ANNUAL REPORT 2009

UNITED LABELS COMICWARE

UNITEDLABELS AG

UNITEDLABELS AG...

... is one of Europe's leading specialists for comicware sold under licence. **UNITED**LABELS transforms animated heroes into real-life stars you can actually hold and touch. The company's focus is on global development, production and marketing of consumer products featuring the world's best-known cartoon licence characters. The licensing partners working in cooperation with the independent media company based in Münster/Germany include global players from the world of media and entertainment, such as Disney, Warner and 20th Century Fox. The world of toons – only at **UNITED**LABELS.

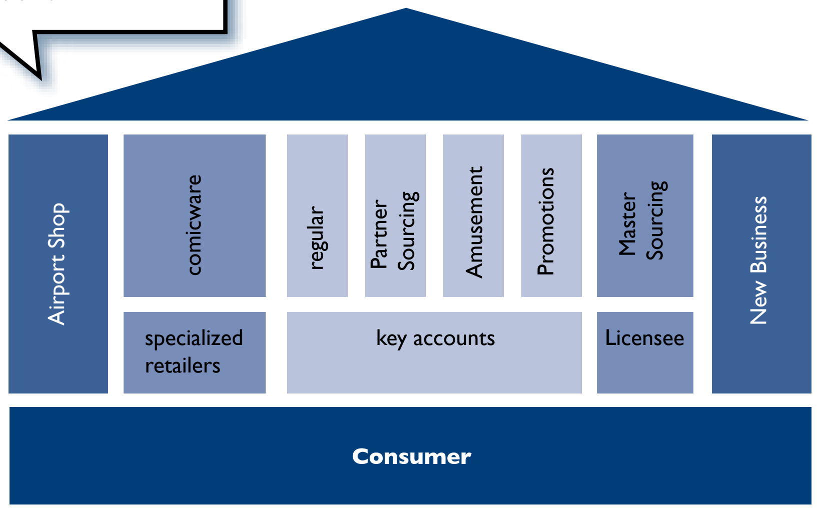
THE GROUP

- more than 4500 customers
- more than 55000 retail outlets
- more than 30 million annualy sold items
- more than 100 licenses
- more than 200 characters
- more than 20 years license know-how

Pan-European position

Having gone public in the year 2000, **UNITED**LABELS is the only company to offer an extensive merchandise portfolio featuring high-calibre cartoon character licences and covering all major sales channels. The company is represented in Germany, Belgium, France, the UK, Italy, Spain and Hong Kong.

OUR RETAIL CHANNELS



comicware – toons you can touch

UNITEDLABELS has established a comprehensive European sales network for comicware, distributing its products through more than 55,000 outlets and some 4500 customers from various retail segments. Alongside specialist retailers such as stationers, bookstores and toy shops, major German discount super-markets are among the company's key accounts.

SELECTION OF OUR LICENCE PARTNERS

SELECTED QUALITY PARTNERS

- production tests
- inline inspections
- supplier inspections (audits)
- social and ethical compliance
- shipping inspections
- quality control & product tests

Quality & Terms

UNITEDLABELS is able to fullfill all product-standards following the EEC Regulations and standards.

Additionaly **UNITED**LABELS has established it's own strict quality controls, factory audits and inspections to ensure best product safety, reliable order performance and confidential business relations.

selected standards

OUR PRODUCTS

UNITEDLABELS is able to reach all age groups within the European market of licensed products, thanks to its successful portfolio of well-established classics, such as Mickey Mouse, Snoopy and SpongeBob SquarePants, and popular stars like The Simpsons, High School Musical and Angel Cat Sugar.

Apparel

Nightwear, underwear, hosiery, boxers, trousers, shorts, skirts, dresses, swimwear, shirts, sweatshirts, pullovers, t-shirts, jackets, windcheaters, scarves, gloves, and more.

Giftware

Mugs, muesli bowls, egg cups, crockery, glasses, eyewear cases, money boxes, cookie jars, figurines, candles, alarm clocks, wall clocks, and more.

Soft toys

Beanbags, (large) soft toys, cushions, slippers, and more.

Stationery

Writing paper and notebooks, pencil cases, desk pads, rulers, rubbers, mouse pads, bookends, pinboards and pins, playing cards, postcards, pens, cases, and more.

Bathroom and home accessories

Towels, flannels, tea towels, pot holders, bathrobes, slippers, bed linen, pillows, aprons, napkins, and more.

Bags and accessories

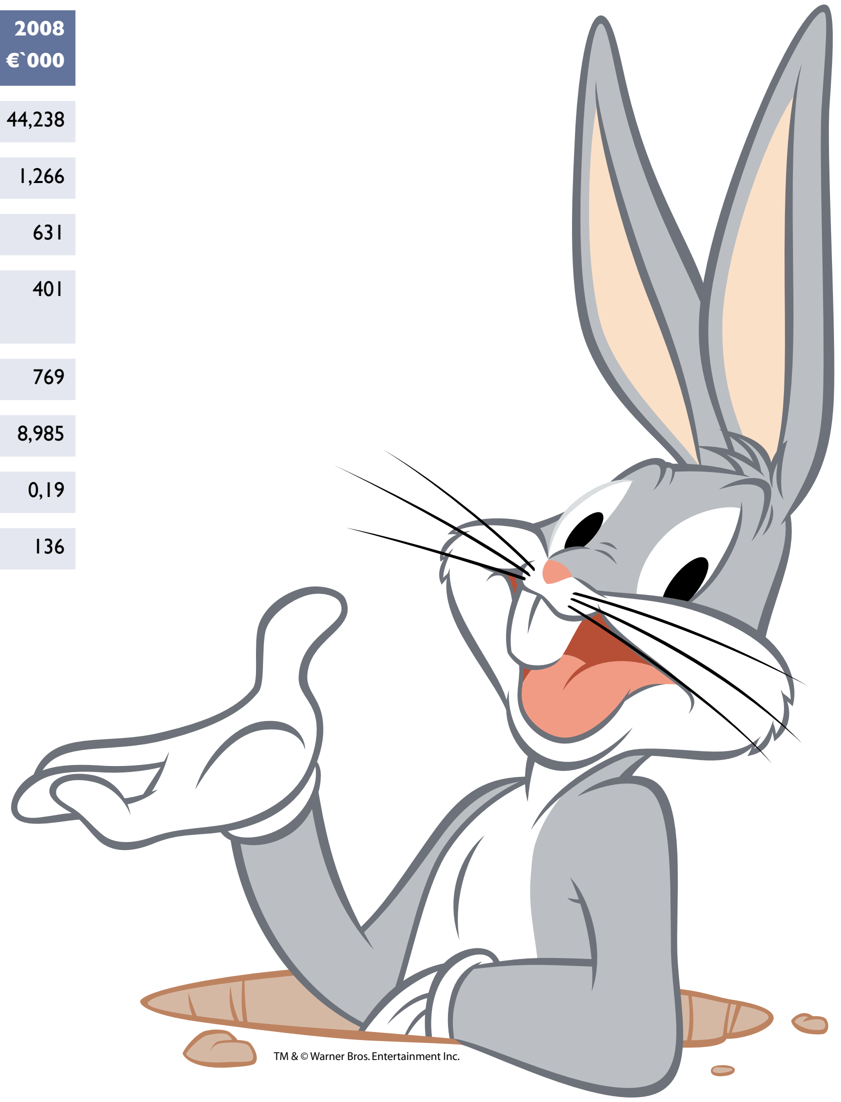
Travel bags, sports bags, handbags, toilet bags, rucksacks, wallets, belts, hair accessories, hats, sunglasses, key rings, and more.

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."

Key figures	2009 €`000	2008 €`000
Revenue	40,260	44,238
EBITDA*	(1,716)	1,266
EBIT	(4,072)	631
Result of ordinary activities	(4,403)	401
Profit for the year	(3,858)	769
Orders on hand	9,581	8,985
Earnings per share (€)	(0,93)	0,19
Number of employees	125	136

*incl. amortisation of usage rightsz



PETER BODER
CHAIRMAN OF THE
MANAGEMENT BOARD

Dear Shareholders,

Impacting directly on consumer demand and thus also retail sales, the challenging global economic climate in the 2009 financial year just ended also affected the business performance of **UNITED**LABELS. At €40.3 million, Group sales were down 8.8% on last year's figure. The Group's consolidated loss totalled €3.9 million. However, of this amount, €3.0 million was attributable to non-recurring exceptional items.

Committed to realigning the company with evolving market conditions, we introduced measures aimed not only at counteracting potential economic fluctuations but also at establishing a solid foundation for future growth.

With the growing dominance of large retail chains over recent years, business within the Special Retail segment has gradually been fading into insignificance in some countries. Fuelled by weak consumer demand, this trend has been gathering pace recently. Against this backdrop, we took the well-judged decision to discontinue our loss-making specialty retail business in Germany, France and the Benelux countries.
By contrast, the situation with regard to specialty retailing in Southern Europe is quite different. Indeed, specialty retail structures remain largely intact in this region. **UNITED**LABELS supplies around 3000 specialist retail stores in Spain and Italy. The significant increase in order intake over the course of the first few weeks of the current financial year serves as proof that this segment can continue to operate at a profitable level.

The Key Account segment remains the growth driver for **UNITED**LABELS. Having recorded a decline in business in the wake of the general economic crisis, we initiated several measures aimed at providing fresh impetus. In this segment, newly developed marketing concepts centred around our extensive portfolio of products and licences have been generating significant sales volumes, often at an international level, mainly because of the considerable number of stores (500-3,000) operated by some of the retailers and wholesalers targeted. Within this context, our entry into new markets (Eastern Europe) and the expansion of our textiles collection initiated during the year just ended have proved very effective indeed. The collections within this area are designed, produced and marketed in close cooperation with our customers. Therefore, customers receive a unique collection for adults, children and babies – tailored to the individual requirements of the client's customer structures. Due to the development and production lead times required within this area, it took until the second half of the year to generate revenue within this area. At the beginning of 2010, this product category has proved to be the main driving force behind growth, which clearly underscores the incisiveness of our strategy.

In 2009, the Eastern European market was serviced by a dedicated unit for the first time. Prior to this, **UNITED**LABELS had focused solely on Northern, Western and Southern Europe, with Eastern Europe only being served sporadically via local stores operated by German retail chains. Eastern European consumers have generally become more aware of licensed merchandise, and in 2009 we managed to target and attract well-established new customers in this region; the first items were delivered in the third and fourth quarter. Order intake for 2010 confirms the appeal and growth potential of this market with regard to merchandise sold under licence.

In order to develop its market position in France, **UNITED**LABELS acquired a further 10% interest in the French Groupe Montesquieu. With its now 45% share in the company and the option of acquiring a majority interest, distribution channels for key account customers in the area of textiles have been safeguarded and a foundation for developing the customer base created.

In the financial year just ended we also opened a new airport shop in Düsseldorf, Germany's third-largest airport with around 18 million passengers in 2009. In addition, a new shop was also opened in Barcelona, at the highly frequented "Maremagnum" cruise ship terminal.

As a result of the significant number of passengers, this location is an ideal place to showcase the company's range of comicware merchandise.
We plan to increase the number of new store openings in 2010. In fact, four additional airport locations have already been found: alongside Hamburg and Malaga, we intend to launch two new stores at the new Terminal 1 in Barcelona. Preparations are also underway for further airport projects, such as Berlin, London, Paris, Frankfurt, Zurich and Munich.

The period under review was a year of celebration for many of the licences within our portfolio. Both Bob the Builder and SpongeBob SquarePants turned ten, while The Simpsons, Barbie and Donald Duck celebrated their 20th, 50th and 75th birthdays respectively. All these anniversaries were marked by the major media companies with elaborate TV and marketing strategies, thus furthering brand awareness of these licensed characters.
Looking ahead, 2010 also looks set to be a highly attractive year for our licence portfolio, which now comprises around 250 cartoon characters. Alongside all-time classics such as "Snoopy", "Mickey" and "The Simpsons", more recent stars such as "Hannah Montana", "Cars", "Toy Story 3" and "Ben 10", as well as "Patito Feo" in Southern Europe, are proving very popular.

In 2009, **UNITED**LABELS was awarded the "Licensee of the Year" award from the world's largest licensing industry association, the International Licensing Industry Merchandisers' Association (LIMA). The award illustrates the importance of **UNITED**LABELS within the area of licensed merchandise.

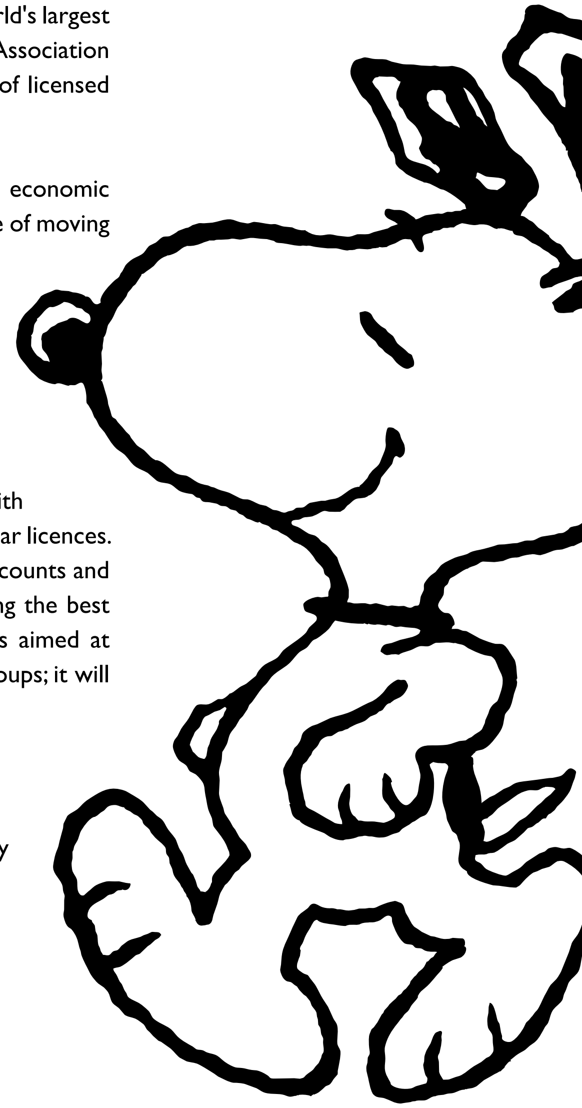
Our current share price is far from satisfactory, but instead of pointing to the global economic crisis as the sole culprit, we shall focus on our own company with the express purpose of moving forward. Our aim as part of our dialogue with private and institutional investors is to emphasize the merits of a strategy directed at profitable growth in both business segments, as well as highlighting our market position in Europe and our solid financial base. I believe that our growth and earnings potential lends added appeal to our stock.

We have made intensive preparations for 2010. Our future growth concept rests on four pillars: extend our textiles business, expand our airport shops, press ahead with distribution in Eastern Europe and enhance our licence portfolio by adding other popular licences. Within this context, we will be looking to focus on activities within the area of key accounts and retail chains covering the whole of Europe. In parallel, we are committed to pursuing the best possible use of our internal resources. Our programme to raise efficiency levels is aimed at focusing our business on major customers in Europe as well as profitable product groups; it will also be accompanied by stringent cost management within the Group.

I would like to express my gratitude to all business partners and, in particular, to our staff, who demonstrate enormous commitment when it comes to shaping the future and success of **UNITED**LABELS. I would also like to take this opportunity to thank you, our shareholders, for the trust placed in our company. We shall do everything in our power to honour this trust, prove ourselves through our actions and guide **UNITED**LABELS towards a successful future.

Münster, March 2010

Peter Boder
CEO



DR. JENS HAUSMANN
CHAIRMAN OF THE
SUPERVISORY BOARD

Supervisory Board Report

In the 2009 financial year, the Supervisory Board dealt with the business development and reorientation of the company and its subsidiaries in France and the Benelux countries. The major features of this reorientation were the expansion of the textiles business and the company's concentration on the wholesale trade. Other areas where the Supervisory Board was active included the extension of the company's sales area into Poland as its first step into the markets of Eastern Europe along with the development of shops at ports and airports.

The Supervisory Board agreed to exercising the option for the acquisition of 10% of the shares in Montesquieu Finances SAS in Roubaix, France, as well as to the acquisition of expansion space for the sites in Gildenstraße 6 and 2j in Münster.

The Supervisory Board extended the period of office and the employment contract of Management Board Chairman Peter Boder by a further five years.

The Supervisory Board again carried out an efficiency review, the results of which were assessed and discussed during the last meeting of 2009. At this meeting, the Supervisory Board also dealt with the management's adherence to the principles of the updated Corporate Governance Code of 18 June 2009. Apart from some minor exceptions, its recommendations were observed by the company. The Supervisory Board therefore approved the Declaration of Conformity, which was issued together with details of those recommendations which had not been applied.

In the 2009 financial year, the Supervisory Board always enjoyed a trusting working relationship with the company's Management Board. The Management Board informed the Chairman of the Supervisory Board on the company's business development and on important decisions taken, also outside of meetings. All information and draft resolutions for meetings were given to the members of the Supervisory Board in good time. The Supervisory Board's members were informed either orally or in writing regarding all major business transactions, even outside of meetings when necessary.

The Supervisory Board held four regular meetings in the 2009 financial year. The Audit Committee came together for two meetings. The subject of the first meeting was an audit of the company's financial statements and consolidated financial statements for the 2008 financial year. In its November meeting, the Audit Committee addressed the issues of an interim audit and the focal points for the 2009 audit of the company's financial statements by PriceWaterhouseCoopers, Wirtschaftsprüfungsgesellschaft of Düsseldorf, who were appointed at the Annual General Meeting held on 15 May 2008. The subject of the interim audit included issues such as impairment of the company's goodwill, of the carrying amounts of its investments and loans as well as of the company's inventories and receivables.

The auditor, PriceWaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft audited the financial statements for the year prepared by the company's Management Board, including the accounting procedures and management report. The focus of the audit included, in particular, a valuation of the company's intangible assets, interests in affiliated companies and loans as well as a valuation of inventories and receivables. The company's risk management system and its implementation, including its implementation by the subsidiaries, were also dealt with in the audit.

The auditor raised no objections and issued an unqualified audit opinion. It reported its findings at the first meetings of both the Audit Committee and the Supervisory Board this year.

During these meetings, the Management Board commented on the financial statements and consolidated financial statements for the year and presented the combined Group management report and the dependency report. The Management Board and the auditor responded to questions from the Audit Committee and the Supervisory Board and, in the opinion of the Supervisory Board, answered these questions satisfactorily.
The Audit Committee and the Supervisory Board also independently audited the financial statements for the year, the consolidated financial statements, the combined management report and Group management report as well as the dependency report during their meetings. They concurred with the results of the audit and approved the financial statements and the consolidated financial statements for the 2009 financial year. The company's financial statements for the year have therefore been adopted. The Supervisory Board does not raise any objections to either the management report or the dependency report.
The Supervisory Board agreed to the withdrawal of €5,190,396.08 from capital reserves for the purpose of offsetting the company's net loss for the year after taking into account profit brought forward from the previous year.

Münster, March 2010

On behalf of the Supervisory Board:

Dr. Jens Hausmann
(Chairman)

Corporate Governance Statement

Corporate Governance

The German Corporate Governance Code contains nationally and internationally recognised standards of good and responsible corporate governance aimed and promoting the trust of investors in the management and supervision of listed German stock corporations. **UNITED**LABELS AG is committed to maintaining and enhancing the confidence of its shareholders, customers, suppliers, employees and the general public by embracing the idea of openness and transparency. It is for this reason that **UNITED**LABELS AG complies with the majority of recommendations set out in the German Corporate Governance Code.
During their meeting in November, the Management Board and Supervisory Board carried our an extensive review of the revised version of the German Corporate Governance Code; based on these deliberations, they passed a Declaration of Conformity in December 2009. It has been included at the end of this chapter, as well as having been published on the company's website at www.unitedlabels.com/dcgk.

Two-tier board structure

The German Stock Corporation Act prescribes a two-tier board structure for **UNITED**LABELS AG, comprising a Management Board and a Supervisory Board. Under the two-tier structure, executive management and supervision are strictly separated. The management and control structure of **UNITED**LABELS AG comprises one Management Board member and three Supervisory Board members. The Management Board and the Supervisory Board observe the rules of proper corporate governance.

The Management Board

The Management Board of the company is the executive management body of the Group and comprises one person. The Management Board is obliged to observe the interests of the company and increase enterprise value on a sustainable basis. It determines corporate strategy, including that of the Group's subsidiaries.
The Management Board is responsible for compliance with statutory provisions and for ensuring these are observed by the companies within the Group.
The Management Board works in close collaboration with the Supervisory Board for the good of the Group. It 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 Management Board informs the Supervisory Board, thoroughly, regularly and on a timely basis, about all issues of relevance to the Company with regard to corporate planning, the course of business, the risk situation and risk management. 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

For details relating to compensation, please refer to the relevant sections incorporated within the Group management report and the notes to the consolidated financial statements.

Share transactions by the Management Board and the Supervisory Board

Pursuant to Section 15a of the German Securities Trading Act (WpHG), members of the Management Board and the Supervisory Board and related parties 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 2009, **UNITED**LABELS AG received no notifications pertaining to share transactions.

Shareholder relations

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/dcgk.

Declaration of Conformity by the Management Board and Supervisory Board of **UNITED**LABELS Aktiengesellschaft

pursuant to Section 161 of the Stock Corporation Act (Aktiengesetz – AktG) with regard to the German Corporate Governance Code in the version of 18 June 2009.

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

At present, the following recommendations are not being applied:

1. Para. 3.8:

The Management Board and the Supervisory Board observe the rules of proper corporate governance. If they violate the due care and diligence of a prudent and conscientious Managing Director or Supervisory Board member, they are liable to the company for damages. In the case of business decisions an infringement of duty is not present if the member of the Management Board or Supervisory Board could reasonably believe, based on appropriate information, that he/she was acting in the best interest of the company (Business Judgment Rule).

If the company takes out a D&O (directors' and officers' liability insurance) policy for the Management Board, a deductible of at least 10% of the loss up to at least the amount of one and a half times the fixed annual compensation of the Management Board member must be agreed upon.
A similar deductible must be agreed upon in any D&O policy for the Supervisory Board.

A D&O policy exists for both the Management Board and the Supervisory Board; it contains a deductible for the members of both bodies. The deductible agreed for the Management Board does not comply with the recommendations of the Code. The Management will make appropriate adjustments to this element of the policy.

2. 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).

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

3. Para. 4.2.2:

At the proposal of the committee dealing with Management Board contracts, the full Supervisory Board determines the total compensation of the individual Management Board members and shall resolve and regularly review the Management Board compensation system.

The total compensation of the individual members of the Management Board is determined by the full Supervisory Board at an appropriate amount based on a performance assessment, taking into consideration any payments by group companies. Criteria for determining the appropriateness of compensation are both the tasks of the individual member of the Management Board, his personal performance, the economic situation, the performance and outlook of the enterprise as well as the common level of the compensation taking into account the peer companies and the compensation structure in place in other areas of the company.

If the Supervisory Board calls upon an external compensation expert to evaluate the appropriateness of the compensation, care must be exercised to ensure that said expert is independent of respectively the Management Board and the enterprise.

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

4. Para. 5.1.2:

The Supervisory Board appoints and dismisses the members of the Management Board. When appointing the Management Board, the Supervisory Board shall also respect diversity. Together with the Management Board it shall ensure that there is a long-term succession planning. The Supervisory Board can delegate preparations for the appointment of members of the Management Board to a committee, which also deals with the conditions of the employment contracts including compensation.
For first time appointments the maximum possible appointment period of five years should not be the rule. A re-appointment prior to one year before the end of the appointment period with a simultaneous termination of the current appointment shall only take place under special circumstances. An age limit for members of the Management Board shall be specified.

The Management Board currently consists of one member. If the Supervisory Board expands the Management Board, as outlined above under 2. in respect of the departure from Para. 4.2.1 of the Code, it will observe the recommendation relating to diversity as regards the Management Board structure.

5. 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. They 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 2008, the Company has conformed with the Code in the version dated 6 June 2008, with the exception of the departures from the recommendations relating to paragraphs 4.2.1, 4.2.2 and 5.3.3.

Münster, December 2009

The Management Board

The Supervisory Board

UNITEDLABELS Aktiengesellschaft, Münster
Company and Group Management Report for FY 2009

Company and Group Management Report for FY 2009

2009, the year just ended, saw the German economy shrink for the first time in six years. At 5.0%, the decline in Germany's price-adjusted gross domestic product (GDP) was the worst in the country's post-war history. The first and second quarter bore the brunt of the economic downturn, while the remainder of the year showed some degree of stability, albeit at a low level. In the fourth quarter, which is of major importance to many sectors because of the more buoyant Christmas season, GDP fell by 1.7% compared with the same period a year ago.

Other countries in Europe also experienced a contraction in GDP. According to data published by the Federal Statistical Office, GDP fell by 3.7% in Spain, 4.7% in Italy, 2.2% in France and 4.8% in the United Kingdom compared with the previous year.

With sales nosediving by €6.5 billion during the recession of 2009, the classic German retail industry recorded its worst slump since statistical records for Germany as a whole began; excluding the areas of vehicle trading, fuel and pharmacies, its aggregate revenue for the year was €392.1 billion.

Specialty stores, supermarkets and hypermarkets saw sales fall by 1.4% year on year in real terms. The non-food segment of the market, including textiles, was faced with a 2.1% decline in sales in real terms. Other multi-merchandise retailers, such as department stores, had to contend with an even larger downturn of 6.7% in real terms. Business was also sluggish within the textiles segment, contracting by 2.2% year on year in December, expressed in real terms.

Industry Review and Licence Market

The global market for Entertainment merchandise sold under licence, featuring characters such as "SpongeBob SquarePants", "The Simpsons", "The Peanuts", "Cars", "Hannah Montana" and many others, is estimated at approx. €20 billion. Europe, the US and Asia each account for one third of this revenue. Within Europe, the UK represents the largest market for licences, followed by France and Germany. The strongest category in terms of revenue is apparel/textiles, accounting for approx. 22% of the total market.

Businesses operating within the area of licensed merchandise were unable to escape the general economic downturn, further compounded by sluggish consumer demand over the course of the year. Licensed products are consumer goods centred around well-known brand names or characters associated with the entertainment sector (excluding trading of licence rights). Influenced by demand for consumer goods and, ultimately, the performance of the economy in general, licensed merchandise sales are susceptible to market fluctuations within the areas of apparel, toys and giftware.

However, one of the unique aspects of products sold under licence is that large media corporations such as Disney, Warner, 20th Century Fox and Dreamworks tend to operate with sizeable marketing and promotional budgets directed at TV series, movies, themeparks and DVDs, the aim being to increase market awareness of a particular licence and stimulate demand for the corresponding merchandise. This creates additional impetus for sales within the area of licensed products. Additionally, of course, there is the aspect of a consumer's emotional affinity toward a specific cartoon character. In combination, these factors create a strong incentive to buy, offering a certain amount of stability to the licensed-merchandise sector – much more so than in the case of conventional consumer goods.

The **UNITED**LABELS Group

As a licensee, **UNITED**LABELS enjoys the direct benefits of such promotional activities, an aspect that also helps when communicating the company's selling proposition to customers. Ultimately, licensed products become a "brand" in their own right, which differentiates them significantly from non-branded goods.

In strategic terms, one of the key factors of success within this segment is to incorporate the most promising and well-known licences within a portfolio. **UNITED**LABELS boasts a comprehensive range of licences that includes recent stars such as "Hannah Montana", "Cars" and "Angel Cat Sugar" alongside popular, well-established characters of international renown, such as "The Peanuts", "Spongebob SquarePants" and "The Simpsons". Maintaining a well-judged blend of new trends and all-time classics, **UNITED**LABELS is committed to offering its customers an attractive and up-to-date portfolio of products tailored to their needs. Within this context, the aim is to secure the company's position as Europe's leading manufacturer and multi-category marketer of cartoon-based merchandise sold under licence. For this purpose, **UNITED**LABELS has, for many years now, been nurturing strategic partnerships with the world's largest media and entertainment companies, such as Warner, 20th Century Fox, Walt Disney, Dreamworks, Marvel and many more besides. In total, United Labels AG had 64 licence agreements (prev. year: 61) in place at the reporting date.

Operating within this environment, **UNITED**LABELS sees its strength in its ability to create all-embracing merchandise offerings for its retail customers, rather than simply producing individual items for a specific licence. Drawing on its expertise spanning a multitude of products, the company is able to respond with the requisite speed and flexibility to a wide range of enquiries, thereby leveraging existing revenue potential.

With a solid market presence throughout Europe, **UNITED**LABELS remains "close to its customers". The parent company, **UNITED**LABELS AG, based in Münster/Germany, markets an extensive licence portfolio currently comprising 64 licences and coordinates both design and production. Subsidiaries in Spain, Italy, France, Belgium and the United Kingdom maintain close links with key accounts and specialty retailers. The first steps towards market expansion in Eastern Europe were taken in Poland.

Significant events in the 2009 financial year

The difficult global economic situation also affected **UNITED**LABELS' performance, with targets for growth and income being missed. As a result, the Management Board and executives of all the Group's companies introduced measures to deal with the sources of these losses and to orientate their companies' organisation to the changed market conditions. Important projects that had an influence on the Group's annual financial statements are outlined below.

Over the past few years, the Special Retail segment continued to lose its economic significance for the Group due to the ongoing structural shift towards large retail chains. Despite the higher margins in this segment compared with the Key Account segment, the Special Retail segment increasingly reported lower incomes, even losses in some cases in recent years. Small orders and expensive support on the shop floors made profitable business in the Special Retail segment increasingly difficult. The current weakness in consumer demand has amplified this trend, and the unexpected slump in demand resulted in an overall loss for **UNITED**LABELS' Special Retail segment. The German retail segment in particular was largely responsible for this negative result, although France and the Benelux countries also performed poorly. Due to the current weakness in consumer demand and against the backdrop of the ever-worsening structural weakness of the Special Retail trade in these countries, **UNITED**LABELS decided not to continue with its loss-making Special Retail business in Germany, France and the Benelux region and instead to concentrate on the growing Key Account segment in these countries. This decision involved introducing a whole range of restructuring measures, which have had an impact on the current annual results. One of the most significant of these measures was the write-down of inventories in the Special Retail segment, which had a significant impact on earnings for the year, especially in the parent company. At the same time however, this decision means that the company has been able to mitigate the risk of future losses.

In Southern Europe on the other hand, the situation in the Special Retail segment is somewhat different. The move towards retail chains and the associated weakness of the Special Retail business is not so far advanced here. For this reason, business with specialty retailers is being continued in this region. The Special Retail trade is sound in this region and so the segment remains profitable.

In the 2009 financial year, the textiles area was developed further. With contemporary textiles and clothing collections, **UNITED**LABELS gave the starting signal for the development of textile sales. The collections were designed, produced and marketed in close cooperation with customers who, in return, get their own collection of menswear, ladies wear, baby wear and children's wear tailored to their own customer structure. Because of the development and production times involved, sales revenue from this area were not be realised until the second half of the year.

In 2009, for the first time, the Eastern European market was tackled through the establishment of its own organisational structure. Previously, **UNITED**LABELS had concentrated on Northern, Western and Southern Europe and was only represented in Eastern Europe through the branch networks of German retail chains. In 2009, the Group was able to attract new well-known customers in the growing licensed merchandise market in Eastern Europe and supply orders in the third and fourth quarters of the year.

In order to develop its market position in France, **UNITED**LABELS has acquired a further 10% in Groupe Montesquieu of France. With its now 45% share in the company and the option of acquiring a majority interest, distribution channels for Key Account customers in the area of textiles have been safeguarded and a foundation for developing the customer base created.

In 2009, U**UNITED**LABELS opened a new shop at Düsseldorf Airport where passengers and visitors alike can delve into the world of cartoon stars. Düsseldorf is the third largest airport in Germany, with roughly 18 million passengers in 2008 and 2009. In addition, a new shop was also opened in Barcelona, at the highly frequented "Maremagnum" cruise ship terminal. As a result of the significant number of passengers, this location is an ideal place to showcase the company's range of comicware merchandise.

The 2009 financial year marked the anniversary of many of the characters within **UNITED**LABELS AG's licence portfolio. Both Bob the Builder and SpongeBob SquarePants turned ten, while The Simpsons, Barbie and Donald Duck celebrated their 20th, 50th and 75th birthdays respectively. All these anniversaries were marked by the major media companies with elaborate TV and marketing strategies, thus furthering brand awareness of these licensed characters.

In 2009, **UNITED**LABELS was awarded the "Licensee of the Year" award from the largest industry association in the world, the International Licensing Industry Merchandisers' Association (LIMA). The award highlights **UNITED**LABELS' strong position in the world of licensed merchandise.

Business review

Financial performance

Reflecting the difficult global economic situation in the 2009 financial year, cautious ordering and buying behaviour had an impact on **UNITED**LABELS' sales revenue. Group sales revenue amounted to €40.3 million, which was 8.8% lower than last year's figure of €44.2 million.

The decline in sales revenue affected both the Special Retail segment, down 9.2% (€1.1 million), as well as the Key Account segment with a fall of 8.9% (€2.8 million). The proportion of sales revenue accounted for by the Key Account segment was 72% in the 2009 financial year, just like the previous year. In both segments, trading partners were more cautious in their ordering behaviour, ordering smaller quantities and at greater intervals in reaction to weaker consumer demand.

Looking at the regional performance within the Group, Germany, Spain, Italy, France and the United Kingdom all suffered a contraction in revenue. In contrast, Belgium achieved growth in its sales revenue.

The German parent company, **UNITED**LABELS AG, contributed external sales revenue, adjusted for intra-Group sales, of €18.3 million (prev. year: €19.8 million) to Group revenue. **UNITED**LABELS AG's total sales revenue (before consolidation of internal revenues) in its separate financial statements amounted to €23.4 million, compared with €23.6 million the previous year.

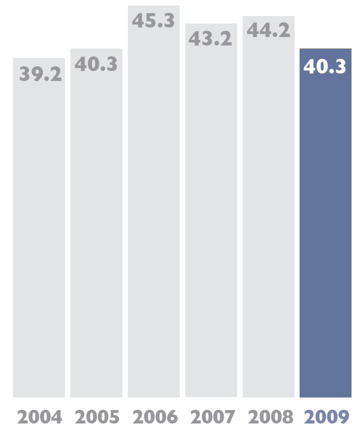
At the Spanish subsidiary, external sales revenue fell by 9% (€1.1 million) on the previous year, while in the United Kingdom, external sales revenue fell by €0.8 million on the previous year. The British subsidiary lost sales through the insolvency of its largest customer to date, Woolworths, at the end of 2008. The French subsidiary recorded a drop in external sales revenue of 10%, which solely affected the Key Account segment. In Belgium, external sales revenue increased by €0.5 million as a result of the expansion of the Key Account segment. The Italian subsidiary, which operates solely in the Special Retail segment, had to contend with a drop in external sales revenue of 11%. House of Trends, which specialises in the European sock business, reported a drop in external sales revenue of 18%.

The cost of sales within the Group comprises material costs as well as amortisation on usage rights for licences. In the 2009 financial year, cost of sales amounted to €29.3 million (prev. year: €29.6 million). In relation to Group sales revenue, this gives a cost of sales ratio of 72.8%, representing an increase of 5.8 percentage points over the previous year's figure of 67.0%. This increase resulted mainly from the impairment of inventories designated for the Special Retail trade. Adjusted for such one-off effects, the cost of sales ratio is 68.7%, representing a more modest increase of 1.7 percentage points on the previous year's value.

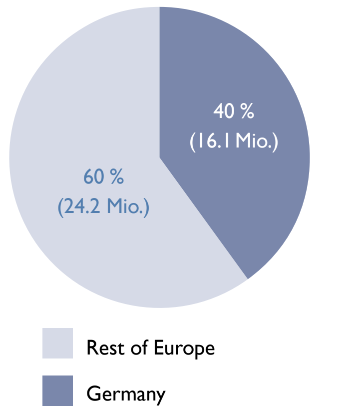
The cost of sales ratio in the separate financial statements of **UNITED**LABELS AG was 86.5%; excluding one-off effects, it was 79.4%.

The Group's other operating income of €0.5 million (prev. year: €0.4 million) resulted primarily from income derived from exchange rate hedging transactions (€0.2 million) as well as various other smaller items of income.

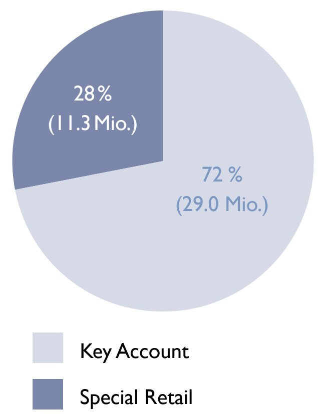
Past sales performance (in €m)



Breakdown of UNITEDLABELS sales in Europe for 2009 in % (€)



Breakdown of sales in 2009 for Key Accounts and Special retail in % (€)



In **UNITED**LABELS AG's separate financial statements, other operating income amounted to €1.2 million (prev. year: €2.6 million). In particular, this includes the passing on of licence costs to subsidiaries.

Staff costs for the Group decreased slightly from €6.3 million to €6.2 million. Within the Group, there were 11 fewer employees at the reporting date compared with the previous year.

In the separate financial statements of **UNITED**LABELS AG, Münster, staff costs were on the same level as in the previous year (€3.7 million).

Other operating expenses amounted to €7.1 million, slightly lower than the previous year's figure of €7.4 million. This is due especially to the decline in sales-related operating expenses.

In the separate financial statements of **UNITED**LABELS AG, other operating expenses amounted to €3.2 million (prev. year: €3.2 million).

Amortisation and write-downs of intangible assets (excluding amortisation of usage rights) and of property, plant and equipment amounted to €2.4 million (prev. year: €0.6 million). This contains an unscheduled write-down of €1.9 million relating to the Group's goodwill. Amortisation of €3.2 million (prev. year: €4.0 million) on usage rights (licensing fees) is reported separately after material costs.

The **UNITED**LABELS AG's separate financial statements contained depreciation and amortisation of €5.7 million (prev. year: €3.8 million). Of this, €2.3 million was accounted for by amortisation on usage rights (licensing fees) and €1.3 million by the unscheduled write-down of recognised goodwill. A further €1.7 million resulted from the unscheduled write-down on a loan to the British company **UNITED**LABELS Ltd.

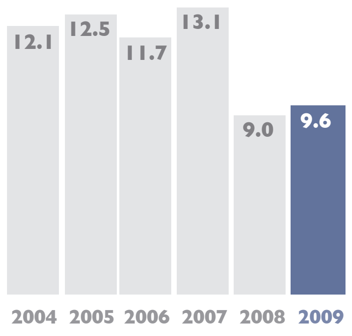
Finance income and costs as well as income from at-equity investments in the Groupe Montesquieu of France are reported in the Group's net finance cost of €-0.3 million (prev. year: €-0.2 million).

In the separate financial statements of **UNITED**LABELS AG, the net finance cost of €-1.4 million includes, in addition to interest income and interest expenses as well as income from investments, the above-mentioned write-down of €1.7 million on the loan made to the British company **UNITED**LABELS Ltd. The previous year's net finance cost was €-0.7 million.

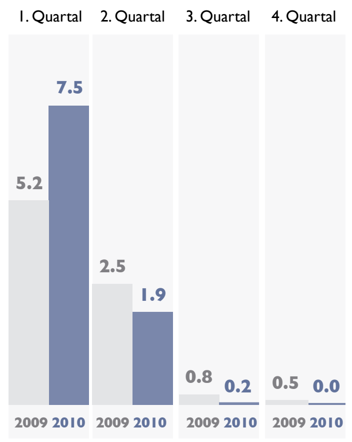
In the taxes on income item, deferred tax assets from income tax loss carryforwards of €0.5 million (prev. year: €0.4 million) had a positive impact on earnings.

This gives a consolidated loss for the year of €3.9 million compared with a consolidated profit of €0.8 million the previous year, which corresponds to earnings per share of €-0.93 (prev. year: €0.19).

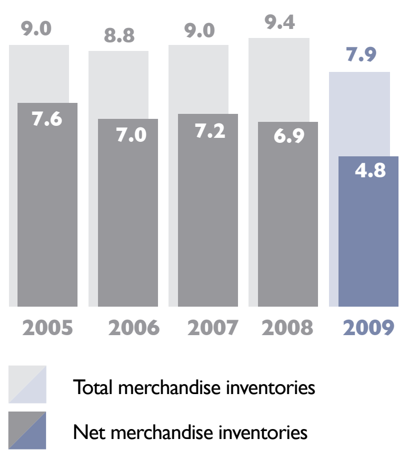
Overview of order backlog at Dec. 31 (in €m)



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



Overview of stock at Dec. 31 (in €m)



Group earnings for the financial year were influenced by two extraordinary events, both of which are associated with global economic developments and the resulting decisions taken by **UNITED**LABELS AG's Management Board.

On the one hand, the global economic crisis amplified and considerably accelerated the changes that were emerging in European retail sales structures. The potential threat posed to the Special Retail segment from the ever-strengthening retail chains led to a significant drop in earnings in this area. As a result, the already critical size of this segment was lowered to such an extent that profitable sales through the many small specialty retailers through which **UNITED**LABELS sold its product range was no longer possible. Small order sizes for low-priced products lead to profit margins that the sales and administrative costs in this segment cannot cover. Therefore, the decision taken to discontinue the Special Retail business in Germany, France and the Benelux region was necessary in the short term to avoid further losses in the future. As a result of this decision, sales and administrative structures had to be adjusted and the intrinsic values of inventories checked.

In total, the impairment losses attributable to inventories totalled €1.6 million, which had a corresponding effect on earnings.

The second exceptional charge is also closely related to the present economic and structural situation in the European retail sector. When examining the intrinsic value of items within the statement of financial position, especially of recognised goodwill, the Management Board has to cautiously estimate the future performance of the company, irrespective of all measures taken and efforts made to improve growth and income. Added to this is the fact that the discontinued Special Retail business is no longer available as an area where growth and income can be achieved and so new sources of potential income must be developed.

Under this changed premise, impairment tests conducted for the annual financial statements as at 31 December 2009 in relation to goodwill recognised by the parent company revealed that the carrying amount of this item would have to be reduced completely. This goodwill came about as merger added value in the context of the foundation of **UNITED**LABELS AG in 2000 and was accounted for in the Group's financial statements at a value of €1.9 million. In accordance with IFRS accounting principles, systematic amortisation of goodwill has not been permitted since 2005.

In **UNITED**LABELS AG's separate financial statements, systematic amortisation of this goodwill was carried out in previous years in line with the HGB (German Commercial Code); a total of €1.3 million remained for write-downs.

Before set-off of these two one-off effects with no impact on liquidity and under retrograde calculation of the resulting tax reductions, the adjusted Group loss came to €-0.9 million. This loss can be explained by the significant decrease in sales revenue of 8.8% related to the general economic situation as well as by advance payments made to develop new business fields (e.g. airport shops, the Eastern European market, etc.)

Looking at the individual segments, the Key Account segment closed the year with positive earnings of €1.2 million. This was significantly lower than the previous year's figure of €3.6 million due to shifts in the customer portfolio towards the discount area as well as value adjustments to inventory of €0.5 million.

The Special Retail segment reported earnings of €-0.5 million (prev. year: €0.6 million), to which **UNITED**LABELS AG contributed with a loss of €1.1 million. Further details on the reports for the individual segments can be found in the Notes to Consolidated Financial Statements.

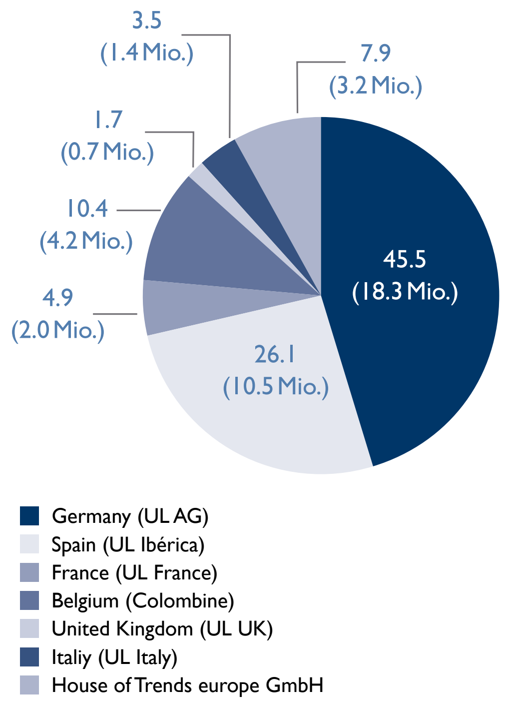
UNITEDLABELS AG's separate financial statements show a loss for the year of €5.6 million (prev. year: €0.4 million) for the company. Three extraordinary events contributed to this result. Firstly, in its separate financial statements, the parent company made a value adjustment on the €1.7 million loan made to its British subsidiary United Labels Ltd. Secondly, the value adjustments made to inventory arising from the discontinuation of the Special Retail segment along with the structure-related value adjustments to inventory in the Key Account segment led to negative profit contributions of €1.6 million. Finally, the goodwill of the remaining carrying amount, after annual set-off of systematic amortisation, had to be accounted for as an impairment at a value of €1.3 million.

Before allowing for these extraordinary events, the separate financial statements of **UNITED**LABELS AG show adjusted earnings of €-1.0 million.

Apart from its holdings in the subsidiaries, the parent company currently has a 45% interest in Groupe Montesquieu of France. In the 2009 financial year, Groupe Montesquieu achieved Group sales revenue of €16.9 million (prev. year: €17.1 million) and profit for the year of €126 thousand (prev. year: €648 thousand). The interest was accounted for at equity in the Group's financial statements.

Sales performance, the gross profit margin (sales revenue less material costs and amortisation of usage rights) and the EBIT margin (result from operating activities) are the major financial performance indicators in the Group. Sales revenue dropped by 9% in the 2009 financial year, after having grown by 2% in 2008. The gross profit margin was 27.2% in 2009 (prev. year: 33.0%) in relation to sales revenue, while the EBIT margin was -10.1% in relation to sales revenue, compared to 1.4% the previous year.

Past sales performance
(in €m)



Results of main operational subsidiaries
(non-consolidated)

(in €`000)	**UNITED**LABELS Ibérica S.A., Spanien		**UNITED**LABELS France S.A.S., Frankreich		Colombine b.v.b.a., Belgien		**UNITED**LABELS Ltd., Großbritannien		**UNITED**LABELS Italia Srl., Italien		House of Trends europe GmbH, Deutschland	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Revenue	11,852	13,425	1,976	2,184	4,105	3,709	683	1,562	1,405	1,584	3,241	3,883
EBITDA	386	800	78	167	82	217	74	(483)	69	53	80	356
EBIT	262	655	74	163	63	194	73	(493)	60	43	69	350
Profit/loss for the year	33	278	38	99	177	220	7	(552)	18	18	50	351
Key figures												
Inventories (in €'000)	3,751	3,301	35	0	0	0	41	76	1	1	172	7
Cash and cash equivalents (in €'000)	261	56	132	57	395	167	75	32	221	229	79	217
Payables to banks (in €'000)	3,806	4,301	0	0	0	0	0	0	133	0	516	0

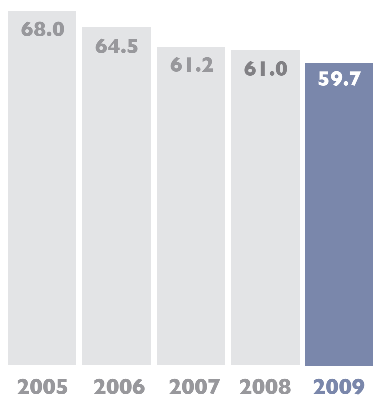
Cash flows

The Group's cash flow statement shows net cash from operating activities of €4.2 million in the 2009 financial year. €3.5 million of this was used to invest in new licences as well as acquire additional interests in Groupe Montesquieu of France. In the context of the Group's financing activities, €1.2 million was spent on servicing loans and €0.8 million for dividend distributions to shareholders from 2008's earnings. Overall therefore, cash and cash equivalents decreased by €1.3 million to €3.7 million between the beginning of the 2009 financial year and the end.

In the previous year (2008), net cash from operating activities amounted to €7.3 million. €4.3 million was used to acquire licences and €0.5 million was spent on purchasing a 35% interest in the Groupe Montesquieu. In the context of the Group's financing activities, €1.5 million was spent on repaying loans with interest while €0.8 million was distributed to shareholders in the form of dividend payouts. Cash and cash equivalents increased by €0.2 million from their figure of €4.8 million at the beginning of 2008 to €5.0 million at the end of the year.

In the separate financial statements of **UNITED**LABELS AG, Münster, cash flow from operating activities amounted to €2.2 million (prev. year: €6.0 million).

Overview of equity ratio (in %)



Financial position

The adjustments to the carrying amounts of the Group's goodwill and its inventories as well as the decrease in trade receivables and in cash overcompensated for increases in investments and in other assets and reduced total assets by €6.7 million.

On the liabilities side, non-current liabilities were reduced by €0.4 million, while current liabilities were reduced by €1.5 million. The Group's equity decreased by €4.8 million.

The Group's non-current assets of €19.6 million therefore make up 42% of the Group's total assets (prev. year: 40%), while its current assets of €26.7 million make up 58% of total assets (prev. year: 60%).

At €4.8 million, and at a ratio of 10% to total assets, non-current liabilities are much the same as in the previous year, while the ratio of the Group's current liabilities of €13.9 million to total assets has increased slightly to 30% compared to 29% the previous year.

In total, the Group's net debt amounted to €18.7 million (prev. year: €20.6 million). The ratio of the Group's net debt to its total assets has increased slightly to 40.3% over the previous year's figure of 38.8%.

UNITEDLABELS' equity of €27.7 million translates into an equity ratio of 59.7%, compared with the previous year's figure of 61.2%.

The Group's equity covers 141% of its non-current assets and 165% of its non-current capital. The ratio of goodwill to equity decreased from 23.1% to 20.3%.

In the separate financial statements of **UNITED**LABELS AG, total assets decreased by €7.3 million to €33.7 million. This decrease was brought about largely by the already mentioned value adjustments to the company's goodwill as well as the write-down of its loans to associated companies and of inventories. The other changes reflect the decline in sales revenue and the earnings situation.

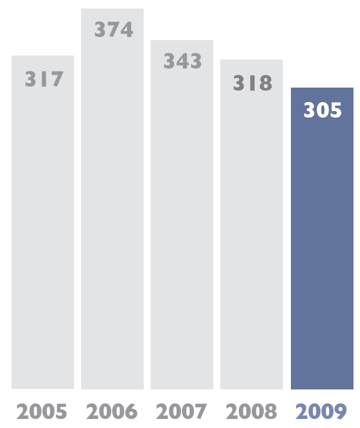
On the liabilities side, bank borrowings were reduced by €1.0 million compared with the previous year. Trade payables decreased by €0.6 million for operational reasons, while other liabilities items increased slightly by €0.8 million.

The decrease in equity of €6.5 million is reflected in particular in the value adjustments on goodwill, on receivables from associated companies, on inventories as well as in operating losses for the financial year.
In the separate financial statements of **UNITED**LABELS AG, provisions and liabilities amounted to €9.9 million in the 2009 financial year, compared with €10.7 million the previous year. The ratio of provisions and liabilities to total assets increased to 29.4% in the 2009 financial year from 26.2% the previous year.

The equity of €23.8 million reported by the parent company translates into an equity ratio of 70.6%, compared with the previous year's figure of 73.8%.

Equity covers 131% of the company's fixed assets.

Revenue per employee (in €'000)



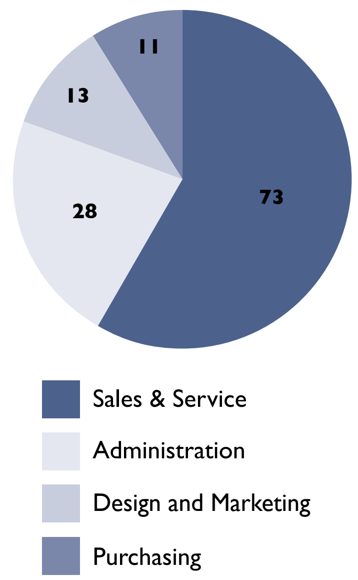
Employees

As at 31 December 2009, **UNITED**LABELS employed 125 people (prev. year: 136). At the parent company, 65 people were employed as at the reporting date (prev. year: 67). **UNITED**LABELS Ibérica employed 44 people (prev. year: 45), while the remainder of the Group's employees worked either at the sales companies in Belgium, France or England or at House of Trends.

The average number of employees within the Group in 2009 was 132, compared with 139 the previous year. The average headcount at **UNITED**LABELS AG was 65 in 2009 (prev. year: 68).
The company is not attached to, or bound by, any collective wage scale. Remuneration is based on an employee's position within the company and his/her performance.
It is a particular aim within **UNITED**LABELS to constantly develop employees' potential and improve customer service. The company therefore organised several internal and external training sessions throughout 2009.

In addition, the parent company has established an employee development programme in Germany to encourage and motivate each employee individually. This includes monthly information sessions for all employees and opportunities to speak with the company's management. Each employee also meets with his/her supervisor twice a year for a feedback and career development meeting.

Staff structure Dec. 31, 2009

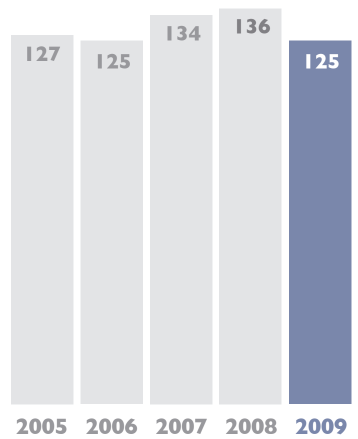


Disclosures made under Section 289 (4) HGB / Section 315 (4) HGB and explanatory report

At 31 December 2009, the Group's share capital amounted to €4.2 million divided into 4.2 million no-par value bearer shares. There are no restrictions affecting voting rights or the transfer of shares.
As required under Section 160 (1), no. 8 AktG (German Stock Corporation Act), Mr. Peter Boder, member of the Management Board, declared on 31 October 2005 that he holds 2.63 million shares (a 62.69% stake) in the company.

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.

Headcount Dec. 31, 2009



Other amendments to the Articles of Association have to be passed by the Annual General Meeting of Shareholders.

On 23 May 2006, the Annual General Meeting of Shareholders granted the Management Board a mandate to increase the company's share capital, subject to the consent of the Supervisory Board, in one or more stages up to 22 May 2011, by up to a total of €2,100,000.00, through issuing 2,100,000 new shares against contributions in cash or in kind (Authorised Capital 2006).

At the Annual General Meeting held on 15 May 2009 it was decided that the authorisation to acquire shares granted on 20 May 2008 will be revoked from the time the new authorisation takes effect. In accordance with Section 71a et seq. AktG, the company's Management Board was authorised to acquire shares with a proportional amount of the company's share capital of up to 10% of the current share capital before 14 November 2010. However, such a resolution was not passed by the Management Board in the 2009 financial year.

Declaration on corporate governance pursuant to Section 289a of the German Commercial Code

The declaration on corporate governance pursuant to Section 289a of the German Commercial Code was published on **UNITED**LABELS' website at http://www.unitedlabels.com/dcgk in compliance with Section 289a (1) sentence 2.

Compensation system for the company's governing bodies

The system of compensation for the Supervisory Board consists of a fixed and a variable component. The members of the Supervisory Board receive variable compensation calculated on the basis of a percentage of the Group's profit (before payment of said variable remuneration component) and which includes a cap. The members of the Audit Committee receive additional fixed compensation of €2 thousand, while the Chairman receives €4 thousand.

The Management Board's remuneration amounted to €368 (prev. year: €365) thousand in the 2009 financial year. This 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. This variable component was not paid for the 2009 and 2008 financial year. In December 2009, a management contract with largely similar conditions was agreed for a further five years with the Management Board. This contract was adapted to meet the standards of the VorstAG (Act on the Appropriateness of Management Board Compensation) and meets all legal requirements. The current management contract contains a basic salary along with both a short-term and a long-term variable compensation component.

In accordance with IAS 19 requirements, €105 thousand was allocated to provisions for pensions in the consolidated financial statements in connection with pension benefit obligations towards the member of the Management Board. The total pension provisions for the Management Board amounted to €937 (prev. year: €832) thousand in the 2009 financial year. In the company's separate financial statements, €54 thousand was allocated to provisions for pensions in connection with pension benefit obligations towards the member of the Management Board based on the requirements of the German Commercial Code (HGB). The total amount of pension provisions recognised in connection with benefits accruing to the Management Board in the separate financial statements is €619 (prev. year: €565) thousand.

From the age of 65, Mr. Peter Boder is entitled to a monthly retirement pension of €17,500 and an invalidity pension of the same amount (as of 1 July, 2006, this increases by 2% per annum calculated in relation to the previous year's pension) as well as a widow's pension equivalent to 60% of the applicable retirement pension and an orphan's pension. The agreed benefit package includes a guaranteed adjustment of the current pension equivalent to 2% of the previous year's pension.

Disclosures under Section 289 (5) of the German Commercial Code (HGB)

United Labels has an internal control and risk management system in place for (Group) accounting procedures, in which appropriate, suitable structures and processes are defined and implemented within the company. This system ensures that all business processes and transactions are recorded promptly, correctly and in a uniform manner in the company's accounts. It ensures that all companies included in the Group's accounts abide by all accounting-related legal standards and rules. Any changes to the legislation or to accounting standards along with any other communiqués are analysed on an ongoing basis in terms of their relevance for, and impact on, the Group's accounts and the resulting changes are adapted into the Group's internal guidelines and systems. Along with defined control mechanisms, the basis of the internal control system includes systematic and manual adjustment procedures, the separation of functions as well as adherence to guidelines and work instructions. The accounting process within the Group is managed by the Treasury and Controlling department at **UNITED**LABELS AG. To this end, Treasury and Controlling also examine and control the reliability of the accounting systems in place within subsidiaries both at home and abroad. The following areas are given particular attention:

- Adherence to legal constraints, directives from the Management Board, other guidelines and internal instructions.
- Formal and material correctness of the accounting process and of the resulting financial reports
- Functionality and effectiveness of internal control systems to avoid capital losses
- Correct execution of tasks and adherence to economic principles

However, it must be remembered that any type of internal control system cannot guarantee that major misstatements in the accounting process will always be avoided or uncovered.

Risk report

A significant proportion of merchandise purchases are made in US dollars. Although suitable hedging instruments are currently in place, it is impossible to completely eliminate the risk of increased cost of sales as a result of long-term exchange rate fluctuations.

As a licensee, **UNITED**LABELS utilises third-party proprietary rights. Although close and well-established business relationships exist with the major licensors, it cannot be ruled out that individual licence agreements may not be extended. This may have an adverse effect on the Group's sales revenue and income.

The merchandise sold to European retail chains in the areas of textiles, household goods, stationery, gifts, soft toys, bags and accessories are produced mainly in Asia (e.g. China, Indonesia, India). Despite strict quality controls, it cannot be ruled out that rejections, recalls and penalties may occur on the part of the trading partners due to the prohibited use of pollutants (azo compounds, cobalt, phthalates, etc.). Similarly, failure to deliver or late delivery on the part of the factories manufacturing the goods may lead to compensation claims from the trading partners. Both of these situations could have a negative impact on the company's sales revenue and income.

UNITEDLABELS works with renowned key account customers both at home and abroad. In order to develop the company, the aim is to tie these customers to the company (both now and for the future) and to gain other new customers. **UNITED**LABELS does not make any long-term delivery agreements or other such framework contracts with its customers. The customers order at short notice, depending on their requirements, and **UNITED**LABELS supplies the licensed products on a production-to-order basis. If the company were to lose any of these customers, this could lead to a decline in sales revenue and earnings and have a negative impact on the company's financial position, performance and cash flows.

The company's financial success depends largely on the efforts and ongoing contributions of the Management Board and other employees in key positions. If the company does not succeed in attracting and retaining skilled employees, this could have a negative impact on its financial position, performance and cash flows.

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 which is updated on a continual basis. Our main risk management aims are to secure and monitor our profit margins (through costing standards and dollar hedges), closely monitor costs (through budget controls) and to protect liquidity (through effective planning and management). 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.

The Group's intangible assets still contain goodwill for United Labels Ibérica (€2.6 million) and for the Belgian company Colombine (€3.0 million). Non-impairment of this goodwill is dependent on the enterprise values of these entities, which will remain subject to continuous assessment. Fundamentally, a sustained deterioration in these entities' business performance may result in impairment losses having to be recognised.

Events after the reporting period

There were no significant events to report subsequent to the end of the 2009 financial year.

Outlook, opportunities and risks associated with the future development of the company

At present, it is difficult to predict future economic trends. Current public opinion is that the worst is already over and many entrepreneurs are hopeful. However, analysts are still uncertain how mass purchasing power will develop both in the short term and in the medium term and what sort of impact this will have on people's propensity to consume. Unemployment or the fear of becoming unemployed will more than likely impact on consumers' buying behaviour. Therefore, experts believe that the situation in the German retail sector will remain fragile. In particular, it is expected that consumption of everyday necessities will decline somewhat. In Spain, France and the Benelux countries, the situation is not likely to be any different.

UNITEDLABELSis adjusting to this possible development by pooling its resources and orientating itself towards the more promising are of sales via key account customers / retail chains. Business with specialty retailers will only be undertaken in regions where the retail structures still allow a sufficient volume of business.

The company's future growth strategy rests on four pillars: developing the textiles area, expanding the airport shops, developing sales in Eastern Europe and constant updating of the licence portfolio with licences that are in demand.

Drawing on its new textiles and clothing collections, **UNITED**LABELS launched a sales offensive last year. In 2010 too, collections for babies, children and teenagers featuring designs of the most in-demand and well-known cartoon characters will continue to be designed, produced and sold. Market analyses confirm that the clothing sector is the category with the highest volume of sales for licensed products.

Since the end of the financial year under review, **UNITED**LABELS has been directly targeting the leading retail chains in the individual countries of Eastern Europe. Eastern Europe offers enormous sales potential – the largest countries in the region (Poland, the Czech Republic and Romania) have around 70 million inhabitants between them. For the time being, Russia is not considered a target country. The propagation of retail chains in the countries of Eastern Europe means that **UNITED**LABELS has the opportunity to be present in these markets with its products.

New airport shops in Hamburg and Malaga will further expand the company's own retail business. Further airport stores are to follow – **UNITED**LABELS is currently in negotiations or taking part in tendering procedures in airports in Berlin, Frankfurt, Paris, Amsterdam, Dublin, Prague, Rome and other locations.

UNITEDLABELS' airport shops are open from 6.00 am to 11.00 pm 365 days of the year, which means that travellers and non-travellers alike can shop even on Sundays and public holidays, thus making the shops a very attractive option. In addition, many travellers at airports find themselves in the unusual position of having time on their hands as they wait for their flights, thus increasing the likelihood of their buying something.

We will of course keep our licence portfolio up to date over the course of 2010. For example, **UNITED**LABELS has added new promising licences like Toy Story 3, Mr. Men Little Miss, WinX Club and Ben 10 to its range, while classics, like The Peanuts, SpongeBob SquarePants, The Simpsons, Cars and Hannah Montana to name but a few, remain in our comprehensive portfolio.

Internally, however, **UNITED**LABELS is also facing situations that require resources to be adapted to meet the needs of a still difficult situation with regard to orders.

The Group's order backlog as of 31 December 2009 amounted to €9.6 million (slightly more than last year's figure of €9.0 million) and is distributed as follows over the course of 2010: €7.5 million for the 1st quarter of 2010 (prev. year:€5.2 million), €1.9 million for the second quarter (prev. year: €2.5 million), €0.1 million for the third quarter (prev. year: €0.9 million) and €0.0 million for the fourth quarter of the year (prev. year: €0.5 million). The increase for the year as a whole is due to a higher number of incoming orders in the textiles area and from Eastern European customers, while the high proportion of orders for the first quarter illustrates the current trend among trading partners to shorter delivery times.

UNITEDLABELS AG's order backlog amounted to €5.0 million (prev. year: €5.8 million).

The rest of the Special Retail segment in Southern Europe was performing very well as of the beginning of the year, with incoming orders up over 50% compared with the previous year.

It is expected that the general economic picture in all European countries – at least for 2010 – will not lead to a recovery in consumer demand. For this reason, **UNITED**LABELS has reduced its financial risks, moved away from business areas with low operating income and continued with its tough cost management strategy.

At the same time, **UNITED**LABELS wants to not only make up for consumption risks in the identified growth areas of textiles, Eastern Europe and airport shops but also considerably increase its sales revenue and income over the next two years. This can be accomplished, provided that the company succeeds in gaining extra market share in the textiles area through the implementation of aggressive pricing policies, that existing business in Poland is expanded, that business can be developed in other Eastern European countries and that the company manages to win tenders at more major international airports.

Statement made under Section 312 of the German Stock Corporation Act (AktG)

In addition to his 62.6% interest in **UNITED**LABELS AG, Mr. Peter Boder, member of the Management Board, also has a 100% shareholding in Facility Management Münster GmbH. Facility Management Münster GmbH (FMM GmbH) has a business relationship with **UNITED**LABELS AG. There is no control or profit transfer agreement between the aforementioned entities.
In accordance with Section 312 AktG, the Management Board must report on the company's relationship to affiliated companies. The following is the closing statement of this report:

"The Management Board declares that United Labels AG received appropriate consideration for every transaction carried out under the conditions known to the Management Board at the time of the transaction. No measures subject to reporting obligations were undertaken in the 2009 financial year."

Münster, 19 March 2010

UNITEDLABELS Aktiengesellschaft

Management Board

Peter Boder

FINANCIAL STATEMENTS

UNITEDLABELS Aktiengesellschaft, Münster
Group Statement of Financial Position (IFRS) as at 31 December 2009

ASSETS

Assets	Notes	31/12/09 €	31/12/08 €
Non-current assets			
Property, plant and equipment	C.1.	5,761,735.64	5,843,203.03
Intangible assets	C.1.	8,971,806.64	11,112,398.05
At-equity investments	C.2.	833,565.60	676,664.90
Deferred taxes	C.3.	4,080,016.65	3,492,542.80
		19,647,124.53	**21,124,808.78**
Current assets			
Inventories	C.4.	7,907,377.25	9,353,570.90
Trade receivables	C.5./C.8	13,205,372.99	16,083,826.43
Other assets	C.6.	1,931,051.28	1,503,531.95
Cash and cash equivalents	C.7.	3,694,490.52	4,985,908.71
		26,738,292.04	**31,926,837.99**
Total assets		**46,385,416.57**	**53,051,646.77**

UNITEDLABELS Aktiengesellschaft, Münster
Group Statement of Financial Position (IFRS) as at 31 December 2009

Equity and Liabilities

	Notes	31/12/09 €	31/12/08 €
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		19,194,174.55	24,384,570.63
Retained earnings		2,883,209.63	2,883,209.63
Currency translation		(366,135.90)	(285,067.46)
Consolidated unappropriated surplus		1,992,326.44	1,491,079.70
		27,903,574.72	**32,673,792.50**
Treasury shares		(223,413.73)	(223,413.73)
Total equity		**27,680,160.99**	**32,450,378.77**
Non-current liabilities			
Provisions for pensions	C.10.	937,270.00	831,557.00
Financial liabilities	C.12.	2,976,892.00	3,751,747.97
Trade payables	C.12.	901,776.64	575,300.00
Deferred tax liabilities	C.3.	7,179.63	14,482.80
		4.823.118,27	**5.173.087,77**
Current liabilities			
Provisions	C.11.	883,358.06	1,413,554.15
Current tax payable	C.12.	27,905.31	31,555.26
Financial liabilities	C.12.	5,198,573.29	5,197,243.52
Trade and other payables	C.12.	7,772,300.65	8,785,827.30
		13,882,137.31	**15,428,180.23**
Total liabilities		**18,705,255.58**	**20,601,268.00**
Total equity and liabilities		**46,385,416.57**	**53,051,646.77**

UNITEDLABELS Aktiengesellschaft, Münster
Group Statement of Comprehensive Income (IFRS) for the period from

1 January to 31 December 2009

	Notes	2009	2008
		€	€
Revenue	**D.1.**	**40,260,295.99**	**44,238,053.72**
Cost of materials	D.2.	(26,074,760.12)	(25,657,160.67)
Amortisation of usufructuary rights	D.3.	(3,219,384.20)	(3,969,832.61)
		(29,294,144.32)	(29,626,993.28)
		10,966,151.67	**14,611,060.44**
Other operating income	D.4.	500,359.39	380,524.38
Staff costs	D.5./C.9.	(6,202,934.62)	(6,308,627.63)
Depreciation of property, plant and equipment, and amortisation of intangible assets (excl. amortisation of usufructuary rights)	D.6.	(2,355,787.47)	(634,556.67)
Other operating expenses	D.7.	(6,979,680.81)	(7,417,355.11)
Profit from operations		**(4,071,891.84)**	**631,045.41**
Finance income	D.8.	85,946.44	130,727.62
Result from at-equity investments		56,900.70	226,664.90
Finance costs	D.8.	(473,751.94)	(587,100.94)
Net finance cost		**(330,904.80)**	**(229,708.42)**
Profit before tax		**(4,402,796.64)**	**401,336.99**
Taxes on income	D.9.	544,407.50	368,101.94
Consolidated (loss)/profit for the year		**(3,858,389.14)**	**769,438.93**
Other comprehensive income:			
Exchange differences on translating foreign operations		(81,068.44)	(230,955.50)
Other comprehensive income, total		(81,068.44)	(230,955.50)
Total comprehensive income		**(3,939,457.58)**	**538,483.43**
Consolidated (loss)/earnings (based on income statement) per share			
basic	C.9.	(€-0.93)	€0.19
diluted	C.9.	(€-0.93)	€0.19
Weighted average shares outstanding			
basic	C.9.	4,153,801 shares	4,153,801 shares
diluted	C.9.	4,153,801 shares	4,153,801 shares

UNITEDLABELS Aktiengesellschaft, Münster
Group Statement of Cash Flows

Notes to Cash Flow Statement, cf. C.16	Notes	2009 € '000	2008 € '000
Consolidated loss for the year		(3,858)	769
Interest income from financing activities		403	432
Depreciation of usufructual rights	C.1/D.3/6	3,219	4,041
Depreciation and armotisation of entengible assets	C.1/D.3/6	1,941	36
Depreciation of proberty of plant and equipment	C.1/D.3/6	415	527
Change in provisions	C.10,C.11	(424)	466
Other non-cash expenses		(652)	(294)
Result from disposal of non-current assets		1	(38)
Change in inventories, trade receivables, and other assets not attributable to investing or financing activities	C.4-6	3,896	882
Change in trade payables and other liabilities not attributable to investing or financing activities	C.12	(772)	491
Cash flows from operating activities		**4,169**	**7,312**
Payments for investments in intangible assets and property, plant and equipment		(3,354)	(4,332)
Payments for investments in financial assets		(100)	(450)
Cash flows from investing activities		**(3,454)**	**(4,782)**
Proceeds from bank loans		216	0
Payment of dividends		(831)	(830)
Repayment of financial loans		(989)	(1,063)
Interest received		71	130
Interest paid		(474)	(562)
Cash flows from financing activities		**(2,007)**	**(2,325)**
Net change in cash and cash equivalents		(1,292)	205
Cash and cash equivalents at the beginning of the period		4,986	4,781
Cash and cash equivalents		**3,694**	**4,986**
Gross debt bank		8,175	8,949
Net debt bank		**4,481**	**3,963**
Composition of cash and cash equivalents:			
Cash and cash equivalents		**3,694**	**4,986**

UNITEDLABELS Aktiengesellschaft, Münster
Group Statement of Changes in Equity

	Issued capital	Capital reserves	Retained earnings	Translation reserves	Treasury shares	Total (Group equity)
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Balance at 01/01/08	**4.200**	**24.384**	**4.435**	**(54)**	**(223)**	**32.742**
Currency translation				(231)		(231)
Consolidated profit 2008			769			769
Total comprehensive income for the period	**0**	**0**	**769**	**(231)**	**0**	**538**
Equisition of own shares					0	0
Dividend payment			(830)			(830)
Balance at 31/12/08	**4.200**	**24.384**	**4.374**	**(285)**	**(223)**	**32.450**
Currency translation				(81)		(81)
Consolidated loss 2009			(3.858)			(3.858)
Total comprehensive income for the period	**0**	**0**	**(3.858)**	**(81)**	**0**	**(3.858)**
Equisition of own shares					0	0
Dividend payment			(831)			(831)
Withdrawal from capital reserves at parent company to offset loss		(5.190)	5.190			0
Balance at 31/12/09	**4.200**	**19.194**	**4.875**	**(366)**	**(223)**	**27.680**

UNITEDLABELS Aktiengesellschaft, Münster
Notes to the Consolidated Financial Statements for FY 2009

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 in Germany 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 2009 are to be approved, and thus adopted, at the Supervisory Board meeting on 23 March 2010; 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 2009, 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 (Handelsgesetzbuch – 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.
The financial statements comprise the statement of financial position, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and the 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 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.
Financial assets are recognised at the date of trading and derecognised when the transaction has been completed.
The financial years of all entities included in the consolidated group correspond to the annual period from 1 January to 31 December 2009. 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 statement of comprehensive income 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 2009 and were applied by the **UNITED**LABELS Group accordingly.

Standards, Interpretations and Amendments to existing Standards that are applicable in 2009 (all applicable effective from 1 January 2009)

All Standards and Interpretations applicable in the reporting period were applied by United Labels Aktiengesellschaft to the extent that they were of relevance to **UNITED**LABELS Aktiengesellschaft. In particular, this relates to the following pronouncements:

IFRIC 13, "Customer Loyalty Programmes", addresses the issue of how to account for loyalty award credits that are granted to customers as part of an entity's sales transactions for the purpose of providing free or discounted goods or services ("awards") in the future. The Company does not deploy such customer loyalty programmes.
The revised version of IAS 23, "Borrowing Costs", has eliminated the former option of either capitalising borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset or recognising them immediately as an expense. According to the revised standard, such costs must be capitalised. In the period under review, there were no borrowing costs directly attributable to the acquisition, construction or production of qualifying assets within the Group.

The revised version of IAS 1, "Presentation of Financial Statements", includes new designations for specific elements of the financial statements. Additionally, the revised standard makes a clearer distinction between non-owner changes in equity and owner changes in equity, e.g. capital-related changes and dividend. Items of income and expense that are not recognised in profit or loss ("other comprehensive income", "OCI") are to be presented in a so-called statement of comprehensive income. The statement of comprehensive income differentiates between the individual components of OCI. In addition to presenting the tax effects as a separate item, an entity is also obliged to specify adjustments relating to the reclassification upon realisation of any income and expense previously not recognised in profit or loss. Related taxes are to be specified for each component included in the statement of comprehensive income.
United Labels Aktiengesellschaft uses a single statement of comprehensive income for the purpose of presenting all items of income and expense recognised in a period. Within this context, profit/loss for the period is presented as a subtotal within the statement of comprehensive income.
The revised version of IAS 1 adopted by the European Union had implications with regard to the presentation of the financial statements, without actually affecting the financial position, performance or cash flows of **UNITED**LABELS Aktiengesellschaft.

The new standard IFRS 8, "Operating Segments", replaces IAS 14 "Segment Reporting", the purpose being to adjust segment reporting to the requirements of the relevant US standard, SFAS 131 "Disclosures about segments of an enterprise and related information". IFRS 8 applies the so-called "management approach", according to which the separate financial information that is regularly evaluated by an entity's internal decision-maker is used as a basis for segment reporting.
IFRS 8, as adopted by the European Union, had no implications as regards the presentation of the financial statements for the period under review.

The amended version of IFRS 2, "Share-based Payment: Vesting Conditions and Cancellations", includes clarifications and elaborations concerning the vesting conditions applicable within the area of share-based payments. Within this context, vesting conditions include conditions that address the issue of whether an entity has received those services that afford the counterparty a legal right to the receipt of cash, other assets or equity instruments of the entity. As regards the measurement of equity instruments granted within the context of share-based payment arrangements, an entity is also obliged to observe non-vesting conditions. The standard also specifies how an entity shall account for cancellations of share-based payment arrangements. The amended version of IFRS 2, as adopted by the European Union, had no implications as regards the financial position, performance and cash flows of the Group in the period under review.

The amendments to IAS 32 and IAS 1, "Puttable Financial Instruments and Obligations Arising on Liquidation", contain details regarding the distinction between equity and liabilities. Under certain circumstances, puttable instruments arising from contractual arrangements may be classified as equity. The amended versions of IAS 32 and IAS 1, as adopted by the European Union, had no implications as regards the financial position, performance and cash flows of the Group in the period under review.
The amendments to IFRS 1 and IAS 27, "Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associates", relates to first-time adopters of IFRS and is therefore of no relevance to the Group.

The amendments to IAS 39 "Financial Instruments: Recognition and Measurement – Reclassification of Financial Assets: Effective Date and Transition" were made in response to current developments within the financial markets. Against the background of current debate concerning the reliability of market data during the financial crisis, entities are permitted, in some circumstances, to reclassify particular financial assets within the measurement categories of IAS 39, particularly out of the "fair value through profit or loss" category to other categories, as well as from the "available-for-sale" category to the "loans and receivables" category. The amendments to IAS 39 adopted by the IASB were approved by the European Union. The amendments to IAS 39 were of no relevance to the Group in the year under review, as no reclassifications were made during this period.

Under the amendments of IFRIC 9, "Reassessment of Embedded Derivatives", and IAS 39, "Financial Instruments: Recognition and Measurement", an entity that reclassifies a combined financial instrument out of the "at fair value through profit or loss" category must assess whether a derivative embedded within a host contract is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. As no reclassifications were made with regard to the aforementioned category, the amendments had no implications for the financial position, performance and cash flows of the Group.
The amendments to IFRS 7, "Financial Instruments: Disclosures", resulted in additional disclosures in the notes with regard to financial instruments measured at fair value, with the introduction of a fair value hierarchy (level I-III), as well as more specific qualitative and quantitative disclosures within the area of liquidity risk. The extended scope of disclosure had no implications as regards the financial position, performance and cash flows of the Group.

The amendments adopted in May 2008 with regard to twenty existing standards in total were part of the 2008 Annual Improvements Project 2008 implemented by the IASB. In particular, this relates to the following standards:
The amendments to IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations", and the thus resulting amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards", clarify that all assets and liabilities shall be classified as "held for sale" if partial disposal may result in the loss of control. In addition, several new disclosure requirements were incorporated in the amendments with regard to discontinued operations.

The amendment to IAS 1, "Presentation of Financial Statements" clarifies that an entity is not required to disclose as "current liabilities" all financial liabilities classified as "held for trading" in accordance with IAS 39, "Financial Instruments: Recognition and Measurement". Instead, this category is for measurement purposes only. The amendment clarifies that whereas financial liabilities primarily held for purposes of trading shall be classified as current irrespective of their maturity, the presentation of financial liabilities that are not held primarily for the purposes of trading (e.g. derivatives that do not constitute a financial guarantee or designated hedging instrument) shall be governed by the general standards of classification relating to current and non-current liabilities.

In accordance with the amendments to IAS 16, "Property, Plant and Equipment" and IAS 7, "Statement of Cash Flows", entities whose ordinary activities include renting and subsequently selling property, plant or equipment to third parties shall transfer such assets to inventories at their carrying amount when they cease to be rented and become held for sale. The proceeds from the sale of such assets shall be recognised as revenue. Both investments in and divestments of such assets must be presented in cash flows from operating activities.

The amendment to IAS 19, "Employee Benefits", clarifies the distinction between curtailments and negative past service cost. Negative past service cost arises when an entity changes the benefits attributable to past service so that the present value of the defined benefit obligation decreases. By contrast, the effect of plan amendments that reduce benefits for future service constitutes a curtailment. Furthermore, the definition of "return on plan assets", and thus also the corresponding requirements for determining the expected and actual return on plan assets, were amended to the effect that the costs of administering the plan are to be accounted for either as a reduction of the return on plan assets or within the context of determining the amount of the obligation. The amendments also clarified the distinction between short-term employee benefits and other long-term employee benefits. Within this context, the distinction between these two categories rests upon the expected term of settlement of employee benefits. Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service. Other long-term employee benefits are employee benefits that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

In accordance with the amendments to IAS 20, "Accounting for Government Grants and Disclosure of Government Assistance", interest shall be imputed with regard to the benefits of a government loan at a below-market rate of interest, as IAS 39 "Financial Instruments: Recognition and Measurement", also requires that, upon initial recognition, financial liabilities shall be measured at fair value, taking into account the benefit of the below-market rate of interest. The benefit of the government loan is measured at the inception of the loan as the difference between the cash received and the amount at which the loan is initially recognised in the statement of financial position. This benefit is accounted for in accordance with IAS 20.

The additional amendments to IAS 23, "Borrowing Costs" include a modification to the definition of borrowing costs, specifying that interest expense shall be calculated using the effective interest rate method as described in IAS 39 "Financial Instruments: Recognition and Measurement".

The amendments to IAS 27, "Consolidated and Separate Financial Statements" clarify that financial assets accounted for in accordance with IAS 39, "Financial Instruments: Recognition and Measurement", shall continue to be recognised at fair value even if they are to be classified under the provisions set out in IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations".

Unser the amended version of IAS 28, "Investments in Associates", as well as the resulting amendments to IAS 32, "Financial Instruments: Presentation", and IFRS 7, "Financial Instruments: Disclosures", the interest held in an associate shall be treated as a single asset for the purpose of impairment testing, as a result of which impairment losses arising therefrom do not have to be allocated to individual assets, including goodwill. Furthermore, any reversal of that impairment loss shall be recognised to the extent that the recoverable amount of the investment subsequently increases. Additionally, the amendments, which also relate to IAS 31, "Interests in Joint Ventures", clarify that in the case of measurement of associates and joint ventures in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" instead of the equity method of measurement, only specific – rather than all disclosures required under IAS 28, "Investments in Associates", or IAS 31, "Interests in Joint Ventures" – must be made in addition to those disclosures prescribed under IAS 32, "Financial Instruments: Presentation", and IFRS 7, "Financial Instruments: Disclosures".

The amendments to IAS 36, "Impairment of Assets", clarify that in those cases in which the fair value, less costs to sell, is determined on the basis of the discounted cash flow method, the same disclosure requirements shall be observed as those applicable to the measurement of value in use.
The amendments to IAS 38, "Intangible Assets", include more specific details relating to the straight-line method of amortization. They also clarify that a prepayment may be recognised by an entity only until that entity has gained a right to access to the related goods or has received the related services.
The amendments to IAS 39, "Financial Instruments: Recognition and Measurement", define more closely the cases in which reclassification of financial instruments into or out of the "fair value through profit or loss" shall be prohibited. They clarify that the following changes in circumstances are not reclassifications: a derivative that was previously a designated and effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such; a derivative becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge; financial assets are reclassified when an insurance company changes its accounting policies in accordance with IFRS 4. If a financial instrument is held as part of a portfolio and if this instrument is to be classified as "held for trading", there must be evidence of a recent actual pattern of short-term profit-taking at the date of initial recognition. However, there is no scope for reclassification into this category if such evidence becomes determinable only at a later stage. As regards fair value hedge accounting, the carrying amount of the hedged item is to be adjusted in accordance with its fair value; upon termination or expiration of the hedging instrument, this approach results in the effective interest rate being remeasured. By contrast, IAS 39.AG8 states that if an entity revises its estimates with regard to the cash flows from financial instruments, it must adjust the carrying amount of the financial asset or financial liability on the basis of the original effective interest rate. This inconsistency was removed by clarifying that the remeasurement of an instrument in accordance with paragraph IAS 39.AG8 is based on the revised effective interest rate calculated in accordance with paragraph 92, when applicable, rather than the original effective interest rate.

For hedge accounting purposes, according to IAS 39, only those financial instruments may be designated as hedging instruments that involve a party external to the reporting entity. Former references to segments or segment reporting were deleted in order to remove any inconsistencies in respect of IFRS 8, "Operating Segments", which requires disclosure of information based on internal reporting standards.

As a result of the amendments to IAS 40, "Investment Property", and associated amendments to IAS 16, "Property, Plant and Equipment", property that is being constructed or developed for future use as investment property is no longer included within the scope of IAS 16. Rather, it is accounted for completely within the scope of IAS 40. Other amendments relate to the subsequent measurement of investment property.

Additionally, the 2008 Annual Improvements Project included editorial changes to the existing Standards IFRS 7, "Financial Instruments: Disclosures", IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", IAS 10, "Events after the Reporting Period", IAS 18, "Revenue", IAS 34, "Interim Financial Reporting", IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance", IAS 29, "Financial Reporting in Hyperinflationary Economies", IAS 40, "Investment Property", and IAS 41, "Agriculture".

All of the aforementioned amendments within the framework of the 2008 Annual Improvements Project were adopted by the European Union. The amendments had no implications as regards the financial position, performance and cash flows of the Group.

The Interpretation IFRIC 15, "Agreements for the Construction of Real Estate", addresses the issue of when IAS 18, "Revenue" and IAS 11,"Construction Contracts" are to be applied.

IFRIC 16, "Hedges of a Net Investment in a Foreign Operation", specifies how net investment hedge accounting shall be accounted for. Within this context, 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. Furthermore, the hedging instrument(s) may be held by any entity or entities within the group.
IFRIC 12 "Service Concession Arrangements" and IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" were to be applied for the first time in the reporting period due to the fact that the European Union endorsements had not been issued prior to this period.

The application of these Interpretations has no material effect on the financial position, performance and cash flows of the Group.

Issued International Financial Reporting Standards (IFRS) and Interpretations (IFRIC) that have yet to become applicable

The revised version of IAS 27, "Consolidated and Separate Financial Statements", 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 control is lost upon disposal of interests, an entity shall recognise any gain or loss on disposal in profit or loss. If interests continue to be held following the loss of control, these remaining interests shall be recognised at fair value.

The difference between the former carrying amount of these remaining interests and their fair value is to be included within the net result of disposal and is to be disclosed separately in the notes, specifying the corresponding revalued amount of the remaining interests. When an interest already held is increased and when control is obtained for the first time ("stepped acquisition") or when interests are disposed of, the standard requires that an entity remeasures the interests already held or the remaining interests at fair value. Furthermore, in future losses attributable to non-controlling interests that exceed the amount recognised are to be presented as negative carrying amounts in consolidated equity.

The revised IFRS 3, "Business Combinations", contains provisions relating to the scope, purchase price components, treatment of goodwill and minority interest as well as the scale of recognisable assets, liabilities and contingent liabilities within the area of business combinations. It also deals with the issue of how to account for tax loss carryforwards and the classification of agreements relating to the acquiree. The amended standard retains the use of the purchase method in the case of business combinations but introduces significant changes with regard to determining the cost of the combination. For example, when a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the acquirer shall include, at the date of acquisition, the amount of that adjustment in the cost of the combination at fair value regardless of the probability of these events occurring. Subsequent changes to the fair value of contingent considerations classified as liabilities are to be recognised in profit or loss prospectively.

The revised versions of IAS 27 as well as IFRS 3, as adopted by the European Union, will be applied within the Group effective from 1 January 2010 for the first time. Depending on the nature and scope of future transactions, application of these revised standards will have an effect on the financial position, performance and cash flows of the Group, the extent of which cannot be determined at this moment in time. Earlier first-time application with regard to the business combinations of the reporting period would have had no implications for the financial position, performance and cash flows.

The amendment to IAS 39, "Financial Instruments. Recognition and Measurement – Eligible Hedged Items", clarifies which hedged items are eligible within the context of hedge accounting. The amendments specify that effective hedging of one-sided risks is generally not possible by way of a purchased option in its entirety (i.e. intrinsic value and time value), which has implications as regards the use of the hypothetical derivative method.
The amendments shall be applied retrospectively for annual periods beginning on or after 1 July 2009. The application of these amendments had no effect on the financial position, performance and cash flows of the Group in the reporting period.

The amendments to IFRS 2, "Group Cash-settled Share-based Payment Transactions", were prompted by calls for the IASB to clarify its position regarding cases in which a reporting entity has received goods or services, but the obligation to settle the share-based payment transaction rests with its parent company or another group company. Within the framework of the amendments to IFRS 2, the requirements set out in IFRIC 8, "Scope of IFRS 2", and IFRIC 11, "IFRS 2 – Group and Treasury Share Transactions", were incorporated within the amended standard. Thus, the IASB revoked the two aforementioned Interpretations. The amendments to IFRS 2 are to be applied for annual periods beginning on or after 1 January 2010. Subject to the transitional provisions set out in IFRS 2, they are to be applied retrospectively. The amendments are of no relevance to the Group.

The Standard "International Financial Reporting Standard (IFRS) for Small and Medium-sized Entities" (IFRS for SMEs) is aimed at simplifying the accounting standards and reducing the overall scope of disclosure for small and medium-sized entities compared to the existing "full IFRS". The new Standard came into force upon publication in July 2009 and is not subject to European Union endorsement. As the provisions set out in the Standard do not apply to exchange-listed entities, they are of no relevance to the Group.

As part of the 2009 Annual Improvements Project, the IASB issued its second and third annual document covering several standards for the purpose of making minor amendments to International Financial Reporting Standards.
The amendments of the second collective document issued in April 2009 relate to ten International Financial Reporting Standards and two Interpretations as well as the associated Bases for Conclusions. The majority of the amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2010. This applies to the Standards IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations", IFRS 8, "Operating Segments", IAS 1, "Presentation of Financial Statements", IAS 7, "Statement of Cash Flows", IAS 17, "Leases", IAS 36, "Impairment of Assets" and IAS 39, "Financial Instruments: Recognition and Measurement". However, some of the amendments apply to annual periods beginning on or after 1 July 2009. This applies to IFRS 2, "Share-based Payment", IAS 38, "Intangible Assets", IFRIC 9, "Reassessment of Embedded Derivatives", as well as IFRIC 16, "Hedges of a Net Investment in a Foreign Operation".
The amendments of the third collective document of August 2009 are outlined in an Exposure Draft and relate to ten International Financial Reporting Standards and one Interpretation. These are as follows: IFRS 1, "First-time Adoption of International Financial Reporting Standards", IFRS 3, "Business Combinations", IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations", IFRS 7, "Financial Instruments: Disclosures", IAS 1, "Presentation of Financial Statements", IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", IAS 27, "Consolidated and Separate Financial Statements", IAS 28, "Investments in Associates", IAS 34, "Interim Financial Reporting", IAS 40, "Investment Property", and IFRIC 13, "Customer Loyalty Programmes".

The future application of these amendments is not likely to have a material effect on the financial position, performance and cash flows of the Group.

In November 2009, the IASB approved a revised version of IAS 24, "Related Party Disclosures". Among other things, the IASB revised the definition of a "related party" by adopting a more consistent approach, while refining the purpose of related party disclosures. Additionally, in future entities controlled, jointly controlled or significantly influenced by a government ("government-related entities") will be exempt from certain disclosure requirements. The fundamental approach to related party disclosures remains unchanged.

IAS 24 (revised) is to be applied for annual periods beginning on or after 1 January 2011. Earlier (partial) application is permitted; in this case, entities are required to disclose that fact in the notes. As at the reporting date, IAS 24 (revised) had not been adopted by the European Union. As the revised standard relates to disclosure in the notes, IAS 24 (revised) will have no implications as regards the financial position, performance and cash flows of the Group. The potential implications of future disclosure in the notes are currently being reviewed.

In November 2009, the IASB approved amendments to IFRIC 14, "Prepayments of a Minimum Funding Requirement". The amendments are of relevance to those cases in which minimum funding requirements exist in connection with pension plans and prepayments have to be made in respect of these minimum funding requirements. The amendments permit such an entity to treat the benefit of such an early payment as an asset. The amendments to IFRIC 14 are to be applied for annual periods beginning on or after 1 January 2011. At present, the amendments are of no relevance to the Group.

In November 2009, the IASB approved IFRS 9, "Financial Instruments". The revised standard outlines classification and measurement requirements for financial assets and represents the completion of the first of three phases under the heading of "Classification and Measurement". Ultimately, upon completion of the third phase, the existing Standard IAS 39, "Financial Instruments: Recognition and Measurement", is to be replaced in its entirety by IFRS 9. At present, Phase II ("Impairment Methodology") and Phase III ("Hedge Accounting") are scheduled for approval in the fourth quarter of 2010. The implications of IFRS 9 with regard to the financial position, performance and cash flows of the Group are currently being assessed and will also be reviewed on a continual basis.

Since its adoption in 2003, IFRS 1, "First-time Adoption of International Financial Reporting Standards", has been subject to various adjustments in line with newly approved or amended Standards, as a result of which IFRS 1 became increasingly complex. The amendments approved by the IASB in November 2009 include a new structure, the objective being to achieve greater clarity and facilitate the inclusion of future amendments. IFRS 1 relates to first-time adopters of International Financial Reporting Standards and is thus of no relevance to the Group.

IFRIC 17 "Distributions of Non-cash Assets to Owners", clarifies the issue of how to account for non-cash asset distributions to parties outside the group as regards the measurement of the assets to be distributed as a non-cash dividend, the liability arising from the obligation to make a distribution in accordance with company law, as well as any potential difference remaining. As IFRIC 17 is to be applied for annual periods beginning on or after 1 July 2009, the Group will apply this Interpretation effective from the 2010 financial year. The precise relevance of this Interpretation is currently being assessed.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments", was approved in November 2009 and addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. IFRIC 19 is to be applied to annual periods beginning on or after 1 July 2010. The European Union has yet to endorse this Interpretation.

The Group did not opt for earlier application of the aforementioned new or amended pronouncements in the period under review.

3. Basis of consolidation

Consolidated group

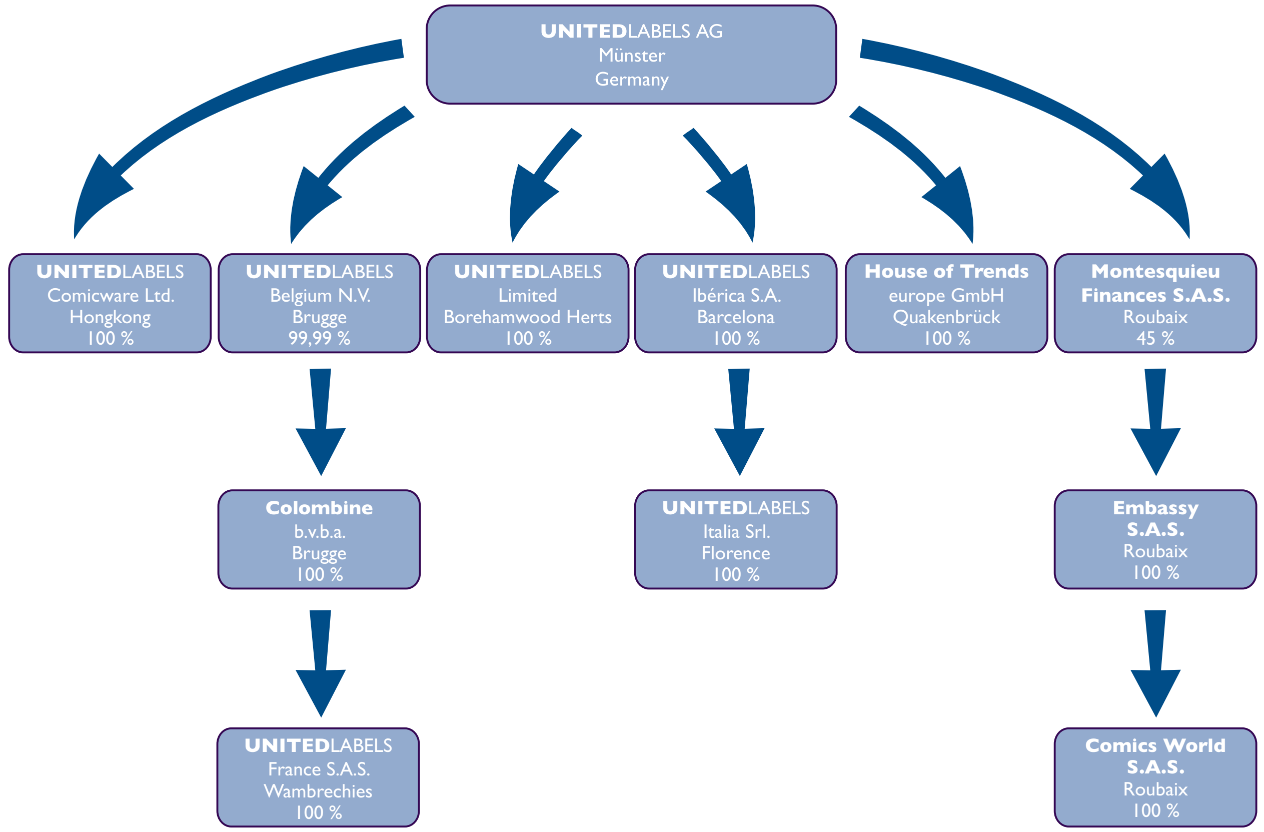
The entities included in the consolidated group are those over which the Group holds control as regards their financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether an entity has the power 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 the statement of comprehensive income.
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, 2009, 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 %	01/01-31/12/09
as its wholly owned subsidiary		
UNITEDLABELS Italia Srl., Florence, Italy	100,000 %	01/01-31/12/09
UNITEDLABELS Belgium N.V., Bruges, Belgium	99,999 %	01/01-31/12/09
as its wholly owned subsidiary		
Colombine BVBA, Bruges, Belgium	100,000 %	01/01-31/12/09
as its wholly owned subsidiary		
UNITEDLABELS France SAS, Wambrechies, France	100,000 %	01/01-31/12/09
UNITEDLABELS Ltd., Borehamwood Herts, United Kingdom	100,000 %	01/01-31/12/09
UNITEDLABELS Comicware Ltd., Hong Kong	100,000 %	01/01-31/12/09
House of Trends europe GmbH, Quakenbrück	100,000 %	01.01.-31.12.2009

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.

In 2009, the ownership interest of 35% in the French Montesquieu Group was increased an additional 10% interest, taking the total ownership interest to 45%. This investment was included in the consolidated financial statements on the basis of the equity method.
The annual financial statements and consolidated financial statements are published in the Electronic Federal Gazette.
The Group structure as at 31 December 2009 was as follows:



4. Operating segments

Segment reporting at **UNITED**LABELS is performed on the basis of customer groups, with sales revenue representing the primary instrument of control. 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, as the prerequisites for qualifying assets do not regularly apply. 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 of the revenue generated by the specific licensed products.
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 h aving 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. Borrowing costs are not included in the cost of purchase, as the prerequisites for qualifying assets do not regularly apply.

6. Receivables and other assets

Receivables and other assets were measured at fair value. An impairment of trade receivables is recognised only if there is objective evidence that the amounts due are not collectible in full. The amount of the impairment loss is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows associated with the receivable. The amount of the impairment loss is recognised in profit or loss. Specific allowances are recognised where necessary. Due to the short maturities of the receivables, the effective interest method was not applied.

Prepayments are carried on the basis of the prepaid amount.

7. Categories of financial instruments according to IAS 39

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

8. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, short-term, highly liquid investments with a turity of three months at the most and overdrafts. In the statement of financial position, 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, exchange differences, treasury shares and the consolidated unappropriated surplus (i.e. the distributable profit). Upon purchasing treasury shares, the cost of purchase of these shares is deducted from equity in accordance with the cost method.

10. Provisions

Provisions for post-employment benefits were accounted for in accordance with IAS 19. Within this context, an interest rate of 5.3% (prev. year: 6.0%) 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% (prev. year: 2.5%), and an interest rate of 2.0% (prev. year: 2.0%) was applied as regards future increases in pensions.
Within the Group a post-employment obligation exists towards Peter Boder, CEO/Chairman of the Management Board. The associated obligation is determined on the basis of an actuarial report. Actuarial gains and losses are accounted for in the statement of comprehensive income 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 the statement of comprehensive income 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 accounted for in the statement of comprehensive income 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 statement of financial position. 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 collectability 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 recognised directly as a change in 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 2009 financial year was 1.12213 £ / € (prev. year: 1.25744 £ / €), and the closing rate at 31 December 2009 was 1.10754 £ / € (prev. year: 1.05744 £ / €).
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 (externally measured on the basis of identifiable market parameters) at the respective reporting date. Changes in the fair values are recognised in the statement of comprehensive income.

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 discount rate is an area 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 2010 to the carrying amounts of the assets and liabilities recognised.

C. Notes to Individual Items of the Group Statement of Financial Position

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 (prev. year: €5,600 thousand).

Gross Fixed Assets Schedule

Fixed Assets Schedule for FY 2009

	Cost of purchase or conversion					Accumulated depreciation/amortisation					Net Amounts	
	Balance at 01/01/09 €	Currency adjustment €	Additions €	Disposals €	Balance at 31/12/09 €	Balance at 01/01/09 €	Currency adjustment €	Additions €	Disposals €	Balance at 31/12/09 €	Balance at 31/12/09 €	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	1,102,161.47	0.00	180,641.60	0.00	1,282,803.07	4,778,786.74	4,959,428.34
2. Technical equipment and machinery	432,965.93	0.00	53,162.30	(22,822.04)	463,306.19	276,865.13	0.00	50,403.80	(22,822.04)	304,446.89	158,859.30	156,100.80
3. Other plant, operating and office equipment, furniture and fixtures	2,370,431.83	(711.54)	281,447.67	(64,574.08)	2,586,593.88	1,652,757.94	(817.68)	183,907.30	(63,343.28)	1,772,504.28	814,089.60	717,673.89
4. Prepayments and assets under construction	10,000.00	0.00	0.00	0.00	10.000.00	0.00	0.00	0.00	0.00	0.00	10,000.00	10,000.00
	8,874,987.57	**(711.54)**	**334,609.97**	**(87,396.12)**	**9,121,489.88**	**3,031,784.54**	**(817.68)**	**414,952.70**	**(86,165.32)**	**3,359,754.24**	**5,761,735.64**	**5,843,203.03**
II. Intangible assets												
1. Concessions, industrial property rights and similar rights and assets, as well as licences in such rights and assets	13,008,960.06	0.00	3,019,627.56	(2,667,400.43)	13,361,187.19	9,377,520.08	0.00	3,304,484.87*	(2,667,400.43)	10,014,604.52	3,346,582.67	3,631,439.98
2..Goodwill	9,677,116.84	0.00	0.00	0.00	9,677,116.84	2,196,158.77	0.00	1,855,734.10	0.00	4,051,892.87	5,625,223.97	7,480,958.07
	22,686,076.90	**0.00**	**3,019,627.56**	**(2,667,400.43)**	**23,038,304.03**	**11,573,678.85**	**0.00**	**5,160,218.97**	**(2,667,400.43)**	**14,066,497.39**	**8,971,806.64**	**11,112,398.05**
III. Financial assets												
At-equity investments	676,664,90	0.00	156,900.70	0.00	833,565.60	0.00	0.00	0.00	0.00	0.00	833,565.60	676,664.90
	32,237,729.37	**(711.54)**	**3,511,138.23**	**(2,754,796.55)**	**32,993,359.51**	**14,605,463.39**	**(817.68)**	**5,575,171.67**	**(2,753,565.75)**	**17,426,251.63**	**15,567,107.88**	**17,632,265.98**

* of this amount, €3,219,384.20 is attributable to amortisation/write-downs of usufructuary rights, which are presented separately after cost of materials in the statement of comprehensive income; €85,100.67 is attributable to amortisation/write-downs of other intangible assets (primarily software), which are presented in the statement of comprehensive income together with amortisation/write-downs of goodwill (€1,855,734.10) and depreciation/write-downs of property, plant and equipment (€414,952.70).

Gross Fixed Assets Schedule

Fixed Assets Schedule for FY 2008

	Cost of purchase or conversion					Accumulated depreciation/amortisation					Net Amounts	
	Balance at 01/01/08	Currency adjustment	Additions	Disposals	Balance at 31/12/08	Balance at 01/01/08	Currency adjustment	Additions	Disposals	Balance at 31/12/08	Balance at 31/12/08	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	6,061,589.81	0.00	0.00	0.00	6,061,589.81	919,377.07	0.00	182,784.40	0,00	1,102,161.47	4,959,428.34	5,142,212.74
2. Technical equipment and machinery	480,077.23	0.00	1,781.86	(48,893.16)	432,965.93	257,697.66	0.00	58,977.18	(39,809.71)	276,865.13	156,100.80	222,379.57
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	1,588,977.53	(6,948.43)	285,741.72	(215,012.88)	1,652,757.94	717,673.89	950,091.50
4. Prepayments and assets under construction	10,000.00	0.00	0.00	0.00	10,000.00	0.00	0.00	0.00	0.00	0.00	10,000.00	10,000.00
	9,090,736.07	**(14,603.85)**	**83,761.77**	**(284,906.42)**	**8,874,987.57**	**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**
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	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. Goodwill	9,677,116.84	0.00	0.00	0.00	9,677,116.84	2,196,158.77	0.00	0.00	0.00	2,196,158.77	7,480,958.07	7,480,958.07
	20,342,706.00	**0.00**	**4,415,840.36**	**(2,072,469.46)**	**22,686,076.90**	**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**
III. Financial assets												
At-equity investments	0.00	0,00	676,664.90	0.00	676,664.90	0.00	0.00	0.00	0.00	0.00	676,664.90	0.00
	29,433,442.07	**(14,603.85)**	**5,176,267.03**	**(2,357,375.88)**	**32,237,729.37**	**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**

* of this amount, €3,969.832.61 is attributable to amortisation/write-downs of usufructuary rights, which are presented separately after cost of materials in the statement of comprehensive income; €85,100.67 is attributable to amortisation/write-downs of other intangible assets (primarily software), which are presented in the statement of comprehensive income together with property, plant and equipment (€414,952.70).

Goodwill was calculated as follows:

	2009 € '000	2008 € '000
Balance at 01/01	7,481	7,481
Depreciation/amortisation	(1,856)	0
Balance at 31/12	**5,625**	**7,481**

This includes goodwill associated with the corporate acquisitions of Colombine BVBA amounting to €3.0 million and **UNITED**LABELS Ibérica S.A. amounting to €2.6 million. Goodwill accounted for by United Labels AG itself was €1.9 million; this amount was attributable to an amalgamation prior to the initial public offering in the year 2000. In the 2009 financial year, this goodwill was written off completely following an impairment test. Measurement was conducted on the basis of the value in use, which in turn was based on an interest rate of 8.99% and a growth rate of 2.0%. 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 B.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 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 between five and six 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 forecasting period was consistently assumed to be 2% (prev. year: 2%). The discount rate was between 6.58% and 8.99%, depending on goodwill, (prev. year: 9.1%) before taxes. Impairment losses were recognised in respect of goodwill attributable to the parent company; in the case of goodwill attributable to the subsidiaries, no impairment losses were recognised, as there were no triggering events and the annual impairment test gave rise to no adjustments.
If the subsidiaries' 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. During the 2009 financial year, a further 10% interest was acquired at a cost of €100 thousand, without generating additional 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. 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%.

	31/12/09 € '000	31/12/08 € '000
Total assets	9,877	12,730
Total liabilities	8,559	11,508
	2009	**2008**
Sales revenues	16,913	17,083
Result	126	648

3. Deferred tax assets

The deferred tax assets in the amount of €4,080 thousand (prev. year: €3,492 thousand) comprise an amount of €3,235 thousand for the carryforward of unused tax losses (prev. year: €2,616 thousand) as well as an amount of €877 thousand (prev. year: €876 thousand) for temporary differences between the carrying amounts in the IFRS statement of financial position and the tax base. Deferred tax liabilities from temporary differences amounted to €7 thousand (prev. year: €14). Current deferred tax assets amounted to €280 thousand (prev. year: €763 thousand).

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

	Deferred tax assets	(Deferred tax liabilities)	Deferred tax assets	(Deferred tax liabilities)	(Expense)/ Income	(Expense)/ Income
Loss carryforward	3,235	0	2,616	0	619	359
Intangible assets	685	0	728	0	(43)	77
Prepaid expenses	0	2	0	14	12	(14)
Provisions for post-employment benefits	119	0	83	0	36	18
Other provisions	19	2	9	0	8	0
Bank borrowings	14	0	11	0	3	11
Trade payables	0	3	45	0	(48)	45
Other liabilities	8	0	0	0	8	0
	4,080	**7**	**3,492**	**14**	**595**	**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. The deferred tax assets for the carryforward of unused tax losses relate to **UNITED**LABELS Aktiengesellschaft, House of Trends europe GmbH, **UNITED**LABELS Belgium and **UNITED**LABELS Ibérica. 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. An amount of €177 thousand (prev. year: €0) was not recognised as deferred tax assets for the carryforward of unused tax losses by United Labels Aktiengesellschaft. In total, no deferred taxes were recognised for tax loss carryforwards amounting to €3,395 thousand (prev. year: €2,218 thousand). Of the tax loss carryforwards an amount of €1,119 thouusand belongs to the mothercompany, an amount of €2,276 thousand (prev. year: €2,218 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 €56 thousand (prev. year: €68 thousand). They are not recognised, as a reversal is considered unlikely.

4. Inventories

Of the total inventories of €7,907 thousand (prev. year: €9,354 thousand), 48% (€3,753 thousand; prev. year 35%, €3,303 thousand) is attributable to the storage location in Spain and 49%, i.e. €3,907 thousand, (prev. year 64%, €5,968 thousand) to the storage location in Germany. The remaining 3% were attributable to **UNITED**LABELS Ltd. in the United Kingdom (€41 thousand; prev. year €76 thousand), an item of merchandise in transit attributable to United Labels France (€34 thousand), as well as House of Trends europe GmbH (€172 thousand; prev. year €7 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 €1,608 thousand, thus amounting to €4,791 thousand (prev. year: €6,399 thousand) in the financial year under review. The unscheduled write-down of inventories amounted €1,956 thousand (prev. year €654 thousand); within this context, a total of €1,639 thousand was due to non-recurring exceptional items.
Inventories are not restricted by third-party rights.

5. Trade other receivables

Trade receivables declined by €2,879 thousand year on year, from €16,084 thousand to €13,205 thousand. This item includes prepayments for inventories totalling €20 thousand (prev. year €65 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 2009 € '000	Receivables in 2009 € '000
not due	10,005	14,740
due		
due in 0 – 30 days	1,949	703
due in 30 – 60 days	481	285
due in 60 – 90 days	159	75
due beyond 90 days	611	281

Additionally, there was an allowance for uncollectible accounts of €544 thousand (prev. year: €399 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 60 days past due are collected with the help of external or internal collection methods. In fiscal 2009, receivables had to be written down by €127 thousand. In particular, the insolvency of the French retail chain "Soho" necessitated write-downs of €79 thousand.
Until the end of the year, the parent company sold its receivables associated with a selected group of key accounts to a factoring company. On average, the figure corresponds to approx. 28% 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. Business relations with the factoring agency were discontinued effective from 31 December 2009, as trends had shown that factoring was used only on limited occasions, while factoring fees continued to be payable in full to the factoring agency.

6. Other assets

This item mainly includes receivables from the factoring agency in Germany, as well as a loan granted to Montesquieu Finance SAS, France. In addition, prepaid expenses in the amount of €191 thousand (prev. year: €168 thousand) were recognised within this item.

7. Cash and cash equivalents

Cash and cash equivalents fell from €4,986 to €3,695 thousand in the period under review. The interest rates for monies invested were between 0.125% and 2.000%.

8. Impairment losses attributable to financial assets

Impairment losses were as follows:

€ '000	31/12/09 Gross value	31/12/09 less impairment	31/12/09 Net value	31/12/08 Gross value	31/12/08 less impairment	31/12/08 Net value
Trade and other receivables	13,749	544	13,205	16,483	399	16,084

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 31 December 2009 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 15 May 2009, 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 15 May 2009 decided that the authorisation granted on 20 May 2008 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 71 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 14 November 2010. However, no resolution relating thereto was passed by the Management Board in the financial year just ended. As at 31 December 2009, the Company held 46,199 treasury shares, unchanged on last year's figure. 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.
The changes to retained earnings were as follows

	€ '000
Balance at 01/01/09	4,374
Dividend for 2008	(831)
Loss for the year 2009	(3,858)
Withdrawal from capital reserve	5,190
	4,875

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

Consolidated earnings per share	**2009**	**2008**
basic diluted	€(0.93) €(0.93)	€0.19 €0.19
Weighted average shares outstanding		
basic diluted	4,153,801 Shares 4,153,801 Shares	4,153,801 Shares 4,153,801 Shares

The consolidated loss per share was €-0.93 (prev. year: earnings of €0.19 per share), calculated by dividing profit for the year of €3,858,389.14 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. 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 €1,198 thousand (prev. year: €919 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	**2009**	**2008**
Interest rate	5.30%	6.00%
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	**2009 (in €)**	**2008 (in €)**
DBO at 01/01	919,468	927,334
Service cost	50,545	54,455
Interest cost	55,168	52,858
Actuarial losses gains	172,704	(115,179)
- of which from experience adjustments	(37,181)	(35,647)
- of which from changes in actuarial assumptions	209,885	(79,532)
DBO at 31/12	**1,197,885**	**919,468**

As in the previous year, there were no plan assets in the 2009 financial year.

Reconciliation between funded status, as the difference between defined benefit obligation and plan assets, and provisions recognised in the statement of financial position:

	2009 (in €)	2008 (in €)
Funded status	1,197,885	919,468
Unrecognised actuarial losses	260,615	87,911
Provisions for pensions	**937,270**	**831,557**

The following table presents changes in pension provisions:

Change in provision for pensions	2009 (in €)	2008 (in €)
Provisions for pensions at 01/01	831,557	718,405
Net pension cost	105,713	113,152
Provisions for pensions at 31/12	**937,270**	**831,557**

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	2009 (in €)	2008 (in €)
Service cost	50,545	54,455
Interest cost	55,168	52,858
Amortisation of actuarial gains/losses	0	5,839
Net pension cost	**105,713**	**113,152**

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

	31.12.2009 €	31.12.2008 €	31.12.2007 €	31.12.2006 €	31.12.2005 €
Present value of the obligation	1,197,885	919,468	927,334	1,052,499	1,007,191
Plan assets	0	0	0	0	0
Shortfall	1,197,885	919,468	927,334	1,052,499	1,007,191
Experience adjustments	37,181	35,647	(94,334)	65,501	33,809

11. Provisions

Provisions developed as follows in the period under review:

	Balance at 01/01/09	Reversed	Utilised	Allocated	Balance at 31/12/09
	€ '000	€ '000	€ '000	€ '000	€ '000
Other provisions	30	0	0	30	60
Provision for contingent losses from goods returned	971	0	(971)	195	195
Litigation	413	0	(98)	313	628
Total provisions	**1,414**	**0**	**(1,069)**	**538**	**883**

Other provisions relate to licence fees. 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 turnover was reduced accordingly. The provisions recognised in connection with litigation relate to a pending lawsuit heard in a labour court, amounting to €296 thousand, as well as contract penalty amounting to €310 thousand. 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:

	Total amount	Remaining term: up to one year	Remaining term: to one and five years	Remaining term: more than five years	of which secured	Type of security
	€ '000	€ '000	€ '000	€ '000	€ '000	
1. Financial liabilities	8,175	5,199	1,099	1,877	3,252	Land charges
2. Trade and other payables	8,674	7,772	902	0	0	
	16,849	**12,971**	**2,001**	**1,877**	**3,252**	

	Total amount	Remaining term: up to one year	Remaining term: to one and five years	Remaining term: more than five years	of which secured	Type of security
	€ '000	€ '000	€ '000	€ '000	€ '000	
1. Financial liabilities	8,949	5,198	1,599	2,152	3,574	Land charges
2. Trade and other payables	9,361	8,786	575	0	0	
	18,310	**13,984**	**2,174**	**2,152**	**3,574**	

The following table presents the contractually agreed (undiscounted) interest and principal payments relating to the primary financial liabilities as at 31 Dec. 2009 and 31 Dec. 2008:

in € '000	Carrying amount 31/12/09	Cash flows 2010			Cash flows 2011			Cash flows 2012 - 2014			Cash flows 2015 et seq.		
		Interest fixed	Interest floating	Principal payment	Interest fixed	Interest floating	Principal payment	Interest fixed	Interest floating	Principal payment	Interest fixed	Interest floating	Principal payment
Payables to banks	3,752	147	12	775	136	0	275	339	0	825	544	0	1,877
Payables to others	565	17	0	565	0	0	0	0	0	0	0	0	0

in € '000	Carrying amount 31/12/08	Cash flows 2010			Cash flows 2011			Cash flows 2012 - 2014			Cash flows 2015 et seq.		
		Interest fixed	Interest floating	Principal payment	Interest fixed	Interest floating	Principal payment	Interest fixed	Interest floating	Principal payment	Interest fixed	Interest floating	Principal payment
Long-term loans	4,741	159	51	989	147	12	775	373	0	825	646	0	2,152

The effective interest rates for long-term bank borrowings are between 2.85% and 5.55% (prev. year: between 2.85% and 5.55%).

The trade receivables are associated with standard reservations of title.

Of the other liabilities, an amount of €75 thousand (prev. year: €210 thousand) is attributable to liabilities relating to social security and €476 thousand (prev. year: €776 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 31/12/09	Recognised in balance sheet IAS 39: Amortised cost	Cost	Fair value recognised in equity	Fair value recognised in profit or loss	Amount recognised in balance sheet according to IAS 17	Fair value 31/12/09
Assets	LaR						LaR
Cash and cash equivalents	3,694	3,694					3,694
Trade receivables	12,936	12,936					12,936
Receivables from factoring company	396	396					396
Liabilities	FLAC						FLAC
Trade payables	7,168	7,168					7,168
Finance lease liabilities in accordance with IAS 17	0	0					0
Payables to banks	8,175	8,175					8,175
of which aggregated by measurement category according to IAS 39:							
Loans and Receivables (LaR)	17,026	17,026					17,026
Financial Liabilities Measured at Amortised Cost (FLAC)	15,343	15,343					15,343

in € '000	Carrying amount 31/12/08	Recognised in balance sheet IAS 39: Amortised cost	Cost	Fair value recognised in equity	Fair value recognised in profit or loss	Amount recognised in balance sheet according to IAS 17	Fair value 31/12/08
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					FLAC
Trade payables	6,705	6,705					6,705
Finance lease liabilities in accordance with IAS 17	0	0					10
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

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.
Until 31 December 2009, the parent company in Münster sold its receivables associated with a selected group of key accounts to a factoring company. On average, the figure corresponds to approx. 28% 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. At the reporting date, the Company had a forward exchange contract amounting to USD 500,000.00, which was hedged at a dollar/euro exchange rate of 1.4798, with a fair value of €349 thousand.
At the reporting date an interest rate swap relating to a loan was in place, with a value of minus €9 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 2009 € '000	Tatal 2008 € '000
Orders to suppliers	2,032	1,805
Leasing agreements	142	247
Rental agreements	2,411	1,650
	4,585	**3,702**

Of these obligations, an amount of €2,751 thousand (prev. year: €2,787 thousand) is due within one year. The year-on-year increase recorded within the area of rental agreements is attributable to the additional stores at the airports of Málaga, Hamburg and Düsseldorf as well as the at the port-side shopping centre "Maremagnum" in Barcelona.
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 SAS, in which the Company holds a 45% interest, was granted a bank guarantee amounting to €533 thousand. The term of the guarantee is until July 2010.

15. Leasing/Rental

Obligations arising from non-cancellable operating lease agreements for non-capitalised leased assets amount to €142 thousand (prev. year: €247 thousand).

Maturity	within1 year:	€87 thousand	(prev. year: €118 thousand)
Maturity	1-5 years:	€55 thousand	(prev. year: €129 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 €91 thousand (prev. year: €105 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.

Obligations arising from non-cancellable lease agreements for non-capitalised assets amount to €2,411 thousand (prev. year: €1,650 thousand) in total.

Maturity	within 1 year:	€658 thousand	(prev. year: €855 thousand)
Maturity	1-5 years:	€1,753 thousand	(prev. year: €795 thousand)

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 €120 thousand (prev. year: €96 thousand), while those attributable to interest payments were €474 thousand (prev. year: €562 thousand). Interest received amounted to €71 thousand (prev. year: €130 thousand).

17. Segment reporting

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

2009

€ '000	Special Retail	Key Account	Unallocated items	Group
Sales revenue	11,287	28,973		40,260
Segment expenses	(10,728)	(25,143)	(2,885)	(38,756)
Depreciation/amortisation	(1,108)	(2,499)	(1,969)	(5,576)
Segment result	**(549)**	**1,331**	**(4,854)**	**(4,072)**
Net finance cost				(388)
Result from at-equity investment				57
Result from ordinary activities				**(4,403)**
Taxes				544
Consolidated profit/loss				**(3,859)**

€m	Special Retail	Key Account	Unallocated items	Group
Segment assets	13.0	18.9	14.5	46.4
Segment liabilities	3.6	6.4	8.7	18.7
Capital expenditure	0.8	2.6	0.1	3.5

2008

€ '000	Special Retail	Key Account	Unallocated items	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/loss				**769**

€m	Special Retail	Key Account	Unallocated items	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

There were no segment revenues or expenses between the individual segments

Geographical information

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. The main focus is on marketing textiles/apparel and giftware to major retail customers.

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

Sales revenues € '000	**2009**	**2008**
Germany	16,111	18,402
Iberian Peninsula	10,493	11,635
France	6,410	5,848
Rest of the World	7,246	8,353
Group	**40,260**	**44,238**

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

Total assets € '000	**2009**	**2008**
Germany	29,364	36,234
Iberian Peninsula	9,623	10,094
France	1,066	1,392
Rest of the World	6,332	5,331
Group	**46,385**	**53,051**

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

Capital expenditure € '000	**2009**	**2008**
Germany	2,818	4,232
Iberian Peninsula	689	669
France	0	12
Rest of the World	4	263
Group	**3,511**	**5,176**

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. Risks

Fluctuations in exchange rates: Standard foreign exchange forward contracts are entered into for the purpose of hedging against currency risks associated with payment obligations denominated in foreign currencies. The aforementioned contracts are not used for speculative purposes. Changes in the value of current forward contracts are accounted for in profit or loss.
A significant proportion of merchandise purchases is effected in US dollars. Although suitable hedging instruments are currently in place, it is impossible to eliminate totally the risk of increased cost of sales as a result of long-term exchange rate fluctuations.
In the 2009 financial year, the average euro/US dollar exchange rate was €1 = US$1.3950 (prev. year: €1 = US$1.4660). **UNITED**LABELS pays approx. 54% 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 €14.1 million in absolute terms. If the average exchange rate had been €1 = US$1.30, the cost of goods sold would have been €1.0 million higher; if the average exchange rate had been €1 = US$1.50, the cost of goods sold would have been €1.0 million lower.

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 cartoon licence rights that are recognised in the statement of financial position at an amount of €3,327 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 2009, **UNITED**LABELS had access to the following borrowing facilities within the Group:

€ '000	**2009**	**2008**
Current account	4,850	4,555
Long-term loans	3,902	4,741
Bills of exchange	2,705	2,905
Letters of credit	6,767	6,860

Business relations with the factoring company based in Germany were discontinued effective from the end of the financial year. The bills of exchange facility remained unused during the full 2009 financial year.

UNITEDLABELS AG has provided a financial guarantee for a loan of Montesquieu Finances SAS, France, in the amount of €533 thousand. This loan is to be extinguished by means of a final instalment in July 2010. Upon extinguishment the financial guarantee will cease to be valid. 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 Statement of Comprehensive Income

1. Sales revenues

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

	2008		**2007**	
	Sales revenue		**Sales revenue**	
	€ '000	**in %**	**€ '000**	**in %**
Sale of goods	40,092	100	44,047	100
Services	168	0	191	0
	40,260	**100**	**44,238**	**100**

2. Cost of materials

The materials-expense ratio rose by 6.8 percentage points from 58.0% to 64.8%. In absolute terms, this corresponds to an increase from €25,657 thousand to €26,075 thousand. The year-on-year change is attributable to a significant reduction in the value of inventory held in Germany, equivalent to €1,956 thousand, in addition to, among other factors, the larger proportion of low-margin key account business within the overall portfolio.

3. Amortisation of usufructuary rights

Amortisation of usufructuary rights includes write-downs attributable to product-related licences. Year on year, they declined from €3,970 thousand to €3,219 thousand.

4. Other operating income

This item mainly includes income from exchange differences in the amount of €224 thousand (prev. year: €68 thousand).

5. Staff costs

Staff costs fell from €6,309 thousand to €6,203 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. The write-down required following the impairment test conducted during the 2009 financial year with regard to goodwill at **UNITED**LABELS AG was €1,856 thousand. This corresponded to the entire goodwill of **UNITED**LABELS AG. The carrying amounts of the remaining goodwill attributable to the subsidiaries **UNITED**LABELS Ibérica and **UNITED**LABELS Belgium were not considered impaired.
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 €3,422 thousand (prev. year: €3,355 thousand) and rental expense amounting to €1,188 thousand (prev. year: €972 thousand). The remaining expenses consist of general administrative and operating expenses. Other operating expenses also include allowances for accounts receivable in an amount of €127 thousand (prev. year: €191 thousand).

8. Finance income and finance cost

Interest expense amounted to €474 thousand (prev. year: €587 thousand) and relates mainly to long-term loans, short-term use of overdraft facilities, notes payable and factoring. Interest income amounted to €86 thousand (prev. year: €131 thousand). Net finance cost also includes income of €57 thousand (prev. year: €227 thousand) attributable to the 45% interest held in the French Montesquieu Group.

9. Taxes on income

This item is composed of the following:

	2009 € '000	2008 € '000
Current tax expense	50	128
Deferred tax expense/income	(595)	(496)
Total income tax expense	**(545)**	**(368)**

The following table outlines the reconciliation from expected income tax expense to current income tax expense:

	2009 € '000	2008 € '000
Consolidated result before income taxes	(4,403)	401
Applicable tax rate	31.23%	31.23%
Expected tax expense	(1,381)	127
Difference to foreign tax on income	0	47
Tax effect of non-deductible expenses	645	72
Tax effect of non-taxable income	(48)	(143)
Reversal of impairment losses for deferred tax assets	0	(566)
Tax effect attributable to utilisation of tax loss carryforwards not previously recognised	(9)	(111)
Tax effect of loss carryforwards for which no deferred tax assets were recognised in the current period	177	61
Taxes attributable to other periods	71	145
Current tax expense	**(545)**	**(368)**
Current tax rate	**0**	**55.3**

The domestic tax rate includes German trade tax with 15,4% computed on the basis of a "Hebesatz" (a municipalpercentage 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.

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)

- Michael Dehler, Dipl.-Betriebswirt, 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 receive variable compensation which is calculated on the basis of 0.25% of consolidated net profit (before payment of the variable compensation component); the maximum amount is €10 thousand. Variable compensation amounted to €0 thousand in 2009 (prev. year: €2 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
H. Brinkhaus GmbH & Co., Warendorf; Member of the Advisory Board
Sorbion AG, Ostbevern; Chairman of the Supervisory Board

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

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

Management Board compensation totalled €368 thousand (prev. year: €365 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 2009 financial year amounted to €368 thousand; there was no variable-component compensation in the year under review. In December 2009, a new contract for the incumbent Management Board member was concluded for a further period of five years; the majority of the contractual terms and conditions remained unchanged. Within this context, however, the new contract was adapted in accordance the provisions set out in the Act on the Appropriateness of Management Board Compensation (VorstAG) and is thus compliant with current statutory requirements. The current Management Board contract includes provisions relating to a basic salary, in addition to provisions outlining short-term and long-term variable components of compensation.

In a notification to **UNITED**LABELS AG, dated 31 October 2005 and published by the company, Mr. Peter Boder disclosed the following details with regard to his shareholding: "I hereby notify the company of the fact that, at this date, I hold 2,630,000 shares in United Labels AG." The company has not been notified of any changes since this date. No notifications of changes have been received since that date.
Determined on the basis of IAS 19 requirements, an amount of €105 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 €937 thousand.

As from the age of 65, Mr. Peter Boder is entitled to a monthly old-age pension of €17,500.00 and an invalidity pension in the same amount (as from 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:

	2009	2008
Salaried staff	120	128
School-leaver trainees	5	8
	125	**136**

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/dcgk.

4. Employee share option plan

As at 31 December 2009, 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 €95 thousand (prev. year: €80 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 2009, the amount received was €80 thousand (prev. year: €79 thousand).
Ms. Alexa Boder acts on behalf of the Company with regard to legal issues (management of outstanding receivables); in 2009 she received €1 thousand for legal services rendered (prev. year: €1 thousand). Billings within this area are based on BRAGO (German statutory code regulating lawyers' fees). There are no separate agreements as regards fees.
In 2008, a loan of €1,218 thousand, in the form of a conversion of receivables, was granted to Embassy SAS, Roubaix, France, a subsidiary of Montesquieu Finances SAS, in which the Company holds an ownership interest of 45%. The loan is extinguished on a regular monthly basis. At the reporting date, the loan amounted to €954 thousand. Additionally, a bank guarantee was provided for Montesquieu Finances SAS in 2008, in an amount equivalent to €1,156 thousand, for the purpose of securing a bank loan granted to Montesquieu Finances SAS, which is extinguishable at two dates, July 2009 and July 2010, in instalments of equal amounts. Upon receipt of a payment in July 2009, the scale of this bank guarantee was reduced to €533 thousand. In 2009 Embassy guaranteed loan to **UNITED**LABELS of €576 thousand until the end of 30 September 2009. **UNITED**LABELS AG and **UNITED**LABELS France SAS maintain normal supply relations with Embassy SAS. As the goods supplied to Embassy SAS 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 €4,124 thousand in total (prev. year: €4,293 thousand), while current receivables stood at €3,411 thousand (prev. year: €2,042 thousand). These amounts are eliminated as part of the consolidation process.

7. Events after the reporting date

No significant events were recorded after the reporting date.

Münster, 19 March 2010
UNITEDLABELS Aktiengesellschaft
Management Board

Peter Boder

Responsibility Statement by Management

To the best of my knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group 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 for the remaining months of the financial year.

Münster, 19. März 2010
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 statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, together with the combined management report and Group management report for the financial year from 1 January to 31 December 2009. 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, 22 March 2010
PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Peter Weiler)
German Public Accountant

(ppa. Dietrich Schollmeyer)
German Public Accountant

SEPERATE FINANCIAL STATEMENTS OF UNITED LABELS AG

UNITEDLABELS Aktiengesellschaft, Münster

Income Statement for the period
from 1 January to 31 December 2009

	2009 €	2008 €
1. Sales revenues	23,372,504.76	23,596,374.20
2. Cost of purchased goods	17,869,853.77	15,329,956.26
3. Amortisation of usufructuary rights	2,337,399.85	3,093,746.64
	3,165,251.14	**5,172,671.30**
4. Other operating income	1,190,242.29	2,575,279.22
5. Staff costs		
a) Wages and salaries	3,150,086.16	3,052,579.92
b) Social security, post-employment and other employee benefit costs	556,502.44	620,683.10
– 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	1,692,683.09	561,132.46
7. Other operating expenses	3,168,937.63	3,185,329.86
	(4,212,715.89)	**328,225.18**
8. Income from investments	277,765.67	21,757.00
– of which from affiliated companies: € 21,757.00 (prev. year: €0.00)		
9. Other interest and similar income	237,216.24	344,217.58
– 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	1,700,000.00	773,387.37
11. Interest and other expenses	232,690.10	296,461.28
12. Result from ordinary activities	**(5,630,424.08)**	**(375.648,89)**
13. Reimbursed taxes on income	54.00	1,655.60
14. Other taxes	13,482.97	14,259.94
15. Net loss for the period	**5,643,853.05**	**388,253.23**
16. Unappropriated retained earnings brought forward from the previous year	483,486.32	1,622,575.48
17. Allocation of capital reserves	5,190,396.08	0
18. Allocation revenue reserves (prev. year: withdrawals from revenue reserves; reserves for treasury shares)	(30,029.35)	79,924.27
19. Unappropriated surplus	**0.00**	**1,314,246.52**

UNITEDLABELS Aktiengesellschaft, Münster
Balance Sheet as at 31 December 2009

ASSETS	31.12.2009 €	31.12.2008 €
A. Non-current assets		
I. Intangible assets		
1. Concessions, industrial and similar rights and assets, as well as licences in such rights and assets	2,333,035.58	2,644,961.97
2. Goodwill	0.00	1,360,871.82
	2,333,035.58	**4,005,833.79**
II. Property, plant and equipment		
1. Land, land rights and buildings, including buildings on third-party land	4,778,786.74	4,959,428.34
2. Technical equipment and machinery	31,408.87	38,709.29
3. Other equipment, operating and office equipment	450,477.73	504,742.97
4. Prepayments and assets under construction	10,000.00	10,000.00
	5,270,673.34	**5,512,880.60**
III. Long-term financial assets		
1. Investments in affiliated companies	7,643,119.43	7,643,119.43
2. Loans to affiliated companies	2,424,205.69	4,292,734.50
3. Other long-term equity investments	550,000.00	450,000.00
	10,617,325.12	12,385,853.93
	18,221,034.04	**21,904,568.32**
B. Current assets		
I. Inventories		
1. Finished goods and merchandise	3,907,454.51	5,967,706.71
2. Prepayments	8,213.26	64,922.85
	3,915,667.77	**6,032,629.56**
II. Receivables and other assets		
1. Trade receivables	3,848,701.11	4,472,565.04
2. Receivables from affiliated companies	3,154,319.00	1,867,541.08
3. Receivables from other long-term investees and investors	566,540.00	0.00
4. Other current assets of which with remaining term of more than one year: € 627.141,66; prev. year: € 494.568,57)	1,216,178.33	2,285,424.83
	8,785,738.44	**8,625,530.95**
III. Securities		
Treasury shares	113,649.54	83,620.19
IV. Cash, bank deposits, cheques	**2,503,190.17**	**4,190,906.38**
	15,318,245.92	**18,932,687.08**
C. Prepaid expenses		
I. Prepaid expenses	**183,674.33**	**189,852.38**
of which discounts: € 123,008.36 (prev. year: € 133,505.60)		
Assets, total	**33,722,954.29**	**41,027,107.78**

UNITEDLABELS Aktiengesellschaft, Münster
Balance Sheet as at 31 December 2009

EQUITY AND LIABILITIES	31.12.2009 €	31.12.2008 €
A. Equity		
I. Issued capital	**4,200,000.00**	**4,200,000.00**
II. Capital reserves	**19,241,162.21**	**24,431,558.29**
III. Revenue reserves		
1. Reserves for treasury shares	113,649.54	83,620.19
2. Other revenue reserves	250,000.00	250,000.00
IV. Unappropriated surplus	**0.00**	**1,314,246.52**
	23,804,811.75	**30,279,425.00**
B. Provisions		
1. Provisions for pensions and similar obligations	618,636.00	565,028.00
2. Provisions for taxes	0.00	23,000.00
3. Other provisions	1,677,718.43	1,601,868.56
	2,296,354.43	**2,189,896.56**
C. Liabilities		
1. Payables to banks	3,751,747.97	4,741,076.38
of which with remaining term of up to one year: €774,855.97 (prev. year: €989,328.41)		
2. Trade payables	2,759,058.06	3,316,034.38
of which with remaining term of up to one year: €2,471,013.58 (prev. year: €-2,876,034.38)		
3. Other liabilities	1,110,982.08	500,675.46
of which attributable to taxes: € 213,476.38 (prev. year: € 487,501.53) of which with remaining term of up to one year: € 1,110,983.08 (prev. year: € 500,675.46)		
	7,621,788.11	**8,557,786.22**
Total equity and liabilities	**33,722,954.29**	**41,027,107.78**

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 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 Boder has been Chairman of the Management Board of **UNITED**LABELS AG since April 2000.

Management

Pilar Arroyo
Head of
Sales Southern Europe

Stephan Vitz
Head of
Sales Northern Europe

Holger Sissingh
Head of
Administration

Holger Pentz
Head of Finance
and Human Resources

Frank Zollner
Business Manager
House of Trends

Jason Kam
General Manager
UL Hongkong

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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)

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**

2009
- Opening of first **airport store** in **Dusseldorf**
- Expansion oft the **eastern european market**

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