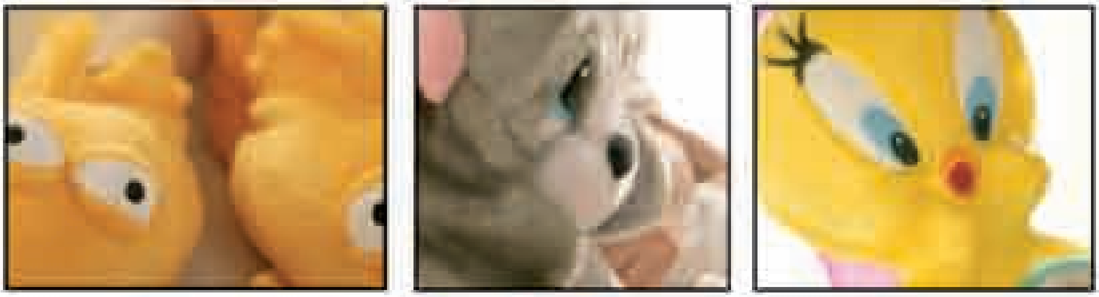
ANNUAL REPORT 2007

UNITED LABELS® COMICWARE

UNITEDLABELS AG



1987
Founding of **Duke** GmbH

1991
Founding of
UNITEDLABELS GMBH
First licence: Peanuts

1993
Disney licence added to portfolio

1998
Expansion of export business to France, the Netherlands and Spain
Founding of
UNITEDLABELS France S.A.R.L.

1999
Founding of
UNITEDLABELS Ibérica, S.A.

2000
"Neuer Markt", Frankfurt – IPO
Acquisition of **Colombine** b.v.b.a. (Belgium)
Acquisition of **Jocky Team** S.A. (Spain)

2003
Introduction of chinaware series Best of Mickey and Best of Snoopy

2005
Founding of
UNITEDLABELS Italia
Founding of
UNITEDLABELS Ltd. (UK)

2006
Opening of first airport store in Barcelona

2007
Launch of
House of Trends europe GmbH

MISSION STATEMENT

"Our company operates as an interface between the media industry and the retail sector. We design, market and distribute consumer goods at a global level. Focusing on the world's most successful cartoon brands, our goal is to generate enterprise value and growth for our customers and shareholders. This is the principle that guides our company – today and in the future."

Key Financials 2007

Key Financials 2007	2007 (€ '000)	2006 (€ '000)	Change
Revenue	43,232	45,267	(4.5) %
EBITDA	1,995*	2,540*	(21.5) %
EBIT	1,281	1,952	(34.4) %
Profit from ordinary activities	893	1,680	(46.8) %
Net profit	397	1,482	(73.2) %
Cashflow	2,268	7,375	(69.2) %
Earnings per share (€)	0.10	0.35	
Number of employees	134	125	
Number of licence agreements	64	63	

*incl. amortisation of usufructuary rights

CONTENTS

PETER BODER
CHAIRMAN OF THE
MANAGEMENT BOARD

Dear Shareholders and Business Associates,

The financial year 2007 was marked by a large number of changes at **UNITED**LABELS AG, including the restructuring of our Key Accounts segment in Germany and France, the outsourcing of part of our single-product business and the concentration of some of our non-country specific operations in Spain. These developments were reflected in our figures for the year under review. **UNITED**LABELS AG achieved consolidated revenue of €43.2 million and EBIT of €1.3 million. Consolidated net profit for the period was €0.4 million, with earnings per share of €0.10.

Although as a whole both the entire Special Retail segment and our international subsidiaries performed well, Group earnings fell below the figure for 2006 as a result of lower sales revenue in one particular area, the German Key Accounts segment.

In the Special Retail segment we were able to boost revenue by 20% to €13.2 million, with a corresponding increase in earnings of €0.5 million to €0.6 million. This indicates that the segment has now firmly established itself and is growing profitably. A number of factors were responsible for this development. The biggest jump was achieved by the German Special Retail segment with its Premium Retail concept and high-performing licences such as "The Wild Soccer Bunch (Die Wilden Kerle)" and "SpongeBob". By appealing to specific target groups, our strategy of dividing our collection into northern and southern Europe also produced significant increases. We achieved our targets in this area and expect to make further continuous and cost-effective gains in the business over the coming year. Our focus is on regional licences and collections that are particularly geared towards the Special Retail segment, in particular in those countries which retain a sound specialist retail sector.

Results in the Key Accounts segment varied between locations. Taken as a whole, our international operations showed a modest increase. Spain achieved the greatest success with growth of 48% to €4.3 million. This was attributable to the two new business areas Amusement and Mastersourcing.
Amusement combines our Leisure Park and Give Away activities. This licensed product area is very large and, since last year for the first time, is now also covered by **UNITED**LABELS in Spain.
Mastersourcing includes the entire collection design and the distribution of a product group for a single licensor, in our case Simpsons soft toys for 20th Century Fox. With the exception of North America, this means that every Simpsons soft toy from Australia to Mexico has been developed by **UNITED**LABELS. Our aim is to expand this area of our business, and we have now signed an agreement for another potentially very successful Mastersourcing licence in the form of "Angel Cat Sugar".

The German Key Accounts segment ended the year well below our expectations. It was distribution-related factors in particular that led to the cancellation of certain campaigns. In November of last year we appointed a new senior key accounts manager and thus laid the foundation for renewed growth in this segment in Germany. With a new distribution team in place, our aim now is to put all our efforts into achieving growth based on our successful licensing and product portfolio. The Key Accounts segment is and will remain the main driver in terms of revenue and earnings. Another challenge is that of expanding our UK operations. Although we were able to reduce our previous net loss by half in the year under review, we do not expect to achieve sustained profitability in this generally high-volume market until 2009.

In 2007 we also undertook a strategic realignment by pooling distribution activities within North, South and Central regions. In this way, special sales campaigns and responsibilities for specific regions should ensure that individual country campaigns are rapidly implemented. At the same time, we intend to support the marketing of our comicware products through campaign-related TV advertising and thus achieve greater visibility among end users.

The opening of our comicware store in Barcelona Airport towards the end of 2006 was a new departure for us. Following the successful completion of the test phase, we now plan to push forward with the expansion of new stores in all the major European airports by 2012.

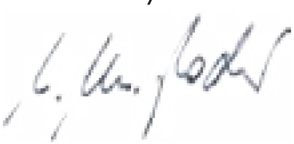
The best-performing licences of the last year were "The Wild Soccer Bunch (Die Wilden Kerle)", as well as classics such as "Snoopy", "Disney" and especially "The Simpsons". The great success of the first "Simpsons Movie" underlines the popularity of this particular theme and provided substantial impetus to sales.
Looking ahead to this year, the focus is on a number of new developments such as Disney's "High School Musical" and "Hannah Montana" as well as our more established themes. These will be complemented by a broad collection based around the brand new theme "Angel Cat Sugar". This demonstrates our commitment to offering new licensed products for all our target groups in response to current trends and interests.

Shareholders will not have been delighted by the performance of **UNITED**LABELS stock in the year under review. This was mainly due to the basic weakness of mid-caps. However, it does offer an opportunity to acquire shares in **UNITED**LABELS now at a more favourable price.
With prospects for the coming year looking very positive, as outlined above, the stock is also attractive on account of its high dividend yield. A dividend of €0.20 per share has been proposed to the General Meeting of Shareholders to match that of last year.

The Western European licence market in which **UNITED**LABELS AG operates still offers tremendous potential, and our licence products in the Entertainment/Characters segment remain very popular.
We are represented in all the major European countries and are well placed to move forward. Both the Special Retail and Key Accounts segments are profitable, and we aim to attract new customers and partners with a series of new licence themes and product ideas. Our Mastersourcing, Amusement and Airport Shop operations are still in the early stages of development, and each one has great potential.
We believe this strategy offers excellent prospects for growth in sales and earnings.

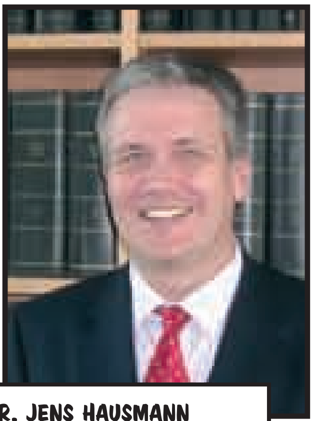
I wish to thank all our business partners, the members of the Supervisory Board and particularly our staff for their work and their ideas on behalf of **UNITED**LABELS. I would also like to express my gratitude to you, our shareholders, for the confidence you have placed in us and hope you will continue to support us over the coming years.
It is my firm belief that there is no better time than the present to be a customer, employee, partner or shareholder of **UNITED**LABELS AG.

Yours sincerely



Peter Boder, CEO

REPORT OF THE SUPERVISORY BOARD



DR. JENS HAUSMANN
CHAIRMAN OF THE SUPERVISORY BOARD

The main focus of the Supervisory Board's work in the financial year 2007 was the action taken to ensure that the success we have enjoyed in recent years continues. This included addressing the downturn in the company's Key Accounts business and the performance of our British subsidiary, United Labels UK Ltd., which remained below expectations in 2007. The Supervisory Board examined the reasons behind these developments and evaluated the measures taken to correct them. Other specific issues requiring the attention of the Supervisory Board during the year under review were the future development of the company, impairment testing, the valuation of equity interests and licences as well as issues relating to the audit of company and Group financial statements.

The Supervisory Board approved the staffing measures of the Management Board in relation to the Key Accounts segment and the management of international distribution, in particular with regard to our British subsidiary.

We also examined the proposed concept to outsource the distribution of socks in the entry-level/low-budget segment to an independently run subsidiary ("House of Trends GmbH") and gave our approval.

The Supervisory Board approved the merger of Colombine B. V. into United Labels Belgium B. V. and the continuation of the share buy-back programme introduced in the previous year.

As required by the German Corporate Governance Code, the Supervisory Board conducted an efficiency test in the year under review and assessed the results at its meeting in November. As a result of this inspection of its own activities, the rules of procedure for the Supervisory Board were revised. At the same meeting, members of the Supervisory Board discussed the application of the principles of the Corporate Governance Code in its latest form dated June 14, 2007, with regard to management of the organisation. It is the Board's view that the company has complied with the recommendations of the German Corporate Governance Code with only a few minor exceptions. Accordingly, it approved the Declaration of Conformity, including the specified departures from the said recommendations.

A close rapport was maintained at all times within the Supervisory Board and between the Supervisory and Management Boards. As a result, no objections were raised. In total, the Supervisory Board held four meetings at regular intervals in the financial year 2007. In addition to scheduled meetings, resolutions were adopted on a few occasions by circulation. The Management Board provided regular information in verbal and written form at meetings of the Supervisory Board and, as important events arose, between meetings. Members of the Supervisory Board always received the information they needed to prepare their meetings in good time. Furthermore, the Chairman of the Supervisory Board was informed regularly and in a timely manner by the Management Board about material developments and decisions.

The Audit Committee, which is made up of Supervisory Board members Prof. Dr. Helmut Roland and Michael Dehler, held three meetings in the year under review. In the first of these, the committee dealt with the audit of the financial statements for the Company and the Group for the financial year 2006. The second meeting established the main focal points for the interim and year-end audits to be conducted by the statutory auditor. Following the reduction in taxation rates, it was expected that deferred tax assets would be derecognised, with a corresponding impact on profit.

The interim audit produced no significant findings. The focus of the audit was on the assessment of carrying amounts for goodwill, licences and valuations for equity holdings, loans and amounts receivable from affiliated companies. The Audit Committee discussed the results of the interim audit in its last meeting.

The auditor PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, which was elected by the Annual General Meeting of Shareholders on 22 May 2007, inspected the financial statements for the company pertaining to the year 2007 as drawn up by the Management Board, including the company's accounts and the management report. Among the main focal points of this audit were the carrying amounts for goodwill, equity interest carrying amounts and licences. Other areas that were specifically examined included set-up costs for the new logistics centre, which began operation in spring 2007, the reversal of deferred tax assets, intra-Group supplies and services and the valuation of inventories and receivables. The statutory auditor also looked at the measures taken by the Management Board to ensure that risks that could threaten the success and existence of the organisation as a going concern are identified at an early stage, and assessed whether these measures were being implemented by the Group's subsidiaries. IT systems were also included in the auditor's inspection.

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

During their meetings in February and March of this year, the Supervisory Board and the Audit Committee conducted an independent examination of the financial statements, the consolidated financial statements and the combined management and Group management report as well as the related-party disclosure. These meetings of the Supervisory Board and the Audit Committee were attended by a representative of the appointed auditor, who furnished a report relating to the audit. Following its own assessment, the Supervisory Board concurred with the outcome of the audit and approved the financial statements and consolidated financial statements for the financial year 2007. The financial statements for the company are thereby adopted. The Supervisory Board raised no objections to the management report or the related-party disclosure report. The Supervisory Board hereby approves the proposal of the Management Board to pay shareholders a sum of €840,000.00 in the form of a dividend of €0.20 per qualifying share out of the unappropriated surplus for 2007 of €2,453,335.68 and to carry forward the remaining sum of €1,613,335.68, together with the amount of dividend notionally corresponding to the company's treasury shares, to new account.

Münster, March 2008

On behalf of the Supervisory Board

Dr. Jens Hausmann (Chairman)

Popular cartoon characters are very marketable

They are there when you open your newspaper in the morning, and on your way to work, the office or the supermarket, they have a habit of reappearing. Then, in the afternoon or evening they entertain whole generations, keeping them glued to the TV set. The everyday heroes or stars of the cartoon world, Donald, Mickey, SpongeBob, Peanuts and the rest of them are ever-present. Wherever they appear, they always raise a smile, and that is why everyone wants to have them. Items featuring popular and well-known cartoon characters have huge merchandising appeal to customers.

The world's largest media consortiums hold the rights to these cartoon figures. They are the ones who ensure the characters have a strong media presence – and increased brand recognition as a result. Feature films and TV series are also popular and successful ways of raising awareness, turnover and demand for such comic heroes.

Once a cartoon character becomes popular, consumers feel an increasing urge to reach and touch their favourite on-screen heroes or hold one of the products in their hand. Branded merchandise manufacturers like **UNITED**LABELS benefit from this trend. We bring the TV and cinema stars as licensed products from the big screen to the living room. The benefits to both licensor and licensee are that cartoon characters have a high customer recognition and identification factor, ensuring long-term product demand.

From screen to product

Media giants like Disney, 20th Century Fox, Nickelodeon and many others create these familiar cartoon heroes in their media and film productions. They put them in the public domain and hold the copyright for them.

UNITEDLABELS is both a licensee and producer of branded merchandise in the cartoon character market. In the product realms of apparel, soft toys, giftware and accessories, it turns popular TV and cinema figures into real stars that people can reach out and touch. For many years now **UNITED**LABELS has performed this role as a high-performing partner – for both rights holders and retailers.

ASSORTMENT OF LICENSE PRODUCTS

Plush

Accessoires

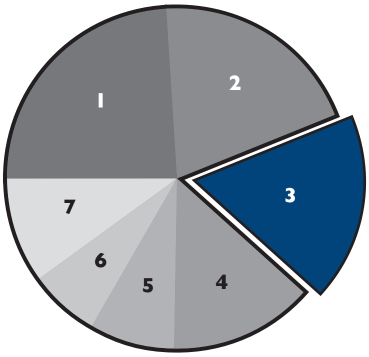
Ceramic

Games

Apparel

Hometextiles

RETAIL SALES OF LICENSED MERCHANDISE, BY PROPERTY TYPE, U.S. & CANADA 2007 (TOTAL: 68,7 USD)



1	Trademarks/brands	24.3 %
2	Sports	19.9 %
3	**Entertainment/ character**	**17.8 %**
4	Apparel	13.4 %
5	Toys/games	8.2 %
6	Videogames/software	6.7 %
7	Other	9.8 %

Source:
The Licensing Letter © 2008 EPM Communications, Inc.

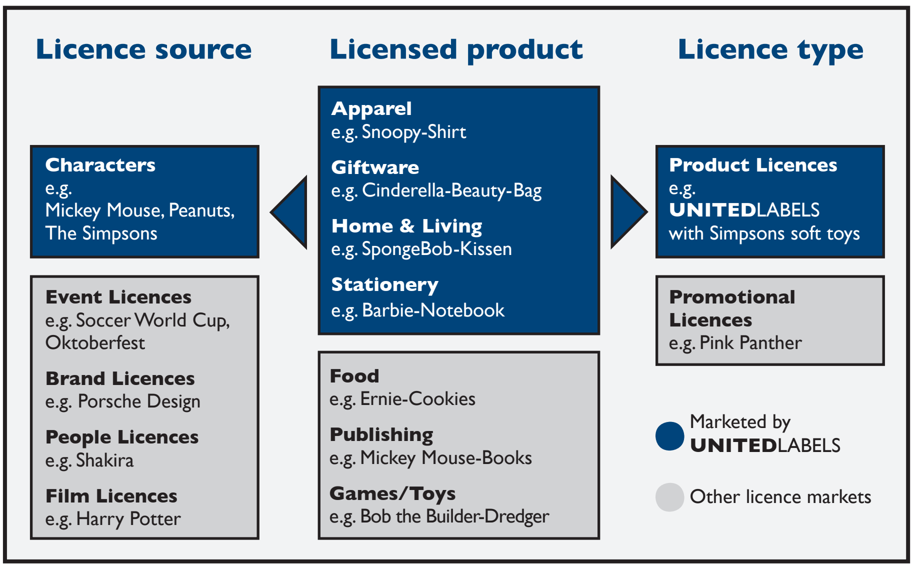
Profitable market for licensed goods

Licensed products are in demand on every continent in the world. The entertainment/character segment is benefiting from the ongoing rise in the number of TV channels or cartoon series. Many cartoon characters even appear on early evening programmes – making them increasingly popular with adults as well as children. **UNITED**LABELS has all the well-known licences in its portfolio, which allows it to cater to all age groups and tastes. The cartoon character licensing business is centred on the entertainment/character segment, which is one of the largest in the licensing market as a whole. This segment keeps generating higher and higher turnover figures for licensors and licensees. For instance, in the past year, the Simpsons feature film generated record sales and increased demand for what were already highly popular licensed products – to the benefit of **UNITED**LABELS.

Global sales of licensed products are estimated to be in the order of USD 108 billion. In the year 2007, sales in the US and Canada reached USD 68.7 billion. The entertainment/character segment, with a turnover of USD12.2 billion, accounted for a fifth of the entire North American market. In other words, the entertainment/character segment of the licensed products business enjoys a significant share of this high-volume market.

UNITEDLABELS and the essence of the licensing business

The three key pillars of the licensing business are licence source, licence product and licence type. Licence sources include event licences, brand licences, people licences and film licences. The preferred licence source of **UNITED**LABELS is characters. Licensed products also fall into a number of segments, which are all offered by **UNITED**LABELS: apparel, accessories, giftware and soft toys. There is also a further distinction made between promotional licences and product licences. **UNITED**LABELS is a licensee of product licences.



Key factors in the marketing of licensed goods

UNITEDLABELS is the only company that offers such a large, European-wide product portfolio of the most popular cartoon character licences via the key distribution channels. By driving the development, production and licensed marketing of its products, UNITEDLABELS controls all the key factors for success in the licensed goods domain.

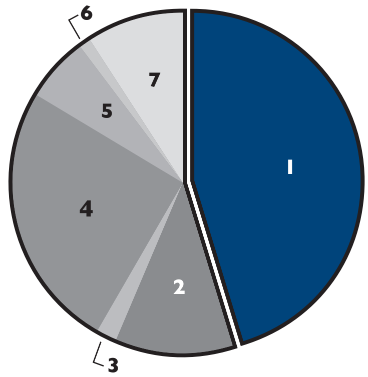
Three key factors determine the success of the licensed products business – all of which **UNITED**LABELS has mastered for years now: successful and popular licences, development of high-demand product lines and appropriate distribution solutions.

The first factor is the licensing theme. If the theme is popular, it usually sells well. Experience has shown that licensed products immediately become best-selling items as soon as they gain popularity. **UNITED**LABELS naturally maintains many popular licences in its portfolio, as they affect and ultimately determine the success of the entire company.

The second key factor in the successful marketing of licensed cartoon figures is product range. Cartoon characters and licensed cartoon products generate a sense of happiness among shoppers and have strong emotional appeal to customers – they put a smile on their face as soon as they see them. This is why products tend to be presented in theme and product realms. Strategic selection of products is crucial to this process. With the help of its own design team, **UNITED**LABELS has made it its mission to create a unique product line for every licence and reflect current trends in each product and target group.

The third and most important factor is the sales network. After all, only those products that actually make it to the shelves of large numbers of retailers can ever be sold to consumers. **UNITED**LABELS assumes pole position between licensor and retailer and aims for blanket coverage. As it has many years of experience in the business, it is able to offer suitable solutions for licensors and retailers. While many other producers and distributors of licensed products are finding it increasingly difficult to gain access to key shelf space, **UNITED**LABELS already has assured access. At the same time, **UNITED**LABELS is able to draw on its considerable expertise to determine product development and product design. This reduces the licensor's workload and also means the retailer has the luxury of receiving an entire product range from a single source.

DIRSTRIBUTION OF LICENSED MERCHANDISE BASED ON ENTERTAIN-MENT/CHARACTER PROPERTIES, U.S. & CANADA, 2007



1. Discounters	**45 %**
2. E-Commerce	11 %
3. Mail Order	2 %
5. Specialty Stores	25 %
6. Department Stores/ midtier	6 %
7. TV Shopping	1 %
8. Drug, variety, food & convenience	9 %

Source:
The Licensing Letter © 2008 EPM Communications, Inc.

PEANUTS © UFS, Inc.

BUSINESS MODEL

UNITEDLABELS IN POLE POSITION BETWEEN LICENSOR AND RETAIL

SELECTION OF THE BIGGEST LICENCE PARTNERS

The centrepiece is the licence portfolio

The centrepiece of **UNITED**LABELS is the licence portfolio. This is why it is constantly reviewed to ensure the most popular and well-known cartoon characters are included in the range. The portfolio at the end of 2007 comprised a total of 64 licensing agreements. This included classic licence themes, newcomers, film themes and national favourites. Some of the top sellers for many years now have been successful licences like the Simpsons, Peanuts, Mickey Mouse and Snoopy. The Simpsons, boosted by the arrival of the first Simpsons feature film, have proved very popular. The German series "Die wilden Kerle" also boomed in 2007, and we were able to leverage this through specialist retailers. Another successful newcomer was SpongeBob SquarePants. A new sexy licence has been added in the form of Betty Boop, for which **UNITED**LABELS is anticipating strong demand in 2008.

By maintaining many different locations in Europe, **UNITED**LABELS always has an ear to the ground in each market, allowing it to respond to local trends or buyer preferences by supplying appropriate products. It allows all age groups within the European licensed product market to be reached and successfully catered for. Licensing agreements are signed for one to three years and can be extended in plenty of time to address local demand. Newcomers and promising cartoon characters can also be included in the licence portfolio to ensure a balanced portfolio of attractive themes is maintained at all times. This facilitates business planning and helps ensure commercial success. **UNITED**LABELS always has a keen eye to the future.

NUMBER OF LICENCE AGREEMENTS: 64

NUMBER OF CHARACTERS: 380

Sophisticated design and product development

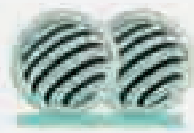
The aim of the design and product development department is to combine lifestyle aspects and the defining features of a licence within each product as a way of keeping our customers interested. It is also vital to address national style trends. For this reason, **UNITED**LABELS has its own design teams in Belgium, England, France, Spain and Germany. This ensures products are tailored precisely to particular national tastes and trends. Over the past few years, **UNITED**LABELS has won various prizes and nominations in a range of different categories, such as design, graphics, product development and overall commercial performance. This spurs our creative team on to keep coming up with the best possible designs.

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

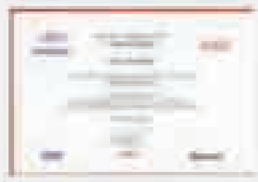
2002, 2003 und 2006 – International Honey Award – Licensee of the Year

GRAPHIS PackagingDesign9

2004 – „Graphis PackagingDesign9"

2004 – Design-award of the DDC

2006 – Finalist Entrepreneur of the year



2006 – Europe's 500 – Entrepreneurs for Growth

BUSINESS MODEL - LICENCE PORTFOLIO

The Simpsons

Nick SpongeBob Schwammkopf

Angelcat Sugar

Die Wilden Kerle

Family Guy

Oui-Oui

Disney's Kleine Einsteins

Disney · Pixar Cars

Polly Pocket

Emily Erdbeer

Peanuts

Bratz

DreamWorks Kung Fu Panda

Bob der Baumeister

Sad Sam Honey

Enchanted

Open Season

hopla

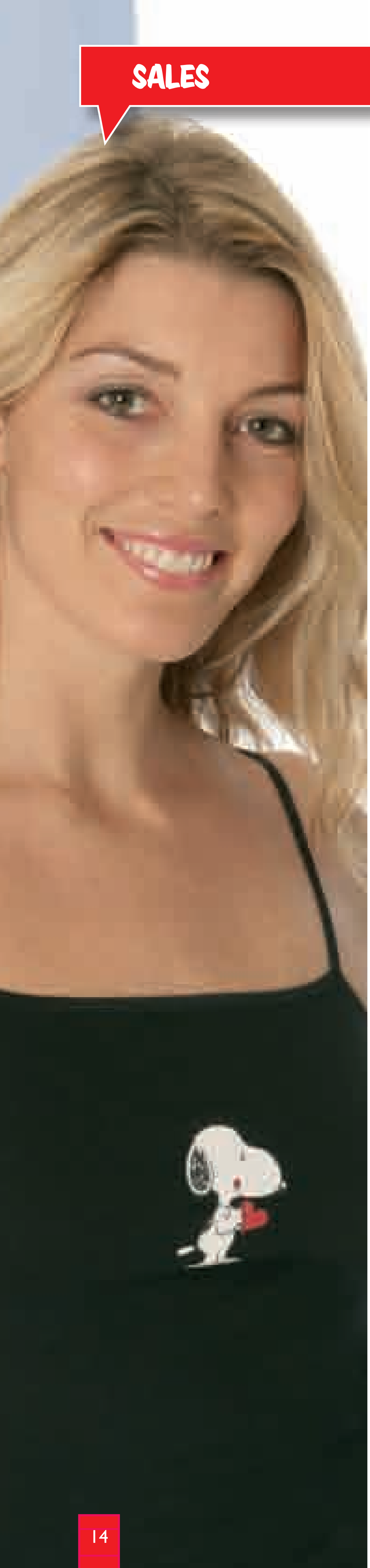
Betty Boop

Looney Tunes

Thomas & seine Freunde

Pucca

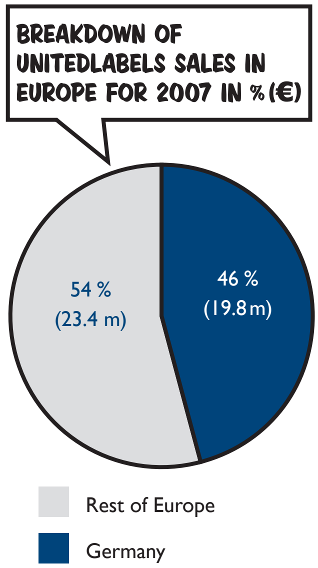
BOH!



Blanket coverage guarantees pan-European sales

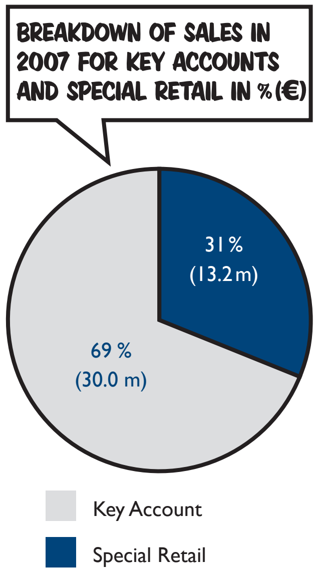
UNITEDLABELS is an international company. Its distribution structure has been expanded over recent years to cover the whole of Europe. This has meant that more than half of all sales are generated in European countries other than Germany. This not only creates greater marketing potential but helps balance out any demand fluctuations in individual countries. For this reason, distribution networks in the United Kingdom, France, the Netherlands, Belgium, Italy and Spain have all been expanded. Italy and the United Kingdom in particular offer enormous potential for comicware sales, which will be explored further in 2008, following some restructuring measures.

Local presence puts **UNITED**LABELS in an ideal position to leverage and address individual markets, trends and purchasing patterns. Over the past few years, **UNITED**LABELS AG has developed great market penetration, and now distributes its merchandise in more than 52,800 sales outlets of various trading companies



Distribution channels: wholesalers and specialist retailers

As indicated in the reference to product segments, **UNITED**LABELS distributes its merchandise primarily via wholesalers and specialist retailers. Wholesale business currently constitutes two-thirds of all sales. **UNITED**LABELS follows retail trends by supplying tailor-made products and marketing solutions that bring point of sale and wholesalers together. In the specialist retail trade, **UNITED**LABELS serves a host of independently managed specialist retail stores in many different areas. For this particular clientele, a distinct product range has been developed that can always be delivered within 48 hours.



Number of items sold

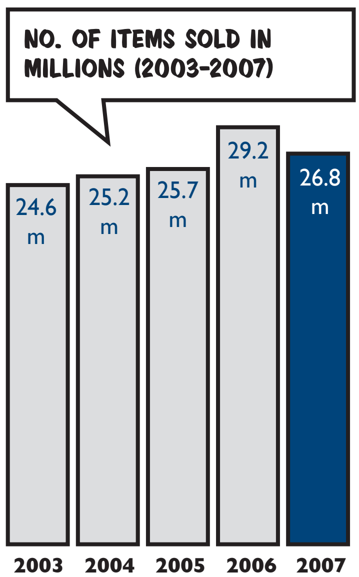
Cartoon products have widespread appeal and are very much in demand. In 2007 alone, **UNITED**LABELS sold around 26.8 million items. This represents an enormous number of individual sales processes, for which we can be justifiably proud. Such success was achieved via an extensive distribution network of wholesalers and retailers that includes more than 3,600 trading partners in 15 different countries.

NUMBER OF OUTLETS

2007: 52,800

NUMBER OF SOLD ITEMS

2007: 26,8 million




2. Cinderella- oder Dornröschen-Uhr
5,99
3. Cinderella- oder Dornröschen-Kissen
PEANUTS
2er-SET
9,99
oopy Handtuch
7,98
Rucksack mit Reflek-toren
Schwammkopf
Stoff-Figur
3,98
8,98
2,49
5,98
1,98
1,69
4,99

Key account segment

UNITEDLABELS AG sees its main growth potential in the key account segment. The trend is increasingly towards high volume sales in the mega stores of major retail chains, and **UNITED**LABELS will continue to leverage this growth. The expansion of major trading groups gives rise to equally good sales potential in markets like Eastern Europe. Irrespective of this growth within Europe, **UNITED**LABELS will be increasing the amount of shelf space taken by existing customers. New licences and additional licensed products will create new incentives to purchase merchandise and increase revenue even further. **UNITED**LABELS has developed four special marketing strategies for the many different forms of retail trade: concept marketing, my comicworld, permanent listings and promotional business.

Concept marketing – realms of experience

This form of concept marketing is unique to **UNITED**LABELS. It involves entire product realms specially developed by **UNITED**LABELS to make shopping a real experience for both the trade and the consumer. The concept of one-stop shopping allows customers to buy several complementary products in one store, since a host of products featuring the same cartoon character are offered on the same shelf. Retailers also have the opportunity to procure these product realms from a single supplier – i.e. **UNITED**LABELS – as a full-service package. This simplifies the procurement process and makes **UNITED**LABELS an attractive business partner.

KEY ACCOUNT PARTNERS IN 2007

114 retail partners

49,200 outlets

RETAIL PARTNERS

Kaiser's Tengelmann
Netto
Netto Marken-Discount
Carrefour
Müller
Norma
Baur
Karstadt
Woolworth
3 Suisses
Kloppenburg
El Corte Inglés
Auchan
Lidl
Plus

My comicworld – the complete service

With its "My comicworld" concept, **UNITED**LABELS offers complete, regularly stocked displays filled with the very latest products. Textiles, glass, porcelain, ceramics and giftware of the most "in" licences can be supplied to suit individual customer preferences. **UNITED**LABELS develops new concept themes at regular intervals to ensure the displays always have up-to-the-minute appeal. The general set-up and assortment is discussed with the customer regularly over the course of the year and they are kept informed about the latest products and current trends. The "My comicworld" concept gives **UNITED**LABELS direct access to consumers and allows it to maintain a year-round retail presence.

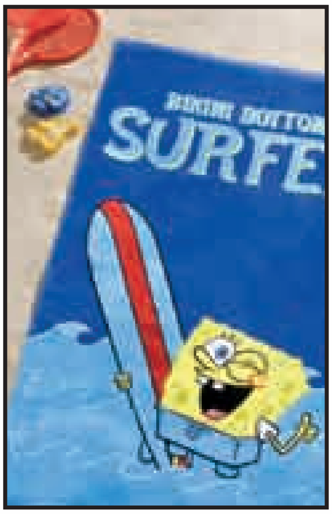
Permanent listings – always on the shelf

NOS (never out of stock) listings of classic licensed merchandise are also used by **UNITED**LABELS to maintain year-round retail presence. The products of well-known and popular licences are always in the shops. Changing motifs create new product images and renewed motivation to buy the merchandise. The items used are specially tailored to the needs or trading conditions of each retailer. These licensed products can be ordered all year round, and **UNITED**LABELS guarantees their immediate availability.

Promotional business – high-volume individual products

As well as the concept of permanent stock items, single-product business has also proved its worth. Large-volume promotional business involves the marketing of a single item or a limited range of discounted specials over a certain promotional time frame. Promotional business of this kind delivers great economies of scale on the production side, as the entire volume of sales is based on a single item.

In an all-out assault on the discount market, the discount brand "House of Trends" was launched in 2007. In this segment, the new House of Trends subsidiary focuses on lean corporate structures and a small number of products.



RETAIL PARTNERS


Cinderella

Specialist retail

Within the second business segment, Special Retail, **UNITED**LABELS offers individual and more sophisticated products in the high-end price category. Concepts specially designed for this sector help specialist retailers to maintain their point of difference despite prevailing price pressures.

The specialist retail market enjoyed extremely positive growth in the past financial year. Sales revenue rose by 20% and earnings were well above average. In particular, the licence themes of "The Simpsons", "Die Wilden Kerle" and "SpongeBob SquarePants" gave this segment a real boost.

For instance, the 2007 Simpsons feature film had the effect of driving up the already high demand for Simpsons products and making the characters even more popular than before. This had a palpable impact on sales figures. Equally, classics like "Peanuts" remain an enduring feature of the specialist retail assortment and will retain their rightful place on the shelves.

In other countries like Spain and Italy specialist stores have always been successful. The main priority for **UNITED**LABELS is to supply specialty stores in countries like Germany, Spain, Italy and Portugal. By increasing product presence in these markets and fine-tuning the product assortment, the aim is to generate further growth in revenue.

SPECIALIST RETAIL PARTNERS IN 2007

2,900 retail partners

4,200 outlets

PRODUCT RANGE CINDERELLA FOR SPECIALIST STORES

Cushion

Beauty Case

Jewellery Box

Mug

Alarmclock

Bowl


BEST
OF
MICKEY


BEST
OF
SNOOPY


BEST
OF
DONALD

"Best of"– the very best for specialist retailers

Anyone with a penchant for exclusive porcelain collections, high-quality giftware and cool accessories need look no further than **UNITED**LABELS. In launching its "Best of" series in 2003, **UNITED**LABELS moved into the world of exclusive porcelain collections and gained a foothold in the high-end retail market. "Best of Mickey", "Best of Snoopy" and "Best of Donald", however, are more than just premium brands in the porcelain and giftware market. They also pay homage to the three most well-loved cartoon heroes of all time. For everyone who has grown up with these cartoon stars, the "Best of" series is the very best buy.

The various decorative lines cater to different tastes and colour preferences. The product assortment ranges from cups (espresso cups, cappuccino cups and coffee mugs), plates (side plates, pasta bowls and dinner plates) and shallow dishes to egg cups, table accessories (milk jugs, sugar bowls, salt and pepper sets), paper serviettes, placemats and metal tins. Milk and juice dispensers, individual breakfast boards, dinner plates and pasta dishes complete the range. "Best-of" product lines are available from selected stores in 30 different countries worldwide. In Germany there were 225 such points of sale last year and there are plans to extend this number in the coming year.

New in the Best of-Sortiment: cuttingboards

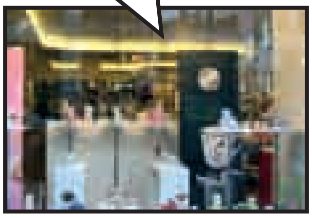
"BEST OF" IN 30 COUNTRIES - WITH 800 RETAIL PARTNERS

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

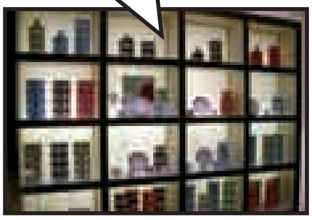
CHINA, SHANGHAI

DENMARK, SALLING

GERMANY, HAMBURG

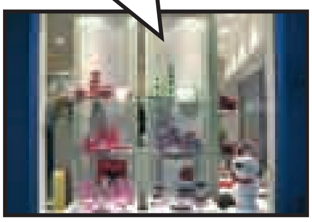


JAPAN, TOKYO



RUSSIA, MOSCOW

GERMANY, TIMMENDORFER STRAND



Airport shop becomes flagship store in Barcelona

The comicware store at Barcelona Airport has proved a successful model. The airport shop is situated in the heart of the shopping area of an airport frequented by 32 million passengers every year. They are able to shop for comicware products from the **UNITED**LABELS collections from 6:00 a.m. until 9.30 p.m. on 363 days of the year.

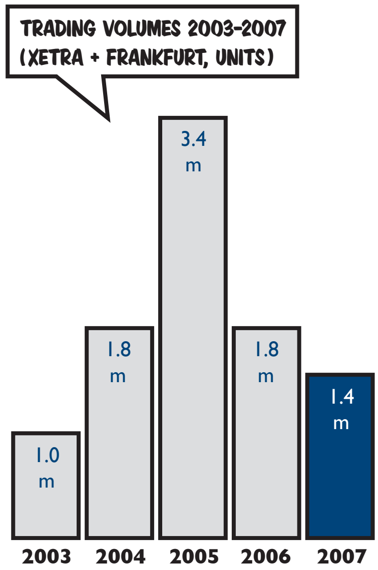
In the next few years, further airport stores are planned at all major European airports. The aim is to open at least two stores per year. The inherent challenge here is the long lead-time required by airports from notice of tender to opening of store. Interested and potential shop owners have their hands tied when it comes to these processes, which, however, does not affect the feasibility of the stated targets.


UNITED
LABELS
STORE

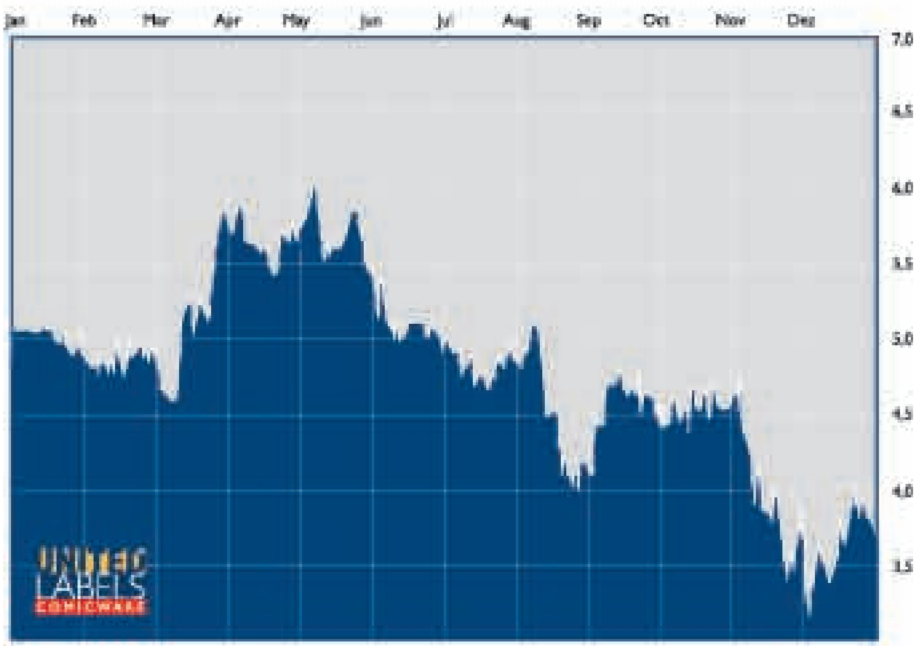
Fall in share price offers great buying opportunity

Overall, 2007 was a difficult year on the stock exchange – especially for small- and mid-caps. After the above-average increases of recent years, the markets took a pause for breath in 2007, with attention increasingly falling on the DAX, MDAX and SDAX. **UNITED**LABELS stock was unable to escape this trend and also dropped back.

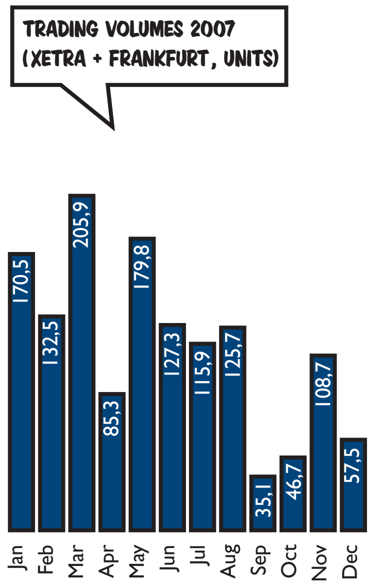
For both private and institutional investors this presents a good opportunity. The business model adopted by **UNITED**LABELS AG has not changed. Thanks to its wide-ranging portfolio of licences and products, the strength of its European distribution network and its solid financial base, **UNITED**LABELS is extremely well placed to achieve successful growth in 2008. Investors now have an opportunity to acquire the stock at an excellent price and participate in the company's future success. In 2006, for the first time, shareholders received a dividend of €0.20 per share. The dividend proposal to be put to the General Meeting of Shareholders for the financial year 2007 is again €0.20 per share. Based on a closing price of €3.47 and a dividend of €0.20 per share, this corresponds to a dividend yield of 5.8%.



Performance of **UNITED**LABELS' shares in 2007 (Xetra, in €)



Share performance



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 Boder, CEO	62.6 %
Free Float	37.4 %

Designated Sponsor
HSBC Trinkaus & Burkhardt KGaA

Share buyback

In June the Management Board of **UNITED**LABELS AG decided, on the basis of the mandate from the Annual General Meeting of May 22, 2007, 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 the shares are purchased 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 of May 22, 2007, 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.
UNITEDLABELS AG bought back a total of 46,199 shares for an average price of €4.84.

High standard of transparency demanded for Prime Standard

By listing its shares in 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 and the preparation of ad hoc announcements in German and English.

7th Annual General Meeting

The 7th Annual General Meeting of **UNITED**LABELS AG took place on May 22, 2007, at the Halle Münsterland Conference Centre in Münster. The Supervisory Board and Management Board welcomed around 400 shareholders, guests and journalists.
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 2006 were approved by a significant majority. PricewaterhouseCoopers AG, Düsseldorf, was appointed auditor and Group auditor for the financial year 2007.
The AGM voted, by a very large majority of the votes cast, in favour of issues such as the resolutions on the appropriation of distributable profit and approval of the actions of the Management Board for the financial year 2006.
Approval was also given for a resolution allowing the company to purchase its own shares.
The 8th Annual General Meeting will take place on May 20, 2008, once again in the Halle Münsterland.
Shareholders will find all the relevant information and forms required for proxy voting at the next Annual General Meeting in the Investor Relations section of our website at www.unitedlabels.com under the heading Investor Relations/Annual General Meeting.

Focus on Investor Relations

UNITEDLABELS AG's Media and Investor Relations department is responsible for corporate communications throughout the organisation. It is the point of contact for all external and internal communications, providing up-to-date, transparent and detailed information about the company as well as responding to requests from shareholders, analysts, customers and partners. The department's role is constantly expanding as stricter legislation is imposed and the company's success increasingly attracts the interest of local and national (financial) media.

During the year under review, the Management Board held discussions with analysts, institutional investors and representatives of the business, trade and daily media with the result that in 2007 **UNITED**LABELS AG featured in reports produced by a variety of print, radio and TV media.

On November 12, 2007, **UNITED**LABELS AG presented itself at a conference of analysts held during the German Equity Forum in Frankfurt am Main.

Shareholders, customers and others with an interest in **UNITED**LABELS AG will find a wealth of information about the company on its website at www.unitedlabels.com. This includes all the latest business and share news such as ad-hoc announcements, media releases, financial reports and the financial calendar. The latest share price along with games and licence, product and retailer news are also available on the **UNITED**LABELS AG website.

Supervisory Board

No changes were made to the composition of the Supervisory Board in the financial year 2007.

FINANCIAL CALENDAR 2008

March 13
Publication of financial statements 2007; annual results press conference in Münster

May 6
Publication of 3-Months' Report

May 20
8th Annual General Meeting in Halle Münsterland

August 12
Publication of 6-Months' Report

November 11
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 2007. 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 is obliged to pursue the target of a sustained increase in enterprise value. He determines the corporate strategy, including that of the Group's subsidiaries.

The CEO is responsible for compliance with statutory provisions and for 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 the implementation of 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 where 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 its dealings 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 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 reports 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, the determination of key audit focal points and remuneration arrangements with the auditor.

Compensation report

In the period under review, compensation for CEO Peter Boder amounted to €417 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 financial year 2007 amounted to €364 thousand; variable compensation of 3% of the consolidated net profit of €921 thousand, before taxes and Management Board bonuses, corresponded to €28 thousand. Mr Boder also received €25 thousand from a share incentive programme.
As required by Section 160 (1), no. 8, of the German Stock Corporation Act (AktG), Peter Boder declared on October 31, 2005, that he held 2.63 million shares in the company (62.69 %).

Determined on the basis of IAS 19 requirements, an amount of € 129 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 €718 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 consolidated net profit for the financial year. The fixed component of compensation amounts to €40 thousand per annum (FY 2006: €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 2007, the variable component of compensation amounted to € 1 thousand per member, i.e. €3 thousand in total (FY 2006: € 11 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 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, 2007, no options and no valid share option programme existed.

Share transactions by the Management Board and Supervisory

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. Acquisitions or disposals involving more than €5000 in any calendar year must be disclosed. **UNITED**LABELS AG received no notification of such transactions in 2007.

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 the 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 Conformity with the German Corporate Governance Code 2007

Declaration by the Management Board and Supervisory Board of **UNITED**LABELS Aktiengesellschaft pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz - AktG) with regard to the German Corporate Governance Code in the version of June 14, 2007.

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. It is the intention of the Management Board and Supervisory Board of **UNITED**LABELS Aktiengesellschaft to 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 chairperson or spokesperson. Established rules of procedure shall regulate the work of the management board, in particular the responsibilities of its members for individual areas of the business, the matters to be decided on by the management board as a whole and the majorities required for resolutions to be adopted by the management board (unanimity or majority).

These recommendations have not been implemented. The Management Board of **UNITED**LABELS Aktiengesellschaft is made up 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 will be made, at the very latest, when consolidated annual sales revenue within the Group permanently exceeds €60 million. Insofar as at least one additional Management Board member is appointed, the Management Board shall be furnished with a chairperson or spokesperson as well as rules of procedure that specify the assignment of responsibilities and the basis of collaboration within the Management Board.

2. Para. 5.3.3:
The Supervisory Board shall form a nominations committee to be composed entirely of shareholder representatives. Its role shall be to suggest suitable candidates to the Supervisory Board, which the latter may submit for election to the General Meeting of shareholders.

The Supervisory Board comprises only three members who are elected exclusively by shareholders. The Supervisory Board therefore sees no need for the establishment of such a nominations committee.

Since issuing the last Declaration of Conformity in December 2006, the Company has conformed with the Code in the version of June 12, 2006, with the exception of the departures from the recommendations relating to paragraphs 4.2.1, 4.2.5 and 5.6.

The departure from paragraph 4.2.5 (Disclosure of compensation system for the Management Board) is no longer applicable following the corresponding disclosure of compensation for the financial year 2006; the Company is thus in compliance with this recommendation.

The Supervisory Board has evaluated its efficiency by conducting an assessment of its own activities and adopted the results of this assessment at its meeting on November 19, 2007.

The Company is thus in compliance with the recommendations under para. 5.6 of the Code.

Münster, December 2007

The Management Board

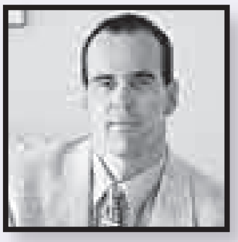
The Supervisory Board

Supervisory Board

Dr. Jens Hausmann, Vorsitzender (Lawyer, Münster)
Hausmann & Müller Rechtsanwälte

Dr. Jens Hausmann (born 1965) studied law at the University of Münster and received a doctorate in the field of commercial law. Upon successful completion of his Second State Examination, he completed a masters degree course at the Law School of the University of Georgia, USA, majoring in US commercial and company law. In 1994, he joined the law firm Dr. Hallermann & Partner in Münster, Germany. From 1999 to 2000, he was Managing Director of Karl Schäfer & Co. GmbH, a construction company based in Ibbenbüren. From 2000 to 2001, he held the position of Professor of Commercial Law at the University of Applied Sciences Gelsenkirchen. In 2001, Dr. Jens Hausmann established his own law firm, which has evolved into Hausmann & Müller Rechtsanwälte.

Michael Dehler (Diplom-Betriebswirt, Unna)



Michael Dehler (born 1964) studied business administration, majoring in Marketing and Retail Management, at the University of Applied Sciences Münster. In 1986, he joined the Otto Group, one of Germany's leading mail-order companies. He held various management positions in the group, before finally joining Compass Yachtzubehör at the age of 29, a company operated by his parents. Today, he runs the business together with his wife, having established the company as Europe's largest mail-order specialist for yachting accessories. Compass Yachtzubehör is represented in seven European countries.

Prof. Dr. Helmut Roland (Rating Analyst, St. Gallen)
FR Finance Relations AG, Chairman of the Board of Directors and CEO

Prof. Dr. Helmut Roland (born 1950) studied business administration at the University of Göttingen and received his doctorate (Dr. rer. pol.) in 1979. Having embarked on a career in the industrial sector (Daimler-Benz AG), Prof. Dr. Roland joined Gothaer, a major insurance company, in 1981. In 1986, he was appointed member of the Management Board of the Concordia insurance group, where he was responsible for Controlling, Investment Activities, Information Technology, Organisation and Legal Affairs. In 1994, he was appointed CFO and member of the Group Management Board of TUI. Following the takeover of TUI by Preussag AG, Prof. Dr. Roland became self-employed. In 2004, he established FR Finance Relations AG, Switzerland, a rating agency that focuses on small and medium-sized enterprises and operates the Rating Academy St. Gallen. Since 1999, Prof. Dr. Roland has also been working as an adjunct professor at the private University of Applied Sciences Göttingen.

Management Board

Peter Boder, CEO (Diplom-Kaufmann, Münster)

Peter-Matthias Boder (born 1965) began his studies in business administration at the Westfälische Wilhelms-Universität in Münster in 1986, majoring in distribution and retail management. During this time, he co-founded DUKE GmbH, Münster, and assumed the responsibilities of Managing Partner. Having successfully completed his university studies (Diplom-Kaufmann degree) in 1990, he established **UNITED**LABELS GmbH, where he held the position of Managing Partner. Between 1998 and 1999, he established the foreign subsidiaries **UNITED**LABELS France S.A.R.L. and **UNITED**LABELS Ibérica S.A. Peter-Matthias Boder has been Chairman of the Management Board/CEO of **UNITED**LABELS AG since April 2000.

Management

Pilar Arroyo
Head of
Sales South

Gerald Knetsch
Head of
Sales Central

Udo Tersteegen
Head of
Sales North

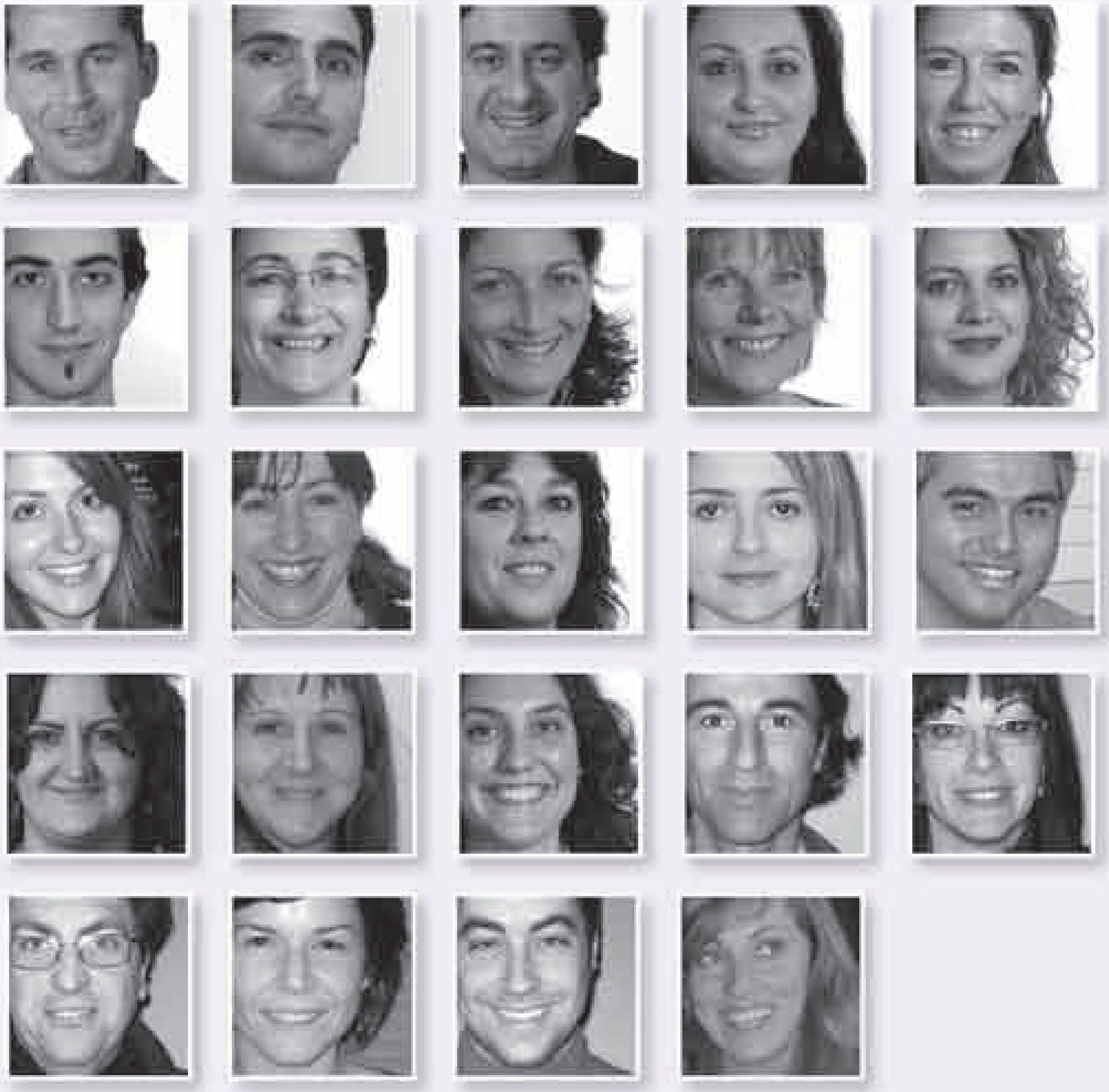
Holger Sissingh
Head of
Administration

Holger Pentz
Head of Finance
and Human Resources

Jason Kam
General Manager
UL Hongkong

STAFF GERMANY

UNITEDLABELS Ibérica S.A.



UNITEDLABELS France S.A.S.

UNITEDLABELS Belgium / Colombine b.v.b.a.

UNITEDLABELS Italia Srl.

UNITEDLABELS Ltd., UK

UNITEDLABELS Aktiengesellschaft, Münster

Company and Group Management Report for FY 2007

General economic situation

Overall, the Germany economy once again grew in 2007. According to figures published by the German Federal Office of Statistics, gross domestic product (GDP) was up 2.5%. Growth was therefore less pronounced than in the previous year (2.9%).

Consumer spending in 2007 also increased, although this was due to higher levels of state spending, which rose 2% to €104.33 billion. By contrast, private consumer spending fell by 0.3%.

Foreign trade remained very dynamic with increases in the rate of growth of both imports and exports. Export growth finished the year higher on 9% compared with imports on 6%.

Compared to the previous year, sales in Germany's retail sector fell back in 2007 by a nominal 1.2%, equivalent to 2.2% in real terms. However, this comparison is affected by purchases brought forward to 2006 and the associated impact of Germany's VAT increase from January 2007.

December trading in the run-up to Christmas is an important factor in the calculations. According to the Federal Office for Statistics, Germany's retail sales in December were down a nominal 4.9% (equivalent to 6.9% in real terms) on December 2006. Both months had 24 shopping days. As a result of the VAT increase in January 2007, consumers brought forward their purchases to December 2006. The corresponding figures for November 2006 and 2007 do not show such a pronounced fall. Compared to November 2007, seasonally adjusted sales revenue in the retail sector dropped back by a nominal 0.4% (equivalent to 0.1% in real terms).

The general downturn in sales can also be traced to retail food sales, with products such as drinks, fish and meat down by a nominal 2.6% (equivalent to 5.0% in real terms). Mail order suffered, too, finishing the year down by a nominal 3.3% (3.7% in real terms). Sales of other specialist retail products (books, jewellery) fell by 1.3% both nominally and in real terms. Retail sales of various other goods in department stores and shopping centres ended down a nominal 3.3% (3.7% in real terms).

Only a very few areas of the retail sector were able to record an increase over the year. These included cosmetics, pharmaceuticals and medical products (nominal +2.4%, real +3.7%).

The industry

The business model of **UNITED**LABELS cannot be allocated to any predetermined sector of the licensing market. It is influenced by a number of elements specific to different areas of the industry. Consequently, the most important factor is growth in the market for licences in the field of Entertainment/Characters, since the success of our licensed products depends on their popularity and on demand. Other relevant indicators include demand for consumer goods, i.e. retail sector sales.

At the time of preparation of the financial statements, the latest figures for 2007 were not available, although the figures for 2006 can be taken as proof of success. Sales revenue generated by licence products rose to USD 108.6 billion (previous year: USD 108.4 billion). Sales in Western Europe put on 0.7% to reach USD 24.9 billion (previous year: USD 24.7 billion). The biggest rise was in Eastern Europe, where sales were up 35.3%. The new EU member states therefore represent an attractive sales market for **UNITED**LABELS and one that we intend to develop increasingly in the coming years.

This area also included SpongeBob SquarePants, Pucca and the Wild Soccer Bunch (die Wilden Kerle), which are some of the most popular characters in **UNITED**LABELS' licence portfolio. Classics such as Snoopy, Mickey Mouse and Peanuts also formed part of our collection and proved to be as attractive and popular as the Simpsons and Barbie.

We believe there will always be a large number of new productions of cartoon series and their associated characters. With both media corporation and licensors equally interested in the success of their heroes, demand from the end customer is likely to remain high. This success is driven in part by promising new marketing approaches and the increasing distribution of products through modern channels of communication.

Revenues and orders

Sales performance

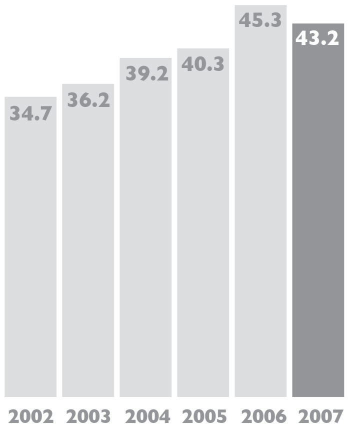
Group sales revenue for the financial year 2007 was €43.2 million (FY 2006: €45.3 million). This is equivalent to a fall of 4.6%. The principal reasons for this downturn were staffing issues, especially in France, and a cut-back in our single-product campaign operation in Germany in the wake of falling margins. By contrast, in Spain we won a number of new key accounts and began to exploit new distribution channels such as Amusement Parks and Mastersourcing. We also achieved significant expansion in the Special Retail segment in both Germany and Italy.

The proportion of total Group sales contributed by the Key Accounts segment was 69% (FY 2006: 76%), a shift which is largely due to the strong performance of the Special Retail segment during the year under review.
Special Retail sales revenue was up €2.2 million, equivalent to a rise of 20%. Thanks to this large increase, the proportion of total Group sales generated by the Special Retail segment climbed from 24% to 31% with corresponding sales in Germany up €0.6 million or 22%, in Spain up €1.2 million or 17% and in Italy up €0.7 million or 74%. This points to the successful implementation in Germany of our strategy of focusing on specific, high-revenue customers in the Special Retail segment, while in Spain the opening of our first Airport Shop in Barcelona Airport proved equally satisfactory.

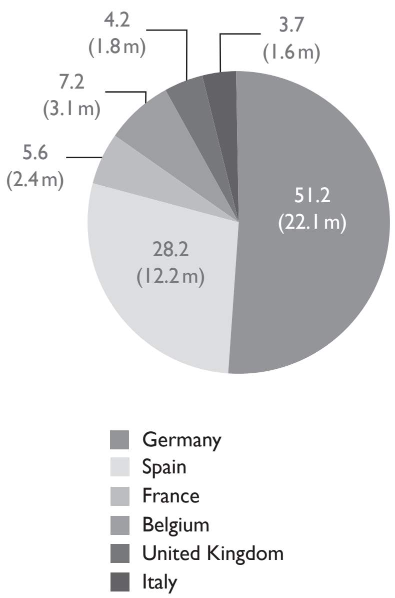
The figure for Group sales includes a consolidated amount of €21.8 million (FY 2006: €25.9 million) for the parent company (AG), equivalent to 50% (FY 2006: 57%) of the total. The figure for sales in the Company's separate financial statements is €24.9 million (FY 2006: €28.9 million).

The Group's Spanish subsidiary **UNITED**LABELS Ibérica increased its contribution to consolidated revenue to 28% (FY 2006: 21%). The corresponding figures for other countries were: **UNITED**LABELS France 6% (FY 2006: 10%), Colombine (Belgium) 7% (FY 2006: 6%), the UK and Italy together 8% (FY 2006: 6%).

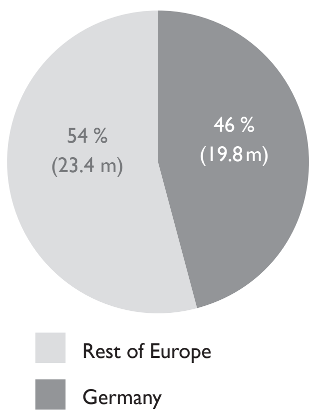
Past sales performance (in €m)



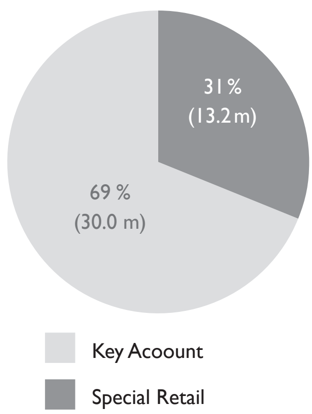
Breakdown of sales by company (consolidated) in % (€)



Breakdown of UNITEDLABELS sales in Europe for 2007 in % (€)



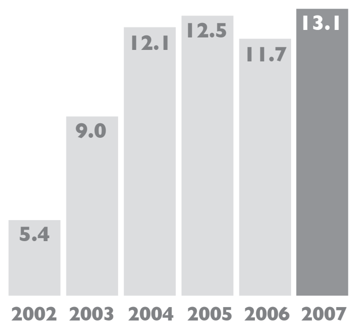
Breakdown of sales in 2007 for Key Accounts and Special retail in % (€)



Order backlog

The order backlog as at December 31, 2007, was up 12 % at €13.1 million (FY 2006: € 11.7 million). The breakdown of the total order backlog over the year was as follows: Q1 2007 €7.5 million (FY 2006: €6.7 million), Q2 €3.9 million (FY 2006: €3.4 million), Q3 €1.8 million (FY 2006: €1.5 million) and Q4 €0.0 million (FY 2006: €0.1 million). The order backlog for **UNITED**LABELS AG stood at €8.8 million (FY 2006: €8.0 million).

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



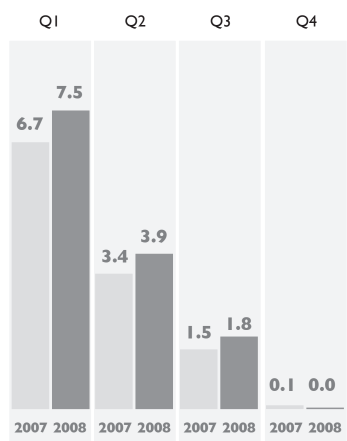
Financial performance

Earnings

UNITEDLABELS AG recorded a consolidated net profit of €0.4 million (FY 2006: €1.5 million) for the financial year 2007. This lower figure was primarily due to a fall in sales and an increase in income tax expenses in the consolidated financial statements.

In terms of individual segments, Key Accounts generated earnings of €4.7 million (FY 2006: €5.2 million), while Special Retail contributed €0.6 million (FY 2006: €0.1 million), an improvement of €0.5 million. As a result of the measures introduced, in particular with regard to the German Special Retail segment, we were able to maintain the positive trend in this segment which began in the previous year. Group earnings before interest and taxes (EBIT) stood at €1.3 million (FY 2006: €2.0 million). In its separate financial statements, **UNITED**LABELS AG, Münster, recorded EBIT of €1.1 million (FY 2006: €1.9 million) and net profit of €1.0 million (FY 2006: €2.0 million).

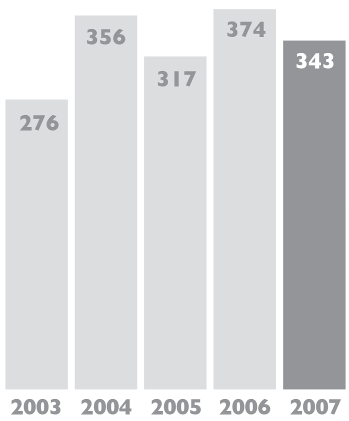
Breakdown of order backlog at Dec. 31 (in €m)



Cost of sales

The cost of sales, which is principally made up of expenses relating to materials, transportation, customs and licences, totalled €26.7 million in the financial year under review (FY 2006: €29.3 million). This is equivalent to a reduction in the cost-of-sales ratio by 2.8 percentage points to 61.8 % (FY 2006: 64.7 %). In 2007 we benefited from a lower dollar, an improvement in our higher-margin Special Retail business and a reduction in single-product marketing in the Key Accounts segment. **UNITED**LABELS AG selects its supplier portfolio on the basis of criteria that ensure compliance with environmental and social standards.
Total cost of sales includes inventory write-downs of €0.5 million (FY 2006: €0.5 million). The cost-of-sales ratio for **UNITED**LABELS AG was 67.8 %.

Revenue per employee (in €'000)



Staff costs

Staff costs rose from €6.0 million to €6.6 million. The main contributory factors here were the increase in staff numbers in our own stores and the newly created House of Trends europe GmbH.

The average head count was 126 compared with 121 in the previous year. As at December 31, 2007, 134 members of staff were employed (FY 2006: 125).

Revenue per employee for the year under review stood at €343 thousand (FY 2006: €374 thousand).

In the separate financial statements of **UNITED**LABELS AG, Münster, staff costs amounted to €3.8 million (FY 2006: €3.3 million).

Other operating expenses

Other operating expenses amounted to €8.3 million (FY 2006: €7.8 million). The company invested particularly in the areas of professional development, recruitment and marketing. Additional leasehold costs arose in connection with the new Airport Shop and the newly established House of Trends europe GmbH.

In the separate financial statements of **UNITED**LABELS AG, Münster, other operating expenses stood at €3.7 million (2005: €4.0 million).

Depreciation and amortisation

Depreciation and amortisation of intangible assets (excluding usufructuary rights) and property, plant and equipment amounted to €0.7 million (FY 2006: €0.6 million). Depreciation and amortisation of usufructuary rights amounted to €4.0 million (FY 2006: €4.7 million).

In the separate financial statements of **UNITED**LABELS AG, Münster, depreciation and amortisation came to €3.7 million (FY 2006: €4.1 million).

Financial position and cash flows

Assets

At the reporting date, the Group had at its disposal cash and bank deposits of €4.8 million (FY 2006: €4.5 million), of which an amount of €4.0 million (FY 2006: €3.8 million) was attributable to **UNITED**LABELS AG, Münster.

Trade receivables and other receivables rose from €15.5 million to €18.0 million as a result of period-end factors.

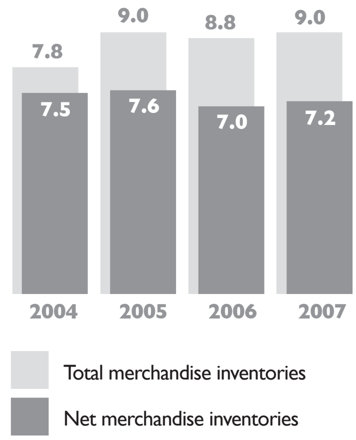
In the separate financial statements of **UNITED**LABELS AG, Münster, trade receivables and other receivables amounted to €10.1 million (FY 2006: €8.4 million).

Of total inventories in the amount of €9.0 million (FY 2006: €8.8 million), 34% (€3.1 million; FY 2006: 35%, €3.1 million) were attributable to the storage facility in Spain, 64% (FY 2006: 64%) to the facility in Germany (€5.8 million; FY 2006: €5.6 million) and 1% (€0.1 million) to **UNITED**LABELS Ltd. in the UK. Compared with the previous year, this represents an increase in gross inventories of 2%, or €0.2 million.
Net merchandise inventories (inventories less goods already sold) amounted to €7.2 million in the year under review (FY 2006: €7.0 million).

The balance sheet item "Property, plant and equipment" encompasses land and commercial buildings (€5.1 million), technical equipment and machinery (€0.2 million) as well as furniture, fixtures and office equipment (€1.0 million).

Intangible assets comprise industrial property rights / usufructuary rights for licences amounting to €3.3 million (FY 2006: €4.2 million) as well as goodwill totalling €7.5 million (FY 2006: €7.6 million). The breakdown of goodwill is as follows: **UNITED**LABELS Ibérica S.A. €2.6 million, **UNITED**LABELS Belgium N.V. €3.1 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 financial year 2007.

Overview of inventories (in €m)

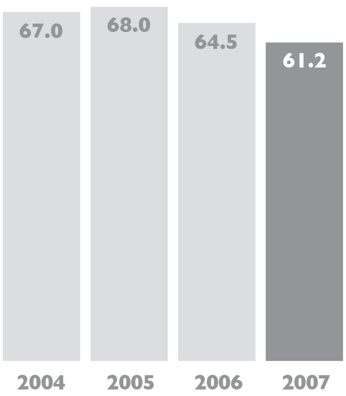


Equity and Liabilities

Short-term and long-term bank borrowings amounted to €10.2 million (FY 2006: €6.1 million). The increase is largely attributable to a new loan for medium-sized enterprises granted to the AG as well as to borrowings to fund investments in the logistics centre in Germany.

Trade payables and other liabilities fell from €9.7 million to €8.6 million as a result of period-end factors. Other current liabilities include payables attributable to invoices outstanding (€1.0 million), licence payments (€0.7 million) as well as other liabilities (€0.2 million). In total, this item amounted to €1.9 million (FY 2006: €3.1 million).

Overview of equity ratio (in %)



Current provisions rose from €0.7 million to €1.1 million. Of this total, a provision of €0.7 million was established to cover the potential risk of returned merchandise in our German company. The remaining €0.4 million was for the restructuring measures begun in 2007. We are of the opinion that sufficient amounts have been allocated to provisions.

At the reporting date, Group equity stood at €32.7 million (FY 2006: €33.4 million). Due to the increase in the balance sheet total from €51.9 million to €53.4 million by the reporting date, the equity ratio receded to 61.2% (FY 2006: 64.5%). For **UNITED**LABELS AG itself, equity amounted to €31.5 million (FY 2006: €31.3 million).
As at December 31, 2007, 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. The company bought back 46,199 shares during the year under review

Cash flow

At Group level, net cash from operating activities totalled €2.3 million (FY 2006: €7.4 million).

The change was primarily due to earnings and to a €4.0 million change in receivables and payables as a result of year-end factors (see Cash Flow Statement).

Construction of the logistics centre was funded by means of a long-term KfW loan.

Cash and cash equivalents increased by €0.3 million to €4.8 million (FY 2006: €4.5 million).

In the separate financial statements of **UNITED**LABELS AG, Münster, net cash from operating activities totalled €1.4 million (FY 2006: €6.5 million).

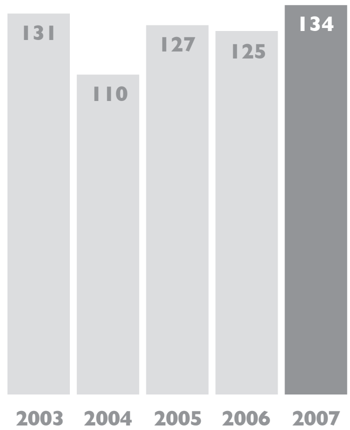
Licences

The portfolio of licences held by the **UNITED**LABELS Group as at December 31, 2007, covered 64 licence agreements (FY 2006: 64), spanning a range of categories and countries.

At **UNITED**LABELS, we believe it is very important that our licence portfolio always includes those licences which enjoy great popularity and are likely to generate a corresponding level of demand.

New licences and extensions agreed in the year under review include Pucca, Baby Snoopy, Garfield, Betty Boop, Lazy Town, Spiderman, Bratz, SpongeBob SquarePants, Baby Emily Erdbeer (Baby Strawberry Shortcake) and Peanuts.

Headcount
Dec. 31, 2006



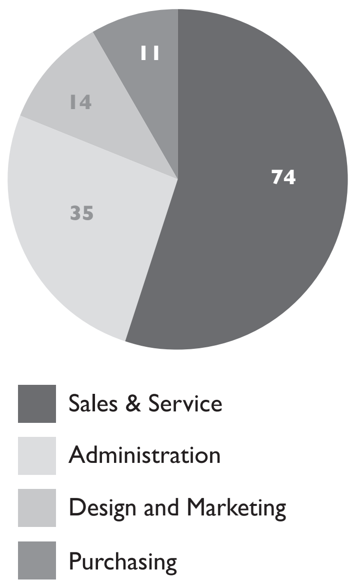
Employees

As at December 31, 2007, 134 members of staff were employed throughout the Group (FY 2006: 125). In the period under review, **UNITED**LABELS AG employed 70 members of staff (FY 2006: 62), Colombine Belgium 5 members of staff (FY 2006: 7), **UNITED**LABELS France 5 members of staff (FY 2006: 6) and **UNITED**LABELS Ibérica 41 members of staff (FY 2006: 38). **UNITED**LABELS Ltd. in the UK employed 6 members of staff at year-end (FY 2006: 10), and the Italian subsidiary had 3 permanent employees (FY 2006: 2). House of Trends europe GmbH, which began trading in August 2007 after its renaming (formerly the dormant company Comicfriends GmbH), had 4 employees at the end of the year.
The average headcount rose to 126 from the previous year's figure of 121. The corresponding figure for the AG was 66 (FY 2006: 61).

The company is not connected to or bound by any collective pay agreement. All remuneration is therefore based on performance and position.

The company places great importance on the ongoing professional development of its employees and the improvement of the service it offers to customers. To this end, the company conducted a wide range of internal and external training courses during the year under review.
The German company also set up a staff development programme in order to support and motivate each member of its staff.

Staff structure Dec. 31, 2007



Performance of subsidiaries

Key financials of main operational subsidiaries
(non-consolidated)

(in € '000)

Revenue	
EBITDA	
EBIT	
Net profit / loss	
Key facts and figures	
Employees (average)	
Revenue per employee (in € '000)	
Order backlog (in € '000)	
Inventories (in € '000)	
Trade receivables (in € '000)	
Cash and bank deposits (in € '000)	
Payables to banks (in € '000)	

UNITEDLABELS Ibérica S.A., Spain		**UNITED**LABELS France SAS, France		Colombine b.v.b.a., Belgium		**UNITED**LABELS Ltd., United Kingdom		**UNITED**LABELS Italia Srl. Italy	
2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
14,435	10,294	2,390	4,470	3,172	2,716	1,814	1,720	1,631	937
570	350	75	63	(10)	501	(367)	(641)	48	29
237	56	37	27	(37)	458	(386)	(730)	39	20
22	(100)	16	5	8	722	(436)	(756)	17	2
41	35	5	6	6	5	6	10	2	2
352	294	478	745	529	543	302	172	816	469
1,092	1,012	1,022	1,258	881	774	430	597	190	78
3,087	3,108	0	0	0	0	124	123	1	1
4,431	3,100	894	2,877	1,598	1,381	534	348	1,019	613
208	146	30	113	111	121	188	311	141	21
4,184	3,108	0	0	2	8	0	0	120	210

UNITEDLABELS Ibérica, Spain, generated an increase in revenue of 40% from €10.3 million to €14.4 million with a net profit for the period of €22 thousand (FY 2006: €-0.1 million). Sales rose in both the Special Retail and Key Accounts segments. At the same time, the opening of our first Airport Shop in Barcelona airport boosted revenue by €0.7 million. Our new Amusement Parks and Mastersourcing segments also made a positive contribution.

Colombine Belgium increased its revenue by 18.5% from €2.7 million to €3.2 million, posting a net profit for the year of €8 thousand (FY 2006: 0.7 million). Key Account revenues rose by €0.6 million, mainly as a result of winning new customers, while revenue in the Special Retail segment, which no longer forms a major part of the company's activities, contracted by €0.1 million.

UNITEDLABELS France generated revenue of €2.4 million (FY 2006: €4.5 million) producing a net profit for 2007 of €16 thousand (FY 2006: €5 thousand). The decline in sales revenue was due to staffing changes in the distribution area.

UNITEDLABELS Ltd in the UK, established in May 2005, generated revenue of €1.8 million (FY 2006: 1.7 million) and reduced last year's net loss of €-0.8 million by half to €-0.4 million. This company focuses on key account business in the UK. Earnings were improved thanks to restructuring and targeted savings. A series of other measures, such as the expansion of our distribution team, were implemented at the end of 2007, and should produce a much better figure for earnings in 2008.

UNITEDLABELS Italia Srl. almost doubled last year's revenue figure to €1.6 million (FY 2006: €0.9 million) and reported earnings of €17 thousand (FY 2006: €2 thousand). This company focuses entirely on the Italian specialist retail sector.

In August of last year, Comicfriends GmbH was renamed House of Trends europe GmbH and relocated to Quakenbrück. As a discount brand, House of Trends was set up to sell items subject to more intense pressure on margins. During its trading period in the back end of 2007, the company achieved revenue of €0.3 million and earnings after tax of €-0.1 million.

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 reporting date there were no forward exchange contracts.
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

As at December 31, 2007, 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 €417 thousand. This included an allocation to provisions of €28 thousand for anticipated bonuses attributable to the financial year 2007. 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 financial year 2007 amounted to €364 thousand, while variable compensation of 3% of the consolidated net profit of €921 thousand, before taxes and Management Board bonuses, corresponded to €28 thousand. In addition, Mr. Boder received €25 thousand from a share incentive programme.
Determined on the basis of IAS 19 requirements, an amount of €129 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 €718 thousand.

Determined on the basis of German HGB requirements, an amount of €110 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 €510 thousand.

Significant events in the financial year

April saw the official opening in Münster of the new **UNITED**LABELS AG logistics centre, which has improved the efficiency of the company's logistics system and boosted storage capacity to 5,800 pallets. By speeding up the distribution of our comicware products in this way, we are in a position to expand further and generate increased earnings.

On the basis of the authorisation granted by the General Meeting of Shareholders on May 22, 2007, the Management Board of **UNITED**LABELS AG took the decision in June 2007 to buy back shares in the company up to a value of €500,000, before the authorisation lapses. However, the total of shares purchased together with any other treasury shares held by the company or attributable to the company under Sections 71a et seq. of the German Stock Corporation Act (AktG) may not at any time exceed 10% of share capital.

The introduction of our new Key Account brand "House of Trends europe GmbH", which since August 2007 has focused on the entry-level segment, was primarily intended to generate renewed momentum in the Key Account segment. It is part of a more aggressive pricing policy that should allow us to compete in the European discount hosiery market.

Negotiations were held at regular intervals throughout the year with several major European airport operators. Our aim is to open around two airport shops per year. The principal challenges here lie in the general tendering process and the scale of the conversion work undertaken in some shopping areas. In addition to the existing airport shop in Barcelona, we envisage the opening of almost twenty more comicware stores by the year 2012.

Related-party disclosure

In addition to his 62.6 % interest in **UNITED**LABELS AG, Mr. Peter 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 declares that, according to the circumstances known to me at the time of each transaction, **UNITED**LABELS AG received appropriate compensation, on the basis of quid pro quo, for the said transactions. 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 end of the financial year 2007.

Outlook and opportunities

The success of our Group depends crucially on achieving sustained growth in sales revenue and operating profit. In all our business segments we intend to drive forward those projects which make the greatest contribution to our overall enterprise value.

The particular focus of our Special Retail segment is on Germany, Spain, Italy and Portugal, where we provide tailor-made licence products including themes such as "High School Musical" and "Hannah Montana", geared towards specialist outlets, and country-specific themes such as "Wilde Kerle" and "Hopla". Our product programmes are also specially adapted to meet each country's market requirements.

Within the Key Accounts segment, in 2008 we aim to focus our efforts on Germany and to further expand our market concept, with television support, as a means of attracting new customers.
With regard to permanent stock items, we anticipate a further expansion of our current listings and the introduction of new listings. In response to pressure on margins, some elements of our single-product marketing were hived off to House of Trends europe GmbH, which was set up in 2007 with a lean structure allowing it to hold its own in this highly competitive segment.

We are pushing ahead through our Spanish subsidiary with the expansion of our new Mastersourcing segment, which presents an opportunity to market our products globally. Licensees from countries all over the world can order goods from **UNITED**LABELS and supply their local market with our products. Since 2007, Spain has also been the control centre for our business with Europe's biggest amusement parks. This is an area where we see great prospects in the future.

Our Airport Shops have created a further distribution channel for our products with potential for up to twenty new stores at major European airports. At present, we expect the first of these to open in 2008. Against a background of rapid increases in passenger numbers and the extension of sales areas at the major airports, we believe this is an area with excellent sales possibilities, a view that is supported by the success of our shop in Barcelona. The **UNITED**LABELS Airport Shop concept fits superbly into the airports' overall sales strategy.

In the area of licences, too, we can look forward to many exciting developments in 2008. We have already acquired the licence to "High School Musical" with a cinema premiere due to be released in November.
We will be offering a full range of products for "Angel Cat Sugar", a new cartoon figure from the creator of "Hello Kitty", one of the most successful licence themes ever released. Furthermore, we have obtained the mastersourcing rights for the soft toys area. Last but not least, we are confident that the new Dreamworks film "Kung Fu Panda" will also generate interest in our product portfolio.

In order to drive all these projects forward, we have reorganised our distribution structure. The entire **UNITED**LABELS Group is now divided into three distribution regions (Central, North, South) and service divisions. The Central region includes Germany, Austria, Switzerland, Scandinavia and Eastern Europe. The North region covers the United Kingdom, Belgium, the Netherlands, Luxembourg and France, while the South region corresponds to Spain, Italy, Greece and Portugal. The aim of this restructuring is to improve the provision of tailor-made licences and products to our local customers.

In 2007 we implemented a series of measures that will provide a firm foundation for the future. Our challenge now is to push ahead with these projects in such a way that they contribute in a sustained form towards the success of **UNITED**LABELS AG. There is every prospect of exceeding the revenue and earnings we achieved in 2007.

Münster, March 7, 2008

UNITEDLABELS Aktiengesellschaft
CEO
Peter Boder

UNITEDLABELS Aktiengesellschaft, Münster
Group Balance Sheet (IFRS) as at 31 December 2007

ASSETS

Assets	Notes	31/12/07 €	31/12/06 €
Non-current assets			
Property, plant and equipment	C.1.	6,324,683.81	6,413,344.33
Intangible assets	C.1.	10,773,443.69	11,768,887.21
Deferred taxes	C.2.	2,981,975.43	3,413,313.08
		20,080,102.93	**21,595,544.62**
Current assets			
Inventories	C.3.	9,002,441.07	8,803,559.27
Trade receivables	C.4.	18,007,959.28	15,533,383.40
Other assets	C.5.	1,487,706.58	1,432,274.68
Cash and cash equivalents	C.6.	4,780,636.01	4,485,524.02
		33,278,742.94	**30,254,741.37**
Total assets		**53,358,845.87**	**51,850,285.99**

UNITEDLABELS Aktiengesellschaft, Münster
Group Balance Sheet (IFRS) as at 31 December 2007

EQUITY AND LIABILITIES

	Notes	31/12/07 €	31/12/06 €
Equity			
Capital and reserves attributable to the owners of the parent company			
Issued capital	C.8.	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		(54,111.96)	(20,762.75)
Consolidated unappropriated surplus		1,552,400.98	1,995,246.89
		32,966,069.28	**33,442,264.40**
Treasury shares		(223,413.73)	0.00
Total equity		**32,742,655.55**	**33,442,264.40**
Non-current liabilities			
Provisions for pensions	C.9.	718,405.00	589,130.00
Financial liabilities	C.11.	5,810,422.04	2,430,314.15
		6,528,827.04	**3,019,444.15**
Current liabilities			
Provisions	C.10.	1,061,165.99	740,826.03
Current income tax liabilities		33,007.00	1,341,619.36
Financial liabilities	C.11.	4,355,512.65	3,643,062.11
Trade and other payables	C.11.	8,637,677.64	9,663,069.94
		14,087,363.28	**15,388,577.44**
Total liabilities		**20,616,190.32**	**18,408,021.59**
Total equity and liabilities		**53,358,845.87**	**51,850,285.99**

UNITEDLABELS Aktiengesellschaft, Münster
Group Income Statement (IFRS)

for the period from 1 January to 31 December 2007

	Notes	2007 €	2006 €
Sales revenues	**D.1.**	**43,232,407.55**	**45,266,697.65**
Cost of materials	D.2.	(22,688,252.02)	(24,568,333.99)
Amortisation of usufructuary rights	D.3.	(4,040,533.94)	(4,695,114.89)
		(26,728,785.96)	(29,263,448.88)
		16,503,621.59	**16,003,248.77**
Other operating income	D.4.	358,344.55	363,500.10
Staff costs	D.5./C.9.	(6,582,015.06)	(6,011,073.01)
Depreciation of property, plant and equipment, and amortisation of intangible assets (excl. amortisation of usufructuary rights)	D.6.	(713,409.15)	(588,282.63)
Other operating expenses	D.7.	(8,285,233.63)	(7,815,738.77)
Profit from operations		**1,281,308.30**	**1,951,654.46**
Finance income	D.8.	184,164.23	131,363.58
Finance cost	D.8.	(572,642.13)	(403,470.60)
Net finance cost		**(388,477.90)**	**(272,107.02)**
Profit before tax		**892,830.40**	**1,679,547.44**
Taxes on income	D.9.	(495,676.31)	(197,404.37)
Net profit for the year		**397,154.09**	**1,482,143.07**
Earnings per share			
basic	C.8.	0.10 €	0.35 €
diluted	C.8.	0.10 €	0.35 €
Weighted average shares outstanding			
basic	C.8.	4,169,902 shares	4,200,000 shares
diluted	C.8.	4,169,902 shares	4,200,000 shares

UNITEDLABELS Aktiengesellschaft, Münster
Group Cash Flow Statement

Notes to Cash Flow Statement, cf. C.15.	Notes	2007 €'000	2006 €'000
Consolidated net profit for the year		397	1,482
Depreciation and amortisation of non-current assets	C.1/D.3/6	4,754	5,283
Change in provisions	C.9/C.10	450	524
Other non-cash expenses		398	(54)
Loss on the disposal of non-current assets		155	50
Change in inventories, trade receivables and other assets not attributable to investing or financing activities	C.3-5	(2,729)	(1,872)
Changes in trade payables and other liabilities not attributable to investing or financing activities	C.11	(1,157)	1,958
Cash flows from operating activities		**2,268**	**7,375**
Proceeds from disposal of property, plant and equipment		0	12
Payments for investments in intangible assets	C.1	(3,278)	(4,370)
Payments for investments in property, plant and equipment	C.1	(548)	(2,840)
Cash flows from investing activities		**(3,826)**	**(7,198)**
Payments for the acquisition of own shares		(223)	0
Dividend payment for previous year		(840)	0
Proceeds from financial loans		3,460	1,440
Repayment of financial loans		(543)	(585)
Cash flows from financing activities		**1,854**	**855**
Net cash change in cash and cash equivalents		296	1,032
Cash and cash equivalents at the beginning of the period		4,486	3,458
Cash and cash equivalents		**4,782**	**4,486**
Gross debt bank		10,166	6,073
Net debt bank		5,384	1,587
Composition of cash and cash equivalents:			
Cash and cash equivalents		**4,782**	**4,486**

Group Statement of Changes in Equity

	Subscribed capital €'000	Capital reserves €'000	Revenue reserves €'000	Translation reserve €'000	Consolidated unappropri-ated surplus €'000	Treasury shares €'000	Total (Group equity) €'000
Balance at 01/01/06	**4,200**	**24,384**	**2,883**	**(16)**	**513**	**0**	**31,964**
Currency translation	0	0	0	(4)	0	0	(4)
Consolidated net profit 2006	0	0	0	0	1,482	0	1,482
Total result of the period	0	0	0	(4)	1,482	0	1,478
Balance at 31/12/06	**4,200**	**24,384**	**2,883**	**(20)**	**1,995**	**0**	**33,442**
Acquisition of own shares	0	0	0	0	0	(223)	(223)
Currency translation	0	0	0	(34)	0	0	(34)
Dividend payment	0	0	0	0	(840)	0	(840)
Consolidated net profit 2007	0	0	0	0	397	0	397
Total result of the period	0	0	0	(34)	(443)	(223)	(700)
Balance at 31/12/07	**4,200**	**24,384**	**2,883**	**(54)**	**1,552**	**(223)**	**32,742**

UNITEDLABELS **Aktiengesellschaft, Münster**

Notes to the Consolidated Financial Statements for FY 2007

A. General Information

1. General information about the Company

UNITEDLABELS Aktiengesellschaft has its registered office in 48157 Münster, Gildenstraße 6, Germany. It is recorded in the German Commercial Register of the Münster District Court under reference number HRB 2739. The Company focuses on the manufacture and marketing of licensed products as well as the development and purchase of licence rights for the purpose of marketing them domestically and abroad. **UNITED**LABELS Aktiengesellschaft shares are listed in the Prime Standard of the 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.

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

The consolidated financial statements of **UNITED**LABELS Aktiengesellschaft, as at 31 December 2007, 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 as well as in compliance with the additional provisions set out in Section 315a (1) of the German Commercial Code (Handelgesetzbuch – HGB). The Notes comply with the IFRS applicable at the reporting date. The comparative figures for the previous period have been prepared according to the same principles. 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.
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.
The financial years of all entities included in the consolidated group correspond to the annual period from 1 January to 31 December 2007. 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 International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) adopted a number of financial reporting standards and interpretations that became applicable for the first time to annual periods beginning on 1 January 2007 and were applied by the **UNITED**LABELS Group accordingly.

The Group applied the new provisions set out in IFRS 7. Under IFRS 7 entities are obliged to group and measure financial assets and liabilities according to specific classes. Additionally, IFRS 7 contains disclosure provisions relating to collateral, receivables and financial instruments, as well as specifying the disclosure of risks together with the potential impact of such risks.
In accordance with the allowed alternative treatment outlined in IAS 23, borrowing costs are recognised as an expense in the period in which they are incurred rather than being capitalised.
Financial assets are recognised on the balance sheet at the date of trading and derecognised when the transaction has been completed.
The following interpretations relating to financial reporting standards were applicable for the first time in the 2007 financial year but are at present of no significance to the **UNITED**LABELS Group:

- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
- IFRIC 8 Scope of IFRS 2
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 10 Interim Financial Reporting and Impairment

The IASB has issued several new, revised or amended standards that are to be applied by entities for annual periods beginning on or after 1 January 2008. Application of these standards is subject to EU approval in those cases in which approval has not yet been granted. The respective standards in question are as follows:

- IFRS 8 "Operating Segments", to be applied by entities for annual periods beginning on or after 1 January 2009
- Amendment to IAS 23 "Borrowing Costs", to be applied by entities for annual periods beginning on or after 1 January 2009 (adoption by EU pending)
- Amendment to IAS 1 "Presentation of Financial Statements", to be applied by entities for annual periods beginning on of after 1 January 2009 (adoption by EU pending)

Under the provisions set out in IFRS 8, the presentation of segment reporting will be realigned in order to correspond both in terms of structure and content with internal management reporting. The application of IFRS 8 will not have any material effects on the financial position, financial performance or cash flows of **UNITED**LABELS AG; it will only involve changes to the form of presentation.
According to the amended IAS 23, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalised. In the past, such costs were either capitalised or recognised as an expense in the period in which they were incurred. Depending on the nature and scope of financing arrangements, this may have an impact on the Company's financial position, financial performance and cash flows as from the 2009 financial year. However, at present it is not possible to predict the potential effects.
As a result of the amendments to IAS 1, specific elements of the financial statements will be renamed. Additionally, the revised version of IAS 1 requires that changes in equity of an entity not related to its owners should be separated from changes in equity relating to its owners. As a result, non-owner changes in equity may no longer be presented in the statement of changes in equity together with the owner changes in equity. Instead, they have to be presented separately in a so-called statement of comprehensive income. The revised version of IAS 1 will not have any effects on the financial position, financial performance or cash flows of **UNITED**LABELS AG; it will only involve changes to the form of presentation.
Furthermore, the International Financial Reporting Interpretations Committee (IFRIC) issued the following interpretations for annual periods beginning on or after 1 March 2007:

- IFRIC 11 "IFRS 2—Group and Treasury Share Transactions", to be applied by entities for annual periods beginning on or after 1 March 2007
- IFRIC 12 "Service Concession Arrangements", to be applied by entities for annual periods beginning on or after 1 January 2008 (adoption by EU pending)
- IFRIC 13 "Customer Loyalty Programmes", to be applied by entities for annual periods beginning on or after 1 July 2008 (adoption by EU pending)
- IFRIC 14 "IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", to be applied by entities for annual periods beginning on or after 1 July 2008 (adoption by EU pending).

IFRIC 11 addresses the issue of how an entity should account for equity-settled share-based payment transactions as part of which it chooses to or is required to buy own equity instruments (i.e. treasury shares) for the purpose of satisfying share-based payment obligations. Such transactions are to be accounted for as equity-settled share-based payment transactions in accordance with IFRS 2. At present, IFRIC 11 is of no relevance to **UNITED**LABELS AG.
Service concession arrangements are arrangements as part of which a government or other institution grants contracts to private sector operators for the provision of public services, such as roads, energy supply, prisons or hospitals. Therefore, IFRIC 12 is of no relevance to **UNITED**LABELS AG.
IFRIC 13 addresses issues relating to the recognition and measurement of sales revenues and associated expenses relating to obligations arising from customer loyalty programmes (e.g. awards, bonus or loyalty programmes). IFRIC 13 stipulates that the deferred revenue method be applied to sales revenue on the basis of the fair value. At present, the effects on financial position, financial performance and cash flows are not relevant to **UNITED**LABELS AG.
IFRIC 14 addresses the issues of how to determine the limit to the recognition of plan asset surpluses in IAS 19 and of how to account for plan assets or obligations taking into consideration minimum capitalisation amounts stipulated by statutes or contractual agreements. At present, IFRIC 14 is of no relevance to **UNITED**LABELS AG.
In January, 2008, the IASB issued the following revised standards or amendments to standards. They are to be applied for annual periods beginning on or after 1 January 2010; adoption by the EU is still pending.

- Revised IFRS 3 "Business Combinations"
- Amendment to IAS 27 "Consolidated and Separate Financial Statements"
- Amendment to IFRS 2 "Share-based Payment"

The revised IFRS 3 contains provisions relating to the scope, purchase price components, treatment of goodwill and minority interest as well as the scale of recognisable assets, liabilities and contingent liabilities within the area of business combinations. The amendment to IAS 27 requires that the economic entity approach be applied to the acquisition or disposal of interests after the power to control has been assumed or when it continues to apply. This means that minority transactions shall be treated as transactions with owners, and shall thus be recognised directly in equity.
Application of the revised IFRS 3 and the amended IAS 27 will have an effect on the financial position, financial performance and cash flows depending on the nature and scope of future transactions. At present, these effects cannot be determined with any certainty.
The amended IFRS 2 includes clarifications and elaborations concerning the vesting conditions applicable within the area of share-based payments as well as the measurement of equity instruments granted. At present, no share option plan is in place, and therefore the amendment to IFRS 2 is of no relevance to **UNITED**LABELS AG.
In February 2008, the IASB issued amendments to IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements", under the heading "Puttable Financial Instruments and Obligations Arising on Liquidation". The amendments to IAS 32 are of central importance when it comes to distinguishing between equity and financial liabilities. Under certain circumstances, puttable instruments arising from contractual arrangements may be classified as equity. Within the framework of these amendments, interests in German partnerships may be classified as equity if these interests entitle the holder to a pro rata share of the entity's net assets in the event of the entity's liquidation. These amendments shall be applied by entities for annual periods beginning on or after 1 January 2009. The amendments are not likely to effect the financial position, financial performance or cash flows of the **UNITED**LABELS Group.
Disclosures relating to the 2007 financial year have been adjusted in line with the relevant provisions where necessary.
The Company has elected not to apply these standards and interpretations prior to them coming into effect.

3. Basis of consolidation

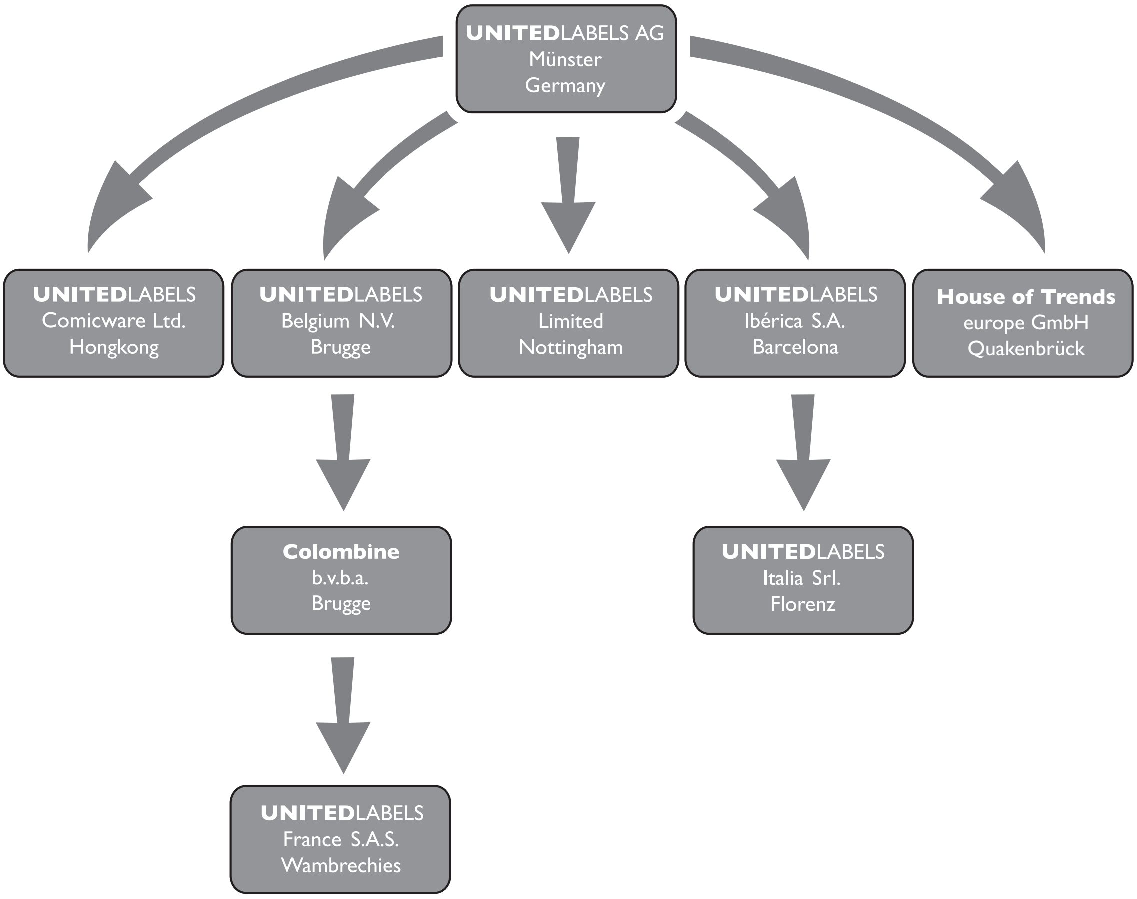
Consolidated group

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 the scope of consolidated financial statements, in addition to **UNITED**LABELS Aktiengesellschaft as the parent company the following enterprises are included in the consolidated financial statements as at December 31, 2007, as subsidiaries controlled by **UNITED**LABELS Aktiengesellschaft:

	Ownership interest	Period that the entity has been included in the consolidated financial statements
UNITEDLABELS Ibérica S.A., Barcelona, Spain	100.000 %	01/01-31/12/07
as its wholly owned subsidiary		
UNITEDLABELS Italia Srl., Florence, Italy	100.000 %	01/01-31/12/07
UNITEDLABELS Belgium N.V., Brugge, Belgium	99.999 %	01/01-31/12/07
as its wholly owned subsidiary		
Colombine b.v.b.a., Brugge, Belgium	100.000 %	01/01-31/12/07
as its wholly owned subsidiary		
UNITEDLABELS France SAS, Wambrechies, France	100.000 %	01/01-31/12/07
UNITEDLABELS Ltd., Nottingham, United Kingdom	100.000 %	01/01-31/12/07
UNITEDLABELS Comicware Ltd., Hong Kong	100.000 %	01/01-31/12/07
House of Trends europe GmbH, Quakenbrück	100.000 %	01/01-31/12/07

On 19 November 2007, Comicfriends GmbH was renamed House of Trends europe GmbH, and the registered office was relocated from Münster to Quakenbrück. All subsidiaries apply the same business model as that outlined in the introduction.
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.
The financial statements are published in the electronic Federal Gazette.

Group structure at Dec. 31, 2007:



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. 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.

2. Identifiable 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. In this case, the cash-generating units within the Group are identified in accordance with the internal reporting by management. On this basis, the **UNITED**LABELS Group has identified the individual entities in their respective countries as cash-generating units.

(b) Concessions, industrial property rights
Trademarks and licences are recognised at their historical cost of purchase/conversion. Trademarks and licences (not cartoon/animation 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 economic 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 economic life of the asset (3 to 5 years).
The licences for the commercial use of cartoon/animation characters have also been accounted for in this item and are recognised as assets on the basis of the purchase price payments made in connection with the licence agreements and recognised correspondingly in trade payables. The rights associated with such licences 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 if the requirements of IAS 38 have been met. If this is not the case, the costs are expensed as incurred.

3. 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, assets are aggregated on the basis of the smallest group for which separate cash flows can be identified (cash-generating units). 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. An impairment is reversed – with the exception of goodwill – in proportion to the carrying amounts of the assets. The carrying amount of the individual asset shall not exceed its recoverable amount.

4. 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.

5. Inventories

Inventories are measured at the lower of cost of purchase/cost of conversion and net realisable value. The cost of purchase is determined by means of a standard valuation method that corresponds to the weighted-average cost formula. Alongside the directly attributable costs of purchase, ancillary costs of purchase are also capitalised. Write-downs, when necessary, are determined consistently throughout the Group on the basis of the age or the anticipated storage age of the individual items.

6. 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 are recognised where necessary. Due to the short maturities of the receivables, the effective interest method was not applied. Prepayments are carried on the basis of the prepaid amount.

7. Categories of financial instruments according to IAS 39

In compliance with IAS 39, financial instruments are classified according to different categories. These are loans and receivables (LaR) and financial liabilities measured at amortised cost (FLAC). The Company measures the loans and receivables at amortised cost and measures the financial liabilities using the effective interest method. Please also refer to C.4 and C.11.

8. 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.

9. Equity

Equity comprises issued capital, measured on the basis of the par value of the shares, capital reserves, attributable mainly to premiums from the issuance of shares, revenue reserves, treasury shares and the consolidated unappropriated surplus (i.e. the distributable profit). Upon purchasing treasury shares, the cost of purchase of these shares is deducted from equity in accordance with the cost method.

10. Provisions

Provisions for post-employment benefits were accounted for in accordance with IAS 19. Within this context, an interest rate of 5.7% (prev. 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% (prev. year: 2.5%), and an interest rate of 2.0% (prev. year: 2.0%) was applied as regards future increases in pensions.

Within the Group a post-employment obligation exists towards Peter 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 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. Please refer to B.13 as regards the measurement of provisions relating to the sales contracts with a right of rescission and return of goods.

11. Financial and other 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 reporting date. Additionally, long-term borrowings are measured by means of the effective interest method.

12. 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.

13. 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.

14. Interest

Interest is recognised as income or expense when it occurs and is not capitalised.

15. 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. The average exchange rate for the 2007 financial year was 1.4659 £ / €, and the closing rate at 31 December 2007 was 1.3742 £ / €. The average exchange rate of the US dollar was 1.3662 $ / €.
Accounts receivable and payable in foreign currency were translated at the closing rate.

16. Derivative financial instruments

The Group uses derivative financial instruments such as foreign exchange forward contracts and interest rate swaps for the purpose of hedging exchange and interest rate risks. In accordance with its treasury guidelines, the Group does not deploy derivative financial instruments held for trading.
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.

17. Judgements made by management

The following aspects are of significance to the judgements made by management with regard to the application of accounting policies which may have a material effect on the amounts reported in the financial statements:

- There are various methods of measuring actuarial gains and losses for post-employment benefits.
- As part of its measurement of inventories, the Company performs write-downs on the basis of reach analyses.

18. Estimation uncertainties

In preparing the financial statements in accordance with IFRS, the management has to make assumptions and estimates that affect the amounts reported as well as the associated disclosures. Although these estimates are performed to the best of the management's knowledge, based on the latest events and measures, the actual outcome may deviate from these estimations.

The most significant forward-looking assumptions as well as other material sources of uncertainty regarding the use of estimates, applicable at the balance sheet date, as a result of which there is a significant risk that the carrying amounts of assets and liabilities may require material adjustments, are discussed in the relevant section of these Notes.

C. Notes to Individual Items of the Group Balance Sheet

1. 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 Company's operating premises are subject to a land charge for loans amounting to €3,977 thousand (previous year: €2,747 thousand).

Gross Fixed Assets Schedule

Fixed Assets Schedule for FY 2007

	Cost of purchase or conversion					
	Balance at 01/01/07	Currency adjustment	Additions	Reclassifi-cations	Disposals	Balance at 31/12/07
	€	€	€	€	€	€
I. Property, plant and equipment						
1. Land and leasehold rights and buildings, as well as buildings on third-party land	3,535,022.78	0.00	197,782.13	2,328,784.90	0.00	6,061,589.81
2. Technical equipment and machinery	531,666.00	0.00	140,432.69	0.00	(192,021.46)	480,077.23
3. Other plant, operating and office equipment, furniture and fixtures	2,695,048.81	(585.19)	167,869.33	374,165.65	(697,429.57)	2,539,069.03
4. Prepayments and assets under construction	2,650,509.43	0.00	41,583.80	(2,682,093.23)	0.00	10,000.00
	9,412,247.02	**(585.19)**	**547,667.95**	**20,857.32**	**(889,451.03)**	**9,090,736.07**
II. Intangible assets						
1. Concessions, industrial property rights and similar rights and assets, as well as licences in such rights and assets	13,528,413.94	0.00	3,278,531.16	(20,857.32)	(6,120,498.62)	10,665,589.16
2. Goodwill	9,779,375.22	0.00	0.00	0.00	(102,258.38)	9,677,116.84
	23,307,789.16	**0.00**	**3,278,531.16**	**(20,857.32)**	**(6,222,757.00)**	**20,342,706.00**
	32,720,036.18	**(585.19)**	**3,826,199.11**	**0.00**	**(7,112,208.03)**	**29,433.442.07**

	Accumulated depreciation/amortisation						Net Amounts	
	Balance at 01/01/07	Reclassifications	Currency adjustment	Additions	Disposals	Balance at 31/12/07	Balance at 31/12/07	Balance at 31/12/06
	€	€	€	€	€	€	€	€
	749,940.71	0.00	0.00	169,436.36	0.00	919,377.07	5,142,212.74	2,785,082.07
	391,583.45	0.00	0.00	57,250.19	(191,135.98)	257,697.66	222,379.57	140,082.55
	1,857,378.53	10,357.98	649.47	381,782.66	(661,191.11)	1,588,977.53	950,091.50	837,670.28
	0.00	0.00	0.00	0.00	0.00	0.00	10,000.00	2,650,509.43
	2,998,902.69	**10,357.98**	**649.47**	**608,469.21**	**(852,327.09)**	**2,766,052.26**	**6,324,683.81**	**6,413,344.33**
	9,342,743.18	(10,357.98)	0.00	4,145,473.88	(6,104,755.54)	7,373,103.54	3,292,485.62	4,185,670.76
	2,196,158.77	0.00	0.00	0.00	0.00	2,196,158.77	7,480,958.07	7,583,216.45
	11,538,901.95	**(10,357.98)**	**0.00**	**4,145,473.88**	**(6,104,755.54)**	**9,569,262.31**	**10,773,443.69**	**11,768,887.21**
	14,537,804.64	**0.00**	**649.47**	**4,753,943.09**	**(6,957,082.63)**	**12,335,314.57**	**17,098,127.50**	**18,182,231.54**

Gross Fixed Assets Schedule

Fixed Assets Schedule for FY 2006

	Cost of purchase or conversion					
	Balance at 01/01/06	Currency adjustment	Additions	Reclassifi-cations	Disposals	Balance at 31/12/06
	€	€	€	€	€	€
I. Property, plant and equipment						
1. Land and leasehold rights and buildings, as well as buildings on third-party land	3,526,72.97	0.00	32,947.04	(24,097.23)	0.00	3,535,022.78
2. Technical equipment and machinery	481,388.17	0.00	50,277.83	0.00	0.00	531,666.00
3. Other plant, operating and office equipment, furniture and fixtures	3,109,627.97	0.00	161,366.31	(5,572.82)	(570,372.65)	2,695,048.81
4. Prepayments and assets under construction	30,647.06	0.00	2,595,765.14	24,097.23	0.00	2,650,509.43
	7,147,836.17	**0.00**	**2,840,356.32**	**(5,572.82)**	**(570,372.65)**	**9,412,247.02**
II. Intangible assets						
1. Concessions, industrial property rights and similar rights and assets, as well as licences in such rights and assets	9,200,668.50	0.00	4,369,646.13	5,572.82	(47,473.51)	13,528,413.94
2. Goodwill	9,779,375.22	0.00	0.00	0.00	0.00	9,779,375.22
	18,980,043.72	**0.00**	**4,369,646.13**	**5,572.82**	**(47,473.51)**	**23,307,789.16**
	26,127,879.89	**0.00**	**7,210,002.45**	**0.00**	**(617,846.16)**	**32,720,036.18**

Accumulated depreciation/amortisation						Net Amounts	
Balance at 01/01/06	Reclassifications	Currency adjustment	Additions	Disposals	Balance at 31/12/06	Balance at 31/12/06	Balance at 31/12/05
€	€	€	€	€	€	€	€
667,183.67	0.00	0.00	82,757.04	0.00	749,940.71	2,785,082.07	2,858,989.30
360,539.63	0.00	0.00	31,043.82	0.00	391,583.45	140,082.55	120,848.54
2,001,429.78	5,334.82	0.00	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	0.00	2,650,509.43	30,647.06
3,029,153.08	**5,334.82**	**0.00**	**473,426.86**	**(509,012.07)**	**2,998,902.69**	**6,413,344.33**	**4,118,683.09**
4,585,562.85	(5,334.82)	0.00	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	0.00	2,196,158.77	7,583,216.45	7,583,216.45
6,781,721.62	**(5,334.82)**	**0.00**	**4,809,970.66**	**(47,455.51)**	**11,538,901.95**	**11,768,887.21**	**12,198,322.10**
9,810,874.70	**0.00**	**0.00**	**5,283,397.52**	**(556,467.58)**	**14,537,804.64**	**18,182,231.54**	**16,317,005.19**

Goodwill was calculated as follows:

	2007 €'000	2006 €'000
Balance at 01/01	7,583	7,583
Amortisation	0	0
Subsequent adjustment of purchase price	(102)	0
Balance at 31/12	**7,481**	**7,583**

This includes goodwill associated with the corporate acquisitions of Colombine b.v.b.a. in the amount of €3.1 million and **UNITED**LABELS Ibérica S.A. in the amount of €2.6 million as well as €1.9 million relating to a merger at the parent company. 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. For further details about the method applied, please refer to B.2 and 3.

Impairment tests for the defined cash-generating units are performed in accordance with the provisions set out in IAS 36. The respective regional entities (in individual countries) constitute cash-generating units. 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, a discounted cash flow method. The calculations are based on corporate forecasting covering a period of three 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% (prev. year: 2%). The discount rate was 9.2% (prev. year: 9.2%) before taxes. There were no triggering events in the period under review and thus no impairments were recognised.

Even if the EBITDA margin that formed the basis for impairment testing had been 10% lower, this would not have had an impact on the carrying amount of goodwill within the Group.

2. Deferred tax assets

€3,298 thousand) for the carryforward of unused tax losses as well as an amount of €725 thousand (prev. year: €115 thousand) for temporary differences between the carrying amounts in the IFRS balance sheet and the tax base. Current deferred tax assets amounted to €292 thousand (prev. year: €516 thousand).

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

	Deferred tax assets		(Expense) Income
	31/12/06 € '000	31/12/07 € '000	2007 € '000
Loss carryforwards	3,298	2,257	(1,041)
Intangible assets	0	651	651
Provisions for post-employment benefits	75	65	(10)
Other provisions	40	9	(31)
	3,413	**2,982**	**(431)**

In the case of domestic entities, the deferred taxes are calculated on the basis of a tax rate of 31.23% (prev. year: 39.65%). The reduction in the tax rate is due to the German corporate tax reform that comes into force from 2008. The associated effect of revaluing deferred taxes was minus €632 thousand.

The domestic tax rate includes German trade tax computed on the basis of a "Hebesatz" (a municipal percentage that varies depending on location) of 440% (prev. year: 440%), corporation tax of 15% (prev. year: 25%) and a solidarity surcharge of 5.5% (prev. year: 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.

In the case of the foreign entities, deferred taxes were measured on the basis of the tax rates applicable in the respective countries.

In total, no deferred taxes were recognised for tax loss carryforwards amounting to €3,937 thousand (prev. year: €3,387 thousand). These related solely to subsidiaries. Of the tax loss carryforwards, an amount of €3,134 thousand (prev. year: €2,647 thousand) is attributable to the foreign entities. As in the past, the deferred tax assets for the carryforward of unused tax losses only apply to **UNITED**LABELS AG.

The total of positive temporary differences in relation to subsidiaries for which no deferred taxes were recognised was €1,105 thousand (prev. year: €1,122 thousand).

3. Inventories

Of the total inventories amounting to €9,002 thousand (prev. year: €8,804 thousand), 34% (€3,088 thousand; prev. year: 35%, €3,109 thousand) were attributable to the storage location in Spain, 64% (prev. year: 64%) to the storage location in Germany (€5,726 thousand; prev. year: €5,596 thousand) and 1% respectively (€124 thousand; prev. year: €99 thousand) to **UNITED**LABELS Ltd., United Kingdom, and House of Trends europe GmbH (€64 thousand; prev. year: €0). These inventories comprise finished goods within the categories of textiles, giftware and soft toys.

Net merchandise inventories (total inventories less merchandise already ordered) increased by €165 thousand, thus amounting to €7,180 thousand (prev. year: €7,015 thousand) in the financial year under review. Inventory write-downs amount to €491 thousand (prev. year: €658 thousand). The inventories remaining at the reporting date, written down and recognised at the net realisable value, amounted to €328 thousand (prev. year: €341 thousand).
Inventories are not restricted by third-party rights.

4. Trade and other receivables

Trade and other receivables rose from €15,533 thousand to €18,008 thousand as a result of report-date-related factors. This item includes prepayments for inventories in the amount of €121 thousand (prev. year: €79 thousand). The policy of **UNITED**LABELS is to insure all accounts receivable whose balance exceeds a specific limit. Exceptions to this rule are only permitted for a limited period with the prior written consent of the management. Thus, the age structure of non-impaired receivables is as follows:

Due date	Receivables in € '000 2007	Receivables in € '000 2006
not due	16,419	13,639
due in 0 - 30 days	1,073	1,328
due in 30 - 60 days	162	101
due in 60 - 90 days	8	42
due beyond 90 days	346	423
Total	18,008	15,533

Additionally, there was an allowance for uncollectible accounts of €293 thousand (prev. year: €142 thousand) at the reporting date. **UNITED**LABELS performs a case-by-case assessment for each account receivable and makes adjustments where necessary. Receivables that are more than 30 days past due are collected with the help of external or internal collection methods.

5. Other 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 €286 thousand (prev. year: €254 thousand) were recognised within this item.

6. Cash and cash equivalents

Cash and cash equivalents increased from €4,486 to €4,781 thousand in the period under review. The interest rates for monies invested were between 3.80 % and 4.50 %.

7. Impairment losses attributable to financial assets

Impairment losses were as follows:

in €'000	31/12/07 Gross value	31/12/07 less impairment	31/12/07 Net value	31/12/06 Gross value	31/12/06 less impairment	31/12/06 Net value
Trade and other receivables	18,301	293	18,008	15,675	142	15,533

This also corresponds to the net losses per measurement category, as there were no other net gains or losses and the "loans and receivables" measurement category is reflected in these items. Please refer to the relevant section of the Notes for further details concerning measurement.

8. Equity

As at December 31, 2007, share capital amounted to €4,200 thousand, divided into 4.2 million no-par value bearer shares ("Stückaktien" governed by German law).
On 23 May 2006, the General Meeting of Shareholders of the Company granted to the Management Board a mandate to increase the Company's share capital, subject to the consent of the Supervisory Board, in one of more stages in the period up to May 22, 2011, by up to a total of €2,100,000.00, through the issue of up to 2,100,000 new shares against contribution in cash or in kind (Authorised Capital 2006).
On 22 May 2007, the General Meeting of Shareholders of the Company passed a resolution whereby part of the unappropriated surplus in the amount of €840,000.00 was to be used for the purpose of a dividend payment of €0.20 per entitled share. The remaining part was carried forward.
Furthermore, the General Meeting of Shareholders held on 22 May 2007 decided that the authorisation granted on 23 May 2006 for the acquisition of own equity instruments (treasury shares) shall be cancelled as of the date on which the new authorisation comes into effect. In accordance with Section 71a et seq. 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 22 November 2008. On 1 June 20007, the Management Board of **UNITED**LABELS AG announced its decision to reacquire company shares in a value equivalent to a maximum of €500,000. The purchase of shares shall be executed via the stock exchange. The transaction will be handled by a bank. On the basis of the Company's current plans, the commissioned bank is to be free to decide on the precise date of the stock purchase autonomously and without any influence exerted by the Company. The purchase price per share shall in no case exceed or fall below 10% of the exchange price applicable at the time. In accordance with the authorisation issued by the General Meeting of Shareholders on 22 May 2007, the shares are to be sold to interested institutional investors under exclusion of shareholder subscription rights. As at 31 December 2007, the Company held 46,199 treasury shares.

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

In the financial year under review, the Company repurchased 46,199 shares at an average price of €4.84. The cost of purchase amounting to €223 thousand was deducted fully from equity.

The unappropriated surplus ("Bilanzgewinn", also referred to as unappropriated or net retained earnings) developed as follows:

	€ '000
Unappropriated retained earnings brought forward	1,995
Dividend 2007	(840)
Net profit 2007	397
	1,552

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

Consolidated earnings per share	2007	2006
basic	0.10 €	0.35 €
diluted	0.10 €	0.35 €
Weighted average shares outstanding		
basic	4,169,902 shares	4,200,000 shares
diluted	4,169,902 shares	4,200,000 shares

Consolidated earnings per share amounted to €0.10 (prev. year: €0.35), calculated by dividing the net profit of €397,154.09 by the average number of shares outstanding, i.e. 4,169,902. Over the course of the financial year, the Company purchased a total of 46,199 own shares (treasury shares). Taking this into account, the annualised average number of shares outstanding was calculated as being 4,169,902. As in the previous financial year, the Management Board will propose to the General Meeting of Shareholders a dividend payment of €840 thousand in total (€0.20 per share; prev. year: €0.20 per share). The basic and diluted amounts are identical.

9. Provisions for pensions

A defined benefit obligation exists for one member of the Management Board; this commitment is dependent on the final salary.
As in the previous year, the full benefit obligation amounting to €927 thousand (prev. year: €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	2007	2006
Interest rate	5.70 %	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 the Management Board member.
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	2007 (in €)	2006 (in €)
DBO at Jan. 1	1,052,499	1,007,191
Service cost	64,696	65,782
Interest cost	47,362	45,324
Actuarial gains(-)/losses	(237,223)	(65,798)
- of which from experience adjustments	94,334	(65,798)
- of which from changes in actuarial assumptions	(331,557)	0
DBO at Dec. 31	**927,334**	**1,052,499**

As in the previous year, there were no plan assets in the 2007 financial year.

Reconciliation between funded status, as the difference between defined benefit obligation and plan assets, and provisions recognised on the balance sheet:

	31/12/07 (in €)	31/12/06 (in €)
Funded status	927,334	1,052,499
Unrecognised actuarial gains/(losses)	208,929	(463,369)
Provisions for pensions	718,405	589,130

The following table presents changes in pension provisions:

Change in provision for pensions	2007 (in €)	2006 (in €)
Provisions for pensions at Jan. 1	589,130	457,326
Net pension cost	129,275	131,804
Provisions for pensions at Dec. 31	**718,405**	**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 the Management Board member is composed of the following items:

Net pension cost	2007 (in €)	2006 (in €)
Service cost	64,696	65,782
Interest cost	47,362	45,324
Amortisation of actuarial (gains)/losses	17,217	20,698
Net pension cost	**129,275**	**131,804**

The present values for the last three financial years as well as the experience gains/losses are presented in the following table:

	31/12/07 €	31/12/06 €	31/12/05 €
Present value of the obligation	927,334	1,052,499	1,007,191
Plan assets	0	0	0
Shortfall	927,334	1,052,499	1,007,191
Experience adjustments	(94,334)	65,501	33,809

10. Provisions

Current provisions developed as follows in the period under review:

	Balance at 01/01/07 €'000	Reversed €'000	Utilised €'000	Allocated €'000	Balance at 31/12/07 €'000
Other provisions	101		(101)	30	30
Provision for contingent losses from goods returned	632		(632)	659	659
Litigation costs	8	(2)	(6)	372	372
Total provisions	**741**	**(2)**	**(739)**	**1,061**	**1,061**

At the beginning of the 2007 financial year, this item included provisions for contingent losses associated with inventory write-downs, amounting to €101 thousand. These provisions were utilised in full over the course of 2007.
In 2007 provisions were made in the amount of €30 thousand for contingent losses associated with licence agreements. The provision for contingent losses from goods returned has been recognised because specific customers have the right to rescind the contract and return the goods. The amount of the provision is based on an assessment made by management or on available data relating to sales volumes. The provisions recognised in connection with litigation costs relate to two pending lawsuits heard in a labour court, amounting to €358 thousand, as well as a customs-related issue, for which €14 thousand has been provisioned. The provisions have a term of up to one year.

11. Trade and other payables as well as financial liabilities

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

31/12/07	Total amount	Repayment Schedule 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	10,166	4,356	3,383	2,427	3,977	Land charges
2. Trade payables	7,811	7,811	0	0	0	
3. Other liabilities	827	827	0	0	0	
	18,804	**12,994**	**3,383**	**2,427**	**3,977**	

31/12/06	Total amount	Repayment Schedule 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	6,528	0	0	0	
3. Other liabilities	4,477	4,477	0	0	0	
	17,078	**14,661**	**1,175**	**1,242**	**2,747**	

The following table presents the contractually agreed (undiscounted) interest and principal payments relating to the primary financial liabilities:

	Carrying amount 31/12/07	Cash flows 2008			Cash flows 2009			Cash flows 2010-2012			Cash flows 2013 et seq		
in €'000		Interest fixed	Interest	Principal	Interest	Interest	Principal	Interest	Interest	Principal	Interest	Interest	Principal
Payables to banks													
Long-term borrowings	5,810	175	90	1,069	159	51	989	407	12	1,325	758	0	2,427

The effective interest rates for long-term bank borrowings are between 3.5 % and 5.8 % (prev. year: 3.5 % to 5.8 %). In 2007, on the basis of a loan concluded in 2006, an additional loan amount of €1,460 thousand was taken out for the purpose of financing the logistics centre. The effective interest rate is 5.8 %. Additionally, a loan of €2,000 thousand was taken out in October 2007 in order to optimise the level of interest expense within the Group. The term of this loan, which does not include a discount, is three years. The effective interest rate is 5.55 % and has been hedged by means of an interest rate swap.

The trade receivables are associated with standard reservations of title.

Other liabilities include €104 thousand (prev. year: €314 thousand) in liabilities relating to social security. In addition, other liabilities include liabilities attributable to invoices outstanding in the amount of €957 thousand (prev. year: €817 thousand) and social liabilities, such as holiday pay, Berufsgenossenschaft (employee's industrial compensation society) and bonuses, totalling €142 thousand (prev. year: €206 thousand).

12. Financial instruments

The following table lists the carrying amounts, amounts recognised and fair values by measurement category for the respective financial liabilities:

in €'000	Carrying amount 31/12/07	Amount recognised in balance sheet according to IAS 39				Amount recognised in balance sheet according to IAS 17	Fair Value 31/12/07
		Amortised cost	Cost	Fair value recognised in equity	Fair value recognised in profit or loss		
Assets	LaR						LaR
Cash and cash equivalents	4,781	4,781					4,781
Trade receivables	18,008	18,008					18,008
Receivables from factoring company	427	427					427
Liabilities	FLAC						FLAC
Trade payables	6,748	6,748					6,748
Finance lease liabilities in accordance with IAS 17	10					10	10
Payables to banks	10,156	10,156					10,156
of which aggregated by measurement category according to IAS 39:							
Loans and receivables (LaR)	23,216	23,216					23,216
Financial liabilities measured at amortised cost (FLAC)	16,914	16,904				10	16,914

Carrying amount 31/12/06	Amount recognised in balance sheet according to IAS 39				Amount recognised in balance sheet according to IAS 17	Fair Value 31/12/06
	Amortised cost	Cost	Fair value recognised in equity	Fair value recognised in profit or loss		
LaR						LaR
4,486	4,486					4,486
15,533	15,533					15,533
365	365					365
FLAC	FLAC					FLAC
6,528	6,528					6,528
59					59	59
6,014	6,014					6,014
20,384	20,384					20,384
12,601	12,542				59	12,601

Cash and cash equivalents, trade receivables and trade payables mainly have short-term maturities. Therefore, their carrying amounts at the reporting date approximate their fair values.

The parent company in Münster sells its receivables associated with a selected group of key accounts to a factoring company. On average, the figure corresponds to approx. 35% of the parent company's total receivables. The receivables attributable to these key accounts are sold in full and irrevocably. However, the factoring company is entitled to a retention of 25% of the respective invoice amount. It is transferred to the parent company only once the customer has settled the account. The retention is to be seen as a form of security withheld by the factor for possible discounts or warranty claims.

Foreign exchange forward contracts are entered into for the purpose of hedging against currency risks. However, no such contracts were in place at the reporting date.

At the reporting date an interest rate swap relating to a long-term loan was in place, with a value of minus €3 thousand. The term of the interest rate swap ends on 30 September 2010.

13. Other financial obligations and contingent liabilities

Significant financial obligations are presented below:

	Total 2007 €'000	Total 2006 €'000
Orders to suppliers	2,573	3,093
Leasing agreements	266	140
Rental agreements	2,030	1,333
	4,869	**4,566**

Of these obligations, an amount of €3,485 thousand (prev. year: €3,643 thousand) is due within one year.

The Company was not in the possession of collateral at the reporting date and furnished Volksbank Münster with the right to set land charges in the amount of €3,977 thousand in connection with the construction of a logistics centre.

14. Lease agreements

Obligations arising from non-cancellable operating lease agreements for non-capitalised leased assets amount to €266 thousand (prev. year: €140 thousand).

Maturity within 1 year:	€129 thousand	(prev. year: €106 thousand),
Maturity 1-5 years:	€137 thousand	(prev. year: €34 thousand)
Maturity 5 years or more:	€0	(prev. year: €0)

The Company has entered into multiple-year lease agreements, mainly stipulating the return of the leased assets or, to a lesser extent, the transfer of title at the end of the lease period. Other operating expense includes leasing charges of €125 thousand (prev. year: €119 thousand).

Other equipment, furniture and fittings, and office equipment include capitalised assets related to finance lease agreements in the amount €25 thousand (prev. year: €34 thousand). The repayment obligation amounts to €10 thousand (prev. year: €59 thousand).

Maturity within 1 year:	€10 thousand	(prev. year: €50 thousand)
Maturity 1-5 years:	€0 thousand	(prev. year: €9 thousand)
Maturity 5 years or more:	€0	(prev. year: €0)

In 2007, an amount of €14 thousand was recognised in profit and loss.

15. 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 €58 thousand (prev. year: €262 thousand), while those attributable to interest payments were €573 thousand (prev. year: €403 thousand). Interest received amounted to €184 thousand (prev. year: €131 thousand).

14. Segment reporting

Primary reporting format: segment reporting covers "Special Retail" and "Key Account".
Segment data derived from internal reporting was as follows:

2007

€'000	Special Retail	Key Account	Group
Sales revenue	13,190	30,043	43,233
Segment expenses	(11,157)	(22,257)	(33,414)
Depreciation/amortisation	(1,423)	(3,075)	(4,498)
Segment result	**610**	**4,711**	**5,321**
Administrative expenses			(3,780)
Depreciation administration			(256)
Net finance cost			(389)
Result of ordinary activities			**892**
Taxes			(495)
Consolidated net profit/(loss)			**397**
€ m	**Special Retail**	**Key Account**	**Group**
Segment assets	10.5	22.2	53.4*
Segment liabilities	6.0	8.7	20.6*
Capital expenditure	0.8	2.9	3.8*

*) Administration is included in total Group assets with an amount of €20.7 million; in segment liabilities it is included with an amount of €6.0 million and in capital expenditure with an amount of €0.1 million.

There were no segment revenues or expenses between the individual segments.

2006

€'000	Special Retail	Key Account	Group
Sales revenue	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)
Net finance cost			(272)
Result of ordinary activities			**1,679**
Taxes			(197)
Consolidated net profit/(loss)			**1,482**

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

*) Administration is included in total Group assets with an 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.

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.
The Group generates its revenue mainly in Germany, Austria and Switzerland, as well as in France and the Iberian peninsula.

Sales revenue (in € '000)	2007	2006
Germany, Austria, Switzerland	19,820	20,525
Iberian Peninsula	12,210	9,603
France	4,456	8,713
Rest of the World	6,746	6,426
Group	43,232	45,267

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

Total assets (in € '000)	2007	2006
Germany, Austria, Switzerland	36,065	33,875
Iberian Peninsula	9,690	8,329
France	1,329	3,049
Rest of the World	6,275	6,597
Group	53,359	51,850

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

Capital expenditure (in € '000)	2007	2006
Germany, Austria, Switzerland	3,302	5,818
Iberian Peninsula	159	585
France	317	787
Rest of the World	48	20
Group	3,826	7,210

Capital expenditure has been allocated to the country/region in which the customer has its 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.

17. Capital management

The purpose of capital management at **UNITED**LABELS is to ensure that available funds are allocated to the most effective area of use. These activities are performed centrally by the parent company in Münster at a cross-company level. Daily and monthly reports as well as continuous variance analyses provide the Company with a basis on which to plan the investment of available capital in areas generating or expected to generate the highest returns. In parallel, alternatives within the field of debt-based financing are assessed on a weekly basis and implemeted accordingly in the case of positive returns. Within this context, for example, **UNITED**LABELS AG took out a three-year loan in October 2007, as the effective interest rates were lower than the opportunity costs. For further details, please refer to C.18.

At **UNITED**LABELS, capital is defined as the full scope of liquidity, i.e. bank deposits and borrowings, the average volume of which is €8 million. The borrowing and lending rates constitute the principal instruments of control within this area.

18. Risks

Fluctuations in exchange rates:

Standard foreign exchange forward contracts are entered into for the purpose of hedging against currency risks associated with payment obligations denominated in foreign currencies. The aforementioned contracts are not used for speculative purposes. Changes in the value of current forward contracts are 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.

In the 2007 financial year, the average euro/US dollar exchange rate was 1.3662. **UNITED**LABELS has to pay approx. 58% of the costs of goods sold in US dollars due to the fact that a large quantity of goods is sourced from the Far East. This volume amounts to approx. €13.2 million in absolute terms. If the average exchange rate had been just 1.30, this would have a had a negative effect of €640 thousand with regard to the cost of goods sold. If, by contrast, the average exchange rate had been 1.40, this would have had a positive effect of €327 thousand with regard to the cost of goods sold.

Licences:

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. However, to date, the majority of licence agreements for **UNITED**LABELS have been extended.
UNITEDLABELS holds licence-related rights that are recognised in the balance sheet at an amount of €3,166 thousand. However, this amount is subject to quarterly impairment tests, resulting in impairment losses being recognised in the event of a shortfall. At present, there are no indications that the carrying amounts cannot be realised, under normal circumstances, through the use of the licences. Having said that, the Company is exposed to the general risk that the carrying amounts of the assets cannot be realised following changes to market expectations and/or the appeal of specific licences.

Liquidity:

The liquidity of **UNITED**LABELS is assured to a sufficent extent. However, it is impossible to rule out a shortage in liquidity if all entities within the Group were to fail to meet their targets over an extended period of time. **UNITED**LABELS is committed to creating as much room for manoeuvre possible with regard to its liquidity by performing rolling daily, weekly and annual forecasts, maintaining a high level of transparency towards its principal banks and optimising cash flows throughout the Group. At the reporting date of 31 December 2007, **UNITED**LABELS had access to the following borrowing facilities within the Group:

In € '000	2007	2006
Current account	4,155	4,967
Long-term loans	5,810	4,303
Bills of exchange	3,550	3,655
Letters of credit	7,775	7,896

In addition, the Company has the option of offering, where available, invoices totalling €5 million as part of factoring arrangements. Factoring provides an important liquidity reserve, allowing the Company to extend its financing scope in the short term.

Interest rates:

UNITEDLABELS secures long-term loans by means of fixed interest rate arrangements. Depending on the loan, the effective interest rate lies between 3.5 and 5.8%. Current account overdrafts are only used in specific cases and if so at the most favourable lending rate offered by the bank. Similarly, factoring is only deployed in specific cases. Therefore, the impact of changing interest rates on the overall commercial situation of **UNITED**LABELS would be negligible.

In addition to the risks outlined above, other risks generally associated with commercial activities, such as risks relating to price fluctuations and bad debt are captured by a specially developed risk management system and updated on a continual basis. Price adjustments are possible both at selling and purchasing level. **UNITED**LABELS performs calculations for each contract before accepting a deal, the stipulation being that a minimum return must be achieved. If this target is not met, the contract will not be accepted. The risk associated with payment default on the part of customers is mitigated by means of insurance that is put in place when a customer exceeds a specific limit. Within this context, the Company collects in advance specific information relating to the credit rating of a customer.

Thus, 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. At the reporting date, the Company was not aware of other significant risks within the meaning of IFRS 7.34.

D. Notes to Individual Items of the Group Income Statement

1. Sales revenues

Sales revenue is divided into revenue for the sale of goods and revenue from services.

	2007 Sales revenue		2006 Sales revenue	
	€'000	in %	€'000	in %
Sale of goods	42,974	99	44,841	99
Services	258	1	426	1
	43,232	**100**	**45,267**	**100**

2. Cost of materials

The cost-of-materials ratio fell by 1.8 percentage points from 54.3 % to 52.5 %. In absolute terms, this corresponds to a reduction from €24,568 to €22,688 thousand. In addition, in 2007 a valuation allowance of €220 thousand (FY 2006: €0) was recognised in connection with creditors with debit balances.

3. Amortisation of usufructuary rights

Amortisation of usufructuary rights includes write-downs attributable to product-related licences. As a result of revenue effects, amortisation of usufructuary rights fell from €4,695 thousand to €4,041 thousand.

4. Other operating income

This item mainly comprises income from exchange differences in the amount of €79 thousand (prev. year: €175 thousand) as well as the asset value of a pension-related reinsurance obligation of €145 thousand (prev. year: €41 thousand).

5. Staff costs

Staff costs increased from €6,011 thousand to €6,582 thousand. The year-on-year change was attributable mainly to a provision of €358 thousand recognised in connection with pending lawsuits. For further details regarding post-employment benefits, please refer to C.9.

6. Depreciation of property, plant and equipment, and amortisation of intangible assets

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 2007 financial year, none of the goodwill carrying amounts were considered impaired.

Additionally, effective 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 include, among other items, distribution costs of €3,594 thousand (prev. year: €3,293 thousand) and rental expense amounting to €1,055 thousand (prev. year: €1,187 thousand). The remaining expenses consist of general administrative and operating expenses. Other operating expenses also include allowances for accounts receivable in an amount of €212 thousand (prev. year: €142 thousand).

8. Finance income and finance cost

Interest expense amounted to €573 thousand (prev. year: €403 thousand) and relates mainly to long-term loans, pension obligations, notes payable and factoring. Interest income rose to €184 thousand (prev. year: €131 thousand). Interest expense includes discount of €10 thousand calculated by means of the effective interest method in connection with four discounts relating to long-term loans.

9. Taxes on income

This item is composed of the following:

	2007 €'000	2006 €'000
Current tax expense	64	248
Deferred tax expense/income	431	(50)
Total income tax expense	**495**	**198**

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

	2007 €'000	2006 €'000
Consolidated result before income taxes	893	1,679
Applicable tax rate	39.65 %	39.65 %
Expected tax expense	355	666
Difference to foreign tax on income	65	119
Tax effect of non-deductible expenses	32	66
Tax effect of non-taxable income	(50)	(105)
Reversal of impairment losses for deferred tax assets	0	(643)
Tax effect attributable to utilisation of tax loss carryforwards not previously recognised	(15)	(115)
Tax effect of loss carryforwards for which no deferred tax assets were recognised in the current period	136	210
Taxes attributable to other periods	660	0
Effect of change to tax rate	632	0
Current tax expense	**495**	**198**
Current tax rate	**55.3 %**	**11.8 %**

The domestic tax rate includes German trade tax computed on the basis of a "Hebesatz" (a municipal percentage that varies depending on location) of 440% (prev. year: 440%), corporation tax of 15% (prev. year: 25%) and a solidarity surcharge of 5.5% (prev. year: 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. jur. Jens Hausmann, Lawyer, Münster (Chairman)

Dipl.-Kaufmann Michael Dehler, 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 (prev. 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 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. Variable compensation amounted to €3 thousand in 2007 (prev. year: €11 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:
FR Finance Relations AG, St. Gallen (CH); Chairman of the Board of Directors
WB Informatik AG, Schaffhausen (CH); Member of the Board of Directors

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

Management Board compensation totalled €417 thousand in the period under review. 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 2007 financial year amounted to €364 thousand; variable compensation of 3% of consolidated net profit of €921 thousand, before taxes and Management Board bonuses, corresponded to €28 thousand. In addition, Mr. Boder received €25 thousand from a stock bonus plan.
In observance of Section 160 (1) no. 8 AktG, on 31 October 2005, Mr. Peter 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 €129 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 €718 thousand.
As from the age of 65, Mr. Peter Boder is entitled to a monthly old-age pension of €17,500.00 and an invalidity pension in the same amount (as from 1 July 2006 it increases by 2% 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:

	2007	2005
Salaried staff	126	119
School-leaver trainees	8	6
	134	**125**

3. Corporate Governance

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

4. Employee share option plan

As at 31 December 2007, 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 €64 thousand (prev. year: €55 thousand).

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 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. In 2007, the amount received was €79 thousand (prev. year: €80 thousand).

Mrs. Alexa Boder acts on behalf of the Company with regard to legal issues (management of outstanding receivables); in 2007, she received €5 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.

The **UNITED**LABELS Group uses available liquidity for the purpose of minimising interest payments throughout the Group. In addition, internal supply relations exist between the individual entities. At the reporting date, loans to subsidiaries amounted to €2,418 thousand in total (prev. year: €2,577 thousand), while current receivables stood at €3,868 thousand (prev. year: €3,777 thousand). These amounts are eliminated as part of the consolidation process.

7. Responsibility Statement in accordance with Section 37y no. 1 WpHG in conjunction with Sections 297 (2) sentence 3 and 315 (1) sentence 6 HGB

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

8. Events after the balance sheet date

After the balance sheet date a ruling against the Company was issued in connection with legal proceedings before a labour court. The outcome of this ruling is covered by provisions recognised in respect of litigation costs. Apart from this, no significant events were recorded after the balance sheet date.

Münster, 7 March 2008
UNITEDLABELS Aktiengesellschaft
Management Board

Peter Boder

F. Auditor's Report

We have audited the consolidated financial statements prepared by **UNITED**LABELS Aktiengesellschaft, Münster, comprising the balance sheet, income statement, statement of changes in equity, cash flow statement and notes, together with the combined management report and Group management report for the financial year from 1 January to 31 December 2007. The Management Board of the Company is responsible for the preparation of the consolidated financial statements and the 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 the 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, 7 March 2008
PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Harald Ewig)
Wirtschaftsprüfer
(German Public Accountant)

(ppa. Dietrich Schollmeyer)
Wirtschaftsprüfer
(German Public Accountant)

UNITEDLABELS Aktiengesellschaft, Münster

Income Statement for the period
from 1 January to 31 December 2007

	2007 €	2006 €
1. Sales revenues	24,883,896.60	28,925,679.69
2. Cost of purchased goods	13,718,145.55	16,612,978.15
3. Amortisation of usufructuary rights	3,146,536.03	3,576,126.95
	8,019,215.02	**8,736,574.59**
4. Other operating income	1,158,276.78	903,262.33
5. Staff costs		
a) Wages and salaries	3,167,196.96	2,840,747.78
b) Social security, post-employment and other employee benefit costs	583,410.49	458,826.73
- of which for post-employment benefits: €141,840.97 (prev. year: €49,806.03)		
6. Amortisation and write-downs of intangible non-current assets and depreciation and write-downs of property, plant and equipment	592,155.50	484,138.23
7. Other operating expenses	3,697,305.23	3,956,184.08
	1,137,423.62	**1,899,940.10**
8. Income from investments	0.00	226,528.01
- of which from affiliated companies €0.00 (prev. year: €226,528.01)		
9. Other interest and similar income	211,833.41	154,135.03
- of which from affiliated companies €147,879.15 (prev. year: €138,922.11)		
10. Write-down of long-term financial assets and securities classified as current assets	59,869.27	0.00
11. Interest and other expenses	225,768.04	132,916.00
12. Result from ordinary activities	**1,063,619.72**	**2,147,687.14**
13. Taxes on income	54,786.28	190,006.06
14. Other taxes	15,696.39	7,041.81
15. Net profit for the period	**993,137.05**	**1,950,639.27**
16. Unappropriated retained earnings brought forward from the previous year	1,623,743.09	513,103.82
17. Allocation to reserves for treasury shares	163,544.46	0.00
18. Unappropriated surplus	**2,453,335.68**	**2,463,743.09**

UNITEDLABELS Aktiengesellschaft, Münster
Balance Sheet as at 31 December 2007

ASSETS	31/12/07 €	31/12/06 €
A. Non-current assets		
I. Intangible assets		
1. Concessions, industrial and similar rights and assets, as well as licences in such rights and assets	2,325,304.55	2,552,461.47
2. Goodwill	1,484,587.42	1,608,302.98
	3,809,891.97	**4,160,764.45**
II. Property, plant and equipment		
1. Land, land rights and buildings, including buildings on third-party land	5,142,212.74	2,785,082.07
2. Technical equipment and machinery	46,362.17	15,531.04
3. Other equipment, operating and office equipment	637,904.62	470,586.82
4. Prepayments and assets under construction	10,000.00	2,650,509.43
	5,836,479.53	**5,921,709.36**
III. Long-term financial assets		
1. Investments in affiliated companies	8,236,583.53	8,136,583.53
2. Loans to affiliated companies	2,418,135.32	2,576,861.86
	10,654,718.85	**10,713,445.39**
	20,301,090.35	**20,795,919.20**
B. Current assets		
I. Inventories		
1. Finished goods and merchandise	5,726,242.51	5,595,500.03
2. Prepayments	121,432.29	54,221.14
	5,847,674.80	**5,649,721.17**
II. Receivables and other assets		
1. Trade receivables	6,950,175.39	4,987,494.40
2. Receivables from affiliated companies	3,192,668.93	3,428,924.86
3. Other current assets	2,382,062.40	1,949,540.18
of which with remaining term of more than one year: €349,922.56 (prev. year: €205,168.82)		
	12,524,906.72	**10,365,959.44**
III. Securities		
Treasury shares	163,544.46	0.00
III. Cash, bank deposits, cheques	**4,039,729.54**	**3,756,521.50**
	22,575,855.52	**19,772,202.11**
C. Prepaid expenses	**226,795.39**	**211,224.24**
of which discounts: €144,002.84 (prev. year: €96,100.08)		
Assets, total	**43,103,741.26**	**40,779,345.55**

UNITEDLABELS Aktiengesellschaft, Münster
Balance Sheet as at 31 December 2007

LIABILITIES AND EQUITY	31/12/07 €	31/12/06 €
A. Equity		
I. Issued capital	4,200,000.00	4,200,000.00
II. Capital reserves	24,431,558.29	24,431,558.29
III. Revenue reserves		
1. Reserves for treasury shares	163,544.46	0.00
2. Other revenue reserves	250,000.00	250,000.00
IV. Unappropriated surplus	2,453,335.68	2,463,743.09
	31,498,438.43	**31,345,301.38**
B. Provisions		
1. Provisions for pensions and similar obligations	510,454.00	400,131.00
2. Provisions for taxes	23,000.00	186,300.00
3. Other provisions	1,192,805.13	2,117,309.57
	1,726,259.13	**2,703,740.57**
C. Liabilities		
1. Payables to banks	5,993,905.99	2,843,451.69
of which with remaining term of up to one year: €1,252,829.61 (prev. year: €326,362.98)		
2. Trade payables	3,412,570.39	2,350,921.69
of which with remaining term of up to one year: €3,017,570.39 (prev. year: €1,927,921.69)		
3. Other liabilities	472,567.32	1,535,930.22
of which attributable to taxes: €460,614.89 (prev. year: €686,057.20) of which with remaining term of up to one year: €472,567.32 (prev. year: €1,535,930.22)		
	9,879,043.70	6,730,303.60
Total liabilities and equity	**43,103,741.26**	**40,779,345.55**

Published by:
UNITEDLABELS AG, Münster

Printed by:
Landwirtschaftsverlag GmbH,
Münster

Final editing: 13. März 2008

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Our annual report, interim reports, etc. are also available online at **www.unitedlabels.com** in the section ”Investor Relations – Financial Reports“. Our press releases can be accessed at ”Press – Press Releases“.

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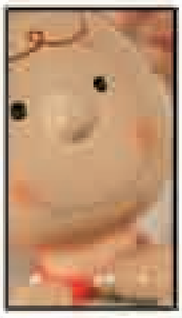
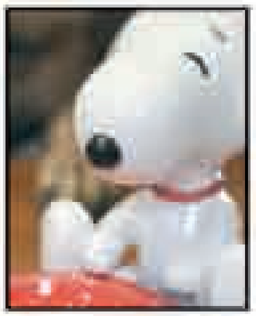
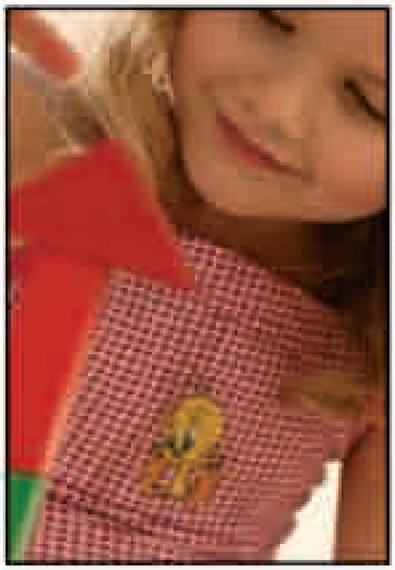
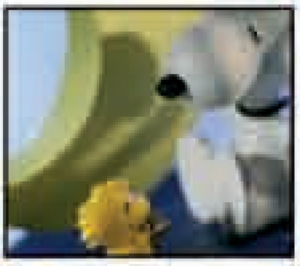

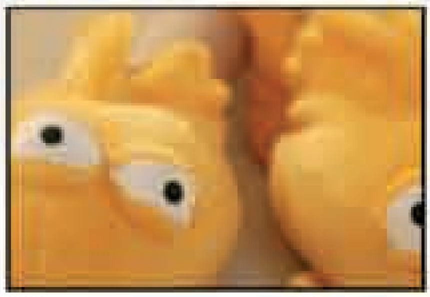






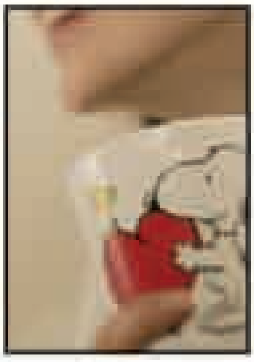

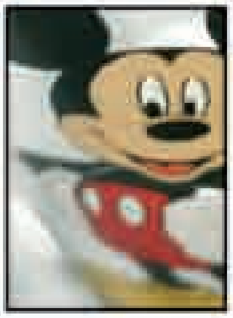
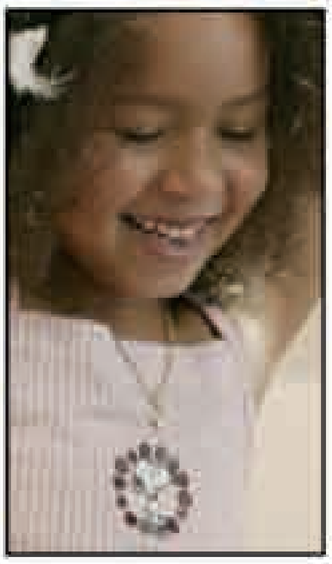

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