



**INTERIM REPORT OF  
BEATE UHSE AKTIENGESELLSCHAFT**

**IN THE FIRST HALF OF 2015**

**PURSUANT TO SECTION 37X GERMAN SECURITIES TRADING ACT (WPHG)**

# INTERIM REPORT OF BEATE UHSE AKTIENGESELLSCHAFT

in the first half of 2015 pursuant to Section 37x German Securities Trading Act (WpHG)

- Group achieves sales growth of 3.8% after adjustment
- Retail: existing shops increase sales by 7.8%; Wholesale gains 3.9%, continuing the course of growth
- Mail Order stable with sales of EUR 16.8 million; e-Commerce sees a double-digit percentage increase in the core market of Germany
- Group sales fall to EUR 36.2 million due to one-off effects (Q1 2014: EUR 38.0 million)
- EBIT falls to EUR -1.1 million in the first quarter (Q1 2014: EUR 1.1 million)
  - Exchange rate trends hit earnings hard
- Marketing and sales activities systematically expanded

In terms of sales, the first quarter of 2015 was satisfactory for Beate Uhse Group. The strategically important e-Commerce division developed positively, increasing by almost 3% across all countries as well as achieving double-digit growth rates in Germany. Both the Retail business, adjusted for unprofitable shops and the withdrawal from the Norwegian and Italian markets, and Wholesale developed positively, as expected. The strength of the US dollar against the euro had a negative impact on the result. The euro/US dollar exchange rate is significant for the Beate Uhse Group's procurement market.

Beate Uhse Group recorded pleasing sales growth after accounting for the abovementioned one-off effects. Profitability is to be improved as the year goes on, driven in particular by the marketing investments made over the past few months and the action taken to cut costs.

These investments in marketing have begun to bear fruit. The promising e-Commerce segment posted particularly strong growth – in the double-digit percentage range – in Beate Uhse's home market of Germany, where marked success could be seen following the strong brand campaign running under the slogan 'Dare to experiment!' and shown in the first quarter by the high-reach TV broadcasters in the Pro7Sat1 Media Group. The strategic marketing investments that have been made, funding for which was raised in large part by the bond issued in 2014, are to be systematically continued in 2015 in order to further strengthen the Group's brand positioning and thus take another step towards more profitable and sustainable growth.

In April 2015, independent ratings company Advertising compared Beate Uhse's TV ad with those of competitors and ranked it as the sector's most effective.

## Sales and earnings development as of 31.3.2015

### Group

Beate Uhse Group recorded a 3.8% increase in sales (adjusted) in the first quarter of 2015. One-off effects such as the withdrawal from the Norwegian and Italian markets and, in particular, the necessary closure of the strong-selling but unprofitable retail business in Berlin meant that sales fell by 4.6% compared with the first quarter of 2014 to EUR 36.2 million (Q1 2014: EUR 38.0 million).

The existing areas of business and e-Commerce reported a pleasing level of growth, with e-Commerce sales in the home market of Germany even boasting a double-digit growth rate. The investments in marketing and measures to strengthen the Beate Uhse brand are bearing fruit and confirm that the chosen strategy is the right one.

Earnings in the first quarter were affected by negative currency effects in the amount of EUR 1.7 million as well as an increase of EUR 0.8 million in marketing and sales activities compared with the same period of the previous year, which served to promote further sales growth. Beate Uhse Group thus ended the first quarter of 2015 with EBITDA of EUR -0.2 million (Q1 2014: EUR 2.3 million) and EBIT of EUR -1.1 million (Q1 2014: EUR 1.1 million). In EBT, greater interest expenses of EUR 0.4 million from the corporate bond issued in July 2014 also had an impact on earnings.

The Group will be working resolutely to offset the negative impact on earnings caused by the stronger US dollar against the euro over the next few quarters. With the strategic investments in marketing, the e-Commerce platform and sales activities as well as the action already taken to cut costs, the foundations have been laid for the further development of the business.

### Beate Uhse Group key performance indicators (IFRS)

	Q1/2015	Q1/2014
	01.01. - 31.03.	01.01. - 31.03.
EUR 000s		
Sales	36,242	37,979
EBITDA	-172	2,307
EBIT	-1,071	1,123
EBT	-1,740	814

## Retail

In the first quarter of 2015, the Retail division generated sales of EUR 8.6 million (Q1 2014: EUR 10.8 million). Sales fell due to the discontinuation of business activities in Norway and Italy as well as the necessary closure of the shop and museum in Berlin. Sales of the abovementioned activities in the first quarter of the previous year came to EUR 3.1 million. After adjustment and considering existing shops only, Retail increased sales by 7.8%, or by as much as 10.4% if newly opened shops are included. The division therefore made gains in all national markets.

Due to currency effects and greater investment in marketing and sales, the operating result (EBIT) in the Retail division fell to EUR -0.2 million (Q1 2014: EUR 0.4 million).

The launch of the new brand and shop concept is already having an impact on the sales trend. All relevant shops are to be redesigned in the new brand image before the end of the year. Beate Uhse shops are already an increasingly routine part of people's regular shopping trips. Compared with the previous year, marketing activities are being more strongly targeted to individual national markets, allowing the varying requirements made of these markets and the different options available for advertising to be taken into account to an even greater extent. The aim is to manage and promote the attractiveness of Retail as a whole in an even more focused manner.

## Retail KPI

	Q1/2015	Q1/2014
EUR 000s	01.01. - 31.03.	01.01. - 31.03.
Sales	8,569	10,841
EBITDA	-4	791
EBIT	-206	438
EBT	-419	347

## Mail Order

Mail Order sales remained stable in the first quarter of 2015 at EUR 16.8 million (Q1 2014: EUR 16.8 million). Sales in the promising e-Commerce business rose by around 3% compared with the same period in the previous year, while sales via the catalogue, which is now primarily a marketing tool, saw a decline.

The operating result (EBIT) in Mail Order fell from EUR 1.0 million to EUR 0.4 million, due mainly to the stronger US dollar against the euro, which eroded earnings, but also to the strategic investments in marketing and sales, which were designed to boost growth in e-Commerce.

Another TV commercial advertising the Beate Uhse brand was shown by the high-reach TV broadcasters in the Pro7Sat1 Media Group in Germany during the first quarter, attracting a lot of attention for the Beate Uhse brand and e-Commerce as the principal distribution channel. The campaign was also adapted for the Dutch and Belgian markets, while a separate ad was developed for France and broadcast there.

The impact and strategic value of the new commercial, with its 'Dare to experiment!' slogan and its focus on brand development and awareness of the online shop, were also borne out in an independent survey by ratings agency Advertising (<http://ratingagentur-advertising.de>), which named Beate Uhse's TV ad the most effective in the adult lifestyle sector. The agency evaluated the commercials by Beate Uhse and competitors and analysed the so-called subconscious decision-making index (SDMI), i.e. the impact of the adverts on viewers' subconscious. This index is seen as providing greater informative value than direct questions when it comes to customers choosing a certain brand or offer, because their decision in favour of a particular provider is mostly made subconsciously. This accolade and the trend in e-Commerce also confirm that the chosen brand strategy is the right one. The 'Dare to experiment!' campaign is set to continue throughout 2015.

## Mail Order KPIs

	Q1/2015	Q1/2014
EUR 000s	01.01. - 31.03.	01.01. - 31.03.
Sales	16,784	16,822
EBITDA	716	1,395
EBIT	414	979
EBT	234	911

## Wholesale

The Wholesale division succeeded in extending the positive trend of the previous quarters in the first quarter of 2015. Its sales increased by 3.9% to EUR 9.2 million (Q1 2014: EUR 8.9 million). This sales performance is made all the more pleasing by the fact that content marketing business activities, which had previously been part of Wholesale, were moved to the Entertainment division in 2015 for strategic reasons. After adjustment for this realignment, Wholesale sales would have risen by 8.4%.

At the end of the first quarter, the Wholesale division's operating result (EBIT) stood at EUR -0.2 million (Q1 2014: EUR 0.8 million). Aside from the reallocation of content marketing activities, the sole other reason behind this decline was the rise in the US dollar against the euro.

Marketing own-brand products in the areas of lingerie, toys and well-being has generated some clear competitive advantages and provided a major boost to the Wholesale business. Adding new product lines such as fashion to the portfolio is also opening up new sales opportunities here. Wholesale activities are to be expanded on other continents in addition to its core markets in Europe.

## Wholesale KPIs

EUR 000s	Q1/2015	Q1/2014
	01.01. - 31.03.	01.01. - 31.03.
Sales	9,245	8,902
EBITDA	32	1,124
EBIT	-165	770
EBT	-202	652

## Entertainment

Sales in the Entertainment division rose in the first quarter of 2015 to EUR 1.6 million (Q1 2014: EUR 1.4 million). This increase was down to the decision to reclassify content marketing (see also Wholesale) in order to pool all activities connected with the distribution of films. By contrast, the online and Audiotex portfolios continued to face a tough market environment.

Measures taken to optimise work processes and the aforementioned pooling of content activities led to an operating result of EUR 0.22 million, an improvement on the same quarter of the previous year (Q1 2014: EUR 0.06 million).

With the market environment remaining difficult due to products that are available online for free, the Entertainment segment is focusing on high-quality products. With offerings such as the men's brand 'Pleasure XXX', whose tailored entertainment products are designed to appeal to the male target group, high-quality formats and products will be used to cater for the demand for premium content and will serve as a growth platform.

## Entertainment KPIs

EUR 000s	Q1/2015	Q1/2014
	01.01. - 31.03.	01.01. - 31.03.
Sales	1,644	1,414
EBITDA	399	102
EBIT	215	55
EBT	259	151

## Outlook

The strategic marketing and sales activities that were adopted and implemented back in 2014 are showing initial success. In light of these pleasing developments and the usual discipline that is practised when it comes to costs, the Management Board is confirming the forecast range submitted for the current 2015 financial year, despite the adverse US dollar/euro trend. According to the forecast, sales of between EUR 134 million and EUR 139 million are expected to be generated, as is an operating result of between EUR 2 million and EUR 5 million.