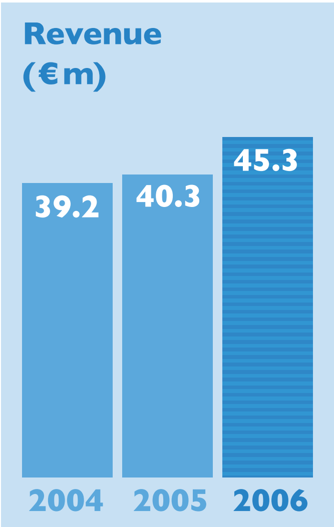
ANNUAL REPORT 2006

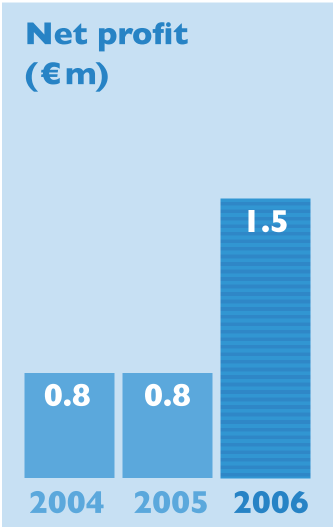
UNITEDLABELS AG

UNITED LABELS COMICWARE

MISSION STATEMENT

»Our company is the link between media and retail. Worldwide, we design, market and sell consumer products that are based on the most powerful international comic brands, with the aim of generating value and growth for our customers and shareholders.
That is what our company is all about«





Key Financials 2006	2006 (€ '000)	2005 (€ '000)	Change
Revenue	45,267	40,273	12.4 %
EBITDA	2,540*	1,875*	35.5 %
EBIT	1,952	1,311	48.9 %
Profit from ordinary activities	1,680	1,024	64.1 %
Net profit	1,482	770	92.5 %
Cashflow	7,375	4,431	66.4 %
Earnings per share (€)	0.35	0.19	
Number of employees	125	127	
Number of licence agreements	63	65	

*incl. amortisation of usufructuary rights

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Peter M. Boder
Chairman of the Management Board

Dear Shareholders and Business Associates,

UNITEDLABELS AG achieved the best results in its history during the 2006 financial year just ended. Group revenues rose by 12.4% to €45.3 million and EBIT grew to €2.0 million. Consolidated net profit almost doubled to €1.5 million. Thus, we are posting earnings per share of €0.35 (FY 2005: €0.19). On the back of these results, we will propose to the General Meeting of Shareholders the payment of our first ever dividend, in the amount of €0.20 per share.

Our two business segments, Key Account and Special Retail, and the Group's individual companies contributed at different levels to our upbeat performance in 2006:

Posting revenue growth of around 14%, the Key Account segment was the principal growth driver. This development at **UNITED**LABELS is consistent with the direction of change in the commercial environment. Recognising that retailing groups want to streamline their purchasing activities further, **UNITED**LABELS fulfils these requirements as a highly skilled partner and supplier of comicware merchandising concepts. The variety of our merchandising strategies has made us successful, and buoyed by this success we are committed to maintaining our approach of creating vibrant and sales-enhancing retail displays which appeal to the customer on an emotional level. Our goal is to raise both the breadth and frequency of merchandise placements in all our distribution territories. We continue to see immense growth potential beckoning in this area.

Progress reported in the Special Retail segment is also encouraging. It succeeded in generating a positive result in the past financial year, which means that our most important target for 2006 in this segment has been achieved. In the course of a full-scale restructuring programme, we concentrated on high-volume customers, streamlined the cost structure and simultaneously enlarged individual display areas within our concept marketing themes. Our premium "Best of" lines were also selectively tweaked in consideration of profitability aspects.
Following the completion of restructuring at the end of 2006, we will develop this business unit to ensure long-term profitability in future.

Reviewing the performance of the individual companies, Germany showed outstanding progress in terms of both revenue and earnings. The revenue posted by the German parent company rose by 22% to €28.9 million and net profit for the year almost quadrupled to €2.0 million.
The concentration in numbers of retailing groups based in Germany, some of which operate throughout Europe, indicates major potential for future growth in this area.

Our subsidiaries in Spain, France, the United Kingdom, Belgium and Italy are responsible for European distribution and for maintaining a **UNITED**LABELS presence in all the major European markets for licensed products.
In Spain, France and Benelux we will continue to develop and extend both our Special Retail and our Key Account business within the existing structures. In the coming year, the Italian operation will add a Key Account segment to its already profitable Special Retail business.

Expansion of the United Kingdom location continues to present a challenge. Entry to the British market proved more difficult than anticipated, so that we only expect to achieve long-term profitability from 2008 onwards in this generally high-volume market.

In 2006 we adopted the new strategy of integrating multimedia-based marketing concepts into our distribution structures. These form a bridge between new and old distribution channels, and are another important step towards fully utilising our growth potential. In particular, we are supporting the marketing of our comicware products with promotion-linked TV advertising, which also enhances our visibility in the eyes of end-consumers.

The comicware store opened at Barcelona airport in November 2006 is another first for us. This flagship store could pave the way for further **UNITED**LABELS stores in major European airports.

In 2006 we enhanced our licence portfolio, the cornerstone of **UNITED**LABELS, by adding such licences as The Wild Soccer Bunch (Die wilden Kerle), Barbie and Dora the Explorer. Based on these new themes as well as our licences for classics such as Mickey, Snoopy and The Simpsons, in the years ahead we will continue to offer licensed products that capture the current zeitgeist and target different customer groups.

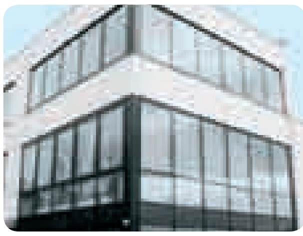
The trend of **UNITED**LABELS' share price in the year 2006 did not reflect the commercial development of the Group as a whole. While **UNITED**LABELS AG generated higher revenue and profits, the price moved in the opposite direction. To attract additional institutional investors, we therefore passed a resolution in December 2006 to implement a stock buyback programme. We will also step up our investor relations activities further.

UNITEDLABELS AG operates in Western Europe in a licence market which continues to offer immense potential. The popularity of our licensed products in the Entertainment/ Character category remains unshaken.
UNITEDLABELS AG maintains a presence in key countries, where it is well positioned. Our two business segments, Special Retail and Key Account, are profitable. We are adopting trend-setting tactics backed by new marketing concepts and distribution channels. Our pursuit of this strategy gives us the best prerequisites not only to maintain our current growth in revenue and earnings but actually to increase the pace of growth.

I would like to thank all our business partners for supporting us in achieving our goals. Our staff, in particular, deserve my special thanks for their commitment and their creativity. I would also like to express my sincere gratitude to you, our shareholders, for the confidence you have shown in us, and I hope you will continue to follow the fortunes of **UNITED**LABELS AG in the years ahead.
And if you have not become a shareholder yet, I warmly invite you to do so!

Sincerest regards,

Peter M. Boder, CEO



UNITEDLABELS – Germany

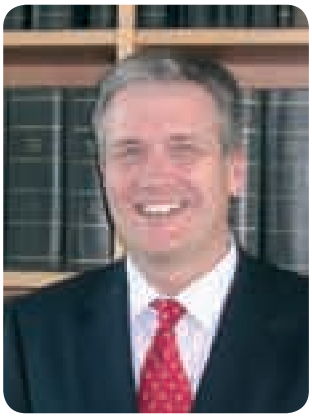
UNITEDLABELS – Spain

UNITEDLABELS – Belgium

UNITEDLABELS – France

UNITEDLABELS – UK

UNITEDLABELS – Hong Kong



Dr. Jens Hausmann
Chairman of the
Supervisory Board

Report of the Supervisory Board

In addition to addressing a number of specialist issues over the course of the 2006 financial year, the Supervisory Board mainly focused on the performance of the Special Retail segment and the prospects of foreign markets, with a particular emphasis on England, France and Spain, as well as the opportunities associated with new products and services launched by **UNITED**LABELS. Other key topics covered by the Supervisory Board in the period under review related to the company's rating and, within this context, the progression of enterprise value as well as issues concerning the audit of company and group financial statements.

At its meeting in November, the Supervisory Board dealt with the amendment of the German Corporate Governance Code in the version of June 12, 2006, thus underlining its commitment to observe the latest developments in corporate governance standards and apply them accordingly. In the opinion of the Supervisory Board, the company complied with the majority of recommendations put forward by the German Corporate Governance Code. Accordingly, compliance was documented in the form of a Declaration of Conformity, specifying any departures from said recommendations.

The Supervisory Board approved the reacquisition of up to ten per cent of the company's shares outstanding, up to a total amount of € 500 thousand, as well as giving its consent to the disposal of shares acquired as part of this process, the objective being to allow additional shareholders, in particular strategic investors, to acquire an interest to the benefit of the company.

At the end of the year just ended, the Supervisory Board adjusted the non-variable compensation components of Management Board remuneration in accordance with the contractual agreement.

On May 23, 2006, the members of the Supervisory Board were elected by the General Meeting of Shareholders for an additional term of office. Subsequently, Dr. Hausmann and Mr. Dehler were reappointed as Chairman and Deputy Chairman of the Supervisory Board.

The Supervisory Board convened four meetings at regular intervals. Other resolutions were passed by the Supervisory Board on the basis of agreement by circulation.

The Supervisory Board maintained a close rapport with the Management Board. The Management Board furnished details, both in writing and through oral reports, on all significant events and circumstances; such information was also provided in between regular meetings. The Chairman of the Supervisory Board was informed regularly and in a timely manner by the Management Board about material developments and upcoming decisions.

During the new term of office of the Supervisory Board members, the Audit Committee constituted by the Supervisory Board is again comprised of Prof. Dr. Roland as Chairman and Mr. Dehler. The Audit Committee met on two occasions during the financial year just ended. At the first meeting the Committee discussed issues concerning the audit of the financial and consolidated financial statements for the 2006 annual period.

At the second meeting the Committee defined the focal points of the audit for the year-end audit of accounts in 2007 as well as for the interim audit conducted by the statutory auditor, which resulted in no material findings. Within this area, the main focus was on assessing the carrying amounts of goodwill for impairment as well as auditing the internal control systems implemented by the company.

The company secured the services of a new auditor in the period under review. On May 23, 2006, the General Meeting of Shareholders appointed PriceWaterhouseCoopers AG as the company's statutory auditor for the 2007 financial year.

The financial statements for the 2006 financial year, as prepared by the Management Board, in conjunction with the accounting records and management report, was audited by PriceWaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, who were appointed as statutory auditors by the General Meeting of Shareholders on May 23, 2006. The audit encompassed, among other aspects, the core processes within the company, as well as the internal control system established for these processes and the IT systems. In addition, the audit focused on accounting policies regarding licences, the non-impairment of goodwill and the carrying amounts of investments, as well as trading relations between Group companies. The audit also assessed measures implemented by the Management Board to identify, in a timely manner, any potential risks that may jeopardise the financial success and future of the company as a going concern.

The statutory auditor raised no objections and issued an unqualified audit opinion.

As part of their meetings, the Supervisory Board and the Audit Committee examined the financial statements, the consolidated financial statements and the combined management and Group management report as well as the related-party disclosure report. These meetings convened by the Supervisory Board and the Audit Committee were attended by the appointed auditor, who furnished a report relating to his audit. Following its own assessment, the Supervisory Board concurred with the outcome of audit and approved the financial statements and consolidated financial statements for the 2006 financial year. The financial statements are thereby adopted. Furthermore, the Supervisory Board raised no objections to the management report or the related-party disclosure report.

The Supervisory Board hereby approves the proposal, put forward by the Management Board, to pay to shareholders a dividend of €0.20 per share, with the exception of the treasury shares held by the company, and to carry forward the remainder to new account.

Münster, March 2007

On behalf of the Supervisory Board

Dr. Jens Hausmann
(Chairman)

BUSINESS MODEL

Well-known characters sell like hot cakes

Cartoon characters are all around us and not only on our cinema and TV screens. We encounter them on everyday products like t-shirts, muesli bowls and beauty bags or even in the form of mobile communication devices like screen savers and ring tones. Images of well-known and popular cartoon figures on such merchandise generate tangible sales – because customers like to buy products featuring brands and licensed themes that they know and love.

Producers and licensors of cartoon characters are, in the main, global media giants. They hold the copyright to the best-known and most popular figures and enhance their brand value through massive media exposure. Branded merchandise manufacturers of licensed products like **UNITED**LABELS benefit greatly from the existing brand recognition of these cartoon characters.

Popular cartoon figures are primarily designed to generate product sales for rights holders and rights users. Strong demand for them is sustained by massive media exposure in movies and TV series. Once a cartoon character becomes popular, it will appear as a licensed product in retail outlets. The high recognition and identification factor of such merchandise also guarantees long-term product demand.

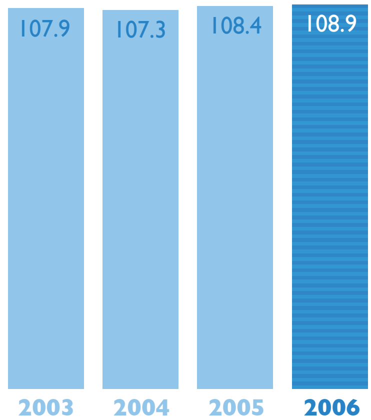
comicware – cartoons you can touch

Producers of cartoon characters are intent on achieving global distribution of their licensed goods, by producing a wide variety of products from many different fields. As licensors, they on-sell the production and distribution rights to licensees. In order to earn a sustainably high income from royalties, they select contractual partners in each product category with the appropriate sales capability and access to shelf space.

As a licensee and producer of licensed, branded merchandise in the cartoon character domain, **UNITED**LABELS has been a high-performing partner for many years. Offering an extensive range of comicware products, **UNITED**LABELS AG is able to turn screen heroes into real-life stars that people can touch. Its strategic partners and licensors include such global media and entertainment giants as Disney, 20th Century Fox and Nickelodeon.

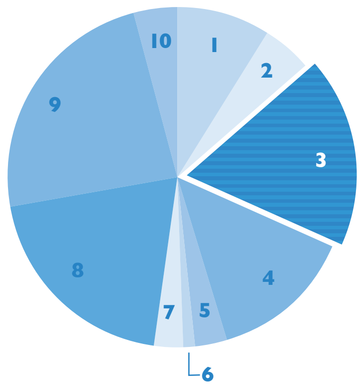
The licensing business with cartoon images falls under the Entertainment/Character segment and constitutes one of the largest in the entire licensing market. The Entertainment/Character segment is extremely dynamic, constantly changing and forever launching new characters, like recent arrivals SpongeBob SquarePants and Dora the Explorer.

Global sales of licensed products 2003–2006 (in USD billion)



Source:
The Licensing Letter © 2007 EPM Communications, Inc.

Retail sales of licensed merchandise, by property type, U.S. & Canada, 2006
(Total: 71.25 USD)

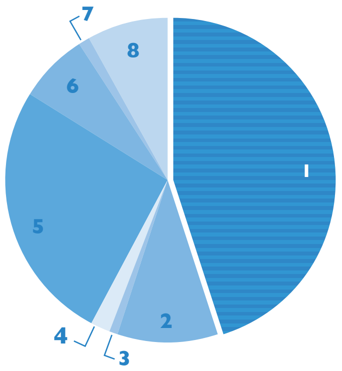


1	Art	9 %
2	Celebrities/estates	5 %
3	**Entertainment/ character**	**18 %**
4	Fashion	14 %
5	Music	3 %
6	Non-profit	1 %
7	Publishing	3 %
8	Sports	20 %
9	Trademarks/brands	24 %
10	Toys/games	4 %

Source:
The Licensing Letter © 2007 EPM Communications, Inc.

Business Model

Distribution of licensed merchandise based on entertainment/character properties, U.S. and Canada, 2006



1. Discounters	**45 %**
2. E-Commerce	10 %
3. Other	1 %
4. Mail Order	2 %
5. Specialty Stores	26 %
6. Department Stores/ midtier	7 %
7. TV Shopping	1 %
8. Drug, variety, food & convenience	8 %

Source:
The Licensing Letter © 2007 EPM Communications, Inc.

Growing sales in the global licensing market

Licensed products are in demand on every continent. Following a slight contraction in the past few years, worldwide sales of licensed goods climbed again in 2005 and 2006. The market for licences in the Entertainment/Character segment is benefiting primarily from an ongoing global increase in the number of television channels – and in particular from those devoted entirely to children's programmes. It is also receiving impetus from new media like the Internet and mobile communication devices.

In the year 2006, global sales of licensed products increased slightly to US$ 108.9 billion (compared to US$ 108.4 billion the previous year). Sales in Western Europe climbed by 0.7% to US$ 24.9 billion (previous year: US$ 24.7 billion). Increased sales year on year of US$ 71.3 billion were also generated in the USA/Canada (previous year: US$ 71.2 billion). Eastern Europe posted the most substantial rate of growth, with an increase of 35.3%, while in Japan, sales of licensed products dropped slightly by 1.0%. Australia/New Zealand remained unchanged year on year. In other words, **UNITED**LABELS AG is continuing to operate within a growing market in Western Europe.

Discount stores remain the key distribution channel for products in the Entertainment/ Character domain (45%). Of all our key accounts, they also act as the biggest source of business for **UNITED**LABELS AG. Specialty stores, which come under the specialist retail segment of **UNITED**LABELS AG's business, make up 26% of sales. A sharp increase in the e-commerce area has also been experienced over recent years and now accounts for 10% of all licence sales in the Entertainment/Character domain. Comparative figures from the USA/Canada were sourced for this purpose, as this market is comparable with the Western European licensing market. There are currently no such figures available for Europe or Germany.
(Source: The Licensing Letter. Copyright 2007 EPM Communications, Inc.).

The ABC of the licensing business

Key elements of the licensing business are licence source, licence product and licence type. Licence sources include event licences, brand licences, people licences, film licences and the preferred licence source of **UNITED**LABELS AG: characters. Licensed products are classified into segments such as apparel, accessories, giftware and soft toys – the range offered by **UNITED**LABELS. A distinction in terms of licence type is made between promotional licences and product licences. **UNITED**LABELS is a licensee of product licences.

Licence source	Licensed product	Licence type
Characters e.g. Mickey Mouse, Peanuts, The Simpsons	**Apparel** e.g. Snoopy-Shirt	**Product Licences** e.g. **UNITED**LABELS with Simpsons soft toys
Event Licences e.g. Soccer World Cup, Oktoberfest	**Giftware** e.g. Cinderella-Beauty-Bag	**Promotional Licences** e.g. Pink Panther
Brand Licences e.g. Porsche Design	**Home & Living** e.g. SpongeBob-Cushion	
People Licences e.g. Shakira	**Stationery** e.g. Barbie-Notebook	
Film Licences e.g. Harry Potter	**Food** e.g. Ernie-Cookies	
	Publishing e.g. Mickey Mouse-Books	
	Games/Toys e.g. Bob the Builder-Dredger	

Marketed by **UNITED**LABELS

Other licence markets

Three factors lead to success

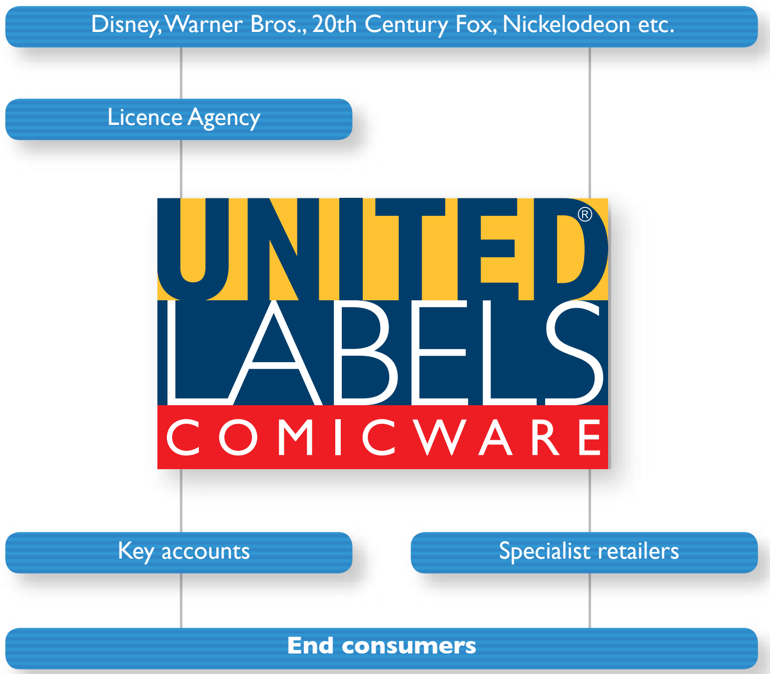
Three factors determine the success of the cartoon character licensing business: the licensing theme, the product range and the sales network. **UNITED**LABELS can draw on many years of experience and is in a position to offer customers highly effective solutions in all three areas.

The first significant factor is the licensing theme. This is where it all starts, for if a theme is popular, it will sell well. The best-selling products are those associated with the best-known characters. **UNITED**LABELS AG adds popular licences to its portfolio, since selection and purchase of the "right" licence is crucial to the success of the company.

The second key factor for successful marketing of licences in the Entertainment/Character domain is product range. Developing an emotional rapport with the consumer is particularly important, as licensed products are normally presented in theme and product realms. **UNITED**LABELS creates product realms by strategic selection of products and designs. This is where the creativity of the design team comes into play, as it picks up the "in" themes and converts them into suitable product lines for each cartoon character.

Selection of the biggest licence partners

UNITEDLABELS in pole position between licensor and retail



The third and most important factor in the licensing business is the sales network. After all, merchandise cannot be sold to end consumers until it reaches the shelves of the company's trading partners. **UNITED**LABELS ensures blanket supply of licensed products to the retail trade, thanks to its pole position between licensor and trader. Its sales team is familiar with the market and offers both sides workable solutions and sales concepts. **UNITED**LABELS provides the licensor with that increasingly elusive access to the key shelf space of major retail chains and thus ensures its own attractiveness. At the same time, the company assumes responsibility for the product development, design and manufacture of licensed goods on behalf of the rights holder.

UNITEDLABELS AG incorporates the full range of key products and licence themes in its merchandise realms. The company appeals to the retail trade, as it offers everything from design and product development through to manufacture of licensed products from a single source.

Licence portfolio – the centrepiece of **UNITED**LABELS

One of the main tasks of **UNITED**LABELS is to keep its licence portfolio topical and appealing. With its range of popular cartoon characters, the company has an important resource at its disposal in this specialised licensing business. By late 2006, the licence portfolio and "centrepiece" of **UNITED**LABELS comprised a total of 63 licensing agreements. In marketing its comicware products, **UNITED**LABELS focuses on classic licence themes, newcomers, movie themes and nationally popular cartoon characters.

For decades now, Mickey Mouse, Winnie the Pooh, Snoopy, Sesame Street and The Simpsons have been some of the well-established classics in the **UNITED**LABELS portfolio. SpongeBob SquarePants, Pucca and Bob the Builder have proved to be successful newcomers. In the year 2006, Disney Princess (classic) and Dora the Explorer (newcomer) proved particularly successful licences in the Entertainment/Character domain, and both form part of the **UNITED**LABELS portfolio. **UNITED**LABELS also markets movie themes like Ice Age 2, Over The Hedge, Open Season and 7 Zwerge – Der Wald ist nicht genug. Nationally popular cartoon characters include Die wilden Kerle (Germany), Marsupilami and Totally Spies (France), Powerpuff Girls (Spain), Family Guy (UK) and Booh (Belgium).

With its licence themes, **UNITED**LABELS AG reaches all age groups in the European market for licensed products. This is why licensing agreements for popular and fast-selling themes are signed for a term of one to three years and extended if required in a timely manner. Newcomers are also included in the portfolio without delay. This ensures that a balanced licence portfolio of attractive themes is always maintained and also facilitates the overall process of business planning.

Excellence in design and product development

UNITEDLABELS AG has won countless awards in the past few years for its design achievements and product development work. In the year 2006, nomination for the most coveted German design award, the Design Award of the Federal Republic of Germany 2007, was added to the list. In conjunction with two companies located in the Münsterland region of Germany, "sieger design" and "avency", **UNITED**LABELS AG was again singled out for the websites of its two premier products, "Best of Mickey" and "Best of Snoopy", after previously winning the "red dot" accolade for high-quality design in 2005.

In the year 2006, CEO, Peter M. Boder also reached the final of the "Entrepreneur of the Year Award" and **UNITED**LABELS AG made it into "Europe's 500 Ranking'. In previous years, **UNITED**LABELS AG has won the "International Homey Award" several times as "Licensee of the Year" (an award by 20th Century Fox for the world's most successful product rendition and marketing of The Simpsons), plus the LIMA Germany Award for the licensed product of the year 2005 ("Best of Mickey" and "Best of Snoopy") and Best Licensee of 2004.

Awards

reddot

DESIGNPREIS 2007

2005 – red dot for high-quality design
2006 – Nomination Design Award of the Federal Republic of Germany 2007

2004 – LIMA Award for Best Licensee
2005 – LIMA Award, Best Licensed Product

2002, 2003 und 2005 – International Homey Award – Licensee of the Year

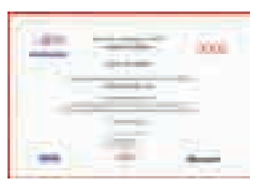
GRAPHIS PackagingDesign9

2004 – „Graphis PackagingDesign9"

2004 – Design-award of the DDC

ENTREPRENEUR DES JAHRES FINALIST 2006

2006 – Finalist Entrepreneur of the year



2006 – Europe's 500 – Entrepreneurs for Growth

UNITED LABELS COMICWARE

SALES

Pan-European distribution of comicware products boosts Group revenue

A well-developed distribution structure is crucial to marketing comicware products throughout Europe. **UNITED**LABELS distributes its licensed goods through major wholesalers/retailers (Key Account) as well as specialty traders (Special Retail). Around 76% of Group revenue is derived from the Key Account segment as opposed to 24% from Special Retail segment.

Products featuring universally appealing cartoon characters attract buyers all over Europe. In order to gain a presence in all key European markets for licensed products, **UNITED**LABELS has continued to extend its market penetration in the past few years. Subsidiary companies in Belgium, France and Spain focus on major retail/wholesale chains and specialist retailers located in their countries, as well as in the Benelux region and Portugal. In 2007 **UNITED**LABELS will also launch its key account business in Italy. Up until recently, the company has focused on the strong Italian specialist retail trade. At its UK location, comicware products have been exclusively marketed via large retail chains since 2005. The process of listing such merchandise, i.e. gaining access to shelf space, has tended to be much more protracted than expected, and thus market entry has proved more challenging there than originally envisaged. In other countries, **UNITED**LABELS markets its products via local, independent sales representatives. By distributing comicware products through major German chain stores, **UNITED**LABELS has also gained a presence in Eastern Europe and Scandinavia.
Staff on the ground are familiar with local markets and purchasing patterns and are able to offer product ranges tailored to specific national preferences. This means that over the next few years, **UNITED**LABELS will be well placed to offer comicware products to consumers throughout Europe via its distribution channels, irrespective of any national or language barriers. Europe has effectively become a single market for **UNITED**LABELS.

Already **UNITED**LABELS has achieved a high degree of market penetration for its comicware in Europe and currently distributes merchandise at more than 54,400 outlets belonging to various trading companies. As the sale of licensed products is theoretically possible at any point of sale in Europe, **UNITED**LABELS will continue to extend its distribution network in many European countries. The high degree of penetration and broad product range allows **UNITED**LABELS to achieve good economies of scale and line depth.

Number of items sold continues to rise

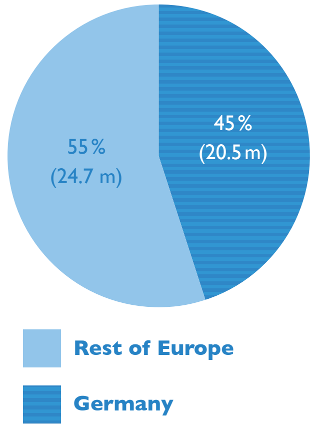
The number of comicware items sold has continued to rise. In the year 2006, **UNITED**LABELS marketed 29.2 million licensed products and, in doing so, increased the number of items sold annually. This means that on any given trading day last year, some 97,300 **UNITED**LABELS comicware items found a buyer somewhere in Europe.
UNITEDLABELS achieved this via its distribution channels of large-scale retail/wholesale and specialist retail outlets, with more than 3,800 trading partners in over 15 different countries and around 54,400 points of sale.

Number of outlets

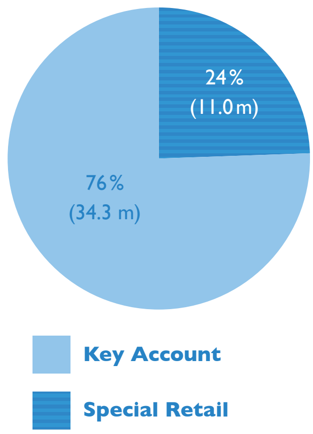
2006: 54,400

Sales

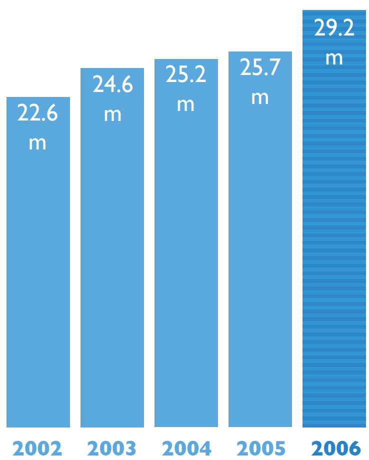
Breakdown of UNITEDLABELS sales in Europe for 2006 in % (€)



Breakdown of sales in 2006 for Key Accounts and Special Retail in % (€)



No. of items sold in millions (2002–2006)




UNITED
LABELS
STORE

Multimedia distribution channels enhance marketing efforts

In the summer of 2006, **UNITED**LABELS AG introduced some new multimedia marketing concepts. Marketing of comicware products has now been augmented by the four new platforms of Mobile, Home Entertainment, Internet and TV Advertising. By adopting this four-pronged approach, **UNITED**LABELS is able to reach its desired target groups and also offer them added value at the same time. **UNITED**LABELS leverages mobile communication channels to market entertainment offerings and prize draws directly associated with comicware items. In the Home Entertainment field, the company will in future market DVDs via so-called Non Traditional Outlets (NTOs), which include discount stores and supermarkets, bookshops and non-prescription drugstores. Apart from the additional business generated by the sale of these DVDs, this initiative will also act as an advertising platform for comicware products and for any trading partners who buy into the concept. Home Entertainment will be targeted to increase the frequency of customer contacts and, above all else, reach younger target groups. **UNITED**LABELS AG has also expanded its Internet marketing activities. As its fourth marketing platform, the company began leveraging classic TV advertising in 2006 for the first time ever, as a further means of boosting sales.

Airport shop in Barcelona opened as flagship store

The company ventured into a new distribution channel in November 2006, when **UNITED**LABELS Ibérica S.A. opened the first comicware store at Barcelona Airport. Passengers can now buy giftware and textiles from the **UNITED**LABELS comicware collections in the best shopping location the airport has to offer, frequented by some 22 million passengers every year. Store turnover is constant throughout the year, as the outlet is situated in the highest foot-traffic section of Barcelona Airport. The international travelling public now has the opportunity to visit the **UNITED**LABELS store 362 days a year between the hours of 6:00 a.m. and 9.30 p.m. The Barcelona Airport store also acts as a model of things to come at all major European airports.

New logistics centre enhances the distribution network

Having an efficient logistics system is an important basis for any streamlined distribution network. This is why **UNITED**LABELS AG has built a new logistics centre at its Münster site, which was completed in late 2006 and was fully operational by 2007. This new building has given the company more storage capacity, and it now offers space for 6,000 pallets. It also means the entire stock can be stored in one warehouse.

New Logistic-Center

UNITED LABELS COMICWARE

KEY ACCOUNT

Key account business on the rise

UNITEDLABELS AG has identified its main growth potential to be in high-volume business – in line with the European-wide trend towards larger outlets and chain stores. This distribution channel has grown in the past few years, thanks to the continued trend away from specialist stores to mega stores, coupled with the relentless global expansion of retail giants. This trend has allowed **UNITED**LABELS AG to tap into new sales markets in places like Eastern Europe and Scandinavia. Quite apart from this trend, **UNITED**LABELS AG has also been expanding by increasing the amount of shelf space used by existing customers and the penetration rate of its in-store display concepts. Distribution of licensed merchandise via key accounts is particularly significant, as comicware products are usually purchased on impulse, and such items are seen by far more people when they are on display in chain stores and hypermarkets. For this reason, **UNITED**LABELS will continue to give this high-volume business special priority.

After focusing on high-volume business for four years now and making substantial investments in new customer relationships, **UNITED**LABELS AG today generates 76 % of Group revenue from this growth segment. It now enjoys a strong standing in this particular business segment, which has further potential for expansion.

In 2006, the company again generated an increase in revenue in this segment, with sales totalling € 34.3 million, compared to €30.1 million the previous year. This represents growth of 14 %. **UNITED**LABELS AG serves key accounts in Germany, France, the UK, Belgium and the Netherlands, as well as in Spain and Portugal. Its Italian subsidiary will also complete its foray into this market segment in 2007.

Focusing on a world of inspiration

Shopping experiences centred around licensed merchandise are very much in demand in chain stores and hypermarkets. These retailers are always on the lookout for new product images to entice existing customers back into their stores. A good way to attract new buyers as well is to create theme-based shopping realms that attract different target groups. **UNITED**LABELS creates these different product realms to make shopping a memorable experience. With its comicware products, **UNITED**LABELS offers retailers the chance to combine ever-changing merchandise images within a certain licence theme or product group with a host of different selling options. Such versatile display concepts, however, only come about when a licensee like **UNITED**LABELS is able to market a host of different licences, each with a variety of different merchandise.

**Sales
Key Account**

etc.

**"My comicworld"
Concept marketing**

Marktkauf, Bielefeld

Ratio, Bielefeld

Real Markt, Duisburg

Tailor-made solutions for high-volume customers

Concept marketing generates the biggest growth

Concept marketing across a variety of products continues to be the biggest and most lucrative area of key account business. Again in 2006, it proved a good way of attracting new customers and increasing the number of promotions run by retailers.

High-volume customers require reliable suppliers who are in a position to sell them large volumes of stock. This makes **UNITED**LABELS AG an ideal partner, as it supplies large quantities of licensed merchandise across a whole range of products, all of uniform design. This allows key accounts to order a comprehensive range of merchandise through **UNITED**LABELS AG as a single-source supplier.

Concept marketing often takes the form of special promotions, with items on the shelves for a limited time of around three weeks. When one promotion finishes, the wealth of different licences offered by **UNITED**LABELS provides plenty of scope for subsequent promotions.

Concept marketing also includes highlighting the emotional appeal of merchandise to stimulate customer purchasing. This is a feature of the brochures that accompany each special promotion.

As **UNITED**LABELS AG has identified this area as having high growth potential, the development of new shopping experiences will be a primary focus in the years ahead.

„My comicworld“

For their permanent stock items, chain stores and hypermarkets also require theme-based shopping experiences. With “My comicworld” launched in 2005, **UNITED**LABELS introduced a new display concept for high-volume customers selling licensed merchandise to young and old cartoon fans. These sales shelves are managed by **UNITED**LABELS, and the emotionally appealing displays are marketed as self-contained theme worlds.

UNITEDLABELS is the only company offering key accounts a full service package of licensed products under the “My comicworld” concept. **UNITED**LABELS takes care of the procurement side of trendy licensed merchandise as well as keeping the displays constantly up to date and fully stocked by its customer service teams. “My comicworld” displays, depending on the relevant customer profile, may feature textiles as well as glass, porcelain and ceramic products (GPC), or giftware from the most popular licences. At regular intervals, **UNITED**LABELS develops new concept themes to ensure the range of displays always has up-to-the-minute appeal. The company changes the basic framework and merchandise assortment several times a year in close consultation with the customer. By applying this shelf-space concept, **UNITED**LABELS is able to ensure the kind of returns per square metre that customers expect.

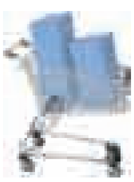
The "My comicworld" concept gives **UNITED**LABELS direct access to consumers and allows it to maintain a year-round presence with a wide range of its comicware merchandise in retail outlets. The display concept also gives the company a unique edge in the competition for shelf space and a basis for further growth to cement its market-leading position in Europe.

Never out of stock (NOS) listings

NOS (never out of stock) listings are used as another strategy of **UNITED**LABELS AG to maintain the year-round retail presence of its classic licensed products. They serve the purpose of reinforcing the presence of leading licensed brands, while changing motifs create new product images and incentives to purchase the merchandise. These items, which are primarily stocked by department stores, are specifically tailored to the needs of each department.

Emotional appeal also boosts sales in large-volume promotional business

Alongside permanent stock items, individual product business continues to flourish, based on large-volume promotions of single items or special lines. Once again, **UNITED**LABELS sets great store by the emotional appeal of products to stimulate purchasing and thus ensure fast-moving sales of branded products. This occurs primarily in the discount segment, with a promotion typically focusing on one product or a small number of items for a limited promotional period. Large-volume promotional business is proving to have large economies of scale on the procurement side, as it focuses on a small range of products. For this reason it will continue to form an integral part of our large-volume business in the future.



Key Account partners in 2006

114 retail partners

49,400 outlets

etc.

UNITED LABELS COMICWARE

SPECIAL RETAIL

Specialist stores again boost growth within the Group

UNITEDLABELS develops sophisticated products for the specialist retail market in the high-end price category. With this exclusive, higher-priced licensed merchandise, specialist stores are able to establish their point of difference, despite the general downward pressure on pricing.

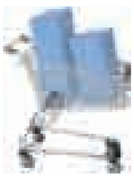
The increase in revenue in this segment by 7.8% to € 11.0 million (previous year: (5.6)%/ € 10.2 million) can be attributed to the positive trend in Italy and Germany during the summer of 2006.

The structural trend in Germany away from specialist store to chain store and hypermarket business has been reflected for some years now in declining sales volumes and revenue in the specialist retail market. This sector generates higher margins than key accounts, but servicing the specialist retail market is also associated with sizeable distribution costs. Following substantial restructuring in Germany, the scene is now set for a positive trend in this segment.

In other countries like Spain and Italy, specialist stores have always been very successful. Overall, **UNITED**LABELS AG supplies specialist stores with licensed products in Germany, France, Italy, Belgium and the Netherlands as well as Spain and Portugal.

UNITEDLABELS helps specialist stores to maintain their point of difference from mega stores by supplying concepts specifically designed for this sector. The comicware products of famous and popular cartoon characters are exclusive items in the assortment of merchandise sold by specialist retailers, and they in return improve the profile of licensed themes by displaying the products on their up-market shelves.

Moreover, **UNITED**LABELS also provides display concepts for specialist stores on its proprietary shelving, thus offering specialist retailers the entire product spectrum for each licensed theme from a single source.



Specialist Retail partners in 2006

2,900 retail partners

4,200 Outlets

Product range Cinderella for specialist stores

Alarmclock

Mug

Jewellery Box

Cushion

Beauty Case


BEST
OF
MICKEY
Disney
BEST
OF
DONALD
Disney

A new star is born with „Best of Donald"

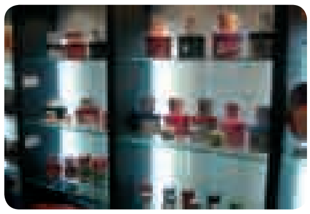
The popular cartoon heroes Mickey and Snoopy, who feature in the high-quality porcelain collections "Best of Mickey" and "Best of Snoopy", where joined by a new friend in 2006. The likeable figure of Donald Duck was added to the "Best of" family in three high-class product lines with a familiar, stylish design.

With the introduction of the "Best of Donald" series, **UNITED**LABELS AG has launched another exclusive porcelain series featuring a Walt Disney cartoon hero – with the help of German design studio "sieger design". This constitutes another important step in the process of establishing the "Best of" brand in upmarket specialist stores and has also cemented the position of the famous Duckburg resident in the high-end product line.

The three "Best of" lines represent exclusive porcelain collections, high-quality giftware and "cool" accessories. Above all else, they pay homage to three of the most well-loved cartoon heroes of all time: Mickey, Donald and Snoopy. Working in close collaboration with the licensors, Walt Disney Company (Mickey and Donald) and United Features Syndicate (Snoopy) and, with the expertise of the "sieger design" studio, high-quality products in stylish designs have now been created for everyone who has grown up with these cartoon stars and relishes the resurgence in popularity of their childhood heroes.

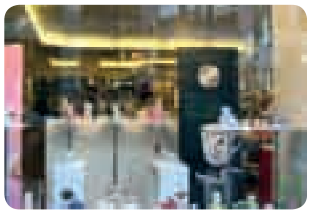
Best of Donald-Designs

Sales Best of ...

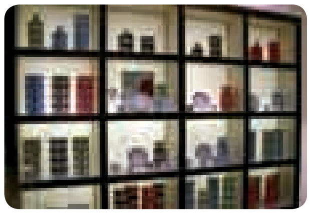


China, Shanghai

Denmark, Salling

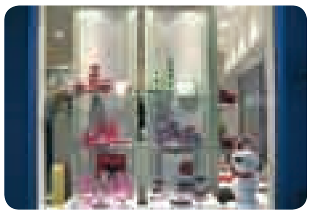


Germany, Hamburg



Japan, Tokyo

Russia, Moscow



Germany, Timmendorfer Strand

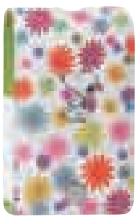
Best-of-Snoopy in the „Fleuri“ design

Bowl

Mug

Milk jug

Candle light



Music bag

Metal boxes

Products for cartoon connoisseurs who appreciate something special

The target market for "Best of" is broad and multifaceted: collectors and connoisseurs of high-quality crockery, cartoon enthusiasts, plus everyone who appreciates little extras and novel gift ideas. With "Best of", **UNITED**LABELS gained a foothold in the world of exclusive porcelain collections and thus opened a door for itself in upmarket specialist stores. Selling "Best of" has given **UNITED**LABELS access to a new and elevated buyer bracket that is prepared to spend more money on sophisticated products. The packaging of these products is so elegant and refined that it could even be sold as a product in its own right.

The premium brand was launched in 2003, with various decorative lines catering for different tastes and colour schemes. The tableware and fine dining segment features the latest collections of cups (espresso cups, cappuccino cups, coffee mugs), plates (side plates, pasta bowls, dinner plates), serving dishes, eggcups, table accessories (milk jugs, sugar bowls, salt and pepper sets), paper serviettes, placemats and storage tins.

The "Best of" product lines are available from selected stores worldwide in over 20 countries. In Germany alone there were 225 such points of sale in 2006. In the years ahead, the focus of the company will continue to be on further expansion of this product range of premium brands for specialist stores.

„Best of“ in 20 countries – with 810 retail partners

Germany	Spain	Norway
Austria	Portugal	China
Switzerland	Italy	Singapore
Belgium	England	Japan
Luxembourg	Denmark	Taiwan
Netherlands	Finland	Greece
France	Sweden	


BEST
OF
SNOOPY

OUR SHARES

Good year on German stock exchanges

German share markets enjoyed a good year in 2006. The DAX closed at year-end on just under 6600 points, which represents an increase of 22%.

UNITEDLABELS shares again on the rise

The progress of **UNITED**LABELS AG shares over the course of the year failed to reflect the financial development of the Group. While the company posted an increase in revenue and earnings, its stock moved in the opposite direction. It was not until the end of the year that the share price began to rise again.

The **UNITED**LABELS share price started out at €6.29 in Xetra trading as of January 2, 2006, then receded in the summer to €3.56 (closing price on August 2, 2006) but had bounced back again by December 29, 2006, to reach €5.05.

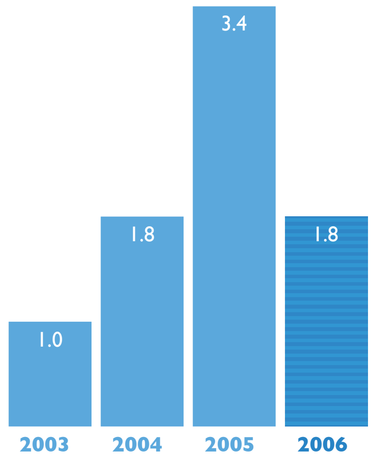
Trading volumes in Xetra and the floor trading system in Frankfurt rose again towards end of year but, viewed over the whole year, were more at the level of 2004. In 2006, around 1.8 million shares were traded, whereas in the year 2005, an impressive 3.4 million shares changed hands.

Performance of **UNITED**LABELS' shares in 2006 (Xetra, in €)

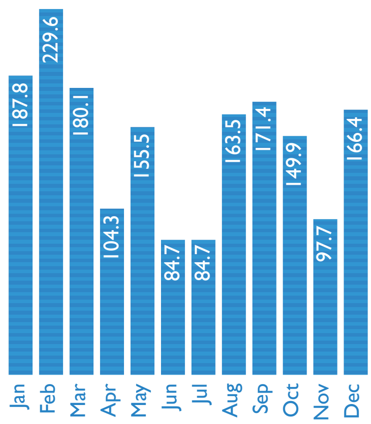
Share performance

38 day average

Trading volumes 2003–2006 (Xetra + Frankfurt, units)



Trading volumes 2006 (Xetra + Frankfurt, units)



First listing
May 10, 2000

Number of shares
4,200,000 no-par value shares

Free float
1,572,000 shares

ISIN-Code
DE 000 548 956 1

WKN
548 956

Ticker Symbol
ULC

Market segment
Prime Standard
Deutsche Börse

Shareholder structure

Peter M. Boder, CEO	62.6 %
Free float	37.4 %

Designated Sponsor
HSBC Trinkaus & Burkhardt KGaA

Share buyback

In December the Management Board of **UNITED**LABELS AG decided, on the basis of the mandate from the Annual General Meeting of May 23, 2006, to reacquire company shares worth a total of up to € 500,000 until the specified expiry date of the mandate. The share purchase will take place via the stock exchange or by other means. Where purchase of shares occurs via the stock exchange, the buyback will be carried out by a bank. In this case, the bank is to be free to decide on the timing of such share purchases independently, without any influence being exerted by the company.

The purchase price per share in any case may not exceed or fall below 10% of the current exchange price applicable at the time. The shares are to be sold, under exclusion of shareholder subscription rights, on the basis of the mandate of the Annual General Meeting on May 23, 2006, to interested institutional investors. All transactions, once completed, will be disclosed on a weekly basis on the company website, in the section headed Investor Relations/News.

High standard of transparency demanded for Prime Standard

By listing its shares under the Prime Standard of the German stock exchange, **UNITED**LABELS AG is obliged to maintain a high degree of transparency. The obligations arising from a listing in the Prime Standard include quarterly reporting in German and English, publication of a corporate calendar, organisation of at least one analysts' conference a year, compilation of ad hoc announcements in German and English, plus all of the obligations arising from a listing in the General Standard.

6th Annual General Meeting

The 6th Annual General Meeting of **UNITED**LABELS AG took place on May 23, 2006, in Münster. The Supervisory Board and the Management Board welcomed over 300 shareholders, guests, journalists and representatives from the City of Münster to the Halle Münsterland venue. Valid attendance for voting on agenda items was 69.35%, representing some 2,912,615 shares.

All of the items on the agenda put to the vote were passed by the Annual General Meeting. The actions of the Management Board and the Supervisory Board for the financial year 2005 were approved by a significant majority. PricewaterhouseCoopers AG, Düsseldorf, was appointed auditor and Group auditor for the financial year 2006.

The AGM voted, by a very large majority of the votes cast, in favour of the mandate to reacquire the company's own equity instruments (treasury shares) as well as the resolution to rescind the existing amount of Authorised Capital, establish a new Authorised Capital 2006, and execute the corresponding amendments to the articles of association.

Approval was also given for the resolution concerning an age limit for Management and Supervisory Board members and for the annulment of Section 4 para. 6 of the Articles of Association (share option programme for employees as per the resolution of the General Meeting of April 3, 2000).

The 7th Annual General Meeting will take place on May 22, 2007, in the Halle Münsterland in Münster. Shareholders will find all the relevant information and forms required for proxy voting at the next Annual General Meeting in the Investor Relations section at www.unitedlabels.com under the heading, Investor Relations/Annual General Meeting.

Investor Relations activities intensified

UNITEDLABELS AG stepped up its investor and public relations activities over recent years in response to sustained capital market interest in the company's shares and the introduction of more stringent statutory requirements. Investors, analysts, journalists and interested parties receive corporate and financial news in a timely, detailed and transparent manner as ad hoc announcements or scheduled press releases and via a corporate e-mail newsletter.

In the past financial year, the Management Board extended the number of meetings with analysts and institutional investors as well as financial press representatives. **UNITED**LABELS AG also made a presentation on November 27, 2006, at a financial analysts' conference held as part of the German Equity Forum in Frankfurt/Main. **UNITED**LABELS AG experienced a sustained level of interest in its shares from institutional investors. All key information about the company and its shares are available to investors, analysts, journalists and other interested parties on the corporate homepage at www.unitedlabels.com. Under the heading Investor Relations, ad hoc announcements and press releases, financial reports and the financial calendar of **UNITED**LABELS AG are all available in German and English for viewing or downloading. The Investor Relations section also contains the Annual Document required under Section 10 of the German Securities Prospectus Act (WpPG), all relevant information about the Annual General Meeting, Corporate Governance and Directors' Dealings. The latest share price, along with licence, product and retailer news are also freely available on the website of **UNITED**LABELS AG.

Supervisory Board

No changes to the membership of the Supervisory Board occurred in the financial year 2006.

Financial calendar 2007

March 22
Publication of financial statements 2006; annual results press conference in Münster

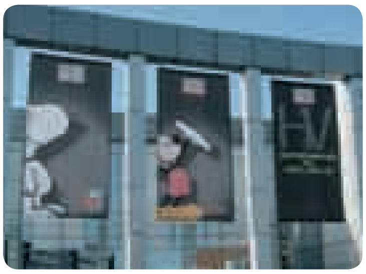
May 7
Publication of 3-Months' Report

May 22
7th Annual General Meeting in Münster

August 8
Publication of 6-Months' Report

November 6
Publication of 9-Months' Report

UNITEDLABELS **AG**
Annual General Meeting Halle Münsterland



Report on Corporate Governance

The German Corporate Governance Code, with its internationally and nationally established standards for sound and responsible corporate governance, is intended to promote confidence in the management and monitoring of publicly listed German stock corporations, known as Aktiengesellschaften (AG). **UNITED**LABELS AG aims to maintain and strengthen the confidence of its shareholders, customers, suppliers and employers as well as that of the general public through openness and transparency. For this reason, **UNITED**LABELS AG follows the recommendations of the German Corporate Governance Code as closely as possible.

The Management Board and Supervisory Board conducted a thorough assessment of the revised version of the German Corporate Governance Code at their November meeting and in response to their deliberations passed a Declaration of Conformity in December 2006. It is printed at the end of this chapter and also appears on the company website under www.unitedlabels.com in the Investor Relations/Corporate Governance section.

Dual management system

The German Stock Corporation Act requires **UNITED**LABELS AG to operate on the basis of a dual management system ("Two-Tier Board Structure"), consisting of a Management Board and a Supervisory Board. Under this two-tier structure, executive management and supervision are strictly separated. The management and control structure of **UNITED**LABELS AG comprises one Management Board member and three Supervisory Board members. The Management Board and Supervisory Board observe the rules of proper corporate governance.

The Management Board

The Management Board is the executive management body of the Group and comprises one person (Chairman/CEO). The Management Board, in the person of the CEO is bound by the interests of the Group and obliged to increase its enterprise value at a sustainable level. He determines the corporate strategy, including that of the Group's subsidiaries.

The CEO is responsible for compliance with statutory provisions and ensuring these are observed by the companies of the Group. The CEO works with the Supervisory Board for the good of the Group. He determines the strategic direction of the Group in consultation with the Supervisory Board and meets with it at regular intervals to discuss progress on implementation of the strategy.

The CEO informs the Supervisory Board in a timely, regular and comprehensive manner on all matters of planning, business development, risk profile and risk management relevant to the Group. This includes the provision of details on any deviation from the Group's declared targets and aims, noting any reasons for such divergence.

Management reports and documentation essential to executive decision-making, particularly the annual financial statements, management report, consolidated financial statements, Group management report and auditor's report are forwarded to the members of the Supervisory Board as soon as possible before the meeting and generally eight days in advance.

The Supervisory Board

The Supervisory Board appoints the members of the Management Board and represents the company in dealing with the Management Board. The Supervisory Board monitors and advises the Management Board on the executive management of the Group and makes decisions on all essential business of the company requiring its approval. It regularly discusses the Group's business development, planning and strategy. The Supervisory Board deals with the monthly information and quarterly reports at its regular meetings. It scrutinises the annual financial statements of **UNITED**LABELS AG, the consolidated financial statements and the management report of the company and the Group, drawing on the auditor's report and the findings of the Audit Committee, and decides whether to adopt or approve its findings. The Supervisory Board has formed a review body known as the Audit Committee in response to recommendations contained in the German Corporate Governance Code. This comprises two members of the Supervisory Board. The Supervisory Board has ensured the Chairman of the Audit Committee has special skills and experience in the application of accounting principles and internal control procedures. The Audit Committee focuses primarily on matters of accounting and risk management, the necessary independence of the auditor, determination of key auditing points and remuneration arrangements with the auditor.

Compensation report

In the period under review, compensation for member of the Management Board Peter M. Boder amounted to € 392 thousand. This included an allocation to provisions of € 83 thousand for anticipated bonuses attributable to the 2006 financial year. Management Board compensation comprises a basic salary and a variable component, the latter being calculated according to the attainment of targeted earnings and the performance of the Company's share price. The fixed compensation component for the 2006 financial year amounted to € 303 thousand; variable compensation of 5 % of the consolidated net profit of € 1,776 thousand, before taxes and Management Board bonuses, corresponded to € 89 thousand. Determined on the basis of IAS 19 requirements, an amount of € 87 thousand was allocated to provisions for pensions in connection with post-employment benefit obligations towards the member of the Management Board. The total amount of pension provisions recognised in connection with benefits accruing to the Management Board is € 589 thousand. Determined on the basis of German HGB requirements, an amount of € 45 thousand was allocated to provisions for pensions in connection with post-employment benefit obligations towards the member of the Management Board. The total amount of pension provisions recognised in connection with benefits accruing to the Management Board is € 400 thousand. Supervisory Board compensation was adjusted to the requirements of the German Corporate Governance Code following a resolution passed by the General Meeting of Shareholders in 2005. It comprises a fixed component as well as a variable component, the latter of which is calculated on the basis of the consolidated net profit for the financial year. The fixed component of compensation amounts to € 40 thousand per annum (FY 2005: € 40 thousand). The Chairman of the Supervisory Board, Dr. Jens Hausmann, receives € 20 thousand per annum, while the remaining Supervisory Board members, Prof. Dr. Helmut Roland and Mr. Michael Dehler, each receive € 10 thousand per annum. In addition, the members of the Supervisory Board receive variable compensation which is calculated on the basis of 0.25 % of consolidated net profit (before payment of the variable compensation component); the maximum amount is € 10 thousand. In 2006, the variable component of compensation amounted to € 3,725 per member, i.e. € 11,175 in total (FY 2005: € 6 thousand). The members of the Audit Committee receive additional compensation for their services, with Prof. Dr. Helmut Roland, as Chairman, being paid € 4,000 and Mr. Michael Dehler € 2,000.

Shares owned by the Management Board and Supervisory Board

The members of the Supervisory Board hold the following shares:
Prof. Dr. Helmut Roland has 5,728 shares and Mr. Michael Dehler 441 shares. Dr. Jens Hausmann holds no shares.
CEO and Chairman of the Management Board Peter M. Boder has 2.63 million shares in the company.

No share option programme

As at December 31, 2006, no options and no valid share option programme existed.

Share transactions by the Management Board and Supervisory Board

Pursuant to Section 15a of the German Securities Trading Act (WpHG), members of the Management Board and the Supervisory Board and close family members are obliged to inform the company immediately of any purchase or disposal of **UNITED**LABELS AG securities. Acquisition or disposal involving more than € 5000 trading in any calendar year must be disclosed. **UNITED**LABELS AG received no notification of such transactions in 2006.

Relationships with shareholders

Four times a year, **UNITED**LABELS AG reports to its shareholders about business development as well as its financial position, financial performance and cash flows. The Annual General Meeting of the company takes place in the first five months of the financial year. Other information on Investor Relations activities of **UNITED**LABELS AG is contained in the chapter of this financial report entitled "Our Shares"

Corporate Governance on the Internet

The latest Declaration of Conformity to the German Corporate Governance Code and those of previous years appear on the company's website at www.unitedlabels.com under the heading, Investor Relations/Corporate Governance.

Declaration

of the Management Board and the Supervisory Board of **UNITED**LABELS Aktiengesellschaft pursuant to Section 161 of the Stock Corporation Act (Aktiengesetz - AktG) with regard to the German Corporate Governance Code in the version of June 12, 2006.

The Management Board and Supervisory Board of **UNITED**LABELS Aktiengesellschaft hereby declare that the Company complied and continues to comply with the recommendations of the Commission of the German Corporate Governance Code, as published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette. The Management Board and the Supervisory Board of **UNITED**LABELS Aktiengesellschaft shall continue to observe the recommendations of the Commission of the German Corporate Governance Code.

At present, the following recommendations are not being applied:

1. Para. 4.2.1:

The Management Board shall be comprised of several persons and have a Chairman or Spokesman. Terms of Reference shall regulate the allocation of areas of responsibility and the cooperation in the Management Board.

The recommendations have not been implemented. The Management Board of **UNITED**LABELS Aktiengesellschaft is comprised of one person. The Supervisory Board continues to be of the general opinion that appointing a second Management Board member would be apposite. Such an appointment shall be made, at the very latest, when consolidated annual sales revenue within the Group sustainably exceeds € 60 million. Insofar as at least one additional Management Board member is appointed, the Management Board shall be furnished with a Chairman or Spokesman as well as Terms of Reference (i.e. rules of procedure) that specify the assignment of responsibilities and the basis of collaboration within the Management Board.

2. Para. 4.2.5:

Disclosure shall be made in a compensation report which as part of the Corporate Governance Report describes the compensation system for Management Board members in a manner that is generally understandable.

Disclosure of Management Board compensation and associated compensation structures was made in the "Report on Corporate Governance" of the 2005 Annual Report published by **UNITED**LABELS AG, p. 29, in a readily available format (download of Annual Report at www.unitedlabels.com from the Investor Relations/Financial Reports & Downloads section). For the 2006 financial year, disclosure by name of total Management Board compensation, categorised according to non-performance-related, performance-related and long-term incentive components will be made in the "Report of Corporate Governance" of the 2006 Annual Report.

3. Para. 5.6:

The Supervisory Board shall examine the efficiency of its activities on a regular basis.

In the case of long-term mandates, the Supervisory Board is generally of the opinion that the self-assessment of efficiency levels based on predefined criteria is apposite. Such an efficiency assessment as outlined in the Corporate Governance Code is planned for spring 2007.

Since issuing the last Declaration of Conformity in December 2005, the Company has conformed with the Code in the version of June 2, 2005, with the exception of the departures from the recommendations relating to paragraphs 4.2.1 and 5.6. The departure from paragraph 5.4.1 (Age Limit for Supervisory Board Members) is no longer applicable following the corresponding amendment to the Articles of Association by the General Meeting of Shareholders on May 23, 2006; the Company is thus in compliance with this recommendation.
Münster, December 2006

The Management Board | The Supervisory Board

FINANCIAL STATEMENTS

Financial Statements

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The full financial statements of the parent company are archived at **UNITED**LABELS AG in Münster and can be viewed upon request.

UNITEDLABELS Aktiengesellschaft, Münster

Company and Group Management Report for FY 2006

General economic situation

The German economy recorded strong growth in 2006. According to figures published by the Federal Statistical Office (Statistisches Bundesamt), Gross Domestic Product (GDP) rose by 2.7%, an increase on the previous year (+0.9%). Seasonally adjusted, GDP grew by no less than 2.9%. This is the strongest economic upturn since the year 2000. The Federal Statistical Office reports that economic stimulus in 2006 came from both foreign and domestic markets. However, unlike the previous two years, domestic use formed a much larger proportion of GDP (+1.5 percentage points) than net exports (+1.1% percentage points). Within this context, gross capital investment was the main contributory factor. Having said that, the domestic segment also registered a larger proportion of consumption. Private consumption increased by 0.8% and government expenditure rose by 1.8%. Year on year, disposable income for private households in Germany rose by 1.8% in 2006.

Foreign trade remained dynamic, with the growth rates of imports and exports almost doubling in comparison with 2005. Within this category, there was a stronger increase in exports at +12.5% than imports (+11.1%).
According to Eurostat (Statistical Office of the European Communities), GDP in the eurozone rose by 2.7% (2005: 1.4%) and in the EU25 by 2.9% (2005: 1.7%).
Provisional figures from the Statistisches Bundesamt show that revenue in the German retail sector increased by a nominal 0.8%; that is 0.1% in real terms compared with 2005. Higher revenue is principally attributable to retailing in the non-food sector (+1.1% nominal, +1.2% real). According to Eurostat, the average Retail Index for 2006 showed an increase of 1.4% in the eurozone and 2.4% in the EU25, compared with 2005.

Industry trends

It is not possible to place the business model of **UNITED**LABELS in a predetermined sector because its activities cover elements associated with various sections of business. As success in marketing its licensed products is largely dependent upon the familiarity and popularity of the cartoon/animated characters and the resulting strength of demand, **UNITED**LABELS AG considers the growth in the market for licences in the area of Entertainment/Characters to be particularly relevant.
Global sales in licensed products climbed to US$ 108.9 billion in 2006 (2005: US$ 108.4 billion). At the same time, in Western Europe, sales compared with the previous year, went up by 0.7% to US$ 24.9 billion (2005: US$ 24.7 billion). Similarly, higher sales were generated in the USA/Canada at US$ 71.3 billion (2005: US$ 71.2 billion).

Eastern Europe achieved the highest growth with a rise of 35.3%. Japan, on the other hand, showed a decline in sales of licensed products of 1.0%. Sales in Australia/New Zealand remained unchanged year on year. Thus, for **UNITED**LABELS AG Western Europe continues to represent a market where volume is picking up (Source: The Licensing Letter. Copyright 2007 EPM Communications, Inc.).

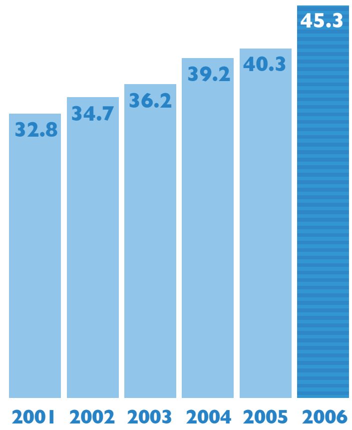
As in the past, apparel/clothing held pole position when it came to the trade of merchandise sold under licence. In this context, the figures quoted refer to revenue from licensed products in the USA/Canada because there were no figures available for Europe or Germany at the time the 2006 report was published; however the markets are comparable.

The highest sales revenues were generated in the following sectors: clothing/apparel (12%), food/beverages (11%), accessories (9%), toys/games (9%), publishing (8%) and gifts/novelties (7%). The clothing/apparel segment, which accounts for the highest revenues at **UNITED**LABELS AG, recorded a rise of 3% in comparison with 2005. **UNITED**LABELS also markets products within the accessories category, where revenue rose by 2%. (Source: The Licensing Letter. Copyright 2007 EPM Communications, Inc.). According to LIMA (International Licensing Merchandisers' Association), in 2004 clothing was the product category generating the highest revenues in Germany in the character sector (Entertainment/TV/Movie). Figures on the scope of the German-speaking licence market in the entertainment/character sector were last published by LIMA in the context of this study.

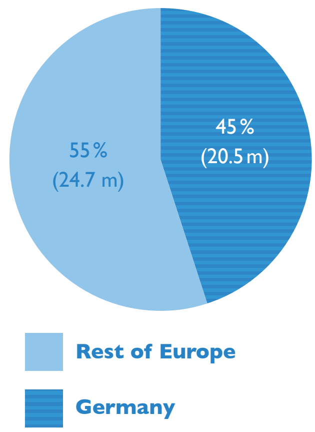
In the global market for licences within the entertainment/character category SpongeBob SquarePants, Dora and Disney Princess – which are also featured in the **UNITED**LABELS portfolio – were amongst the most popular characters. The **UNITED**LABELS portfolio also contains the all-time classics Snoopy, Mickey Mouse, The Simpsons and Sesame Street, all of which have been a tremendous attraction for decades and continue to generate sales.

As a large number of new productions of cartoon series and animated movies are anticipated in the future, which in turn generate new characters, the prospects for ongoing high demand for licensed products in the entertainment/character sector are very good. This growth is underpinned by increasing dissemination via new channels of communication such as the internet or the area of mobile communications. Given the sustained demand for emotive products, it also follows that the constant growth in sales volumes over the years will continue to remain stable. Fluctuations in demand within a financial year are attributable mainly to seasonal factors.

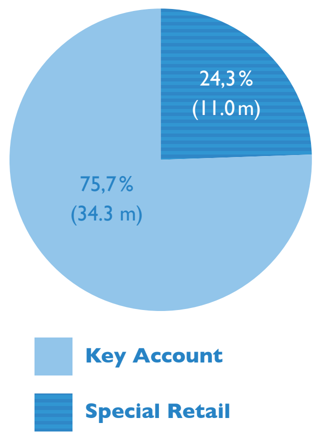
Past sales performance (in €m)



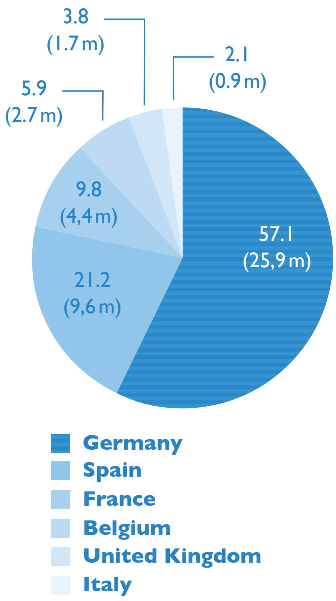
Breakdown of UNITEDLABELS sales in Europe for 2006 in % (€)



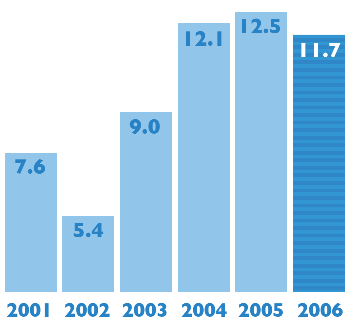
Breakdown of sales in 2006 for Key Accounts and Special Retail in % (€)



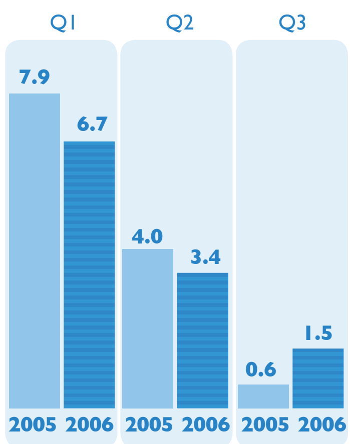
Breakdown of sales by company (consolidated) in % (€)



Overview of order backlog at Dec. 31 (in €m)



Breakdown of order backlog at Dec. 31 (in €m)



Revenues and orders

Sales performance

Group sales revenues in the 2006 financial year rose to € 45.3 million (2005: € 40.3 million). This represents an increase of 12.4% on the previous year. This improvement is largely the result of increased revenue generated in the German market (+ € 3.6 million). The proportion of sales revenue from the domestic market went up accordingly from 42% to 45%.
In addition, the subsidiaries in the United Kingdom and Italy, both established in 2005, achieved a substantial increase in revenue of € 1.6 million in their first complete financial year.

The proportion contributed to total sales by the Key Account segment went up to 76% for the Group (2005: 75%). This growth again reflects the general trend towards large outlets. Revenues generated in the Special Retail segment, i.e. specialty stores, showed an increase in absolute terms of € 0.8 million. In view of the significant boost in revenue generated via Key Accounts, the proportion of specialised trade declined from 25% to 24%. The German specialist market recorded revenue growth of € 0.3 million, while Italy surged by € 0.5 million. The approach of focusing on specific high-revenue customers within the Special Retail segment proved to be particularly successful in Germany.

Recording a figure of € 25.9 million in 2006 (2005: € 20.7 million), **UNITED**LABELS AG contributed 57% (2005: 51%) to consolidated revenue.

The share of revenue of Spanish **UNITED**LABELS Ibérica amounted to 21% (2005: 26%). **UNITED**LABELS France contributed 10% (2005: 15%) to Group sales. The Belgian subsidiary Colombine increased its share of revenue to 6% (2005: 5%). Established in 2005, the subsidiaries in the United Kingdom and Italy together achieved a share of 6% (2005: 3%) in their first full financial year.

Order backlog

The order backlog as at December 31, 2006, was € 11.7 million (FY 2005: € 12.5 million). The breakdown of the total order backlog over the year was as follows: € 6.7 million for Q1 2006 (FY 2005: € 7.9 million), € 3.4 million for Q2 2006 (FY 2005: € 4.0 million), € 1.5 million for Q3 2006 (FY 2005: € 0.6 million) and € 0.1 million for Q4 2006 (FY 2005: € 0.0 million). The order backlog for **UNITED**LABELS AG stood at € 8.0 million (FY 2005: € 9.9 million).

Financial performance

Earnings

UNITEDLABELS recorded a consolidated net profit of € 1.5 million in the 2006 financial year (FY 2005: € 0.8 million). This represented an 88% improvement in earnings year on year.

In a review of the individual segments, Key Account business generated earnings of € 5.2 million (FY 2005: € 6.0 million), while the Special Retail segment posted a profit of € 0.1 million (FY 2005: loss of € 0.8 million), an improvement of € 0.9 million. Measures introduced during 2006, particularly targeting specialist retailers in Germany, were therefore successful in restoring the segment to a profitable division of the Company.

Group earnings before interest and taxes (EBIT) amounted to € 2.0 million (FY 2005: € 1.3 million).

As regards the separate financial statements of the parent company **UNITED**LABELS AG, Münster, net profit for the year under review amounted to € 2.0 million (FY 2005: € 0.6 million), while earnings before interest and taxes stood at € 1.9 million (FY 2005: loss of € 0.3 million). The reconciliation of EBIT to net profit is mainly affected by a UL Ibérica dividend payment in the amount of € 0.2 million (FY 2005: € 0.7 million).

Cost of sales

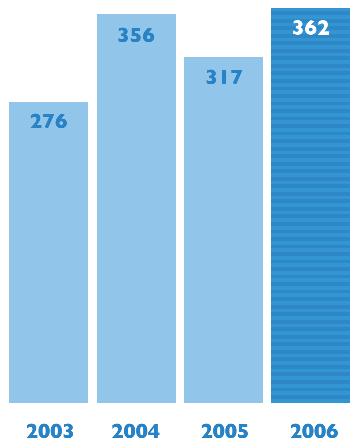
The cost of sales, which is comprised principally of expenses relating to materials, transportation, customs and licences, totalled € 29.3 million in the financial year under review (FY 2005: € 25.2 million). This corresponds to a 2.2 percentage point improvement in the cost-of-sales ratio to 64.7 %, compared with 62.5 % the previous year. At the same time, **UNITED**LABELS selects its supplier portfolio using criteria which ensure compliance with environmental and social standards.

Total cost of sales includes inventory write-downs of € 0.5 million (FY 2005: € 0.4 million). The cost-of-sales ratio for **UNITED**LABELS AG was 69.8 %.

Staff costs

Staff costs in relation to sales revenue declined from 14.0 % to 13.3 %. In absolute terms, costs rose from € 5.6 million to € 6.0 million.
The average headcount was 121, compared with 116 the year before. At December 31, 2006, 125 members of staff were employed (FY 2005: 127).
Revenue per employee rose in the year under review to € 374 thousand (FY 2005: € 317 thousand).
In the separate financial statements of **UNITED**LABELS AG, Münster, staff costs amounted to € 3.3 million (FY 2005: € 3.3 million), thus remaining unchanged year on year.

Revenue per employee (in € '000)



Other operating expenses

As a percentage share of sales revenue, other operating expenses decreased from 19.8 % to 17.3 %. In absolute terms, costs fell slightly to € 7.8 million (FY 2005: € 8.0 million).

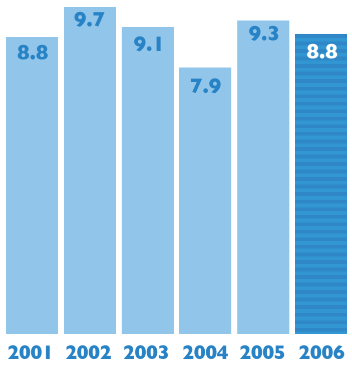
In the separate financial statements of **UNITED**LABELS AG, Münster, other operating expenses amounted to € 4.0 million (FY 2005: € 4.3 million).

Depreciation and amortisation

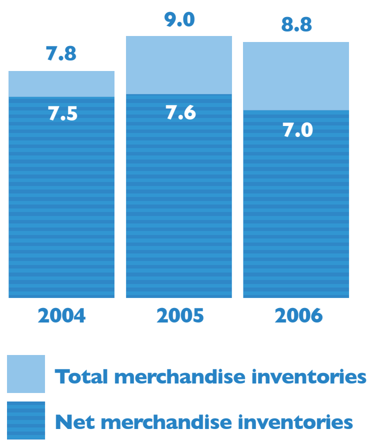
Depreciation and amortisation of intangible assets (excluding usufructuary rights) and property, plant and equipment amounted to € 0.6 million, as in the previous year. Depreciation and amortisation of usufructuary rights amounted to € 4.7 million (FY 2005: € 3.7 million).

In the separate financial statements of **UNITED**LABELS AG, Münster, depreciation and amortisation amounted to € 4.1 million (FY 2005: € 3.4 million).

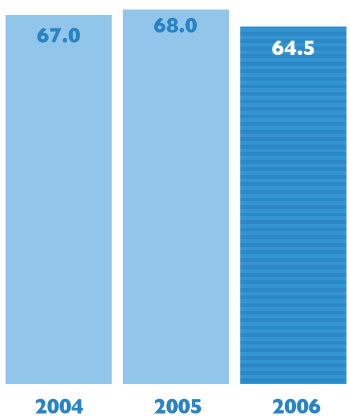
Overview of inventories (in €m)



Merchandise inventories (in €m)



Overview of equity ratio (in %)



Financial Position and Cash Flows

ASSETS

At the balance sheet date, the Group had at its disposal cash and bank deposits of €4.5 million (FY 2005: €3.5 million), of which an amount of €3.8 million (FY 2005: €2.7 million) is attributable to **UNITED**LABELS AG, Münster.

Trade receivables and other receivables rose from €12.7 million to €15.5 million as a result of period-end factors. In the separate financial statements of **UNITED**LABELS AG, Münster, trade receivables amounted to €8.4 million (FY 2005: €6.7 million).

Of total inventories in the amount of €8.8 million (FY 2005: €9.0 million), 35% (€3.1 million; FY 2005 31%, €2.8 million) were attributable to the storage facility in Spain, 64% (FY 2005: 68%) to the facility in Germany (€5.6 million; FY 2005: €6.1 million) and 1% (€0.1 million) to **UNITED**LABELS Ltd. in the UK. Compared with the previous year, this represents a reduction in gross inventories of 2%, or €0.2 million.
Net merchandise inventories (inventories less goods already sold) amounted to €7.0 million in the year under review (FY 2005: €7.6 million).

The balance sheet item "property, plant and equipment" encompasses land and commercial buildings (€2.8 million), technical equipment and machinery (€0.1 million) as well as furniture, fixtures and office equipment (€0.8 million). In the 2006 financial year, **UNITED**LABELS AG built a new logistics centre at its Münster location. This was financed by means of a long-term loan. Prepayments amounted to €2.7 million.

Intangible assets comprise industrial property rights amounting to €0.3 million, as well as goodwill totalling €7.6 million. The breakdown of goodwill is as follows: **UNITED**LABELS Ibérica S.A. (€2.6 million), **UNITED**LABELS Belgium N.V. (€3.2 million) and **UNITED**LABELS AG (€1.8 million). Impairment tests were carried out as required by International Financial Reporting Standards. Where applicable, impairment losses are recognised following the annual impairment review or the occurrence of a triggering event. No adjustments to the carrying amounts were required in the 2006 financial year.
In addition, from this financial year onward, the licence royalties amounting to €3,908 thousand (FY 2005: €4,319 thousand) are reported under this item.

EQUITY AND LIABILITIES

Short-term and long-term bank borrowings amounted to €6.1 million (FY 2005: €5.2 million). The increase is largely attributable to investment in the logistics centre in Germany.

Trade receivables and other receivables rose from €8.4 million to €9.7 million as a result of period-end adjustments. Other current liabilities include payables attributable to invoices outstanding (€0.8 million), licence payments (€1.0 million) as well as other liabilities (€1.3 million). In total, this item amounted to €3.1 million (FY 2005: €1.7 million).

Current provisions rose from €0.3 million to €0.7 million. This is mainly attributable to an increased potential risk of returned merchandise attributable to the German company. We are of the opinion that sufficient amounts have been allocated to provisions.

At the balance sheet date, Group equity stood at € 33.4 million (FY 2005: € 32.0 million). Due to the rise in the balance sheet total from € 47.0 million to € 51.9 million by the reporting date, the equity ratio receded to 64.5 % (FY 2005: 68.0 %). For **UNITED**LABELS AG itself, equity amounted to € 31.3 million (FY 2005: € 29.4 million).
As at December 31, 2006, the subscribed capital amounted to € 4,200,000, divided into 4.2 million no-par value bearer shares ("Stückaktien" governed by German law). No other share classes exist.

Cash flow

At Group level, net cash from operating activities totalled € 7.4 million (FY 2005: € 4.4 million). In addition to earnings, the main contributory item was the increase in receivables. Additionally, for the first time, amortisation of licences was accounted for under depreciation and amortisation. This resulted in a significant increase in cash flow from operating activities. The capitalisation of licences resulted in a simultaneous increase in investments.

The construction of the logistics centre was financed by means of a long-term KfW loan.

Cash and cash equivalents increased by € 1.0 million to € 4.5 million (FY 2005: € 3.5 million). In the separate financial statements of **UNITED**LABELS AG, Münster, net cash from operating activities totalled € 6.5 million (FY 2005: € 3.3 million).

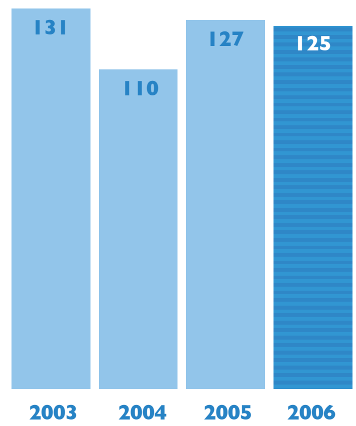
Licences

The portfolio of licences held by the **UNITED**LABELS Group at December 31, 2006, encompassed 63 licence agreements (FY 2005: 64), spanning a range of different product categories and countries.
The licence portfolio is constantly extended to incorporate new themes which are expected to have significant potential. New licences acquired in 2006 included "The Wild Soccer Bunch" (Die wilden Kerle), "Barbie", "Dora the Explorer", "Bob the Builder", "Thomas the Tank Engine and Friends", "Tom & Jerry", "Open Season", "Booh", "Happy Feet" and "Ozie Boo". For the past year, the Company has also marketed Disney licensed products in the textile category (France) and the giftware / home & living / accessories categories (Germany).

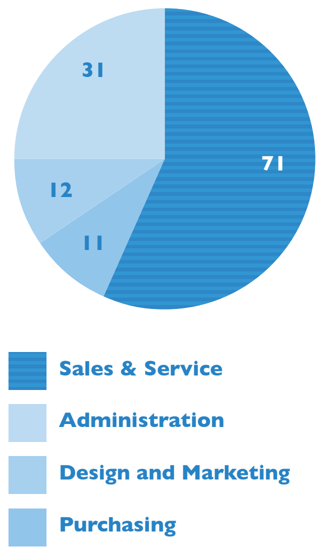
Employees

At December 31, 2006, 125 members of staff were employed throughout the Group (FY 2005: 127). In the period under review, **UNITED**LABELS AG employed 62 members of staff (FY 2005: 69), Colombine Belgium 7 members of staff (FY 2005: 9), **UNITED**LABELS France 6 members of staff (FY 2005: 7) and **UNITED**LABELS Ibérica 38 members of staff (FY 2005: 34). The newly established UK subsidiary, **UNITED**LABELS Ltd., employed 10 members of staff at year-end (FY 2005: 9), and the Italian subsidiary had 2 permanent employees (FY 2005: 1).
The average headcount of 121 rose slightly from the previous year's figure of 116 employees.

Headcount Dec. 31, 2006

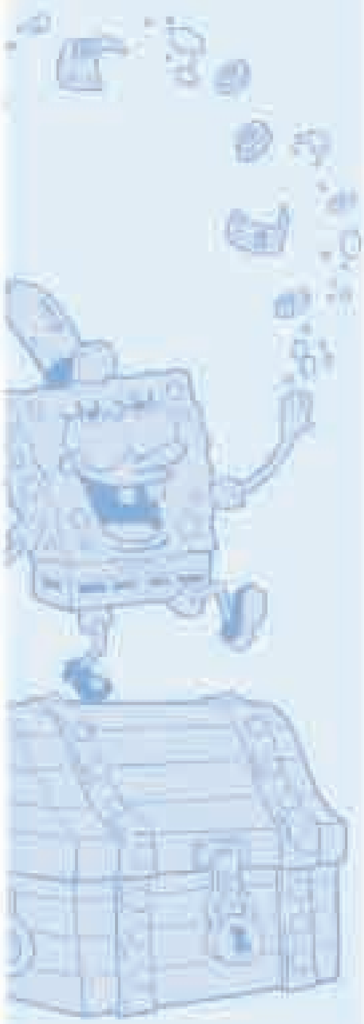


Staff structure Dec. 31, 2006



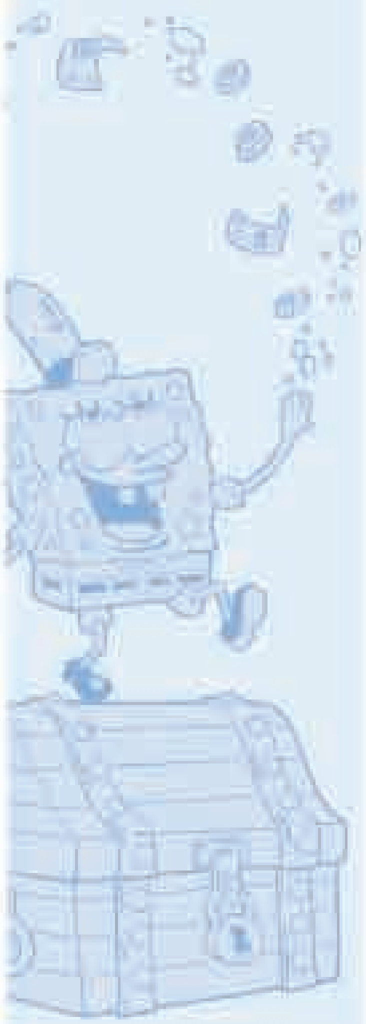
Performance of subsidiaries

Key financials of main operational subsidiaries (non-consolidated)



(in € '000)	UNITEDLABELS Ibérica S.A., Spain		UNITEDLABELS France SAS, France	
	2006	**2005**	**2006**	**2005**
Revenue	10,294	11,315	4,470	5,930
Cost of sales	6,321	6,792	3,492	4,260
Margin	3,972	4,523	979	1,670
Margin %	38.6	40.0	21.9	28.2
EBITDA	350	861	63	488
EBIT	56	557	27	451
Net profit/(loss)	(100)	227	5	285
Key Facts & Figures				
Employees (average)	35	35	6	7
Revenue per employee (in € '000)	294	323	745	847
Order backlog (in € '000)	1,012	994	1,258	31
Inventories (in € '000)	3,108	2,845	0	0
Trade receivables (in € '000)	3,100	4,447	2,877	2,729
Cash and bank deposits (in € '000)	146	441	113	76
Payables to banks (in € '000)	3,108	3,647	0	0

Colombine BVBA, Belgium		**UNITED**LABELS Ltd., U.K.		**UNITED**LABELS Italia Srl. Italy	
2006	**2005**	**2006**	**2005**	**2006**	**2005**
2,716	2,232	1,720	592	937	478
1,695	1,325	1,315	389	463	255
1,022	907	405	203	474	223
37.6	40.6	23.5	34.3	50.6	46.7
501	593	(641)	(403)	29	11
458	540	(730)	(417)	20	5
722	878	(756)	(426)	2	1
5	8	10	6	2	1
543	279	172	99	469	478
774	177	597	530	78	24
0	0	123	93	1	0
1,381	1,378	348	239	613	291
121	55	311	189	21	14
8	34	0	0	210	50



UNITEDLABELS Ibérica, Spain, generated revenue of € 10.3 million in the period under review (FY 2005: € 11.3 million). The net loss for the year was € 0.1 million (FY 2005: net profit of € 0.2 million). While revenue in the Spanish Special Retail segment remained constant year on year, revenue from Spanish Key Accounts was € 1.0 million below the previous year's level. This is attributable mainly to a change in purchasing policy by one high-volume customer.

Colombine Belgium increased its revenue to € 2.7 million (FY 2005: € 2.2 million), posting a net profit for the year of € 0.7 million (FY 2005: 0.9 million). Key Account revenues rose by € 0.6 million, while revenue in the Special Retail segment contracted by € 0.1 million. Net profit includes a **UNITED**LABELS France dividend amounting to € 0.3 million (FY 2005: € 0.3 million).

UNITEDLABELS France generated revenue of € 4.5 million (FY 2005: € 5.9 million). This resulted in a decline in net profit to € 5 thousand (FY 2005: € 0.3 million).

UNITEDLABELS Ltd in the UK, established in May 2005, generated revenue of €1.7 million and posted a net loss of € 0.8 million for its first complete financial year. This company focuses on key account business in the UK. During the financial year 2006, a new management was installed and purchasing was centralised in Germany to reduce costs. These measures are expected to produce significantly better results in 2007.

UNITEDLABELS Italia Srl., based in Florence, was established in March 2005. In its first complete financial year, the company generated sales of € 0.9 million and posted a break-even result. This company focuses entirely on the Italian specialist retail sector and has only two full-time employees. Distribution is handled via freelance sales representatives.

Risk report

A significant proportion of merchandise purchases are effected in US dollars. Although suitable hedging instruments are currently in place, it is impossible to eliminate totally the risk of increased cost of sales as a result of long-term exchange rate fluctuations. At the balance sheet date, forward exchange contracts amounted to US$ 0.5 million.

Essentially, the role of **UNITED**LABELS as a licensee consists of utilising third-party proprietary rights. Although close and well-established business relationships are maintained with the Group's key licensors, the possibility cannot be ruled out that particular licence agreements may not be extended. This eventuality could have an adverse effect on the Group's revenue and earnings performance.

In addition to the risks outlined above, other risks generally associated with commercial activities, such as risks relating to price fluctuations, bad debt, interest rates and liquidity, are captured by a specially developed risk management system and updated on a continual basis. The risk management system mainly consists of a mechanism aimed at identifying risks at an early stage, assessing the extent of such risks and the probability of their occurrence, as well as initiating suitable countermeasures.

Disclosures under Section 289 (4) HGB

At December 31, 2006, share capital stood at € 4,200 thousand, divided into 4.2 million no-par-value bearer shares ("Stückaktien" governed by German law).

In observance of Section 160 (1) no. 8 AktG, on October 31, 2005, Mr. Peter M. Boder issued a notification stating that he held 2.63 million shares in the Company (62.69 %).

The Supervisory Board appoints and dismisses the members of the Management Board and determines the number of members on the Management Board. According to the Articles of Association, the Supervisory Board is also authorised to agree amendments to the Articles of Association which pertain only to their wording, in particular concerning the volume of capital increases from authorised and conditional capital. Other amendments to the Articles of Association have to be passed by the General Meeting of Shareholders.

Compensation of governing bodies

The system of compensation for the Supervisory Board consists of a fixed and a variable component. The members of the Supervisory Board receive variable compensation which is calculated on the basis of a percentage of consolidated net profit (before payment of the variable compensation component) but is capped at a maximum level. The members of the Audit Committee receive an additional fixed amount of compensation, and the Chairman receives double this amount.
In total, Management Board compensation amounted to € 392 thousand. This included an allocation to provisions of € 83 thousand for anticipated bonuses attributable to the 2006 financial year. Management Board compensation comprises a basic salary and a variable component, the latter being calculated according to the attainment of targeted earnings and the performance of the Company's share price. The fixed compensation component for the 2006 financial year amounted to € 303 thousand; variable compensation of 5 % of the consolidated net profit of € 1,776 thousand, before taxes and Management Board bonuses, corresponded to € 89 thousand.

Determined on the basis of IAS 19 requirements, an amount of € 87 thousand was allocated to provisions for pensions in connection with post-employment benefit obligations towards the member of the Management Board. The total amount of pension provisions recognised in connection with benefits accruing to the Management Board is € 589 thousand.
Determined on the basis of German HGB requirements, an amount of € 45 thousand was allocated to provisions for pensions in connection with post-employment benefit obligations towards the member of the Management Board. The total amount of pension provisions recognised in connection with benefits accruing to the Management Board is € 400 thousand.

As from the age of 65, Mr. Peter M. Boder is entitled to a monthly old-age pension of € 15,338.75 and an invalidity pension in the same amount (as from July 1, 2006, it increases by 2 % per annum calculated in relation to the prior year pension), as well as a widow's allowance equivalent to 60 % of the applicable old-age pension and an orphan's allowance. The agreed benefit package includes a guaranteed adjustment of the current pension in an amount of 2 % in relation to the prior year pension.

Significant events in the financial year

In May **UNITED**LABELS AG presented the key elements of its new strategy at the General Meeting of Shareholders. As well as marketing its comicware products through all available distribution channels, distributing them throughout the major European markets and offering an extensive portfolio of products and licenses, the Company now plans to incorporate its products into multimedia marketing concepts. To this end, it will make use of four different platforms: Mobile, Home Entertainment, Internet and TV Advertising.

In the summer, **UNITED**LABELS AG restructured its Special Retail division, which has since concentrated on the high-revenue customers in this segment. All customers continue to have the opportunity to order comicware products directly from **UNITED**LABELS via the online shop. Earnings in this segment had improved significantly by the end of the year.

In the autumn, **UNITED**LABELS AG launched "Best of Donald", another high-quality porcelain range featuring a cartoon hero from the Walt Disney stable. In conjunction with its creative agency, sieger design, the Company has now laid another crucial building block towards establishing its "Best of" brand in the premium retail segment.

In November, the Spanish subsidiary **UNITED**LABELS Ibérica opened a **UNITED**LABELS comicware store at Barcelona Airport. This airport outlet is the first of potentially several **UNITED**LABELS stores in other countries, which will sell the complete range of **UNITED**LABELS comic merchandise.

On the basis of the authorisation granted by the General Meeting of Shareholders on May 23, 2006, the Management Board of **UNITED**LABELS AG passed a resolution in December to buy back shares in the Company up to the value of € 500,000 before the authorisation lapses. This share acquisition may take place via the stock market or by other means. If shares are acquired on the stock market, the buy-back is transacted through a financial institution, in which case, provision is made for the institution's decisions regarding the timing of share purchases to be taken independently and not to be subject to the Company's influence. For all such acquisitions, the price paid per share may not be more than 10% above or below the prevailing market price on the relevant date. Pursuant to the authorisation granted by the General Meeting of Shareholders on May 23, 2006, the shares, for which shareholders' subscription rights are excluded, will be sold to interested institutional investors. Following any such transactions, notification is published on the Company's website on a weekly basis. In 2006 no shares were acquired.

Related-party disclosure

In addition to his 62.6 % interest in **UNITED**LABELS AG, Peter M. Boder has a 100 % shareholding in Facility Management Münster GmbH. Facility Management Münster GmbH maintains business contacts with **UNITED**LABELS AG. There is no control or profit transfer agreement between the aforementioned entities. Pursuant to Section 312 AktG (German Stock Corporation Act), the Management Board of **UNITED**LABELS AG has provided a related-party disclosure. The Management Board concluded the disclosure report by issuing the following statement: "The Management Board hereby states that, according to the circumstances known to me at the time of the transaction, **UNITED**LABELS AG received appropriate compensation, on the basis of quid pro quo, for any such transaction. There were no occurrences within the reporting period that would require disclosure."

Events after the balance sheet date

There were no significant events requiring disclosure after the financial year 2006.

Business trend and outlook

For the next few years it remains the consistent goal of **UNITED**LABELS AG to drive forward growth and earnings with the aim of increasing company value.

To maintain its success in achieving these objectives, **UNITED**LABELS AG is actively expanding its international subsidiaries. Above all, it is focused on building up its British and Italian operations. In the UK, significantly longer listing times made market entry more difficult than anticipated.
In Italy, **UNITED**LABELS will be pressing ahead with market entry, targeting high-volume customers from 2007. Since the office was first established in 2005, the Italian operation has generated rising sales revenues and earnings in the Special Retail segment. With other subsidiaries in Spain, France and Belgium, the Company is represented in all the major licensed product markets in Europe, and is well placed to generate the next phase of growth.

Germany continues to be one of the most important markets, being the base for many of the large European retail chains. **UNITED**LABELS AG therefore continues to expand its German business accordingly. Its product portfolio is sufficiently diverse to meet the needs of its retail partners in both Germany and the rest of Europe and to secure access to shelf space for its licensors.

In both the Key Account and the Special Retail segments, the focus in coming years will continue to be on concept marketing solutions for customers. These displays give **UNITED**LABELS AG a unique competitive edge. As always, the goal in both divisions is to redouble activities and to drive growth by stepping up the frequency and range of merchandise placements.

To keep pace with changing expectations, **UNITED**LABELS AG has realigned its key account business to address the shift in demand from specialist retailers towards mega stores which is now taking place all over Europe. **UNITED**LABELS AG's successful sales activities within the area of comicware merchandise are centred around four distribution strategies: concept marketing across a variety of products, the "my comic world" display concept, NOS (never out-of-stock) listings and single-product promotions.

Applying these strategies, the Company again generated the most substantial revenue growth within this segment.

In specialist stores, **UNITED**LABELS AG pursued expansion of its concept marketing strategy in 2006 by supplying its own retail displays, thus enhancing its merchandise presence and optimising the selection of products on offer. This approach, coupled with a focus on high-revenue customers, was **UNITED**LABELS AG's response to persistently challenging market conditions faced by specialist retailers, particularly in Germany. Moreover, the Company extended the product range in its premium "Best of" brand by adding a new "Best of Donald" designer line to its high-end porcelain collection.

From 2007, concept marketing solutions for key accounts and specialist retailers will be supported by new multimedia marketing concepts introduced by **UNITED**LABELS AG in the past year. The Company is stepping up the integration of mobile, DVD, Internet and TV advertising platforms into its comprehensive strategy, which is specifically targeted to generate higher sales of products featuring the licensed brands. The integration of multimedia marketing concepts into distribution structures is a new and significant step towards maximising the Company's growth potential.

Thanks to **UNITED**LABELS AG's long-standing experience in product rendition and distribution, the massive brand recognition enjoyed by its cartoon characters is certain to be reflected in product sales in the next few years. Its strategic outlook and its position in a steadily expanding European market for licensed products give **UNITED**LABELS AG a superb launch pad for the pursuit of further growth and enhanced enterprise value.

Münster, 6 March 2007

UNITEDLABELS Aktiengesellschaft
The Management Board

Peter M. Boder

UNITEDLABELS Aktiengesellschaft, Münster
Consolidated Balance Sheet (IFRS)
as at 31 December 2006

ASSETS

Assets	Index	31.12.2006 €	31.12.2005 €
Non-current assets			
Property, plant and equipment	C.4.	6,413,344.33	4,118,683.09
Intangible assets	C.4.	11,768,887.21	12,198,322.10
Deferred taxes	C.5.	3,413,313.08	3,362,792.54
		21,595,544.62	**19,679,797.73**
Current assets			
Inventories	C.1.	8,803,559.27	9,030,885.26
Trade and other receiveables	C.2.	15,533,383.40	12,646,173.22
Other current assets	C.3.	1,432,274.68	2,220,318.56
Cash and cash equivalents	C.6.	4,485,524.02	3,458,234.83
		30,254,741.37	**27,355,611.87**
Total assets		**51,850,285.99**	**47,035,409.60**

UNITEDLABELS Aktiengesellschaft, Münster
Consolidated Balance Sheet (IFRS)
as at 31 December 2006

EQUITY AND LIABILITIES

	Index	31.12.2006 €	31.12.2005 €
Equity			
Capital and reserves attributable to equity holders of the parent entity			
Issued capital	C.10.	4,200,000.00	4,200,000.00
Capital reserves		24,384,570.63	24,384,570.63
Revenue reserves		2,883,209.63	2,883,209.63
Currency translation		(20,762.75)	(16,612.11)
Consolidated unappropiated surplus		1,995,246.89	513,103.82
		33,442,264.40	**31,964,271.97**
Non-current liabilities			
Provisions for pensions	C.8.	589,130.00	457,326.00
Financial liabilities	C.7.	2,430,314.15	1,407,775.42
		3,019,444.15	**1,865,101.42**
Current liabilities			
Provisions	C.9.	740,826.03	348,917.46
Current income tax liabilities		1,341,619.36	599,501.33
Financial liabilities	C.7.	3,643,062.11	3,810,914.33
Trade and other payables	C.7.	9,663,069.94	8,446,703.09
		15,388,577.44	**13,206,036.21**
Total liabilities		**18,408,021.59**	**15,071,137.63**
Total equity and liabilities		**51,850,285.99**	**47,035,409.60**

Financial Statements

UNITEDLABELS Aktiengesellschaft, Münster
Consolidated Income Statement (IFRS)
for the period from 1 January to 31 December 2006

	Anhang	2006 €	2005 €
Sales revenues	**D.1.**	**45,266,697.65**	**40,272,550.83**
Cost of materials	D.3.	(24,568,333.99)	(21,404,148.22)
Amortisation of usufructuary rights	D.4.	(4,695,114.89)	(3,746,012.55)
		(29,263,448.88)	(25,150,160.77)
		16,003,248.77	**15,122,390.06**
Other operating income	D.2.	363,500.10	350,900.47
Personnel cost	D.5./C.8.	(6,011,073.01)	(5,627,180.92)
Depreciation of intangible fixed assets and tangible assets (excl. amortisation of usufructuary rights)	D.6.	(588,282.63)	(564,294.27)
Other business expenditure	D.7.	(7,815,738.77)	(7,970,873.50)
Profit from operations		**1,951,654.46**	**1,310,941.84**
Finance income	D.8.	131,363.58	90,298.38
Finance cost	D.8.	(403,470.60)	(377,673.89)
Financial result		**(272,107.02)**	**(287,375.51)**
Profit before tax		**1,679,547.44**	**1,023,566.33**
Income tax expense	D.9.	(197,404.37)	(253,926.08)
Net profit for the year		**1,482,143.07**	**769,640.25**
Earnings per share			
basic	C.10.	0.35 €	0.19 €
diluted	C.10.	0.35 €	0.19 €
Weighted average shares outstanding			
basic	C.10.	4,200,000 pieces	4,033,333 pieces
diluted	C.10.	4,200,000 pieces	4,033,333 pieces

UNITEDLABELS Aktiengesellschaft, Münster
Cashflow Statement

Notes to cash flow statement, cf. C.12.	Index	2006 € '000	2005 € '000
Consolidated net profit for the year		1,482	770
Depreciation and amortisation of non-current assets	C.3./D.5.	5,283	4,310
Change in provisions	C.7./C.8.	524	207
Other non-cash expenses		(50)	32
Loss on the disposal of non-current assets		50	9
Changes in inventories, trade receivables and other assets not attributable to investing or financial activities	C.1./C.2.	(1,872)	(703)
Changes in trade payables and other liabilities not attributable to investing or financial activities	C.6.	(1,958)	(194)
Cashflow from operating activities		**7,375**	**4,431**
Proceeds from disposal of property, plant and equipment		12	0
Payments for investments in non-current assets	C.3.	(7,210)	(6,395)
Cashflow from investing activities		**(7,198)**	**(6,395)**
Proceeds from capital increases		0	1,402
Proceeds from financial loans		1,440	0
Repayment of financial loans		(585)	339
Cashflow from financing activities		**855**	**1,741**
Net cash change in cash and cash equivalents		1,032	(223)
Currency translation		(4)	(16)
Cash and cash equivalents at the beginning of the period		3,458	3,697
Cash and cash equivalents		**4,486**	**3,458**
Gross debt bank		6,073	5,219
Net debt bank		1,587	1,761
Composition of cash and cash equivalents:			
Cash and cash equivalents		**4,486**	**3,458**

Consolidated Statement of Changes in Equity

	Index	Subscribed capital	Capital reserves	Revenue reserves	Translation reserve	Consolidated unappropriated surplus	Total
		€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Balance at 31.12.2004		**4,000**	**23,151**	**2,380**	**0**	**246**	**29,777**
Capital increase on Oct. 14, 2005	C.10	200	1,280	0	0	0	1,480
Share issuance costs of capital increase	C.10	0	(78)	0	0	0	(78)
Tax effect on share issuance costs of capital increase	C.10	0	31	0	0	0	31
Currency translation	C.10	0	0	0	(16)	0	(16)
Consolidated net profit 2005	C.10	0	0	503	0	267	770
Overall result of the period		0	0	503	(16)	(267)	754
Balance at 31.12.2005		**4,200**	**24,384**	**2,883**	**(16)**	**513**	**31,964**
Currency translation	C.10	0	0	0	(4)	0	(4)
Consolidated net profit 2006	C.10	0	0	0	0	1,482	1,482
Overall result of the period	C.10	0	0	0	(4)	1,482	1,478
Balance at 31.12.2006		**4,200**	**24,384**	**2,883**	**(20)**	**1,995**	**33,442**

A. General Information

1. General Information about the Company

UNITEDLABELS Aktiengesellschaft has its registered office in 48157 Münster, Gildenstraße 6, Germany. The Company focuses on the marketing of licensed products associated with international cartoon characters (so-called ”comicware“). As a trading enterprise within the product categories ”Apparel“, ”Gifts“ and ”Soft Toys“, the Company creates designs and develops products, which, upon authorisation by the licensor, are manufactured predominantly in Asia and marketed in Europe. To a lesser extent, the Company also develops and markets its own licences.
UNITEDLABELS Aktiengesellschaft shares are listed in the Geregelter Market (Regulated Market) in Frankfurt, as well as being traded within the Freiverkehr (Regulated Unofficial Market) of the exchanges in Berlin-Bremen, Stuttgart, Munich, Hamburg and Düsseldorf.

The accompanying consolidated financial statements were approved for publication by the Management Board on March 6, 2007, subject to the approval of the Supervisory Board.

2. Basis of preparation (IFRS) and statement of compliance

The consolidated financial statements and the management and Group management report of **UNITED**LABELS Aktiengesellschaft have been prepared in accordance with internationally accepted accounting standards on the basis of the International Financial Reporting Standards (IFRS) adopted by the European Union. The consolidated financial statements were prepared on the basis of historical cost and market valuation of available-for-sale financial assets as well as measurement of financial assets and financial liabilities at fair value through profit or loss.

Section 315 a of the German Commercial Code (Handelsgesetzbuch – HGB) governing exemption from preparing consolidated financial statements in accordance with German law applies to the consolidated financial statements prepared in compliance with IFRS as well as the management report and Group management report. The financial statements comprise the balance sheet, income statements, cash flow statement, statement of changes in equity and notes. Goodwill is not subject to systematic amortisation. Impairment losses are recognised to the extent that this is required as a result of annual impairment testing or specific triggering events. In accordance with IAS 17, property, plant and equipment that are subject to lease agreements are recognised as assets and liabilities in the balance sheet if the lease agreement transfers to the entities within the **UNITED**LABELS Group all the risks and rewards incident to ownership.

Deferred tax assets are recognised in connection with the carryforward of tax losses to the extent that it is probable that they can be utilised. The continued recognition of tax loss carryforwards is based on medium-term financial planning passed by the Management Board. Costs of equity transactions are accounted for as a deduction from equity.

The financial years of all entities included in the consolidated group correspond to the annual period from January 1 to December 31, 2006. The preparation of separate annual financial statements has been performed using consistent accounting policies. The financial statements are presented in euros.

In preparing the consolidated financial statements, the Management Board is required to make estimates and assumptions that affect the reported amounts of assets and liabilities/equity, the amounts disclosed in the income statement as well as the data presented in the notes. It is possible that these assumptions and estimates may not coincide with actual occurrences. Areas associated with greater complexity or allowing greater scope for interpretation as well as areas in which estimates and assumptions are of significant importance to the consolidated financial statements have been presented in the explanatory notes concerning goodwill, provisions and deferred taxes. Actual results may differ from forecasts if consumer behaviour or the actions of licensors or trading partners (customers, suppliers) change.

The following standards and interpretations are to be applied as from January 1, 2006, without being of relevance to **UNITED**LABELS AG:

- IFRS 6 (2004) "Exploration for and Evaluation of Mineral Resources"; effective as from January 1, 2006
- Amendment to IAS 19 (2005) "Actuarial Gains and Losses, Group Plans and Disclosures"; effective as from January 1, 2006
- Amendment to IAS 21 (2004) "Net Investment in a Foreign Operation"; effective as from January 1, 2006
- Amendment to IAS 39 (2005) "Cash Flow Hedge Accounting of Forecast Intragroup Transactions"; effective as from January 1, 2006
- Amendment to IAS 39 (2005) "Fair Value Option"; effective as from January 1, 2006
- Amendment to IAS 39 (2005) "Financial Guarantee Contracts"; effective as from January 1, 2006
- Amendment to IFRS 4 (2005) "Financial Guarantee Contracts"; effective as from January 1, 2006
- IFRIC 4: "Determining whether an Arrangement contains a Lease"; effective as from January 1, 2006
- IFRIC 5: "Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds"; effective as from January 1, 2006
- IFRIC 6: "Liabilities arising from Participating in a Specific Market – raised Electrical and Electronic Equipment"; effective as from January 1, 2006

The mandatory Standards and Interpretations outlined above have no material influence on the financial position, financial performance or cash flows of **UNITED**LABELS AG.

Additionally, IFRIC issued the following interpretations to be applied by entities for annual periods beginning on or after March 1, 2006.

- IFRIC 7: "Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies"; effective as from March 1, 2006
- IFRIC 8: "Scope of IFRS 2"; effective as from May 1, 2006
- IFRIC 9: "Reassessment of Embedded Derivatives"; effective as from June 1, 2006

The IASB has issued several new, revised or amended standards that are to be applied by entities as from January 1, 2007, or later. Application of these standards is subject to EU approval in those cases in which approval has not yet been granted. This also applies to the interpretation of the International Financial Reporting Interpretations Committee (IFRIC).

- IFRS 7 (2005) "Financial Instruments: Disclosures"; effective as from January 1, 2007
- Amendment to IAS 1 (2005) "Capital Disclosures"; effective as from January 1, 2007
- IFRS 8 "Operating Segments"; effective as from January 1, 2009 (yet to be adopted by the EU)
- IFRIC 10: "Interim Reporting and Impairment" (yet to be adopted by the EU)
- IFRIC 11, IFRS 2: "Group and Treasury Share Transactions" (yet to be adopted by the EU)
- IFRIC 12: "Service Concession Arrangements" (yet to be adopted by the EU)

The Company has elected not to apply these standards and interpretations prior to them coming into effect. **UNITED**LABELS AG anticipates that application of these standards and interpretations will have no material effect on the financial position, financial performance and cash flows.

3. Basis of consolidation

Consolidated group

The entities included in the consolidated group are those over which the Group holds control as regards their financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether an entity has the power to govern the financial and operating policies of another entity.
Subsidiaries are included in the consolidated financial statements as of the date on which the power to govern the financial and operating policy or the control over the entity has passed to the Group. They are deconsolidated as of the date on which control ceases to exist.
Acquired subsidiaries are accounted for on the basis of the purchase method. The cost of the acquisition corresponds to the fair values of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, in addition to any costs directly attributable to the acquisition. The identifiable assets, liabilities and contingent liabilities associated with a business combination are initially recognised at their fair values applicable at the acquisition date. The excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill. If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Intragroup transactions and balances, as well as unrealised profits and losses resulting from intragroup transactions are eliminated in full. The accounting policies applied by the subsidiaries were changed, to the extent that this was possible, in order to ensure consistent financial accounting throughout the Group. There were no differences attributable to offsetting.
In accordance with regulations governing consolidation, in addition to **UNITED**LABELS Aktiengesellschaft as the parent company the following entities are included in the consolidated financial statements as at December 31, 2006, as subsidiaries controlled by **UNITED**LABELS Aktiengesellschaft:

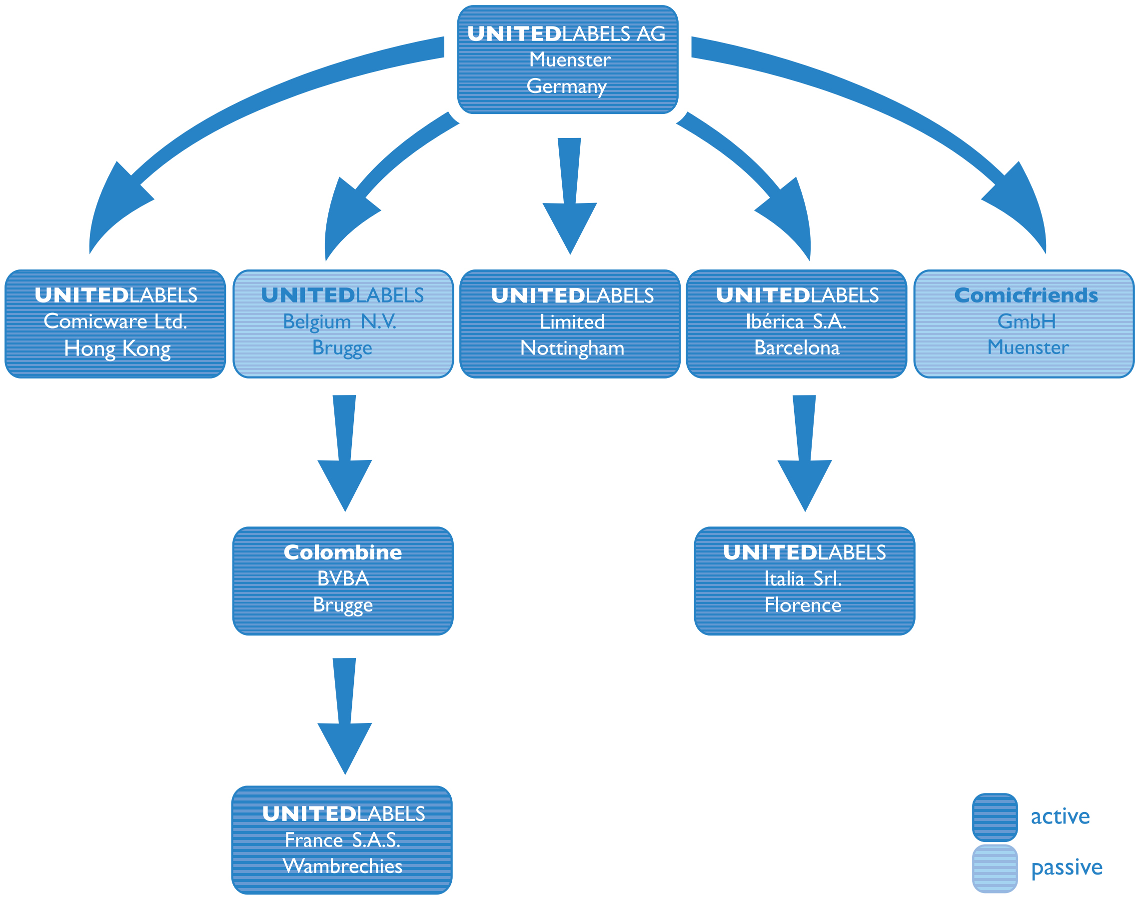
	Ownership Interest	Period included in consolidated financial statements
UNITEDLABELS Benelux B.V.i.L., Amsterdam, Netherlands	100.000 %	01.01.-27.12.2006
UNITEDLABELS Ibérica S.A., Barcelona, Spain	100.000 %	01.01.-31.12.2006
as its wholly owned subsidiary		
UNITEDLABELS Italia Srl., Florence, Italy	100.000 %	01.01.-31.12.2006
UNITEDLABELS Belgium N.V., Brugge, Belgium	99.999 %	01.01.-31.12.2006
as its wholly owned subsidiary		
Colombine BVBA, Brugge, Belgium	100.000 %	01.01.-31.12.2006
as its wholly owned subsidiary		
UNITEDLABELS France SAS, Wambrechies, France	100.000 %	01.01.-31.12.2006
UNITEDLABELS Ltd., Nottingham, U.K.	100.000 %	01.01.-31.12.2006
UNITEDLABELS Comicware Ltd., Hong Kong	100.000 %	01.01.-31.12.2006
Comicfriends GmbH, Münster, Germany	100.000 %	01.01.-31.12.2006

The details concerning ownership interests have been lodged with the Amtsgericht Münster (local court), under reference number HRB 2739.
UNITEDLABELS Italia Srl., Italy, and **UNITED**LABELS Ltd., United Kingdom were newly established in 2005.

In addition, **UNITED**LABELS Ibérica S.A., Spain, has an 0.001% interest in **UNITED**LABELS Belgium N.V., Belgium, as well as a fiduciary interest in **UNITED**LABELS Comicware Limited, Hong Kong.

UNITEDLABELS Benelux B.V. was liquidated in December 2006, as the business activities are being performed by Colombine BVBA, Belgium. The associated expense amounted to €25 thousand.

Group structure at Dec. 31, 2006:



4. Segment reporting

A business segment is a distinguishable component of an entity that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of an entity that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments. At **UNITED**LABELS Aktiengesellschaft, primary segment reporting is performed on the basis of customer groups. The two segments covered are Key Accounts and Special Retail. The Key Account segment focuses on customised contract production, while the Special Retail segment offers smaller-scale retailers a varying range of goods supplied from stock. There were no intersegment revenues or expenses in the period under review.

B. Significant Accounting Policies

1. Basis of revenue recognition

Sales revenue comprises the fair value of the consideration received for the sale of goods and rendering of services, without sales taxes, trade discounts and rebates, and after elimination of intragroup sales. Sales revenue is recognised as follows:
Sales revenue is recognised when an entity within the Group has delivered products to a customer, the customer has accepted the goods and the collectibility of the receivable arising therefrom is probable. A right of return exists for some of the products sold. Experience gained in the past is used as a basis for estimating the rate of return and presenting such details in the consolidated financial statements. Provisions are recognised in the appropriate amount.

2. Leasing

Lease agreements as part of which substantially all risks and rewards incidental to ownership remain with the lessor are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.
A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, as a result of which the lessee recognises it as an asset and, in equal amount, as a liability in the balance sheet. Subsequent measurement of the leased asset is subject to the same basis of accounting that is applicable to property, plant and equipment.

3. Property, plant and equipment

Property, plant and equipment was measured at cost of purchase or conversion, less systematic depreciation over the asset's useful life. Land is not subject to depreciation. Borrowing costs are not included in the cost of purchase. All other items of property, plant and equipment are subject to straight-line depreciation, with the cost of purchase being charged over the estimated useful life of the asset or item until the residual value has been reached:

Land	10 – 33 years
Technical plant and machinery	3 – 13 years
Office equipment	3 – 14 years

Gains and losses arising from the disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are included in profit or loss. The residual value and the useful life of an asset is reviewed at each financial year-end and adjusted where necessary. If the carrying amount of an item of property, plant and equipment exceeds the estimated recoverable amount, the carrying amount is reduced to this recoverable amount.

4. Intangible assets

(a) Goodwill

Goodwill is the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities at the acquisition date. Goodwill arising from a business combination is recognised as an intangible asset.
Goodwill is tested for impairment at least once annually or more frequently if events or changes in circumstances indicate that it might be impaired (triggering events); it is carried at cost less accumulated impairment losses. Gains and losses arising from the disposal of an entity include the carrying amount of goodwill attributable to the entity to be disposed of.
The impairment test is performed on the basis of the cash-generating unit. The cash-generating unit corresponds to the entity in the country in question.

(b) Concessions, industrial property rights

Trademarks and licences are recognised at their historical cost of purchase/conversion. Trademarks and licences have finite useful lives and are carried at their cost of purchase/conversion, less accumulated amortisation. Amortisation is performed on a straight-line basis over an estimated useful life of 3 to 10 years.
Computer software licences acquired by the Company are capitalised at cost (cost of purchase/conversion), plus the cost of preparing the asset for its intended use. These costs are amortised over the estimated useful life of the asset (3 to 5 years).

For the first time, licences for the commercial use of cartoon/animation characters have been accounted for within this category. Prior to this, they had been recognised as prepaid expenses.
Likewise, future financial obligations arising from licence agreements have been capitalised, as well as being recognised simultaneously as trade payables. The prior year amounts have been adjusted accordingly. There is no change to the result. The rights associated with such licences normally relate to a specific period (1 to 3 years), a defined geographical sales territory and a specific product, as well as giving rise to a fee for the use of the licence.

The licences for cartoon/animation characters are amortised on the basis of their economic use. The latter is determined by a contractually agreed percentage figure in relation to revenue generated by a specific licence.

Development costs are capitalised as soon as the requirements of IAS 38 have been met. If this is not the case, the costs are expensed as incurred.

5. Impairment and reversal of impairment

Assets with indefinite useful lives are not subject to systematic depreciation/amortisation. Instead, they are tested for impairment on an annual basis. Assets that are depreciated/amortised on a systematic basis are tested for impairment if there is any indication or change in circumstances to suggest that the carrying amount of an asset is no longer recoverable. If the recoverable amount of an asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount; this reduction is an impairment loss. The recoverable amount is the higher of its fair value less costs to sell and its value in use. For the purpose of impairment testing, the assets are aggregated on the basis of the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating unit). These cash-generating units are based on countries. In the event of an impairment, an impairment loss is recognised for the goodwill allocated to the specific cash-generating unit; any residual amount is allocated to the remaining assets of the cash-generating unit pro rata on the basis of the carrying amount of each asset. With the exception of goodwill, an impairment is reversed in proportion to the carrying amounts of the assets. The carrying amount of the individual asset shall not exceed its recoverable amount.

6. Inventories

Merchandise was measured at cost, including associated costs directly attributable to the purchase. Unsaleable merchandise was written down accordingly.

7. Receivables and other assets

Receivables and other assets were measured at fair value. An impairment of trade receivables is recognised only if there is objective evidence that the amounts due are not collectible in full. The amount of the impairment loss is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows associated with the receivable. The amount of the impairment loss is recognised in profit or loss. Specific allowances were recognised where necessary. Due to the short maturities of the receivables, the effective interest method was not applied.
Rather than accounting for the full prepayments on rights associated with licences in other assets, the amounts were recognised as intangible assets. The remaining prepaid expenses were allocated to other current assets.
Prepayments were carried on the basis of the prepaid amount.

8. Deferred taxes

In observance of the liability method, deferred taxes are recognised for taxable temporary differences between the tax base of the asset/liability and its carrying amount in the IFRS accounts. However, if, in the case of a transaction that does not constitute a business combination, deferred taxes arise from the initial recognition of an asset or a liability without having an effect on the accounting or taxable profit, no deferred taxes are accounted for. Deferred taxes are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

9. Provisions

Provisions for post-employment benefits were accounted for in accordance with IAS 19. Within this context, an interest rate of 4.5% (previous year: 4.5%) was used, which corresponds to the average interest rate for industrial bonds. Future increases in salaries were accounted for with an interest rate of 2.5% (previous year: 2.5%), and an interest rate of 2.0% (previous year: 2.0%) was applied as regards future increases in pensions.
Within the Group a post-employment obligation exists towards Mr. Boder, CEO/Chairman of the Management Board. This obligation is determined on the basis of an actuarial report. Actuarial gains and losses are recognised in profit or loss. Provisions for post-employment benefits were measured by applying the projected unit credit method.

Provisions for taxes and other provisions take into account all recognisable external risks and obligations of the Group, and the amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable (more likely, than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where there are a number of similar obligations, the probability that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

10. Liabilities

Financial liabilities are initially measured at fair value, less transaction costs. In subsequent periods, they are measured at amortised cost; any difference between the net proceeds (after deduction of transaction costs) and the maturity amount is accounted for in profit or loss over the life of the loan. Loans payable are classified as current liabilities to the extent that the Group does not have the unconditional right to postpone the extinguishment of the liabilities to a date at least 12 months subsequent to the balance sheet date.

11. Currency translation

The financial statements of the foreign subsidiaries have been prepared in the respective local currency, or in euros. Assets and liabilities were translated into euros at the applicable closing rate, while equity was accounted for on the basis of the historical rate. Translation of income and expense items was performed on the basis of the average annual exchange rates. All resulting exchange differences have been classified as equity.

The financial statements of the subsidiary in Hong Kong, as an integrated foreign unit, have been prepared in euros, while the financial statements of **UNITED**LABELS Ltd., United Kingdom, have been prepared in British pounds.

Accounts receivable and payable in foreign currency were translated at the closing rate.

12. Financial risks

Standard foreign exchange forward contracts were entered into for the purpose of hedging against currency risks associated with payment obligations denominated in foreign currencies. The aforementioned contracts were not used for speculative purposes. Changes in the value of current forward contracts were accounted for in profit or loss.
A significant proportion of merchandise purchases is effected in US dollars. Although suitable hedging instruments are currently in place, it is impossible to eliminate totally the risk of increased cost of sales as a result of long-term exchange rate fluctuations.

As a licensee, **UNITED**LABELS utilises third-party proprietary rights. Although close, long-term business relationships have been established with the Group's key licensors, it is possible that certain licence agreements will not be extended. This may have an adverse effect on the Group's revenue and earnings performance.

In addition to the risks outlined above, other risks generally associated with commercial activities, such as risks relating to price fluctuations, bad debt, interest rates and liquidity, are captured by a specially developed risk management system and updated on a continual basis. The risk management system mainly consists of a mechanism aimed at identifying risks at an early stage, assessing the extent of such risks and the probability of their occurrence, as well as initiating suitable countermeasures.

13. Derivative financial instruments

On initial recognition derivative financial instruments are measured at the fair value applicable at the date of the contractual agreement. Subsequent measurement is based on the fair value applicable at the respective balance sheet date. Changes in the fair values are recognised in profit or loss. Derivative financial instruments held for trading are classified as current assets or liabilities.

The Company used foreign exchange forward contracts to hedge against risks associated with contracts in progress in the financial year under review. No other derivative financial instruments were used.

14. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, short-term, highly liquid investments with a maturity of three months at the most and overdrafts. In the balance sheet, overdrafts utilised by the Company are presented as bank borrowings under current financial liabilities.

15. Changes in accounting policies

An entity shall change an accounting policy only if the change is required by a Standard or an Interpretation or if the change results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.
In prior years, licences were accounted for as prepaid expenses. They are now recognised as intangible assets for the purpose of improving the presentation of the Company's financial position, financial performance and cash flows.

The retrospective adjustments associated with the application of IAS 38 had the following effect on the balance sheet items of the prior financial year:

Balance Sheet (excerpt)	**31.12.2005 (reported)**	**Change based on IAS 8 (due to different application of IAS 38)**	**31.12.2005 (adjusted)**
Non-current assets	15,361,036.86		19,679,797.73
Intangible assets	296,344.78	+4,318,760.87	4,615,105.65
Current assets	29,172,760.60	(1,817,148.73)	27,355,611.87
Intangible assets	0.00	2,251,248.38	2,251,248.38
Prepaid expenses	2,539,223.01	(2,539,223.01)	0.00

The items of the prior year income statement were adjusted retrospectively due to the initial application of IAS 38. Accounting for the licences as intangible assets has no effect on profit or loss. Former amortisation attributable to the licences was accounted for as cost of materials. In view of this, the Company has performed a reclassification as "amortisation of usufructuary rights".

The prior year is presented as follows:

Income Statement (excerpt)	**31.12.2005 (reported)**	**Change based on IAS 8 (due to different application of IAS 38)**	**31.12.2005 (adjusted)**
Cost of materials / services purchased	3,821,594.39	(3,746,012.55)	75,581.84
Amortisation of usufructuary rights	0.00	+3,746,012.55	3,746,012.55
Total	**(3,821,594.39)**	**0.00**	**3,821,594.39**

The remaining expenses for services purchased were allocated to cost of materials.

C. Notes to Individual Items of the Consolidated Balance Sheet

1. Inventories

Of the total inventories amounting to € 8,804 thousand (previous year: € 9,031 thousand), 35 % (€ 3,109 thousand; previous year: 31 %, € 2,846 thousand) was attributable to the storage location in Spain, 64 % (previous year: 68 %) to the storage location in Germany (€ 5,596 thousand; previous year: € 6,092 thousand) and 1 % (€ 99 thousand; previous year: € 93 thousand) to **UNITED**LABELS Ltd. in the United Kingdom. These inventories comprise finished goods within the categories of textiles, giftware and soft toys.

Net merchandise inventories (total inventories less merchandise already ordered) declined by € 535 thousand in 2006, thus amounting to € 7,015 thousand (previous year: € 7,550 thousand). Depreciation of inventories amounted to € 658 thousand (previous year: € 488 thousand).

Inventories are not restricted by third-party rights.

2. Trade and other receivables

Trade receivables rose from € 12,646 thousand to € 15,533 thousand due to year-end factors. This item includes prepayments for inventories in the amount of € 79 thousand (previous year: 239 thousand).

3. Other current assets

This item mainly includes receivables from the factoring agency in Germany and creditors with debit balances. In addition, prepaid expenses in the amount of € 254 thousand (previous year: € 288 thousand) were recognised as other current assets.

4. Property, plant and equipment and intangible assets

The categorisation and development of non-current assets is shown in the following fixed assets schedule. Effective from the 2006 financial year, the usufructuary rights relating to licence agreements within the area of cartoon characters are presented as intangible assets. The prior years have been adjusted accordingly.

The Company's operating premises are subject to a land charge for loans amounting to € 2,747 thousand (previous year: € 1,531 thousand).

Other equipment, furniture and fittings, and office equipment include capitalised assets related to finance lease agreements (generally with the option to purchase at book value) in the amount of € 34 thousand (previous year: € 124 thousand). The repayment obligation amounts to € 59 thousand (previous year: € 95 thousand) (due within 1 year: € 50 thousand (previous year: 48 thousand), due within 1-5 years: € 9 thousand (previous year: € 47 thousand), due after 5 years: € 0 (previous year: € 0). In 2006, an amount of € 31 thousand was recognised in profit and loss.

Gross Fixed Assets Schedule

Fixed Assets Schedule for FY 2006

	Cost of purchase or conversion				
	Balance at 01.01.2006 €	Reclassifications €	Additions €	Disposals €	Balance at 31.12.2006 €
I. Intangible assets					
1. Concessions, industrial property rights and similar rights and assets, as well as licences in such rights and assets	9,290,668.50	5,572.82	4,369,646.13	(47,473.51)	13,528,413.94
2. Goodwill	9,779,375.22	0.00	0.00	0.00	9,779,375.22
	18,980,043.72	**5,572.82**	**4,369,646.13**	**(47,473.51)**	**23,307,789.16**
II. Property, plant and equipment					
1. Land and leasehold rights and buildings, including buildings on third-party land	3,526,172.97	(24,097.23)	32,947.04	0.00	3,535,022.78
2. Technical equipment and machinery	481,388.17	0.00	50,277.83	0.00	531,666.00
3. Other plant, operating and office equipment, furniture and fixtures	3,109,627.97	(5,572.82)	161,366.31	(570,372.65)	2,695,048.81
4. Assets under construction	30,647.06	24,097.23	2,595,765.14	0.00	2,650,509.43
	7,147,836.17	**0.00**	**2,840,356.32**	**(570,372.65)**	**9,412,247.02**
	26,127,879.89	**0.00**	**7,210,002.45**	**(617,846.16)**	**32,720,036.18**

Accumulated depreciation/amortisation					Net Amounts	
Balance at 01.01.2006 €	Reclassifications €	Additions €	Disposals €	Balance at 31.12.2006 €	Balance at 31.12.2006 €	Balance at 31.12.2005 €
4,585,562.85	(5,334.82)	4,809,970.66	(47,455.51)	9,342,743.18	4,185,670.76	4,615,105.65
2,196,158.77	0.00	0.00	0.00	2,196,158.77	7,583,216.45	7,583,216.45
6,781,721.62	**(5,334.82)**	**4,809,970.66**	**(47,455.51)**	**11,538,901.95**	**11,768,887.21**	**12,198,322.10**
667,183.67	0.00	82,757.04	0.00	749,940.71	2,785,082.07	2,858,989.30
360,539.63	0.00	31,043.82	0.00	391,583.45	140,082.55	120,848.54
2,001,429.78	5,334.82	359,626.00	(509,012.07)	1,857,378.53	837,670.28	1,108,198.19
0.00	0.00	0.00	0.00	0.00	2,650,509.43	30,647.06
3,029,153.08	**5,334.82**	**473,426.86**	**(509,012.07)**	**2,998,902.69**	**6,413,344.33**	**4,118,683.09**
9,810,874.70	**0.00**	**5,283,397.52**	**(556,467.58)**	**14,537,804.64**	**18,182,231.54**	**16,317,005.19**

Gross Fixed Assets Schedule

Fixed Assets Schedule for FY 2005

	Cost of purchase or conversion				
	Balance at 01.01.2005 €	Reclassifications €	Additions €	Disposals €	Balance at 31.12.2005 €
I. Intangible assets					
1. Concessions, industrial property rights and similar rights and assets, as well as licences in such rights and assets	9,104,866.73	7,500.00	4,500,720.06	(4,412,418.29)	9,200,668.50
2. Goodwill	9,779,375.22	0.00	0.00	0.00	9,779,375.22
3. Prepayments	7,500.00	(7,500.00)	0.00	0.00	0.00
	18,884,241.95	**0.00**	**4,500,720.06**	**(4,412,418.29)**	**18,980,043.72**
II. Property, plant and equipment					
1. Land and leasehold rights and buildings, including buildings on third-party land	2,217,402.05	0.00	1,308,770.92	0.00	3,526,172.97
2. Technical equipment and machinery	479,798.40	0.00	1,589.77	0.00	481,388.17
3. Other plant, operating and office equipment, furniture and fixtures	2,794,964.19	0.00	553,228.50	(238,564.72)	3,109,627.97
4. Assets under construction	0.00	0.00	30,647.06	0.00	30,647.06
	5,492,164.64	**0.00**	**1,894,236.25**	**(238,564.72)**	**7,147,836.17**
	24,383,906.59	**0.00**	**6,394,956.31**	**(4,650,983.01)**	**26,127,879.89**

Accumulated depreciation/amortisation					Net Amounts	
Balance at 01.01.2005 €	Reclassifications €	Additions €	Disposals €	Balance at 31.12.2005 €	Balance at 31.12.2005 €	Balance at 31.12.2004 €
4,939,696.69	0.00	3,914,620.13	(4,268,753.97)	4,585,562.85	4,615,105.65	4,165,170.04
2,196,158.77	0.00	0.00	0.00	2,196,158.77	7,583,216.45	7,583,216.45
0.00	0.00	0.00	0.00	0.00	0.00	7,500.00
7,135,855.46	**0.00**	**3,914,620.13**	**(4,268,753.97)**	**6,781,721.62**	**12,198,322.10**	**11,748,386.49**
585,264.82	0.00	81,918.85	0.00	667,183.67	2,858,989.30	1,632,137.23
323,774.45	0.00	36,765.18	0.00	360,539.63	120,848.54	156,023.95
1,954,121.48	0.00	277,002.66	(229,694.36)	2,001,429.78	1,108,198.19	840,842.71
0.00	0.00	0.00	0.00	0.00	30,647.06	0.00
2,863,160.75	**0.00**	**395,686.69**	**(229,694.36)**	**3,029,153.08**	**4,118,683.09**	**2,629,003.89**
9,999,016.21	**0.00**	**4,310,306.82**	**(4,498,448.33)**	**9,810,874.70**	**16,317,005.19**	**14,384,890.38**

Goodwill was calculated as follows

	2006 € '000	2005 € '000
Balance at 01.01.	7,582	7,582
Amortisation	0	0
Balance 31.12.	**7,582**	**7,582**

This includes goodwill associated with the corporate acquisitions of Colombine BVBA in the amount of € 3.2 million and **UNITED**LABELS Ibérica S.A. in the amount of € 2.6 million. Pursuant to IFRS 3 in conjunction with IAS 36, effective from FY 2005 goodwill accounted for at Group level is no longer subject to systematic amortisation.
Had the EBITDA margin, which forms the basis for impairment testing, been 10 % lower, the Group would have been required to adjust downwards the carrying amount of goodwill by € 1,856 thousand and that of property, plant and equipment by € 207 thousand.
In accordance with IAS 36, the impairment tests are performed for defined cash-generating units, which are contained within the segments Special Retail and Key Account. Within this context, the recoverable amount of the cash-generating units is determined by means of the fair value less costs of disposal or value in use. The fair value represents the best-possible estimate of the amount obtainable from the sale of the cash-generating units in an arm's length transaction between knowledgeable and willing parties at the balance sheet date. The fair value is determined on the basis of a company valuation method. The calculations are based on corporate forecasting covering a period of four years. These forecasts are based on past experience as well as expectations regarding future market development. The inflation-induced growth rate at the end of the four-year forecasting period was consistently assumed to be 2 % (previous year: 2 %). The discount rate was 9.2 % (previous year: 15 %) before taxes. There were no impairments in the period under review.

5. Deferred taxes

The deferred tax assets in the amount of € 3,413 thousand (previous year: € 3,363 thousand) comprise an amount of € 3,298 thousand for the carryforward of unused tax losses (previous year: € 3,298 thousand) as well as an amount of € 115 thousand (previous year: € 65 thousand) for temporary differences between the carrying amounts in the IFRS balance sheet and the tax base. Current deferred taxes amounted to € 516 thousand (previous year: € 181 thousand).

The composition of deferred taxes and changes during the financial year were as follows:

	Deferred tax assets		(Expense) Income
	31.12.2005 € '000	31.12.2006 € '000	2006 € '000
Loss carryforwards	3,298	3,298	0
Provisions for post-employment benefits	41	75	34
Other provisions	24	40	16
	3,363	**3,413**	**50**

The deferred taxes have been calculated on the basis of an average tax rate of 39.65 % (previous year: 39.65 %) for domestic entities. The domestic tax rate includes German trade tax computed on the basis of a "Hebesatz" of 440 % (a municipal percentage that varies depending on location), corporation tax of 25 % and a solidarity surcharge of 5.5 % on corporation tax. The loss carryforwards result from corporation tax as well as trade tax; they can be utilised for an indefinite period of time. Non-impairment was determined on the basis of medium-term planning.

Deferred tax assets are only recognised for tax loss carryforwards if the deferred tax assets are considered to be recoverable in the future. In the period under review, deferred tax assets in the amount of € 643 thousand (previous year: € 0) were recognised in connection with tax loss carryforwards not recognised in the prior year, as current financial planning suggests that loss carryforwards will be realisable to this extent. Of the deferred assets, an amount of € 1,799 thousand is attributable to corporation tax, including the solidarity surcharge, and € 1,499 thousand to trade tax. In total, no deferred assets were recognised for tax loss carryforwards amounting to € 3,387 thousand (previous year: € 4,234 thousand). These related solely to subsidiaries. As in the past, the deferred tax assets for the carryforward of unused tax losses only apply to **UNITED**LABELS Aktiengesellschaft.

6. Cash and cash equivalents

In the period under review, cash and cash equivalents rose from € 3,458 thousand to € 4,486 thousand. The interest rate for deposits was between 2.0 % and 2.5 %.

7. Liabilities

The type and scope of liabilities are presented in the following schedule:

31.12.2006		Repayment Schedule				
	Total amount	**Up to 1 year**	**1 to 5 years**	**More than 5 years**	**Secured amounts**	**Type of security**
	€ '000	**€ '000**	**€ '000**	**€ '000**	**€ '000**	
1. Payables to banks	6,073	3,656	1,175	1,242	2,747	Land charges
2. Trade payables	6,528	5,753	775	0	0	
3. Other liabilities	4,477	4,477	0	0	0	
	17,078	**13,886**	**1,950**	**1,242**	**2,747**	

31.12.2005		Repayment Schedule				
	Total	**Up to 1 year**	**1 to 5 years**	**More than 5 years**	**Secured amounts**	**Type of security**
	€ '000	**€ '000**	**€ '000**	**€ '000**	**€ '000**	
1. Payables to banks	5,219	3,811	797	611	1,488	Land charges
2. Trade payables	6,774	6,247	527	0	0	
3. Other liabilities	2,272	2,272	0	0	0	
	14,265	**12,330**	**1,324**	**611**	**1,488**	

The effective interest rates for long-term bank borrowings are between 3.5 % and 5.8 % (previous year: 3.5 % to 3.69 %). In 2006 the Company entered into a new long-term loan agreement for an amount of € 1,440 thousand; of this loan, an amount of € 38 thousand is due within the first year, € 304 thousand in the subsequent four years and € 1,098 thousand after 5 years. The effective interest rate is 5.8 %. The trade receivables are associated with standard reservations of title.

Other liabilities include € 314 thousand (previous year: € 142 thousand) in liabilities relating to social security.

Other liabilities include the remaining payment obligation associated with the acquisition of Colombine BVBA, Belgium, amounting to € 102 thousand in total. Furthermore, this item comprises liabilities attributable to invoices outstanding in the amount of € 817 thousand (previous year: € 529 thousand) and social liabilities, such as holiday pay, Berufsgenossenschaft (employee's industrial compensation society) and bonuses, totalling € 206 thousand (previous year: € 318 thousand).

8. Provisions for pensions

A defined benefit obligation exists for one member of the Management Board. As in the previous year, the full benefit obligation amounting to €1,052 thousand is non-funded.

Measurement and recognition of the benefit obligation and the expenses required to cover this obligation are performed by an actuarial valuer on the basis of the projected unit credit method prescribed by IAS 19 "Employee Benefits". As part of this method, besides pensions and benefits known at the reporting date, expected future increases in these factors are taken into account. Thus, the obligations and expenses will generally exceed those measured on the basis of the so-called "Teilwertverfahren" (relating to allocation from date of entry into service) set out in Section 6a of the German Income Tax Act (Einkommensteuergesetz – EStG), which stipulates the recognition of minimum amounts for financial reporting purposes under German accounting regulations.

The assumptions upon which the actuarial valuation of the benefit and costs is based have been presented in the following table:

Actuarial Assumptions	**2005**	**2006**
Interest rate	4.50%	4.50%
Rate of salary increase	2.50%	2.50%
Pension trend	2.00%	2.00%
Underlying biometric data	RT 2005 G	RT 2005 G

Actuarial gains and losses arising from experience adjustments and the effects of changes in actuarial assumptions are recognised only if the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting period exceeded 10% of the present value of the defined benefit obligation at that date. The portion exceeding this corridor is recognised as income or expense over the expected remaining working life of Mr. Boder.

The following table presents the changes in the present value of the defined benefit obligation (DBO) determined in accordance with IAS 19, having accounted for expected salary and pension increases:

Change in defined benefit obligation	**2005 (in €)**	**2006 (in €)**
DBO at Jan. 1	557,851	1,007,191
Service cost	38,792	65,782
Interest cost	33,471	45,324
Employee contributions	0	0
Effect of curtailments and settlements	0	0
Transfers not affecting profit/loss	0	0
Expected pension payments	0	0
Past Service Cost	0	0
Actuarial gains(-)/losses	377,077	(65,798)
- of which from experience adjustments	(33,809)	(65,798)
- of which from changes in actuarial assumptions	410,886	0
DBO at Dec. 31	**1,007,191**	**1,052,499**

As in the previous year, there were no plan assets in the 2006 financial year.
Reconciliation between funded status, as the difference between defined benefit obligation and plan assets, and provisions recognised on the balance sheet:

	31.12.2005 (in €)	**31.12.2006 (in €)**
Funded status	1,007,191	1,052,499
Unrecognised actuarial gains/(losses)	(549,865)	(463,369)
Provisions for pensions	457,326	589,130

The following table presents changes in pension provisions:

Change in provision for pensions	**2005 (in €)**	**2006 (in €)**
Provisions for pensions at Jan. 1	379,438	457,326
Net pension cost	77,888	131,804
Pension payments made	0	0
Provisions for pensions at Dec. 31	**457,326**	**589,130**

All pension costs were accounted for as staff costs, with the exception of interest cost. Interest cost is recognised within the financial result.
The total cost of the defined benefit obligation towards Mr. Boder is composed of the following items:

Net pension cost	**2005 (in €)**	**2006 (in €)**
Service cost	38,792	65,782
Interest cost	33,471	45,324
Amortisation of actuarial (gains)/losses	5,625	20,698
Net pension cost	**77,888**	**131,804**

9. Other provisions

Other provisions developed as follows in the period under review:

	Balance 01.01.2006	Reversed	Utilised	Allocated	Balance 31.12.2006
	€ '000	€ '000	€ '000	€ '000	€ '000
Other provisions	60		(60)	101	101
Provision for anticipated losses from goods returned	270		(270)	632	632
Litigation costs	19		(19)	8	8
Total provisions	**349**		**(349)**	**741**	**741**

At the beginning of the 2006 financial year, this item included provisions for anticipated losses associated with licence agreements, amounting to €60 thousand. These provisions were utilised in full over the course of 2006.

In 2006 provisions were made in the amount of €101 thousand for anticipated losses associated with inventory write-offs. The provision for anticipated losses from goods returned has been recognised because specific customers have the right to rescind the contract and return the goods. Revenue generated through these customers increased in 2006. The amount of the provision is based on an assessment made by management. The provisions have a term of up to one year.

10. Capital and reserves

As at December 31, 2006, share capital amounted to € 4,200 thousand, divided into 4.2 million no-par value bearer shares (”Stückaktien“ governed by German law).

On May 23, 2006, the General Meeting of Shareholders passed a resolution cancelling the authorisation previously granted for the purpose of increasing by May 17, 2010, the Company's share capital, subject to the consent of the Supervisory Board, in one of more stages by up to a total of € 1,800 thousand, through the issue of no-par value ordinary shares (so-called ”Stückaktien“ governed by German law) (Authorised Capital I). Instead, subject to the agreement of the Supervisory Board, the Management Board was given a mandate to increase the Company's share capital in one of more stages in the period up to May 22, 2011, by up to a total of € 2,100 thousand, through the issue of new shares against contribution in cash or in kind (Authorised Capital 2006).

Furthermore, the General Meeting of Shareholders decided that the authorisation granted on May 18, 2005, and valid until November 17, 2006, for the acquisition of own equity instruments shall be cancelled as of the date on which the new authorisation comes into effect. In accordance with Section 71 (1) no. 8 of the German Stock Corporation Act (Aktiengesetz – AktG), the Management Board was authorised to acquire the Company's own equity instruments in a proportion of up to ten per cent of current share capital. This authorisation is valid until November 22, 2007.

In accordance with the resolution passed by the General Meeting of Shareholders on April 3, 2000, the share option plan for employees has ended. No resolutions were passed for a new share option plan.

Net retained earnings (”Bilanzgewinn“, also referred to a unappropriated surplus) was as follows:

	€ '000
Unappropriated retained earnings brought forward	513
Net profit 2006	1,482
Allocation to other revenue reserves	0.00
	1,995

The effects of currency translation associated with foreign subsidiaries are accounted for in equity. Earnings per share are as follow:

Consolidated earnings per share	2006	2005
basic	€ 0.35	€ 0.19
diluted	€ 0.35	€ 0.19
Average shares outstanding		
basic	4,200,000 shares	4,033,333 shares
diluted	4,200,000 shares	4,033,333 shares

Consolidated earnings per share amounted to € 0.35 (previous year: € 0.19), calculated by dividing the net profit of € 1,482,143.07 by 4,200,000 (the number of shares outstanding). In view of the fact that 200,000 shares were issued as part of a capital increase executed in October of the previous year, the annualised average of shares outstanding was determined to be 4,033,333. The Management Board proposes a dividend payment of € 840 thousand (€ 0.20 per share; previous year: € 0.00 per share). The basic and diluted amounts are identical.

11. Financial instruments

Foreign exchange forward contracts are entered into for the purpose of hedging against currency risks. The notional volume of existing forward contracts at the balance sheet date was € 374 thousand (US$ 490 thousand); the fair value was € 372 thousand. Changes in the value of current derivatives in the amount of € 2 thousand were recognised in profit/loss and included in other liabilities. The remaining maturities are less than one year.

The notional volume represents the amount from which the payments are derived. The fair value corresponds to the amount that **UNITED**LABELS Aktiengesellschaft would have to pay or would receive at the balance sheet date if the hedge transaction were terminated.

12. Other financial obligations and contingent liabilities

Significant financial obligations are presented below:

	Total 2006 € '000	Total 2005 € '000
Orders to suppliers	3,093	3,782
Leasing agreements	140	323
Rental agreements	1,333	915
	4,566	**5,020**

Of these obligations, an amount of € 3,643 thousand (previous year: € 4,755 thousand) is due within one year.

The obligations arising from non-cancellable operating lease agreements for non-capitalised leased assets amounted to € 140 thousand (previous year: € 323 thousand) (due within one year: € 106 (previous year: € 153 thousand), due within 1-5 years: € 34 thousand (previous year: 170 thousand), due after 5 years: € 0 (previous year: € 0) and are on the basis of multiple-year lease agreements, mainly stipulating the return of the leased asset, or to a lesser extent, the transfer of title at the end of the lease period. Other operating expense includes leasing charges of € 119 thousand (previous year: € 123 thousand).

13. Cash flow statement

The cash flow statement reports cash flows of the Group over the course of the financial year. Within this context, cash flows are classified by operating, investing and financing activities (IAS 7). Payments associated with investing activities are presented in greater detail within the fixed assets schedule. These mainly relate to investments in usufructuary rights for licences and investments in the new logistics centre.

The cash outflows for income taxes paid and refunded amounted to € 262 thousand (previous year: € 354 thousand); those associated with interest payments were € 403 (previous year: € 378 thousand), while interest received amounted to € 131 thousand (previous year: € 90 thousand).

14. Segment reporting

Primary reporting format: segment reporting covers "Special Retail" and "Key Account".

Segment data derived from internal reporting was as follows:

2006

in € '000	Special Retail	Key Account	Group
Sales revenues	11,003	34,264	45,267
Segment expenses	(9,746)	(25,110)	(34,856)
Depreciation/amortisation	(1,155)	(3,976)	(5,131)
Segment result	**102**	**5,178**	**5,280**
Administrative expenses			(3,177)
Depreciation administration			(152)
Financial result			(272)
Result on ordinary activities			**1,679**
Taxes			(197)
Consolidated net profit/(loss)			**1,482**

	Special Retail	Key Account	Group
Segment assets (in € m)	12.7	20.6	51.9*
Segment liabilities (in € m)	3.9	8.6	18.2*
Capital expenditure (in € m)	1.6	5.4	7.2*

*) Administration is included in total Group assets with the amount of € 18.6 million; in segment liabilities it is included with an amount of € 5.7 million and in capital expenditure with an amount of € 0.2 million.

2005

in € '000	Special Retail	Key Account	Group
Sales revenues	10,187	30,087	40,273
Segment expenses	(9,939)	(21,053)	(30,992)
Depreciation/amortisation	(1,048)	(3,061)	(4,109)
Segment result	**(800)**	**5,973**	**5,172**
Administrative expenses			(3,660)
Depreciation administration			(201)
Financial result			(287)
Result on ordinary activities			**1,024**
Taxes			(254)
Consolidated net profit/(loss)			**770**

	Special Retail	Key Account	Group
Segment assets (in € m)	11.1	18.1	47.0*
Segment liabilities (in € m)	1.9	6.6	15.1*
Capital expenditure (in € m)	1.5	4.3	7.2*

*) Administration is included in total Group assets with the amount of €17.8 million; in segment liabilities it is included with an amount of €6.6 million and in capital expenditure with an amount of €1.4 million.
There were no segment revenues or expenses between the individual segments.

Secondary reporting format: - Geographical segments

The two business segments of the Group are divided into four geographical regions. The domestic region of the parent company – which is responsible for the core business activities – covers Germany, Austria and Switzerland. The main focus is on marketing textiles/apparel and giftware to major retail customers.
Trading revenue within the Group is generated mainly in Germany/Austria/Switzerland, France and the Iberian peninsula.

Sales revenue (in € '000)	**2006**	**2005**
Germany / Austria / Switzerland	20,525	16,908
Iberian Peninsula	9,603	10,368
France	8,713	7,899
Rest of the World	6,426	5,097
Group	45,267	40,273

Sales revenue is allocated to the country/region in which the customer has his registered office.

Total assets (in € '000)	**2006**	**2005**
Germany / Austria / Switzerland	33,875	28,232
Iberian Peninsula	8,329	9,709
France	3,049	2,923
Rest of the World	6,597	6,171
Group	51,850	47,035

The assets have been allocated to the country/region in which the customer has his registered office.

Capital expenditure (in € '000)	**2006**	**2005**
Germany / Austria / Switzerland	5,818	5,349
Iberian Peninsula	585	319
France	787	268
Rest of the World	20	459
Group	7,210	6,395

Capital expenditure has been allocated to the country/region in which the customer has his registered office.
Inter-segment transfers are calculated on the basis of the cost of purchase plus a percentage administrative surcharge. The latter was eliminated as part of consolidation.

D. Notes to Individual Items of the Consolidated Income Statement

1. Sales revenues

Sales revenue is divided into "Germany" and the "Rest of Europe".

	2006		2005	
	Revenue € '000	**in %**	**Revenue € '000**	**in %**
Germany	20,525	45	16,908	42
Rest of Europe	24,699	55	23,365	58
	45,267	**100**	**40,273**	**100**

2. Other operating income

This item mainly comprises exchange differences of € 175 thousand (previous year: € 111 thousand) as well as the asset value of a pension-related reinsurance obligation of € 41 thousand (previous year: € 40 thousand).

3. Cost of materials

As a result of higher sales revenue, cost of materials rose from € 21,404 thousand to € 24,568 thousand.

4. Amortisation of usufructuary rights

Amortisation of usufructuary rights, which comprises amortisation of product-related licences, rose from € 3,746 thousand to € 4,695 thousand.

5. Staff costs

Staff costs increased from € 5,627 thousand to € 6,011 thousand. This was attributable to the fact that the subsidiaries in the United Kingdom and Italy were included on the basis of a full annual period for the first time in 2006.

6. Amortisation of intangible non-current assets and depreciation of property, plant and equipment

Effective from the 2005 financial year, goodwill is no longer subject to systematic amortisation. Goodwill is tested for impairment at least once annually or more frequently if events or changes in circumstances indicate that it might be impaired (triggering events); it is carried at cost less accumulated impairment losses. In the 2006 financial year, none of the goodwill carrying amounts were considered impaired.
Additionally, as from 2006, all costs of the purchase of licence-specific usufructuary rights are recognised as intangible assets. Amortisation is performed according to the degree of usage and is presented as amortisation of usufructuary rights/royalties.

7. Other operating expenses

Other operating expenses mainly comprise distribution costs of € 3,293 thousand (previous year: € 3,161 thousand), trade fair/exhibition costs of € 73 thousand (previous year: € 439 thousand) and rental expenses of € 1,187 thousand (previous year: € 1,095 thousand). The remaining expenses consist of general administrative and operating expenses.

8. Interest expenses and income

Interest expense amounted to € 403 thousand (previous year: € 378 thousand) and relate to long-term loans, notes payable and factoring. Interest income rose to € 131 thousand (previous year: € 90 thousand).

9. Income tax expense

Income tax expense is calculated as follows:

	2006 € '000	2005 € '000
Current tax expense	248	254
Deferred tax expense	50	0
Total income tax expense	**198**	**254**

The following table outlines the reconciliation relating to deferred tax assets stated in the balance sheet and deferred taxes presented in the income statement:

	2006 € '000	2005 € '000
Consolidated result before income taxes	1,679	1,024
Applicable tax rate	39.65 %	39.65 %
Expected tax expense	666	406
Difference to foreign tax on income	119	(51)
Tax effect on non-deductible expenses	66	42
Tax effect of non-taxable income	(105)	(144)
Reversal of impairment losses for deferred tax assets	(643)	0
Tax effect attributable to utilisation of tax loss carryforwards not previously recognized	(115)	(244)
Tax effect of loss carryforwards for which no deferred tax assets were recognized in the current period	210	245
Effective tax expense	**198**	**254**
Effective tax rate	**11.8 %**	**24.8 %**

The domestic tax rate includes German trade tax computed on the basis of a "Hebesatz" of 440 % (a municipal percentage that varies depending on location), corporation tax of 25% and a solidarity surcharge of 5.5 % on corporation tax.

E. Other Notes and Information

1. Governing bodies

The Supervisory Board of the Company is made up of the following members:

Dr. iur. Jens Hausmann, Lawyer, Münster (Chairman)
Michael Dehler, Merchant, Managing Director of Compass Yachtzubehör Handels GmbH & Co. KG, Ascheberg (Deputy Chairman)
Prof. Dr. rer. pol. Helmut Roland, Chairman of the Board of Directors of FR Finance Relations AG, St. Gallen (CH)

An Audit Committee was established in 2004. The members of the Audit Committee are Prof. Dr. Helmut Roland (Chairman) and Michael Dehler.
The fixed component of total Supervisory Board compensation amounts to € 40 thousand (previous year: € 40 thousand). The Chairman of the Supervisory Board receives € 20 thousand p.a., and the two other Supervisory Board members receive € 10 thousand p.a. In addition, the members of the Supervisory Board received variable compensation which is calculated on the basis of 0.25 % of consolidated net profit (before payment of the variable compensation component); the maximum amount is € 10 thousand. Variable compensation amounted to € 11 thousand in 2006 (previous year: € 6 thousand). The members of the Audit Committee receive an additional € 2 thousand as compensation, the Chairman receives double this amount.
Prof. Dr. Helmut Roland holds 5,728 shares and Mr. Michael Dehler 441 shares. No shares are held by Dr. Jens Hausmann.
In addition to the duties performed for **UNITED**LABELS Aktiengesellschaft, the following Supervisory Board members are also members of the supervisory boards or similar bodies listed below:

Dr. Jens Hausmann:
- Parsch Schläuche Armaturen GmbH & Co. KG, Ibbenbüren; Sole Member of the Advisory Board
- Gansow Reinigungssystem AG Cleaning Systems, Bergkamen; Deputy Chairman of the Supervisory Board
- H. Brinkhaus GmbH & Co., Warendorf; Member of the Advisory Board
- Dr. Gansow AG, Bergkamen; Deputy Chairman of the Supervisory Board

Prof. Dr. Helmut Roland:
- Bohlen & Doyen AG, Wiesmoor; Member of the Supervisory Board
- FR Finance Relations AG, St. Gallen (CH); Chairman of the Board of Directors

The Management Board consists of:
Peter M. Boder, Diplom-Kaufmann, Münster (Chairman/CEO)

In total, Management Board compensation amounted to € 392 thousand. Management Board compensation comprises a basic salary and a variable component, the latter being calculated according to the attainment of targeted earnings and the performance of the Company's share price. The fixed compensation component for the 2006 financial year amounted to € 303 thousand; variable compensation of 5 % of the consolidated net profit of € 1,776 thousand, before taxes and Management Board bonuses, corresponded to € 89 thousand. In observance of Section 160 (1) no. 8 AktG, on October 31, 2005, Mr. Peter M. Boder issued a notification stating that he held 2.63 million shares in the Company (62.69 %).
Determined on the basis of IAS 19 requirements, an amount of € 87 thousand was allocated to provisions for pensions in connection with post-employment benefit obligations towards the member of the Management Board. The total amount of pension provisions recognised in connection with benefits accruing to the Management Board is € 589 thousand. As from the age of 65, Mr. Peter M. Boder is entitled to a monthly old-age pension of € 15,338.75 and an invalidity pension in the same amount (as from July 1, 2006, it increases by 2 % per annum calculated in relation to the prior year pension), as well as a widow's allowance equivalent to 60 % of the applicable old-age pension and an orphan's allowance. The agreed benefit package includes a guaranteed adjustment of the current pension in an amount of 2 % in relation to the prior year pension.

2. Number of employees

The headcount at the end of the financial year was as follows:

	2006	2005
Salaried staff	119	121
School-leaver trainees	6	6
	125	**127**

3. Corporate Governance

In accordance with Section 161 AktG, the Company issued a Declaration of Conformity as regards the German Corporate Governance Code and made it permanently available to shareholders on the corporate website at www.unitedlabels.com.

4. Employee share option plan

As at December 31, 2006, no options had been granted and no valid share option plan was in place. In May 2006, the General Meeting of Shareholders cancelled the provision within the Articles of Association formerly allowing contingently issuable shares for the purpose of employee participation schemes.

5. Professional fees

Professional fees accounted for as expense in the period under review in connection with the annual audit of the separate financial statements of **UNITED**LABELS Aktiengesellschaft and the consolidated financial statements amounted to € 55 thousand (previous year: € 10 thousand attributable to tax advisory services and € 60 thousand for the annual audit).

6. Related-party disclosure

In accordance with IAS 24, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

In addition to his 62% interest in **UNITED**LABELS Aktiengesellschaft, Mr. Peter M. Boder has a 100% shareholding in Facility Management Münster GmbH. **UNITED**LABELS Aktiengesellschaft occupies office premises in Gildenstraße 2j, which are leased to it by Facility Management GmbH. The amount received in 2006 was €80 thousand (previous year: €87 thousand).

Mrs. Alexa Boder acts on behalf of the Company with regard to legal issues (management of outstanding receivables); in 2006, she received €9 thousand (previous year: €9 thousand) for legal services rendered. Billings within this area are based on BRAGO (German statutory code regulating lawyers' fees). There are no separate agreements as regards fees.

All business transactions were effected on the basis of terms and conditions that are deemed standard practice within the marketplace.

7. Events after the balance sheet date

No significant events were recorded after the balance sheet date.

Münster, March 6, 2007
UNITEDLABELS Aktiengesellschaft
Management Board

gez. Peter M. Boder

F. Auditor's Report

We have audited the consolidated financial statements prepared by **UNITED**LABELS Aktiengesellschaft, Münster, comprising the balance sheet, the income statement, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements, together with the combined management report and Group management report for the financial year from January 1 to December 31, 2006. The Management Board of the Company is responsible for the preparation of the consolidated financial statements and the combined Group management report in accordance with IFRS, as adopted by the EU, as well as in compliance with the additional provisions set out in Section 315a (1) of the German Commercial Code (Handelsgesetzbuch – HGB). Our responsibility is to express an opinion on the consolidated financial statements and the combined Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the German Commercial Code and in compliance with German generally accepted auditing standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the financial position, financial performance and cash flows in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. An audit includes assessing, primarily on a test basis, the effectiveness of the accounting-related internal control system, as well as examining evidence supporting the amounts and disclosures in the consolidated financial statements and combined Group management report. The audit also includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles applied and the significant estimates made by the Management Board, as well as evaluating the overall presentation of the consolidated financial statements and the combined Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) HGB and give a true and fair view of the financial position, financial performance and cash flows of the Group. The combined Group management report is consistent with the consolidated financial statements, conveys the state of affairs of the Group and suitably presents the opportunities and risks associated with the future progression of business.

Düsseldorf, March 7, 2007
PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Ewig)
Wirtschaftsprüfer
(German Public Accountant)

(ppa. Schollmeyer)
Wirtschaftsprüfer
(German Public Accountant)

UNITEDLABELS Aktiengesellschaft, Münster

Income Statement for the period from 1 January to 31 December 2005

	2006 €	2005 €
1. Revenue	28,925,679.69	23,688,711.85
2. Cost of materials	(16,612,978.15)	(13,755,806.34)
3. Amortisation of usufructuary rights	(3,576,126.95)	(2,959,480.35)
	8,736,574.59	**6,973,425.16**
4. Other operating income	903,262.33	866,987.94
5. Staff costs		
a) Wages and salaries	(2,840,747.78)	(2,808,959.47)
b) Social security, post-employment and other employee benefit costs	(458,826.73)	(489,711.84)
of which for post-employment benefits €49,806.03 (FY €45,670.24)		
	(3,299,574.51)	**(3,298,671.31)**
6. Depreciation/amortisation and write-downs		
Amortisation and write-downs of intangible non-current assets and depreciation and write-downs of property, plant and equipment	(484,138.23)	(450,405.50)
7. Other operating expenses	(3,956,184.08)	(4,346,311.21)
8. Income from investments	226,528.01	698,169.92
- of which from affiliated companies: €226,528.01 (FY €698,169.92)		
9. Other interest and similar income	154,135.03	167,789.73
- of which from affiliated companies: €138,922.11 (FY €131,990.04)		
10. Write-downs of long-term financial assets and securities classified as current assets	0.00	0.00
11. Interest and other expenses	(132,916.00)	(84,264.75)
12. Result from ordinary activities	2,147,687.14	526,719.98
13. Taxes on income	(190,006.06)	0.00
14. Other taxes	(7,041.81)	(9,903.81)
15. Net profit for the period	**1,950,639.27**	**516,816.17**
16. Unappropriated retained earnings brought forward from the previous year	513,103.82	246,287.65
17. Allocation to other revenue reserves	0.00	(250,000.00)
18. Unappropriated surplus	**2,463,743.09**	**513,103.82**

UNITEDLABELS Aktiengesellschaft, Münster

Balance Sheet as at 31 December 2006

ASSETS	31.12.2006 €	31.12.2005 €
A. Non-current assets		
I. Intangible assets		
1. Concessions, industrial property rights and similar rights and values, and licences thereto	2,552,461.47	3,571,510.49
2. Goodwill	1,608,302.98	1,732,018.54
3. Prepayments	0.00	0.00
	4,160,764.45	**5,303,529.03**
II. Property, plant and equipment		
1. Land and leasehold rights and buildings, including buildings on third party land	2,785,082.07	2,858,989.30
2. Technical equipment, plant and machinery	15,531.04	18,462.55
3. Other equipment, furniture and fixtures, and office equipment	470,586.82	697,664.78
4. Prepayments and assets under construction	2,650,509.43	30,647.06
	5,921,709.36	**3,605,763.69**
III. Financial assets		
1. Investments in affiliated companies	8,136,583.53	8,136,583.53
2. Loans to affiliated companies	2,576,861.86	1,095,618.47
	10,713,445.39	**9,232,202.00**
	20,795,919.20	**18,141,494.72**
B. Current assets		
I. Inventories		
1. Finished goods and merchandise	5,595,500.03	6,091,543.63
2. Prepayments	54,221.14	239,235.70
	5,649,721.17	**6,330,779.33**
II. Receivables and other assets		
1. Trade receivables	4,987,494.40	2,430,395.70
2. Receivables from affiliated companies	3,428,924.86	4,177,598.86
3. Other current assets	1,949,540.18	1,915,019.58
of which with remaining term of more than one year: € 205,168.82 (FY € 165,678.32)		
	10,365,959.44	**8,523,014.14**
III. Cash, bank deposits, cheques	**3,756,521.50**	**2,662,443.80**
	19,772,202.11	**17,516,237.27**
C. Prepaid expenses		
of which discounts: € 96,100.08 (FY € 43,217.04)	**211,224.24**	**99,459.01**
Total assets	**40,779,345.55**	**35,757,191.00**

UNITEDLABELS Aktiengesellschaft, Münster

Balance Sheet as at 31 December 2006

LIABILITIES AND EQUITY	31.12.2006 €	31.12.2005 €
A. Capital and reserves		
I. Issued capital	4,200,000.00	4,200,000.00
II. Capital reserves	24,431,558.29	24,431,558.29
III. Other revenue reserves	250,000.00	250,000.00
IV. Unappropriated surplus	2,463,743.09	513,103.82
	31,345,301.38	**29,394,662.11**
B. Provisions		
1. Provisions for pensions and similar obligations	400,131.00	355,157.00
2. Other provisions	2,303,609.57	1,259,178.47
	2,703,740.57	**1,614,335.47**
C. Liabilities		
1. Payables to banks	2,843,451.69	1,531,274.67
of which with a remaining term of up to one year: € 326,362.98 (FY € 127,822.98)		
2. Trade payables	2,350,921.69	2,955,160.75
of which with a remaining term of up to one year: € 1,927,921.69 (FY € 2,690,160.75)		
3. Other liabilities	1,535,930.22	261,758.00
of which attributable to taxes: € 686,057.20 (FY € 136,896.78)		
of which attributable to social security: € 0.00 (FY € 68,830.82)		
of which with a remaining term of up to one year: € 1,535,930.22 (FY € 261,758.00)		
	6,730,303.60	**4,748,193.42**
Total liabilities and equity	**40,779,345.55**	**35,757,191.00**

Addresses

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