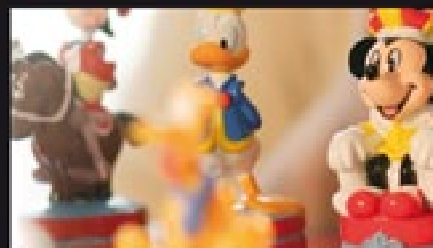
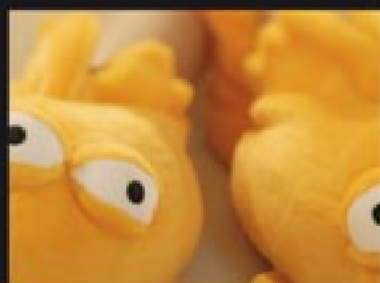
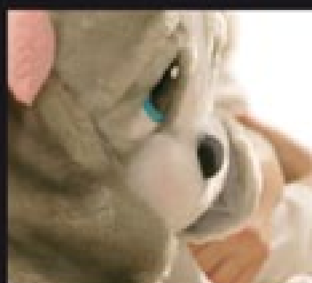
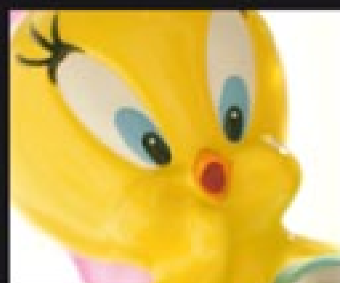
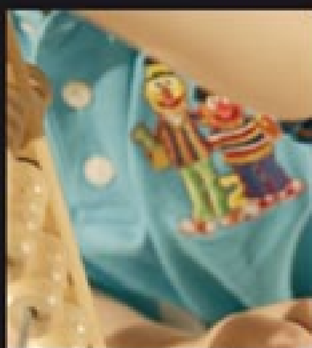
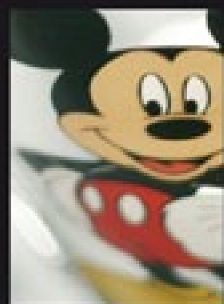
ANNUAL REPORT 2008

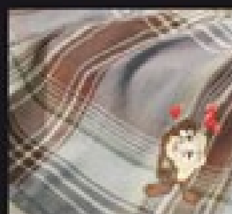
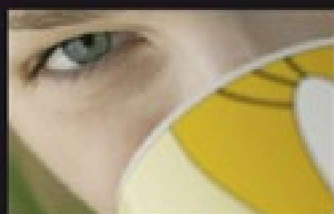
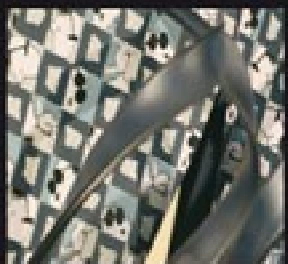
UNITED LABELS COMICWARE

UNITEDLABELS AG

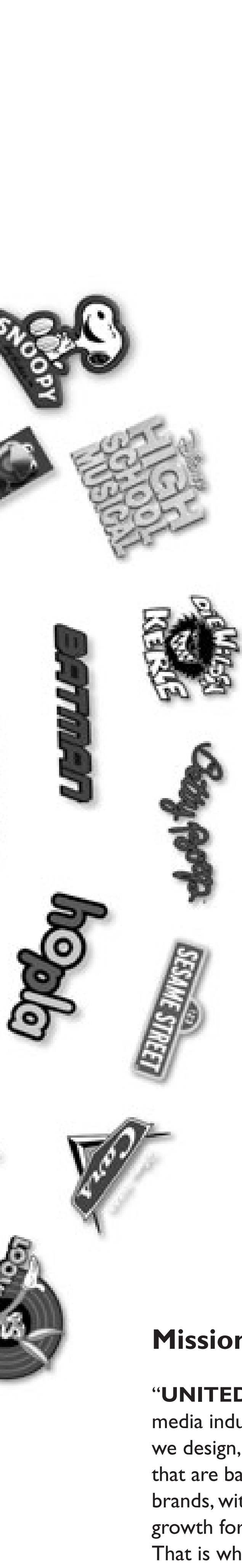




COMICWARE

brings cartoons
to LIFE!



Mission Statement

"**UNITED**LABELS AG is the link between the media industry and the retail sector. Worldwide we design, market and sell consumer products that are based on successful international cartoon brands, with the aim of generating value and growth for our customers and shareholders. That is what our company is all about."

What´s up, Doc?
Time to take STOCK!

Key figures 2008	2008 €`000	2007 €`000	Change in %
Revenue	44,238	43,232	2.3
EBITDA*	1,266	1,995	(36.5)
EBIT	631	1.281	(50.7)
Result of ordinary activities	401	893	(55.1)
Profit for the year	769	397	94.0
Cash flow from operating activities	7,112	2,268	213.6
Earnings per share (€)	0.19	0.10	
Number of employees	136	134	
Number of licence agreements	54	64	

*incl. amortisation of usage rights

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PETER BODER
CHAIRMAN OF THE
MANAGEMENT BOARD

Dear Shareholders and Business Associates,

Never in the twenty-year history of **UNITED**LABELS AG have we been witness to such a severe and unexpected economic upheaval as that experienced in the 2008 financial year just ended. Indeed, far from being restricted to the financial sector, market turbulence soon also enveloped the real economy, leaving its mark on consumer demand and thus also retail sales in the autumn months and beyond.
Against the backdrop of recession, however, **UNITED**LABELS AG succeeded in strengthening its sales revenue by 2.3 % to € 44.2 million. What is more, consolidated profit for the year doubled to € 0.8 million, as a result of which earnings per share stood at € 0.19.

This solid result is a testament in particular to the broad business base created by **UNITED**LABELS AG. Thanks to our diverse business fields and country activities, we have been able to spread our risk and become less susceptible to economic trends in specific regions or sales channels. This approach clearly bore fruit in the financial year just ended.

Our Key Account segment recorded revenue growth of 5.9 % to € 31.8 million. While German large-account sales were dampened by sluggish business in the run-up to Christmas, the newly established subsidiary House of Trends europe GmbH performed very well. Developed specifically for discount retailers, House of Trends generated revenue of € 3.9 million in its first full financial year, compared to € 0.3 million last year. In pursuing this route, we adapted to market changes at just the right time and are now reaping the rewards.

The Special Retail segment generated revenue of € 12.4 million in the year under review, thereby achieving a slight increase in earnings. This area of business tends to feel the effects of demand swings almost immediately due to the short lead times involved (48-hour delivery). Against this backdrop, the Special Retail segment was unable to maintain its relatively stable performance of the first nine months in the final quarter of the financial year just ended. For the purpose of counteracting this trend, we stepped up our activities at trade shows and were quick off the mark when it came to launching new licence themes. Our specialty retail theme by the name of "Sino", for instance, was unveiled at the Nuremberg Toy Fair. In parallel, the "Angel Cat Sugar" collection was expanded and additional merchandise lines were added within the area of Disney's "Camp Rock". Market rollout is being accompanied by extensive direct mail, POS and Internet-based campaigns.

Fiscal 2008 produced a stronger earnings performance for the company's non-domestic European subsidiaries. Although revenue contracted slightly in aggregate, consolidated earnings improved significantly in some cases. In Belgium, earnings before interest and taxes rose to €0.6 million, while Italy saw its EBIT increase by 3.6 % to € 0.2 million. Spain experienced an earnings surge of 48.9 % to € 0.4 million. In France, EBIT more than doubled to € 0.4 million.
In England, a country heavily affected by the current economic crisis, we scaled down our office space and cost structures as far back as September, thus further reducing the loss incurred in this market. In embracing this structure, we have responded to changing market conditions, and following our relocation from Nottingham to London, we are also much closer to our customers.

In July 2008, we acquired a 35 % interest in Groupe Montesquieu, France. Groupe Montesquieu is a long-standing supplier of licensed textile-based merchandise to large-volume customers in France and is thus considered an excellent addition to our sales network. This latest investment, complemented by the option of a majority takeover at a later stage, has opened up important distribution channels for our Group, as well as giving us access to valuable design and production expertise that can be applied throughout the Group.

We are also currently expanding our master sourcing activities, i.e. the production and marketing of licensed products for exclusive worldwide sales, with "Angel Cat Sugar" soft toys being added to the master sourcing portfolio that already includes "The Simpsons" soft toys. This allows us to market our merchandise to licensees located outside the European Union, thus establishing a gateway for global sales.

Airport shops continue to be a key marketing platform for our Group. With this in mind, we further improved the existing stores in Barcelona and pressed ahead with efforts to find additional retail space at other European locations. There is a good chance of us opening additional stores from 2009 onwards.

The most successful licence themes in 2008 were "The Simpsons", "SpongeBob SquarePants" and the two classics "Snoopy" and "Disney". Movies such as "High School Musical", "Wall-E" and "Kung Fu Panda" raised consumer awareness and acted as new purchasing incentives over the course of the year.

The performance of **UNITED**LABELS stock is a clear reflection of the global economic and financial crisis, rather than being attributable to the key fundamentals of our company. However, we are confident that our underlying company data and our prospects for the future will be subject to fairer market valuations as time progresses.
Indeed, shares in **UNITED**LABELS offer significant potential and very solid returns. As in the two previous years, the proposal to be put forward to the Annual General Meeting will be for a dividend of € 0.20 per share, which corresponds to a double-digit dividend yield.

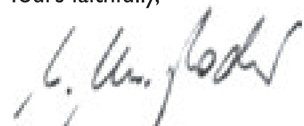
We have set ourselves a number of goals for 2009: in addition to expanding the various sales channels operated within the Key Account and Special Retail segments, we will be looking to strengthen our "textiles and apparel" product area in particular. Traditionally, this is one of the largest revenue drivers within the Media/Entertainment licence market. Our activities in this segment are centred around targeted collections for babywear, swimwear, nightwear, daywear and outerwear.
Additionally, we shall be focusing on eastern Europe for the first time. While merchandise had previously found its way onto some eastern European markets via the store network operated by our German retail customers, we are now looking to target these markets directly. In fact, we have already secured our first orders for this region.
In pursuing this strategy, we will unlock significant growth potential for **UNITED**LABELS.

The current economic downturn remains a heightened risk factor for all companies within the business arena. We have made extensive strategic preparations in response to this situation. The aim is to generate further growth through new merchandise within the category of textiles and apparel, business expansion into eastern Europe as well as targeted measures implemented in the area of Key Accounts, Special Retail and Airport Shops. At the same time, we will be looking to avoid dependencies on individual markets or customer segments. While we can't influence the wind, we can certainly set our sails correctly.

I would like to take this opportunity to thank all business partners, the members of our Supervisory Board and, in particular, our team of employees for their commitment and the ideas they have contributed to this company. I would also like to express my gratitude to you, our shareholders, for your trust and for your keen interest in **UNITED**LABELS AG.

I am confident that **UNITED**LABELS is well positioned for the future, and I would be delighted if you continued to put your trust in our company in these turbulent times.

Yours faithfully,



Peter Boder, CEO

PEANUTS © UFS, Inc.

DR. JENS HAUSMANN
CHAIRMAN OF THE
SUPERVISORY BOARD

In the course of the 2008 financial year, the Supervisory Board focused first and foremost on developments within the Group's foreign markets, the emphasis being on England and France. Within this context, the Supervisory Board agreed to the relocation of **UNITED**LABELS UK to London as well as to personnel-related restructuring.

Furthermore, beyond its scheduled meetings the Supervisory Board gave its consent to the acquisition of a 35 % interest in Montesquieu Finances S.A.S. (société par actions simplifiée – simplified corporation), in Roubaix, France, and a call option for an additional interest of 35 %. Montesquieu Finances S.A.S. is the holding entity of the Embassy Group with whom the Company maintains business relations.

In addition, the Supervisory Board discussed the introduction of new products and services as well as new sales channels for the Company and other entities within the **UNITED**LABELS Group in the financial year under review.

At the Annual General Meeting on 20 May 2008 the members of the Supervisory Board were re-elected for a further term in office. No further action was taken with regard to the objection announced in connection with this election. In its constitutive meeting convened after the Annual General Meeting the Supervisory Board members appointed Dr. Jens Hausmann as the Chairperson of the Supervisory Board and Mr. Michael Dehler as his Deputy, established an Audit Committee with Prof. Dr. Helmut Roland as its Chairperson and Mr. Michael Dehler as its second member, and drew up by-laws for the Supervisory Board.

The Supervisory Board again conducted an efficiency assessment in 2008 and adopted the findings of this assessment at its meeting in November. Additionally, the object of this meeting was to discuss the observance by the Company's management of the recommendations set out in the Corporate Governance Code in its recently amended version of 6 June 2008. In the opinion of the Supervisory Board, the Company fulfilled the recommendations of the Code with minor departures. In view of this, the Supervisory Board concurred with the Declaration of Conformity, which was issued together with details of those recommendations which had not been applied.

The Supervisory Board held four meetings in regular intervals over the course of the 2008 financial year. In some cases, resolutions were passed outside the regular meetings on the basis of agreement by circulation or via conference calls.

The Supervisory Board and Management Board maintained their trusted collaboration in the financial year under review.

Within this context, the Supervisory Board was kept informed by the Management Board about all significant events, with written and oral reports being furnished at the Supervisory Board meetings as well as outside of such meetings. The members of the Supervisory Board received all documents and information in a timely manner prior to the meetings. The Supervisory Board also reported to the Supervisory Board outside the scheduled meetings on all significant developments and decisions; this information was always provided on a regular and timely basis.

The Audit Committee convened on two occasions during the 2008 financial year. The first meeting was convened for the purpose of reviewing the annual financial statements and consolidated financial statements for the 2007 financial year. In the second meeting, the Audit Committee addressed the issue of an interim audit and the focal points for the fiscal 2008 annual audit by the independent auditor PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Düsseldorf, appointed at the Annual General Meeting on 20 May 2008.

According to the findings of the interim audit, there was a possibility that the carrying amount of the investment in **UNITED**LABELS UK would have to be reduced in the Company's separate financial accounts. There were no grounds for other write-downs of goodwill or long-term loans. The interim audit resulted in no other material findings. Other focal points of the audit included the performance of licences, the IT system, the development of inventories, the carrying amounts of trade receivables as well as the application of IFRS/IAS, the tax audit and non-domestic value added tax.

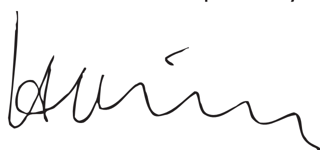
The independent auditor, PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, audited the Company's annual financial statements prepared by the Management Board, in conjunction with the accounting records and the management report, for the 2008 financial year. The focal points of this audit included the measurement of intangible assets, the interests held in affiliated entities as well as loans to and receivables from affiliated entities. In addition, the measurement of inventories formed an important part of the audit. The audit also focused on measures taken by the Management Board for the timely identification of risks that may jeopardise the success of the Company and its future as a going concern, which included in particular the implementation of such a risk management system by the subsidiaries. The IT systems were also audited.

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

At the meetings of the Audit Committee and the Supervisory Board at the beginning of this year, the appointed auditor reported on the course of the audit. The Management Board and appointed auditor responded to questions put to them by the Audit Committee and the Supervisory Board. At their meetings, the Supervisory Board and the Audit Committee examined the financial statements, the consolidated financial statements and the combined management and Group management report as well as the related-party disclosure report. 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 2008 financial year. Thus, the financial statements for the 2008 financial year have been adopted. Furthermore, the Supervisory Board raised no objections to the management report or the related-party disclosure report. The Supervisory Board hereby approves the proposal, put forward by the Management Board, to pay to shareholders a dividend of € 0.20 per share, with the exception of the treasury shares held by the company, and to carry forward the remainder of profit for the period to new account.

Münster, March 2009

On behalf of the Supervisory Board



Dr. Jens Hausmann
(Chairman)

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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 employees, 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 approved a Declaration of Conformity in December 2008. It is presented at the end of this part of the report and also appears on the Company website at www.unitedlabels.com in the Investor Relations/Corporate Governance section.

Dual management system

The German Stock Corporation Act (AktG) requires **UNITED**LABELSLABELS 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**LABELSLABELS 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 committed to achieving a sustained increase in enterprise value. He determines 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 departure from the Group's declared plans and targets, 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 and 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 year under review, remuneration for CEO Peter Boder amounted to € 365 thousand. Management Board compensation comprises a basic salary and a variable component, the latter being calculated according to the attainment of target earnings and the performance of the Company's share price. The fixed remuneration component for the 2008 financial year amounted to € 365 thousand. No variable remuneration was paid.
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 €113 thousand was allocated to provisions for pensions in connection with post-employment benefit obligations. The total amount of pension provisions recognised in connection with benefits accruing to the Management Board is € 832 thousand.

Supervisory Board remuneration was adjusted to the requirements of the German Corporate Governance Code following a resolution passed by the Annual 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 profit for the financial year. The fixed component of remuneration amounts to € 40 thousand in total per annum (FY 2007: € 40 thousand). The Chairman of the Supervisory Board, Dr. Jens Hausmann, receives € 20 thousand per annum, while the remaining Supervisory Board members, Professor Dr. Helmut Roland and Mr. Michael Dehler, each receive € 10 thousand per annum. In addition, the members of the Supervisory Board receive variable remuneration which is calculated on the basis of 0.25 % of consolidated profit (before payment of the variable remuneration component); the maximum amount is € 10 thousand. In 2008, the variable component of remuneration amounted to € 1,923.60 per member, i.e. € 5,770.80 in total (FY 2007: € 3 thousand). The members of the Audit Committee receive additional remuneration for their services, with Professor 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:
Professor Helmut Roland has 10,000 shares and Michael Dehler 441 shares. Dr. Jens Hausmann holds no shares.
CEO and Chairman of the Management Board Peter M. Boder holds 2.63 million shares in the Company.

No share option programme

As at December 31, 2008, no options and no valid share option programme existed.

Share transactions by the Management Board and Supervisory Board

Pursuant to Section 15a of the German Securities Trading Act (WpHG), members of the Management Board and the Supervisory Board and close family members are obliged to inform the Company immediately of any purchase or disposal of **UNITED**LABELS AG securities. Acquisitions or disposals involving more than € 5,000 in any calendar year must be disclosed. In 2008, **UNITED**LABELS AG received notification from Professor Dr. Helmut Roland that he had acquired a total of 4,272 shares. Stock purchases are disclosed on the Company's website in the section on directors' dealings.

Relationships with shareholders

Four times a year, **UNITED**LABELS AG reports to its shareholders on the development of its business 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.

Corporate Governance on the Internet

The latest Declaration of Conformity with 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 2008

Declaration by the Management Board and Supervisory Board of **UNITED**LABELS AG pursuant to Section 161 of the German Stock Corporation Act (AktG) with regard to the German Corporate Governance Code in the version dated June 6, 2008.

The Management Board and Supervisory Board of **UNITED**LABELS AG hereby declare that the Company complied and continues to comply with the recommendations of the Government Commission of the German Corporate Governance Code, as published by the German Federal Ministry of Justice in the official section of the electronic Bundesanzeiger (federal gazette). It is the intention of the Management Board and Supervisory Board of **UNITED**LABELS AG to continue to observe the recommendations of the German Corporate Governance code.
At present, the following recommendations are not being applied:

1. Para. 4.2.1:

The Management Board shall be comprised of several persons and have a Chairman or Spokesman. By-laws shall govern the work of the Management Board, in particular the allocation of duties among individual Management Board members, matters reserved for the Management Board as a whole, and the required majority for Management Board resolutions (unanimity or resolution by majority vote).

These recommendations have not been implemented at the present time. The Management Board of **UNITED**LABELS AG 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 appropriate. Such an appointment will be made, at the very latest, when consolidated annual sales revenue within the Group exceeds € 60 million long-term. 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. 4.2.2:

At the proposal of the committee dealing with Management Board contracts, the full Supervisory Board shall resolve and regularly review the Management Board compensation system including the main contract elements.

The Management Board consists of one member. The remuneration of the CEO is regularly renegotiated and defined when the decision is taken to extend the member of the Management Board's contract.

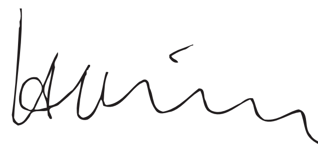
3. Para. 5.3.3:

The Supervisory Board shall form a nomination committee composed exclusively of shareholder representatives which proposes suitable candidates to the Supervisory Board for recommendation to the General Meeting.

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 2007, the Company has conformed with the Code in the version dated June 14, 2007, with the exception of the departures from the recommendations relating to paragraphs 4.2.1 and 5.3.3.

Münster, December 2008



The Management Board

The Supervisory Board

UNITEDLABELS **Aktiengesellschaft, Münster**

Company and Group Management Report for FY 2008

General economic situation

The current situation is marked by highly volatile markets. This is affecting global financial markets as well as the exchange rate relationships between different currencies. For example, the euro lost € 0.30 against the US dollar between the start of July and the end of October, with jumps of up to € 0.04 occurring within a single day. At the same time, banks previously regarded as rock solid are seeking state aid worth billions, and expectations regarding the future performance of the global economy are being revised downwards.

The German economy as a whole, however, recorded slight growth in 2008. According to figures published by the German Federal Office of Statistics, gross domestic product (GDP) increased by 1.3 %. In 2007, this figure was 2.5 %. By contrast, the performance of the German economy fell sharply in the fourth quarter of 2008. Adjusted for inflation, seasonal and calendar effects, GDP was 2.1 % lower in the fourth quarter of 2008 than in the third quarter. This represents the most pronounced fall compared to a prior quarter since German reunification, which reflects how dramatically the globally economic environment has changed.

Economic performance was similar in the European countries which are relevant to the Group. In the fourth quarter, gross domestic product fell by 1.0 % in Spain, 1.2 % in France, 1.8 % in Italy and 1.5 % in the UK compared to the third quarter of 2008.

In contrast to gross domestic product, consumer spending in Germany was up on the prior year. Private consumer spending rose to € 1,404 billion, representing a 2.2 % increase on the previous year, while state spending rose by 4 % to € 453 billion.

Foreign trade remained very dynamic with increases in the rate of growth of both imports and exports over 2007. Exports rose 4.7 % and imports were up 6.9 %.

Despite the recession, the German retail sector generated more sales in 2008, with revenues up 2.1 % according to the German Federal Office of Statistics. However, this is attributable primarily to price rises. When these are taken into consideration, companies generated 0.4 % less revenue.
In December, consumers held back for the third month in a row. Fears of recession prompted saving. Compared with November, sales were nominally down 0.6 % for retailers and down 0.2 % in real terms.
Compared to December 2007, takings were 0.6 % higher for retail companies. However, when price rises are taken into consideration, this actually translates into a fall of 0.3 %.
Food retailers in particular experienced a sharp fall in sales in December. Here revenues fell by 5.7 %.

In November 2008, sales at supermarkets and hypermarkets, for example, were down 3.3 % in nominal terms and down 5.3 % in real terms, while specialist food retailers generated 3.9 % fewer revenues in nominal terms and 6.8 % less in real terms compared to the same month in the previous year.

For non-food retailers, nominal and real sales were likewise lower than in November 2007, recording a nominal decline of 0.7 % and a fall of 1.4 % in real terms. For two industries though, both nominal and real revenues exceeded the same month a year ago: other specialist retail products (e.g. books and jewellery) recorded a nominal increase of 2.7 % and a 4.2 % rise in real terms. Sales of textiles, clothing and shoes were also up nominally at 1.3 % and by 0.6 % in real terms. By contrast, significant falls in sales were experienced by department stores and shopping centres (nominal -4.3 %, real -5.2 %) and mail-order retailers (nominal -5.8 %, real -6.4 %).

Industry review

The business of licensing cartoon characters comes under the field of entertainment/characters and is one of the largest segments in the overall licensing market.
The market for media and entertainment in which **UNITED**LABELS operates typically generates significant sales for the retail industry.

Worldwide, licence products are estimated to generate sales revenue of approximately USD 106 billion. In 2008, the United States and Canada accounted for around half of sales. Around a sixth of the overall market there is attributed to entertainment/characters with sales revenue of USD 9.88 billion. Europe and Asia each account for around a quarter of the total market. Here too, the entertainment/characters segment makes up around a sixth of sales (source: The Licensing Letter 2009, EPM Communications).

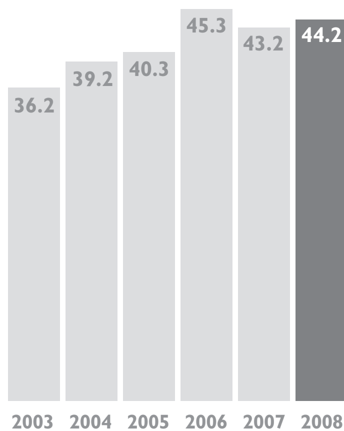
These areas also include licences for "SpongeBob SquarePants", "The Simpsons" and "Die Wilden Kerle" which are in the **UNITED**LABELS licence portfolio. Established classics like "Snoopy" and "Mickey Mouse" also enjoy strong demand, as do "Bob the Builder", "Barbie" and "Pucca".

We want to be entertained and to laugh and smile on a daily basis. That is why many new productions of cartoon series and their cartoon characters will continue to appear on television and in films. Promising marketing activities by media groups and licensors boost the popularity of and demand for many cartoon heroes.

Revenues and orders

Sales performance

Past sales performance (in €m)



Group sales revenue for the 2008 financial year rose by 2.3 % from € 43.2 million in the prior year to € 44.2 million. This is largely attributable to a solid performance at House of Trends europe GmbH. Here sales revenue was up € 3.6 million year on year. House of Trends europe GmbH specialises in licensing for socks. By contrast, sales revenues at the German parent company, in Spain and in the UK were all down on the previous year.

The figure for Group sales includes a consolidated amount of € 19.8 million (FY 2007: €21.8 million) for the parent company **UNITED**LABELS AG, equivalent to 45 % (FY 2007: 50%). The figure for sales in the Company's separate financial statements was € 23.6 million (FY 2007: € 24.9 million). Sales declined both in the Special Retail segment (minus € 0.6 million) and the Key Account segment (minus € 1.4 million). Triggered by general economic uncertainty, customers were more cautious about placing orders in the latter half of the year compared to the previous year.

Sales revenue at the Spanish subsidiary also fell year on year by € 0.6 million. Both segments were affected here too by a decline in sales of € 0.3 million each. This change stems in particular from a muted fourth quarter.

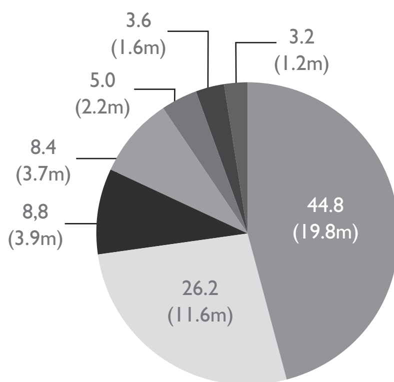
In the UK, sales revenue declined by € 0.4 million on the prior year. This development resulted partly from relocating our offices from Nottingham to London in September – with associated restructuring – and partly from the collapse of a major UK client, Woolworths. The carrying amounts associated with business relating to this customer were adjusted in full by €89 thousand.

UNITEDLABELS France contributed 5 % (FY 2007: 6 %) to consolidated revenue. The Belgian subsidiary Colombine increased its contribution to sales revenue to 8 % (FY 2007: 7 %). In absolute terms, this translates into a rise in revenue of € 0.6 million. The Italian subsidiary generated 4 % of sales revenue (FY 2007: 4 %).

The 35 % holding in Groupe Montesquieu of France was accounted for at equity. Sales revenue within the Montesquieu group amounted to € 17.1 million with earnings before taxes of € 648 thousand.

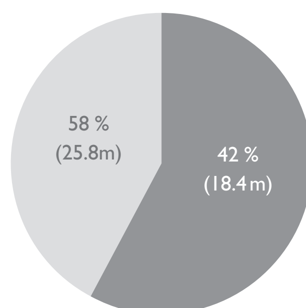
The proportion of total Group sales contributed by the Key Account segment was 72 % (FY 2007: 69 %), a shift which is largely due to strong trading by House of Trends europe GmbH. Special Retail sales were down to 28 % (FY 2007: 31 %) from € 13.2 million in 2007 to € 12.4 million in 2008. In Germany, declining interest in "Die Wilden Kerle" licence in particular contributed to this change.

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



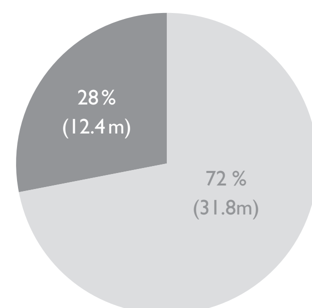
- Germany (UL AG)
- Spain (UL Ibérica)
- France (UL France)
- Belgium (Colombine)
- United Kingdom (UL UK)
- Italy (UL Italy)
- House of Trends europe GmbH

Breakdown of UNITEDLABELS sales in Europe for 2008 in % (€)



- Rest of Europe
- Germany

Breakdown of sales in 2008 for Key Accounts and Special retail in % (€)

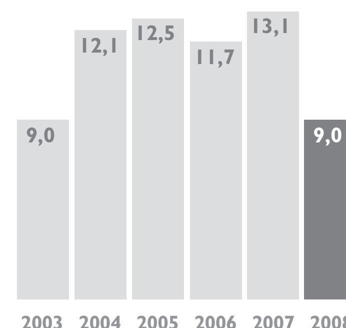


- Key Account
- Special Retail

Order backlog

The order backlog as at December 31, 2008, also reflects cautiousness in the retail landscape. At the reporting date, the order backlog was € 9.0 million (previous year: €13.1 million). The breakdown of the total order backlog over the year is as follows: Q1 2009 € 5.2 million (previous year: € 7.5 million), Q2 € 2.5 million (previous year: € 3.9 million), Q3 € 0.8 million (previous year: € 1.8 million) and Q4 € 0.5 million (previous year: € 0.0 million).
The order backlog for **UNITED**LABELS AG stood at € 5.8 million (previous year: € 8.8 million).

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

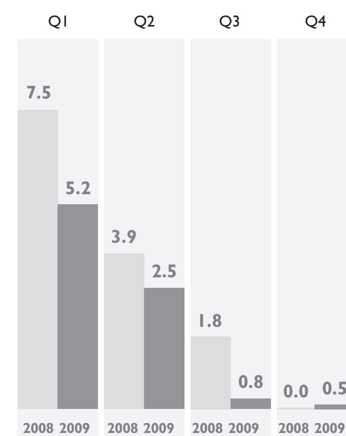


Financial performance

Earnings

UNITEDLABELS AG recorded a consolidated profit for the Group of € 0.7 million (FY 2007: € 0.4 million) for the 2008 financial year. This change was primarily due to systematic cost management and the recognition of deferred tax assets.
In terms of individual segments, Key Accounts generated earnings of € 3.6 million (FY 2007: € 4.7 million). The main reason for this change was a deterioration of six percentage points in the gross profit margin. As in the previous year, the Special Retail segment contributed € 0.6 million (FY 2007: € 0.6 million).
Group earnings before interest and taxes (EBIT) stood at € 0.6 million (FY 2007: € 1.3 million).
In its separate financial statements, **UNITED**LABELS AG, Münster, recorded a loss for the year of € 0.4 million (FY 2007: profit of € 1.0 million) and EBIT of minus € 0.4 million (FY 2007: € 1.1 million).

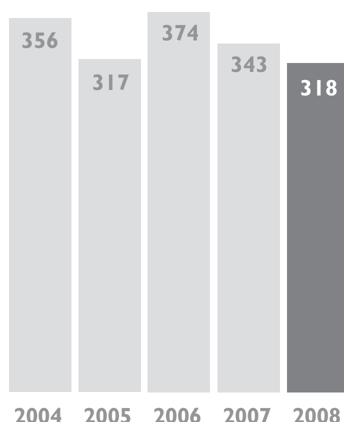
Breakdown of order backlog at Dec. 31 (in €m)



Cost of sales

The cost of sales, which is principally made up of expenses relating to materials, transportation, customs and usage rights for licences, totalled € 29.6 million in the financial year under review (FY 2007: € 26.7 million). This is equivalent to a rise in the cost of sales ratio of 5.2 percentage points to 67.0 % (FY 2007: 61.8 %). Key factors here were the unfavourable exchange rate between the euro and the US dollar, a shift in the customer portfolio to key accounts in the discount sector, and an increase in returned goods in the key accounts segment for Germany. **UNITED**LABELS AG selects its supplier portfolio on the basis of environmental and social standards. Total cost of sales includes inventory write-downs of € 0.7 million (FY 2007: € 0.5 million). The cost of sales ratio for the consolidated **UNITED**LABELS AG was 70.2 %.

Revenue per employee (in € '000)



Staff costs

Staff costs fell from € 6.6 million to € 6.3 million, chiefly as a result of relocating the headquarters of the UK subsidiary in September 2008, which led to a reduction in headcount there from eight to three employees.
The average headcount was 139 compared to 126 in the previous year. As at December 31, 2008, 136 members of staff were employed (FY 2007: 134).
Revenue per employee for the year under review stood at € 318 thousand (FY 2007: € 343 thousand).
In the separate financial statements of **UNITED**LABELS AG, Münster, staff costs amounted to € 3.7 million (FY 2007: € 3.8 million).

Other operating expenses

Other operating expenses amounted to € 7.4 million (FY 2007: € 8.3 million). The Company imposed a strict cost programme in 2008.

In the separate financial statements of **UNITED**LABELS AG, Münster, other operating expenses stood at € 3.2 million (FY 2007: € 3.7 million).

Depreciation and amortisation

Depreciation and amortisation of intangible assets (excluding usage rights) and property, plant and equipment amounted to € 0.6 million (FY 2007: € 0.7 million). As in the previous year, amortisation of usage rights amounted to € 4.0 million.
In the separate financial statements of **UNITED**LABELS AG, Münster, depreciation and amortisation came to € 3.8 million (FY 2007: € 3.7 million).

Financial position and cash flows

Assets

At the reporting date, the Group had at its disposal cash and cash equivalents of € 5.0 million (FY 2007: € 4.8 million), of which € 4.2 million (FY 2007: € 4.0 million) was attributable to **UNITED**LABELS AG, Münster. It is also company policy at **UNITED**LABELS to concentrate cash and cash equivalents within **UNITED**LABELS AG in order to centrally and effectively manage liquidity.

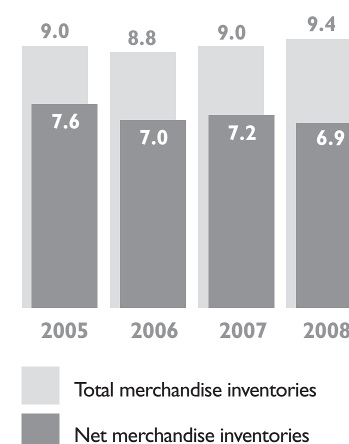
Trade receivables and other receivables fell from € 18.0 million to € 16.1 million as a result of period-end and cyclical factors.

In the separate financial statements of **UNITED**LABELS AG, Münster, trade and other receivables amounted to € 8.6 million (FY 2007: €10.1 million).

Of total inventories in the amount of € 9.4 million (FY 2007: € 9.0 million), 35 % (€ 3.3 million; FY 2007: 34 %, € 3.1 million) was attributable to the storage facility in Spain, 64 % (FY 2007: 64 %) to the facility in Germany (€ 6.0 million; FY 2007: € 5.8 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 4 % or € 0.4 million.

Net merchandise inventories (inventories less goods already sold) amounted to € 6.9 million in the year under review (FY 2007: € 7.2 million).

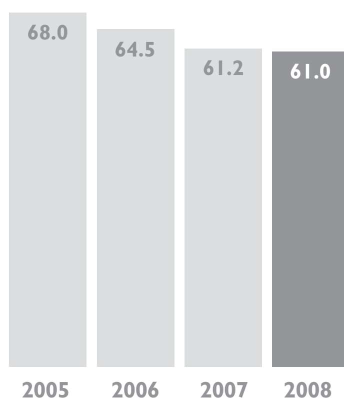
Overview of inventories (in €m)



Property, plant and equipment encompass land and commercial buildings of € 5.0 million (FY 2007: € 5.1 million), technical equipment and machinery of € 0.2 million (FY 2007: € 0.2 million) as well as furniture, fixtures and office equipment of € 0.7 million (FY 2007: € 1.0 million). Property, plant and equipment is subject to systematic depreciation on a straight-line basis.

Intangible assets comprise industrial property rights/usage rights for licences amounting to € 3.6 million (FY 2007: € 3.3 million) as well as goodwill totalling € 7.5 million (FY 2007: € 7.5 million). Goodwill is broken down 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 (IFRS). No adjustments to carrying amounts were required in the 2008 financial year.

Overview of equity ratio (in %)



Equity and liabilities

Short-term and long-term bank borrowings decreased to € 8.9 million (FY 2007: € 10.2 million). Long-term loans were repaid as scheduled. Net debt as at the reporting date fell by € 1.4 million to € 4.0 million (FY 2007: € 5.4 million).

Trade and other payables increased from € 8.6 million to € 9.4 million as a result of period-end factors. Other current liabilities include payables attributable to invoices outstanding (€ 1.6 million) and other liabilities (€ 1.1 million). In total, this item stood at € 2.7 million (FY 2007: € 1.9 million).

Current provisions rose from € 1.1 million to €1.4 million. Of this total, a provision of € 1.0 million was established to cover the potential risk of returned merchandise for the German company and € 413 thousand to cover litigation risks in three cases. We are of the opinion that sufficient amounts have been allocated to provisions.

At the reporting date, Group equity stood at € 32.4 million (FY 2007: € 32.7 million). Both the balance sheet total of € 53.4 million (FY 2007: € 53.0 million) and the equity ratio of 61.0 % (FY 2007: 61.2 %) were virtually unchanged on the prior year.

For **UNITED**LABELS AG itself, equity amounted to € 30.3 million (FY 2007: € 31.5 million) at the reporting date.

As at December 31, 2008, the subscribed capital amounted to € 4,200,000 divided into 4.2 million no-par value bearer shares. No other share classes exist. In 2007, the Company bought back 46,199 shares in order to meet the requirements of potential institutional investors.

Cash flow

At Group level, cash flow from operating activities totalled € 7.1 million (FY 2007: € 2.3 million).

The change was primarily attributable to the annual profit, lower receivables and higher liabilities (see cash flow statement).

Cash and cash equivalents increased by € 0.2 million to € 5.0 million (FY 2007: € 4.8 million).

In the separate financial statements of **UNITED**LABELS AG, Münster, cash flow from operating activities totalled €6.0 million (FY 2007: € 1.4 million). This is explained by a significant decrease in trade receivables and receivables from affiliated companies.

Licences

The portfolio of licences held by the Group as at December 31, 2008, covered 54 licence agreements (FY 2007: 64), spanning a range of categories and countries.

At **UNITED**LABELS we believe it is important that our licence portfolio always contains only the most popular licences for which there is the highest demand. New licences and extensions agreed in 2008 included "Camp Rock", "Hot Wheels", "Kung Fu Panda", "SpongeBob SquarePants", "Sino", "Naruto", "Bob the Builder", "Dragon Ball", "The Simpsons", "Batman" and "Speedracer".

Employees

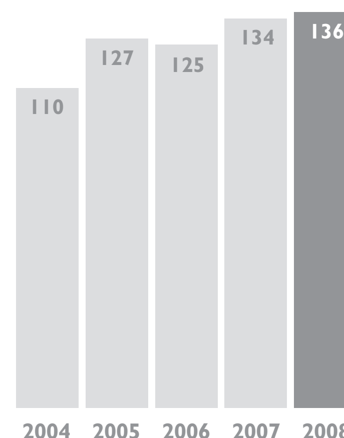
As at December 31, 2008, 136 members of staff were employed throughout the Group (FY 2007: 134). In the year under review, **UNITED**LABELS AG employed 67 members of staff (FY 2007: 70), Colombine in Belgium six members of staff (FY 2007: 5), **UNITED**LABELS France five members of staff (FY 2007: 5) and **UNITED**LABELS Ibérica 45 members of staff (FY 2007: 41). **UNITED**LABELS Ltd in the UK employed three members of staff at year-end (FY 2007: 6) and the Italian subsidiary had three permanent employees (FY 2007: 3). House of Trends europe GmbH, which began trading in August 2007 after its renaming (formerly the dormant company Comicfriends GmbH), employed seven people at year-end (FY 2007: 4).

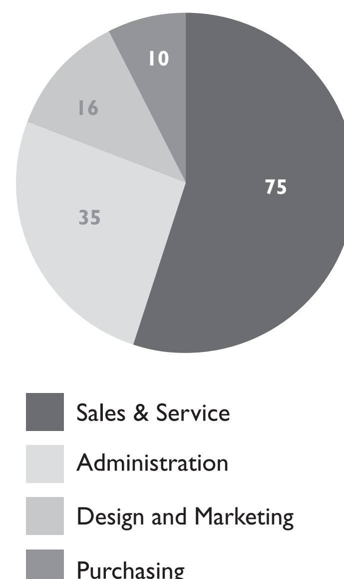
The average headcount rose to 139 from the previous year's figure of 126. The corresponding figure for **UNITED**LABELS AG was 68 (FY 2007: 66).

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 improving 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.





Performance of subsidiaries

Results of main operational subsidiaries
(non-consolidated)

(in €`000)

Revenue
EBITDA
EBIT
Profit/loss for the year
Key figures
Employees (average)
Revenue per employee (in €'000)
Order backlog (in €'000)
Inventories (in €'000)
Trade receivables (in €'000)
Cash and cash equivalents (in €'000)
Payables to banks (in €'000)

UNITEDLABELS Ibérica S.A., Spain		**UNITED**LABELS France S.A.S. France		Colombine b.v.b.a., Belgium		**UNITED**LABELS Ltd., UK		**UNITED**LABELS Italia Srl. Italy		House of Trends europe GmbH Germany	
2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
13,425	14,435	2,184	2,390	3,709	3,172	1,562	1,814	1,584	1,631	3,883	277
800	570	167	75	217	-10	-483	-367	53	48	356	-52
655	237	163	37	194	-37	-493	-386	43	39	350	-53
278	22	99	16	220	8	-552	-436	18	17	351	-53
45	41	5	5	6	6	6	6	3	2	6	4
298	352	437	478	618	529	260	302	528	816	647	69
717	1,092	627	1,022	1,665	881	71	430	88	190	0	560
3,301	3,087	0	0	0	0	76	124	1	1	7	64
4,756	4,431	1,116	894	1,449	1,598	439	534	716	1,019	1,068	259
56	208	57	30	167	111	32	188	229	141	217	51
4,301	4,184	0	0	0	2	0	0	0	120	0	0

Risk report

A significant proportion of merchandise purchases are effected in US dollars. Although suitable hedging instruments are currently in place, it is not possible 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 forward exchange contracts to the amount of USD 5.6 million with hedging rates between 1.30 and 1.44. This hedges around half of the purchasing volume for the first six months of 2009.

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. Our primary risk management objectives are to hedge and monitor the situation with regard to margins by means of target calculations and dollar hedging, to strictly monitor costs using budget controls and to safeguard liquidity through planning and management mechanisms. 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) of the German Commercial Code (HGB)

As at December 31, 2008, the share capital stood at € 4,200,000 divided into 4.2 million no-par value bearer shares. In observance of Section 160 (1), no. 8 of the German Stock Corporation Act (AktG), on October 31, 2005, Mr. Peter 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 contingent capital. Other amendments to the Articles of Association have to be passed by the Annual General Meeting of Shareholders.

Remuneration of governing bodies

The system of remuneration for the Supervisory Board consists of a fixed and a variable component. The members of the Supervisory Board receive variable remuneration which is calculated on the basis of a percentage of consolidated profit (before payment of the variable remuneration component) but is capped at a level. The members of the Audit Committee receive an additional fixed amount of remuneration, and the Chairman receives double this amount.

In total, Management Board remuneration amounted to € 365 thousand. Management Board remuneration comprises a basic salary and a variable component, the latter being based on the attainment of target earnings and the performance of the Company's share price. No variable component was paid for the year under review.

Determined on the basis of IAS 19 requirements, an amount of € 114 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 € 832 thousand. Determined on the basis of German Commercial Code (HGB) requirements, an amount of € 55 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 € 565 thousand.

As from the age of 65, CEO Mr. Peter Boder is entitled to a monthly retirement pension of € 16,203.25 and an invalidity pension of the same amount (as from July 1, 2006, it increases by 2 % per annum calculated in relation to the previous year's pension), as well as a widow's allowance equivalent to 60 % of the applicable retirement pension and an orphan's allowance. The agreed benefit package includes a guaranteed adjustment of the current pension equivalent to 2 % of the previous year's pension.

Significant events in the financial year

Projects which contribute or contributed to the overall value of the enterprise were progressed in the financial year under review and the business was developed at our German and international locations alike.

In order to drive these projects forward, **UNITED**LABELS reorganised its distribution structure. The entire **UNITED**LABELS Group is now divided into the north, south and central sales regions and service divisions. The aim of this restructuring is to improve the provision of tailor-made licences and products to our local customers. **UNITED**LABELS is closer to its customers and is able to respond more quickly to individual needs and with greater flexibility.

Master sourcing has enabled us to leverage opportunities to market our products globally through the Spanish subsidiary. Licensees from countries all over the world can order goods from **UNITED**LABELS and supply the local market with our products.

There are still plans to open further airport stores over the next few years. **UNITED**LABELS is taking part in lengthy tendering processes at (major) airports targeted by the Group. Close contact is therefore maintained with the relevant operators supported by regular, intensive consultations.

In July, **UNITED**LABELS acquired 35 % of the French holding company Montesquieu Finances S.A.S. with the option of acquiring a majority interest. The operating subsidiaries Embassy S.A.S. and Comics World S.A.S. also form part of Groupe Montesquieu Finances S.A.S. These companies have been successfully established among retail groups and mail-order companies in the French textiles sector for many years. By acquiring this stake, **UNITED**LABELS has strengthened its market position in France long-term.

UNITEDLABELS has carried out restructuring in the UK by relocating its office from Nottingham to London. Along with the move, the number of employees decreased from eight to three. **UNITED**LABELS has thus adapted to the tough economic situation in the UK and created good foundations for success in a changed trading landscape.

For the third time, **UNITED**LABELS won an award from the world's biggest industry association, the International Licensing Industry Merchandisers' Association (LIMA), in November. This year, **UNITED**LABELS was chosen as the best licensee of 2008 – another sign that **UNITED**LABELS is well positioned in terms of its products, themes and licences.

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 of the German Stock Corporation Act (AktG), 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 reporting period

There were no significant events requiring disclosure after the end of the 2008 financial year.

Outlook and opportunities

The general economic outlook for 2009 is muted. There is no prospect of an end to the worldwide recession. **UNITED**LABELS AG's customers will not be able to escape this development either. As result, **UNITED**LABELS AG AG likewise faces challenges. In view of a tough market environment, the Company has taken key measures in the shape of measures implemented in 2008 to reduce costs, projects commenced in 2008 and dollar hedging activities.

In 2009, the Company has the opportunity to acquire a further 10 % of the profitable Groupe Montesquieu of France and thereby further extend its market position in France.
Countries in Eastern Europe are also becoming a focus of the Company's distribution efforts, especially Poland. Initial sales have already been made here and the prospects look promising.

In the Special Retail segment, **UNITED**LABELS AG is cooperating closely with leading artist Walter Steinbeck to market his latest creation "Sino". In addition to international media groups, **UNITED**LABELS AG is now also working with a well-known local artist. Steinbeck has made a name for himself in Germany with many licences. His themes are independent of a particular medium and designed for longevity. Initial presentations of the theme at specialist trade shows in Madrid and Nuremberg attracted a lot of interest.

Following on from Disney's "Hannah Montana" and "High School Musical", **UNITED**LABELS AG has added another new licence that promises to be successful to its portfolio in the shape of "Camp Rock". This is likewise aimed at the high-spending teen target group.

A number of anniversaries will take place in 2009. "Bob the Builder" and "SpongeBob SquarePants" are both 10 years old, while "Barbie" is celebrating her 50th birthday. Preparations are also underway for licences with anniversaries in 2010: "The Simpsons" will be 25 and "Snoopy" celebrates his 60th year. These special birthdays will be supported by extensive TV and marketing activities by the major media companies, which will boost their popularity and ultimately the demand for our licence products further.

Although there is little doubt that the 2009 financial year will be challenging, the company is confident that its business model provides a solid foundation for the future. Regardless of the tentative economic outlook, the company has taken important steps to generate forward momentum in sales and earnings in the coming two years. Having said that, it is difficult to provide firm projections for **UNITED**LABELS AG itself and the Group as a whole.

Münster, March 10, 2009

UNITEDLABELS AG Aktiengesellschaft
CEO

Peter Boder

FINANCIAL STATEMENTS

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UNITEDLABELS Aktiengesellschaft, Münster
Group Balance Sheet (IFRS) as at 31 December 2008

ASSETS

Assets	Notes	31/12/08 €	31/12/07 €
Non-current assets			
Property, plant and equipment	C.1.	5,843,203.03	6,324,683.81
Intangible assets	C.1.	11,112,398.05	10,773,443.69
At-equity investments	C.1.	676,664.90	0.00
Deferred taxes	C.3.	3,492,542.80	2,981,975.43
		21,124,808.78	**20,080,102.93**
Current assets			
Inventories	C.4.	9,353,570.90	9,002,441.07
Trade receivables	C.5.	16,083,826.43	18,007,959.28
Other assets	C.6.	1,503,531.95	1,487,706.58
Cash and cash equivalents	C.7.	4,985,908.71	4,780,636.01
		31,926,837.99	**33,278,742.94**
Total assets		**53,051,646.77**	**53,358,845.87**

UNITEDLABELS Aktiengesellschaft, Münster
Group Balance Sheet (IFRS) as at 31 December 2008

EQUITY AND LIABILITIES

	Notes	31/12/08 €	31.12.2007 €
Shareholder's Equity			
Capital and reserves attributable to the owners of the parent company			
Issued capital	C.9.	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		(285,067.46)	(54,111.96)
Consolidated unappropriated surplus		1,491,079.70	1,552,400.98
		32,673,792.50	**32,966,069.28**
Treasury shares		(223,413.73)	(223,413.73)
Total equity		**32,450,378.77**	**32,742,655.55**
Non-current liabilities			
Provisions for pensions	C.10.	831,557.00	718,405.00
Financial liabilities	C.12.	3,751,747.97	5,810,422.04
Trade payables	C.12.	575,300.00	0.00
Deferred tax liabilities	C.3.	14,482.80	0.00
		5,173,087.77	**6,528,827.04**
Current liabilities			
Provisions	C.11.	1,413,554.15	1,061,165.99
Current income tax liabilities	C.12.	31,555.26	33,007.00
Financial liabilities	C.12.	5,197,243.52	4,355,512.65
Trade and other payables	C.12.	8,785,827.30	8,637,677.64
		15,428,180.23	**14,087,363.28**
Total liabilities		**20,601,268.00**	**20,616,190.32**
Total equity and liabilities		**53,051,646.77**	**53,358,845.87**

UNITEDLABELS Aktiengesellschaft, Münster
Group Income Statement (IFRS)

for the period from 1 January to 31 December 2008

	Notes	2008 €	2007 €
Sales revenues	**D.1.**	**44,238,053.72**	**43,232,407.55**
Cost of materials	D.2.	(25,657,160.67)	(22,688,252.02)
Amortisation of usufructuary rights	D.3.	(3,969,832.61)	(4,040,533.94)
		(29,626,993.28)	(26,728,785.96)
		14,611,060.44	**16,503,621.59**
Other operating income	D.4.	380,524.38	358,344.55
Staff costs	D.5./C.9.	(6,308,627.63)	(-6,582,015.06)
Depreciation of property, plant and equipment, and amortisation of intangible assets (excl. amortisation of usufructuary rights)	D.6.	(634,556.67)	(713,409.15)
Other operating expenses	D.7.	(7,417,355.11)	(8,285,233.63)
Profit from operations		**631,045.41**	**1,281,308.30**
Finance income	D.8.	130,727.62	184,164.23
Result from at-equity investments	D.8.	226,664.90	0.00
Finance cost	D.8.	(587,100.94)	(572,642.13)
Net finance cost		**(229,708.42)**	**(388,477.90)**
Profit before tax		**401,336.99**	**892,830.40**
Taxes on income	D.9.	368,101.94	(495,676.31)
Profit for the year		**769,438.93**	**397,154.09**
Earnings per share			
basic	C.9.	€ 0.19	€ 0.10
diluted	C.9.	€ 0.19	€ 0.10
Weighted average shares outstanding			
basic	C.9.	4,153,801 shares	4,169,902 shares
diluted	C.9.	4,153,801 shares	4,169,902 shares

UNITEDLABELS Aktiengesellschaft, Münster
Group Cash Flow Statement

Notes to Cash Flow Statement, cf. C.13.	Notes	2008 €'000	2007 €'000
Profit for the year		769	397
Depreciation of property, plant and equipment, and amortisation of intangible assets	C.1/D.3/6	4,604	4,754
Change in provisions	C.10/C.11	466	450
Other non-cash expenses		(294)	431
Result from disposal of non-current assets		(38)	155
Changes in inventories, trade receivables and other assets not attributable to investing or financing activities	C.4-6	883	(2,729)
Changes in trade payables and other liabilities not attributable to investing or financing activities	C.12	722	(1,157)
Cash flows from operating activities		**7,112**	**2,301**
Proceeds from disposal of property, plant and equipment		0	0
Payments for investments in intangible assets and property, plant and equipment		(4,332)	(3,826)
Payments for investments in financial assets		(450)	0
Cash flows from investing activities		**(4,782)**	**(3,826)**
Proceeds from capital increase		0	0
Payments for the acquisition of own shares		0	(223)
Payment of dividends		(830)	(840)
Proceeds from financial loans		0	3,460
Repayment of financial loans		(1,063)	(543)
Cash flows from financing activities		**(1,893)**	**1,854**
Net change in cash and cash equivalents		436	329
Currency translation		(231)	(33)
Cash and cash equivalents at the beginning of the period		4,781	4,486
Cash and cash equivalents		**4,986**	**4,781**
Gross debt bank		8,949	10,166
Net debt bank		3,963	5,385
Composition of cash and cash equivalents:			
Cash and cash equivalents		**4,986**	**4,781**

UNITEDLABELS Aktiengesellschaft, Münster
Group Statement of Changes in Equity

	Subscribed capital € '000	Capital reserves € '000	Revenue reserves € '000	Translation reserve € '000	Consolidated unappropriated surplus € '000	Treasury shares € '000	Total (Group equity) € '000
Balance at 01/01/07	**4,200**	**24,385**	**2,883**	**(20)**	**1,995**	**0**	**33,443**
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 profit 2007	0	0	0	0	397	0	397
Total comprehensive income for the year	0	0	0	(34)	(443)	(223)	(700)
Balance at 31/12/07	**4,200**	**24,385**	**2,883**	**(54)**	**1,552**	**(223)**	**32,743**
Acquisition of own shares	0	0	0	0	0	0	0
Currency translation	0	0	0	(231)	0	0	(231)
Dividend payment	0	0	0	0	(831)	0	(831)
Consolidated profit 2008	0	0	0	0	769	0	769
Total comprehensive income for the year	0	0	0	(231)	(62)	0	(293)
Balance at 31/12/08	**4,200**	**24,385**	**2,883**	**(285)**	**1,490**	**(223)**	**32,450**

UNITEDLABELS **Aktiengesellschaft, Münster**
Notes to the Consolidated Financial Statements for FY 2008

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 object of the Company is to manufacture and market licensed products as well as to develop and purchase licence rights for the purpose of marketing them domestically and abroad.
UNITEDLABELS 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.
The consolidated financial statements as at 31 December 2008 shall be approved, and thus adopted, at the Supervisory Board meeting on 23 March 2009; the notes to the consolidated financial statements shall subsequently be released for publication.

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

The consolidated financial statements of **UNITED**LABELS Aktiengesellschaft, as at 31 December 2008, 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 2008. 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 2008 and were applied by the **UNITED**LABELS Group accordingly.
Financial assets are recognised on the balance sheet at the date of trading and derecognised when the transaction has been completed.

Standards, Interpretations and Amendments to existing Standards that are applicable in 2008 (all applicable effective from 1 January 2008)

Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" (Reclassification of Financial Assets). In particular circumstances, an entity is permitted to reclassify non-derivative financial assets out of the fair value through profit or loss category as well as the available-for-sale category. In addition, the amendments stipulate extended disclosure in the notes of details relating to the reclassification of financial assets. The amendments became applicable from 1 July 2008. Their application had no effect on the consolidated financial statements of **UNITED**LABELS.

Clarification concerning Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" (Reclassification of Financial Assets). A further amendment clarified that reclassifications executed on or after 1 November 2008 shall become effective at the date of reclassification. By contrast, reclassifications prior to 1 November may be executed retrospectively, however effective from 1 July 2008 at the earliest. This had no effect on the consolidated financial statements of **UNITED**LABELS.

IIFRIC 11 "IFRS 2—Group and Treasury Share Transactions" addresses the issue of how IFRS 2 shall be applied to share-based payment transactions that contain company-specific equity instruments or equity instruments of another entity within the same group. Initial application of IFRIC 11 had no influence on the consolidated financial statements of **UNITED**LABELS, as no share-based payment agreements exist.

Standards, Interpretations and Amendments to existing Standards that do not yet apply

The following Standards, Interpretations and Amendments to Standards have already been adopted but will not become applicable until annual periods beginning on or after 1 January 2009 (the Company did not make use of the option to apply such Standards, Interpretations and Amendments to Standards at an earlier date). Application of these standards is subject to EU approval in those cases in which approval has not yet been granted.

"Improvements to IFRSs" is the first document of its kind to emerge from the annual improvements project of the IASB. It comprises several amendments to various International Financial Reporting Standards. The amendments are designed to clarify the meaning of certain standards and eliminate inconsistencies between the respective standards. The majority of these amendments are to be applied for annual periods beginning on or after 1 January 2009. The impact of amendments contained in "Improvements to IFRSs" is currently being assessed by the **UNITED**LABELS Group.

IFRS 1 (Revised), "First-time Adoption of International Financial Reporting Standards" (to be applied as from 1 January 2009). The revised version of IFRS 1 issued by the IASB on 27 November 2008 retains the substance of the previous version, but within a changed structure. In its revised version, IFRS 1 has structured the appendices as follows:

- Defined terms (Appendix A)
- Exceptions to the retrospective application of other IFRSs (new Appendix B)
- Exemptions for business combinations (new Appendix C)
- Exemptions from other IFRSs (new Appendix D)
- Short-term exemptions from IFRSs (new Appendix E).

The amendments relate to entities adopting IFRS for the first time and are of no relevance to the **UNITED**LABELS Group.

Amendments to IFRS 1 and IAS 27, "Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate" (to be applied as from 1 January 2009). The amendments relate to entities adopting IFRS for the first time and are of no relevance to the **UNITED**LABELS Group.

Amendments to IFRS 2, "Share-based Payment: Vesting Conditions and Cancellations" (to be applied as from 1 January 2009). The amendments clarify certain terms used in the standard and provide a more explicit definition of vesting conditions within the area of share-based payments. Vesting conditions are defined as the conditions that determine whether the entity receives the services that entitle the counterparty to receive cash, other assets or equity instruments of the entity, under a share-based payment arrangement. At the same time, however, an entity shall take into account all non-vesting conditions when estimating the fair value of the equity instruments granted.

The amendments also describe how an entity shall deal with cancellations of share-based payment arrangements. The amendments will be applied by the **UNITED**LABELS Group as from 1 January 2009. However, it is not anticipated that the application of these amendments will have a material influence on the financial position, performance and cash flows of the **UNITED**LABELS Group.

IFRS 3 (Revised), "Business Combinations" (to be applied as from 1 July 2009). 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. Additionally, the standard deals with the recognition of tax loss carryforwards and the classification of contracts relating to the acquiree. The revised standard retains the principle of the purchase method with regard to business combinations, but introduces significant changes as regards the basis for determining the cost of the combination. For example, an adjustment to the cost in those cases in which the agreed consideration is contingent on future events shall be included at fair value at the acquisition date when determining the purchase price, irrespective of the probability of the event occurring. Subsequent changes in the fair value of contingent considerations classified as a liability shall be recognised in profit or loss prospectively. The **UNITED**LABELS Group will apply IFRS 3 (Revised) for annual periods beginning on 1 January 2010.

IFRS 8 "Operating Segments" (to be applied as from 1 January 2009) includes new requirements for the presentation of segment information. Under IFRS 8, segment reporting shall be prepared in accordance with the so-called "management approach". Within this context, the identification of segments and the disclosures relating to such segments shall be based on information used internally by an entity's management for the purpose of allocating resources and assessing the performance of individual parts of the entity. The initial application of these amendments will have no influence on financial position, performance and cash flows. It will, however, result in changes to the presentation of segment information.

IAS 1 (Revised), "Presentation of Financial Statements" (to be applied as from 1 January 2009). The revised version of IAS 1 introduces amended descriptions for items included in the financial statements. In addition, it contains a more distinct separation between "non-owner changes in equity" and "owner changes in equity". For this reason, items of income and expense that are not recognised in profit or loss (so-called "other comprehensive income") must be presented in a "statement of comprehensive income". Non-owner changes in equity may no longer be presented in the statement of changes in equity together with the owner changes in equity. Dividends are no longer presented in an income statement, but in the statement of changes in equity or in the notes as owner changes in equity.
The required presentation in a statement of comprehensive income of all items of income and expense that are not recognised in profit or loss may be provided by a single statement of comprehensive income (presentation of all items of income and expense with a subtotal for profit or loss) or, alternatively, in two statements: a statement displaying components of profit or loss (separate income statement) and a second statement beginning with profit or loss and displaying components of other comprehensive income (statement of comprehensive income). The statement of comprehensive income differentiates between the individual components of other comprehensive income; alongside the effect of taxes, adjustments relating to the reclassification to profit or loss of income and expense previously not recognised in profit or loss must be presented separately when realised. Additionally, entities are obliged to present the amount of tax attributable to each component.
The revised version of IAS 1 will be applied by the **UNITED**LABELS Group as from 1 January 2009. While the standard will have an impact on the presentation of the financial statements, it will not affect the financial position, performance and cash flows of the **UNITED**LABELS Group.

Amendment to IAS 23 "Borrowing Costs" (to be applied as from 1 January 2009). 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, i.e. the option of capitalising borrowing costs or recognising them as an expense in the period in which they were incurred no longer exists. Depending on the nature and scale of financing, this may have an effect on the financial position, performance and cash flows of the **UNITED**LABELS Group as from 2009. However, at present this amendment is of no relevance to the **UNITED**LABELS Group due to the non-existence of so-called qualifying assets.

IAS 27 (Revised), "Consolidated and Separate Financial Statements" (to be applied as from 1 July 2009). The revised 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. If the disposal of an ownership interest results in the loss of control, any gain or loss arising from this disposal is recognised in profit or loss. Any investment retained is measured at its fair value at the date when control is lost. The difference between the former carrying amount of these retained interests and the fair value is recognised as a gain or loss in profit or loss attributable to the parent; it is to be presented in the notes together with the revalued amount of the retained interests. In the case of business combinations in stages or the disposal of specific interests, the standard requires that entities remeasure at fair value the equity interests already held or retained and recognise the resulting gain or loss, if any, in profit or loss. Furthermore, losses attributable to non-controlling interests that exceed the amount recognised shall be presented in the consolidated statement of financial position within equity with a deficit balance. The **UNITED**LABELS Group will apply IAS 27 (Revised) for transactions with non-controlling interests as from 1 January 2010. Depending on the nature and scale of future transactions, the aforementioned amendments will affect the financial position, performance and cash flows of the **UNITED**LABELS Group; at present, it is impossible to project the extent of these effects.

Amendments to IAS 32 and IAS 1, "Puttable Financial Instruments and Obligations Arising on Liquidation" (to be applied as from 1 January 2009). 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. The amendments will be applied by the **UNITED**LABELS Group as from 1 January 2009. The amendments are not likely to effect the financial position, financial performance or cash flows of the **UNITED**LABELS Group.

Amendments to IAS 39, "Financial Instruments: Recognition and Measurement" – Eligible Hedged Items (to be applied as from 1 July 2009). In this amendment the IASB outlines
· the conditions under which inflation risk may be designated as a hedged item, as well as
· the possibility of using options as a hedging instrument for the purpose of hedging one-sided risks.
The **UNITED**LABELS Group will apply the amendments to IAS 39 for annual periods beginning on 1 January 2010.

IFRIC 12, "Service Concession Arrangements" gives guidance on accounting by operators for public-to-private service concession arrangements. This Interpretation has yet to be transposed into European Union law. It is unlikely to come into effect earlier than 1 January 2010. This Interpretation is of no relevance to the consolidated financial statements of the UNITEDLABELS Group.

IFRIC 13, "Customer Loyalty Programmes" (to be applied from 1 July 2008) addresses accounting with regard to customer loyalty programmes, e.g. award credit systems or air miles that can be redeemed by customers for awards such as free or discounted goods or services. This Interpretation is of no relevance to the consolidated financial statements of the **UNITED**LABELS Group.

IFRIC 14, "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", addresses issues relating to limits to the measurement of a defined benefit asset under IAS 19 and how plan assets or obligations shall be measured, taking into consideration minimum capitalisation amounts stipulated by statutes or contractual agreements. Under IFRIC 14, entities shall apply the Interpretation for the first annual period beginning after 31 December 2008. This Interpretation is of no relevance to the consolidated financial statements of the **UNITED**LABELS Group.

IFRIC 15, "Agreements for the Construction of Real Estate" (to be applied as from 1 January 2009). This Interpretation addresses the issue of how IAS 11 and IAS 18 shall be applied to accounting by entities that undertake the construction of real estate directly or through subcontractors. This Interpretation is of no relevance to the consolidated financial statements of the **UNITED**LABELS Group.

IFRIC 16, "Hedges of a Net Investment in a Foreign Operation" (to be applied as from 1 October 2008). IFRIC 16 specifies that hedge accounting may be applied only to the foreign exchange differences arising between the functional currency of the foreign operation and the parent entity's functional currency. Within this context, the level of the higher level entity within the group structure is irrelevant. However, the foreign currency risk arising from a net investment in a foreign operation may qualify for hedge accounting only once in the consolidated financial statements.

Therefore, if the same net assets of a foreign operation are hedged by more than one parent entity within the group for the same risk, only one hedging relationship will qualify for hedge accounting in the consolidated financial statements of the ultimate parent. The requirements of IAS 21, "The Effects of Changes in Foreign Exchange Rates" are to be applied to the hedge instrument. The **UNITED**LABELS Group will apply this Interpretation as from 1 January 2009. This Interpretation is unlikely to have any significant effects on the consolidated financial statements of the **UNITED**LABELS Group.

IFRIC 17, "Distributions of Non-cash Assets to Owners" (to be applied as from 1 January 2009). IFRIC 17 addresses two central issues relating to the distribution of non-cash assets to owners. The first relates to when an entity should recognise the dividend payable. The second deals with how an entity should account for any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable when it settles the dividend payable. This Interpretation is of no relevance to the consolidated financial statements of the **UNITED**LABELS Group.

IFRIC 18, "Transfers of Assets from Customers" (to be applied as from 1 July 2009) is mainly related to the utilities sector. Therefore, this Interpretation is of no relevance to the consolidated financial statements of **UNITED**LABELS AG.

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.
Investments in which the Company does not have economic control are included in the consolidated financial statements on the basis of the equity method. Generally, these relate to investments with an ownership interest of between 20 and 50 % in entities in which the Company has a significant influence but no control. In the case of investments recognised according to the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise **UNITED**LABELS share of the profit or loss of the investee after the date of acquisition. The investment, recognised at the purchase price, is presented as an item within financial assets; the profit or loss is accounted for within consolidated profit on a proportionate basis in income from investments.
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. Profits and losses resulting from transactions between Group companies and associated companies are eliminated according to the interest of the Group in the associated entity. 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, 2008, 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 %	01/01-31/12/08
as its wholly owned subsidiary		
UNITEDLABELS Italia Srl., Florence, Italy	100,000 %	01/01-31/12/08
UNITEDLABELS Belgium N.V., Brugge, Belgium	99,999 %	01/01-31/12/08
as its wholly owned subsidiary		
Colombine b.v.b.a., Brugge, Belgium	100,000 %	01/01-31/12/08
as its wholly owned subsidiary		
UNITEDLABELS France S.A.S., Wambrechies, France	100,000 %	01/01-31/12/08
UNITEDLABELS Ltd., Borehamwood Herts, United Kingdom	100,000 %	01/01-31/12/08
UNITEDLABELS Comicware Ltd., Hongkong	100,000 %	01/01-31/12/08
House of Trends europe GmbH, Quakenbrück	100,000 %	01/01-31/12/08

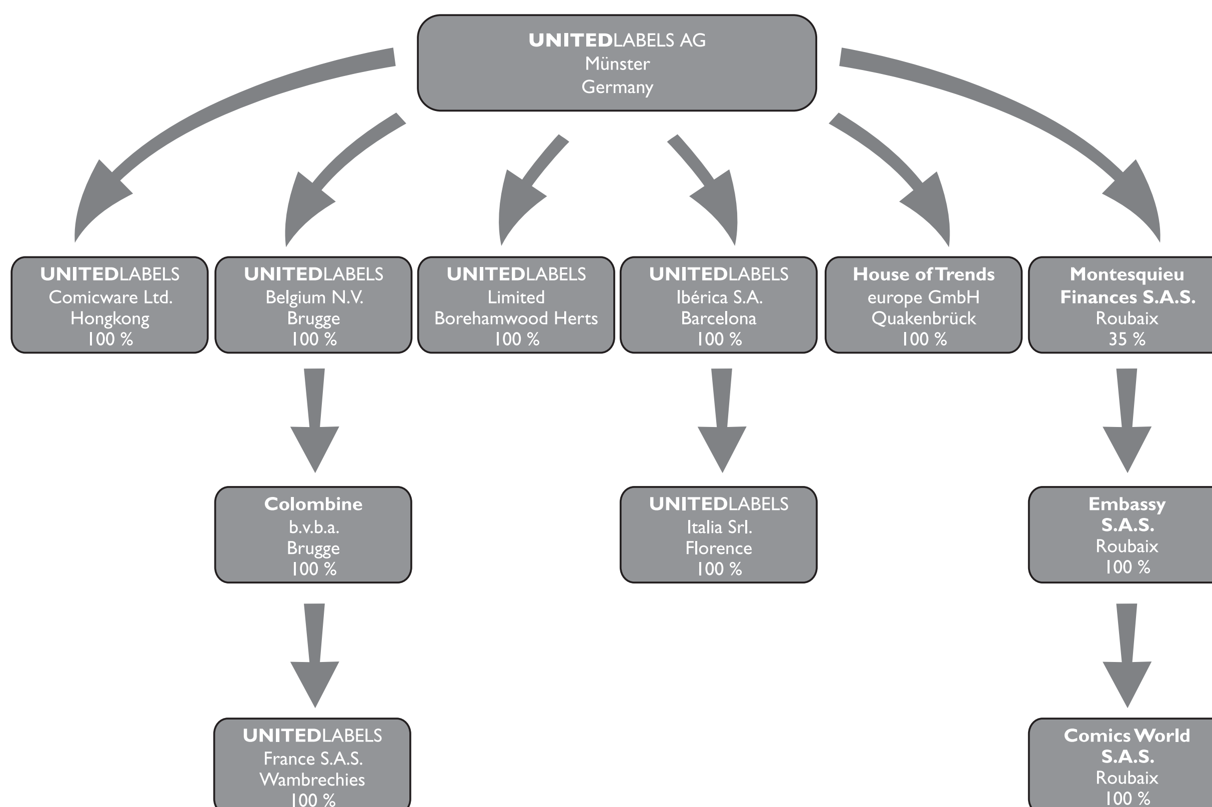
All subsidiaries apply the same business model as that outlined in the introduction.

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.

Additionally, in 2008 a 35 % interest in the French Montesquieu Group was acquired, which has been accounted for in the consolidated financial statements on the basis of the equity method.

The financial statements are published in the electronic Federal Gazette.

The Group structure as at 31 December 2008 was as follows:



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:

Buildings	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 end of the reporting period.
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.5 and C.12.

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 6.0 % (prev. year: 5.7%) was used, which corresponds to the equivalent-maturity interest rate for high-quality industrial bonds. Future increases in salaries were accounted for with an interest rate of 2.5% (previous year: 2.5 %), and an interest rate of 2.0% (previous year: 2.0%) was applied as regards future increases in pensions.
Within the Group a post-employment obligation exists towards Peter Boder, CEO/Chairman of the Management Board. The associated obligation is determined on the basis of an actuarial report. Actuarial gains and losses are accounted for in profit or loss once the 10 % corridor has been exceeded. 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 end of the reporting 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. All finance lease agreements ended in 2008.

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 weighted 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 2008 financial year was 1.25744 £ / €, and the closing rate at 31 December 2008 was 1.05029 £ / €. The average exchange rate of the US dollar was 1.466 $ / €.

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.

These assumptions and estimates relate, among other aspects, to accounting for provisions. In the case of provisions for pensions, the expected return of plan assets as well as the discount rate are two areas in which estimates are of importance. As regards provisions recognised in consideration of the future return of goods, an average historical returns ratio of 35 % was applied.

The impairment test for goodwill is based on assumptions concerning the future. From the current perspective, changes in these assumptions will not result in the carrying amounts of the cash-generating units exceeding their recoverable amount and thus having to be adjusted in the subsequent financial year.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. The actual situation in terms of future taxable profit and thus also the actual ability to utilise deferred tax assets may depart from the assumptions made at the date of recognising deferred tax assets.

All assumptions and estimates are based on circumstances and assessments at the end of the reporting period. Additionally, when assessing the future course of business, the future economic climate deemed realistic at that time with regard to the sectors and countries in which the Group operates was taken into account. If these conditions change in a manner that departs from that projected in the assumptions, the actual amounts may deviate from estimates made. In these cases, the assumptions and, if necessary, the carrying amount of the assets and liabilities in question are adjusted.

At the date of preparation of the consolidated financial statements, there is no indication that any significant change in the underlying assumptions and estimates made will be required. Therefore, on the basis of the information currently available it is not expected that there will be any significant adjustments in financial year 2009 to the carrying amounts of the assets and liabilities recognised.

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 € 5,600 thousand (previous year: € 3,977 thousand).

Gross Fixed Assets Schedule

Fixed Assets Schedule for FY 2008

	Cost of purchase or conversion				
	Balance at 01/01/08	Currency adjustment	Additions	Disposals	Balance at 31/12/08
	€	€	€	€	€
I. Property, plant and equipment					
1. Land and leasehold rights and buildings, as well as buildings on third-party land	6,061,589.81	0.00	0.00	0.00	6,061,589.81
2. Technical equipment and machinery	480,077.23	0,00	1,781.86	(48,893.16)	432,965.93
3. Other plant, operating and office equipment, furniture and fixtures	2,539,069.03	(14,603.85)	81.979,91	(236,013.26)	2,370,431.83
4. Prepayments and assets under construction	10,000.00	0,00	0,00	0,00	10,000.00
	9,090,736.07	**(14.603,85)**	**83,761.77**	**(284.906,42)**	**8,874,987.57**
II. Intangible assets					
1. Concessions, industrial property rights and similar rights and assets, as well as licences in such rights and assets	10,665,589.16	0,00	4,415,840.36	(2,072,469.46)	13,008,960.06
2. Goodwill	9,677,116.84	0,00	0,00	0,00	9,677,116.84
	20,342,706.00	**0,00**	**4,415,840.36**	**(2,072,469.46)**	**22,686,076.90**
III. Financial assets					
At-equity investments	0,00	0,00	676,664.90	0,00	676,664.90
	29,433,442.07	**(14,603.85)**	**5,176,267.03**	**(2,357,375.88)**	**32,237,729.37**

Accumulated depreciation/amortisation					Net Amounts	
Balance at 01/01/08	Currency adjustment	Additions	Disposals	Balance at 31/12/08	Balance at 31/12/08	Balance at 31/12/07
€	€	€	€	€	€	€
919,377.07	0.00	182,784.40	0.00	1,102,161.47	4,959,428.34	5,142,212.74
257,697.66	0.00	58,977.18	(39,809.71)	276,865,13	156,100.80	222,379.57
1,588,977.53	(6,948.43)	285,741.72	(215,012.88)	1,652,757.94	717,673.89	950,091.50
0.00	0.00	0.00	0.00	0.00	10,000.00	10,000.00
2,766,052.26	**(6,948. 43)**	**527,503.30**	**(254,822.59)**	**3,031,784.54**	**5,843,203.03**	**6,324,683.81**
7,373,103.54	0.00	4,076,886.00	(2,072,469.46)	9,377,520.08	3,631,439.98	3,292,485.62
2,196,158.77	0.00	0.00	0.00	2,196,158.77	7,480,958.07	7,480,958.07
9,569,262.31	**0.00**	**4,076,886.00**	**(2,072,469.46)**	**11,573,678.85**	**11,112,398.05**	**10,773,443.69**
0.00	0.00	0.00	0.00	0.00	676,664.90	0.00
12,335,314.57	**(6,948.43)**	**4,604,389.30**	**(2,327,292.05)**	**14,605,463.39**	**17,632,265.98**	**17,098,127.50**

Gross Fixed Assets Schedule

Fixed Assets Schedule for FY 2007

	Cost of purchase or conversion					
	Balance at 01/01/07	Currency adjustment	Additions	Reclassifica-tions	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	Reclassifica-tions	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**

Goodwill was calculated as follows:

	2008 € '000	2007 € '000
Balance at 01/01	7,481	7,583
Depreciation/amortisation	0	0
Subsequent adjustment of purchase price	0	(102)
Balance at 31/12	**7,481**	**7,481**

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 end of the reporting 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 % (previous year: 2 %). The discount rate was 9.1 % (previous year: 9.2 %) before taxes. No impairment losses were recognised, as there were no triggering events and the annual impairment test gave rise to no adjustments.
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. At-equity investments

In fiscal 2008 an interest of 35 % was acquired in SAS Montesquieu Finances, Roubaix, France. The cost of acquisition amounted to € 450 thousand, of which € 100 thousand was attributable to goodwill. The following table presents aggregated figures relating to the associated entities included in the consolidated financial statements on the basis of the equity method. The impairment test conducted at as 31 December 2008 did not result in impairment losses. Rather than relating to the interests attributable to the **UNITED**LABELS Group, the figures represent the values on the basis of a notional ownership of 100 %.

	31/12/08 € '000
Total assets	12,730
Total liabilities	11,508
	2008
Sales revenues	17,083
Result	648

3. Deferred tax assets

The deferred tax assets in the amount of € 3,492 thousand (previous year: € 2,982 thousand) comprise an amount of € 2,616 thousand for the carryforward of unused tax losses (previous year: € 2,257 thousand) as well as an amount of € 876 thousand (previous year: € 725 thousand) for temporary differences between the carrying amounts in the IFRS balance sheet and the tax base. Deferred tax liabilities from temporary differences amounted to € 14 thousand (prev. year: € 0). Current deferred tax assets amounted to € 763 thousand (prev. year: € 292 thousand).

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

	deferred tax assets (+) / deferred tax liabilities (-) Deferred tax		(Expense) Income
	31/12/07 € '000	31/12/08 € '000	2008 € '000
Loss carryforwards	2,257	2,616	359
Intangible assets	651	728	77
Prepaid expenses	0	(14)	(14)
Provisions for post-employment benefits	65	83	18
Other provisions	9	9	0
Bank borrowings	0	11	11
Trade payables	0	45	45
	2,982	**3,478**	**496**

In the case of domestic entities, the deferred taxes are calculated on the basis of a tax rate of 31.23 % (prev. year: 31.23 %).

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: 15 %) 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. To the extent that there were differences between the corporation tax and trade tax loss carryforwards, these were accounted for when determining the deferred tax assets.

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

Deferred tax assets are only recognised for tax loss carryforwards if the deferred tax assets are considered to be recoverable in the future. Due to improved earnings forecasts, deferred tax assets of € 592 thousand (prev. year: € 0) were recognised for the first time in the case of House of Trends europe GmbH and **UNITED**LABELS Belgium in connection with loss carryforwards. The deferred tax assets for the carryforward of unused tax losses relate to **UNITED**LABELS Aktiengesellschaft, House of Trends europe GmbH and **UNITED**LABELS Belgium. Despite the negative separate results of **UNITED**LABELS Aktiengesellschaft in the financial year under review, the Company anticipates that positive results will be posted in the coming financial years, which justifies the continued recognition of deferred tax assets. In total, no deferred taxes were recognised for tax loss carryforwards amounting to € 2,218 thousand (prev. year: € 3,937 thousand). These related solely to subsidiaries. Of the tax loss carryforwards, an amount of € 2,218 thousand (prev. year: € 3,134 thousand) is attributable to the foreign entities.

The total of positive temporary differences in relation to subsidiaries for which no deferred taxes were recognised was € 68 thousand (prev. year: € 55 thousand). They are not recognised, as a reversal is considered unlikely.

4. Inventories

Of the total inventories of € 9,354 thousand (prev. year: € 9,002 thousand), 35 % (€ 3,303 thousand; prev. year 34 %, € 3,088 thousand) is attributable to the storage location in Spain and 63 %, i.e. € 5,968 thousand, (prev. year 64 %, € 5,726 thousand) to the storage location in Germany. The remaining 2 % is attributable to **UNITED**LABELS Ltd. in the United Kingdom (€ 76 thousand; prev. year € 124 thousand) and House of Trends europe GmbH (€ 7 thousand; prev. year € 64 thousand). These inventories comprise finished goods within the categories of textiles, giftware and soft toys.

Net merchandise inventories (total inventories less merchandise already sold) declined by € 781 thousand, thus amounting to € 6,399 thousand (prev. year: € 7,180 thousand) in the financial year under review. Inventory write-downs amount to € 654 thousand (prev. year: € 491 thousand).

Inventories are not restricted by third-party rights.

5. Trade and other receivables

Trade and other receivables declined, particularly as a result of sluggish business in the run-up to Christmas, from € 18,008 thousand to € 16,084 thousand. This item includes prepayments for inventories amounting to € 65 thousand (prev. year € 121 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 2008 € '000	Receivables in 2008 € '000
not due	14,740	16,419
due in 0 – 30 days	703	1,073
due in 30 – 60 days	285	162
due in 60 – 90 days	75	8
due beyond 90 days	281	346
Total	16,084	18,008

Additionally, there was an allowance for uncollectible accounts of € 399 thousand (prev. year: € 293 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. In fiscal 2008, receivables had to be written down by € 191 thousand. The insolvency of Woolworths UK in particularly prompted write-downs of € 89 thousand.

The parent company 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 between 25 % and 30 % 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. When the receivable is sold to the factor, all material risks and opportunities pass to the factor, and therefore these assets qualify for derecognition. As the factor retains 25 % to 30 % of the amount payable until the account receivable has been settled, a receivable payable by the factor is recognised under trade and other receivables.

6. 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 € 168 thousand (prev. year: € 286 thousand) were recognised within this item.

7. Cash and cash equivalents

Cash and cash equivalents increased from € 4,781 to € 4,986 thousand in the period under review. The interest rates for monies invested were between 3.20 % and 4.55 %.

8. Impairment losses attributable to financial assets

Impairment losses were as follows:

	31/12/08			31/12/07		
in € '000	Gross value	less impairment	less impairment	Gross value	less impairment	less impairment
Trade and other receivables	16,483	399	16,084	18,301	293	18,008

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.

9. Equity

As at December 31, 2008, 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 22 May 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 20 May 2008, 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 20 May 2008 decided that the authorisation granted on 22 May 2007 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 19 November 2009. However, no resolution relating thereto was passed by the Management Board in the financial year just ended. As at 31 December 2008, the Company held 46,199 treasury shares. The historical cost of purchase amounting to € 223 thousand was deducted fully from equity.

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. An amount of € 223 thousand was deducted fully from equity.

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.

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

	€ '000
Unappropriated retained earnings brought forward	1,552
Dividend 2007	(831)
Profit 2008	769
	1,491

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

Consolidated earnings per share	2008	2007
basic	0.19 €	0.10 €
diluted	0.19 €	0.10 €
Weighted average shares outstanding		
basic	4,153,801 shares	4,169,902 shares
diluted	4,153,801 shares	4,169,902 shares

Consolidated earnings per share rose to € 0.19 (prev. year: € 0.10), calculated by dividing the profit of € 769,438.93 by the average number of shares outstanding, i.e. 4,153,801. The Company held 46,199 treasury shares over the entire annual period; therefore 4,153,801 shares were outstanding. 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.

10. 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 € 919 thousand (prev. year: € 927 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	2008	2007
Interest rate	6.00 %	5.70 %
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	2008 (in €)	2007 (in €)
DBO at Jan. 1	927,334	1,052,499
Service cost	54,455	64,696
Interest cost	52,858	47,362
Actuarial gains	(115,179)	(237,223)
- of which from experience adjustments	(35,647)	94,334
- of which from changes in actuarial assumptions	(79,532)	(331,557)
DBO at Dec. 31	**919,468**	**927,334**

As in the previous year, there were no plan assets in the 2008 financial year.

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

	2008 (in €)	2007 (in €)
Funded status	919,468	927,334
Unrecognised actuarial losses	87,911	208,929
Provisions for pensions	831,557	718,405

The following table presents changes in pension provisions:

Change in provision for pensions	2008 (in €)	2007 (in €)
Provisions for pensions at Jan. 1	718,405	589,130
Net pension cost	113,152	129,275
Provisions for pensions at Dec. 31	**831,557**	**718,405**

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	2008 (in €)	2007 (in €)
Service cost	54,455	64,696
Interest cost	52,858	47,352
Amortisation of actuarial (gains)/losses	5,839	17,217
Net pension cost	**113,152**	**129,265**

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

	31/12/08 €	31/12/07 €	31/12/06 €
Present value of the obligation	919,468	927,334	1,052,499
Plan assets	0	0	0
Shortfall	919,468	927,334	1,052,499
Experience adjustments	35,647	(94,334)	65,501

11. Provisions

Provisions developed as follows in the period under review:

	Balance at 01/01/08 € '000	Reversed € '000	Utilised € '000	Allocated € '000	Balance at 31/12/08 € '000
Other provisions	30	0	0	0	30
Provision for contingent losses from goods returned	659	0	(659)	971	971
Litigation costs	372	0	(100)	141	413
Total provisions	**1,061**	**0**	**(759)**	**1,112**	**1,414**

At the beginning of the 2008 financial year, other provisions included provisions of € 30 thousand for contingent losses associated with licence agreements, which were again recognised in the same amount. 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 € 398 thousand, as well as a customs-related issue, for which € 15 thousand has been provisioned. The Company anticipates that an amount of € 296 thousand attributable to the provisions for litigation costs may be applicable for a term of more than one year; all other provisions are considered to be short term in nature.

12. Trade and other payables as well as financial liabilities

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

31/12/08	Total amount	Repayment Schedule Up to 1 year	1 to 5 years	More than 5	Secured amounts	Type of security
	€ '000	€ '000	€ '000	€ '000	€ '000	
1. Payables to banks	8,949	5,198	1,599	2,152	3,574	Land charges
2. Trade payables	8,258	7,683	575	0	0	
3. Other liabilities	1,103	1,103	0	0	0	
	18,310	**13,984**	**2,174**	**2,152**	**3,574**	

31/12/07	Total amount	Repayment Schedule Up to 1 year	1 to 5 years	More than 5	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**	

The following table presents the contractually agreed (undiscounted) interest and principal payments relating to the primary financial liabilities as at 31 Dec. 2008 and 31 Dec. 2007:

in € '000	Carrying amount 31/12/08	Cash flows 2009			Cash flows 2010			Cash flows 2011-2013			Cash flows 2014 ff.		
		Interest fixed	Interest	Princi-pal	Interest fixed	Interest	Princi-pal	Interest fixed	Interest	Princi-pal	Interest fixed	Interest	Princi-pal
Payables to banks													
Long-term borrowings	4,741	159	51	989	147	12	775	373	0	825	646	0	2,152

in € '000	Carrying amount 31/12/07	Cash flows 2008			Cash flows 2009			Cash flows 2010–2012			Cash flows 2013 ff.		
		Interest fixed	Interest	Princi-pal	Interest fixed	Interest	Princi-pal	Interest fixed	Interest	Princi-pal	Interest fixed	Interest	Princi-pal
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 2.85 % and 5.55 % (prev. year: between 3.5 % and 5.8 %).

The trade receivables are associated with standard reservations of title.

Of the other liabilities, an amount of € 210 thousand (prev. year: € 104 thousand) is attributable to liabilities relating to social security and € 776 thousand (prev. year: € 596 thousand) to tax liabilities.

13. 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 31/12/08	Recognised in balance sheet IAS 39				Amount recognised in balance sheet according to IAS 17	Fair value 31/12/08
		Amortised cost	Cost	Fair value recognised in equity	Fair value recognised in profit or loss		
Assets	LaR						LaR
Cash and cash equivalents	4,986	4,986					4,986
Trade receivables	15,904	15,904					15,904
Receivables from factoring company	541	541					541
Liabilities	FLAC						FLAC
Trade payables	6,705	6,705					6,705
Finance lease liabilities in accordance with IAS 17	0	0					0
Payables to banks	8,949	8,949					8,949
of which aggregated by measurement category according to IAS 39:							
Loans and Receivables (LaR)	21,431	21,431					21,431
Financial Liabilities Measured at Amortised Cost (FLAC)	15,654	15,654					15,654

Carrying amount 31/12/07	Recognised in balance sheet 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		
LaR						LaR
4,781	4,781					4,781
18,008	18,008					18,008
427	427					427
FLAC	FLAC					FLAC
6,748	6,748					6,748
10					10	10
10,156	10,156					10,156
23,216	23,216					23,216
16,914	16,914					16,914

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 between 25 % and 30 % 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. Due to the volatility of the dollar/euro exchange rate in the second half of 2008, the Company concluded forward contracts with a total value of USD 5.6 million. This amount is made up of 15 hedging transactions covering individual amounts of between USD 0.1 and 0.6 million, as well as various maturities up to August 2009. The hedged exchange rates lie between USD 1.30 and 1.44 to the euro. Therefore, approx. half of the Group's purchases in the first half of 2009 are covered by hedging, which provides a secure basis for future planning.

At the reporting date an interest rate swap relating to a long-term loan was in place, with a value of minus € 25 thousand. The term of the interest rate swap ends on 30 September 2010.

14. Other financial obligations and contingent liabilities

Significant financial obligations are presented below:

	Total 2008 € '000	Total 2007 € '000
Orders to suppliers	1,805	2,573
Leasing agreements	257	266
Rental agreements	1,650	2,030
	3,712	**4,869**

Of these obligations, an amount of € 2,787 thousand (prev. year: € 3,485 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 € 5,600 thousand in connection with the construction of a logistics centre. Additionally, the French entity Montesquieu S.A.S., in which the Company holds a 35 % interest, was granted a bank guarantee amounting to € 1,156 thousand. The term of the guarantee is until July 2010.

15. Leasing

Obligations arising from non-cancellable operating lease agreements for non-capitalised leased assets amount to € 247 thousand (prev. year: € 266 thousand).

Maturity within 1 year:	€ 118 thousand	(prev. year: € 129 thousand)
Maturity 1-5 years:	€ 129 thousand	(prev. year: € 137 thousand)

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 € 105 thousand (prev. year: € 125 thousand).

As at the end of the reporting period, the item "Other equipment, furniture and fittings, and office equipment" does not include any capitalised assets related to finance lease agreements. The corresponding agreements ended in 2008, and no new agreements were concluded. In fiscal 2008, an amount of € 11 thousand was recognised in profit and loss as a write-down.

16. 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.

The cash outflows for income taxes paid and refunded amounted to € 96 thousand (prev. year: € 58 thousand), while those attributable to interest payments were € 587 thousand (prev. year: € 573 thousand). Interest received amounted to € 131 thousand (prev. year: € 184 thousand).

17. Segment reporting

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

2008

€ '000	Special Retail	Key Account	Others	Group
Sales revenue	12,430	31,808		44,238
Segment expenses	(10,480)	(24,940)	(3,583)	(39,003)
Depreciation/amortisation	(1,306)	(3,181)	(117)	(4,604)
Segment result	**644**	**3,687**	**(3,700)**	**631**
Net finance cost				(456)
Result from at-equity investment				226
Result from ordinary activities				**401**
Taxes				368
Consolidated profit				**769**

€ m	Special Retail	Key Account	Others	Group
Segment assets	14.6	21.5	16.9	53.0
Segment liabilities	4.4	7.3	8.3	20.0
Capital expenditure	1.0	4.1	0.1	5.2

2007

€ '000	Special Retail	Key Account	Others	Group
Sales revenue	13,190	30,043		43,233
Segment expenses	(11,159)	(22,259)	(3,780)	(37,198)
Depreciation/amortisation	(1,423)	(3,075)	(256)	(4,754)
Segment result	**608**	**4,709**	**(4,036)**	**1,281**
Net finance cost				(388)
Result from ordinary activities				**893**
Taxes				(496)
Consolidated profit				**397**

€ m	Special Retail	Key Account	Others	Group
Segment assets	10.5	22.2	20.7	53.4
Segment liabilities	6.0	8.6	6.0	20.6
Capital expenditure	0.8	2.9	0.1	3.8

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

Secondary reporting format: - Geographical segments

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

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

Sales revenues / € '000	2008	2007
D / A / CH	18,402	19,820
Iberian Peninsula	11,635	12,210
France	5,848	4,456
Rest of the World	8,353	6,746
Group	44,238	43,232

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

Total assets / € '000	2008	2007
D / A / CH	36,234	36,065
Iberian Peninsula	10,094	9,690
France	1,392	1,329
Rest of the World	5,331	6,275
Group	53,051	53,359

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

Capital expenditure / € '000 (in T€)	2008	2007
D / A / CH	4,232	3,302
Iberian Peninsula	669	159
France	12	317
Rest of the World	263	48
Group	5,176	3,826

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.

18. 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 implemented accordingly in the case of positive returns. For further details, please refer to C.19.
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.

19. Risiken

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 2008 financial year, the average euro/US dollar exchange rate was 1.4660. **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. €14.9 million in absolute terms. If the average exchange rate had been just 1.40, this would have had a negative effect of € 984 thousand with regard to the cost of goods sold. If, by contrast, the average exchange rate had been 1.50, this would have had a positive effect of € 507 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 € 3,631 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 currently assured to a sufficient level. 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 as 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 2008, **UNITED**LABELS had access to the following borrowing facilities within the Group:

in € '000	2008	2007
Current account	4,555	4,155
Long-term loans	4,741	5,810
Bills of exchange	2,905	3,550
Letters of credit	6,860	7,775

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.
UNITEDLABELS AG has provided a financial guarantee for a loan of Montesquieu Finances S.A.S., France, in the amount of € 1,156 thousand. The loan is to be extinguished in two instalments of equal amounts in July 2009 and July 2010. If Montesquieu fails to extinguish, **UNITED**LABELS would be obliged to settle the payments on the basis of the financial guarantee provided.

Interest rates: **UNITED**LABELS 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.

	2008 Sales revenue		2007 Sales revenue	
	€ '000	in %	€ '000	in %
Sale of goods	44,047	100	42,974	99
Services	191	0	258	1
	44,238	100	43,232	100

2. Cost of materials

The materials-expense ratio rose by 5.5 percentage points from 52.5 % to 58.0 %. In absolute terms, this corresponds to an increase from € 22,688 thousand to € 25,657 thousand. This is attributable to exchange rate movements, in addition to a higher level of returned goods in Germany and a shift in the customer structure towards large-account business.

3. Amortisation of usufructuary rights

Amortisation of usufructuary rights includes write-downs attributable to product-related licences. Year on year, they declined from € 4,041 thousand to € 3,970 thousand.

4. Other operating income

This item mainly comprises income from exchange differences in the amount of € 68 thousand (prev. year: € 79 thousand) as well as the asset value of a pension-related reinsurance obligation of € 145 thousand (prev. year: € 145 thousand).

5. Staff costs

Staff costs fell from € 6,582 thousand to € 6,309 thousand. For further details regarding post-employment benefits, please refer to C.10.

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 2008 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 € 3,355 thousand (prev. year: € 3,594 thousand) and rental expense amounting to € 972 thousand (prev. year: € 1,055 thousand). The remaining expenses consist of general administrative and operating expenses. Other operating expenses also include allowances for accounts receivable in an amount of € 191 thousand (prev. year: € 212 thousand).

8. Finance income and finance cost

Interest expense amounted to € 587 thousand (prev. year: € 573 thousand) and relates mainly to long-term loans, pension obligations, notes payable and factoring. Interest income amounted to € 131 thousand (prev. year: € 184 thousand). Net finance cost also includes income of € 227 thousand attributable to the 35 % interest held in the French Montesquieu Group.

9. Taxes on income

Die Position setzt sich wie folgt zusammen:

	2008 € '000	2007 € '000
Current tax expense	128	64
Deferred tax expense/income	(496)	431
Total income tax expense	**(368)**	**495**

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

	2008 € '000	2007 € '000
Consolidated result before income taxes	401	893
Applicable tax rate	31.23 %	39.65 %
Expected tax expense	127	355
Difference to foreign tax on income	47	65
Tax effect of non-deductible expenses	72	32
Tax effect of non-taxable income	(143)	(50)
Reversal of impairment losses for deferred tax assets	(566)	0
Reversal of impairment losses for deferred tax assets not previously recognised	(111)	(15)
Tax effect of loss carryforwards for which no deferred tax assets were recognised in the current period	61	136
Taxes attributable to other periods	145	660
Effect of change to tax rate	0	632
Current tax expense	**(368)**	**495**
Current tax rate	**0**	**55.3**

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 25 % (prev. year: 15 %) 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. - Michael Dehler, Merchant, Managing Director of Compass Yachtzubehör
Handels GmbH & Co. KG, Ascheberg (Deputy Chairman)

Prof. Dr. rer. pol. Helmut Roland, Chairman of the Board of Directors of FR Finance Relations AG,
St. Gallen (CH)

An Audit Committee was established in 2004. The members of the Audit Committee are Prof. Dr. Helmut Roland (Chairman) and Michael Dehler.

The fixed component of Supervisory Board compensation amounts to € 40 thousand in total (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 received variable compensation which is calculated on the basis of 0.25 % of consolidated net profit (before payment of the variable compensation component); the maximum amount is € 10 thousand. Variable compensation amounted to € 2 thousand in 2008 (prev. year: € 3 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 10,000 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 € 365 thousand (previous year: € 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 2008 financial year amounted to € 365 thousand; there was no variable-component compensation in the year under review.
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 € 114 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 € 832 thousand.

As from the age of 65, Mr. Peter Boder is entitled to a monthly old-age pension of € 16,203.25 and an invalidity pension in the same amount (as from 01 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:

	2008	2007
Salaried staff	128	126
School-leaver trainees	8	8
	136	134

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 December 31, 2008, 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 € 80 thousand (prev. year: € 64 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 62.69 % 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 2008, the amount received was € 79 thousand (prev. year: € 79 thousand).

Mrs. Alexa Boder acts on behalf of the Company with regard to legal issues (management of outstanding receivables); in 2008, she received € 1 thousand (previous year: € 5 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.

A loan of € 1,218 thousand, in the form of a conversion of receivables, was granted to Embassy S.A.S., Roubaix/France, a subsidiary of Montesquieu Finances S.A.S., in which the Company holds an ownership interest of 35 %. The loan is extinguished on a regular monthly basis. Additionally, a bank guarantee was provided for Montesquieu Finances S.A.S. in an amount equivalent to € 1,156 thousand, for the purpose of securing a bank loan granted to Montesquieu Finances S.A.S., which is extinguishable at two dates, July 2009 and July 2010, in instalments of equal amounts. The bank guarantee is reduced upon payment of the amounts to be extinguished. **UNITED**LABELS AG and **UNITED**LABELS France S.A.S. also maintain normal supply relations with Embassy S.A.S. As the goods supplied to Embassy S.A.S. are sold on direct, there are no intercompany profits requiring elimination as part of the consolidation process.

All business transactions were effected on the basis of regular way terms and conditions.
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 € 4,293 thousand in total (prev. year: € 2,418 thousand), while current receivables stood at € 2,042 thousand (prev. year: € 3,868 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 reporting 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, 10 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 2008. 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 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 net assets, financial position and results of operations 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, 10 March 2009
PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Harald Ewig)
German Public Accountant

(ppa. Dietrich Schollmeyer)
German Public Accountant

SEPARATE FINANCIAL STATEMENTS OF UNITED LABELS AG

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UNITEDLABELS Aktiengesellschaft, Münster

Income Statement for the period
from 1 January to 31 December 2008

	2008 €	2007 €
1. Sales revenues	23,596,374.20	24,883,896.60
2. Cost of purchased goods	(15,329,956.26)	(13,718,145.55)
3. Amortisation of usufructuary rights	(3,093,746.64)	(3,146,536.03)
	5,172,671.30	**8,019,215.02**
4. Other operating income	2,575,279.22	1,158,276.78
5. Staff costs		
a) Wages and salaries	(3,052,579.92)	(3,167,196.96)
b) Social security, post-employment and other employee benefit costs	(620,683.10)	(583,410.49)
– of which for post-employment benefits: €180,943.87 (prev. year: €141,840.97)		
6. Amortisation and write-downs of intangible non-current assets and depreciation and write-downs of property, plant and equipment	(561,132.46)	(592,155.50)
7. Other operating expenses	(3,185,329.86)	(3,697,305.23)
	328,225.18	**1,137,423.62**
8. Income from investments	21,757.00	0.00
– of which from affiliated companies: € 21,757.00 (prev. year: €0.00)		
9. Other interest and similar income	344,217.58	211,833.41
– of which from affiliated companies: € 247,747,81 (prev. year: € 147,879.15)		
10. Write-down of long-term financial assets and securities classified as current assets	(773,387.37)	(59,869.27)
11. Interest and other expenses	(296,461.28)	(225,768.04)
12. Result from ordinary activities	**(375,648.89)**	**1,063,619.72**
13. Reimbursed taxes on income (prev. year: expense)	1,655.60	(54,786.28)
14. Other taxes	(14,259.94)	(15,696.39)
15. Net profit for the period	**(388,253.23)**	**993,137.05**
16. Unappropriated retained earnings brought forward from the previous year	2,453,335.68	2,463,743.09
17. Dividend distribution	(830,760.20)	(840,000.00)
18. Withdrawals from revenue reserves (prev. year: allocation to revenue reserves; reserves for treasury shares)	79,924.27	(163,544.46)
19. Unappropriated surplus	**1,314,246.52**	**2,453,335.68**

UNITEDLABELS Aktiengesellschaft, Münster
Balance Sheet as at 31 December 2008

ASSETS	31/12/08 €	31/12/07 €
A. Non-current assets		
I. Intangible assets		
1. Concessions, industrial and similar rights and assets, as well as licences in such rights and assets	2,644,961.97	2,325,304.55
2. Goodwill	1,360,871.82	1,484,587.42
	4,005,833.79	3,809,891.97
II. Property, plant and equipment		
1. Land, land rights and buildings, including buildings on third-party land	4,959,428.34	5,142,212.74
2. Technical equipment and machinery	38,709.29	46,362.17
3. Other equipment, operating and office equipment	504,742.97	637,904.62
4. Prepayments and assets under construction	10,000.00	10,000.00
	5,512,880.60	5,836,479.53
III. Long-term financial assets		
1. Investments in affiliated companies	7,643,119.43	8,236,583.53
2. Loans to affiliated companies	4,292,734.50	2,418,135.32
3. Other long-term equity investments	450,000.00	0.00
	12,385,853.93	10,654,718.85
	21,904,568.32	**20,301,090.35**
B. Current assets		
I. Inventories		
1. Finished goods and merchandise	5,967,706.71	5,726,242.51
2. Prepayments	64,922.85	121,432.29
	6,032,629.56	5,847,674.80
II. Receivables and other assets		
1. Trade receivables	4,472,565.04	6,950,175.39
2. Receivables from affiliated companies	1,867,541.08	3,192,668.93
3. Other current assets	2.285.424,83	2.382.062,40
of which with remaining term of more than one year: €494,568.57 (prev. year: € 349,922.55)		
	8,625,530.95	**12,524,906.72**
III. Securities		
Treasury shares	83,620.19	163,544.46
IV. Cash, bank deposits, cheques	4,190,906.38	4,039,729.54
	18,932,687.08	**22,575,855.52**
C. Prepaid expenses	**189,852.38**	**226,795.39**
of which discounts: € 133,505.60 (prev. year: € 144,002.84)		
Assets, total	**41,027,107.78**	**43,103,741.26**

UNITEDLABELS Aktiengesellschaft, Münster
Balance Sheet as at 31 December 2008

EQUITY AND LIABILITIES	31/12/08 €	31/12/07 €
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	83,620.19	163,544.46
2. Other revenue reserves	250,000.00	250,000.00
IV. Unappropriated surplus	1,314,246.52	2,453,335.68
	30,279,425.00	**31,498,438.43**
B. Provisions		
1. Provisions for pensions and similar obligations	565,028.00	510,454.00
2. Provisions for taxes	23,000.00	23,000.00
3. Other provisions	1,601,868.56	1,192,805.13
	2,189,896.56	**1,726,259.13**
C. Liabilities		
1. Payables to banks	4,741,076.38	5,993,905.99
of which with remaining term of up to one year: €989,328.41 (prev. year: €1,252,829.61)		
2. Trade payables	3,316,034.38	3,412,570.39
of which with remaining term of up to one year: €2,876,034.38 (prev. year: €3,007,570.39)		
3. Other liabilities	500,675.46	472,567.32
of which attributable to taxes: € 487,501.53 (prev. year: € 460,614.89) of which with remaining term of up to one year: € 500,675.46 (prev. year: € 472,567.32)		
	8,557,786.22	9,879,043.70
Total equity and liabilities	**41,027,107.78**	**43,103,741.26**

Supervisory Board

Dr. Jens Hausmann, Chairman, (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 Master's 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. Prof. Dr. Roland is a publicly appointed and sworn expert in the field of corporate rating. 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 (degree of Diplom-Kaufmann) 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 of **UNITED**LABELS AG since April 2000.

Management

Pilar Arroyo
Head of
Sales Southern Europe

Gerald Knetsch
Head of
Central Europe

Frank Zollner
Business Manager
House of Trends

Holger Sissingh
Head of
Administration

Holger Pentz
Head of Finance
and Human Resources

Jason Kam
General Manager
UL Hongkong

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The aforementioned shall also apply to any indicators disclosed in this report that do not fall within the requirements of financial accounting standards. Such indicators may not be entirely comparable with those applied by other entities.

The English version of this report is a translation of the original German report. Only the German version of this report is legally binding.

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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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 **UNITED** LABELS 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)

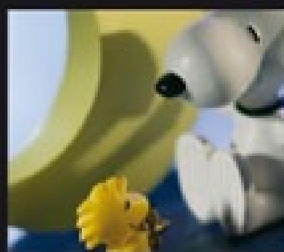
2003
Introduction of chinaware series Best of Mickey and Best of Snoopy

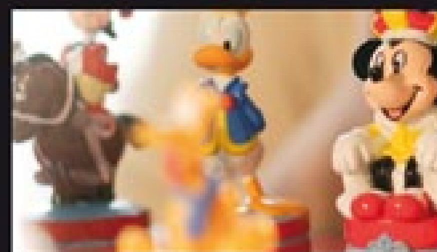
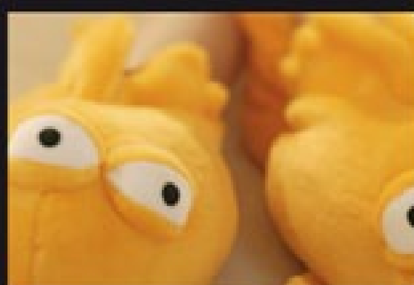
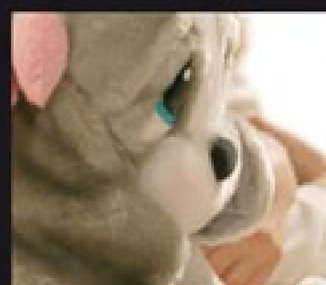
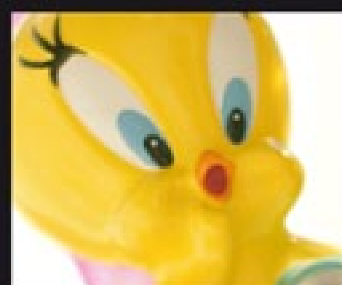
2005
· Founding of **UNITED**LABELS Italia
· Founding of **UNITED**LABELS Ltd. (UK)

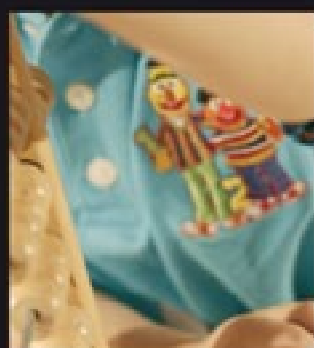
2006
Opening of first airport store in Barcelona

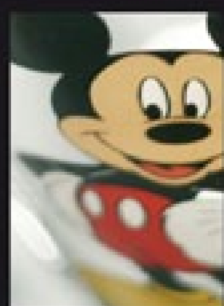
2007
Launch of
House of Trends europe GmbH

2008
Acquisition of a 35 % interest in the Montesquieu Group







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