0	11
Litigation expenses	85	0	85	0	0	0
Total	**5,698**	**1,291**	**1,733**	**-165**	**2,015**	**3,076**

25) Loans and collateral

EUR 000s	2011	2010
Interest-bearing loan		
thereof short-term	3,114	871
thereof long-term	7,569	4,256
Overdraft liabilities	15,033	34,069
Total	**25,716**	**39,196**

At the end of April 2011, refinancing for the German subgroup was implemented. By signing new financing agreements with the Nord-Ostsee Sparkasse and the Schleswig-Holstein Investment Bank with a total amount of EUR 6.1 million (EUR 3.2 million and EUR 2.9 million respectively), Beate Uhse AG laid new parameters for the financing arranged in 2010. An outstanding amount of EUR 6.6 million was repaid to the Deutsche Postbank AG in full. The refinancing for the German subgroup no longer contains any financial covenants.

As at 31 December 2011, an amount of EUR 5.3 million was drawn down under the loans, which declined from EUR 6.1 million to EUR 5.4 million due to repayments in 2011. The drawings consisted of overdraft facilities and amortising loans (EUR 5.2 million) and credits by way of bank guarantees (EUR 0.1 million). In January 2012, another agreed unscheduled repayment was made in the amount of EUR 1.0 million.

At the same time that financing in Germany was being restructured, constructive talks with the ING Bank N.V. and others were held with a view to securing additional financing for the Dutch subgroup of Beate Uhse Group. Due to the unscheduled repayments and additional scheduled repayments made in 2011, the volume of the loan with ING N.V. amounted to EUR 15.0 million (utilised: EUR 13.6 million) as at 31 December 2011 and was composed of a credit line in the amount of EUR 8.0 million and an amortising loan of EUR 7.0 million with a 50% guarantee by the public sector.

The collateral for the German and Dutch financing 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.

No new credit agreements have yet been concluded with ING Bank N.V. This means that the old credit agreement from 2010 remains in place and ING Bank N.V. retains its special right to termination due to financial covenants not being adhered to, which has not yet been exercised, however. In the meantime, ING Bank N.V. has announced its desire to withdraw in the medium term from its current agreement to provide an overdraft credit facility. In a letter dated 27 March 2012, ING Bank N.V. declared that it will not terminate the credit lines provided to Beate Uhse B.V. and co-debtors even if Beate Uhse B.V. does not make a repayment of EUR 7.5 million due by 30 June 2012 on the existing overdraft credit limit in the event that the refinancing planned for this has not yet been implemented. However, ING Bank N.V. retains the right to withdraw this declaration if, in the opinion of ING Bank N.V., facts or circumstances arise that give cause for this.

26) 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 and cash. The principal objective of these financial instruments is to finance the business activities of the Group. The Group has various additional financial assets and liabilities directly arising in the course of its business activities, such as trade receivables and payables.

Furthermore, the Group also enters into derivative transactions. In particular, these include interest rate swaps. These derivative financial instruments are in particular intended 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 with financial instruments.

The Group's principal risks in connection with financial instruments involve interest rate-related cash flow risks, liquidity risks, foreign currency risks and default risks. The company management monitors the risks set out 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 loan liabilities with variable interest rates.

Overview of interest rate risk

The following table provides a summary of the sensitivity of consolidated earnings before taxes to any reasonable hypothetical change in interest rates as a result of the impact of variable interest loans, without accounting for interest rate swaps:

	Increase/ reduction	Impact on earnings before taxes	
		2011	**2010**
	in basis points	**€T**	**€T**
EUR	100	-325	-344
EUR	-100	325	344

Interest rate swaps

Had the interest rate level as of 31 December 2011 been 100 basis points higher, this would have resulted in a negative market value totalling EUR 266 thousand. This would have led to a write-up of EUR 102 thousand in the financial year 2011, which would have been recognised in profit or loss.

Had the interest rate level as of 31 December 2011 been 100 basis points lower, this would have resulted in a negative market value totalling EUR 593 thousand. This would have led to a write-down of EUR 225 thousand in the financial year 2011, which would have been recognised in 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 market value totalling EUR 415 thousand. This would have led to a write-up of EUR 443 thousand in the financial year 2010, which would have been recognised in 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 1,021 thousand. This would have led to a write-down of EUR 163 thousand in the financial year 2010, which would have been recognised in 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 2011, 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	
		2011	**2010**	**2011**	**2010**
USD	+ 10%	330	76	231	54
	- 10%	-403	-92	-282	-65

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, outstanding receivables are monitored on an ongoing basis.

Due dates of trade receivables

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

EUR 000s	0 day	< 30 days	< 60 days	> 60 days	Total
31.12.2011	6,681	2,682	1,814	14,040	25,217
Individual allowance	0	0	0	-7,197	-7,197
Total	**6,681**	**2,682**	**1,814**	**6,843**	**18,020**
31.12.2010	6,831	3,460	2,071	23,967	36,329
Individual allowance	0	0	0	-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 1 January 2011	14,183
Added	657
Utilised	-2,447
Reversed	-5,196
Balance 31 December 2011	**7,197**
Balance at 1 January 2010	15,980
Added	7,149
Utilised	-9,726
Reversed	780
Balance 31 December 2010	**14,183**

Loans are generally only granted within the respective financing group (German subgroup or Dutch subgroup) or to closely related persons. Loans granted for merchandise deliveries or inventory sales are an exception.

Beate Uhse Einzelhandels GmbH has granted instalment loans totalling EUR 576 thousand (previous year: EUR 243 thousand) as of 31 December 2011 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 and to a franchise partner to take over the inventory at a discontinued shop. These loans had a value of EUR 24 thousand as of 31 December 2011 (previous year: EUR 388 thousand).

Beate Uhse AG has provided a guarantee for an unlimited period to the Nord-Ostsee Sparkasse in respect of a loan of EUR 1.0 million granted to tmc Content Group AG. The guarantee ended on 3 January 2012.

d. Liquidity risk

When the follow-up financing agreements were signed in May 2010, the Group was financially divided into two subgroups: Germany and the Netherlands. Within these subgroups, 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 per financing group 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 31.12.2011	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	1,525	1,589	6,218	1,351	10,683
- Interest payments	0	59	327	1,006	219	1,611
- Overdraft facilities	14,833	0	200	0	0	15,033
Trade payables	13,108	0	0	984	0	14,092
Other financial liabilities	15,659	0	0	320	0	15,979
Financal derivatives	0	0	106	262	0	368

EUR 000s 31.12.2010	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	5	71	190	521	2	789
- Overdraft facilities	34,069	0	0	0	0	34,069
Trade payables	21,992	0	0	1,505	0	23,497
Other financial liabilities	11,342	0	0	801	0	12,143
Financal derivatives	0	0	0	414	295	709

e. 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 underlying economic conditions.

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 of the parent company and non-controlling interests.

EUR 000s	31.12.2011	31.12.2010
Interest-bearing loans	25,716	39,196
Trade payables	14,092	23,497
Other financial liabilities	15,979	12,143
less cash and cash equivalents	-4,807	-4,597
Net financial liabilities	50,980	70,239
Shareholders equity	25,797	33,563
Total equity and net financial liabilities	**76,777**	**103,802**
Liabilities/equity ratio	66.4%	67.7%

(27) Financial instruments

The table below provides a comparison of the carrying amounts and fair values of the Group's financial instruments recognised in the balance sheet as of 31 December 2011:

EUR 000s		**Balance sheet value (IAS 39)**			
	Carrying amount 31.12.2011	Amortised cost	Fair value in equity	Fair value to profit and loss	**Fair value 31.12.2011**
Assets					
Financal assets					
Other non-current financial assets	4,702	4,702	-	-	4,702
Investments	127	127	-		127
Trade receivables	18,020	18,020	-	-	18,020
Other current financial assets and other assets	2,801	2,801	-	-	2,801
Liabilities					
Financal liabilities					
Interest-bearing loans (non-current)	7,569	7,569	-	-	7,569
Other non-current financial liabilities	1,304	936	-	368	1,304
Interest swaps	368	-	-	368	368
Trade payable	13,108	13,108	-	-	13,108
Other current financial liabilities	15,659	15,659	-	-	15,659
Overdraft liabilities	15,033	15,033	-	-	15,033
Interest-bearing loans (current)	3,114	3,114	-	-	3,114

The table below provides a comparison of the carrying amounts and fair values of the Group's financial instruments 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	11,342	11,342		-	11,342
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 methods in which input factors of key significance for the fair value are based on observable market data

Level 3:

Fair values determined using valuation methods in which input factors of key significance for the fair value are not based on observable market data

During the reporting period ended 31 December 2011, 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 shows 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 2011

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	921	974	1,030	1,088	923	1,351	6,287
Payer swaps	262	0	0	0	106	0	368
Floating interest rate (EUR 000s)							
Cash and short-term deposits	4,807	0	0	0	0	0	4,807
Overfdraft facilities	15,033	0	0	0	0	0	15,033
Amortising loans	2,193	1,796	407	0	0	0	4,396

Financial year as of 31 December 2010

Fixed interest (EUR 000s)	uo 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	0	-4,597
Overfdraft facilities	34,069	0	0	0	0	0	34,069

b. Financial guarantees

The Group had the following financial guarantees as of 31 December 2011:

EUR 000s	Guarantor	Initial value	Nominal value	
			2011	2010
No. 1	Beate Uhse AG	5,000	1,000	3,000
Total		**5,000**	**1,000**	**3,000**

With a deed of suretyship dated 4/9 June 2010 (originally 29 December 2006), Beate Uhse AG provided an unlimited accessory guarantee to the 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 2011 amounted to EUR 1,000 thousand (previous year: EUR 3,000 thousand). The guarantee ended on 3 January 2012.

c. Hedging transactions

Cash flow hedges

Ineffective interest rate swaps:
As of 31 December 2011, the Group had five payer swaps with a total value of EUR 15,683 thousand to secure loan obligations with floating interest rates against any interest rate increases. The fair value of these swaps is as follows:

- EUR 10,370 thousand with terms until March/April/June 2012; fair value: EUR -106 thousand
- EUR 5,313 thousand with terms until March 2016; fair value: EUR -262 thousand
- A write-up of EUR 329 thousand compared with 31 December 2010 was recognised through profit or loss in the financial year 2011 in connection with ineffective interest rate swaps.

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

- EUR 11,852 thousand with terms until March/April/June 2012; fair value: EUR -414 thousand
- EUR 15,562 thousand with terms until March 2016; fair value: EUR -295 thousand

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

Net gains/losses on financial instruments

EUR 000s	31.12.2011	31.12.2010
Derivative financial instruments	329	238
Total	**329**	**238**

28) Lease obligations

Operating leases

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

The following significant agreements were in place as of the balance sheet date:

Since 1 July 2003, the building at Rondebeltweg 2 in 1329 Almere, Netherlands, has been let from Immo Almere B.V., Netherlands, by Scala Agenturen B.V., Netherlands. This building houses the central warehouse of the Group's Wholesale segment. The letting agreement has a term of 20 years, with a net rent of EUR 950 thousand per annum. When the term has expired, the letting agreement may be extended by a further ten years. The rent is index-linked and adjusted on an annual basis starting on 1 July 2004.

The Group's central mail order warehouse in Walsoordenstraat 72, Walsoorden, Netherlands, has been let from Duinweg Investeringmij B.V. since June 2007. The lease began on 15 June 2007 and was prematurely terminated on 31 July 2011 following subsequent negotiations. The new lease with the lessor SPEIIII Rembrandt B.V. began on 1 August 2011 and runs until 31 July 2036. The first ten months were rent-free.

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

EUR 000s	2011	2010
Within one year	2,144	2,787
Between one and five years	11,038	11,150
More than five years	37,255	27,817
Total	**50,438**	**41,754**

29) Other financial obligations

Other financial obligations (including non-terminable operating lease obligations) were structured as follows as of 31 December 2011:

EUR 000s	2012	2013	2014	2015	2016 and later	Total	Previous year Total
Rental for premises / fittings	11,882	10,783	9,395	8,215	48,123	88,398	84,232
Guarantee fees/ interest expenses	7	6	4	1	2	20	73
Services / third-party services	506	11	11	0	0	528	428
Servicing / cleaning / maintenance	449	320	314	309	307	1,699	937
Advisory expenses	44	19	20	20	21	124	172
Miscellaneous	250	28	26	23	21	348	1,425
Total	**13,138**	**11,167**	**9,770**	**8,568**	**48,474**	**91,117**	**87,267**

As of the balance sheet date, there were claims amounting to EUR 5,064 thousand in connection with non-terminable subletting agreements (previous year: EUR 6,390 thousand).

Payments of EUR 2,191 thousand (previous year: EUR 2,606 thousand) were recognised in the reporting period in connection with subletting agreements.

30) Contingent liabilities

The Group has the following contingent liabilities:

EUR 000s	2011	2010
Contingent liabilities relating to guarantees	1,000	3,000
Total contigent liabilities	**1,000**	**3,000**

The contingent liability of EUR 1.0 million ended on 3 January 2012 without having been drawn on.

Notes to the consolidated income statement

31) Sales

EUR 000s	2011	2010
Merchandise	122,507	166,068
Mail order charges	7,196	10,981
Online sales	5,287	6,203
Value added telephone services	3,856	4,386
Cinema	1,887	2,839
Licences	1,408	981
Video cabins	1,263	2,060
Address rental	777	1,008
Games machines	9	19
Miscellaneous	4,822	3,156
Total	**149,012**	**197,701**

32) Cost of sales

EUR 000s	2011	2010
Goods and material employed	55,583	75,849
Personnel	9,211	7,800
Depreciation and amortisation	1,638	2,332
Third-party services	1,446	1,118
Postage	497	167
Other taxes	181	260
Miscellaneous	3,323	2,930
Total	**71,879**	**90,456**

33) Other operating income

EUR 000s	2011	2010
Reduction in allowance	5,196	780
Dunning revenues	2,592	6,482
Rental income	2,526	3,223
Derecognitions of customer credit balances	1,799	1,519
Income from deconsolidation	600	0
Write-up of non-current assets	403	123
Exchange differences	360	587
Income on sale of non-current assets	332	0
Miscellaneous	1,560	1,375
Total	**15,368**	**14,089**

34) Selling expenses

EUR 000s	2011	2010
Personnel	17,580	23,463
Advertising	17,102	40,683
Premises	13,164	16,088
Postage, freight	8,555	13,200
Bad debt losses	6,355	5,839
Depreciation and amortisation	3,942	4,000
Allocation to allowance	657	7,149
Travel expenses	570	916
Third-party services	498	1,718
Non-period and neutral expenses	349	1,988
Miscellaneous	2,917	2,481
Total	**71,689**	**117,525**

35) General administrative expenses

EUR 000s	2011	2010
Personnel	6,637	12,025
Legal and advisory expenses	5,614	4,415
Depreciation and amortisation	2,832	3,762
Premises	2,452	3,886
Travel expenses	829	833
Costs of money transactions	777	1,374
Maintenance, fittings and repairs	530	597
Insurances, contributions and fees	519	578
Third-party services	477	597
Loss of receivables	451	206
Equipment rental	293	348
Miscellaneous	2,620	2,665
Total	24,031	31,286

36) Net interest

EUR 000s	2011	2010
Income from financial derivatives (interest rate swaps)	328	362
Income from endings	164	270
Income from tax refunds	8	42
Miscellaneous	111	120
Finance income	**611**	**794**
Expense for interest-bearing loans	-2,759	-1,462
Expense for financial derivatives (interest rate swaps)	-430	-689
Expenses for pension reserve	-184	-103
Miscellaneous	-309	-245
Finance expense	-3,682	-2,499
Net interest expenses	**-3,071**	**-1,705**

The income from financial derivatives includes a positive one-time effect of EUR 314 thousand resulting from the write-up in the payer swaps as compared to the 31.12.10.

37) Taxes on income

The key components of expenses for taxes on income for the financial years 2011 and 2010 are made up as follows:

EUR 000s	2011	2010
Consolidated income statement		
Actual taxes on income		
Income tax refunds	-1,397	-774
Actual income tax expenses	622	1,553
Adjustment to actual income taxes incurred in previous years	79	51
	-696	**830**
Deferred income taxes	**304**	**6,004**
Income tax expenses recognised in the consolidated income statement	**-392**	**6,834**

Transition from expected tax expenses to tax expenses recognised

The tax rate applicable to the parent company amounts to 30.01% (previous year: 28.95%) and includes German trade tax based on the relevant multipliers as well as corporation tax. The applicable tax rate of 25% (previous year: 25.5%) in the Netherlands includes income tax.

The reconciliation from the product of earnings for the period stated in the financial statements and the applicable tax rate of the Group and the income tax expense for the financial years 2011 and 2010 is as follows:
(See naxt page)

EUR 000s	2011	2010
Earnings before income tax	-8,230	-59,756
Expected tax income/expenses (30.01 percent; previous year 28.95 percent)	**2,470**	**17,299**
Unrecognised tax losses in current year	-3,060	-11,104
Value adjustments to deferred tax assets capitalised in previous years	0	-6,427
Tax payment previous year	-79	-51
Tax refunds for previous years	1,397	774
Effects of non-tax-effective impairment of goodwill and investments	0	-7,431
Effects of company expenses not deductible for tax purposes	-25	-52
Deviating tax rates in other countries	117	-54
Other items	-428	212
Total transaction to group tax result	**-2,078**	**-24,133**
Income tax recognised in the consolidated income statement	**392**	**-6,834**

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

	Consolidated balance sheet		Consolidated income statement	
EUR 000s	**2011**	**2010**	**2011**	**2010**
Deferred income tax liabilities				
Rights and licenses	111	221	110	167
Loan transaction expenses	0	77	77	-30
Other	8	55	47	-48
	119	**353**	**234**	**89**
Deferred income tax assets				
Tax loss carry-forwards	227	336	-109	-1,291
Elimination of intercompany profits	209	602	-393	-171
Measurement of provisions	0	0	0	-186
Goodwill from supplementary balance sheet	0	0	0	-2,019
Measurement of pension obligations	238	262	-24	-36
Catalogue expenses	0	0	0	-1,216
Fair value measurement of interest swaps	0	0	0	-271
Carrying amounts of plant and office equipment	0	0	0	-821
Other	0	12	-12	-82
	674	**1,212**	**-538**	**-6,093**
Deferred income tax expenses/income			**-304**	**-6,004**

As of 31 December 2011, the Group had corporate income tax loss carryforwards of EUR 71,562 thousand (previous year: EUR 67,638 thousand) and trade tax loss carryforwards of EUR 38,413 thousand (previous year: EUR 36,533 thousand) at Group companies for which deferred tax assets in an amount of EUR 227 thousand were recognised. The losses carried forward in the amount of EUR 52,116 thousand are available for offsetting against future taxable income for an indefinite period. Offsetting is limited to nine years for an amount of EUR 19,446 thousand.

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 2011 or as of 31 December 2010.

38) Personnel expenses

EUR 000s	2011	2010
Wages and salaries	26,445	34,236
Statutory social security expenses	4,302	5,283
Voluntary social security expenses	23	31
Miscellaneous	2,696	3,776
Total	**33,466**	**43,326**

a. Breakdown of personnel expenses into cost of sales items

EUR 000s	2011	2010
Cost of sales	9,211	7,800
Selling expenses	17,580	23,463
General administrative expenses	6,637	12,025
Other operating expenses	38	38
Total	**33,466**	**43,326**

b. Number of employees by segment

EUR 000s	2011	2010
Retail	379	437
Mail order	198	237
Wholesale	148	200
Entertainment	55	60
Holding Service	36	41
Total	**816**	**975**

39) Breakdown of depreciation and amortisation into cost of sales items

a. Scheduled depreciation and amortisation

EUR 000s	2011	2010
Cost of sales	1,638	2,332
Selling expenses	3,910	3,946
General administrative expenses	2,808	2,989
Other operating expenses	61	60
Total	**8,417**	**9,327**

b. Impairment

EUR 000s	2011	2010
Cost of sales	0	0
Selling expenses	32	54
General administrative expenses	24	773
Other operating expenses	0	26,318
Total	**56**	**27,145**

The impairment recognised under other operating expenses includes write-downs on financial assets amounting to EUR 0 thousand (previous year: EUR 11,546 thousand). In 2011, write-downs on financial assets in the amount of EUR 24 thousand were recognised under general administrative expenses.

40) 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	2011	2010
Basis for basic earnings per share (Period earnings attributable to shareholders in parent company)	-8,029	-66,777
Basis for diluted earnings per share	-8,029	-66,777

b. Number of shares

EUR 000s	2011	2010
Weighted average number of ordinary shares for basic earnings per share (excluding treasury stock)	77,793	77,793
Weighted average number of ordinary shares for diluted earnings per share (excluding treasury stock)	77,793	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.

41) Dividends

It is to be proposed to the Annual General Meeting that the annual net loss of EUR 63,434,457.76 reported by Beate Uhse AG in its annual financial statements prepared in accordance with German commercial law be carried forward to new account.

42) Other disclosures

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

The company received the following notifications in the financial year 2011 and in January of the financial year 2012 pursuant to Section 21 of the German Securities Trading Act (WpHG).

Venus Hyggelig GmbH, Kiel, Germany, notified us pursuant to Section 21 (1) WpHG on 28 December 2011 that its share of the voting rights in Beate Uhse AG, Flensburg, Germany, had exceeded the 3%, 5% and 10% thresholds of voting rights on 23 December 2011 and amounted to 13.11% on that date (corresponding to 10,237,617 voting rights).

Sparkassen- und Giroverband für Schleswig-Holstein, Kiel, Germany, notified us pursuant to Section 21 (1) WpHG on 29 December 2011 that its share of the voting rights in Beate Uhse AG, Flensburg, Germany, had exceeded the 3%, 5% and 10% thresholds of voting rights on 23 December 2011 and amounted to 13.11% on that date (corresponding to 10,237,617 voting rights). 13.11% of the voting rights (corresponding to 10,237,617 voting rights) are attributable to the company by Venus Hyggelig GmbH via Schleswig-Holsteinische Sparkassen-Förderungs GmbH & Co. KG pursuant to Section 22 (1)(1)(1) WpHG.

Rotermund Holding AG in Nachtragsliquidation, Vaduz, Liechtenstein, notified us pursuant to Section 21 (1) WpHG on 29 December 2011 that its share of the voting rights in Beate Uhse AG, Flensburg, Germany, had fallen short of the 5% threshold of voting rights on 23 December 2011 and amounted to 3.64% on that date (corresponding to 2,839,182 voting rights).

Verwaltungsgesellschaft der schleswig-holsteinischen Sparkassenorganisation GbR, Kiel, Germany, notified us pursuant to Section 21 (1) WpHG on 3 January 2012 that its share of the voting rights in Beate Uhse AG, Flensburg, Germany, had exceeded the 3%, 5% and 10% thresholds of voting rights on 23 December 2011 and amounted to 13.11% on that date (corresponding to 10,237,617 voting rights). 13.11% of the voting rights (corresponding to 10,237,617 voting rights) are attributable to the company by Venus Hyggelig GmbH via Schleswig-Holsteinische Sparkassen-Förderungs GmbH & Co. KG and Schleswig-Holsteinische Sparkassen-Vermögensverwaltungs- und Beteiligungs GmbH pursuant to Section 22 (1)(1)(1) WpHG.

Schleswig-Holsteinische Sparkassen-Vermögensverwaltungs- und Beteiligungs GmbH, Kiel, Germany, notified us pursuant to Section 21 (1) WpHG on 3 January 2012 that its share of the voting rights in Beate Uhse AG, Flensburg, Germany, had exceeded the 3%, 5% and 10% thresholds of voting rights on 23 December 2011 and amounted to 13.11% on that date (corresponding to 10,237,617 voting rights). 13.11% of the voting rights (corresponding to 10,237,617 voting rights) are attributable to the company by Venus Hyggelig GmbH via Schleswig-Holsteinische Sparkassen-Förderungs GmbH & Co. KG pursuant to Section 22 (1)(1)(1) WpHG.

Schleswig-Holsteinische Sparkassen-Förderungs GmbH & Co KG, Kiel, Germany, notified us pursuant to Section 21 (1) WpHG on 3 January 2012 that its share of the voting rights in Beate Uhse AG, Flensburg, Germany, had exceeded the 3%, 5% and 10% thresholds of voting rights on 23 December 2011 and amounted to 13.11% on that date (corresponding to 10,237,617 voting rights). 13.11% of the voting rights (corresponding to 10,237,617 voting rights) are attributable to the company by Venus Hyggelig GmbH pursuant to Section 22 (1)(1)(1) WpHG.

AMP Art Media Productions GmbH, Flensburg, Germany, notified us pursuant to Section 21 (1) WpHG on 3 January 2012 that its share of the voting rights in Beate Uhse AG, Flensburg, Germany, had fallen short of the 3% threshold of voting rights on 23 December 2011 and amounted to 0% on that date (corresponding to 0 voting rights).

Equicon Aktiengesellschaft, Vaduz, Liechtenstein, notified us pursuant to Section 21 (1) WpHG on 4 January 2012 (correcting its voting rights notification on 29 December 2011) that its share of the voting rights in Beate Uhse AG, Flensburg, Germany, had fallen short of the 3% threshold of voting rights on 23 December 2011 and amounted to 0% on that date (corresponding to 0 voting rights). 0% of the voting rights (corresponding to 0 voting rights) are attributable to the company by Meteor ALF Beteiligungsgesellschaft mbH pursuant to Section 22 (1)(1)(1) WpHG.

Meteor ALF Beteiligungsgesellschaft mbH, Flensburg, Germany, notified us pursuant to Section 21 (1) WpHG on 4 January 2012 (correcting its voting rights notification on 29 December 2011) that its share of the voting rights in Beate Uhse AG, Flensburg, Germany, had fallen short of the 3% threshold of voting rights on 23 December 2011 and amounted to 0% on that date (corresponding to 0 voting rights).

Edouard A. Stöckli, Austria, notified us pursuant to Section 21 (1) WpHG on 9 January 2012 that his share of the voting rights in Beate Uhse AG, Flensburg, Germany, had fallen short of the 5% threshold of voting rights on 11 March 2009 and amounted to 4.91% on that date (corresponding to 3,830,558 voting rights). 3.96% of the voting rights (corresponding to 3,089,891 voting rights) are attributable Mr Stöckli by AMP Art Media Productions GmbH pursuant to Section 22 (1)(1)(1) WpHG.

Mr **Edouard A. Stöckli, Österreich**, Austria, notified us pursuant to Section 21 (1) WpHG on 4 January 2012 that his share of the voting rights in Beate Uhse AG, Flensburg, Germany, had fallen short of the 3% threshold of voting rights on 23 December 2011 and amounted to 0.47% on that date (corresponding to 367,667 voting rights).

Venus Hyggelig GmbH, Kiel, Germany, notified us in reference to the voting rights notifications pursuant to Section 21 (1) WpHG on 28 and 29 December 2011 and 3 January 2012, as well as on behalf of all other companies named in these voting rights notifications pursuant to Section 27a (1) WpHG on 9 January 2012

I. with regards to objectives behind the acquisition of 10,237,617 voting rights (13.11%) that

1. this investment is for the purposes of earning trading profits and not for implementing strategic objectives,
2. the disclosing entities do not intend to acquire additional voting rights by any means within the next twelve months,
3. the disclosing entities do not intend to gain influence on the staffing of administrative, management or supervisory functions in the issuer and
4. the disclosing entities do not aim to bring about any material change in the capital structure of the company, particularly with regards to the debt/equity ratio or the dividend policy,

and

II. with regards to the origin of funds used, that the acquisition of voting rights was financed by own means and not via borrowed capital.

Mr Reuben Rotermund, Switzerland, notified us pursuant to Section 21 (1) WpHG on 13 January 2012 that his share of the voting rights in Beate Uhse AG, Flensburg, Germany, had fallen short of the 5% threshold of voting rights on 23 December 2011 and amounted to 3.64% on that date. These voting rights attributable to Reuben Rotermund pursuant to Section 22 (1)(1)(1) WpHG are held by the following company under his control: Rotermund Holding AG, Vaduz, Liechtenstein.

Notifications of existing shareholdings received in previous years:

Mr 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, SIN: 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, SIN: 755140 had exceeded the 25% threshold of voting rights by shares on 14 March 2008 and now amounted to 29.88% (corresponding to 21,213,012 voting rights).

Bayerische Hypo- und Vereinsbank Aktiengesellschaft, Munich (now: UniCredit 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)(1)(1) WpHG on 14 July 2008 that the share of voting rights in Beate Uhse Aktiengesellschaft, Flensburg, Germany, held by UniCredit S.p.A., Rome, had exceeded the 3% and 5% thresholds on 10 July 2008 and amounted to 9.8361% (corresponding to 6,982,101 voting rights from ordinary shares). All these voting rights are attributable to UniCredit S.p.A. by Bayerische Hypo- und Vereinsbank Aktiengesellschaft (now: UniCredit Bank AG), Munich, pursuant to Section 22 (1)(1)(1) WpHG.

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

Global Vastgoed B.V., 4004 JV Tiel, Netherlands, notified us pursuant to Section 21 (1) WpHG on 21 October 2009 (correcting the notifications on 6 April) that its share of the voting rights in Beate Uhse AG, Flensburg, Germany, ISIN: DE0007551400, SIN: 755140 had exceeded the 3% and 5% threshold of voting rights on 11 March 2009 and amounted to 9.08745% on that date (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 (correcting the notifications on 29 May 2009) that its share of the voting rights in Beate Uhse AG, Flensburg, Germany, ISIN: DE0007551400, SIN: 755140 had exceeded the 3% and 5% threshold of voting rights on 11 March 2009 and amounted to 9.08745% on that date (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)(1)(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 (correcting the notifications on 29 May 2009) that its share of the voting rights in Beate Uhse AG, Flensburg, Germany, ISIN: DE0007551400, SIN: 755140 had exceeded the 3% and 5% threshold of voting rights on 11 March 2009 and amounted to 9.08745% on that date (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)(1)(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.

Mr Walter Johannes Maria Kroes, Netherlands, notified us pursuant to Section 21 (1) WpHG on 21 October 2009 (correcting the notifications on 21 July 2009) that his share of the voting rights in Beate Uhse AG, Flensburg, Germany, ISIN: DE0007551400, SIN: 755140 had exceeded the 3% and 5% threshold of voting rights on 11 March 2009 and amounted to 9.08745% on that date (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)(1)(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.

Mr Theodorus Bernardus Henricus Ruzette, Netherlands, notified us pursuant to Section 21 (1) WpHG on 21 October 2009 (correcting the notifications on 21.7.09) that his share of the voting rights in Beate Uhse AG, Flensburg, Germany, ISIN: DE0007551400, SIN: 755140 had exceeded the 3% and 5% threshold of voting rights on 11 March 2009 and amounted to 9.08745% on that date (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)(1)(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.

43) Business relationships to related parties (IAS 24)

a. Persons in key positions

Please refer to the section “Notes on directors and officers” in respect of 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 at the end of the Notes.

Business transactions performed between the company and its subsidiaries, which constitute closely related persons, were eliminated during consolidation and are not outlined in the context of these Notes.

c. Associated companies

A list of all associated companies, including their legal domiciles and the shareholdings held, can be found in the list of Group shareholdings at the end of the Notes.

d. Companies with significant influence on the Group

Please refer to the section “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. Transactions with persons in key positions at the Group

Immo Almere B.V., Walsoorden, Netherlands, is wholly owned by Summa Finance B.V., Netherlands. Summa Finance B.V. is in turn wholly owned by Summa N.V., Belgium. The owner of this company is the Cok family. A rental agreement was concluded at usual market conditions between Immo Almere B.V. and Scala Agenturen B.V., Amsterdam, in respect of a logistics centre in Almere, Netherlands, with effect from 1 July 2003. The rental payments for the financial year 2011 amounted to EUR 1,076 thousand (previous year: EUR 1,060 thousand). There were no liabilities as of the balance sheet date. There were other financial obligations amounting to EUR 14,755 thousand in connection with the rental agreement as at the balance sheet date.

Summa Vastgoed, a wholly owned subsidiary of Summa Finance B.V., Netherlands, is the lessor of 11 retail outlets used by Beate Uhse Retail Holding B.V., Netherlands. All rental agreements were concluded at usual market conditions. The rental payments relating to these agreements amounted to EUR 500 thousand for the financial year 2011 (previous year: EUR 1,249 thousand). There were other financial obligations amounting to EUR 702 thousand in connection with these rental agreements as of the balance sheet date. There were liabilities of EUR 37 thousand at the balance sheet date.

Summa Finance B.V., Netherlands, holds 67% of the shares in Mohist B.V., Netherlands. Mohist B.V. charged Beate Uhse B.V., Netherlands, an amount of EUR 515 thousand (previous year: EUR 550 thousand) at usual market rates for the transfer of personnel. There were liabilities amounting to EUR 117 thousand in connection with the transfer of personnel as of the balance sheet date.

Consipio Holding B.V., Walsoorden, Netherlands, holds a 27.2% shareholding in Beate Uhse AG. During the financial year 2011, Pabo B.V. paid a sum of EUR 18 thousand to Consipio Holding B.V. (previous year: EUR 50 thousand) in return for the transfer of personnel. Furthermore, Scala B.V., Netherlands, was charged EUR 19 thousand for the transfer of personnel (previous year: EUR 0). There were no liabilities as of the balance sheet date.

Consipio Holding B.V., Walsoorden, Netherlands, holds a 27.2% shareholding in Beate Uhse AG as well as 100% of the shares in Bocca B.V., Netherlands. Bocca B.V. 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 B.V., Netherlands. Prior to the first use, Pabo B.V. must pay a one-time fee of EUR 600 thousand to Bocca B.V. The agreement has a total duration of five years and provides for annual licensing fees of EUR 350 thousand. Pabo B.V. has been granted an option to purchase these addresses. The purchase price of the option is EUR 100 thousand and the option may be exercised between 1 April 2015 and 1 October 2015. In addition, Bocca B.V. has transferred 100 customer addresses to Scala B.V., Netherlands, under a licensing agreement. A one-time fee of EUR 250 thousand 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 sales generated from these addresses. It is expected that annual sales of EUR 6.0 million will be achieved, which corresponds to an annual licensing fee of EUR 900 thousand. A minimum license payment of EUR 100 thousand per annum has been agreed for the first three years. This license payment will be offset with the one-time payment of EUR 250 thousand. Scala B.V. has been granted an option to purchase these addresses. This can be exercised between 1 February 2015 and 1 August 2015 upon payment of EUR 100 thousand. All above amounts are net amounts. License payments of EUR 469 thousand were made in the financial year 2011. Liabilities under these agreements totalled EUR 2,387 thousand as of the balance sheet date. The agreed conditions were in line with standard market conditions.

Erwin Cok, Managing Director of the Dutch Retail segment, is the sole shareholder of Devitrade Managementdiensten, Belgium. In the financial year, amounts of EUR 95 thousand (previous year: EUR 147 thousand) and EUR 95 thousand (previous year: EUR 41 thousand) were charged to the Dutch Retail segment and the Dutch Mail Order segment, respectively, for management services. There were no liabilities as of the balance sheet date. The agreed conditions were in line with standard market conditions.

By contract dated 15 March 2011 Beate Uhse AG sold its 80% stake in the company Kondomeriet A/S, Norway. The company is active in the Norwegian retail segment with nine stores (four own stores and five franchise stores) and in the e-commerce segment. In 2010, Kondomeriet A/S generated sales of EUR 8.2 million. The buyer is the Norwegian company Consipio Holding 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 now and 1 January 2017. Consipio Holding B.V. holds a put option which entitles it to sell the shares to Beate Uhse AG in the period from 1 July 2013 to 1 January 2017. Due to the agreed repurchase option together with the existing put option for Consipio Holding B.V., Kondomeriet A/S will not be deconsolidated and will continue to form part of the consolidated group of Beate Uhse Group.

As part of its debt-reduction policy, Beate Uhse AG also sold loss-making Sandereijn B.V. by contract dated 24 January 2011. At the time of the sale, the Dutch retail chain comprised ten stores. In 2010, Sandereijn B.V. generated sales 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. Furthermore, under the agreement Sandereijn B.V. must make purchases in an amount of 80% of its annual cost of goods sold from Beate Uhse Group.

Consipio Holding B.V., Walsoorden, Netherlands, holds a 27.2% shareholding in Beate Uhse AG.

At the end of April 2011, refinancing for the German subgroup was implemented. The remaining credit balance of approximately EUR 6.6 million owed to Deutsche Postbank AG was repaid in full. In order to ensure repayment was made fully and in time, in the course of this refinancing Consipio Holding B.V. signed a purchase agreement on 14/18 April 2011 to acquire the Postbank credit claims due from Beate Uhse AG. The purchase price amounted to around EUR 6.1 million with Postbank accepting a haircut. Consipio Holding B.V. passed on part of this haircut to Beate Uhse AG. The remaining open purchase price claims totalling EUR 6.4 million were almost completely repaid by Beate Uhse AG in the second quarter of 2011. Repayment was financed by the sale of the Norwegian retail company Kondomeriet A/S for EUR 3.0 million to Consipio Holding B.V. by as well as offsetting, by the sale of Mail Order receivables (EUR 1.2 million) and a special repayment from tmc Content Group AG to Beate Uhse AG. The subsequent remaining EUR 167 thousand was repaid in August 2011.

more4media GmbH, Hamburg, Germany, is wholly owned by Sören Müller, Management Board member of Beate Uhse AG. more4media GmbH charged Beate Uhse AG for the Management Board compensation of Sören Müller in the amount of EUR 144 thousand in the financial year 2011.

Theodorus B. H. Ruzette, member of the Supervisory Board of Beate Uhse AG and owner of Th.B.H. Ruzette Holding B.V., Netherlands, granted Scala Agenturen B.V. a loan of EUR 300 thousand. The loan was paid out on 7 November 2011, and repayment is scheduled for 31 May 2012. Interest on the loan amounts to 12% p.a.

f. Transactions with associated companies

Beate Uhse AG provided a guarantee for an unlimited period for a loan of EUR 1,000 thousand taken up by tmc Content Group AG at the Nord-Ostsee Sparkasse. This guarantee ended on 3 January 2012.

Furthermore, a loan receivable of EUR 2,291 thousand from tmc Content Group AG existed as of 31 December 2011. Interest on the loan is paid quarterly at an interest rate of 6% p.a. The interest payment of EUR 231 thousand had not been received as of the balance sheet date. At the time of the preparation of the consolidated financial statements, the loan amounted to EUR 1,141 thousand.

44) Notes on directors and officers

The Management Board of the company comprised the following persons:

Serge van der Hooft	COO B2B CFO CEO
Sören Müller	Board member in charge of B2C Mail Order, Retail and e-Commerce as well as online media

The compensation of Serge van der Hooft for his Management Board activity amounted to EUR 168 thousand in the financial year 2011. No performance-related compensation was paid for the financial year 2011. 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 2.4 thousand).

The compensation of Sören Müller for his Management Board activity amounted to EUR 144 thousand in the financial year 2011. No performance-related compensation or fringe benefits were paid.

There are pension provisions of EUR 1,132 thousand for former directors and officers of Beate Uhse AG (previous year: EUR 1,140 thousand). The pension payments made to these directors and officers amounted to EUR 98 thousand in the financial year 2011 (previous year: EUR 97 thousand).

The Supervisory Board comprised the following members:

Gerard Philippus Cok	Knokke-Heist, Belgium Management consultant Chairman of the Supervisory Board
Andreas Bartmann	Hamburg Managing Director of Globetrotter Ausrüstung Denart & Lechhart GmbH Member of the Audit Committee
Prof. Martin Weigel	Hamburg Chairman of the Management Board of GLC Glücksburg Consulting AG, Hamburg Deputy Chairman of the Supervisory Board Chairman of the Audit Committee (up to 31.3.2011)
Gelmer Westra	Egmond aan den Hoef, Netherlands Tax advisor Member of the Audit Committee (Chairman since 16 May 2011)
Theodorus B. H. Ruzette	Wijchen, Netherlands President of the Administrative Board of tmc Content Group AG, Baar, Switzerland
Kerstin Klippert	Flensburg Head of Online Production at Beate Uhse new medi@ GmbH Deputy Chairman of the Supervisory Board since 22 August 2011
Udo H. Bensing	Hamburg Auditor, tax advisor Managing Director of Taxon GmbH Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft Since 22 August 2011 Member of the Audit Committee

Since 10 September 2010, the Supervisory Board of Beate Uhse AG has worked exclusively with the Audit Committee as the only qualified committee. Owing to the relatively small number of members of the Supervisory Board (six people), the Supervisory Board has decided to discuss all topics with the entire Board.

Members of the Supervisory Board also sit on the following other Supervisory Boards:

Gerard Philippus Cok	Member of the Supervisory Board of Accentis N.V., Leper, Belgium
	Member of the Supervisory Board of Xeikon N.V., Eede, Netherlands
Th. B. H. Ruzette	President of the Administrative Board of tmc Content Group AG, Baar, Switzerland

Members of the Supervisory Board receive fixed annual compensation of EUR 7.5 thousand. As a variable compensation component, Supervisory Board members receive additional dividend-based compensation amounting to EUR 1 thousand for every cent by which the dividend exceeds 7 cents. The Chairman receives 1.5 times and his or her Deputy 1.25 times the total compensation of an ordinary member. Those members of the Supervisory Board who are members of the Audit Committee receive an additional fixed annual amount of EUR 7.5 thousand, with the Chairman of the Audit Committee receiving EUR 11.25 thousand.

The compensation of the Supervisory Board amounted to EUR 69.7 thousand in the financial year 2011. No variable component was paid. The Chairman of the Supervisory Board received EUR 11.3 thousand and the Deputy Chairmen EUR 13.3 thousand. All other members of the Supervisory Board received a combined total of EUR 45.1 thousand.

45) Declaration of compliance 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 2 March 2011, with an updated declaration issued on 16 May 2011, and made permanently available to shareholders on the company's website.

46) Auditor fees

Fees totalling EUR 191 thousand were paid to the auditor of Beate Uhse AG, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, for the financial year 2011. Of this sum, EUR 135 thousand related to the audit of the consolidated and separate financial statements.

EUR 56 thousand related to other consultancy fees.

47) 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
- Versa Distanzhandel GmbH, Flensburg
- Beate Uhse new medi@ GmbH, Flensburg
- Lebenslust Retail GmbH (formerly: Mae B. GmbH), Flensburg
- Beate Uhse Fun Center GmbH, Flensburg

Flensburg, Germany, 30 March 2012

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

At a glance | To our shareholders | Our responsibility | Group management report | **Consolidated financial statement** | Statement | General information

Segement reporting 2011 / 2010

	Retail		Mail Order		Wholesale		Entertainment		Holding Service		Consolidation		Group Value	
Segment data by distribution channel **EUR 000s**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Sales	48,294	57,966	62,867	89,401	45,804	61,515	10,800	12,602	1	2	-18,754	-23,785	149,012	197,701
-of which with third parties	47,468	57,164	62,832	88,930	29,504	41,004	9,208	10,603	0	0	0	0	149,012	197,701
-of which with Group companies	826	802	35	471	16,300	20,511	1,592	1,999	1	2	-18,754	-23,785	0	0
Amortisation of intangible assets	-276	-257	-1,530	-1,031	-1,812	-2,011	-144	-161	-68	-225	0	0	-3,830	-3,685
Depreciation of property, plant and equipment	-2,041	-2,799	-642	-1,180	-1,279	-1,382	-91	-104	-183	-178	0	0	-4,236	-5,643
Impairment	-351	-7,065	0	-4	-32	-10,441	0	1,757	0	154	0	0	-383	-15,599
Write-downs on financial assets	-24	-54	0	0	0	-8	0	0	0	-11,484	0	0	-24	-11,546
Net interest	-784	-1,162	-468	-731	-913	-1,459	335	160	-1,241	1,485	0	2	-3,071	-1,705
Result from investments in associated companies	0	0	0	0	0	0	0	0	-1,512	-3,319	0	0	-1,512	-3,319
EBT *	-2,665	-12,007	3,143	-10,431	-4,454	-22,636	1,620	409	-4,806	-15,091	-1,068	0	-8,230	-59,756
Taxes on income	-502	-1,540	1,241	-2,296	-171	111	-158	-1,740	-18	-1,369	0	0	392	-6,834
Net income for the year *	-3,167	-13,547	4,384	-12,727	-4,625	-22,525	1,462	-1,331	-4,824	-16,460	-1,068	0	-7,838	-66,590
Assets (not including associated companies and tax claims)	28,087	27,022	34,052	44,351	36,544	48,447	9,531	13,478	138,143	189,175	-160,223	-209,587	86,134	112,886
Shares in associated companies	0	0	0	0	0	0	0	0	7,288	8,800	0	0	7,288	8,800
Investments in non-current assets	2,078	1,064	800	3,584	1,009	3,635	222	38	100	104	0	0	4,209	8,425
Investments in financial assets	23	169	1	6,487	91	35	1,069	155	678	28,003	-1,719	-31,817	143	3,032
Liabilities (excluding tax liabilities)	25,536	31,217	33,509	48,073	35,224	42,421	2,549	5,055	42,676	54,238	-75,461	-94,899	64,033	86,105

*excluding profit and loss transfer agreements

At a glance | To our shareholders | Our responsibility | Group management report | Consolidated financial statement | Statement | General information

Segement reporting 2011 / 2010

	Germany		Netherlands		France		Rest of Europe		Consolidation		Group Value	
Segment data by georgaphic Regions 2009 / 2010	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
EUR 000s												
Sales	52,021	72,343	69,515	84,969	21,486	30,449	24,744	33,725	-18,754	-23,785	149,012	197,701
-of which with third parties	50,878	70,964	52,029	62,741	21,486	30,449	24,619	33,547	0	0	149,012	197,701
-of which with Group companies	1,143	1,379	17,486	22,228	0	0	125	178	-18,754	-23,785	0	0
Amortisation of intangible assets	-206	-419	-3,431	-2,876	-50	0	-143	-390	0	0	-3,830	-3,685
Depreciation of property, plant and equipment	-1,552	-2,094	-2,027	-2,803	-98	-218	-559	-528	0	0	-4,236	-5,643
Impairment	-32	-1,474	-351	-11,106	0	-4	0	-3,015	0	0	-383	-15,599
Write-downs on financial assets	0	-11,484	-24	-54	0	0	0	-8	0	0	-24	-11,546
Net interest	-1,529	-690	-1,383	-807	4	-56	-163	-154	0	2	-3,071	-1,705
Result from investments in associated companies	-1,512	-3,319	0	0	0	0	0	0	0	0	-1,512	-3,319
EBT *	-3,723	-22,895	-6,611	-38,075	491	1,835	2,681	-621	-1,068	0	-8,230	-59,756
Taxes on income	-217	-5,296	-94	-84	1,239	-566	-536	-888	0	0	392	-6,834
Net income for the year *	-3,940	-28,191	-6,705	-38,159	1,730	1,269	2,145	-1,509	-1,068	0	-7,838	-66,590
Assets (not including associated companies and tax claims)	126,791	149,161	103,421	151,873	2,182	4,261	13,963	17,178	-160,223	-209,587	86,134	112,886
Shares in associated companies	7,288	8,800	0	0	0	0	0	0	0	0	7,288	8,800
Investments in non-current assets	1,264	468	2,678	7,123	35	269	232	565	0	0	4,209	8,425
Investments in financial assets	650	16,483	1,212	18,326	0	40	0	0	-1,719	-31,817	143	3,032
Liabilities (excluding tax liabilities)	43,072	59,980	78,223	102,551	2,056	-265	16,143	18,738	-75,461	-94,899	64,033	86,105

*excluding profit and loss transfer agreements

List of group shareholdings Beate Uhse

Name, registered office	Share %	Shareholders' equity 31.12.2011 EUR 000s	Net income / net loss 2011 EUR 000s
Direct shareholdings			
Beate Uhse BV, Walsoorden (Netherlands)	100.00	30,131	-5,559
Beate Uhse Einzelhandels GmbH, Flensburg	100.00	2,115	-2,444[2)]
Beate Uhse Franchise GmbH & Co. KG, Flensburg	100.00	3,178	-14[3)]
Beate Uhse Grundstücksgesellschaft bR, Flensburg	100.00	0	129[4)]
Beate Uhse Grundstücksverwaltungsgesellschaft mbH, Flensburg	100.00	43	1
Beate Uhse new medi@ GmbH, Flensburg	100.00	5,027	82[2)]
BU Ladies Night GmbH, Flensburg	100.00	-349	-139
BU production Kft., Börcs (Hungary)	100.00	-649[1)]	-650
KONDOMERIET AS, Kolbotn (Norway)	80.00	2,833[1)]	1,057[14)]
Lebenslust Retail GmbH, Flensburg (previously: Mae B. GmbH, Flensburg)	100.00	13	-52[2)]
MJP Medien- Produktions- und Vertriebs GmbH & Co. KG, Eschenburg	60.00	227	80[5)]
Scala Beteiligungs GmbH, Flensburg	100.00	71	3
tmc Content Group AG, Baar (Switzerland)	26.83	2,249[6)]	-3,329[6)]
Versa Distanzhandel GmbH, Flensburg	100.00	3,580	1,096[2)]
Indirect shareholdings by Beate Uhse BV			
B.U. BVBA, Brüssel (Belgium)	100.00	-1,877	0[7)]
Global Distributors Netherlands BV, Tiel (Netherlands)	100.00	-294	-27
Global Internet BV, Tiel (Netherlands)	100.00	172	-12
Global Novelties BV, Tiel (Netherlands)	100.00	-19	-17
Ladies Night Deutschland BV, Tiel (Netherlands)	100.00	-38	-4
The Golden Meteor BV, Walsoorden (Netherlands)	100.00	-839	3
V.U.H. Video Holland BV, Walsoorden (Netherlands)	100.00	-861	3
Beate Uhse Retail Holding BV sub-group (by Beate Uhse BV)			
Adam & Eve SASU, Tourcoing (France)	100.00	-175	-27
Beate Uhse Ltd., Birmingham (Great Britain)	100.00	-1,062[1)]	18
Beate Uhse Retail Holding BV, Walsoorden (Netherlands)	100.00	711	-1,053
Christine le Duc BV, Walsoorden (Netherlands)	100.00	3,293	-218
Christine le Duc Franchise BV, Walsoorden (Netherlands)	100.00	-198	-34
Gezed BV, Amsterdam (Netherlands)	100.00	2,418	-338
Retail Belgie BVBA, Brügge (Belgium)	100.00	-422	-55[8)]
RT BVBA, Brüssel (Belgium)	100.00	-383	-141[8)]
Gezed Holding BV sub-group (by Beate Uhse BV)			
Adult Video Netherlands Productions BV, Almere (Netherlands)	100.00	-2,937	-610
Gezed Holding BV, Amsterdam (Netherlands)	100.00	12,934	-4,421
Scala Agenturen BV, Almere (Netherlands)	100.00	16,613	-3,435
Scala Agenturen UK Ltd., Birmingham (Great Britain)	100.00	464[1)]	-75

Name, registered office	Share %	Shareholders' equity 31.12.2011 EUR 000s	Net income / net loss 2011 EUR 000s
Scandinavia AB sub-group (by sup-group Gezed Holding BV)			
Beate Uhse OY, Helsinki (Finland)	100.00	7[1)]	0
Beate Uhse Scandinavia AB, Täby (Sweden)	99.97	-5,752[1)]	6
Pabo BV sub-group (by Beate Uhse BV)			
Adam & Eve Spain BV, Walsoorden (Netherlands)	100.00	-72	1
Beate Uhse Poland BV, Walsoorden (Netherlands)	100.00	-522	-262
Beate Uhse United Kingdom BV, Walsoorden (Netherlands)	100.00	-5,950	-523
Beate Uhse Versandhandelsgesellschaft mbH, Innsbruck (Austria)	100.00	2,188	161
Calston Industries Inc., Toronto (Canada)	38.00	272[9)]	-150[9)]
Pabo BV, Hulst (Netherlands)	100.00	-2,374	-492
Pabo BVBA, Kieldrecht (Belgium)	100.00	3,373	1,100[10)]
Pabo Holding BV, Hulst (Netherlands)	100.00	-2,753	467
Pabo Services SARL, Tourcoing (France)	100.00	454	4
Pabo SASU, Tourcoing (France)	100.00	137	333
By Beate Uhse Einzelhandels GmbH			
Beate Uhse Fun Center GmbH, Flensburg	100.00	25	-71[11)]
Beate Uhse Italia GmbH, Bozen (Italy)	50.00	266	-15
Erotic Delite AG, Haag (Switzerland)	100.00	-942[1)]	-232
By Beate Uhse new medi@ GmbH			
Arena Online-Service GmbH, Flensburg	100.00	107	5
Beate Uhse New Media AS, Oslo (Norway)	100.00	-40[1)]	-10[14)]
COM VTX Multi Media BV, Rotterdam (Netherlands)	100.00	675	276
D.N.I. Dutch Net Info BV, Rotterdam (Netherlands)	100.00	109	34
EXITEC GmbH, Flensburg	100.00	1,258	1,109[12)]
M.O.S. Media Online Services BV, Hoorn (Netherlands)	100.00	444	40
By Scala Großhandels GmbH & Co. KG			
Lebenslust GmbH, Cologne	78.91	-965	-63
Pleasure-Verlagsgesellschaft mbH, Wiesbaden	100.00	307	221[13)]
ZBF Zeitschrift- Buch- und Film Vertriebs GmbH, Wiesbaden	100.00	-5,547	-296

1) Translated using historical rates.
2) Net result for the year prior to profit and loss pooling by Beate Uhse Aktiengesellschaft.
3) Net result for the year prior to profit and loss assumption for Pleasure-Verlagsgesellschaft mbH.
4) 99.5% of the shares are held directly by Beate Uhse Aktiengesellschaft and 0.5% are held by Beate Uhse Grundstücksverwaltungsgesell. mbH.
5) Data from the annual financial statements to 31.12.2010. The annual financial statements to 31.12.2011 were not available.
6) Data from the preliminary annual financial statements to 31.12.2011 in CHF thousand.
7) 50% of the shares are held by The Golden Meteor B.V. and 50% are held by V.U.H. Video Holland B.V.
8) 99.5% of the shares are held by Beate Uhse Retail Holding B.V. and 0.5% are held by Beate Uhse B.V.
9) Data from the annual financial statements to 31.12.2010 in CAD thousand. The annual financial statements to 31.12.2011 were not available.
10) 99.9% of the shares are held by Pabo Holding B.V. and 0.1% are held by Beate Uhse B.V.
11) Net result for the year prior to profit and loss pooling by Beate Uhse Einzelhandels GmbH.
12) Net result for the year prior to profit and loss pooling by Beate Uhse new medi@ GmbH.
13) Net result for the year prior to profit and loss pooling by Beate Uhse Franchise GmbH & Co. KG.
14) The company was fully consolidated due to an options agreement in the sales contract.

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, 30.4.2012

Sören Müller

Serge van der Hooft | Sören Müller

Audit opinion

"We have audited the consolidated financial statements compiled by Beate Uhse Aktiengesellschaft, Flensburg, consisting of the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in 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 2011. 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 set out 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 random 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 Management Board, 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 sound basis for our opinion.

Our audit did not give rise to any objections.

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 continued existence depends on the successful completion of the restructuring measures launched to date, the accomplishment of the resultant sales and profit targets, and the ability of the Group to remain solvent through the refinancing exercise. If the expected development in sales and earnings, as well as the corresponding inflow of cash were to fall below a level which cannot be offset by further measures to free up liquidity, the company's loan with ING Bank not be refinanced as planned or the credit line assured by ING Bank is terminated or curtailed, the solvency and, by extension, the continued existence of Beate Uhse AG and the Group would depend on concessions being made by creditors or by the injection of additional equity or borrowed capital."

Hamburg, Germany, 13 April 2012

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Ludwig	Tuchen
Auditor	Auditor

Financial statements of Beate Uhse AG 2011 / 2010

Assets **EUR 000s** **Fixed assets**	**2011**	**2010**
Intangible assets	105	169
Property, plant & equipment	626	686
Financial assets	107,312	112,000
	108,043	112,855
Current assets		
Inventories	3	6
Receivables and other assets	4,060	5,307
Cash and cash equivalents	303	235
	4,366	5,548
Prepaid expenses	15	19
Balance sheet total	**112,424**	**118,422**

Equity and liabilities **EUR 000s** **Shareholders' equity**	**2011**	**2010**
Share capital	78,075	78,075
Nominal value company shares	-280	-280
Capital reserve	67,759	67,759
Unappropriated net profit	-63,435	-59,138
	82,119	86,416
Provisions	5,680	5,844
Liabilities	24,625	26,162
Balance sheet total	**112,424**	**118,422**

Income statement of Beate Uhse AG

EUR 000s	2011	2010
Sales	**598**	**803**
Other operating income	2,426	1,089
Personnel expenses	-1,859	-2,079
Amortization and depreciation of intangible assets and property, plant and equipment	-173	-325
Other operating expenses	-2,188	-8,225
Income from shareholdings	-2,168	-37,313
Financial result	-894	135
Result of ordinary activities	**-4,258**	**-45,915**
Extraordinary expenses	0	-424
Income taxes	-24	-67
Other taxes	-15	-2
Net loss for the year	**-4,297**	**-46,408**
Profit brought forward	-59,138	-13,009
Elimination of surplus for treasury stock	0	279
Retained earnings	**-63,435**	**-59,138**

At a glance | To our shareholders | Our responsibility | Group management report | Consolidated financial statement | Statement | General information

Multi-year summary 2000 until 2011

EUR million		2000	2001	2002	2003	2004 *	2005	2006	2007	2008	2009	2010	2011
Sales		**163,5**	**222,8**	**244,5**	**265,6**	**273,1**	**284,8**	**270,9**	**268,0**	**252,9**	**230,7**	**197,7**	**149,0**
Earnings performance													
EBITDA		21.0	21.3	30.2	31.5	26.8	32.0	24.4	15.7	19.0	13.1	-21.0	3.3
EBIT		13.9	10.6	20.3	21.5	17.9	22.7	14.8	-4.4	7.1	2.7	-59.0	-5.2
EBT		13.0	8.7	17.2	19.3	15.6	20.4	12.0	-7.9	3.1	-0.1	-60.7	-8.2
Net income		**9.6**	**2.2**	**9.5**	**9.9**	**8.7**	**14.4**	**10.0**	**-13.2**	**2.3**	**1.9**	**-67.6**	**-7.8**
Further key earnings figures													
Return on sales after tax	%	5.9	1.0	3.9	3.7	3.2	5.0	3.7	-4.9	0.9	0.8	-34.2	-5.3
Financial position													
Cash flow		10.4	12.8	21.4	20.3	8.6	24.3	16.9	13.4	8.7	13.3	6.4	14.7
Cash and cash equivalents		8.2	14.8	13.9	8.3	9.2	6.8	6.4	7.4	5.6	7.3	4.6	4.8
Depreciation		7.1	10.7	9.9	10.1	9.1	9.5	9.7	20.1	20.1	10.4	38.0	8.5
Composition of assets and equity													
Total assets		132.0	169.4	169.1	181.2	187.2	189.7	222.9	183.4	176.4	183.6	124.0	94.1
Equity		63.9	60.3	64.6	67.8	67.8	83.6	84.5	66.4	94.6	100.8	33.6	25.8
Equity ratio	%	48.4	35.6	38.2	37.4	36.2	44.1	37.9	36.2	53.6	54.9	27.1	27.4
Non current assets		-	-	-	-	105.7	111.6	142.3	106.0	92.2	94.8	57.2	48.5
Current assets		-	-	-	-	81.6	78.0	80.6	77.4	83.4	88.8	66.8	45.6
Expenses													
Cost of sales		-	-	-	-	110.9	109.1	107.6	116.7	105.4	97.3	90.5	71.9
Sales expenses		-	-	-	-	130.4	142.6	142.4	136.4	129.6	114.3	117.5	71.7
Other information													
Employees (FTEs since 2009)	absolut	905	1,173	1,251	1,344	1,477	1,523	1,458	1,414	1,301	1,048	975	816
Dividend per share	EUR	0,14	0,00	0,10	0,10	0,00	0,14	0,10	-	-	-	-	-
Cash flow per share	EUR	0,36	0,27	0,41	0,43	0,34	0,49	0,43	0,13	0,13	0,15	-0,34	0,00
Share price on 31 Dec	EUR	14,00	11,98	11,35	13,25	10,48	6,10	4,04	1,82	0,59	0,65	0,36	0,27
Annual high	EUR	20,03	14,34	12,00	13,43	13,02	10,37	6,95	5,80	2,03	0,87	0,75	0,45
Annual low	EUR	11,00	8,10	8,65	8,90	10,05	5,80	4,00	1,79	0,58	0,42	0,34	0,26
Shares in circulation (31 Dec.)	absolut	46,962,988	46,729,692	47,018,072	46,492,614	47,042,201	47,042,292	47,042,381	47,042,425	70,703,475	78,074,696	78,074,696	78,074,696
Market capitalisation total		577,5	563,7	534,8	623,0	495,0	288,7	191,2	85,6	27,8	50,8	35,9	21,1

* = starting 2004 IFRS

Financial calendar 2012

Date	Happening
Monday, 30. April 2012	Annual Report 2012
Tuesday, 15. May 2012	3-Month Report 2012
Wednesday, 15. August 2012	6-Month Report 2012
Monday, 20. August 2012	General Annual Meeting 2012
Thursday, 15. November 2012	9-Month Report 2012

Contact

Beate Uhse AG
Investor Relations
Jürgen Schulz / Birte Oldenburg
Gutenbergstrasse 12
24941 Flensburg
Germany

Phone: +49 (0)461 99 66 – 307
Email: ir@beate-uhse.de
Web: www.beate-uhse.ag

Imprint

Publisher

Beate Uhse AG
Gutenbergstrasse 12
24941 Flensburg
Germany

www.beate-uhse.ag

Editorial Staff

Beate Uhse AG
Haubrok Investor Relations GmbH & Co. KG

Audit

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft

Layout

Nadine Dreismann

Translation

EnglishBusiness AG, Hamburg
www.englishbusiness.de